



Better Together

2023 Integrated Report



**BBS
Bank**



Better Together

We have always been *Better Together*. This is the theme for our inaugural Integrated Report.

Together, we have always transformed our pain points into opportunities, created mutually beneficial experiences and built on successes to create a sustainable business.

Therefore, the bedrock of the bank's success is the symbiotic relationship it has with its diverse stakeholders. Even, in our new world of commercial banking, prospects of success and ultimately becoming profitable, are inevitable if we continue working together.

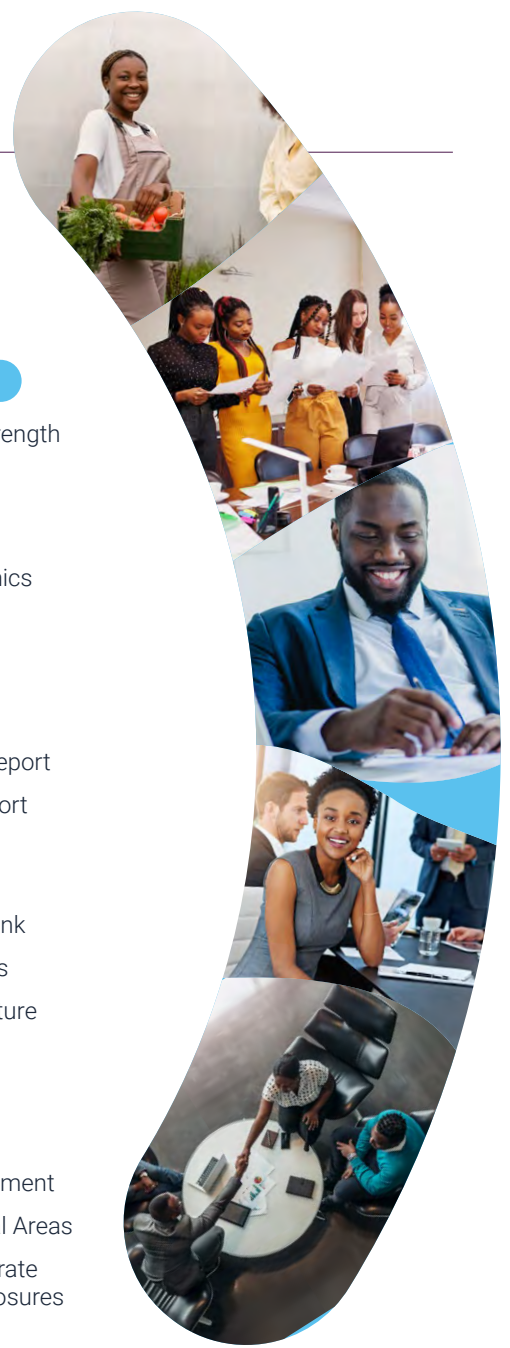


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**BBS
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Table of Contents



Statistically Speaking

- 3 Performance Highlights
- 4 Financial Graphs
- 5 Five-Year Trend
- 6 Value Added Statement

Welcome To Our Integrated Report

- 7 Forward Looking Statements
- 7 Vetting And Approval Of The Integrated Report
- 7 Our Commitment To Responsible Banking And Sustainability

BBS Bank At A Glance

- 8 Overview of the Bank
- 9 Our 53 Year Legacy
- 10 Our Reason For Being
- 10 Our Brand
- 11 Who Are We For?
- 12 How Do We Serve You?
- 13 What We Offer

Stakeholder Engagement

- 14 Stakeholder Engagement

BBS Bank's Approach To Materiality

- 15 BBS Bank's Approach To Materiality

Our Regulatory Universe

- 15 Our Regulatory Universe

Our Lodestar

- 16 Pilediwa Corporate Strategy

Human Resources Report

- 17 Our Human Capital Strength
- 18 Our Philosophy
- 19 Leadership Capability
- 20 Workforce Demographics

Leadership Insight

- 22 From the Leadership
- 26 Managing Director's Report
- 28 Head of Finance's Report

Governance Report

- 33 Governance at BBS Bank
- 34 Key Board Focus Areas
- 35 Our Governance Structure
- 37 Our Board Members
- 40 Board Committees
- 43 Board Leadership
- 45 Our Executive Management
- 49 Governance Functional Areas
- 50 King IV Code of Corporate Governance and Disclosures

Risk Management Report

- 54 Risk Management Report

Annual Financial Statements

- 60 Financial Statements

Shareholder Information

- 156 Notice of Annual General Meeting (AGM)

Feedback

A hard copy of this report is available on request or may be downloaded from our website at www.bbs.co.bw/publications

We are also keen to make continuous improvements to this report and would like to hear from you. Please send us your comments at bbs@bbs.co.bw

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Join BBS Bank and see how far we will go with you.

Statistically speaking

A quick look at some of the key figures on how we performed in 2023.

Highlights of Financial Performance

Loans & Advances to customers



Customer deposits



Total Assets



Loss before taxation



Interest income



Non Interest Income



Interest expense



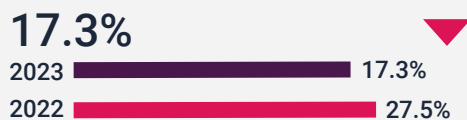
Operating expenses



Operating Income



Capital Adequacy Ratio



Liquid Asset Ratio



Cost to Income Ratio



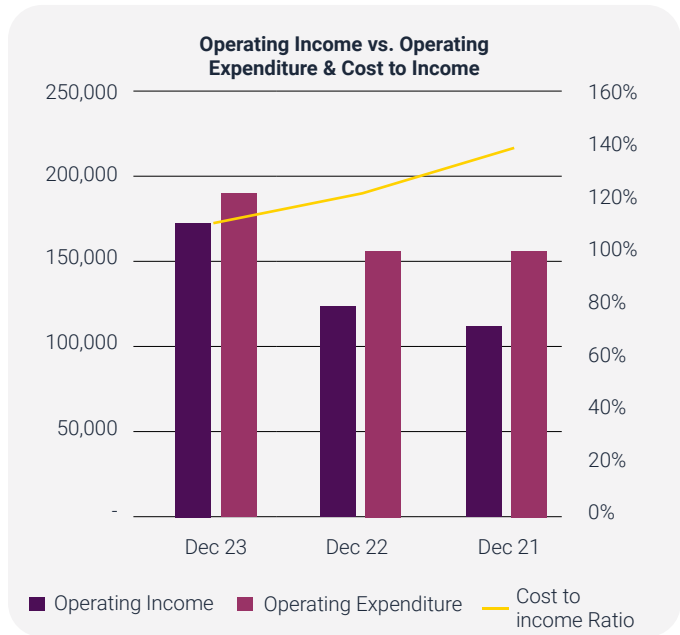
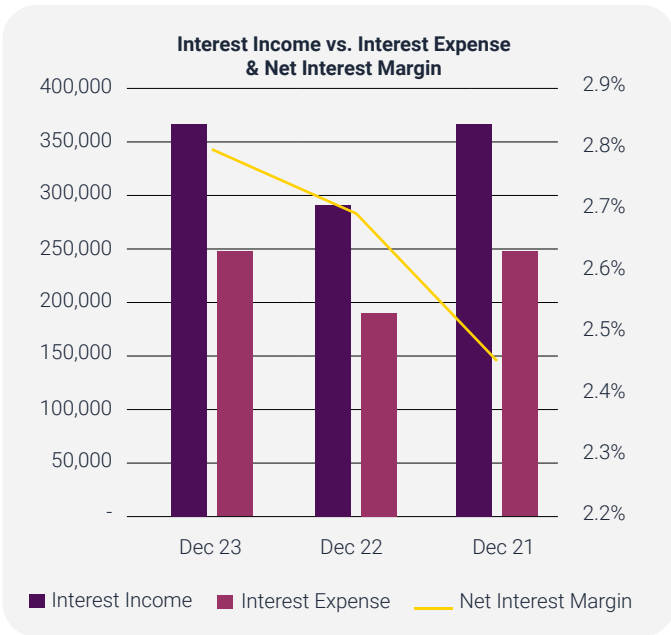
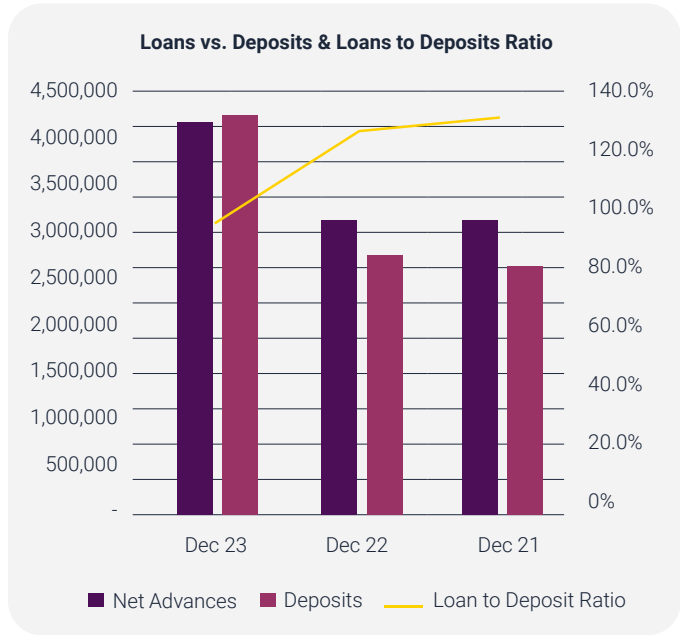
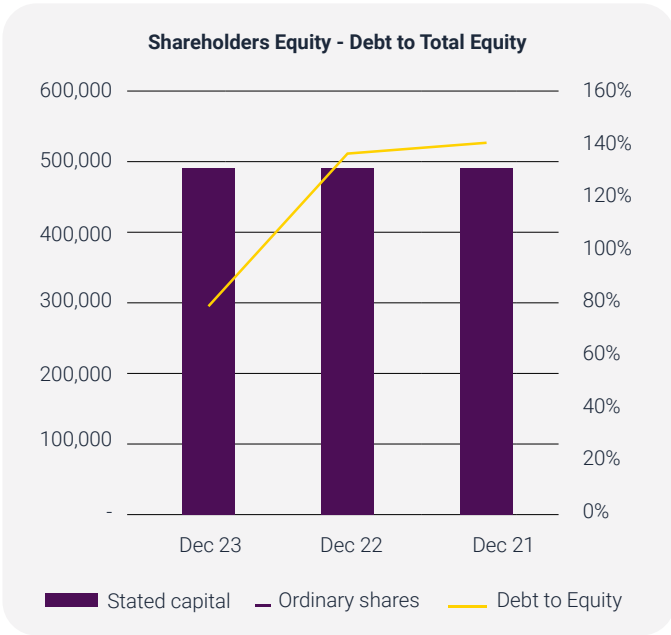
Loans to Deposit Ratio





Financial Graphs

(In Pula Thousand)



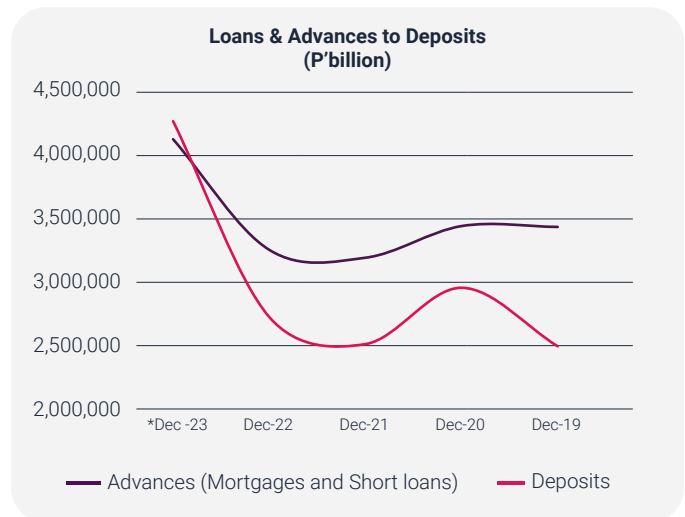
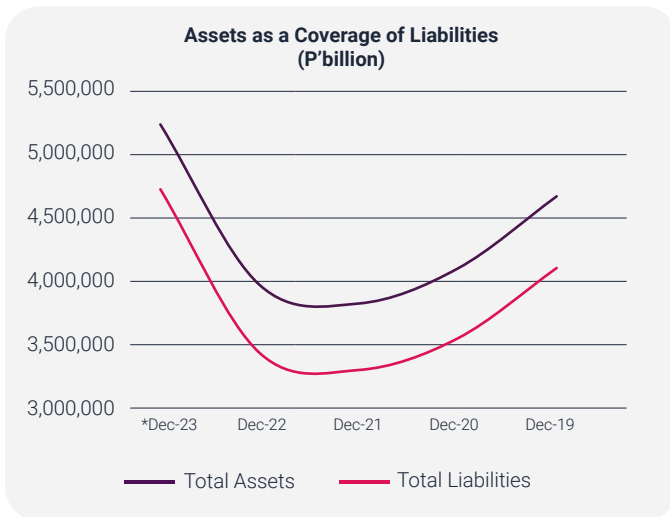
Five-Year Trend

Analysis of Amounts (P'000)	*Dec 2023	*Dec 2022	Dec 2021	Dec 2020	Dec 2019
Deposits (Ordinary, Special Savings, Letsibogo, Tlamelo, Lerako. Including Paid Up Savings, Subscription Savings And Indefinite Savings For The Period Beginning 31 Dec 2019)	1,274,147	1,278,486	970,566	1,012,918	975,813
Fixed Deposits	2,936,936	1,439,260	1,094,396	1,047,744	1,546,431
All Classes Of Shares	487,453	487,453	487,453	487,453	487,453
Analysis of Account Holdings					
Number Of Mortgage Bond Holders	4,879	5,009	5,086	4,398	5,632
Number Of Short-Term Loan Account Holders	4,724	4,318	4,261	5,511	7,195
Number Of Unsecured Loan Account Holders	1,710	-	-	-	-
Number Of Paid Up Savings Account Holders	44,211	44,659	45,201	45,978	46,033
Number Of Subscription Savings Account Holders	8,654	8,195	7,625	7,468	5,848
Number Of Fixed-Deposit Account Holders	422	454	362	141	114
Number Of Savings Account Holders	69,799	67,100	68,707	68,055	125,180
	134,399	129,735	131,242	131,551	190,002
Analysis of Amounts (P'000)					
Loss for the Year	(21,348)	(21,900)	(25,347)	(14,652)	(35,761)
Earnings per share (Thebe)	(4.4)	(4.5)	(5.2)	(3.0)	(7.3)
Dividend per Share	-	-	-	-	-
Net Loans & Advances (Mortgages & Short Loans)	4,071,336	3,240,794	3,165,895	3,407,892	3,401,231
Customer Deposits	4,211,083	2,717,746	2,511,064	2,940,740	2,494,450
Total Assets	5,161,250	3,967,942	3,828,712	4,088,646	4,626,476
Total Liabilities	4,677,181	3,462,533	3,334,682	3,569,269	4,092,447

* BBS Insurance Agency Limited, a subsidiary of BBS Bank Limited, began its operations in June 2022. As a result, December 2023 and December 2022 periods reflect the consolidated position.



Five-Year Trend Highlights



* BBS Insurance Agency Limited, a subsidiary of BBS Bank Limited, began its operations in June 2022. As a result, December 2023 and December 2022 periods reflect the consolidated position.

Value Added Statement

Value added statement	31-Dec-23 P'000	*31-Dec-22 P'000
Income from lending and banking activities	415,539	310,570
Cost of services	(248,696)	(186,896)
Value created by operations	166,843	123,674
Non-operating income	5,327	5,410
Operating expenditure excluding staff costs and depreciation	(81,244)	(62,526)
	90,926	66,558
Value distributed		
Employees - Salaries and benefits	101,121	82,560
	101,121	82,560
Value retained		
Retained income	(21,348)	(21,900)
Depreciation & Amortisation	12,522	12,560
	(8,826)	(9,340)
Total Value Distributed And Retained	92,295	73,220

* Restated



Welcome to our Integrated Report.

This is the first iteration of the Integrated Report of **BBS Bank**, covering the period up to December 2023. Any material events after this date and up to the Board approval date have also been included and cover matters such as board changes and post balance sheet events. Within this report, stakeholders will find detailed information on the group's performance throughout the year, our strategic initiatives aimed at enhancing the bank's prosperity, our commitment of how we intend to deliver value in the local banking landscape, engagements with key stakeholders, improving customer experience as well as an overview of products and services introduced during the reporting period, among other pertinent topics.

The report is available on our website (www.bbs.co.bw) and on the X-News platform of the Botswana Stock Exchange Limited (BSE) as our shares are registered on the Serala Over the Counter platform.

Forward looking statements

This report includes forward-looking statements regarding the Group's financial position, results, strategy, operations, and businesses. These statements are subject to risks and uncertainties as they are based on events and conditions that are expected to occur in the future. Various factors could result in actual results or developments differing significantly from those suggested or implied by these forward-looking statements.

Vetting and approval of the Integrated Report

As the **BBS Bank** Board of Directors, we are satisfied that the **Integrated Report** has been subjected to the necessary checks and approval processes with the Management team involved in each step. The Directors confirm that to the best of their knowledge, all disclosures required by section 215 of the Companies Act have been made and/or complied with.

I.L. Maseng

K. Moloji

S. Lenong

G.M. Bakwena

P. Tafa

V.B. Mogano

D. Kalyanaraman

V. Ramalepa

Our commitment to responsible banking and sustainability

Like any other responsible corporate citizen, BBS Bank is committed to meeting the objectives, standards and benchmarks that are intended to make the world a better place to live in for current and future generations. These frameworks include the United Nations Principles for Responsible Banking and the Sustainable Development Goals (SDGs), amongst others. The bank will do this over the coming months by incorporating the principles into our new product offerings, services and social programs that help its various stakeholders in a constructive and sustainable way.

Phenomena such as poverty, wars, extreme weather patterns, violence especially against women and children, global warming and deforestation can be reversed. BBS Bank stands committed over the long term to play its part.

We are confident that as the bank executes its transformation objective, our performance against global measures such as Social Development Goals will become clear in subsequent Integrated Reports.



BBS Bank at a glance.

Overview of the bank

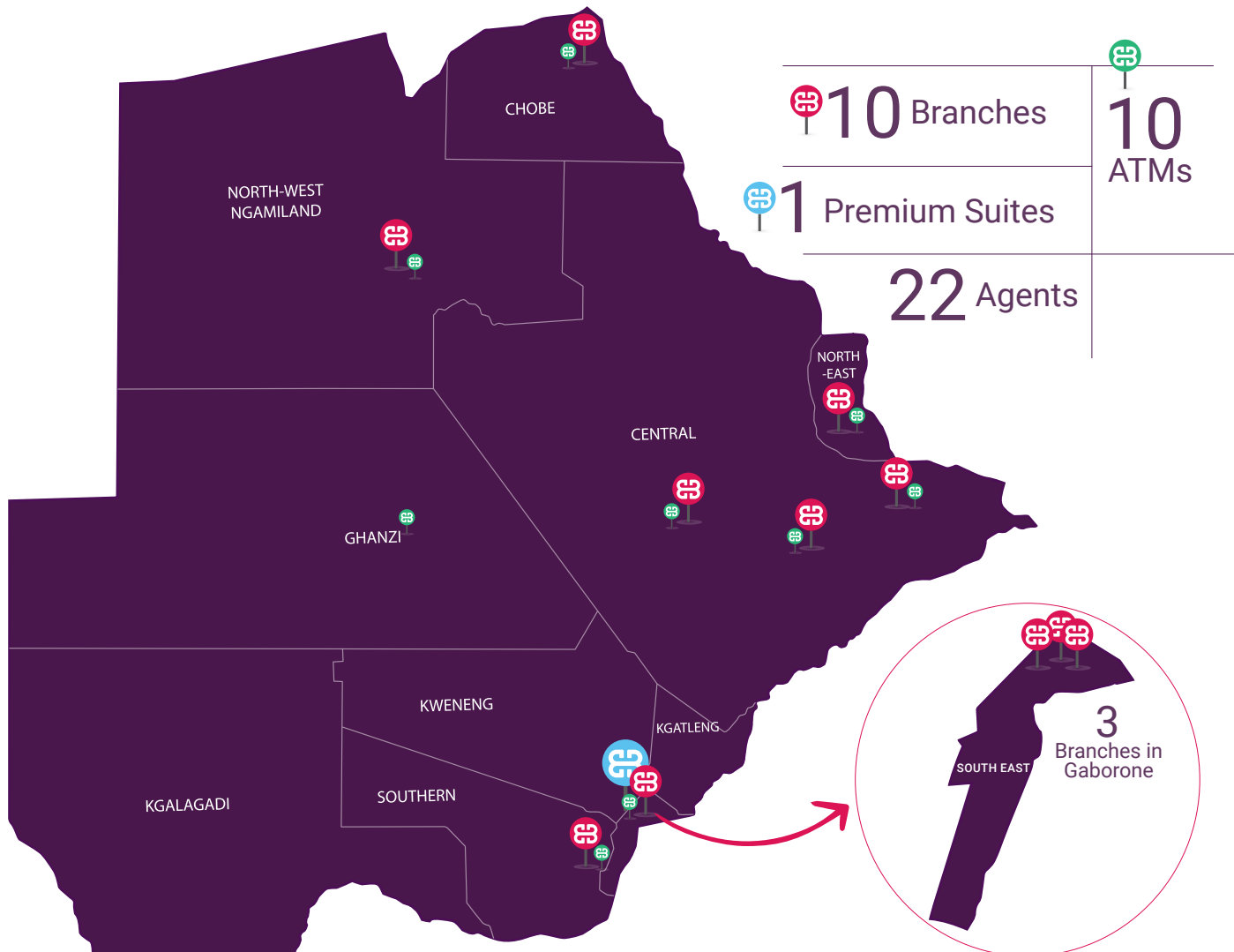
Even though BBS Bank is Botswana's most recently licensed commercial bank, it has been operating in the country since 1970 first as United Building Society, which operated as a Branch in the Gaborone Main Mall. It converted to Botswana Building Society in December 1976 followed by BBS Limited in 2017, but still carrying out the business of a building society, this time to apply for a commercial banking licence as a building society could not do so in terms of the legislation.

Although the then building society started by offering mortgages in urban areas only, in 1986 the Building Societies Act was amended to enable it to lend for property development in rural areas, and in this way, we were able to touch the lives of Botswana in many ways, by providing a roof over their heads, small scale investment and savings products were also offered to customers.

Over the years, the then building society expanded its network by opening more Branches in Gaborone, Lobatse, Serowe, Palapye, Selibe Phikwe, Francistown, Maun and Kasane. This is part of the infrastructure that the bank inherited. In subsequent years, it rolled out automated teller machines across the country which are VISA enabled. Its other platforms, which include the recently revamped Nomad digital banking solution, are linked to the local and international interbank clearing systems.

The bank has since also established an insurance agency, BBS Insurance Agency Limited which enables the bank to be a "one-stop shop" for insurance solutions to its customers.

The bank is actively looking for ways to expand its footprint, to enhance accessibility and service coverage.



Our enduring 53-year legacy is unique

It is always heart-warming to hear stories from people, and some reading this report will relate, on how their grandparents, parents, siblings, other close relatives, or themselves, acquired their first property through the assistance of BBS Bank or its predecessor entities. We have been empowering Batswana and businesses through property loans as well as investment and savings products for 53 years. The positive impact of this legacy on the lives of our people speaks for itself.

This is particularly so because from 1986 while still a building society, we were the first financial institution to help Batswana invest in home ownership not only in the cities and towns but their villages too. The properties have not only given the families dignity by providing them with shelter, but some have leveraged on their value appreciation to invest in various ventures, including education and welfare their children.

Therefore, we have been part of Botswana's development for over half a century, and we will continue to be so for many years to come, now as BBS Bank, through a broader catalogue of products and services.





Our reason for being here

"Banks need to move further into the daily lives of customers, providing assistance before, during and after financial transactions": This was the collective voice of BBS Bank customers and other stakeholders when we took soundings on the type of bank they wanted for Botswana.

The view helped define BBS Bank's reason for existing which is *"to create an inclusive, sustainable wealth by empowering individuals and communities through products that are affordable and easily accessible."*

The offerings will give our customers greater freedom and control over their lives. This is what we call "Shared Ownership". It is BBS Bank's fundamental belief and disruptive ideology for our existence, where we play a role in the empowerment of our stakeholders as they do in ours. We adhere to this principle guided by key success markers, namely, to be:

- Unique
- Competitive
- Authentic, and
- Future-fit.

Our Mission is

Together, nurturing wealth for a prosperous tomorrow.

Our Vision is

To be the leader in the provision of financial services solutions in Botswana.

BBS Bank is a brand dedicated to nurturing enduring relationships with its customers and stakeholders, pioneering business engagement, fostering confidence in its offerings, motivating its employees - the "Purple Team," and promoting advocacy and dialogue with stakeholders, among other initiatives.

Therefore, our reason for existing is to serve our diverse customer base to the very best of our ability, challenging the status quo and co-creating products and services with them because we are an integral part of Botswana. We are a bank that is focused on creating sustainable wealth for all.



Our brand

Our distinct primary corporate colour – Purple, makes BBS Bank unique in the local banking sector. Purple is inspirational because it symbolises, amongst others, wealth and prosperity.

We are empowered by a two-tier level of corporate values. Our external values—Botho, Inclusivity, and Collaboration—are supported by our internal values: Respect, Integrity, Innovation, Service Excellence, and Teamwork.

When we interact with you, you will also experience the joy of a knowledgeable, authentic, approachable and witty personality.

Our brand promise *"How far can you go?"* is our commitment to co-create products and solutions with our ecosystem of users and partners that fit their lives and circumstances for an unrivalled customer experience. We are a brand that evolves and adapts to our customers' changing needs because we know that life is dynamic.

The "Purple Bank" is striving to be an iconic national brand which everyone will be proud to wear on their sleeves.

Who are we for?

BBS Bank is for people with contrasting lives but are united by a “growth” mindset. A growth mindset is one that is optimistic, proactive, takes charge, owns its destiny and desires abundance.

We are for ageless consumers, that is, those who are not defined by their age in the sense that they no longer conform to stereotypes of “old” and “young”. This demographic is growing by leaps and bounds and we are here to serve it. In this regard, we have a mix of customers from all walks of life and age groupings. We are confident that we will grow and diversify our customer base through our products and services. Some of them will be co-created to cater for specific customer needs and segments.

We are for every Motswana, every family and all communities. It does not matter whether you are what we call a “**young riser**”, that is, students, aspiring entrepreneurs or career starters looking for the best start in life; “**Warriors**”, that is, breadwinners, single parents, and SMMEs who want a bank that can provide them with the best solutions; “**Expanders**”, these are young families, thriving entrepreneurs, career climbers and farmers who desire the best upgrade in financial solutions; “**Top performers**” being established entrepreneurs, leaders and the financially well off; “**Survivors**” such as the elderly; and “**Mature settlers**” who include property owners, those looking to retire, community leaders and established farmers.



Warriors



Young Riser



Mature settlers



Expanders



Top Performers

BBS Bank is for people with contrasting lives but are united by a “growth mindset”.



How do we serve you?

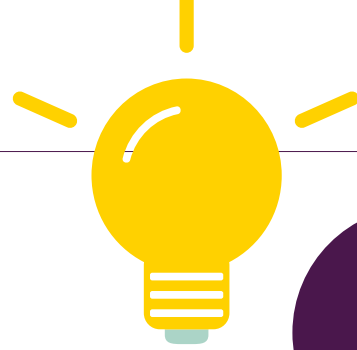
For decades, the BBS Bank Head Office was the central location for processing our core historical product, mortgage loans. We changed this approach in 2023 by decentralising the processing of mortgage loans to Branches. This was to be more efficient and accessible as some potential customers were possibly previously deterred by the thought of travelling to Gaborone to apply for mortgage loans when they could simply do so at their nearest Branch.

The bank also relaunched its enhanced Nomad Digital Banking platform in 2023 meaning that our customers can now bank online, including transacting with non-BBS Bank customers. This does not apply only to banking transactions but to purchasing services such as water, electricity, airtime and DSTV. This transition to digital transactions means that once you have an account with us, you can bank with BBS Bank from anywhere, not just where we have physical locations. The strategic shift to digital banking also aligns with our new commitment to environmentally sustainable banking going forward.

The VISA capability ensures that BBS Bank customers can transact from anywhere in the globe, which was previously not possible because we were closed loop. Similarly, customers of other institutions can use our automated teller machines.

Consequently, our customer base extends beyond those who have formally signed up with us to encompass a broader spectrum of individuals who utilize financial services products.





What we offer

In order to make our Vision and Mission a reality, our range of products and services continued to expand in the last year. Therefore, you can bank or do business with us in multiple ways. Our portfolio of products has expanded beyond mortgage loans (retail and commercial) and savings products:

Mortgage Loans

BBS Bank continues to be the gold standard amongst commercial banks for mortgage loans whether in urban, semi-urban or rural areas. Our extensive reach throughout Botswana makes us the true bank of home ownership and aspiration. This is our specialty.

We have gone a step further by decentralising the mortgage loan application process from Head Office. So, you can now apply for your mortgage loan at any of our Branches.

Current Account

BBS Bank provides a current account, a fundamental tool for managing day-to-day transactions, and has become a part of the local and international clearing system. This marks a substantial leap forward for the bank, enabling both customers and non-customers to transact seamlessly with us, a capability previously unavailable.

Nomad Digital Banking Platform

The Nomad Digital Banking platform continues to grow, offering convenience and accessibility to our customers.

Ipechetse Unsecured Personal Loan Product

Launched in 2023, our unsecured loan product, Ipechetse, has achieved notable success, effectively meeting the financial needs of our customers. The product provides customers with funding of up to P700 000.00, to finance their dreams.



VISA Payment scheme Membership

As part of the VISA payment network, BBS Bank extends its reach as far as our customers' needs demand, ensuring seamless transactions worldwide.

Ntshegetsa Loan Product

BBS Bank's Ntshegetsa loan product is a reliable financial solution that remains popular among savers, allowing customers to enjoy secured loans against a portion of their savings.

Insurance Services

Through our subsidiary, BBS Insurance Agency Limited, we offer a range of insurance products such as homeowners insurance, credit life insurance, motor insurance and Maatla Funeral Plan, further enhancing our comprehensive financial offerings to customers.





Stakeholder engagement

Given the current performance of the bank, it is particularly important that we keep close contact with our stakeholders to update them on what is being done to make the bank profitable.

In 2023, our stakeholder engagement sessions targeted Government, shareholders, current and potential customers, regulators and with staff as the drivers of the business.

The bank developed a stakeholder engagement framework for 2024. Our stakeholders are diverse, each with specific needs to be met as outlined below. They include:



Customers



BBS Bank customers are the focal point of everything the bank does. Satisfied customers are the foundation for long-term growth and profitability.



Employees and their representatives

BBS Bank employees constitute a special stakeholder because their commitment, efforts, collective knowledge and performance are the basis for the bank's business and ability to create value for the bank's customers and thereby for its investors, shareholders and the community. The skills, expertise and engagement of BBS Bank employees are its greatest assets. The bank's aspiration is to make the BBS Bank the employer of choice to deliver best-in-class customer experience.



The media

BBS Bank is also in direct contact with stakeholders regarding its own business and areas in which it can offer special expertise through the media.



Shareholders, Investors and analysts

The support of shareholders and investors is the foundation for BBS Bank.



Regulators and authorities

BBS Bank is in direct contact with regulators and public authorities regarding its matters and areas in which it can offer special expertise.



Interest organisations, NGOs, opinion leaders and experts

Interest organisations are important stakeholders because of their role in society.



Business partners, financial industry associations, partnerships, suppliers and market participants

BBS Bank collaborates proactively with other financial and non-financial industry participants to provide shared solutions for its customers and the community at large.



Government Relations and politicians

As part of a highly regulated financial industry and as an important player in the societies in which it operates, it is vital to understand the needs and objectives for the Government and politicians.



Rating agencies

Rating agencies play a pivotal role in supporting its investors and counterparts and are therefore part of the foundation for its business.



General public

Since 1970, BBS Bank has helped its shareholders and customers in Botswana to realise their ambitions. It has now evolved from a building society to a commercial bank because of the support of its stakeholders.

The bank intends to heighten its engagement with various stakeholders in 2024. A plan for this purpose was developed and approved at the end of 2023.

BBS Bank’s approach to materiality

BBS Bank seeks to ensure that it creates value in the short, medium and long term. To meet this vital objective, it identified material matters, both financial and non-financial, that require close management especially as they have a bearing on the sustainability of our strategy. These material matters include macroeconomic risks, digitalisation/technological, human resources development, responsible financing, cyber security, legal/regulatory, including anti-money laundering measures and social issues.

Our approach to managing these material topics is through assigning responsibilities to heads of the relevant departments of the bank and ensuring that they have adequate resources to execute their tasks.

During the year under review, we put in place a plethora of policies to guide our relationships with various stakeholders and activities in a transparent and ethical way. These policies were duly adopted by the Board with regular review intervals set.

Internal and external auditing are carried out to ensure that internal controls, procedures, including those relating to grievances and whistleblowing, and policies are adhered to thus ensuring that the objectives of material topics identified are delivered upon.

Our regulatory universe

BBS Bank’s regulatory universe is diverse and ranges from legislation, local and international reporting standards, local and international standards of governance and indeed its internal governance framework comprising policies, procedures and regulations. BBS Bank ensures that all these are followed to the letter because any deviation could undermine its very existence.

Reporting frameworks applied	Integrated Report	Annual financial statements
International Integrated Reporting Framework	✓	
Banking Act of 1995 (Cap 46:04)	✓	✓
Companies Act of 2007, as amended (Cap 42:01)	✓	✓
Non-Bank Financial Institutions Regulatory Act of 2016 (Cap 46:08)	✓	✓
Financial Intelligence Act of 2022 (Cap 08:07)	✓	✓
Financial Reporting Act of 2020	✓	✓
Bank of Botswana Act of 2022	✓	✓
International Financial Reporting Standards (IFRS)		✓
Pula Code on Corporate Governance (Botswana)	✓	✓
King Code on Corporate Governance for South Africa, 2016 (King IV)	✓	✓
Corporate Governance Principles for Banks (Basel Committee on Banking Supervision)	✓	
Bank of Botswana Guidelines on Corporate Governance for Banks, 22 November 2022	✓	✓
Botswana Stock Exchange Draft Sustainability Disclosure Guidance	✓	✓



Our Iodestar Pilediwa Corporate Strategy

We cannot transform BBS Bank into the financial household name without proper strategic direction. That is why we developed a 5-year corporate strategy, spanning from 2023 to 2027, named **"Pilediwa"**. This name is derived from the Setswana proverb **"pilediwa e a lwelwa"**, meaning "to heed a call".






Pilediwa is a rallying call to all BBS Bank employees and stakeholders to come together to transform the bank into a successful indigenous commercial outfit.



The process to develop Pilediwa was all encompassing. It involved the Board, Management, including taking soundings from staff using various platforms.

BBS Bank also has the benefit of working with its technical partner Mauritius Commercial Bank (MCBC) in the areas of banking insights and skills transfer. We chose MCBC because it is part of a successful commercial banking group in Mauritius that offers us invaluable insights in banking consulting. We believe that these insights will distinguish us from the competition in the long term. Further, MCBC does not operate in our market which eliminates duplication of efforts and conflict of interest.

Pilediwa is premised on a few fundamental pillars that will lead us to the desired growth targets in 2027:

 Financial drivers	We are focused on renewing growth, interest and non-interest income, cost optimisation (cost of funding and maintaining a healthy cost to income ratio), diversification of the loan book as well as liquidity and capital optimisation.
 Risk and Compliance	BBS Bank is alert to issues that might undermine its business and strategic objectives. The threats for which processes are being strengthened include competitor actions, operational risk, financial risk, information technology risk, regulatory risk, people risk and reputational risk.
 Internal Processes	We speak at greater length in the later pages of this report on the tremendous work the bank did in 2023 to ensure that there is a robust risk management framework in place.
 Customers	The Pilediwa Strategy has an extensive value proposition for customers that we will be embedding until 2027. It includes expanding our products and services, distribution channels and customer service strategy that will ensure that we meet their expectations. While we want to have all our customers defined by a "growth mindset" rather than looking at them strictly through segments, we will nonetheless refine them to ensure a full understanding of our demographics.
 People and Talent	BBS Bank is developing an employee value proposition to attract and retain only the best employees. The value proposition will cover a sound rewards and recognition framework anchored on a versatile performance management system that values employee engagement. We are determined to have the right culture in BBS Bank to ensure optimal all-round performance.

BBS Bank is also firmly committed to advancing the principles and practices of sustainable development. The bank is developing a corporate sustainability strategy which will be an integral part of the Pilediwa corporate strategy.

The bank is confident that the Pilediwa Strategy will ensure that we outperform, outgrow and out-serve the competition.

Our human capital strength



The transition to commercial banking has taught us that the Purple Team is indeed the most important asset to the bank. We have had to strengthen our human resources so that it is fit for purpose.

In 2023, our Human Resources Department began re-engineering the human capital structure of the bank and supporting frameworks to ensure that it can support the new strategic direction of the bank. Therefore, the bank's human resources are vital in entrenching a mutually respectful, high-performance culture that will unlock value for our shareholders.



A fit for purpose pay philosophy

As part of the transformation, the people agenda is pivotal to the bank’s employee value proposition. The key principles governing the BBS Bank Remuneration Policy include:



The bank embraces the principle of performance-based rewards and recognizes that to achieve strategic objectives and remain competitive, the Remuneration Policy must be reviewed periodically.

In 2023, the bank participated in the annual Tsa Badiri Consultancy (Kornferry) remuneration survey, where a benchmark with other financial institutions and other companies in various industries was done. Tsa Badiri is a consultancy firm that provides human capital solutions to organisations including remuneration surveys utilizing the Hay pay system. The elements of pay and reward considered include cash benefits, staff benefits and incentives and reward mix.

Our participation in the remuneration survey was key to our talent attraction and retention policy, as retaining critical talent is vital to the company performance. Further, as a financial institution, the bank finds itself in a market where there is increasing competition between financial institutions for ‘top talent’ hence the need to retain key staff.

In 2023 due to the bank’s performance and challenges, no package adjustments were made for all staff, consideration will be made in 2024 subject to the bank’s performance. The remuneration key priority areas for the bank in 2024 will include:

- Review of the Remuneration Policy to align to the current market dynamics
- Participation in the annual remuneration survey
- Focus on the employee value proposition
- Alignment of the Bank’s employee pay where possible
- Ensuring that the performance management system is robust

Leadership capability

Succession plans for the Managing Director and Executive Member's which are critical for business continuity are in place, with an emphasis on identifying talent that could possibly succeed the Managing Director within stipulated time frames.

The attrition rate for the bank stood at 9% at the end of 2023 with the majority of exits due to the restructuring exercise that we embarked on during the year under review. The restructuring exercise was critical for the bank's transformation, giving the bank the opportunity to inject the right skills aligned to the Pilediwa strategy's "People Pillar". A total of P15.5 million was allocated for the restructuring exercise to cover costs related to retrenchment packages.

Employee engagement and change management

Due to the commercialisation of the bank, it was critical to ensure that all staff are on board the transformation journey. The bank ensured that staff engagement became core to its operations through the Managing Director's quarterly Branch visits and an annual Town Hall initiated. Such sessions allowed for staff and Management to be open and transparent with one another, ensuring that an inclusive culture is created.

An internal climate survey, through the Change Management Committee comprising employees at various levels, was also initiated to get a feel of the health of the bank. It also allowed for employee feedback and actions for both Management and staff to address. A total of 71% employees participated in the survey, with the results providing insights into major focus areas such as reward, leadership, communication, change management as well as learning and development, which are being addressed. The climate survey is an initiative that will be done on an annual basis, to ensure that issues are addressed.

As the bank's employees have diverse needs, the bank also saw it fit to contract ICAS Botswana to provide a comprehensive employee wellness programme for staff. With such an initiative, employees have access to psycho-social support, should they require such services.

Learning and development

It is crucial that during this period of transformation, employees are equipped with the necessary skills to ensure improved productivity and efficiencies. The bank embarked on the following training initiatives that are relevant to our new reality:

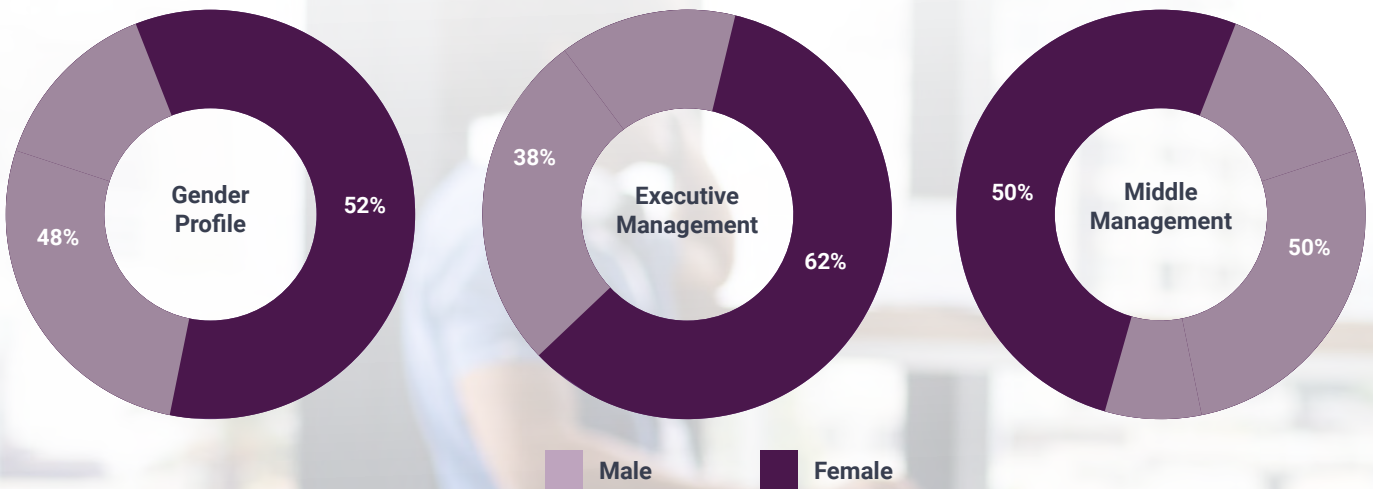
- Credit portfolio management
- Clearing and settlements system
- Fundamentals of sales
- Fundamentals of credit
- Bancassurance training
- Visa training
- Teller forex training for Tellers (treasury)
- Middle/back-office training (treasury)
- Telegraphic transfers training
- Anti money laundering and compliance awareness training
- Data analytics
- Fraud awareness training
- Current account set up training
- Cash management training
- Strategic Asset and Liability Management Masterclass
- Taxation for financial service providers





Workforce demographics

With regard to the bank's workforce, in 2023, there was a healthy balance in gender diversity, with seven (7) females in the Executive Committee and five (5) males. In terms of middle management, there were twenty-seven (27) females and twenty-seven (27) males. In terms of the total workforce, 52% comprised females and 48% males. Total staff compliment stood at 177 compared to 204 as at 31 December 2022. This reduction was primarily a result of staff departures through the staff rationalization program implemented during the year.



Our transition to commercial banking has affirmed our commitment not only to building long-term sustainable shareholder value through a talented work force but to how we are ready to embrace new ways of conducting business as the Purple Team.

We are enroute to being an employer of choice.





From the Leadership

BBS Bank Board Chairman insights

Dr. Vincent Bino Mogano, BBS Bank Board Chairman, shares his views on the progress the bank made in 2023, where the success markers are and what stakeholders, in particular shareholders, can expect in the future.

The Chairman's message is clear:



The story of BBS Bank is of progress. It is fortunate to have transformed when there are more market opportunities, exciting challenges, technological choices and diversity of talent.





We sat down with the Chairman and this is what he said:

1. How do you think the implementation of the BBS Bank strategy is going and why?

The implementation of the Pilediwa strategy is progressing well. This past year, the bank was laying the foundation that will henceforth be used as a springboard for migrating to the envisaged objects. Such include aligning to the operating model, sourcing optimal capital and funding needs as well as optimising costs.

2. From a Board perspective, what are some of the biggest challenges the bank has faced in the year under review?

Major challenges stem from previous operating losses that have resulted in adverse due diligence assessment outcomes. These losses were a consequence of the demutualisation process, including moving from the Building Societies Act to the Companies Act, which was necessary for the transformation. Nonetheless, the market tended to shy away from arranging placement and counterparty limits and this resulted in high premium funding from the market for us. Therefore, the cost of funding remains one of the challenges, for it renders most, if not all, BBS Bank banking products expensive.

3. Please share your thoughts on what the bank's threats and opportunities are.

Threats are numerous. As a newcomer, there are barriers to entry and the challenge of competing with banks that already enjoy economies of scale. It is also now apparent that strategic capital requirements are competing heavily with daily operational considerations. However, this is a resilient bank with plenty of valuable plans. We will turn the corner.

In terms of opportunities, being an indigenous bank, there is potential of deriving value from the loyalty of our clients as well as patriotism on the part of potential clients. The bank will rally behind the national Reset Agenda.

4. How are market changes and dynamics affecting the bank's strategy?

Legislative and regulatory changes are geared to providing an enabling environment for the financial sector, and to align it to international best practice. Typical examples are the Banking Act 2023 and Pula Code.

From the market side, the contemporary clientele base seems to be price sensitive requiring more innovation in terms of products and services as well as engaging in complex or exotic financial engineering funding models. This requires a dedicated investment banking team, something we will have to think about seriously as a new bank.

In terms of opportunities, being an indigenous bank, there is potential of deriving value from the loyalty of existing clients as well as patriotism on the part of potential clients.



5. What were the significant events, local and global, that had a material impact on the performance of the bank and how did it navigate them?

The Russia-Ukraine war increased the cost of living by affecting the fuel prices and the global supply chain. Even though in Botswana the National Petroleum Fund cushioned consumers from the shock of global fuel prices, consumers of financial services products including BBS Bank customers were impacted as some withdrew funds with increasing regularity to fund their everyday needs. Despite these global challenges, we continued to educate customers on the importance of saving.

Locally, the offshore investments have started to flow into the domestic economy. BBS Bank anticipates more funds to be invested locally and in the bank itself because of this policy change regarding pension fund asset allocation. Going forward the bank will improve its financial performance by improving its cost of funding, managing other costs and rolling out new products to bring in revenue and improve topline performance.

6. What are the Board's top priorities and why?

Upper most on our agenda is to restore the financial performance to profitability. This will ensure that the shareholder wallet is improved on a continuous basis.

We also aim to restructure the financial position to a healthy outlook. These two are key to ensuring that the bank is compliant and compatible with regulatory and prudential standards as set out by the Bank of Botswana from time to time.



Further, the Board seeks to provide effective and ethical leadership with the view to foster high performance and a collaborative corporate culture. The two are essential to providing a conducive environment for excellence.

The Board has again committed to reviewing the strategic intent of the bank every year end as it approves annual budgets. This is to ensure that BBS Bank can meet the demands of the ever changing financial and economic landscape.

7. What is your and the Board's view on the latest performance?

The latest performance has been good, operationally, for it provides a foundation which will ensure that subsequent years' financial performance is good.

8. What is BBS Bank's outlook, in your view?

The outlook for BBS Bank is optimistic as we anticipate a positive trend in shareholder value growth starting in 2024.

We greatly appreciate the patience and trust shown by our shareholders and other stakeholders since 2018 as they held onto their shares and supported the decisions of the Board and Management.

We understand the importance of accumulating reserves before considering the declaration of dividends. We estimate two years, depending on the annual profitability levels. We ask for continued support as we work towards achieving sustainable growth and moving into a more favourable financial position.

9. Views on key risks and how they were managed during the year, governance issues, including changes to the Board?

There have been a number of risks that the bank and the Board have had to contend with. A few key ones are:

- a. Liquidity risk: Successful roadshows were done by Management to ensure that the bank's liquidity position remains strong.
- b. Funding Market risk: The bank explored opportunities to strengthen tier two capital requirements.
- c. Strategy risk: : Some strategic initiatives were behind schedule, compromising the budgeted timing of revenue streams. However, great effort is being expended to normalise the situation.

10. How is the Board performing and why?

I am pleased to report that the Board performance, for the year 2022, was above average. Efforts were embarked upon to strengthen the technical abilities of the Board and in areas such as ethical leadership which is very critical to ensuring that we help BBS Bank to be the standard bearer of good conduct in the market. Failure to do so will have a deleterious effect on the brand and the bottom line of the bank.

We attended a corporate governance workshop by the SADC DFRC, a team building exercise and reflected on individual and group feedback arising from the previous Board performance evaluation exercise.

I am confident that Board assessments for 2023 will see a marked improvement, given the continuous training the bank is extending to the Board. I would also like to assure you that the demarcating line between the role of Board and that of Management is clear to all of us.

11. Acknowledgements

The BBS Board has done tremendous work in 2023, working cohesively and with the necessary urgency. I would like to pay tribute to all Directors, Management and staff for the support extended to us.

I would also like to thank my predecessor Mr. Bernard Mzizi who decided to allow for a transition in the board chairperson role before his retirement in January 2024. On behalf of the Board, I would like to thank him for his contribution to the continuing recovery of our business and to wish him well in his future endeavours.

During the year we were also joined by two highly qualified Board Members, Mr. Lehuka Maseng who is an information technology expert and Ms. Sejo Lenong whose core strength is finance. We look forward to their contributions to BBS Bank.

Thank you.

Dr. Vincent Bino Mogano
BBS Bank Board Chairman



Ntshegetsa Loan

This is a unique product available to those who already have savings accounts with us. It is a quick and easy loan that is secured against your savings. Actually, it can be processed while you wait!

**BBS
Bank**

www.bbs.co.bw



From the Managing Director



Ms. Pedzani Tafa
Managing Director

Greetings

In the history of every business, there are defining moments. The important thing in these moments is not how one reacts, but how well one has prepared for them. BBS Bank has been no exception when one looks at the milestones it is achieving in its present evolution. We certainly are prepared for them, and the green shoots are starting to emerge based on what we were able to do in the year under review and before.

The “Purple Bank” made significant progress in 2023 as I outline below. We have done so much and as a result, I am confident that BBS Bank will return to profitability sooner than expected.

Performance

It is no longer an excuse that we are Botswana’s youngest commercial bank or a late entrant into commercial banking. We will compete despite our performance for the year under review being less than stellar. However, there are encouraging signs as we outline in the financial section of this report.

Achievements

I am pleased to report that during the year under review, we implemented several key initiatives. For a start, the bank launched its corporate strategy Pilediwa whose essence we highlight in the earlier sections of this report. It is our guide to success.

We also introduced our brand which has been received positively by the market. Our primary colour, purple, is distinct and sets us apart from the competition. The colour denotes wisdom to serve the market well, garnered in significant part from our long history as a building society, and wealth which blends in well with our philosophy of “shared prosperity”: As we empower the bank and its shareholders, we will also do so for our customers and the communities we serve.

The bank has revamped its Nomad Digital Banking platform which enables our customers to bank from anywhere in the world, at any time. We believe that it is one of the best and most user-friendly digital banking platforms in the market. Further, we launched an unsecured loan product called “Ipechetse”. We are pleased to inform you that the performance of this product has exceeded our expectations. By the end of December 2023, we had surpassed our target for the year. Other developments included renaming and enhancing the product features of our short-term loan, Ntshegetsa. BBS Bank is also on the VISA card payment platform enabling its customers to use their cards globally. Non-BBS Bank customers can also transact on our automated teller machines, and a good number have started doing so.

Staff and desired corporate culture

An immediate reality for BBS Bank after being granted its licence was that it had a dearth of banking skills, a gap that needed to be closed urgently. We then embarked on a two-pronged approach: recruiting skilled personnel and allowing employees to leave the bank through a rationalisation exercise to enable further appropriate recruitments. I am pleased to report that the rationalisation exercise took place relatively smoothly and was concluded in December 2023.

Critical for Management is the issue of staff welfare, so that productivity is not impacted negatively. We instituted a robust change management process, which is still ongoing, to ensure that we manage staff concerns, expectations and other matters during the transition. This was coupled with availability of anonymous counselling services provided by an independent party, ICAS Botswana.

We have since also established a Sports Committee to contribute towards matters of staff welfare and cohesion. The Sports Committee initiative has been received very positively indeed by staff.

BBS Bank implemented a new organisational structure which is in line with its strategic direction. To support both the strategy and the implementation of the organisational structure, Management has stepped-up levels of communication and engagement. For instance, during each quarter of the year under review, I visited all our operations to ensure that everyone’s eyes remained on the ball.

For the first time in our organisation’s history, we convened our inaugural “town hall” in Gaborone, bringing together all BBS Bank employees from across the country in one location. Discussions centred on implementing our strategy, addressing pain points, fostering trust and respect internally and externally, and establishing safe spaces for engagement among other topics.

BBS Bank is building a corporate culture that is inclusive, collaborative and progressive. Where views are not seen as criticism but as part of constructive engagement. We have done much in 2023 to move us towards this primary goal. There is a genuine all-round desire by the Purple Team to contribute to the success of the bank, with a remarkable amount of personal time also sacrificed in the process.

Therefore, I would like to thank BBS Bank employees both for their commitment to the bank and support during the year under review, which, under any other circumstances, would have overwhelmed many.

Protecting the bank

It was also critical that we review our risk management framework to ensure that it is fit for purpose to withstand the rigours of commercial banking. To that end, we developed an integrated risk management framework plus policies which I am confident will ensure that we operate a robust bank with the necessary checks and balances.

In addition to existing and emerging risks, a key risk we are alive to, is that of cyber security as the institution rolls out new products and services. It is critical that we should strengthen the cybersecurity operating environment. The bank is also mindful of the ever changing and complex regulatory environment which it is keeping pace with.

Innovation

The bank now also has an Innovation Committee comprising middle management employees and below. Its task is to come up with cutting edge products and services as well to review existing ones and make them fit for the ever-changing market. No idea is too big or small for consideration. Sometimes even the largest companies depend on a small outcome to determine their future like the success of one idea.

We expect to roll out some of the committee’s initiatives that have passed the test as we move forward.

Corporate Social Responsibility

Although we have had financial limitations in the last few years and in the year under review which made it impossible for us to support community initiatives, the bank has not lost sight of the importance of doing so. So, we have now created a Corporate Social Responsibility Committee which will be driving various, for the time being non-financial, initiatives beginning in 2024. We know that the social responsibility activities we make will not only help uplift relevant members of our society but also create long-term economic sustainability for the bank through the goodwill created, some of which will translate into uptake of products and services.

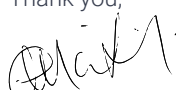
Appreciation

Our Board of Directors was very supportive during the year under review and added a new sense of urgency to turn the bank around. In addition, they have also been keen to share ideas which we have embraced. On behalf of Management and Staff, I am grateful for their support.

I would also like to express my appreciation to shareholders for their support at different junctures in time and continued forbearance as we advance the interests of the bank. Indeed, we are “Better Together”.

Way forward

The pace towards transforming BBS Bank will continue in earnest in 2024. Brilliant ideas and collaboration such as on products, are unfolding far from the spotlight of public attention. These are already setting in motion incremental improvements in the bank which will ensure profitability.

Thank you,


Pedzani Tafa
 Managing Director



Head of Finance's Report



Local economic conditions

Data released by Statistics Botswana in December 2023 indicate that the domestic economy averaged 3.0 percent during the first three (3) quarters of 2023, compared to an average of 5.5 percent realised over the same period in 2022. The domestic economy was estimated to grow at 3.2 percent in 2023, further revised downwards from the 3.6 percent that was earlier estimated for the year. This trajectory was largely reflective of the performance of the diamond mining sector especially from the third quarter of 2023. Growth is expected to reach 4.0 percent growth in 2024.

Financial Performance

The Pilediwa strategy implemented during the year placed a strong emphasis on creating banking capabilities and introducing innovative banking products and services. The impact of this transformation, along with various market challenges faced during the year, is reflected in the financial performance results for 2023.

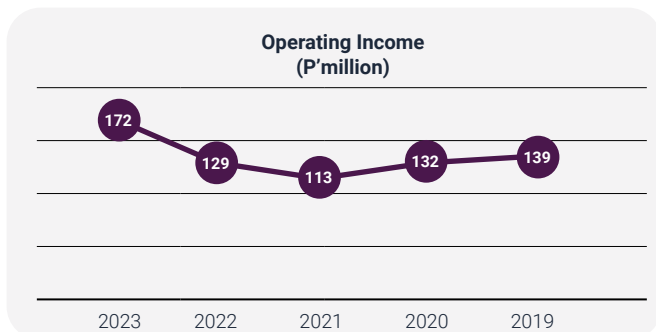
Loss before taxation

P28.2 million  31%

(2022: P21.6 million)

The Group recorded a loss before taxation of P28.2 million, compared to a restated loss of P21.6 million for the year ended 31 December 2022. Despite not achieving profitability yet, the Board of Directors and Management express confidence in the business' sustainability and its potential for growth.

Operating Income



At the end of the year, several key transformation initiatives were still ongoing, presenting challenges for the bank to meet its strategic performance targets. However, the Group realised an increase in operating income of 33%, reaching P172.2 million compared to the restated figure of P129.1 million for the year ended 31 December 2022.

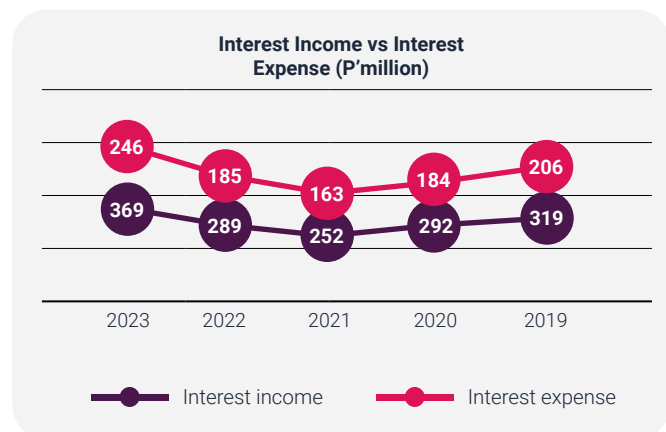
Operating income

P172.2 million ▲ 33%

(2022: P129.0 million)

Although the unsecured personal loan did not achieve its full potential contribution in 2023 due to the growth of the book occurring towards the end of the year, it contributed P31.0 million to interest income for the year. We expect the unsecured personal loan book to contribute even more to interest income in 2024.

For the most part of the year, the Group encountered persistently high funding costs, particularly related to corporate term deposits. This rise in funding costs placed strain on the overall



financial performance of the Group and Company. Towards the end of the year, the yields on corporate deposits had started to decline owing to the improving market liquidity.

The net fee and commission income for the year ended 31 December 2023, stood at P43.9 million, surpassing the December 2022 figure of P20.0 million by 112%. BBS Insurance Agency Limited contributed P24.3 million in fee and commission income.

Fee and commission income generated from the usage of digital banking platforms, BBS Bank VISA enabled debit card, account maintenance charges have remained low. However, it is anticipated that these will increase following the introduction of the transactional account (current accounts) that enables an even broader scope of such transactions.

Additionally, the setting up of the treasury capabilities took longer than expected due to external dependencies taking longer than anticipated. Consequently, the bank did not realise the trading income that was anticipated in 2023.

Operating expenses

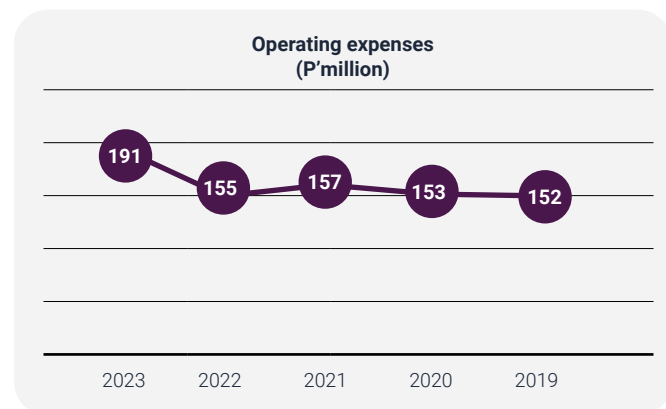
Total operating expenses, excluding expected credit losses and other impairments, were P191.0 million, representing an increase of 23% from the restated amount of P154.8 million for the year ended 31 December 2022. This rise was primarily driven by transformation expenses incurred during the year.

Operating expenses included total staff costs amounting to P100.2 million, which has increased by 22% from P82.6 million for the year ended 31 December 2022. The Group incurred staff rationalization costs totalling P15.5 million, which were deemed essential for the transformation process.

Operating income

P191.0 million ▲ 23%

(2022: P154.8 million)





Expected Credit losses and other impairments.

The Group realised a 179% increase in the charge for expected credit losses during the year, P5,5 million, compared to a release of P6,9 million for the year ended 31 December 2022. This rise is primarily due to the introduction of the unsecured personal loan book during the year.

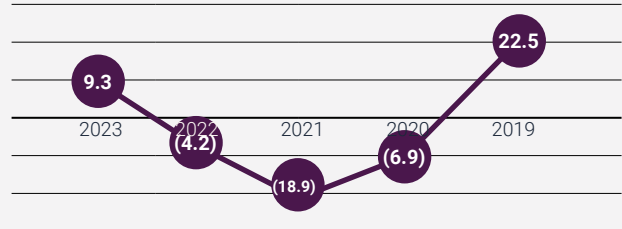
Furthermore, other impairments increased by 36% to P3,9 million compared to P2.8 million for the year ended 31 December 2022.

Other impairments

P3.9 million ▲ 36%

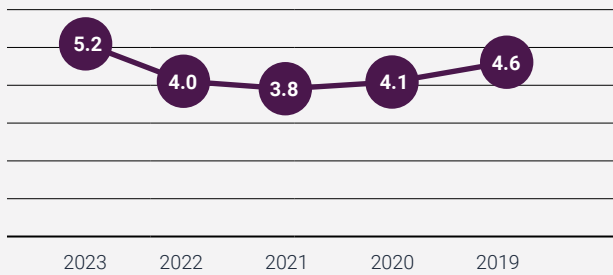
(2022: P2.8 million)

ECL & Other impairments (P'million)



Statement of financial position

Balance Sheet (P'billion)



The balance sheet expanded by 30% from the restated balance of P4.0 billion as at 31 December 2022, to P5.2 billion as at 31 December 31, 2023. This growth was mainly driven by the increase in unsecured loans and advances, customer deposits, and cash holdings.

balance sheet

P5.2 billion ▲ 30%

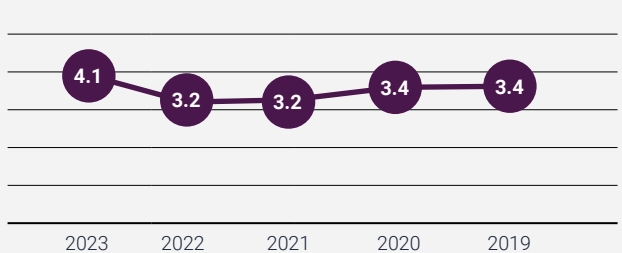
(2022: P4.0 billion)

Loans and advances to customers

Historically, the bank's loan book was predominantly concentrated in mortgage loans and advances. However, since obtaining the commercial banking license, the primary objective has been to diversify the asset base and introduce high-yielding interest-earning assets. As of December 2023, significant progress had been made in improving the asset mix, with unsecured loans accounting for 19% of total loans and mortgages representing 79%, compared to the previous year's 98% mortgage concentration as at 31 December 31, 2022.

The unsecured personal loan book contributed to the 26% growth in loans and advances during the year.

Loans and Advances to Customers (P'billion)



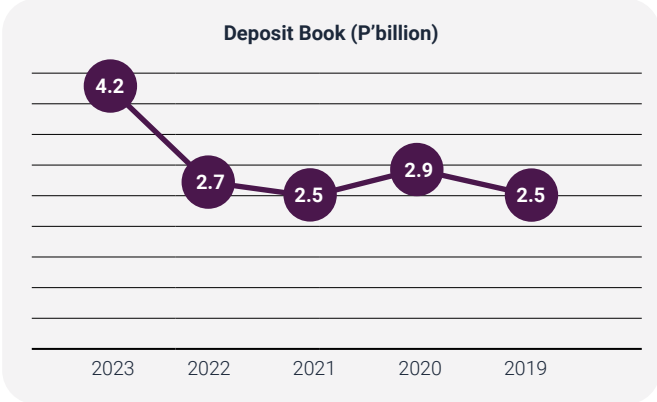
Deposits from customers

Customer deposits at the end of 31 December 2023 stood at P4.2 billion, 55% above the P2.7 billion as at 31 December 2022 due to the support that BBS Bank received from customers upon becoming a commercial bank. The initiative to increase deposits was broadened in 2023 to meet the funding requirements of the unsecured personal loan. The net growth by year end amounted to P1.5 billion

Customer deposits

P4.2 billion ▲ 55%

(2022: P2.7 million)



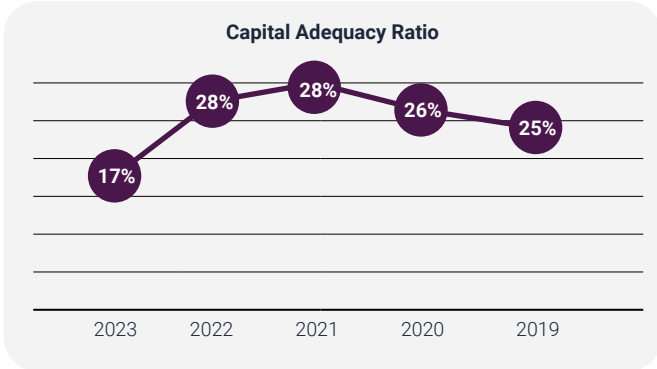
Capital Adequacy

BBS Bank's capital was effectively utilised in line with the change into commercial banking and moved from 28% to 17%. This is largely attributed to the expansion of the unsecured loan book, which reached P794.0 million by December 2023. Despite this, the ratio remained above the prudential limit of 12.5%.

Capital Adequacy Ratio

17% ▼

(2022: 28%)



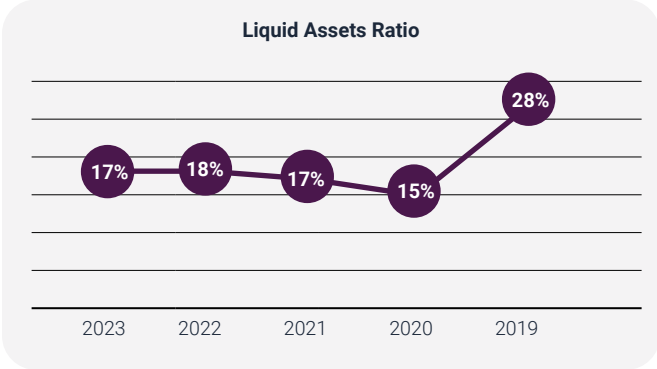
Liquid Assets Ratio

The Group remained liquid as at 31 December 2022 with a Liquid Asset Ratio of 17.32% compared 17.35% as at 31 December 2022. This was attributed to increase in cash holdings as at 31 December 2023. The ratio remained above the prudential limit of 10%.

Liquid Assets Ratio

17.3% ▼

(2022: 17.7%)



BBS Bank's outlook

The outlook for BBS Bank is positive as we anticipate a positive trend in shareholder value growth starting in 2024.

We greatly appreciate the patience and trust shown by our shareholders and other stakeholders since 2018 as they held onto their shares and supported the decisions of the Board and Management.

We understand the importance of accumulating reserves before considering the declaration of dividends. We estimate two years, depending on the annual profitability levels. We ask for continued patience and support as we work towards achieving sustainable growth and moving into a more favourable financial position.



Creating value through sound corporate governance



Governance at BBS Bank

The Board is committed to upholding the highest standards of corporate governance and setting the tone at the top through exemplary leadership, and exhibiting the values and behaviours expected of all stakeholders of the bank. It is our firm belief that high standards of governance, ethical conduct, integrity will foster a responsible culture and business practices that will promote sustainability of the business and value creation for all stakeholders.

Our Governance Objectives

Our aim is to continuously improve our corporate governance practices and policies, and to promote ethical and/or effective leadership to attain the four governance outcomes of Ethical Culture, Good Performance, Legitimacy and Effective Control espoused by the King IV Code of Corporate Governance.



Ethical Culture

The Board assumes responsibility for the banks' ethical culture as required by the Board Charter. The Board has approved various governing documents including the Code of Ethics Policy, which requires ethical banking practices and conduct in our actions, and consciousness of their impact on the clients, the community and the environment. A Conflict of Interest & Related Party Dealings Policy was approved and implemented which requires Directors to avoid situations that may place them in a position of potential conflict, versus their obligations to the bank. Directors are required to disclose potential or actual conflict, perceived or real, upon appointment and thereafter at each Board or Committee meeting with respect to matters on the agenda. A Director does not participate in a matter in which he or she is conflicted. To manage any potential conflicts and insider dealing, transactions of Board Members or their related parties with the bank are mandated to be at arm's length and no preferential treatment is given than that which is available to ordinary members of the public. Employees are required to live the BBS Bank values in their daily actions and to treat customers fairly. The bank has in place policies that guide employee behaviour and ethics, and in addition, unethical conduct is reported through our anonymous Ethics Line as per our Whistleblower Policy which was implemented during the year. Our Whistleblowing number line is 16147.



Good Performance

The Board is accountable for the performance of the bank, and any outcomes of the bank's activities and outputs on the society, economy and the environment in which we operate. The Board has approved the strategy which is intended to deliver desired performance and it monitors the execution of strategic objectives at each meeting. In line with the Pilediwa Strategy, Management implements the business plan and tracks performance against key indicators, which are reportable at board meetings.



Legitimacy

The bank has embraced building and maintaining trust and confidence from all our stakeholders through a stakeholder inclusive approach, that strives to balance the needs, interests and expectations of stakeholders. A Stakeholder Management Policy has been approved that recognizes the need for maintaining open channels of communication. Through our stakeholder engagement plan, we engage with regulators and industry players to deliberate on issues of mutual concern. We meet with investors to create understanding of our journey, our performance and future plans. Through our distribution channels and branches, we engage with our clients to collect valuable insights and feedback, that helps us to co-create lasting banking solutions and render world class service. Complaints, queries and compliments are tracked and feedback used to enhance our offerings, efficiencies and approach. The Management team has deployed annual townhalls to engage with employees, in addition to the adopt-a-branch initiative where each executive team member has adopted a business unit and/or branch to parent and guide on strategy, performance, operational issues and other developments within the bank. The responsibility for the overall stakeholder engagement resides with executive management, with reliance on different functions to engage with their relevant stakeholders on an ongoing basis.



Effective Control

In line with the corporate governance requirements, the Board oversees and monitors the adequacy of the control environment, relative to the nature and size of operations and the risks that the bank faces. The Board is ultimately responsible for the effective control through available governance practices, committee structures and policies, which are supported by the combined assurance work of the lines of defence being internal audit, compliance and risk functions. Regular reports are made to the Board by these functions, to enable the Board to provide guidance and oversight.



Key Board Focus Areas for the Board

As part of its workplan, the board had occasion to deliberate on the following key areas;

Board Changes and Succession Planning	<p>Succession planning is one of the key functions of the Board as a whole, assisted by the Human Resources, Remuneration and Nominations Committee. The balance of skills, experience, qualification and diversity attributes is continuously monitored and remediated where gaps are identified. The retirement of Directors upon term expiry and recruitment of new ones is underpinned by Board continuity which is fostered through succession planning. This succession planning takes into account any skills needs and their alignment to the strategic intent of the bank.</p> <p>During the reporting period, two Independent Non-Executive Directors, Ms. Sejo Lenong and Mr. Lehuka I. Maseng were appointed to the Board of BBS Bank to fill the skills needs related to accounting, financial reporting and audit practice, commercial banking and information and technology governance respectively. This resulted in the reconstitution of the Board Committees and Ms. Lenong was elected as the Chairperson of the Audit Committee and a member of the HR, Remuneration and Nominations Committee, whilst Mr. Maseng was elected a member of the Risk and Compliance Committee and HR, Remuneration and Nominations Committee respectively. In June 2023, we announced the appointment of Dr. Vincent B. Mogano as the new Board Chairperson, taking over from Mr. Bernard Mzizi who stepped down. Dr. Mogano was previously the Lead Independent Director (LID) and in his place was appointed Ms. Koziba Moloyi as the LID.</p>
Board Alignment, Training and Development	<p>Informed by the skills gap analysis and the results of the annual Board performance evaluation, the Board invested in corporate governance trainings facilitated by an external party. In August 2023, the Board also underwent a Board retreat and alignment exercise to align Board leadership, Board leadership changes, ethics and conduct shortcomings with best practice and corporate governance requirements. This resulted in a more informed, energized and focused Board.</p>
Development, Review and Approval of Key Governance Documents	<p>In August and October 2023 respectively, the Board convened to review and approve various governance documents, policies and framework meant to align with the new commercialization philosophy and to implement and cascade the strategy. These include risk frameworks, enterprise-wide policies, terms of reference which are then workshopped and the requirements embedded in business practices. These included the Sustainability Risk Framework which embodies the bank's philosophy on environmental, social and governance oversight. The Board Charter was reviewed and updated in March 2023 to align with the new Bank of Botswana Guidelines on Corporate Governance for Banks, which were issued during the year. One of the future areas of focus for the bank will be to assess and identify the areas where it has the potential to positively impact society and the environment, and devise plans to improve its impact on those areas.</p>
Financial Performance and Capital Management	<p>Financial soundness continued to receive significant attention at Board level during the year, with particular focus on capital and liquidity management, approval of Tier II funding, capital raising and close management of expected credit losses. The strategy incorporates the value drivers of growth, risk, and capital management which are all intended to deliver the short, medium and long-term targets, albeit in a sustainable and responsible manner. The ultimate benefit is to remain adequately capitalized, increase the headline earnings per share, improve the return on equity, reduce the cost of funding, reduce the cost to income ratio and return shareholder value. The Board is satisfied that that it has fulfilled its responsibilities in accordance with its Charter, during the reporting period.</p>

Future Focus Areas for the Board

Going forward into FY2024, the board's focus will be on these key areas, amongst others:

- Monitoring of the implementation and progress of the Pilediwa transformational strategy in the short, medium and long-term.
- Continued review of board effectiveness, performance and skills adequacy.
- Heightened focus on Environmental, Social and Governance (ESG).
- The finalization of the Technology sub-strategy to support the transformation.
- Focus on people risk, welfare and talent management.
- Migration of the company from Serala OTC Board to the main board.

Our Governance Structure

The Board of BBS Bank functions within a clearly defined governance framework, which enables delegation of authority and clear lines of responsibility, while allowing the Board to retain effective control. The Board continued to be supported by three (3) committees as will be shown in this report, each mandated to provide thorough deliberation, recommendations and specific expert guidance on matters affecting the business and strategic activities. The Board has delegated and entrusted to Executive Management, through the Managing Director, the operational management of the bank, with close monitoring of performance against set targets. Pursuant to the Bank of Botswana Guidelines on Corporate Governance for Banks of 2022 the Board has the collective responsibility for the ethical leadership, oversight and long-term success of the bank and to ensure that sound governance practices are embedded across all business operations. The Board is satisfied that it has fulfilled its responsibilities in accordance with the regulations, the Constitution and the Board Charter.

Delegation of Authority

As the focal point and custodian of corporate governance, the Board works with a delegation of authority framework comprising of charters, terms of reference, policies and frameworks. The detailed roles and limits of responsibilities are documented in each individual policy, charter or terms of reference. In accordance with King IV, the Board ensures that its role, responsibilities, membership requirements, committees and procedural conduct are documented in a charter, which it regularly reviews, to guide its effective functioning. The Board Charter provides an overview of how the business of the bank is to be conducted by the Board in accordance with the principles of good governance. Comprehensive management papers and reports are submitted to the Board for each meeting to facilitate detailed discussion of the business operations. Committee Chairpersons also submit their respective reports to the Board after each committee. The Board Committees entail the Audit Committee, the Risk and Compliance Committee, and the Human Resources, Remuneration and Nominations Committee, supported by the Executive Management Committee and other operational committees. These enable Management and the Committees to account to the Board over the delegated mandates. To this extent, the BBS Bank Board is satisfied that the arrangements for delegation within its own structures promote independent judgment and assist with the balance of power and the effective discharge of duties, contribute to role clarity and the effective exercise of authority and responsibilities.

Board Composition and Diversity

BBS Bank maintains a unitary Board structure, and the roles of Board Chairperson and Managing Director are distinct and separate. In terms of the Constitution of BBS Bank, the minimum number of Directors is five (5) while the maximum number is nine (9), the majority of whom should be independent non-executive Directors. Independence is determined if the board concludes that there is no interest, position, association or relationship which when judged from the perspective of a reasonable and informed third (3rd) party, is likely to influence unduly or cause bias in decision-making in the best interest of the bank. The Board Charter requires that the Board should be constituted in such a way that it can successfully discharge its duties with distinction and the Board regularly considers whether its size, diversity and demographics makes it effective.



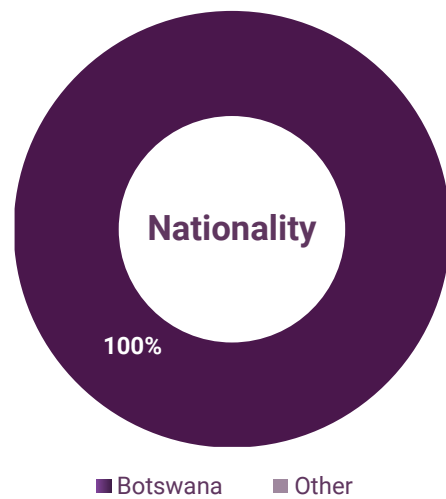
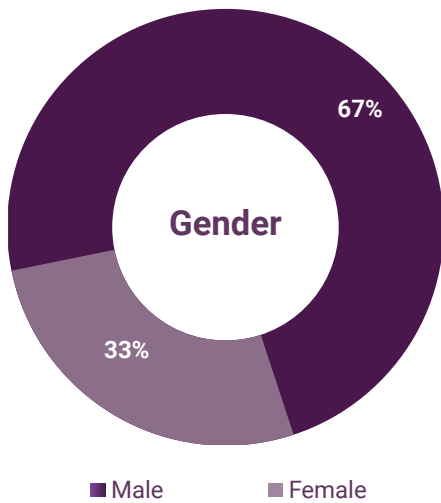
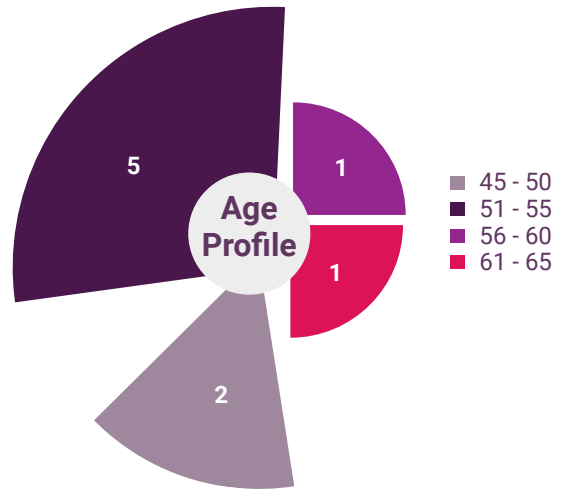
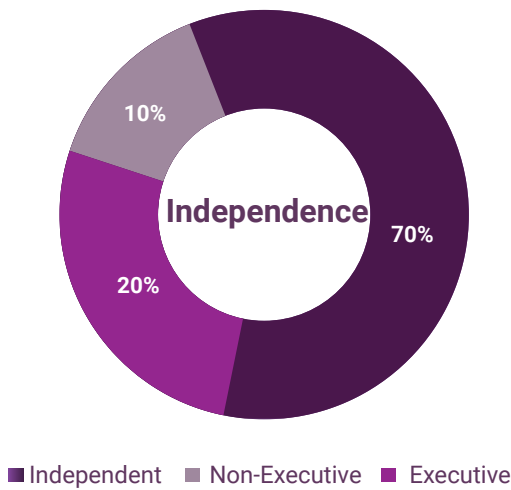
As of the reporting date, the Board consisted of nine (9) directors, with six (6) designated as independent, two (2) as non-executive, and one (1) as executive. The majority of the Board members hold non-executive and independent positions. Their expertise spans various fields including commercial banking, legal counsel, advisory services, human resources, risk management, asset and liability management, strategic planning, leadership, project management, information technology, accounting, audit practices, financial reporting, economics, and governance.

Although the Bank hasn't set specific diversity targets, efforts in recruitment aim to enhance gender and age representation. Among the nine (9) directors, three (3) are female, while the rest are male, with two (2) directors below the age of fifty (50). Notably, female directors occupy key positions such as Board Audit Committee Chairperson, HR, Remuneration & Nominations Committee Chairperson, Lead Independent Director, and Managing Director.



While the Bank isn't entirely new to the financial services sector, being the first indigenous commercial bank in the country, it is locally owned and operates solely within Botswana. Additionally, while there aren't defined targets, the Board's nationality diversity comprises solely Botswana members.

Annually, the Board assesses its size, diversity, demographics, age, and gender representation to ensure effectiveness. The Board is content that its composition encompasses the appropriate blend of expertise, knowledge, experience, independence, and diversity necessary to drive the strategy's implementation.



Board Tenure, Rotation and Retirement

Directors' tenure of office is up to maximum three (3) years, renewable for another maximum period of two three (3) year periods. The rotation of Directors is done every three years. A Director holds office until his or her resignation, rotation, retirement and disqualification or removal. Consistent with the prudential requirements, a Director also ceases to hold office upon reaching the age of seventy-five (75), and cannot be appointed beyond this period unless regulatory approval is obtained. There is currently no Director who has served beyond the 9-year period and/or whose length of service is deemed to impair his or her independence. Only Non-Executive Directors are subject to rotation. The Board has initiated the process for implementing arrangements for periodic, staggered rotation of non-executive directors. In the reporting year, Mr. Geoffrey Bakwena' retirement and re-appointment was staggered as a way for remediating the risk of Directors' term lapsing at the same time. As at the reporting date, three (3) non-executive directors are due to retire by rotation and are eligible for re-election. Unless otherwise agreed to by the Board, termination of employment of an Executive Director with the bank results in the automatic termination of a director's tenure as a Director.

Our Board of Directors

For the reporting period, the BBS Bank Directors are as follows:



Independent Non-Executive Director

Dr. Vincent B. Mogano ⁵² (M) **Board Chairman**

MA (Economics), BA (Economics), D. Phil (Research Methodology & Evaluation), MDP

Dr. Mogano was appointed to the board of BBS Bank on 29 April 2022 as an independent non-executive director. He worked as an Economist for Bank of Botswana between 1996-2001, then moved to Stanbic Bank Botswana as Market Risk Manager, a position he held from December 2001 to June 2007, before he became the Treasurer for National Development Bank between 2007 and 2011. He has also worked as Director of Policy Advocacy for Business Botswana and now provides external examination and research moderation with Botswana Open University. Dr. Mogano was the Chairperson of the Risk and Compliance Committee and a member of the Audit Committee, before he ascended to the role of Board Chairperson in June 2023.

Committee Membership: None

Years on the Board: 2.0 Years

External Directorships: Theatre of Faith t/a IAM Institute



Lead Independent Non-Executive Director

Ms. Koziba Moloji ⁵⁷ (F)

B. Com, PGD (Human Resource Management), PGD (Administration)

Ms. Sedimo was appointed to the board of BBS Bank on 29 April 2022 and she is currently the Chairperson of the Human Resources, Remuneration and Nominations Committee. She was elected the Lead Independent Director (LID) in July 2023. A human resource practitioner by profession, Ms. Moloji held several HR positions within Botswana Housing Corporation (BHC) from 1992 until her retirement in 2016. She is currently pursuing private entrepreneurship and a passionate farmer.

Committee Membership: HR, Remuneration and Nominations Committee (Committee Chairperson); Risk and Compliance Committee.

Years on the Board: 2.0 Years

External Directorships: Buze Investments (Pty) Ltd, Falko Seed Farm



Independent Non-Executive Directors

Mr. Bernard Mzizi ^{52*} (M)

MSc. Strategic Management, BA (Economics & Statistics), ACI Dealing Certificate

Mr. Mzizi was appointed to the BBS Bank Board of Directors on 30 April 2021. He was Country Head of Corporate Banking for Banc ABC (now Access Bank) from May 2006 to January 2018. Before that he worked for Standard Chartered Bank of Botswana as a Corporate Dealer. He is currently pursuing private entrepreneurship and farming. In June 2023 Mr. Mzizi stepped down from the Board Chairperson role and he joined the Audit Committee and Risk and Compliance Committee respectively as a member. He retired from the Board on 29 January 2024.

Committee Membership: Audit Committee; Risk and Compliance Committee

Years on the Board: 3.0 Years

External Directorships: Fowlmix (Pty) Ltd, Royce-Land Holdings (Pty) Ltd, Farmers United Limited

**Retired on 29 January 2024*



Managing Director

Ms. Pedzani Tafa⁵⁵ (F)

MBA, BA (Env. Sci & Eng.), Dip. Financial Management, Ass. Diploma in Banking

Ms. Tafa was appointed as Managing Director of BBS Bank on 4 January 2023. She is an ex-officio executive director of the bank. She has over 31 years of commercial banking experience, holding various senior leadership positions across many banks in Botswana. Before joining BBS Bank, she was Chief Operations Officer for Botswana Savings Bank, Head of Retail Banking and Cluster Head Customer Experience Process & Governance respectively, for Standard Chartered Bank Botswana and Head Executive Banking for Stanbic Bank Botswana.

Committee Membership: Risk and Compliance Committee

Years on the Board: 1.3 Years

External Directorships: Maswikiti Investments (Pty) Ltd, Petimore (Pty) Ltd, Magrey Holdings (Pty) Ltd



Non-Executive Director

Mr. Geoffrey Moamodi Bakwena⁵² (M)

MBA, BCom (Accounting), Fellow CSSA, PGDC ERM

Mr. Bakwena has served as a Non-Executive Director of BBS Bank since July 2020. He has served at several senior leadership roles across many sectors including Chief Executive Officer of Stockbrokers Botswana, worked for Botswana Stock Exchange, Atilo Capital and currently Dimension Data. He has served as non-executive director for MVA Fund, Botswana Stock Exchange and currently sits on the board of Botswana Privatization Asset Holdings as non-executive director. During the period, Mr. Bakwena also served as Chairperson of Risk and Compliance Committee.

Committee Membership: Risk and Compliance Committee (Committee Chairperson); Audit Committee

Years on the Board: 3.9 Years

External Directorships: Botswana Privatisation Asset Holdings, Geo-Mab Projects (Pty) Ltd



Independent Non-Executive Director

Mr. Victor Ramalepa⁴⁷ (M)

LLB, Attorney, Notary Public, Conveyancer, Member (Law Society of Botswana)

Mr. Ramalepa was appointed to the board of BBS Bank on 30 April 2021. He is the Managing Partner of Ramalepa Attorneys, a private law firm that he set up in 2011. He worked for other private practices such as Sebege Sharma Attorneys and Modimo & Associates before establishing own practice. He has held several board positions including Botswana Bureau of Standards (BoBS) and Botswana Ash (Pty) Ltd.

Committee Membership: HR, Remuneration and Nominations Committee; Risk and Compliance Committee

Years on the Board: 3.0 Years

External Directorships: Honey & Moons (Pty) Ltd, Lerakong Holdings (Pty) Ltd, Ramalepa Attorneys

Non-Executive Director



Mr. Duraiswamy Kalyanaraman ⁶⁶ (M)

BSc (Physics), CA, Fellow (BICA), Fellow (Institute of Chartered Accountants-India), Chartered Management Accountant, Associate (Institute of Chartered Management Accountants-India), Associate (Indian Institute of Bankers).

Mr. Kalyanaraman is a Chartered Accountant and Auditor by profession, and he is currently Group Finance Manager for Derek Brink Holdings, a Fast-Moving Consumer Goods (FMCG) Conglomerate. He was appointed to the Board of BBS Bank on 30 April 2021. He has held several accounting roles and has deep experience in company due Diligence and valuation, Auditing and Finance, Budgeting and Costing, MIS Reporting, IFRS Reporting and Treasury Function. His previous jobs in other entities include being an Audit Supervisor in an audit firm and Chief Accountant for the Pula Holdings Group of Companies (Botswana).

Committee Membership: *Audit Committee; HR, Remuneration and Nominations Committee*

Years on the Board: *3.0 Years*

External Directorships: *None*

Independent Non-Executive Director



Ms. Sejo Lenong ⁴⁵ (F)

B. Acc, ACCA, FCCA, FCA, LDP

Ms. Lenong joined the board of BBS Bank on 12 June 2023, bringing with her a wealth of experience in audit practice, accounting, financial reporting, risk management, commercial banking, assets and liabilities management, credit risk management, project management and strategy implementation. She is currently a CFO in the telecommunications industry, having been a CFO for a local commercial for at least a decade. She began her career as Audit Senior with Deloitte & Touché before joining the banking industry. Based on her skills set, Ms. Lenong was in July 2023 identified as the Chairperson of the Audit Committee and attended the HR, Remuneration and Nominations Committee as a member. During the period, Ms. Lenong was also invited to some meetings of the Risk and Compliance Committee in line with King IV and the bank's Board Charter that recognises that Board Members may attend any committee meeting as an observer.

Committee Membership: *Audit Committee (Committee Chairperson); HR, Remuneration and Nominations Committee*

Years on the Board: *0.9 Years*

External Directorships: *Curlonse Investments (Pty) Ltd*

Independent Non-Executive Directors



Mr. Lehuka Ignatius Maseng ⁵² (M)

BSc (Compt. Sci), MDP, ICT Certifications

Mr. Maseng was appointed as a director of the bank on 12 June 2023. His appointment followed a board evaluation exercise and a skills gap analysis that identified the need for an ICT inclined person at board level. Mr. Maseng has held various ICT positions in the banking industry including IT Manager, Chief Information Officer and Head of Information Governance & Architecture at a local commercial bank, before retiring into private business. Before that he held other ICT related roles in various organisations between 1997 and 2004. He is a member of the Risk and Compliance Committee and, the HR, Remuneration and Nominations Committee respectively.

Committee Membership: *Risk and Compliance Committee; HR, Remuneration and Nominations Committee*

Years on the Board: *0.9 Years*

External Directorships: *Valdez Systems (Pty) Ltd, Ebiz Info Systems, Brown-Daisy*



Board Performance Evaluation

Annually, the board carries out a review to evaluate its performance and effectiveness, that of the committees and individual board members through a peer review mechanism. Areas of improvement that are identified are tracked and remedial plans implemented until full resolution. The evaluations are facilitated by an independent, external consultant. The previous evaluation identified gaps on board leadership and ethics, which were addressed throughout the year and closed at the alignment session. The board alignment session that was held in August 2023 identified further gaps that included board culture, trust, the need for courageous conversations and speaking out, role clarity, and stakeholder management. These are monitored closely by the Board, relative to the recommended action plans. For the ensuing year, the evaluation has been deferred with a view to fully close the identified shortcomings and refresh the procurement following the expiry of the current outsourced contract. That notwithstanding, the Board is satisfied that the evaluation supports the continued improvement of its performance and effectiveness. The evaluation also enables the Board to identify necessary developmental needs for itself, for the committees and individual members, based on the results of the performance assessment.

Board Committees

Pursuant to the delegated arrangements, the board has established and it is supported by the following committees which have their own formalised and approved terms of reference. The Board is satisfied that the Committees are appropriately constituted regarding the skills required by each committee. In addition, board members are at liberty to attend committee meetings in which they are not members, as observers, subject to relevant protocols:

Audit Committee

Composition	Purpose	Focus Areas
<p>Members S. Lenong (<i>Chairperson</i>) D. Kalyanaraman G.M. Bakwena B. Mzizi</p> <p>Management Attendees Managing Director Head Finance Head Internal Audit Head Compliance, Legal and Company Secretary</p> <p>Invitees Ernst & Young</p> <p>Number of Meetings Held:6</p>	<ul style="list-style-type: none"> Consider the effectiveness of the combined assurance model Consider and make recommendations on the appointment, remuneration and rotation of external auditors Define the policy for non-audit services Evaluate the going concern assessment and statement of internal control Consider for remediation accounting treatments, management letter issues and external auditor's report on financial statements Approve financial statements for publication to stakeholders Oversee compliance with regulation, law and company policies Oversee the effectiveness of risk management, related strategies and policies 	<ul style="list-style-type: none"> Assessment of accounting treatment and expected credit losses Going concern assessment and financial performance intervention Review of the strategy and relevance of assumptions Review of budget and strategy Financial performance, capital management Accounting policies and adequacy of internal controls Auditor independence and performance Review of Non-Audit Services Policy Remediation of audit issues Consideration of high value procurements Monitoring the remediation of internal and external issues <p>The Committee is satisfied that it has fulfilled its mandate for the year, as required by the terms of reference.</p> <p>Future Focus Areas for FY2024</p> <ul style="list-style-type: none"> Positive Financial Performance and key ratios Committee Skills complement, independence and succession planning Internal Audit function resourcing Review of the effectiveness of the Internal Audit and Finance functions, and external auditors Global Internal Audit Standards Committee membership Committee report

During the year, the Audit Committee has held closed sessions with the Head Internal Audit, External Auditors and the Head Finance respectively, to discuss matters that may not be suitable for an open forum. Appropriate feedback from these engagements is discussed with the Managing Director in a closed session. The Committee has found these sessions to be insightful and providing non-executive directors with an opportunity to test thoughts and strengthen governance and the Committee's effectiveness.

HR, Remuneration and Nominations Committee

Composition	Purpose	Focus Areas
<p>Members K. Moloyi (Chairperson) V. Ramalepa S. Lenong L. Maseng D. Kalyanaraman</p> <p>Management Attendees Managing Director Head Company Secretariat, Legal and Compliance Head Human Resources</p> <p>Invitees *Board Evaluation Consultant</p> <p>Number of Meetings Held:5</p>	<ul style="list-style-type: none"> • Recommendation for appointment new directors and re-election of directors • Succession planning for Board and Non-Executive Directors • Recruitment for Managing Director, succession planning and performance evaluation • Review training and development needs for directors • Consider and recommend diversity targets in respect of gender or age representation needed on the Board, including the proposed number of Committees and membership • Consider and recommend to the Board the removal of Directors for misconduct and other criteria for disqualification or removal from office • Advise the Board on the remuneration of Non-Executive Directors • Oversee the effectiveness of the HR function • Oversee the creation and implementation of performance management policies and culture 	<ul style="list-style-type: none"> • Succession planning for Board and Executive Management • Change management process • Board skills assessment and committee reconstitution • Board evaluation exercise and effectiveness • Organisational structure and separation exercise • Managing Director performance and benefits • Skills gap analysis for Board Members • Recruitment and nomination of board members • Ethical conduct, conflict of interest, outside directorships and prudential requirements • Review of HR Policies • Recruitment of Head HR • Board culture <p>The Committee is satisfied that it has fulfilled its mandate for the year, as required by the terms of reference.</p> <p>Future Focus Areas for FY2024</p> <ul style="list-style-type: none"> • Employee wellness, benefits, attraction and retention mechanisms • Committee report • Board evaluation and effectiveness • Board skills mix and director rotation • Ongoing refinement remuneration policies and practices • Continuous embedding of Bank of Botswana corporate governance requirements

*The consultant was invited to deliver a report on the annual Board performance review

Risk and Compliance Committee

Composition	Purpose	Focus Areas
<p>Members G. Bakwena (Chairperson) V. Ramalepa B. Mzizi L. Maseng K. Moloyi P. Tafa</p> <p>Attendees Head Risk Head Company Secretariat, Legal and Compliance Head Strategy and Projects Head Treasury Head Finance Head Internal Audit Head Information Technology</p> <p>Invitees None</p> <p>Number of Meetings Held:5</p>	<ul style="list-style-type: none"> • Oversight of the strategies for capital and liquidity Management • Review of the internal risk Appetite framework and risk policies • Recognising material risks and ensuring that appropriate Risk management culture, practices, policies, resources and systems are in place and are functioning effectively • Provide guidance regarding the level of exposures suitable for the bank and to ensure that Management implements procedures and controls necessary to comply with applicable policies • Oversight over the compliance with applicable laws and regulation review and guide ion any material legal matters 	<ul style="list-style-type: none"> • Review of the risk policies and frameworks • Review of the appetite statement and ICAAP • Review of the BBS Bank Constitution • Review of compliance and legal policies • Oversight on strategy execution and implementation • Bank's new branding and reputational risk • Guidance on adequacy of risk management • Oversight of ALCO strategies and reporting • Review of new legislation and bank readiness for compliance viz, Data Protection Act, Credit Information Act, Banking Act, Prudential Corporate Governance Guidelines • Effectiveness of the IT infrastructure, DR and BCP capabilities and upgrade of core systems <p>The Committee is satisfied that it has fulfilled its mandate for the year, as required by the terms of reference.</p> <p>Future Focus Areas for FY2024</p> <ul style="list-style-type: none"> • Ongoing compliance with legal and prudential requirements • Committee report • Strategy and business plan implementation and effectiveness • IT Strategy and cybersecurity, and its effectiveness • Transformational risk registers and remediation • ALCO strategies and effectiveness • Oversight of credit risk management • Continue the Integrated Reporting assessment, gap analysis, embedding and reporting



Director Appointment, Training and Development

BBS Bank maintains a formal policy on the nomination and appointment of Directors. A skills gap analysis and the Board evaluation amongst others, help to identify specific skills that are required, and the HR, Remuneration and Nominations Committee presides over the recruitment and makes recommendations to the Board. The decision by the Board is then submitted for regulatory vetting and approval, before shareholders make a decision to appoint through an ordinary resolution. New Directors are subjected to an induction programme comprising of interactions with Management and exposure to the business functions of the bank. Specific corporate governance training is included that is aimed at enhancing directors' understanding and awareness of their duties. The bank maintains a formal Director training and development program that exposes Directors to ad-hoc training on corporate governance and other specified business areas. During the year, Directors received comprehensive training on corporate governance which was facilitated externally and the topics covered were informed by the feedback sessions, the results of the performance evaluation exercise and general skills needs that were observed. In December 2023, directors also received training on AML/CFT/PF issues with emphasis on board obligations and oversight over compliance activities. Newly appointed directors also received the induction training, in line with the nomination process.

Ethical Leadership and Culture

The Board is the focal point and custodian of ethical conduct and it ensures that an appropriate tone is set at the top. All Directors understand their fiduciary duty to act with care and in the best interest of the bank and to exercise their powers for a lawful purpose. High ethical standards and integrity are required from each board member without compromise, and regardless of position. Directors commit to ethical practices in business dealings with the bank and with stakeholders, and the bank demands a continuous commitment to the improvement and maintenance of ethical culture. The BBS Bank Code of Ethics and Conduct Policy and the Conflict of Interest and Related Parties Dealing Policy supported by other policies and frameworks, guides directors, employees and other stakeholders on the desired ethical conduct to promote consistent behaviours across all business units and levels of authority. Ethical conduct is required to be exhibited in daily activities and decision making, supplemented by the mindset change programme. A Whistleblowing Policy is in place, that resulted in the implementation of an anonymous whistleblowing hotline in partnership with Deloitte Consulting during the year.

All Directors are required to disclose matters that may result in perceived or real conflict of interest, including a declaration of outside interests or positions. A declaration form is completed at each Board and Committee meeting reflecting direct or indirect conflict with respect to matters on the agenda. A Director is excused when such matter is considered.

Succession Planning

In terms of the Board Charter, the Board is required to have a succession plan in place for its membership, the Board Chairperson, the Managing Director, and other Executive Directors. This plan should provide for identification, mentorship and development of future candidates. For the reporting period, the Board reviewed and sanctioned succession plans for the role of Managing Director and for the board itself. The plans are reviewed at least once annually to ensure that they remain relevant to the changing needs and circumstances of the bank. The plans consider both long-term planning and emergency situations.

Board Leadership

Board Chairperson

The Chairperson of the Board is appointed by the Board of Directors amongst the Independent Non-Executive members. The incumbent is also subject to retirement by rotation and can be removed as part of the board and committee restructuring and skills alignment. During the year, Mr. Bernard Mzizi stepped down as the Board Chairperson and was replaced by Dr. Mogano, who was previously the lead independent director. The Board is required to assess the continued independence and effectiveness of the Board Chairperson at least once annually. The Board is satisfied that the Board Chairperson has remained independent and that no interest, position, association or relationship has been identified which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause biasness in decision-making on the part of the Chairperson.

Lead Independent Director

The role of Lead Independent Director (LID) was created pursuant to King IV Recommended Practises and the Corporate Governance Review that was conducted by Botswana Accountancy Oversight Authority (BAOA) on the bank during the 2022 financial year. The role, together with its responsibilities, are set out in the Board Charter. During the year, Ms. Moloyi was nominated as the bank's lead independent director taking over from Dr. Mogano. Some of the responsibilities of the lead independent director includes strengthening the role of the Board Chairperson and providing leadership in instances where the Chairperson is deemed to be conflicted, to oversee and lead the performance evaluation of the Board Chairperson and be an avenue of communication for other board members on any issues relating to the Board Chairperson and achieve a balance of power and reinforce accountability mechanisms. The Board Charter seeks to ensure a balance of power and authority at Board level, since no one individual has unfettered decision-making powers.

Managing Director

The Managing Director is appointed by the Board and is responsible for leading Executive Management in formulating and establishing business objectives and strategies that are approved by the Board. For BBS Bank, the role of Managing Director and Board Chair are separate and distinct. The Managing Director provides leadership in the implementation of strategies and policy making and the overall running of the bank. The Managing Director remains accountable to the Board on the progress made towards achieving strategic plans and the board, through the HR, Remuneration and Nominations Committee executes a formal evaluation of the performance of the Managing Director against agreed key performance targets at least once annually or at such agreed intervals per the HR Policies. Ms. Pedzani Tafa continued to lead the Management team and employees in her capacity the bank's Managing Director since January 2023. Consistent with King IV, the employment of the Managing Director and other executive officers is under a fixed term contract of three (3) years, which may be renewed subject to applicable requirements. Termination is through a three (3) months' written notice by either party, entitling the employee to all terminal benefits and gratuity. The employment is subject to regulatory fit and proper requirements and Board sanction.

Company Secretary

Mr. Dimpho T. Phagane continued to be the bank's Company Secretary and directors have access to his services. Mr. Phagane is neither a member of the Board nor associated with any shareholder. He continued to act as the source of guidance to Board Members, including access to legal and other independent professional advice when required and he is responsible for Board administration, liaison with regulators and ensuring compliance with applicable requirements, including corporate governance requirements. The annual Board evaluation exercise includes the assessment of the competence, qualification, performance, and effectiveness of the company secretary. The Board has concluded that Mr. Phagane is competent to carry out his duties including validation of his qualifications, experience, and knowledge and that he has discharged his responsibilities effectively. The Board has also satisfied itself that an arm's length relationship exists between itself, and the Company Secretary as required by the Board Charter.

Board and Committee Meeting Attendance

The Board and Committees are scheduled to meet four (4) times in a financial year, unless where special meetings are required as dictated by the demands of the business. All Directors are expected to attend scheduled board and committee meetings. In line with the Bank of Botswana Guidelines on Corporate Governance for Banks, failure by a director to attend 75% of the scheduled Board or Committee meetings will affect one's fitness and probity to continue as a director. The quorum in meetings comprises of a simple majority of directors required to attend. The Board is satisfied with the level of attendance of meetings by members, and its discharge of the responsibilities set out in the Board Charter.

As part of its governance planning the Board with the assistance of the Company Secretary and Managing Director develops a meeting calendar for the financial year, and forward plan which details out key matters to be considered at each quarter. During the financial year, the Board and Committees held an aggregate of 27 meetings, relative to a total of 49 meetings in the 2022 financial year.



Director	Board	Audit Committee	HR, Remuneration and Nominations Committee	Risk and Compliance Committee	2022 AGM	Stakeholder Engagements, Induction, Recruitments
B. Mzizi**	9/10	2/6	-	2/5	1/1	4
V.B. Mogano***	10/10	4/6	-	2/5	1/1	7
G.B. Bakwena	9/10	6/6	3/5	2/5	1/1	3
K. Moloyi****	9/10	-	5/5	4/5	1/1	4
D. Kalyanaraman	10/10	6/6	2/5	2/5	1/1	-
V. Ramalepa	9/10	-	5/5	4/5	-	-
P. Tafa*	10/10	-	-	4/5	1/1	-
S. Lenong*****	5/10	2/6	2/5	1/5	-	1
L. Maseng*****	4/10		2/5	2/5	-	1

*P. Tafa was appointed on 4 January 2023 as Managing Director

**B. Mzizi stepped down as Board Chairperson in June 2023. He retired on 29 January 2024.

***V.B. Mogano was appointed Board Chairperson on June 2023.

****K. Moloyi was appointed the Lead Independent Director in July 2023.

*****S. Lenong was appointed as a Director on 12 June 2023.

*****L. Maseng was appointed as a Director on 12 June 2023.

Directors' Remuneration Practices During 2023 Financial Year

The remuneration of Directors is governed by the Directors Remunerations and Expenses Policy that is approved by the Board which seeks to attract and retain skilled individuals that will help increase shareholder value, subject to affordability. The fees are aligned to the size and operations of the bank and are reviewed regularly to determine their relevance and competitiveness. In line with the King IV Code of Corporate Governance, the underlying consideration is to ensure that the remuneration is fair and responsible. The remuneration structure for Non-Executive Directors comprises of a retainer that is payable quarterly in advance, a meeting sitting fee, and Directors incidental expenses. The Chairperson of the Board is paid a premium on the retainer and meeting fees whilst the Chairpersons of Committees receive a premium on the sitting fees only. During the year under review, a total of P1,473,250.00 was paid towards Board fees compared to P1,929,000.00 in prior year. This excludes related or incidental expenses. The structure of the fees for the reporting period is:

Director	Total Fees (2023)	Total Fees (2022)
B. Mzizi	229 500	491 000
V.B. Mogano	270 000	326 500
G.M. Bakwena	205 500	277 000
K. Sedimo	226 250	303 000
V. Ramalepa	153 000	272 500
D. Kalyanaraman	181 500	259 000
S. Lenong	108 500	- N/A
L. Maseng	99 000	-/NA
P. Tafa*	--N/A	-N/A
Total (BWP)	1 473 250	1 929 000

*Executive Directors do not earn board fees as they are employees of the company.

Our Executive Management

The Managing Director supported by the members of the Executive Management Committee (Exco), is accountable for the implementation of the strategy and for the performance of the bank. The skills and experience of the members underpin the bank's ability to deliver its strategy. Executive Management comprises a diverse and experienced team.



Managing Director

Pedzani Tafa⁵⁵ (F)

MBA, BA (Env. Sci & Eng.), Dip. Financial Management, Ass. Diploma in Banking

Pedzani was appointed as Managing Director of BBS Bank on 4 January 2023. She is an ex-officio executive director of the bank. She has over 31 years of commercial banking experience, holding various senior leadership positions in some local banks. Before joining BBS Bank, she was Chief Operations Officer for Botswana Savings Bank, Cluster Head Customer Experience Process & Governance and ultimately Head of Retail Banking for Standard Chartered Bank Botswana and Head Executive Banking for Stanbic Bank Botswana.

Tenure Exco: 1.3 Yrs

Tenure BBS Bank: 1.3 Yrs



Head, Credit

Susan Ntsima⁵¹ (F)

MSc (Strategic Management), B. Tech (IT), ND (IT), Associate Diploma in Banking, Executive Development Programme (USB)

Susan first worked for BBS Bank from January 1993 - March 2007, before joining Absa Bank as Head of Home Loans between April 2007-May 2009. In June 2009, she resumed the role of Head of Operations at BBS Bank and in February 2019 she was appointed the Head of Credit a position she holds to date. Susan has over 31 years of work experience in the banking sector particularly in Information Technology, Operations and Credit.

She is also an executive director of BBS Insurance Agency Limited, a bancassurance subsidiary of the bank. She is a member of the Botswana Institute of Banking and Finance (BIBF) and The Boardroom Africa.

Tenure Exco: 15 Yrs

Tenure BBS Bank: 28 Yrs



Head, Finance

Hildah Mhaladi³⁹ (F)

ACCA, FCCA (UK), FCA(Botswana), AAT

Hildah is BBS Bank's Head of Finance since August 2021. She is a Chartered Accountant with over 12 years' experience in Auditing, Accounting and Taxation. Prior to joining the Bank, she was with KPMG Botswana where she started her career as an Audit Assistant in 2009 and progressed through the ranks, holding various roles within the firm until she was promoted to the position of Senior Audit Manager in 2019. Her strong foundation in external auditing, particularly in banking audits, equips her with the skills needed to drive financial excellence and promote sustainable growth for financial institutions through the implementation of effective financial strategies and risk management practices. Apart from her portfolio management responsibilities, she was the Head of Audit and Assistant Qualified Person Responsible for Training (QPRT), working closely with BICA on matters pertaining to training and practical experience. She continued these responsibilities at BBS Bank. She is a fellow member of the Botswana Institute of Chartered Accountants (FCA) and a Fellow of the Association of Chartered Certified Accountants, UK FCCA. She is currently pursuing the Chartered Banker MBA program to further enhance her expertise in the banking sector.

Tenure Exco: 2.9 Yrs

Tenure BBS Bank: 2.9 Yrs



Head, Company Secretariat, Legal and Compliance

Dimpho Tlamelo Phagane⁴⁰ (M)

MDP, LLB, PGC (ERM), Chart. Sec (CGISA), CoP, ACAMS Certificate, Cert. (Corporate Finance)

Dimpho joined BBS Bank as Head Company Secretary, Legal and Compliance in June 2021. He has 16 years of experience as a governance, risk, legal and compliance professional across many industries. Before joining BBS Bank, he held several positions within Bank Gaborone including Compliance and Governance Manager, Legal and Compliance Manager and Acting Head Risk and Compliance. He was previously Legal Advisor for BIHL Insurance Company, worked for Attorney Generals Chambers and MVA Fund. He is a Chartered Company Secretary and a member of the Compliance Institute of Southern Africa, a member of the Chartered Governance Institute of Southern Africa, a member of the Chartered Institute of Arbitrators (UK), a member of the Global Association of Risk Professionals, and a member of the Institute of Directors (UK).

Tenure Exco: 2.11 Yrs

Tenure BBS Bank: 2.11 Yrs

Head, Business Relations and Marketing

Sipho Hector Showa⁴⁸ (M)

MBA, LLB (Attorney, Notary Public, Conveyancer), BA (Eng), PGD (Education), Executive Development Programme (USB)

Sipho first joined BBS Bank in March 2005-October 2010 as Head of Corporate Affairs with overall responsibility for Board Secretarial, Administration/Procurement, Human Resources, Communications and Marketing functions. He has also studied short courses in finance and strategic management. He re-joined the bank in November 2011. Sipho has worked for the Botswana Government as a Broadcaster and Journalist, Debswana as Corporate Communications Officer and Botswana Insurance Holdings Limited as Group Director for Corporate Services. He is former Board Chairman of Old Mutual Botswana Short Term Insurance Company, former non-executive director for Old Mutual Botswana Insurance Holdings Company former Chairman of Mutual and Federal Insurance Company Botswana, former Board Member of Masiela Trust Fund, former Chairman of Botswana Building Society Pension Fund and former Board Member, Botswana National Youth Council.

He is currently independent Chairman of AB InBEV/Kgalagadi Brewery Limited's Smart Drinking Compliance Committee (SMCC), an advisory committee that oversees risks (reputational, legislative, policy/compliance, marketing etcetera) for AB InBEV/Kgalagadi Brewery Limited's diverse products to avoid any adverse impact on the entity's bottom line.

Tenure Exco: 18.7 Yrs

Tenure BBS Bank: 18.7 Yrs

Head, Internal Audit

Palesa Audrey Semele⁵⁰ (F)

ACCA, FCCA (UK), FCA(Botswana), Executive Development Programme (USB)

Palesa holds the position of Head of Internal Audit for BBS Bank since August 2012. She is a Chartered Accountant with expansive experience spanning over 25 years in Audit, Accounting and Risk Management. She has worked for one of the 4 big audit firms (Ernst and Young) where she held various roles from Audit Junior to Senior in Charge. She worked as a Principal Internal Auditor at Botswana Development Corporation. She was the Head of Internal Audit at Stanbic Bank. She is a fellow member of Botswana Institute of Chartered Accountants (FCA), a fellow member of Association of Chartered Certified Accountants, UK (FCCA) and a member of the Institute of Internal Auditors.

Ms. Semele served as the Chairperson of the Board of Directors of Botswana Investment and Trade Centre (BITC).

Tenure Exco: 11.9 Yrs

Tenure BBS Bank: 11.9 Yrs





Head, Projects and Strategy

Punah Gabanapelo Moyo⁵¹ (F)

MSc (Strategic Management), FCIS (Corporate Governance and Accounting), Diploma Acc. and Business Studies, Internal Audit Technician, Executive Development Programme (USB)

Punah is the bank's Head of Projects and Strategy since November 2010. She has over 30 years of banking experience, specifically in areas of audit, assurance, project management and transformation, banking operations and strategy. She has previously held various positions within Barclays Bank (now Absa) such as Acting Head of Internal Audit, Senior Audit Manager, Assurance Officer and Personal Banker between 1991-2010. She is an Executive Director of the BBS Insurance Company Limited and a member of the Institute of Chartered Secretaries and Administrators (ICSA).

Tenure Exco: 13.6 Yrs
Tenure BBS Bank: 13.6 Yrs



Head, Banking

Thelma O'Reilly⁵⁴ (F)

MSc (Real Estate), BA (Env. Science), Diploma in Banking, Executive Development Programme (USB)

Thelma joined BBS Bank in July 2004 as Head of Mortgages and then promoted to Head of Banking in 2009. Before that she worked for Standard Chartered Bank between 2002 - June 2004 as Business Development Manager and Botswana Housing Corporation as Senior Sales Officer from 1994-2002. Ms. O'Reilly is a member of the Botswana Institute of Bankers.

Tenure Exco: 19.10 Yrs
Tenure BBS Bank: 19.10 Yrs



Head, Treasury

Rebatho Moilwa⁴⁶ (M)

MSc (Strategic Management), BA (Economics and Statistics), Associate Diploma in Banking, ACI Dealing Certificate

Rebatho has over 20 years' experience in the financial services sector with over 10 years' experience in senior management roles in Treasury, Global Markets and Risk while also having worked regionally in countries such as Mozambique, Zambia and Zimbabwe. Rebatho has been involved in the commencement of operations of the four out of the nine commercial banks in Botswana with two being greenfield operations and two being brownfield operations. He is a member of the Botswana Institute of Banking and Finance He is a former Non-Executive Director and Chairperson of the HR Committee at BR Properties Pty Ltd a subsidiary of Botswana Railways.

Tenure Exco: 3 Yrs
Tenure BBS Bank: 3 Yrs



Head, Risk

Kagiso Balopi⁴⁵ (M)

FCCA (UK), FCA(Botswana) ACCA (UK), MDP (USB), B. Acc.

Kagiso was appointed as BBS Bank's Head of Risk in March 2023. He served as Head of Risk and subsequently Director Risk for Botswana Savings Bank, from February 2019-March 2023. Before that he worked for NBFIRA from 2009-2019 holding successive positions from Senior Accountant, Finance & Administration Manager, Head of Finance and Head of Risk. Kagiso started his career at Deloitte & Touche, where he served from 2003 – 2008 in the audit division. He was previously a member of the board for Botswana Privatisation Asset Holdings, maiden Board Member and Chairperson of the Finance Audit and Risk Committee of Botswana Medicines Regulatory Authority (BOMRA), co-opted member of the Finance Risk & Audit Committee of Botswana Institute for Technology Research and Innovation (BITRI) and serves as the Treasurer for Botswana Christian Health & AIDS Intervention Program (BOCHAIP).

Tenure Exco: 1.4 Yrs
Tenure BBS Bank: 1.4 Yrs



Head, Operations
Candy Moloi ⁴² (F)

BA (Social Sciences), Associate Diploma in Banking

Candy started working for BBS Bank in April 2005. She rose through the ranks to become Payments Manager in 2010, Operations Manager in 2014 and progressed to become Head of Operations in 2021. She is an Associate member of the Botswana Institute of Banking and Finance and BBS Staff Pension Fund Board trustee.

Tenure Exco: 3 Yrs
 Tenure BBS Bank: 19 Yrs



Head, Information Technology
Anderson Wabo Samu ⁵⁴ (M)

MSc (Information Technology Management), SLDP, BSc (Applied Business Computing)

Anderson was appointed as the BBS Bank's Head of Information Technology in March 2023. He previously served as Head of IT for Botswana Life Insurance Limited from October 2016. Before that he was Head of GTIS Operations for Stanbic Bank Botswana from June 2016 - September 2016, having been Head of GTIS (Infrastructure Manager) for Absa Bank between August 2015 - May 2016, IT Manager (Projects) still with Absa Bank from 2009 – 2011. He started his career as IT Technician with Absa Bank in 2000.

Tenure Exco: 1.2 Yrs
 Tenure BBS Bank: 1.2 Yrs



Head, Human Resources*
Lebogang Dudu Medupe ⁴⁶ (F)

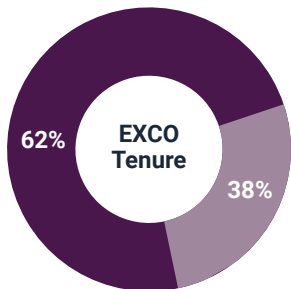
MPA – Public Administration (HRM), BA (Public Administration & Political Science), Management Development Programme (USB)

Lebogang joined BBS Bank in January 2024 as Head of Human Resources. Prior to joining BBS Bank, she worked for MRI Botswana as the Head of Human Resources, Letshego Botswana also the Head of Human Resources. She has also worked for Botswana Life Insurance Limited where she was the Senior Human Resources Business Partner (Human Resources Manager) as well as Standard Chartered Bank where she was the Human Resources Relationship Manager for Consumer Banking. Lebogang is a member of the Society for Human Resources Management (SHRM, USA).

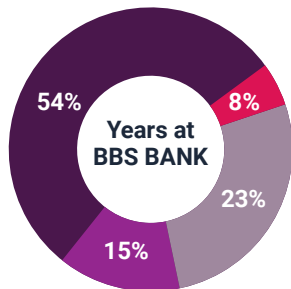
Tenure Exco: 0.4 Yrs
 Tenure BBS Bank: 0.4 Yrs

*Appointed 4 January 2024

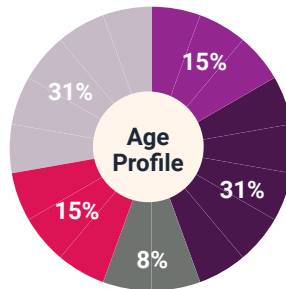
The Board is satisfied with the overall mix of experience, knowledge, skill and diversity of the Executive Management Team and its ability to support the Board in delivering the strategy. As at the reporting date - the executive management comprised of 13 professionals, 8 females and 5 males, with an average age of 47.7 years.



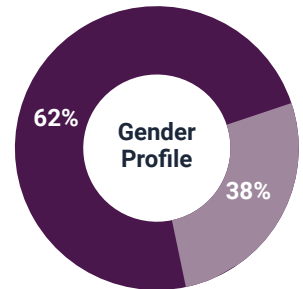
■ 0-3 Years
 ■ above 3 years



■ 0-5 Years
 ■ 6-10 Years
 ■ 11-15 Years
 ■ 16-20 Years
 ■ 21 and Above



■ 36-40 Years
 ■ 41-45 Years
 ■ 46-50 years
 ■ 51-55 Years
 ■ 56-60 Years



■ Male
 ■ Female

Governance Functional Areas

Internal Audit

The Board is responsible for ensuring that internal control mechanisms are adequate and function effectively to mitigate the risks that the bank faces. The board continued to provide oversight with respect to assurance functions through the Audit Committee. Feedback obtained by the Internal Audit function after audits in the form of a survey that assesses the auditee's perception of Internal Audit was used in the Audit Committee oversight. Some of the performance factors regarding the internal audit function include:

- Timeliness and clarity of audit and scope
- Inclusion of auditee concerns in audit scope
- Adequacy of audit coverage on key functions
- Severity of disruption of normal activities
- Timely communication of findings

The Audit Committee received quarterly reports from Internal Audit function detailing out identified control deficiencies, including financial controls. These reports prompted discussions about potential corrective actions to be undertaken by Management. At its meetings, the Audit Committee considered progress made by the Internal Audit function and Head of Internal Audit in closing findings previously raised in the 2022 External Quality Assurance and Improvement Program Assessment conducted by an independent party, as well as the gaps raised by regulators and/or external auditors. The Audit Committee is satisfied with the expertise and experience of the Head Internal Audit and competency in fulfilling their responsibilities during the reporting period. It has determined that the audit function remains effective in providing independent and objective assurance. The audit committee remains committed to upholding high standards of corporate governance and will continue to monitor and enhance the effectiveness of the internal audit function and alignment to best practice and regulatory requirements. Going forward, key focus areas for the Committee with respect to the internal audit function include the resourcing of the function with IT Audit capabilities, execution of IT audits, Global Internal Audit Standards, evaluation of the effectiveness of the Head of Internal Audit and the arrangements of the internal audit function.

Compliance Management

The activities of the compliance function are overseen by the Risk and Compliance Committee. The purpose of the compliance function is to facilitate and monitor the effective management of compliance risk within the bank, in particular to ensure that the bank complies with applicable compliance requirements, including but not limited to legislation, prudential requirements, internal policies, contractual obligations and others. The compliance function, which is led by the Head of Company Secretariat, Legal and Compliance has a seat at the table and has unrestricted access to the Board. The function embeds a compliance culture through advice, guidance and awareness exercises on compliance obligations. The Board has approved a Compliance Policy which is reviewed regularly to align with changing circumstances. The policy stance is zero tolerance to non-compliance and action is taken to address any exceptions. A compliance program and plan exist that guides the activities of the function, and regular reports are submitted to the Board at its quarterly meetings.

Key compliance focus areas for the bank included preparatory works for compliance with the Data Protection Act, the Bank of Botswana Guidelines on Corporate Governance for Banks, the draft Banking Act, Credit Information Act and other new requirements that were published during the year. Financial crime continued to receive heightened attention of the board, with enhanced interaction with regulators and training to staff, management and the board and testing of their knowledge. Training that was spread through the year covered key topics such as Identification of Beneficial Ownership, Suspicious Activity or Transaction Identification and Reporting, Customer Due Diligence, Transaction Monitoring, Foreign Accounts Tax Compliance Act (FATCA), Ultimate Beneficial, Confidentiality Training, Financial Intelligence Act Training and general AML/CFT/PF training. The bank continued to comply with its licensing conditions and the requirements of the Financial Intelligence Act. Risk assessments are conducted to assess the extent to which the bank's activities expose it to financial crime risk and mitigating controls are implemented. For the coming year, the focus areas will be to enhance compliance monitoring, capacitating the compliance function, accelerating the remediation of compliance issues, and completion of the implementation of the anti-money laundering system. The board is satisfied with the qualifications, experience and independence of the Head Company Secretariat, Legal and Compliance and the effectiveness of the compliance function.

Risk Management

An overview of the risk management practices is provided in the Enterprise-wide Risk Management Report section of this report. The bank continues to be guided by the approved risk management policies, best practise and the Bank of Botswana Guidelines on Risk Management. The Risk and Compliance Committee is responsible for ensuring that sound risk management protocols exist in the bank and regular reports are provided at the quarterly committee meetings. The Board is satisfied with the experience, qualifications and skill of the Head of Risk and the risk function.

Information and Technology

Information and technology governance remain key in the transformational strategy of the bank, to drive innovation and enhance competitiveness. Detailed reports are submitted and challenged at the Risk and Compliance Committee quarterly. For the year under review, heightened attention was given to the resilience and stability of the IT infrastructure, disaster recovery, leveraging on cloud technology, data management, upgrading and enhancement of operating systems and cyber security. Key areas of focus for the next reporting period include development of a data governance framework, data classification frameworks, upgrade of core banking system, and building of disaster recovery capabilities amongst others.



Our Application of King IV Code of Corporate Governance and Disclosures

The King IV Code is a set of voluntary principles, that embody the aspirations of the journey towards good corporate governance. It recognizes that a one-size-fits-all approach to the application of the principles is logically undesirable, “because the types of businesses and activities carried out by organizations are so varied”. In line with the spirit and intent of King IV Code, the board is alive to the danger of mindlessly implementing the recommended practices as if they were law, resulting in corporate governance becoming a mere compliance burden, because mindless compliance and quantitative approach is not the aim of the Code. The principles are thus applied in accordance and commensurate with the nature and size of operations, the risk that the banks faces, the resources and the impact on the triple context in which it operates.

In making the disclosures, the King IV Code directs that “there is no need to disclose whether each principle has been implemented or not, as this is quantitative and does not necessarily add to the quality of the disclosure. There is also no need to disclose against the outcomes, as it can be left to the user to draw inferences from the narrative provided.” Duplication of King IV disclosures should be avoided by making use of cross referencing.

The following table provides a summary of the 16 core principles of King IV with reference to pages and sections in our integrated report, showing detailed information of how the principles have been applied in our practices guided by materiality, to enable stakeholders to make an informed assessment of our governance.

Thematic Area	Principle	Integrated Report Referencing
Leadership, Ethics and Corporate Citizenship	Principle 1: The governing body should lead ethically and effectively	<ul style="list-style-type: none"> The tone for ethical organizational culture and leadership: Page 33 (Our Governance Objectives), Page 42 (Ethical Leadership and Culture) Arrangements for managing conflicts of interest: Page 33 (Ethical Culture) Responsibility for steering and setting the direction of the bank: Page 33 (Governance at BBS Bank), Page 34 (Key Focus Areas) Attendance of meetings of the governing body and its committees: Page 43-44 (Board and Committee Meeting Attendance) Code of Conduct: Page 33 (Ethical Culture) Arrangements for performance evaluations of the board and its committees: Page 40 (Board Performance Evaluations)
	Principle 2: The governing body should govern ethics of the organization in a way that supports the establishment of an ethical culture	<ul style="list-style-type: none"> Code of Conduct and Ethics that articulates and gives effect to direction for organizational ethics: Page 33 (Ethical Culture) Arrangement for governing and managing ethics: Page 55 (Ethics), Page 42 (Ethical Leadership and Culture), Page 27 (Managing Director’s Report) Protected disclosure and whistleblowing mechanisms: Page 55 (Ethics)
	Principle 3: The governing body should ensure that the organization is and seen to be a responsible corporate citizen	<ul style="list-style-type: none"> Oversight of the bank’s core purpose and values, strategy and conduct on being responsible corporate citizen: Page 27 (Managing Director’s Report), Page 7(Our Commitment to Responsible Banking and Sustainability) Oversight of the bank’s activities and outputs: Page 33 (Legitimacy) Arrangements for managing and governing responsible corporate citizenship: Page 14 (Stakeholder Engagement) Key areas of focus and planned focus areas: Page 27 (Managing Director’s Report)
Strategy, Performance and Reporting	Principle 4: The governing body should appreciate that the organization’s core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process	<ul style="list-style-type: none"> Responsibility for organizational performance and setting the direction through strategy: Page 33 (Good Performance), Page 23 (Chairman’s Report) Oversight of the implementation of strategy and operational plans: Page 16 (Our Iodestar), Page 22 (Chairman’s Insights) Oversight of performance, the bank’s solvency and liquidity and its status as a going concern: Page 34 (Focus Areas)
	Principle 5: The governing body should ensure that reports issued by the organization enable stakeholders to make informed assessments of the organization’s performance, and its short, medium and long term prospects	<ul style="list-style-type: none"> Approval of management’s determination of reporting frameworks and standards: Page 64 (Directors’ Report), Page 43 (Development, Review and Approval of Key Governance Documents) Oversight that financial statements and other reports are issued in compliance with applicable requirements: Page 69-155 (Annual Financial Statements), Page 63 (Directors’ Responsibility Statement) Oversight over the issuance of an integrated report as a standalone or part of another report: Page 64 (Directors’ Report), Page 7 (Our Integrated Report) Determination of materiality for deciding the nature of information to be included in external reports: Page 15 (BBS Bank’s Approach to Materiality) Oversight over the integrity of external reports: Page 7 (Approval of Integrated Report), Page 63 (Directors’ Responsibility Statement)

Our Application of King IV Code of Corporate Governance and Disclosures (continued)

Thematic Area	Principle	Integrated Report Referencing
Governing Structures and Delegation	Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organization	<ul style="list-style-type: none"> • Our Governance Structure: Page 35 • Setting and steering the strategic direction: Page 33 (Good Performance) • The board’s responsibilities, membership and procedural conduct are documented in a Board Charter, Page 33 (Governance at BBS Bank) • Development, Review and Approval of Key Governance Documents: Page 34 • Number of meetings held during the reporting period: Page 39-40 (Board Committees), Page 43-44 (Board and Committee Meeting Attendance) • Fulfilment of responsibilities in accordance with the charter: Page 35 (Our Governance Structure)
	Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities effectively	<ul style="list-style-type: none"> • Board Composition: Page 37-39 (Our Board of Directors), Page 35 (Board Composition and Diversity) • Whether the board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence: Page 36 (Board Composition and Diversity) • Targets for race and gender representation in the board and progress made against targets: Page 35 (Board Composition and Diversity) • Categorization of each member as executive, non-executive or independent: Page 35 (Board Composition and Diversity), Page 37-39 (Our Board of Directors) • Qualifications and experience of board members: Page 35 (Board Composition and Diversity), Page 37-39 (Our Board of Directors) • Each member’s period of service and Age: Page 36 (Age Profile), Page 37-39 (Our Board of Directors) • Other board and professional positions held by directors: Page 37-39 (Our Board of Directors) • Whether the board chairperson is independent non-executive: Page 36 (Independence), Page 37-39 (Our Board of Directors), Page 43 (Board Leadership) • Appointment of a lead independent non-executive director: Page 43 (Lead Independent Director), Page 35 (Board Composition and Diversity), Page 37 (Our Board of Directors) • Succession Planning for the Board Chairperson: Page 42 (Succession Planning), Page 34 (Board Changes and Succession Planning)
	Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgment, and assist with balance of power and the effective discharge of its duties	<ul style="list-style-type: none"> • Page 35 (Delegation of Authority) • Page 45-48 (Our Executive Management) • The overall role of each committee, its composition and membership: Page 40-41 (Board Committees) • External advisers or invitees that attended committee meetings: Page 40-41 (Board Committees) • Key focus areas during the reporting period: Page 40-41 (Board Committees), Page 34 (Key Board Focus Areas) • Number of meetings held during the reporting period and attendance: Page 40-41 (Board Committees), Page 43-44 (Board and Committee Meeting Attendance) • Whether committees are satisfied that they have fulfilled their responsibilities in accordance with its terms of reference: Page 40 (Audit Committee), Page 41 (HR, Remuneration and Nominations Committee), Page 41 (Risk and Compliance Committee)
	Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and individual members, support continued improvement in its performance and effectiveness	<ul style="list-style-type: none"> • Description of performance evaluation undertaken during the reporting period, and overview of evaluation results and actions: Page 40 (Board Performance Evaluation) • Whether the board is satisfied that the evaluation improves its performance and effectiveness: Page 40 (Board Performance Evaluation)
	Principle 10: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities	<ul style="list-style-type: none"> • Page 35 (Delegation of Authority) • Page 45-48 (Our Executive Management) • Notice period stipulated in the CEO’s contract of employment and contractual condition relating to termination: Page 43 (Managing Director), • Other professional commitments of the CEO: Page 38-Our Board of Directors-Managing Director) • Succession planning for the CEO: Page 41 (HR, Remuneration and Nominations Committee), Page 42 (Succession Planning), Page 19 (Leadership Capability)



Our Application of King IV Code of Corporate Governance and Disclosures (continued)

Thematic Area	Principle	Integrated Report Referencing
Governance Functional Areas	Principle 11: The governing body should govern risk in a way that supports the organization in setting and achieving its strategic objectives	<ul style="list-style-type: none"> • Overview of arrangements for managing and governing risk: Page 49 (Governance Functional Areas), Page 50 (Creating Sustainable Value Through Sound Risk Management), Page 22-24 (Board Chairman Insights) • Key areas of focus during the reporting period: Page 34 (Key Board Focus Areas), Page 41 (Risk and Compliance Committee), Page 53 (Risk Management Achievements) • Monitoring of the effectiveness of risk management and outcomes addressed: Page 16 (Our Iodestar – Pilediwa Corporate Strategy), Page 41 (Risk and Compliance Committee) • Planned risk management focus areas: Page 34 (Future Focus Areas for the Board), Page 41 (Risk and Compliance Committee Future Focus Areas)
	Principle 12: The governing body should govern technology and information in a way that supports the organization setting and achieving its strategic objectives	<ul style="list-style-type: none"> • Overview of arrangements for governing and managing information and technology: Page 49 (Governance Functional Areas), Page 41 (Risk and Compliance Committee), Page 55 (Transformational Risks) • Key areas of focus during the period: Page 34 (Key Board Focus Areas), Page 41 (Risk and Compliance Committee) • Monitoring the effectiveness of technology and information management: Page 41 (Risk and Compliance Committee) • Planned areas of future focus: Page 34 (Future Focus Areas for the Board), Page 41 (Risk and Compliance Committee Future Focus Areas)
	Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organization being ethical and good corporate citizen	<ul style="list-style-type: none"> • Overview of arrangements for governing and managing compliance: Page 49 (Governance Functional Areas), Page 41 (Risk and Compliance Committee) • Key areas of focus during the period: Page 42 (Director Training and Development), Page 41 (Risk and Compliance Committee Focus Areas), Page 34 (Key Board Focus Areas), Page 42 (Ethical Leadership and Culture) • Monitoring the effectiveness of compliance management: Page 41 (Risk and Compliance Committee), Page 49 (Compliance Management) • Planned areas of focus: Page 34 (Future Focus Areas for the Board), Page 41 (Risk and Compliance Committee Future Focus Areas)
	Principle 14: The governing body should ensure that the organization remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and possible outcomes in the short, medium and long term	<ul style="list-style-type: none"> • Overview of the Remuneration Policy, the Remuneration report with a background statement, main remuneration policy provisions: Page 18 (A Fit for Purpose Pay Philosophy), Page 44 (Director Remuneration and Expenses Policy) • Implementation report showing remuneration awarded to members of the board and executive management: Page 18 (BBS Bank Remuneration Policy), Page 44 (Director Remuneration Practices During 2023 Financial Year)
	Principle 15: The governing body should ensure that assurance services and functions enable effective control environment, and that these support the integrity of information for internal decision making and of the organization's external reports	<ul style="list-style-type: none"> • Combined assurance: Page 55 (Combined Assurance Model) • Internal Audit: Page 33 (Effective Control), Page 49 (Governance Functional Areas-Internal Audit) • Assurance of external reports: Page 63 (Directors' Responsibility Statement), Page 65-68 (Independent Auditor's Report) • Regulatory Examinations and Reporting
Stakeholder Relationships	Principle 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organization over time	<ul style="list-style-type: none"> • Overview of arrangements for managing and governing stakeholder relationships: Page 14 (Stakeholder Engagement), Page • Key areas of focus during the period: Page 14 (Stakeholder Engagement), Page 19 (Employee Engagement and Change Management), Page 26-27 (From the Managing Director) • Monitoring the effectiveness of stakeholder management: Page 14 (Stakeholder Engagement Framework) • Future areas of focus: Page 34 (Future Focus Areas for the Board), Page 41 (Risk and Compliance Committee Future Focus Areas) • Stakeholder Management Policy Approved in place • Stakeholder Engagement Matrix and Plan in place
	Principle 17: The governing body of an institutional investor organization should ensure that responsible investment is practiced by the organization to promote the good governance and the creation of value by the companies in which it invests	<ul style="list-style-type: none"> • Not Applicable

Current Account



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Open a BBS Bank current account and enjoy the following:

- Funeral cover for the account holder
- Pre-approved Overdraft
- Access to the BBS Bank Nomad Digital Banking Platform
- Our Branches and SWIFT Codes
- A VISA debit card.

Visit a BBS Bank Branch or call 3631551/96 to open yours



Creating sustainable value through sound risk management

To win, we are not just thinking about launching new products, services and increasing our customer base, we are also continuously thinking about the implications of risks on the overall health of our business.

Therefore, BBS Bank Board, Management and Staff recognise risk as an important driver of strategic decisions.

The bank has adopted an enterprise-wide approach to risk management. This approach can be defined as a process that enables the Bank to effectively deal with varied types of risks and opportunities, thus increasing stakeholder value, which is a departure from a "silo" approach.



1. Risk Governance

In discharging the responsibility of creating value, the Board is conscious that the bank’s purpose, business model, strategy, risks and opportunities, performance and sustainable development are inseparable. Through the risk oversight and support delegated to the Risk & Compliance Committee, the Board ensures that the bank is adequately guided through determination of strategic intents and objectives and in attainment of such goals. In our qualitative risk appetite statement, a zero-tolerance approach has been expressed towards breaches in compliance to relevant laws, regulations, ethics and corporate citizenry. Our combined assurance model promotes an effective control environment that provides accurate and timely information for enabling informed decisions.

2. Risk Philosophy and Culture

The Bank’s approach to risk management is as follows:

Balancing risk and return	The bank	<ul style="list-style-type: none"> • takes risk in line with the requirements of stakeholders. • takes risk within our risk appetite, consistent with our approved strategy. • avoids taking risks which have a high probability of causing financial distress. • treats risks not in isolation but integrated through ERM.
Responsibility	The bank	<ul style="list-style-type: none"> • takes individual responsibility to ensure risk taking is disciplined and focused, particularly within our area of authority. • takes account of social responsibilities and commitments to customers in taking risk to produce a return
Accountability		<ul style="list-style-type: none"> • BBS Bank only takes risk within agreed parameters and where there is appropriate infrastructure and resource. • The bank ensures risk-taking is transparent, controlled and reported. • Everyone in the bank is a risk manager.
Anticipation		<ul style="list-style-type: none"> • The bank seeks to anticipate material future risks and ensure awareness of all known risks and take necessary action.
Competitive advantage		<ul style="list-style-type: none"> • The bank seeks to achieve competitive advantage through efficient and effective risk management and control.

3. Key risk management principles

- In order to achieve BBS Bank Ltd’s business objectives, risks must be considered and managed enterprise wide.
- Risk management is integral to the strategic planning process, business decision making and day-to-day operations.
- Risks are identified, analysed, responded to, monitored and reported on, in accordance with BBS Bank Ltd’s policies and procedures.
- Risk responses must be tailored to each particular business circumstance.
- Management must regularly assess the status of risks and risk responses.

ERM process



The BBS Bank Ltd Enterprise-wide Risk Management process comprises the following steps:

- **IDENTIFY** key risks.
- **ANALYSE** the potential impact and likelihood of risks.
- **RESPOND** to risks by considering existing controls as well as selecting, prioritising and implementing appropriate actions.
- **MONITOR** the internal and external environment for potential changes to risks and ensure that risk responses continue to operate effectively.
- **REPORT** on risks and the status of risk responses adopted.



BBS Bank Ltd's Risk Universe

Risks identified are categorised by sources to facilitate the determination of root cause and subsequently to assign responsibility for responses. The following list represents BBS Bank Ltd's risk universe:

Level 1 Risk	Assigned Risk Owner	Board Oversight Committee	Management Oversight Committee
Business & Strategic Risk	Head of Projects and Strategy	Risk and Compliance Committee	Operational Risk Management Committee
Brand & Reputational Risk	Head of Business Relations and Marketing	Risk and Compliance Committee	Operational Risk Management Committee
Credit Risk	Head of Credit	Risk and Compliance Committee	Global Credit Risk Management Committee
Market Risk	Head of Treasury	Risk and Compliance Committee	Asset and Liability Management Committee
Liquidity & Funding Risk	Head of Treasury	Risk and Compliance Committee	Asset and Liability Management Committee
Legal Risk	Head of Company Secretariat, Legal and Compliance	Risk and Compliance Committee	Operational Risk Management Committee
Governance & Compliance Risk	Head of Company Secretariat, Legal and Compliance	Risk and Compliance Committee	Operational Risk Management Committee
Operational Risk	Head of Risk	Risk and Compliance Committee	Operational Risk Management Committee
Capital Risk	Head of Finance	Risk and Compliance Committee	Asset and Liability Management Committee
Financial Reporting & Taxation Risk	Head of Finance	Risk and Compliance Committee	Operational Risk Management Committee
Information Technology Risk	Head of IT	Risk and Compliance Committee	Operational Risk Management Committee
People Risk	Head of Human Resources	Human Resources, Nominations, & Remuneration Committee	Operational Risk Management Committee
Projects and Transformation Risk	Head of Projects & Strategy	Risk and Compliance Committee	Operational Risk Management Committee
Corporate Sustainability Risk	Head of Projects & Strategy	Risk and Compliance Committee	Operational Risk Management Committee



Role of the Risk Co-ordinators or Champions

- Business Units appoint a Risk Co-ordinator or Champions. The role of the Risk Co-ordinator or Champions is as follows:
- To co-ordinate the process of completing and updating the Risk and Control Self-Assessments (RCSAs) within the Business Unit on a quarterly basis.
- To act as the ERM resource person within the Business Unit.
- To co-ordinate the process of mapping business processes within the Business Unit.
- To attend training sessions organised by the ERM Department.
- To report Operational Risk Events using the Incident Reporting process outlined in the Operational Risk policy.
- To implement initiatives to improve the risk culture in the Business Unit with the support of the Risk Owners, Process Owners and Business Unit managers.



Role of every BBS Bank Ltd employee

- To incorporate BBS Bank Ltd risk management principles as part of their everyday activities.
- To be accountable for maintaining a strong risk and control awareness culture within the Bank.
- To report to the appointed Business Unit Risk Co-ordinator any identified Operational Risk Events.

Capital Management Objectives

Effective capital management will ensure that BBS Bank Limited:

- meets individual capital ratios required in terms of the Banking Act, 2023 and Bank of Botswana directives and guidelines.
- meets the Board approved target capital ratios.
- generates sufficient capital to support overall business strategy.
- makes risk-based capital allocation decisions as part of the strategic and financial planning review, taking into consideration the return on regulatory capital, as such limit the risk of exposures.
- preserves public confidence.
- achieves a return above the cost of equity.
- declares a dividend in terms of the Dividend Policy.

In summary, capital management is focused on maximising shareholder value by optimising the level and mix of capital resources required to be held against identified material risks.

Achievements

- Establishment of a Risk & Compliance Committee to strengthen the governance on risk management and segregating roles from the Audit Committee, this has enhanced independence of the two committees.
- Modernisation of the risk management framework. Through the guidance of the Board of Directors, a total of twenty-three policies and frameworks were reviewed.
- Mapping of transformational risks and mapping mitigations through a thematic approach, applying the RACI model to aid in the smooth implementation.
- Carried out risk awareness and capacity building initiatives on across the Bank, to ensure that the staff members are better attuned to their risk management responsibilities.
- Training of first aiders and fire marshals across the Bank, to promote health and safety at the workplace.

Challenges

- Resourcing of the risk management department.
- Mechanical processes and limited automation to support risk management initiatives.
- Change management regarding risk ownership and culture in alignment of the desired behaviour and approach.





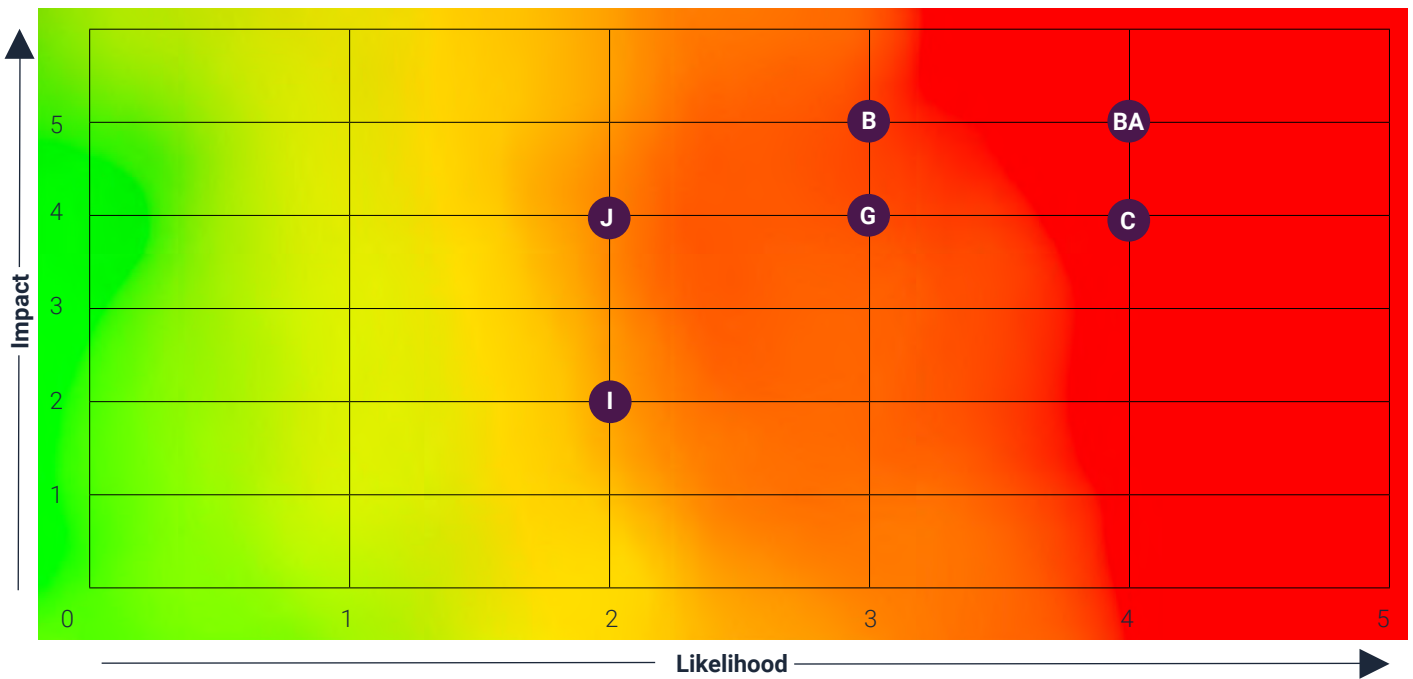
Top Risks

An inter-relatedness exists between the risk identified as per the risk profile. One of the uncertainties harboured was the ability to yield positive returns during the first year of transformation. Our cost to income ratio is outside our risk appetite levels. Significant resourcing was required in the form of capital and human capacity to support the transformation. Mitigations have been mapped to ensure a rapid turnaround of the bank, such measures will continue to be rolled-out and monitored into the financial year 2024, to place the bank in our esteemed trajectory.

Several projects were implemented, in support of the reforms driving transformation. Furthermore, initiatives to improve customer service product and service offering were carried out. The bank acknowledges that capital is a scarce resource and has closely monitored its consumption through the year. Investments in projects and products will result in returns in the short to medium term.

With the issuance of a commercial banking license, this provided an opportunity to serve our customers an enhanced service offering through broader channels. Management has executed numerous projects to support the bank's strategic direction. Effective risk management was crucial in ensuring smooth implementation.

Risk Heat Map



REF	TOP RISKS
A	Business/Strategic Risk
B	Capital Risk
C	Project Risk
D	Information Technology Risk
E	Market Risk
F	Credit Risk
G	People Risk
H	Liquidity & Funding Risk
I	Financial Reporting & Taxation Risk
J	Brand & Reputational Risk

Transformational Risks

A risk assessment was carried out to support the transformation process that the bank is journeying through. Identified risks were mapped through an iterative process with cross-sectional teams from the bank. Treatment strategies in response to the risks were formulated across six themes, being:

- Astute risk management
- Change Management
- Technology as an enabler
- Regulatory and external environment
- Value proposition for Clients and Employees.
- Partnership Strategy

Progress has been attained in addressing the planned mitigations. Further progress will be accomplished in the financial year 2024.



Risk Outlook

The World Economic Forum Report (Global Risks) - 2024 has highlighted the following top five risks for the country:

- Unemployment
- Inflation
- Inequality (wealth & income)
- Household debt
- Digital inequality

In navigating our strategic path, the bank will exploit opportunities and mitigate risks bearing in mind the above-mentioned risks and impact to our performance. The bank is confident that risks will be managed within the adopted risks appetite statement and enhance service provision to our valued customers.

Ethics

We hold firm our corporate values and practice them through a sound culture. Leadership virtues are cascaded through the governance structures in an ethical and effective manner, which supports an admirable ethical culture.

BBS Bank has partnered with Deloitte for provision of an Ethics Line. A toll-free number 16147 is in place for reporting unbecoming conduct, such as:

- Theft
- Fraud
- Bribery/Corruption
- Misconduct/Unethical behaviour
- Money laundering

It is the bank's approach to combat fraud before it occurs. It is our key priority to prevent and to timely detect fraud thereby reducing future potential losses.

Combined Assurance Model

An effective combined assurance model is achieved through the three lines of defence represented by Management in the first line, Risk Department, and Board Secretariat, Legal and Compliance Department in second line, and Internal Audit Department in third line. Our aim is to encourage success while preventing failure and to advance towards an optimized combined assurance maturity model. The Board of Directors supports the three lines of defines and ensures alignment of activities to the objectives set by the bank. Duplications, overlaps and gaps are avoided through effective coordination and communication and regular collaboration across lines of defence.

The bank encourages assurance providers to work closely and obtain assurance in the most cost-effective way possible, as efforts are directed to the risks that matter most. Remedial actions, risks and opportunities identified are tracked in a comprehensive and prioritized approach, and further enhance the achievement of the bank's objectives.

Annual financial statements

Consolidated and Separate Financial Statements

for the year ended 31
December 2023

General Information

Company name	BBS Bank Limited (Formerly BBS Limited)		
Company registration number	BW00001057162		
Country of incorporation and domicile	Botswana		
Nature of business and principal activities	Banking services		
Directors		Appointed	Resigned
	Dr. Vincent B. Mogano - Chairman		
	Mrs. Pedzani Tafa - Managing Director		
	Mr. Geoffrey M. Bakwena		
	Mr. Victor Ramalepa		
	Mr. Duraiswamy Kalyanaraman		
	Mrs. Koziba N. Molyoi-Sedimo		
	Mr. Lehuka I. Maseng	13/06/2023	
	Mrs. Sejo Lenong	13/06/2023	
	Mr. Bernard Mzizi		29/01/2024
Registered office	Plot 13108-112, Corner Of Lemmenyane Drive and Segoditshane Way, Broadhurst, Gaborone, Botswana		
Business address	Plot 13108-112, Corner Of Lemmenyane Drive and Segoditshane Way, Broadhurst, Gaborone, Botswana		
Postal address	P.O. Box 40029 Gaborone, Botswana		
Bankers	Access Bank Botswana Limited (formerly African Banking Corporation of Botswana Limited) Absa Bank Botswana Limited Standard Chartered Bank Botswana Limited Stanbic Bank Botswana Limited First National Bank of Botswana Limited Bank Gaborone Limited First Capital Bank Limited		
Auditors	Ernst & Young Plot 22 Khama Crescent P.O Box 41015 Gaborone, Botswana		
Secretary	Dimpho Phagane		



Index

	Page*
Directors' Responsibility Statement	63
Directors' Report	64
Independent Auditor's Report	65 - 68
Statements of Financial Position	69
Statements of Profit or Loss and Other Comprehensive Income	70
Statements of Changes in Equity	71
Statements of Cash Flows	72
Accounting Policies	73 - 92
Notes to the Consolidated And Separate Financial Statements	93 - 155

Directors' Responsibility Statement

The directors are required in terms of the Companies Act of Botswana (CAP 42:01) 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 give a true and fair view 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 International Financial Reporting Standards and in compliance with the Banking Act (CAP 46:04).

The consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards and in the manner required by the Banking Act (CAP 46:04) and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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 Board of Directors sets 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 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 are of the opinion, based on the information and explanations given by Management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

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

The External auditors are responsible for independently auditing and reporting on the Group and Company's consolidated and separate financial statements. The consolidated and separate financial statements have been examined by the Group and Company's External auditors and their report is presented on pages 65 to 68.

The consolidated and separate financial statements set out on pages 69 to 155, which have been prepared on the going concern basis, were approved by the Board of Directors on 22 March 2024 and were signed on their behalf by:

Approval of financial statements



Dr. Vincent B. Mogano
Chairperson - Board



Mrs. Pedzani Tafa
Managing Director



Mrs. Sejo Lenong
Chairperson - Board Audit Committee



Directors' Report

The directors have pleasure in submitting their report on the consolidated and separate financial statements of BBS Bank Limited for the year ended 31 December 2023.

1. Business activities

The Bank obtained its commercial banking license on 06 October 2022, after changing its name from BBS Limited to BBS Bank Limited on 06 September 2022, to facilitate the issuance of the banking license. Following the acquisition of the banking license, the Bank began its journey to transition into a commercial bank in January 2023. This journey involved transitioning into a full fledged bank, focusing on developing banking capabilities and introducing a wide array of banking services and products.

The Bank established an Insurance Agency, BBS Insurance Agency Limited on 08 June 2022 as part of its long-term strategic plan to diversify its portfolio and offerings.

2. Financial results and position

The Group and Company's financial results and position are reflected in the financial statements set out on pages 69 - 155.

3. Stated capital

The issued capital of the Group and Company comprised of 487,453 (2022: 487,453) ordinary shares at the end of the year. The detail on shareholding is presented on note 44 of the financial statements.

4. Related parties interests in shares

Mr. Geoffrey M. Bakwena (non-executive director), Mr. Victor Ramalepa (non-executive director), Mrs. Pedzani Tafa (Executive Director) and some members of Executive Management are BBS Bank Limited shareholders. The other directors do not hold shares directly or indirectly in the Group and Company.

5. Dividends

No dividends were declared during the current or prior year.

6. Directorate

The directors in office during the year and up to the date of this report are as follows:

Directors	Office	Designation	Nationality	Changes
Dr. Vincent B. Mogano	Chairman	Non-executive	Motswana	
Mrs. Pedzani Tafa	Managing Director	Executive	Motswana	
Mr. Geoffrey M. Bakwena	Director	Non-executive	Motswana	Re-appointed 28 April 2023
Mr. Victor Ramalepa	Director	Non-executive	Motswana	
Mr. Duraiswamy Kalyanaraman	Director	Non-executive	Indian	
Mrs. Koziba N. Molyi-Sedimo	Director	Non-executive	Motswana	
Mr. Lehuka I. Maseng	Director	Non-executive	Motswana	Appointed 13 June 2023
Mrs. Sejo Lenong	Director	Non-executive	Motswana	Appointed 13 June 2023
Mr. Bernard Mzizi	Director	Non-executive	Motswana	Resigned 29 January 2024

7. Events after the reporting date

Resignation of Director

On 29 January 2024, Mr. Bernard Mzizi stepped down as a member of Board of Directors of BBS Bank Limited ("the Bank") after serving for a period of three years.

Launch of the BBS current account

The Bank introduced its current account on 05 February 2024, marking a significant step forward in providing products and services to customers. BBS customers can now easily transfer funds within BBS and other banks, make payments and effectively manage their finances. This launch is a crucial strategic move to promote Current and Savings Accounts (CASA).

Launch of banking capabilities

On 20 February 2024, the bank reached a major milestone in its transformation journey by introducing systems aimed at enhancing its banking capabilities. These include:

- Botswana Interbank Settlement Systems (BISS)
- Real Time Gross Settlement (RTGS)
- Society for Worldwide Interbank Financial Telecommunication (SWIFT)
- Botswana Automated Clearing House Integration (BACH)
- Foreign Exchange capabilities

As a result, the Bank is now equipped to facilitate electronic transactions with other banks, both domestically and internationally, through various clearing and settlement systems.

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Registration No: 10829

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www.ey.com**Independent Auditor's Report
To the Shareholders of BBS Bank Limited
Report on the Audit of the Consolidated and Separate Financial Statements****Opinion**

We have audited the consolidated and separate financial statements of BBS Bank Limited and its subsidiary (the Group) and company set out on pages 69 - 155, which comprise the consolidated and separate statement of financial position as at 31 December 2023, and the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of material accounting policies.

In our opinion, the 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 December 2023, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01) and Banking Act (CAP 46:04).

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 Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with other ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Botswana, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.



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The Key Audit Matter applies equally to the audit of the consolidated and separate financial statements.

Key audit matter	How the matter was addressed in the audit
Expected credit losses on mortgage loans and advances to customers (Consolidated and separate financial statements)	
<p>Loans and advances to customers comprise a significant portion of the Group and Company's total assets at P4.1 billion (2022: P3.2 billion) representing 79% (2022: 81%) of the Group and Company's total assets. The Group and Company recognises an Expected Credit Losses (ECL allowance) on these loans and advances to customers.</p> <p>The ECL allowance is calculated using a modelled basis. The preparation of the ECL model is inherently subjective and involves significant management judgement and estimates in determining the inputs into the ECL models, including the use of management quantitative specialists in the design and execution of these models. These judgements and estimates include:</p> <ul style="list-style-type: none"> • Choosing appropriate models and assumptions for the measurement of ECL • Determining criteria for significant increase in credit risk (SICR) • Establishing the number and relative weightings of forward looking scenarios for each type of product/market and the associated ECL • Establishing groups of similar financial assets for the purposes of measuring the ECL; and • Appropriateness, completeness and valuation of risk event overlays to capture risks not identified by the credit impairment models • The determination of management overlays • Estimation of the probability of default (PD), exposure at default (EAD) and loss given default (LGD) parameters. <p>In the current year, the most significant factors impacting the ECL were in relation to the increase in the unsecured loans and advances to customers and the economic environment including the continuing impact of higher interest rates, inflation and geopolitical uncertainty. We consider that the combination of these factors has increased risk.</p> <p>Therefore, we have identified the audit of the expected credit loss (ECL) allowance applied to loans and advances to customers at the reporting date as a key audit matter due to the extent of auditor judgment required in assessing the above areas of judgement. This necessitated the involvement of our internal economic and quantitative specialists and increased discussions with management during the audit.</p> <p>The disclosures associated with the ECL allowance of loans and advances to customers are set out in the consolidated and separate financial statements:</p> <ul style="list-style-type: none"> • Note 1.1 - Key sources of estimation uncertainty • Note 10 - Loans and advances to customers • Note 2 - Financial instruments and risk management 	<p>Our procedures included the following, amongst others, and we involved EY specialists to assist us in performing our procedures where relevant:</p> <ul style="list-style-type: none"> ✦ We evaluated the design and operating effectiveness of controls relevant to the Group's processes over ECL balances, including the judgements and estimates noted, involving EY specialists to assist us in performing our procedures to the extent it was appropriate. These included: <ul style="list-style-type: none"> • credit monitoring. • controls over the allocation of assets into stages such as management's monitoring of stage effectiveness. • completeness and accuracy of data. • review and approval of multiple economic scenarios. • model governance, including model monitoring, model validation and review and approval of post model adjustments. ✦ We evaluated the data inputs used in calculating the PD, EAD and LGD parameters by reconciling these inputs to the core banking system. ✦ We assessed the stage allocation for a sample of loans and individual exposures against the SICR triggers identified by management. We further evaluated the criteria used to allocate financial assets to stage 1, 2 or 3 in accordance with IFRS 9. We reperformed the staging distribution for a sample of financial assets and assessed the reasonableness of staging downgrades applied by management by comparing it to the Group's modelling documentation. ✦ We assessed the design and application of macro-economic forecasts and models adopted by the management expert by assessing the appropriateness of the macro-economic forecasts included in the forward-looking information and scenario weightings by benchmarking these against external evidence and economic data. ✦ We performed an independent ECL quantification analysis on economic data and industry stresses which incorporates independently estimated economic impacts using third party as well as our own data to ascertain the reasonability of the macro-economic management adjustments. ✦ For the economic scenarios - in collaboration with our economists and modelling specialists, we also challenged the completeness and appropriateness of the macro-economic variables used as inputs to the model. Additionally, we involved economic specialists to assist us in evaluating the reasonableness of the base forecast for a sample of macro-economic variables by benchmarking the forecast to a variety of external sources. ✦ Management overlays - we challenged the completeness and appropriateness of overlays used for risks not captured by the models for the unsecured loan book. Our procedures included evaluating the underpinning assumptions and judgements as to whether they are appropriate in prevailing market conditions. ✦ We engaged our modelling specialists to evaluate the ECL model by assessing the reasonableness of underpinning assumptions, inputs and formulae used. This included a combination of assessing the appropriateness of model design, formulae and algorithms, alternative modelling techniques and recalculating the PD, LGD and EAD parameters and ultimately the provision for impairment. ✦ We assessed the adequacy of the disclosures by comparing these to the requirements of IFRS 9 Financial Instruments.



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Other Information

The directors are responsible for the other information. The other information comprises the information included in the 95-page document titled "BBS Bank Limited Consolidated and Separate Financial statements for the year ended 31 December 2023", which includes the General Information, Directors' Responsibility Statement and the Directors' Report which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated or the 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 identified above 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 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 for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01) and Banking Act (CAP: 46:04), and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate 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 group and company'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 or company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Company's financial reporting processes.

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 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.
- 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 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 and company to cease to continue as a going concern.



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- 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 and separate financial statements. We are responsible for the direction, supervision and performance of the group and company audit. We remain solely responsible for our audit opinion.

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

We also provide the directors 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 directors, 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.

Ernst & Young
Firm of Certified Auditors
Practicing member: Thomas Chitambo (CAP 0011 2024)
Gaborone

28 March 2024

Statements of Financial Position as at 31 December 2023

Figures in Pula thousand	Note(s)	Group		Company		Restated 01 January 2022
		2023	Restated* 2022	2023	Restated* 2022	
Assets						
Cash and cash equivalents	4	366,036	41,092	345,087	41,092	133,380
Investments with banks and other financial institutions	5	472,102	448,033	472,102	448,033	311,520
Balance due from related company	6	-	-	3,756	1,036	-
Non-current assets held for sale	7	12,593	13,832	12,593	13,832	-
Other assets	8	68,897	62,251	67,931	62,145	57,470
Properties-in-possession	9	26,580	36,831	26,580	36,831	39,871
Current tax receivable	22	68	-	68	-	-
Loans and advances to customers	10	4,071,336	3,240,794	4,071,336	3,240,794	3,181,329
Right-of-use assets	11	8,926	10,643	8,926	10,643	15,319
Deferred tax asset	12	11,650	-	11,650	-	-
Intangible assets	13	24,660	18,061	24,660	18,061	16,150
Property and equipment	14	98,402	96,405	98,402	96,405	106,953
Investments in subsidiary	15	-	-	100	100	-
Total Assets		5,161,250	3,967,942	5,143,191	3,968,972	3,861,992
Liabilities						
Customer deposits	16	4,211,083	2,717,746	4,211,676	2,720,234	2,511,064
Borrowings	17	271,198	589,193	271,198	589,193	667,893
Debentures	18	102,235	102,235	102,235	102,235	101,974
Lease liabilities	19	14,700	15,886	14,700	15,886	19,638
Other liabilities	20	75,475	36,098	74,766	35,787	32,463
Withholding tax	21	2,498	1,337	2,629	1,338	1,650
Current tax payable	22	-	38	-	-	-
Total Liabilities		4,677,189	3,462,533	4,677,204	3,464,673	3,334,682
Equity						
Stated capital - Ordinary shares	23	487,453	487,453	487,453	487,453	487,453
Retained loss/earnings		(3,392)	17,956	(21,466)	16,846	(73,580)
Statutory reserves	24	-	-	-	-	113,437
Total Equity		484,061	505,409	465,987	504,299	527,310
Total Equity and Liabilities		5,161,250	3,967,942	5,143,191	3,968,972	3,861,992

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

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

Refer to note 10 for loans and advances to customers and note 16 for customer deposits.

The comparative information for 2022 has been revised to reflect this revised presentation. This does not have any impact on the statement of financial position.

*Refer to note 47 for more details on the restatement.



Statements of Profit or Loss and Other Comprehensive Income

Figures in Pula thousand	Note(s)	Group		Company	
		2023	Restated* 2022	2023	Restated* 2022
Interest income	25	369,407	288,843	369,233	288,843
Interest expense	26	(246,419)	(185,218)	(246,445)	(185,232)
Net interest income		122,988	103,625	122,788	103,611
Fee and commission income	29	46,132	21,727	21,837	18,677
Fee and commission expense	29	(2,277)	(1,678)	(2,277)	(1,678)
Net fee and commission income		43,855	20,049	19,560	16,999
Revenue		166,843	123,674	142,348	120,610
Other operating income	30	5,327	5,410	7,036	6,408
Operating income		172,170	129,084	149,384	127,018
Expected credit losses		(5,493)	6,975	(5,493)	6,975
Other impairment losses	28	(3,850)	(2,822)	(3,850)	(2,822)
Personnel expenses	31	(101,121)	(82,560)	(100,184)	(81,991)
Depreciation and amortisation	32	(12,522)	(12,560)	(12,522)	(12,560)
Other expenses	33	(77,394)	(59,704)	(77,297)	(59,631)
Total expenses		(200,380)	(150,671)	(199,346)	(150,029)
Loss before taxation		(28,210)	(21,587)	(49,962)	(23,011)
Taxation	34	6,862	(313)	11,650	-
Loss for the year		(21,348)	(21,900)	(38,312)	(23,011)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		(21,348)	(21,900)	(38,312)	(23,011)
Earnings per share					
Per share information					
Basic and diluted loss per share (thebe)	36	(4.38)	(4.49)		

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

The comparative information for 2022 has been revised to reflect this revised presentation. This does not have any impact on the statement of profit or loss and other comprehensive income.

*Refer to note 47 for more details on the restatement.

Statements of Changes in Equity

Figures in Pula thousand	Ordinary shares	Statutory reserves	Accumulated loss Restated*	Total equity
Group				
Balance at 01 January 2022 as previously reported	487,453	113,437	(106,860)	494,030
Impact of correction of error	-	-	33,280	33,280
Balance at 01 January 2022 as restated	487,453	113,437	(73,580)	527,310
Total comprehensive loss for the year	-	-	(21,900)	(21,900)
Transfer from statutory reserves	-	(113,437)	113,437	-
Balance at 01 January 2023	487,453	-	17,956	505,409
Total comprehensive loss for the year	-	-	(21,348)	(21,348)
Balance at 31 December 2023	487,453	-	(3,392)	484,061
Note(s)	23	24		
Company				
Balance at 01 January 2022 as previously reported	487,453	113,437	(106,860)	494,030
Impact of correction of error	-	-	33,280	33,280
Balance at 01 January 2022 as restated	487,453	113,437	(73,580)	527,310
Total comprehensive loss for the year	-	-	(23,011)	(23,011)
Transfer from statutory reserve	-	(113,437)	113,437	-
Balance at 01 January 2023	487,453	-	16,846	504,299
Total comprehensive loss for the year	-	-	(38,312)	(38,312)
Balance at 31 December 2023	487,453	-	(21,466)	465,987
Note(s)	23	24		

Refer to note 23 of this report for details on the Group and Company's reserves.

*Refer to note 47 for more details on the restatement.



Statements of Cash Flows

Figures in Pula thousand	Note(s)	Group		Company	
		2023	Restated* 2022	2023	Restated* 2022
Cash flows from operating activities					
Interest receipts	46	363,757	284,081	363,583	284,081
Commission receipts	46	41,665	18,821	17,370	15,771
Interest payments	46	(216,475)	(171,857)	(216,501)	(171,871)
Commission payments	29	(1,862)	(1,678)	(1,862)	(1,678)
Other operating income	46	5,327	5,410	7,036	6,408
Cash payments to employees and suppliers	46	(168,719)	(136,740)	(167,685)	(136,095)
Proceeds from sale of properties in possession		6,964	11,094	6,964	11,094
Income tax paid		(4,894)	(275)	(68)	-
Net cash generated from operating activities before changes in working capital		25,763	8,856	8,837	7,710
Changes in:					
Increase in other assets		(6,646)	(4,781)	(5,786)	(4,675)
Increase in balance due from related company		-	-	(2,720)	(1,036)
Increase in loans and advances to customers	46	(838,378)	(64,795)	(838,378)	(64,795)
Increase in customers' deposits	46	1,459,374	193,416	1,457,479	195,904
Increase in other liabilities		43,797	6,528	43,399	6,216
Increase/(decrease) in withholding tax		1,161	(313)	1,291	(313)
Net cash generated from operating activities		685,071	138,911	664,122	139,011
Cash flows from investing activities					
Purchase of property and equipment	14	(6,458)	(11,064)	(6,458)	(11,064)
Purchase of intangible assets	13	(12,396)	(5,581)	(12,396)	(5,581)
Investment in subsidiary		-	-	-	(100)
New placements of investments with banks and other financial institutions	46	(2,223,726)	(2,849,559)	(2,223,726)	(2,849,559)
Maturities of investments with banks	46	2,197,900	2,714,739	2,197,900	2,714,739
Net cash used in investing activities		(44,680)	(151,465)	(44,680)	(151,565)
Cash flows used in financing activities					
Repayment of borrowings	17	(313,976)	(78,534)	(313,976)	(78,534)
Payment of lease liabilities	19	(1,471)	(1,200)	(1,471)	(1,200)
Net cash used in financing activities		(315,447)	(79,734)	(315,447)	(79,734)
Total cash movement for the year		324,944	(92,288)	303,995	(92,288)
Cash at beginning of the year		41,092	133,380	41,092	133,380
Total cash at end of the year	4	366,036	41,092	345,087	41,092

*Refer to note 47 for more details on the restatement.

Accounting Policies

1. Reporting entity

The Company and its subsidiary are domiciled in Botswana. The address of the Group and Company's registered office is Plot 13108-112 Broadhurst, Gaborone. The Company is primarily involved in the provision of banking services while the subsidiary is involved in offering insurance agency services. These financial statements represent the Group's consolidated and separate financial statements. The consolidated financial statements were approved for issue by the Directors on 22 March 2024.

1.1 Basis of preparation

These consolidated and separate financial statements for the year ended 31 December 2023 have been prepared on the going concern basis in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Banking Act (CAP 46:04) and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

These accounting policies are consistent with those applied in the previous year unless otherwise stated.

Comparative financial information

The comparative financial information considered in these financial statements relate to the audited financial information for the year ended 31 December 2022.

Functional and presentation currency

The financial statements are presented in Botswana Pula, which is the Group and Company's functional and presentation currency. Except where otherwise indicated, financial information presented in Botswana Pula has been rounded to the nearest thousand.

Key sources of estimation uncertainty

The preparation of the Group and Company financial statements requires Management to make judgements, estimates and assumptions that affect the application of the Group and Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group and Company's financial statements are disclosed below.

Going concern

Management has made an assessment of the Group and Company's ability to continue as a going concern and is satisfied that the Group and Company has the resources to continue in business for the foreseeable future. There are significant judgements involved in the assessment of whether the going concern assumption remains appropriate.

This going concern basis applied presumes that resources will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

Refer to note 39 Going concern.

Expected credit losses

The measurement of the expected credit loss allowance (ECL) for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting) and the resulting losses.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL; and
- The determination of management overlays.



Accounting Policies

1.1 Basis of preparation (continued)

For explanations of the inputs, assumptions and estimation techniques used in measuring ECL refer to accounting policy note 1.8 and Note 2 - Financial instruments and risk management.

Residual values of property and equipment

Residual values of property and equipment are based on current estimates of the values of these assets at the end of their useful lives. The estimated residual values of the properties have been determined based on available market information.

The residual value of an asset may be less than or equal to the asset's carrying amount. In this case, the asset's depreciation is nil until the carrying amount exceeds the residual value. Depreciation methods, useful lives and residual values are in line with industrial averages and are reviewed at each reporting date and adjusted if necessary.

Collateral valuation

The Group and Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in the form of non-financial assets. The fair value of collateral is generally assessed, at a minimum, at inception and subsequently, every three years in line with the company's credit policy.

Non-financial collateral, such as real estate, are valued at open market values by professional independent valuers who have been appointed as the Group and Company's panel. The panel of valuers is reviewed every three years in line with the Company's credit policy. Refer to Note 2.

Useful life of property and equipment

Judgement is required in determining the assets' useful lives of property and equipment. The estimated useful lives range between three to thirty years. There have been no changes in the estimated useful lives from those applied in the previous financial year. Refer to Note 14 and 32.

Useful life of intangible assets - computer software

Judgement is required in determining the useful lives of intangible assets. The assessment of useful lives is reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

There has been no change in the estimated useful lives for all intangible assets from those applied in the previous year. Refer Note 13 and 32.

Determination of the lease term for lease contracts with renewal and termination options (Group and Company as a lessee)

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 have several lease contracts that include extension and termination options. The Group and Company applies judgement in evaluating whether 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. After the commencement date, the Group and Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Estimating the incremental borrowing rate

The Group and Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group and Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group and Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group and Company estimates the IBR using observable inputs such as market interest rates when available.

Accounting Policies

1.2 Consolidation

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank ("the Company") and its subsidiary (jointly "the Group") as at 31 December 2023. The Bank consolidates a subsidiary when it controls it.

The Company has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use of its power over the entity.

The results of the subsidiary are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. Investments in subsidiaries are measured at cost less accumulated impairment losses in the company's financial statements.

Adjustments are made when necessary to the consolidated and separate financial statements of the subsidiary to bring their accounting policies in line with those of the Group.

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Statements of Changes in Equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the Group.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group and Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Investment in subsidiary in the separate financial statements

In the Company's separate financial statements, investment in subsidiary is carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

1.3 Interest

Interest income and expense are recognised in profit or loss using contractual rate which approximates the effective interest rate. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group and Company estimates future cash flows considering all contractual terms of the financial instrument, but not future expected credit losses. The calculation of the effective interest rate includes all fees, transaction costs and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in profit or loss includes interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis. Interest income and expense are recognised in profit or loss for all interest bearing financial instruments on an accrual basis using the effective interest method.



Accounting Policies

1.3 Interest (continued)

Amortised cost and gross carrying amount

The amortised cost of a financial asset and a financial liability is the amount at which the asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets, that have become credit impaired subsequent to the initial recognition, interest income is calculated by applying the effective interest to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

1.4 Fees and commission

The Group and Company earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group and Company expects to be entitled in exchange for providing the services.

The Group and Company apply IFRS 15 *Revenue from Contracts with Customers*. IFRS 15, contains a single model that establishes a five-step approach to revenue recognition. Revenue is recognised when (or as) a performance obligation is transferred to the customer.

The Group and Company's contracts do not include multiple performance obligations. When the Bank provides a service to its customers, consideration is generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Group and Company have generally concluded that they are the principal in its revenue arrangements because they typically control the services before transferring them to the customer.

Fee and commission income from providing services where performance obligations are satisfied at a point in time

Services provided where the Group and Company's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. This relates to service fees such as financial reference letters, dishonoured payment charged monthly in line with the Group and Company's tariff guide, transaction income charged monthly in line with the Group and Company tariff guide, Commission income on mortgage and unsecured personal loan insurance referral fees based on agreed margins with the brokers.

Fee and commission income from services where performance obligations are satisfied over time

Performance obligations satisfied over time include loan administration fees where the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs.

The fee is charged once off and collected upfront. It is deferred and amortized over the term of the loan. I.e., the fee received upfront is treated as a contract liability under IFRS 15 and subsequently, release to profit or loss over the life of the loan.

The fee is intended to cover administrative processes performed on the loan during its tenure. e.g., sending monthly statements, collecting payments, maintaining the records and attending to ad hoc requests/inquiries and other items.

Unearned fees and commission are recognized under Other liabilities and represent the Group and Bank's obligation to transfer services to a customer for which the Group and Company has received consideration from the customer.

Accounting Policies

1.5 Dividends

Dividends are recorded in the Group and Company's financial statements, when declared by the Board of Directors from time to time. Dividends are recognised as a liability in the period in which they are declared by the Directors. Dividends declared are recognised directly in equity.

1.6 Leases

Operating leases

The Group and Company leases a variety of properties. Rental agreements typically include fixed periods over which the items are leased, which are individually negotiated and contain a wide range of different terms and conditions. The Group and Company assesses whether a contract contains a lease at inception of the contract.

The Group and Company defines short term leases as any lease that has a lease term of 12 months or less and where the terms of the lease contain:

- no extension periods that the Group and Company will reasonably exercise which would result in the lease term being longer than 12 months; and
- no purchase option in the lease contract

The Group and Company considers the following assets as low value assets: printers, and office furniture. These are assessed as low value assets on the following basis:

- The underlying asset is not highly dependent on, or highly interrelated with, other assets; and
- These assets have individual values that are not significant when compared to our other leased assets.

Group and Company as lessee

At inception, the Group and Company recognises a right-of-use asset (ROUA) and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases and leases of low value assets.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group and Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Group and Company under residual value guarantees;
- the exercise price of purchase options, if the Group and Company is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Group and Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made.

The Group and Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Group and Company will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.



Accounting Policies

Lease liability (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Lease payments included in the measurement of the right-of-use assets comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Group and Company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are presented in the following table:

Item	Depreciation method	Average useful life
Leasehold property	Straight line	5 - 10 years or remaining useful life

The residual value, useful life and depreciation method of each asset are reviewed at each reporting date. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Subsequent measurement

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Group and Company as lessor

The Group and Company is a lessor for properties. These leases have an average life of three years with a renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. Refer to note 30 for rental income recognised during the year. When a lease is terminated before the lease period has expired, any payment required by the lessee by way of penalty is recognised as income in the year in which the termination takes place.

1.7 Taxation

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.

Accounting Policies

1.7 Taxation (continued)

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.

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). Deferred tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference or unused tax losses 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).

Deferred tax assets and liabilities are recognised on a gross basis in the statement of financial position unless (1) the entity has a legally enforceable right to set off Current tax receivable against current tax liabilities and (2) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority. In the instance of group, deferred tax assets and liabilities can be offset between different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, where permitted by the tax authority.

1.8 Financial instruments

Financial liabilities are classified at amortised cost or held at fair value through profit or loss. Management determines the classification of its financial assets and liabilities at initial recognition or, where appropriate, at the time of reclassification.

Financial assets held at amortised cost

Debt instruments held at amortised cost have contractual terms that give rise to cash flows that are solely payments of principal and interest (SPPI characteristics). Principal is the fair value of the financial asset at initial recognition but this may change over the life of the instrument as amounts are repaid. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows have SPPI characteristics, the Group and Company consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group and Company consider:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group and Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Whether financial assets are held at amortised cost depend on the objectives of the business models under which the assets are held. A business model refers to how the Group and Company manages financial assets to generate cash flows.



Accounting Policies

1.8 Financial instruments (continued)

Financial assets held at amortised cost (continued)

The Group and Company assesses the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines depending on the way the business is managed, and information is provided to Management. Factors considered include:

- How the performance of the product business line is evaluated and reported to the Group and Company's Management;
- How Managers of the business model are compensated, including whether Management is compensated based on the fair value of assets or the contractual cash flows collected;
- The risks that affect the performance of the business model and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cash flows ("hold to collect") are recorded at amortised cost.

Both hold to collect business model and a hold to collect and sell business model involve holding assets to collect the contractual cash flows. However, the business models are distinct by reference to the frequency and significance that asset sales play in meeting the objective under which a particular group of financial assets is managed. Hold to collect business models are characterised by asset sales that are incidental to meeting the objectives under which a Group of assets is managed. Sales of assets under a hold to collect business model can be made to manage increases in credit risk of financial assets but sales for other reasons should be infrequent or insignificant.

Cash flows from the sale of financial assets under a hold to collect and sell business model by contrast are integral to achieving the objectives under which a particular group of financial assets are managed. This may be the case where frequent sales of financial assets are required to manage the Group and Company's daily liquidity requirements or to meet regulatory requirements to demonstrate liquidity of financial instruments. Sales of assets under hold to collect and sell business models are therefore both more frequent and more significant in value than those under the hold to collect model.

Financial liabilities held at amortised cost

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at fair value through profit or loss are classified as financial liabilities held at amortised cost.

Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and debt securities classified as financial assets held at fair value through other comprehensive income are initially recognised on the trade date (the date on which the Group and Company commits to purchase or sell the asset). Financial assets held at amortised cost are recognised on settlement date (the date on which cash is advanced to the borrowers).

All financial instruments are initially recognised at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets which are not subsequently measured at fair value through profit or loss.

In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses unobservable inputs, the difference between the transaction price and the valuation model is not recognised immediately in profit or loss but is amortised or released to profit or loss as the inputs become observable, or the transaction matures or is terminated.

Subsequent measurement

Financial assets and financial liabilities held at amortised cost are subsequently measured at amortised cost using the effective interest method. Foreign exchange gains and losses are recognised in profit or loss.

The Group and Company classifies its financial assets at amortised cost. The Group and Company classifies its financial liabilities at amortised cost.

Accounting Policies

1.8 Financial instruments (continued)

Derecognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group and Company has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Group has retained control, the assets continue to be recognised to the extent of the Group and Company's continuing involvement.

Where financial assets have been modified, the modified terms are assessed on a qualitative and quantitative basis to determine whether a fundamental change in the nature of the instrument has occurred, such as whether the derecognition of the pre-existing instrument and the recognition of a new instrument is appropriate.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss except for cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income.

Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires and this is evaluated both qualitatively and quantitatively.

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the carrying amount is recognised in profit or loss.

Offsetting of financial assets and financial liabilities

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

Income and expenses are presented on a net basis only when permitted under IFRSs.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are disclosed at amortised cost in the statement of financial position.

For the purpose of the statement of cashflows, cash and cash equivalents consists of cash and short-term deposits as defined above net of outstanding overdrafts as they are considered an integral part of the company's cash management.

Customer deposits

Amounts due to customers on savings and fixed deposit accounts are initially recorded at the fair value of the consideration received. Such accounts are subsequently measured at amortised cost. All savings accounts are repayable on demand. Fixed deposits are repayable on maturity.

Investments with banks and other financial institutions

Fixed deposit investments are held with regulated banks that have risk ratings above "non-investment grade – Baa3, per Moody's ratings", with original maturities of one month or more from the acquisition date, that are subject to an insignificant risk of changes in their fair value and are used by the Group and Company in the management of its loan commitments.

The amounts invested with banks and other financial institutions are not available for use in the banks day to day operations.

Investments with banks are measured at amortised cost in the statement of financial position and there are no investments to be classified as cash and cash equivalents.



Accounting Policies

1.8 Financial instruments (continued)

Loans and advances to customers

The Group and Company holds mortgage, unsecured personal and short-term loans and advances to customers to collect contractual cash flows. These are initially recorded at the fair value of the amounts disbursed and are subsequently measured at amortised cost. Short term loans are for periods between twelve and sixty months and are secured by paid up and subscription savings. Unsecured personal loans are for a period of 120 months.

Other financial liabilities

The Group and Company classifies a financial instrument that it issues as a financial liability in accordance with the substance of the contractual agreement.

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

- Borrowings
- Debentures
- Other liabilities

Collateral repossessed

The Group and Company's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

Credit impairment

The Group and Company's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions. The significant judgments and estimates in determining expected credit loss include:

- The Group and Company's criteria for assessing if there has been a significant increase in credit risk; and
- Development of expected credit loss models, including the choice of inputs relating to macroeconomic variables.

The calculation of credit-impairment allowances also involves expert credit judgment to be applied by the Credit Risk Management team based upon counterparty information they receive from various sources including relationship managers and on external market information.

Expected credit losses

Expected credit losses are determined for all financial debt instruments that are classified at amortised cost. The Group and Company recognises loss allowances for ECL on the following financial instruments:

- Financial assets that are debt instruments, such as mortgage, short term and unsecured personal loans and advances to customers.
- Lease receivables;
- and loan commitments issued.

No impairment loss is recognised on equity investments and financial assets measured at fair value through other comprehensive income.

An expected credit loss represents the present value of expected cash shortfalls over the residual term of a financial asset. A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Group and Company expects to receive over the contractual life of the instrument.

Expected credit losses are computed as unbiased, probability weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information including that which is forward looking.

Accounting Policies

1.8 Financial instruments (continued)

Expected credit losses (continued)

The Group and Company calculates expected credit losses for all its loans and advances measured at amortised cost at individual level. The population was segmented by product (mortgage loans and related commitments, short term and unsecured personal loans) and was further segmented by product class being corporate and retail loans. For material portfolios, the estimate of expected cash shortfalls is determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD). There may be multiple default events over the lifetime of an instrument. For less material other financial instruments such as Other debtors, the Group and Company has adopted a simplified approach based on historical roll rates or loss rates and forward looking information.

Forward-looking economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they influence credit risk, such as interest rates. These assumptions are incorporated using the Group and Company's most likely forecast for a range of macroeconomic assumptions. These forecasts are determined using all reasonable and supportable information, which includes both internally developed forecasts and those available externally, and are consistent with those used for budgeting, forecasting and capital planning.

To account for the potential non-linearity in credit losses, multiple forward-looking scenarios are incorporated into the range of reasonably possible outcomes for all material portfolios. For example, where there is a greater risk of downside credit losses than upside gains, multiple forward-looking economic scenarios are incorporated into the range of reasonably possible outcomes, both in respect of determining the PD (and where relevant, the LGD and EAD) and in determining the overall expected credit loss amounts. These scenarios are determined using the Graphical Test and Dickey-Fuller Test centred around the Group's most likely forecast of macroeconomic assumptions.

The Bank conducts quarterly reassessment of the key economic indicators used in its ECL models. In 2023 Q3, the annual growth rate of the Nominal Value Added produced in Botswana increased by 3.1%, marking a decrease of 5.3 percentage points from the previous quarter. This shift in growth is largely influenced by price changes, accounting for 2.9 percentage points, and a decrease in the growth of the volume of goods and services produced in Botswana contributing 2.4 percentage points. The annual growth rate of Real GDP in 2023 is 0.5%. Please refer to the forward-looking assumptions incorporated into the ECL calculation below, along with the applied scenarios.



Accounting Policies

1.8 Financial instruments (continued)

Expected credit losses (continued)

The following tables show the forward-looking assumptions incorporated in the ECL calculation:

Group and Company - 2023

	Government Final Consumption, Total			Gross Fixed Capital Formation, Total			Public Administration and Defence		
	Average Annual Growth %			Average Annual Growth %			Average Annual Growth %		
	NG			NI			RGov		
	Probability 20%	Probability 60%	Probability 20%	Probability 20%	Probability 60%	Probability 20%	Probability 20%	Probability 60%	Probability 20%
	Optimistic	Baseline	Pessimistic	Optimistic	Baseline	Pessimistic	Optimistic	Baseline	Pessimistic
2023	9.14	8.45	7.76	2.64	0.99	(0.67)	(13.38)	(14.62)	(15.86)
2024	11.28	6.52	1.77	59.27	40.04	20.81	17.61	7.09	(3.43)
2025	17.38	12.21	7.03	49.14	26.33	3.52	25.62	24.00	2.37
2026	14.82	9.49	4.17	41.53	17.64	(6.24)	24.96	13.26	1.57
2027	14.80	9.43	4.07	50.88	26.76	2.64	24.44	12.72	1.00
2028	15.61	10.24	4.87	47.99	23.80	(0.38)	24.06	12.33	0.60

Group and Company - 2022

	Government Final Consumption, Total			Gross Fixed Capital Formation, Total			Public Administration and Defence		
	Average Annual Growth %			Average Annual Growth %			Average Annual Growth %		
	NG			NI			RGov		
	Probability 20%	Probability 60%	Probability 20%	Probability 20%	Probability 60%	Probability 20%	Probability 20%	Probability 60%	Probability 20%
	Optimistic	Baseline	Pessimistic	Optimistic	Baseline	Pessimistic	Optimistic	Baseline	Pessimistic
2022	7.47	6.25	4.72	11.71	9.67	7.12	6.68	5.49	4.01
2023	13.23	9.93	5.81	16.17	10.58	3.58	7.89	4.96	1.29
2024	13.15	9.78	5.57	17.88	11.97	4.60	8.16	5.11	1.30
2025	13.36	9.98	5.76	16.92	10.94	3.46	8.13	5.07	1.24
2026	13.35	9.97	5.75	17.16	11.16	3.65	8.14	5.08	1.25

The following table outlines the impact of the multiple scenarios on the allowance. The table shows both the contribution to total ECL of each probability weighted scenario in addition to the total incremental effect on ECL of applying multiple economic scenarios compared to ECL that would have resulted from applying a 100% weighting to the base case scenario.

Group and Company

2023	Gross	ECL	Net	ECL Coverage ratio
Loans and advances	P'000	P'000	P'000	
Base scenario	3,279,289	(53,873)	3,225,416	1.64 %
Upside scenario	3,279,289	(45,791)	3,233,498	1.40 %
Adverse scenario	3,279,289	(67,339)	3,211,950	2.05 %

Group and Company

2022	Gross	ECL	Net	ECL Coverage ratio
Loans and advances	P'000	P'000	P'000	
Base scenario	3,221,376	(48,728)	3,172,648	1.51 %
Upside scenario	3,221,376	(41,413)	3,179,963	1.29 %
Adverse scenario	3,221,376	(60,910)	3,160,466	1.89 %

*Most economic time series are not stationary when expressed in their original units of measurement and even after deflation or seasonal adjustment they will typically still exhibit trends, cycles, random-walking, and other non-stationary behaviour. Stationarity Validity is required to forecast the macro-economic variables to incorporate forward-looking information into the ECL.

Accounting Policies

1.8 Financial instruments (continued)

Expected credit losses (continued)

The period over which cash shortfalls are determined is generally limited to the maximum contractual period for which the Group and Company is exposed to credit risk.

For credit-impaired financial instruments, the estimate of cash shortfalls may require the use of expert credit judgment. As a practical expedient, the Group and Company may also measure credit impairment on the basis of an instrument's fair value using an observable market price.

The estimate of expected cash shortfalls on a collateralised financial instrument reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, regardless of whether foreclosure is deemed probable.

Cash flows from unfunded credit enhancements held are included within the measurement of expected credit losses if they are part of, or integral to, the contractual terms of the instrument (this includes financial guarantees, unfunded risk participation and other non-derivative credit insurance). Although non-integral credit enhancements do not impact the measurement of expected credit losses, a reimbursement asset is recognised to the extent of the expected credit losses recorded.

Cash shortfalls are discounted using the effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit impaired (POCI) instruments) on the financial instrument as calculated at initial recognition or if the instrument has a variable interest rate, the current effective interest rate determined under the contract.

Instrument	Location of expected credit loss
Financial assets held at amortised cost	Loss allowances: netted against gross carrying value (1)
Loan commitments	Provisions for liabilities and charges (2)
Financial guarantees	Provisions for liabilities and charges (2)

1. Purchased or originated credit impaired assets do not attract an expected credit loss allowance on initial recognition. An expected credit loss allowance will be recognised only if there is an increase in expected credit losses from that considered at initial recognition.
2. Expected credit loss on loan commitments and financial guarantees is recognised as a liability provision. Where a financial instrument includes both a loan (i.e. financial asset component) and an undrawn commitment (i.e. loan commitment component), and it is not possible to separately identify the expected credit loss on these components, expected credit loss amounts on the loan commitment are recognised together with expected credit loss amounts on the financial asset. To the extent the combined expected credit loss exceeds the gross carrying amount of the financial asset, the expected credit losses are recognised as a liability provision.

Recognition

12 months expected credit losses (Stage 1)

Expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the lifetime cash shortfalls arising from possible default events up to 12 months into the future from the reporting date. Expected credit losses continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit impaired. At each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, an entity shall use the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses.

If an instrument is no longer considered to exhibit a significant increase in credit risk, expected credit losses will revert to being determined on a 12-month basis.

Significant increase in credit risk (Stage 2)

If a financial asset experiences a significant increase in credit risk (SICR) since initial recognition, an expected credit loss allowance is recognised for default events that may occur over the lifetime of the asset.



Accounting Policies

1.8 Financial instruments (continued)

Expected credit losses (continued)

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Significant does not mean statistically significant nor is it assessed in the context of changes in expected credit loss. Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors, the weight of which depends on the type of product and counterparty.

The Group and Company uses the criteria below for determining whether there has been a significant increase in credit risk:

Quantitative factors

- a backstop of 30 days past due.

The following are indicative of significant increase in credit risk (SICR):

Qualitative factors

- if client is restructured.
- if client falls in the watch list or high care list.
- expired accounts with an outstanding balance greater than zero.
- liquidated accounts with an outstanding balance greater than zero

The triggers underlying significant increase in credit risk (SICR) relates to all factors that will move an account from Stage 1 to Stage 2. To make that assessment, an entity shall compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increase in credit risk since initial recognition. SICR can be established based on qualitative triggers or a quantitative assessment. Currently, no measures have been developed to quantitatively measure SICR. In future the Group and Company will use the movement in the PD. This is because the underlying supporting information required to do so is not reasonably available without undue cost. Qualitative factors assessed include those linked to current credit risk management processes, such as lending placed on non-purely precautionary early alert (and subject to closer monitoring).

A non-purely precautionary early alert account is one which exhibits risk or potential weaknesses of a material nature requiring closer monitoring, supervision, or attention by Management. Weaknesses in such a borrower's account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded. Indicators could include a rapid erosion of position within the industry, concerns over management's ability to manage operations, weak/deteriorating operating results, liquidity strain and overdue balances among other factors.

Credit impaired (or defaulted) exposures (Stage 3)

Financial assets that are credit impaired (or in default) represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are also considered to be credit impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset. It may not be possible to identify a single discrete event but instead the combined effect of several events may cause financial assets to become credit impaired.

Evidence that a financial asset is credit impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or borrower;
- Breach of contract such as default or a past due event;
- For economic or contractual reasons relating to the borrower's financial difficulty, the lenders of the borrower have granted the borrower concession/s that lenders would not otherwise consider. This would include forbearance actions;
- Pending or actual bankruptcy or other financial reorganisation to avoid or delay discharge of the borrower's obligation/s;
- The disappearance of an active market for the applicable financial asset due to financial difficulties of the borrower; and
- Purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

Accounting Policies

1.8 Financial instruments (continued)

Expected credit losses (continued)

Irrevocable lending commitments to a credit impaired obligor that have not yet been drawn down are also included within the stage 3 credit impairment allowance to the extent that the commitment cannot be withdrawn.

Loss allowances against credit impaired financial assets are determined based on an assessment of the recoverable cash flows under a range of scenarios, including the realisation of any collateral held where appropriate. The loss allowances held represent the difference between the present value of the cash flows expected to be recovered, discounted at the instrument's original effective interest rate, and the gross carrying value of the instrument prior to any credit impairment.

For accounts in Stage 1 and Stage 2 the effective interest is recognised on the gross carrying amount, that is the outstanding exposure excluding the loss allowance. The Expected Credit Losses of the recognised revenue will be provided for as part of credit loss provisions on the statement of financial position and any movements to the provisions would be a gain / loss for bad debt / impairment in profit or loss.

For accounts in Stage 3 the effective interest is recognised on amortised cost, that is the outstanding exposure less the loss allowance. Interest revenue is recognised on what is expected to be paid.

Expert credit judgement

The Group and Company uses the following internal risk mapping to determine the credit quality for loans:

Credit quality description	Default grade mapping	Category
Strong/Low risk	R1	Standard
Satisfactory	R2 to R5	Special mention/Watch list
High risk	R6 to R9	Substandard or Doubtful or Loss

The Group and Company's scorecard PDs are mapped to a master scale in order to ensure consistency and ability to compare different ratings. Where no default risk exists R1 to R5 represents normal, healthy exposures while R6 to R9 represent high-risk of defaulted borrowers.

For individually significant financial assets within Stage 3, Global Credit Risk Management Committee will consider all judgments that have an impact on the expected future cash flows of the asset. These include: the business prospects, industry and geopolitical climate of the customer, quality of realisable value of collateral, the Group's legal position relative to other claimants and any renegotiation/ forbearance/ modification options.

The difference between the loan carrying amount and the discounted expected future cash flows will result in the Stage 3 credit impairment amount. The future cash flow calculation involves significant judgments and estimates. As new information becomes available and further negotiations/forbearance measures are taken the estimates of the future cash flows will be revised and will have an impact on the future cash flow analysis.

For financial assets which are not individually significant but comprise many homogenous loans that share similar characteristics, statistical estimates and techniques are used, as well as credit scoring analysis.

Techniques used to compute impairment amounts use models which analyse historical repayment and default rates over a time horizon. Where various models are used, judgment is required to analyse the available information provided and select the appropriate model or combination of models to use.

Expert credit judgment is also applied to determine whether any post-model adjustments are required for credit risk elements which are not captured by the models. Where there is need a management overlay is adjusted to the model results.



Accounting Policies

1.8 Financial instruments (continued) Expected credit losses (continued)

Modified financial instruments

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised, the resulting modification loss is recognised within credit impairment in profit or loss with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the Group and Company would not otherwise consider, the instrument is considered to be credit impaired and is considered forborne.

Expected credit loss for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk. These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification. Although loans may be modified for non-credit reasons, a significant increase in credit risk may occur.

If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognised, an entity shall assess whether there has been a significant increase in the credit risk of the financial instrument in line with the requirements of IFRS 9 by evaluating,

- a. the risk of a default occurring at the reporting date (based on the modified contractual terms); and
- b. the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

In addition to the recognition of modification gains and losses, the revised carrying value of modified financial assets will impact the calculation of expected credit losses, with any increase or decrease in expected credit loss recognised within impairment.

Forborne loans

Forborne loans are those loans that have been modified in response to a customer's financial difficulties. Forbearance strategies assist clients who are temporarily in financial distress and are unable to meet their original contractual repayment terms. Forbearance can be initiated by the client, the Group and Company or a third party including government sponsored programmes or a conglomerate of credit institutions.

Forbearance may include debt restructuring such as new repayment schedules, payment deferrals, tenor extensions, interest only payments, lower interest rates, forgiveness of principal, interest or fees, or relaxation of loan covenants.

Forborne loans that have been modified (and not derecognised) on terms that are not consistent with those readily available in the market and/or where the Group and Company has granted a concession compared to the original terms of the loans are considered credit impaired if there is a detrimental impact on cash flows. The modification loss is recognised in profit or loss within credit impairment and the gross carrying value of the loan reduced by the same amount.

Write-offs of credit impaired instruments and reversal of impairment

To the extent a financial debt instrument is considered irrecoverable, the applicable portion of the gross carrying value is written off against the related loan allowance. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the allowance for loan impairment in profit or loss. If, in a subsequent period, the amount of the credit impairment loss decreases and the decrease can be related objectively to an event occurring after the credit impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised credit impairment loss is reversed by adjusting the loss allowance account. The amount of the reversal is recognised in profit or loss.

Loss allowances on purchased or originated credit impaired instruments (POCI)

The Group and Company measures expected credit loss on a lifetime basis for POCI instruments throughout the life of the instrument. However, expected credit loss is not recognised in a separate loss allowance on initial recognition for POCI instruments as the lifetime expected credit loss is inherent within the gross carrying amount of the instruments. The Group and Company recognises the change in lifetime expected credit losses arising subsequent to initial recognition in profit or loss and the cumulative change as a loss allowance. Where lifetime expected credit losses on POCI instruments are less than those at initial recognition, then the favourable differences are recognised as impairment gains in profit or loss (and as impairment loss where the expected credit losses are greater).

Accounting Policies

1.8 Financial instruments (continued)

Expected credit losses (continued)

Improvement in credit risk or curing

A period may elapse from the point at which instruments enter lifetime expected credit losses (stage 2 or stage 3) and are reclassified back to 12 month expected credit losses (stage 1). For financial assets that are credit-impaired (stage 3), a transfer to stage 2 or stage 1 is only permitted where the instrument is no longer considered to be credit-impaired. An instrument will no longer be considered credit-impaired when there is no shortfall of cash flows compared to the original contractual terms.

For financial assets within stage 2, these can only be transferred to stage 1 when they are no longer considered to have experienced a significant increase in credit risk.

Where significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to stage 1 when the original PD based transfer criteria are no longer met.

Where instruments were transferred to stage 2 due to an assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to stage 1. This includes instances where Management actions led to instruments being classified as stage 2, requiring that action to be resolved before loans are reclassified to stage 1. A forbore loan can only be removed from the disclosure (cured) if the loan is performing (stage 1 or 2) and a period of 3 months is met.

In order for a forbore loan to become performing, the following criteria have to be satisfied:

- A cure event is recognised when an account moves from default to non-default by repaying full payment of arrears under normal or revised terms and conditions.
- The cure rule will be applied to defaulted accounts to avoid multiple defaults, i.e. accounts should be kept in 'watch list/ special mention' (Stage 2) for monitoring for an additional number of consecutive months after a cure event takes place. To prevent relapses, an account is monitored in a worse status before curing. The account cures if the client reduced the capital amount with additional payments.

1.9 Properties in possession

Properties in possession consist of residential and commercial properties repossessed from defaulting mortgage loan bond holders. Such properties are held with the express intention to sell in the short to medium term and are recorded at the lower of cost of repossession and net realisable value. Technically, properties in possession qualify as inventories under IAS 2 - Inventories. Cost of repossession is determined with reference to the outstanding capital balance on the mortgage loan at the date of default. The net realisable value is determined with reference to current market values for comparable properties net of estimated marketing and selling expenses.

The repossessed properties are advertised through property agencies who in turn hold auctions to sell the properties on behalf of the Group and Company. These properties are revalued every three years in line with the Group and Company's credit policy.

These properties were repossessed before the bank obtained its license to trade as a commercial bank.

1.10 Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The Group and Company owns the leasehold property.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and are recognised net within other income in profit or loss.

Subsequent cost

The cost of replacing a part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Group and Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.



Accounting Policies

1.10 Property and equipment (continued)

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives of items of property and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Freehold and leasehold property	Straight line	50-80 years
Leasehold property	Straight line	the lower of 50 years or remaining lease period
Equipment, furniture and fittings	Straight line	4-5 years
Motor vehicles	Straight line	6-8 years
Computer hardware	Straight line	3-5 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.

Capital work-in-progress represent the amount of expenditure recognised during construction. Assets remain in work in progress until they have become available for use or commissioned, whichever is the earlier date. At that time these assets are transferred to the appropriate class of property and equipment as additions and depreciated.

Repairs and maintenance

Repairs and maintenance costs are recognised in profit or loss during the financial period in which these costs are incurred. The cost of a major renovation is included in the carrying amount of the related asset when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing asset will flow to the Group and Company and the renovation replaces an identifiable part of the asset. The costs of major renovations not completed as at the reporting date will be accounted for as part of work in progress until such a time the project is available to be commissioned. Major renovations are depreciated over the remaining useful life of the related asset or until the next major renovations, whichever period is shorter.

Derecognition of property and equipment

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.11 Intangible assets

Software acquired by the Group and Company is stated at cost less accumulated amortisation and accumulated impairment losses. Costs associated with maintaining computer software programmes are recognised in profit or loss as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and Company and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as capital improvement and added to the original cost of the software. Computer software acquisition costs recognised as intangible assets are amortised using the straight line method over their useful lives from the date on which it is available for use. The estimated useful life assigned to computer software is three to five years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

Derecognition of Intangible assets

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Accounting Policies

1.12 Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). In determining value in use, the estimated future cash flows are discounted using a current market interest rate, which reflects the asset's specific risks. An impairment loss is recognised 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.

1.13 Retirement benefits

The Group and Company operates a defined contribution pension fund for all its permanent citizen staff. This fund is registered under the Retirement Funds Act, 2022. The Group and Company contributes to the fund 15% of the pensionable earnings of the members and the employees contribute 7% of their pensionable earnings. The Group and Company's contributions are recognised in profit or loss in the period in which they accrue. Other than regular contributions made in terms of the rules of the fund, the Group and Company does not have any further liability to the fund.

1.14 Related party transactions

All related party transactions are carried out on normal commercial terms and in the ordinary course of business except for staff loans which are granted at concessionary rates.

1.15 Other 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 and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Employees' entitlement to annual leave and other benefits is recognised when they accrue to employees. An accrual is recognised for the estimated liability for annual leave and other benefits because of services rendered up to the reporting date and is based on undiscounted current wage and salary rates.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and Company has a present legal or constructive obligation to pay this amount as a result of past service provided by employees and the obligation can be estimated reliably. Other employee benefits liabilities are recorded as part of other liabilities. Refer to note 20.

The Group and Company assists employees in respect of housing, motor vehicles and personal loans at preferential rates as part of their remuneration package. The loans are held as financial assets at amortised cost.

Termination benefits

Employees on contract receive terminal gratuities in accordance with their contracts of employment. An accrual is recognised for the estimated liability towards such employees up to the reporting date. All other employees are members of the Group and Company's pension scheme and do not qualify for such terminal gratuities.



Accounting Policies

1.16 Prepayments and deposits

Prepayments and deposits consist of amounts paid to third parties either in advance or to comply with contractual requirements. These amounts are recognised at the original amount paid and include deposits on lease properties, insurance and license prepayments.

1.17 Stated capital

Ordinary shares are recognised at per value and classified as 'stated capital' in equity. Stated capital is recognised at the fair value of the consideration received. Incremental costs directly attributable to the issue of Ordinary shares, net of any tax effects, are recognised as a deduction from the initial measurement of the equity instrument.

Ordinary shares are recognised at the par value and classified as stated capital in equity.

1.18 Dividends

Dividends are recognised as a liability in the year in which they are declared.

1.19 Earnings per share

The Group and Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Group and Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. There were no dilutive potential shares which would result in Diluted EPS being different to EPS.

1.20 Loan commitments

The Group and Company recognises a loss allowance on financial commitments in line with the requirements of IFRS 9 - Financial Instruments. Refer to note 28 and note 2.

1.21 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups are classified as held for distribution to owners when the entity is committed to distribute the asset or disposal group to the owners. This condition is regarded as met only when the distribution is highly probable and the asset is available for immediate distribution in its present condition, provided the distribution is expected to be completed within one year from the classification date.

Non-current assets (or disposal groups) held for sale (distribution to owners) are measured at the lower of their carrying amount and fair value less costs to sell (distribute).

A non-current asset is not depreciated (or amortised) while it is classified as held for sale (held for distribution to owners), or while it is part of a disposal group classified as such.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale (distribution to owners) are recognised in profit or loss.

Notes to the Consolidated And Separate Financial Statements

1.22 Segmental reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues, the operating results of which components are regularly reviewed by the Group and Company's chief operating decision-makers to make decisions about resources to be allocated and to assess its performance, and for which financial information is available. The Group and Company's identification of its segments and the measurement of segment results are based on the Group and Company's internal reporting to management. The segments are identified according to the nature of their respective products and services and their related target markets.

The segments identified are complemented by the Head Office functions, which provides support in the areas of finance, human resources, governance and compliance, risk management and information technology. Additional information relating to other performance measures is provided.

The Group and Company's identification of its segments and the measurement of segment results are based on the Group and Company's internal management reporting as used for day-to-day decision-making and as reviewed by the chief operating decision-maker, which is the Managing Director, supported by the rest of the Executive Management Committee (EXCO).

2. Financial instruments and risk management

Financial risk management

Introduction and overview

The Group and Company has adopted an Enterprise-wide approach to risk management which is in compliance with the directive on Revised International Convergence of Capital Standards for Botswana (Basel II) risk framework. The Enterprise-wide Risk Management (ERM) approach can be defined as a process that enables organisations to effectively deal with varied types of risks and opportunities, thus increasing stakeholder value. In terms of the ERM Framework, the Group and Company has identified material risks (called Level 1 risks) to which it is exposed and assigned risk ownership of these risks to various members of the senior management team. For monitoring and reporting purposes, the Executive Committee and the Board use a set of Key Risk Indicators (KRIs) of inherent risk across the predefined risk categories, assessing if they are within tolerances, and if the trend is increasing, stable, or decreasing. These are tracked in a common reporting format. High risk indicators and action plans are tracked by the various committees with update reporting to the Board at least quarterly or as requested.

In terms of the ERM Framework, risks identified are categorised by sources to facilitate the determination of root cause and subsequently to assign responsibility for responses.

Risk governance is designed according to the three 'lines of defence' as per best banking practice.

The 3 lines of defence in terms of the ERM Framework and risk culture

The level of the Group and Company's profitability is directly derived from how successfully the Group and Company manages and prices for risk.

- The first line is the 'business'. This refers to both customer-facing staff as well as staff in back offices and operational departments. All departments are directly responsible to identify and manage all risks that will or can materialise in the course of doing business. This includes the mentioning of risk management in each policy and procedure and making sure procedures are designed to include checks and balances through internal control activities and the separation of duties as much as possible. It also includes performing risk self-assessments, keeping track of risk events, monitoring and reporting. Departmental heads also need to ensure risk related Key Performance Indicators (KPIs) are embedded in staff job descriptions and performance management documents.
- The second line of defence are the various sections in the Risk Function. These units play a supporting and controlling role for the benefit of the first line of defence, ensuring necessary risk activities are executed with the necessary detail and quality. The second line of defence is considered 'part of Management'; and
- The third line of defence is the Internal Audit functions. The Internal Audit Department is not considered as 'part of Management' and works independently, objectively and reports to the Board Audit Committee.



Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Financial risk management (continued)

The basis of the Group and Company's Enterprise Risk Management Process is a continuous cycle anchored in the 5 steps of identify, analyse, respond, monitor and report as shown below. Within each step of the process, regular and meaningful communication is essential to improve the likelihood of success. By viewing this cycle as a continual loop, managers are reminded of the need for thoughtful and regular feedback, as improvement is critical to successful risk management.

Step 1 – Identify risks

For each business objective, it is necessary to identify the key risks that might impede the achievement of the respective business objectives. Risk identification should be performed as part of all major decision making processes and is the responsibility of all risk owners. Identified risks should be documented in the Risk Control Self Assessment immediately to be assessed in step 2.

Step 2 – Analyse risks

Risks are assessed or analysed in terms of likelihood of occurrence and the impact when the risk occurs. The assessment is done on a likelihood of occurrence rating multiplied by impact rating matrix before taking into consideration the impact of controls and after taking into account the effect of mitigating controls.

Step 3 – Respond to the risks

Risks can be dealt with in various ways. The risk response options encompass all possible management responses to risk, whether viewed as opportunities, uncertainties or hazards. The risk response options and examples of activities under each option are outlined below:

- Mitigate
- Avoid
- Transfer
- Accept
- Exploit

Step 4 – Monitor risks

The monitoring and review of the risk profile and the risk response plans is a continuous process. The purpose of the review is to:

- provide assurance that risks are being managed as expected;
- assess whether the risk response plans remain relevant; and
- ensure that the risk profile anticipates and reflects changed circumstances and new exposures.

Risk monitoring consists of a combination of regular communication, periodic reviews or audits and evaluation by independent executives at appropriate levels at Group and Company. Assurance techniques include:

- periodic or random testing of controls, risks and control environment
- quality assurance reviews
- post-implementation reviews
- performance appraisals

Risk response should be measured in terms of efficiency and effectiveness. Efficiency measures the cost of implementing risk management responses in terms of time, money and resources, whereas effectiveness measures the relative degree to which the responses reduce the impact or likelihood of the risk occurring.

To maximise efficiency and effectiveness of risk responses, monitoring and reporting should be integrated with existing business processes and reporting as far as possible.

Step 5 – Report on the risks

While everyone in the Group and Company is responsible for enterprise risk management in their respective areas, some staff have specific responsibilities. The policy and design for enterprise risk management is driven by the Board and managed by the enterprise risk management team.

The reporting structure ensures that risk response gaps are addressed and the risk responses are operating effectively under changing conditions. Enterprise risk management activities should be monitored and reported upwards throughout Group and Company.

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Financial risk management (continued)

Governance

Role of the Internal Audit Department

The role of the Internal Audit Department is to assist the Group and Company in achieving its objective of improving governance and risk management through the enhancement of enterprise-wide risk management and improving operational efficiency. The mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. The function provides reasonable assurance to the Board on the adequacy and effectiveness of the bank's internal controls, risk management, financial reporting systems, safeguarding of corporate resources and that the bank complies with all the relevant laws and regulations.

Role of the Board

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The Board is responsible for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group and Company.

The Board has the following sub committees:

- Audit Committee
- Human Resources, Remuneration and Nominations Committee
- Risk and Compliance Committee

The above Board Sub-committees and Board convene on a quarterly basis. The Group and Company's Board and its committees are comprised of eight Non-Executive Directors and one Executive Director. Management reports risk management matters to the Board Risk and Compliance Committee.

The Group's enterprise-wide risk framework is aligned to the directive on Revised International Convergence of Capital Standards for Botswana (Basel II) as issued by Bank of Botswana and is premised on three pillars:

- Pillar I: Minimum Capital Requirements
- Pillar II: Supervisory Review Process
- Pillar III: Market Disclosure

Basel II ensures that banks hold sufficient capital in line with their risk management process and risk exposures. The Group and Company remains well capitalised and its capital is reflective of the underlying economic risks it is exposed to as well as operating well within the set Risk Appetite.

The Group and Company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

Credit risk

Credit risk is the risk of financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group and Company's loans and advances to customers, investments with banks and investments in debt securities. For risk management reporting purposes, the Group and Company considers and consolidates all elements of credit risk exposure (such as individual obligator default risk and sector risk).



Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to Senior Management. The Risk Department is responsible for oversight of the Group and Company's credit risk, including:

- Formulating credit policies in consultation with the business units, covering collateral requirements, credit assessments, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the Credit underwriting unit which reports to the Head of Credit. Larger facilities require approval by the Credit Approvals Committee and the Global Credit Risk Management Committee. Any loans which are more than 5% of the Group and Company's capital require approval by the Board of Directors.
- Reviewing and assessing credit risk. The Group and Company assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals of facilities are subject to the same review process.
- Limiting concentration of exposure to counterparties, geographies and industries (for loans and advances).
- Developing and maintaining the Group and Company's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment allowances may be required against specific credit exposures. The responsibility for setting risk grades lies with the Global Credit Risk Management Committee.
- Developing and maintaining the Group and Company's processes for measuring ECL. This includes processes for:
 - initial approval, regular validation and back-testing of the models used;
 - determining and monitoring significant increase in credit risk; and
 - incorporation of forward-looking information.

The Group and Company has Board-approved policies in place that provide guidance on the classification and measurement of financial instruments. The policy also provides guidance on the methodology of calculating expected credit losses. The Group and Company has developed models which are used to calculate expected credit losses of financial instruments in line with IFRS 9 - Financial Instruments.

- Reviewing compliance of business units with agreed exposure limits, including those for sector and individual exposure. Reports are provided to the Board every quarter.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

The Group and Company performs an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group and Company groups its loans into Stage 1, Stage 2, Stage 3 as described below:

- Stage 1: When loans are first recognised, the Group and Company recognises an allowance based on 12 months ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2. Reclassifications from Stage 2 are however subject to 'cooling off' period of 3 months;
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group and Company records an allowance for the Lifetime Expected Credit Losses (LTECLs). Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. Reclassifications from stage 3 are however subject to a 'cooling off' period of 3 months.
- Stage 3: Loans are considered credit impaired. The Group and Company records an allowance for the life-time expected credit loss.

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Management of credit risk (continued)

For management of credit risk, the Group and Company structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored by the Credit Approvals Committee which reports to the Global Credit Risk Management Committee and ultimately to the Board Risk and Compliance Committee. The Board approves management's lending limits and monitors loans and advances that are not performing.

The credit risk exposures relating to recognised financial assets are as follows:

		Group	Group	Company	Company
		2023	2022	2023	2022
	Note	P'000	P'000	P'000	P'000
Bank balances (including balance with central bank)	4	356,137	35,134	335,188	35,134
Investments with banks and other financial institutions	5	472,102	448,033	472,102	448,033
Balance due from related party	6	-	-	3,756	1,036
Loans and advances to customers	10	4,071,336	3,240,794	4,071,336	3,240,794
Other debtors*	8	729	475	729	475
		4,900,304	3,724,436	4,883,111	3,725,472

The above table represents a worst-case scenario of credit risk exposure to the Group and Company at 31 December 2023 and 31 December 2022, without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above 83% of the total maximum exposure is derived from loans and advances to customers (2022: 87%) and 10% represents investment with banks and other financial institutions (2022: 12%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group and Company resulting from both its mortgage loans and advances to customers' portfolio and debt securities based on the following:

- Short term loans and balances are fully secured; and
- Mortgage loans and advances to customers are backed by collateral;

*Refer to note 8 on restatement.

Loans and advances to customers – On Balance Sheet

Group and Company - 2023			Stage 2	Stage 3	
	Notes	Stage 1	Non-Performing	Non-Performing	Total
Assets at amortised cost individually impaired		Performing	(past due)	Performing	
		P'000	P'000	P'000	P'000
Standard		3,411,041	-	7,850	3,437,439
Special mention/Watch list		29,312	35,847	24,018	361,203
Substandard		2,668	-	15,093	86,428
Doubtful		181	-	106,619	106,839
Loss		27	-	141,060	141,088
Gross carrying amount		3,443,229	35,847	294,640	4,132,997
ECL impairment allowance	10	(6,019)	(216)	(53,035)	(61,661)
Net loans and advances		3,437,210	35,631	241,605	4,071,336



Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Management of credit risk (continued)

Group and Company - 2022		Stage 1	Stage 2	Stage 2	Stage 3	Total
		Performing	Performing	Non-Performing (past due)	Non-Performing	
		P'000	P'000	P'000	P'000	P'000
Assets at amortised cost individually impaired						
Standard		2,208,692	-	7,983	4,620	2,221,295
Special mention/Watch list		455,970	23,007	246,205	19,515	744,697
Substandard		5,404	-	57,698	22,171	85,273
Doubtful		2,619	-	267	101,751	104,637
Loss		10	-	-	136,602	136,612
Gross carrying amount		2,672,695	23,007	312,153	284,659	3,292,514
ECL impairment allowance	10	(729)	(68)	(1,081)	(49,842)	(51,720)
Net loans and advances		2,671,966	22,939	311,072	234,817	3,240,794

Gross carrying amount increased by 25% from P3.292 billion to P4,132 billion as at 31 December 2023, while ECL increased by 20% from P51,527 million to P61,661 million. The Group and Company reports exposures based on the impairment stage at the end of the reporting period. The reconciliation distinguishes between the existing book and new business as this provides meaningful information to the user in gaining an understanding of the performance of advances overall. The bank introduced unsecured loans during the year which had a significant contribution to the additional ECL raised as at the end of the reporting period. Gross unsecured loans amounted to P793 million as at the reporting period while ECL relating to unsecured loans amounted to P7.5 million. The increase in other products (mortgage and short loans) was driven by increase in volumes during the year. Please refer to the separate product disclosures below.

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in accounting policy note 1.8.

Management overlay

Across unsecured and mortgage loans, management applied judgement to recognise an additional ECL (in the form of an overlay). For the mortgage book the overlay was applied across Stage 1 and Stage 2 loans where there was evidence of Significant Increase in Credit Risk (SICR) due to contagion risk observed. For the unsecured loans, the overlay was applied due to data limitations, inability to accurately model emerging risks due to inherent limitations of modelling based on past performance. Management applied judgement in determining the level of expected credit losses for unsecured loans, taking into consideration forward looking indicators and macro-economic factors that impact the industry within which the Group and Company operate in. The Management overlay relating to contagion risk amounted to P1,095 million, while overlay considered for unsecured personal loans amounted to P7,251 million.

	2023	2022
Impairment (ECL) coverage ratio	1.49 %	1.57 %
Stage 3 coverage ratio	18.00 %	17.51 %
Non performing loans ratio	2023	2022
Non performing loans (NPL) ratio	6.00 %	7.21 %

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Mortgage loans and advances to customers - On Balance sheet

Group and Company - 2023		Stage 1	Stage 2	Stage 2	Stage 3	Total
	Notes	Performing	Performing	Non-Performing (past due)	Non-Performing	
Assets at amortised cost individually impaired		P'000	P'000	P'000	P'000	P'000
Standard		2,594,563	-	18,330	7,848	2,620,741
Special mention/Watch list		7,115	35,847	264,968	24,000	331,930
Substandard		-	-	66,459	15,089	81,548
Doubtful		-	-	-	104,367	104,367
Loss		-	-	-	140,703	140,703
Gross carrying amount		2,601,678	35,847	349,757	292,007	3,279,289
ECL impairment allowance	10	(768)	(216)	(2,302)	(50,601)	(53,887)
Net loans and advances		2,600,910	35,631	347,455	241,406	3,225,402

Group and Company - 2022		Stage 1	Stage 2	Stage 2	Stage 3	Total
	Notes	Performing	Performing	Non-Performing (past due)	Non-Performing	
Assets at amortised cost individually impaired		P'000	P'000	P'000	P'000	P'000
Standard		2,172,217	-	7,735	4,603	2,184,555
Special mention/Watch list		431,082	23,007	245,696	19,487	719,272
Substandard		-	-	57,405	22,163	79,568
Doubtful		-	-	-	101,717	101,717
Loss		-	-	-	136,264	136,264
Gross carrying amount		2,603,299	23,007	310,836	284,234	3,221,376
ECL impairment allowance	10	(455)	(68)	(1,068)	(49,635)	(51,226)
Net loans and advances		2,602,844	22,939	309,768	234,599	3,170,150

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in accounting policy note 1.8.

	2023	2022
Impairment (ECL) coverage ratio	1.64 %	1.59 %
Stage 3 coverage ratio	17.33 %	17.46 %

Short-term loans and advances to customers - On Balance sheet

Group and Company - 2023		Stage 1	Stage 2	Stage 2	Stage 3	Total
	Notes	Performing	Performing	Non-Performing (past due)	Non-Performing	
Assets at amortised cost individually impaired		P'000	P'000	P'000	P'000	P'000
Standard		33,599	-	218	-	33,817
Special mention/Watch list		21,558	-	1,030	18	22,606
Substandard		2,668	-	294	4	2,966
Doubtful		181	-	39	8	228
Loss		27	-	1	110	138
Gross carrying amount		58,033	-	1,582	140	59,755
ECL impairment allowance	10	(152)	-	(9)	(127)	(288)
Net loans and advances		57,881	-	1,573	13	59,467



Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Group and Company - 2022						
	Notes	Stage 1 Performing P'000	Stage 2 Performing P'000	Stage 2 Non- Performing (past due) P'000	Stage 3 Non- Performing P'000	Total P'000
Assets at amortised cost individually impaired						
Standard		25,259	-	248	16	25,523
Special mention/Watch list		21,562	-	484	28	22,074
Substandard		5,404	-	293	8	5,705
Doubtful		2,619	-	267	5	2,891
Loss		10	-	-	100	110
Gross carrying amount		54,854	-	1,292	157	56,303
ECL impairment allowance	10	(165)	-	(9)	(127)	(301)
Net loans and advances		54,689	-	1,283	30	56,002

	2023	2022
Impairment (ECL) coverage ratio	0.48 %	0.53 %
Stage 3 coverage ratio	90.71 %	80.89 %

Unsecured loans and advances to customers - On Balance sheet

Group and Company - 2023						
	Notes	Stage 1 Performing P'000	Stage 2 Performing P'000	Stage 2 Non- Performing (past due) P'000	Stage 3 Non- Performing P'000	Total P'000
Assets at amortised cost individually impaired						
Standard		782,879	-	-	2	782,881
Special mention/Watch list		639	-	6,028	-	6,667
Substandard		-	-	1,914	-	1,914
Doubtful		-	-	-	2,244	2,244
Loss		-	-	-	247	247
Gross carrying amount		783,518	-	7,942	2,493	793,953
ECL impairment allowance	10	(5,099)	-	(80)	(2,307)	(7,486)
Net loans and advances		778,419	-	7,862	186	786,467

Group and Company - 2022						
	Notes	Stage 1 Performing P'000	Stage 2 Performing P'000	Stage 2 Non- Performing (past due) P'000	Stage 3 Non- Performing P'000	Total P'000
Assets at amortised cost individually impaired						
Standard		11,216	-	-	1	11,217
Special mention/Watch list		3,326	-	25	-	3,351
Doubtful		-	-	-	29	29
Loss		-	-	-	238	238
Gross carrying amount		14,542	-	25	268	14,835
ECL impairment allowance	10	(109)	-	(4)	(80)	(193)
Net loans and advances		14,433	-	21	188	14,642

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

	2023	2022
Impairment (ECL) coverage ratio	0.94 %	1.30 %
Stage 3 coverage ratio	92.54 %	29.85 %

During the year, the Group and Company introduced an unsecured personal loan product which is available to both staff and the public. In the previous year the product was accessible to staff only.

Mortgage loans and advances to customers – Off Balance Sheet

Off balance sheet mortgage loans advances pertain to the loan commitments disclosed as per note 20.

Group and Company - 2023	Notes	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired					
ECL impairment allowance	20	66	-	-	66
		66	-	-	66

Group and Company - 2022	Notes	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired					
ECL impairment allowance	20	19	-	-	19
		19	-	-	19

Amounts arising from ECL

Loss allowance

The following table shows a reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument.

Loans and advances to customers

Group and Company - 2023	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired				
Balance as at 31 December 2022	729	1,149	49,842	51,720
Transfers:				
To stage 1	7,583	(433)	(7,150)	-
To stage 2	(33)	6,253	(6,220)	-
To stage 3	(40)	(257)	297	-
Net re-measurement of loss allowance: Accounts changed staging				
Transfer to stage 1	(7,545)	-	-	(7,545)
Transfer to stage 2	-	(4,756)	-	(4,756)
Transfer to stage 3	-	-	5,278	5,278
Net re-measurement of loss allowance: No change in staging	63	367	9,572	10,002
New financial assets originated	5,372	307	2,438	8,117
Financial assets that have been derecognised	(110)	(24)	(1,021)	(1,155)
Balance as at 31 December 2023	6,019	2,606	53,036	61,661



Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Group and Company - 2022	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
Balance as at 31 December 2021	871	873	53,124	54,868
Transfers:				
To stage 1	6,959	(242)	(6,717)	-
To stage 2	(39)	10,561	(10,522)	-
To stage 3	(51)	(227)	279	1
Net re-measurement of loss allowance: Accounts changed staging				
Transfer to stage 1	(6,946)	-	-	(6,946)
Transfer to stage 2	-	(9,793)	-	(9,793)
Transfer to stage 3	-	-	3,319	3,319
Net re-measurement of loss allowance: No change in staging	(196)	(100)	11,214	10,918
New financial assets originated	184	81	284	549
Financial assets that have been derecognised	(53)	(4)	(1,139)	(1,196)
Balance as at 31 December 2022	729	1,149	49,842	51,720

Exposures that are in the existing book can move directly from stage 3 to stage 1 if the curing requirements have been met in a reporting period. The current year movement in the ECL for stage 2 advances is split between exposure where there has been a change in the measurement basis from 12 months to lifetime ECL. Transfers on the existing book are reflected separately and new business originated during the financial year and settlements. The indicators of significant increase in credit risk are explained in Accounting policy note 1.8 Financial Instruments.

Mortgage loans and advances to customers

Group and Company - 2023	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
Balance as at 31 December 2022	455	1,136	49,635	51,226
Transfers:				
To stage 1	7,537	(430)	(7,107)	-
To stage 2	(33)	6,253	(6,220)	-
To stage 3	(10)	(255)	265	-
Net re-measurement of loss allowance: Accounts changed staging				
Transfer to stage 1	(7,499)	-	-	(7,499)
Transfer to stage 2	-	(4,756)	-	(4,756)
Transfer to stage 3	-	-	5,265	5,265
Net re-measurement of loss allowance: No change in staging	161	367	9,568	10,096
New financial assets originated	172	219	177	568
Financial assets that have been derecognised	(15)	(16)	(982)	(1,013)
Balance as at 31 December 2023	768	2,518	50,601	53,887

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Group and Company - 2022	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
Balance as at 31 December 2021	594	862	52,855	54,311
Transfers:				
To stage 1	6,849	(241)	(6,608)	-
To stage 2	(39)	10,561	(10,522)	-
To stage 3	(22)	(221)	243	-
Net re-measurement of loss allowance: Accounts changed staging				
Transfer to stage 1	(6,835)	-	-	(6,835)
Transfer to stage 2	-	(9,798)	-	(9,798)
Transfer to stage 3	-	-	3,280	3,280
Net re-measurement of loss allowance: No change in staging	(141)	(100)	11,239	10,998
New financial assets originated	62	74	281	417
Financial assets that have been derecognised	(13)	(1)	(1,133)	(1,147)
Balance as at 31 December 2022	455	1,136	49,635	51,226

Short-term loans and advances to customers

Group and Company - 2023	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
Balance as at 31 December 2022	165	9	127	301
Transfers:				
To stage 1	3	(3)	-	-
To stage 3	(27)	(2)	29	-
Net re-measurement of loss allowance: Accounts changed staging				
Transfer to stage 1	(3)	-	-	(3)
Transfer to stage 3	-	-	(27)	(27)
Net re-measurement of loss allowance: No change in staging	(22)	-	7	(15)
New financial assets originated	113	8	16	137
Financial assets that have been derecognised	(77)	(4)	(24)	(105)
Balance as at 31 December 2023	152	8	128	288



Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Group and Company - 2022	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
Balance as at 31 December 2021	159	9	133	301
Transfers:				
To stage 1	1	(1)	-	-
To stage 3	(27)	(4)	32	1
Net re-measurement of loss allowance: Accounts changed staging				
Transfer to stage 1	(1)	-	-	(1)
Transfer to stage 2	-	1	-	1
Transfer to stage 3	-	-	(9)	(9)
Net re-measurement of loss allowance: No change in staging	(13)	-	(26)	(39)
New financial assets originated	84	7	3	94
Financial assets that have been derecognised	(38)	(3)	(6)	(47)
Balance as at 31 December 2022	165	9	127	301

Unsecured loans and advances to customers

Group and Company - 2023	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
Balance as at 31 December 2022	109	4	80	193
Transfers:				
To stage 1	43	-	(43)	-
To stage 3	(3)	-	3	-
Net re-measurement of loss allowance: Accounts changed staging				
Transfer to stage 1	(43)	-	-	(43)
Transfer to stage 3	-	-	40	40
Net re-measurement of loss allowance: No change in staging	(76)	-	(3)	(79)
New financial assets originated	5,087	80	2,245	7,412
Financial assets that have been derecognised	(18)	(4)	(15)	(37)
Balance as at 31 December 2023	5,099	80	2,307	7,486

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Group and Company - 2022	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
Balance as at 31 December 2021	118	2	136	256
Transfers:				
To stage 1	109	-	(109)	-
To stage 3	(2)	(2)	4	-
Net re-measurement of loss allowance: Accounts changed staging				
Transfer to stage 1	(110)	-	-	(110)
Transfer to stage 2	-	4	-	4
Transfer to stage 3	-	-	48	48
Net re-measurement of loss allowance: No change in staging	(42)	-	1	(41)
New financial assets originated	38	-	-	38
Financial assets that have been derecognised	(2)	-	-	(2)
Balance as at 31 December 2022	109	4	80	193

Write-offs

The contractual amount outstanding on financial assets that were written off during the period ended 31 December 2023 and that are still subject to enforcement activity is P0.413 million (2022: P6.076 million).

Modified financial assets

There were no modifications to the original contractual cash flows on financial assets during the current or previous year.

Credit-impaired financial assets - loans and advances to customers

The following table shows a reconciliation of changes in net carrying amount of credit-impaired loans and advances to customers.

	Group		Company	
	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Opening balance	284,649	282,714	284,649	282,714
Change in allowance for impairment	(11,216)	(15,854)	(11,216)	(15,854)
Classified as credit-impaired during the year	111,866	109,657	111,746	109,657
Transferred to not credit-impaired during the year	(92,807)	(91,868)	(92,807)	(91,868)
Closing balance	292,492	284,649	292,372	284,649



Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Credit-impaired financial assets - mortgage loans and advances to customers

The following table shows a reconciliation of changes in net carrying amount of credit-impaired mortgage loans and advances to customers.

	Group		Company	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Opening balance	284,234	281,415	284,234	281,415
Change in allowance for impairment	(11,202)	(15,235)	(11,202)	(15,235)
Classified as credit-impaired during the year	111,550	109,422	111,550	109,422
Transferred to not credit-impaired during the year	(92,575)	(91,368)	(92,575)	(91,368)
Closing balance	292,007	284,234	292,007	284,234
Number of Credit- impaired mortgage loans and advances	773	790	773	790
Net repayments - recoveries	(639)	(713)	(639)	(713)
	Stage 3 - 2023		Stage 3 - 2022	
	Gross carrying amount	ECL	Gross carrying amount	ECL
	P '000	P '000	P '000	P '000
Less than:				
90 dpd (for Stage 3)	47,497	5,719	45,525	6,320
More than:				
90 dpd (for Stage 3)	244,510	44,882	238,709	43,315
Total	292,007	50,601	284,234	49,635
Break down of Stage 3 exposures:				
No longer impaired but in cure period	47,497	5,719	45,525	6,320
Other	244,510	44,882	238,709	43,315
Total	292,007	50,601	284,234	49,635

Credit-impaired financial assets - short-term loans and advances to customers

	2023	2022	2023	2022
	P'000	P'000	P'000	P'000
Opening balance	147	849	147	849
Change in allowance for impairment	(5)	(624)	(5)	(624)
Classified as credit-impaired during the year	120	60	120	60
Transferred to not credit-impaired during the year	(39)	(138)	(39)	(138)
Closing balance	223	147	223	147
Number of Credit- impaired short-term loans and advances	9,907	9,261	9,907	9,261
	Stage 3 - 2023		Stage 3 - 2022	
	Gross carrying amount	ECL	Gross carrying amount	ECL
	P '000	P '000	P '000	P '000
Less than:				
90 dpd (for Stage 3)	-	-	-	-
More than:				
90 dpd (for Stage 3)	2,494	2,308	268	80

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

	Group		Company	
	2023	2022	2023	2022
Break down of Stage 3 exposures:				
No longer impaired but in cure period	-	-	-	-
Other	(233)	127	(157)	127

Credit-impaired financial assets - unsecured loans and advances to customers

	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Opening balance	268	450	268	450
Change in allowance for impairment	(9)	5	(9)	5
Classified as credit-impaired during the year	196	175	196	175
Transferred to not credit-impaired during the year	(193)	(362)	(193)	(362)
Closing balance	262	268	262	268

Number of credit impaired - unsecured loans and advances to customers

	33	15	33	15
	Stage 3 - 2023		Stage 3 - 2022	
	Gross carrying amount	ECL	Gross carrying amount	ECL
	P '000	P '000	P '000	P '000
Less than:				
90 dpd (for Stage 3)				
More than:				
90 dpd (for Stage 3)	2,494	2,308	268	80
Break down of Stage 3 exposures:				
No longer impaired but in cure period	-	-	-	-
Other	2,494	2,308	268	80

Bank balances

The Group and Company held bank balances of P807 million as at 31 December 2023 (2022: P 483 million) which represents its maximum credit exposure on these assets. The bank balances are held with licensed financial institutions and consist of current, call and fixed deposit accounts. Management has set exposure limits for the different financial institutions to minimise credit risk on bank balances.

Reputable financial institutions are used for investing and cash handling purposes. All money market instruments and cash equivalents are placed with financial institutions registered in Botswana. Banks in Botswana are not rated but are subsidiaries of major international or foreign registered institutions and are regulated by Bank of Botswana.

Collateral

The Group and Company holds collateral against loans and advances to customers in the form of mortgage interests over property, cash and guarantees. Estimates of collateral fair values are assessed at the time of borrowing and are updated every three years or when a loan is individually assessed as impaired or when the customer requests further facilities against the same bond.

The following table sets out the types of collateral held against different types of financial assets.

Type of credit exposure	Note	Type of collateral held
Mortgage loans and advances to customers	10	Property
Short term loans and advances to customers		Cash deposit



Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Mortgage lending

The following tables stratify credit exposures from mortgage loans and advances to customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral.

	Note	Group		Company	
		2023 P'000	2022 P'000	2023 P'000	2022 P'000
LTV ratio					
Less than 60%		1,364,645	1,357,436	1,364,645	1,357,436
60 - 70%		509,466	555,528	509,466	555,528
70 - 80%		569,989	529,351	569,989	529,351
80 - 90%		722,424	657,716	722,424	657,716
More than 90%		112,765	121,345	112,765	121,345
Total	10	3,279,289	3,221,376	3,279,289	3,221,376
Loan commitments					
Less than 60%		79,419	14,005	79,419	14,005
60 - 70%		790	9,459	790	9,459
70 - 80%		1,062	12,347	1,062	12,347
80 - 90%		968	32,697	968	32,697
More than 90%		1,319	30	1,319	30
Total	37	83,558	68,538	83,558	68,538

An estimate of the fair value of collateral and other tangible security enhancements held against financial assets is summarised as follows:

	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Collateral for loans and advances to customers				
Against Stage 2 and 3 facility - Property	1,513,800	1,434,616	1,513,800	1,434,616
Against Stage 1 loans facility - Property	5,687,076	5,739,608	5,687,076	5,739,608
Against short-term loans not impaired - cash deposit	248,528	257,353	248,528	257,353
Total	7,449,404	7,431,577	7,449,404	7,431,577
Carrying amount as a proportion of collateral cover	46 %	45 %	46 %	45 %
Loan commitments				
Against general impairment - property (Stage 1)	310,136	298,009	310,136	298,009
Total	310,136	298,009	310,136	298,009
Carrying amount as a proportion of collateral cover	42 %	23 %	42 %	23 %

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

The tables below show maximum exposure to credit risk by class of financial assets. They also show the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates) and the net exposure to credit.

Group and Company - 2023	Fair value of collateral and credit enhancements held					
	Maximum exposure to credit P'000	Cash P'000	Property P'000	Total collateral P'000	Net exposure P'000	Associated ECL P'000
Financial assets						
Cash and cash equivalents	366,036	-	-	-	366,036	-
Investments with banks and other financial institutions	472,102	-	-	-	472,102	-
Loans and advances to customers	4,071,336	248,528	7,200,876	7,449,404	(3,378,068)	(61,661)
Other assets	729	-	-	-	729	-
Total assets	4,910,203	248,528	7,200,876	7,449,404	(2,539,201)	(61,661)

Fair value of collateral and credit enhancements held

Group and Company - 2022	Fair value of collateral and credit enhancements held					
	Maximum exposure to credit P'000	Cash P'000	Property P'000	Total collateral P'000	Net exposure P'000	Associated ECL P'000
Financial assets						
Cash and cash equivalents	41,092	-	-	-	41,092	-
Investments with banks and other financial institutions	448,033	-	-	-	448,033	-
Loans and advances to customers	3,240,794	257,353	7,174,224	7,431,577	(4,190,783)	51,720
Other assets	475	-	-	-	475	-
Total assets	3,730,394	257,353	7,174,224	7,431,577	(3,701,183)	51,720

The tables below provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECL when the expected value of the collateral, measured using multiple economic scenarios, is greater than the LGD. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is lower than fair value at the reporting date.



Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Type of collateral or credit enhancement for stage 3 assets

Group and Company - 2023	Fair value of collateral and credit enhancements held the base case scenario						
	Maximum exposure to credit	Property	Other	Surplus collateral	Total collateral	Net exposure	Associated ECL
	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Loans and advances to customers							
Residential mortgages	272,326	605,234	-	-	605,234	(332,908)	48,637
Corporate mortgages	19,681	51,259	-	-	51,259	(31,578)	1,964
Total financial assets at amortised cost	292,007	656,493	-	-	656,493	(364,486)	50,601

Group and Company - 2022	Fair value of collateral and credit enhancements held the base case scenario						
	Maximum exposure to credit	Property	Other	Surplus collateral	Total collateral	Net exposure	Associated ECL
	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Loans and advances to customers							
Residential mortgages	266,480	622,901	-	-	622,901	(356,421)	48,273
Corporate mortgages	17,754	54,946	-	-	54,946	(37,192)	1,362
Total financial assets at amortised cost	284,234	677,847	-	-	677,847	(393,613)	49,635

Concentration of credit risk

The Group and Company monitors concentration of credit risk by sector and by geographic location. An analysis of concentration of credit risk from loans and advances and loan commitments is shown below.

	Mortgage loans and advances to customers		Loan commitments	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Carrying amount or amount committed	3,279,289	3,221,376	83,558	68,538
Concentration by sector				
Residential	3,020,065	2,965,835	81,065	57,958
Commercial	259,224	255,541	2,493	10,580
	3,279,289	3,221,376	83,558	68,538
Concentration by location				
Urban	3,189,402	3,130,865	83,166	67,934
Rural	89,887	90,511	392	604
	3,279,289	3,221,376	83,558	68,538

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Liquidity risk

Liquidity risk involves the inability to fund growth in assets, managing unplanned changes in funding sources and to meet obligations when required without incurring additional costs or incurring a cash flow crisis. Liquidity risk includes the following underlying risks:

- Loss of confidence in the Group and Company by the market;
- Systemic problems;
- Unplanned withdrawal of committed borrowing facilities;
- Maturity mismatch of assets and liabilities; and
- Change in regulation.

Liquidity management encompasses an overall balance sheet approach, which consolidates all sources and uses of liquidity, while aiming to maintain a balance between liquidity and profitability (cost of funding). That is, to measure, monitor and manage on-balance sheet liquidity mismatch risk incorporating off-balance sheet or contingent liquidity risk. The Head of Treasury is responsible for managing Liquidity Risk on a daily basis. Assets and Liabilities Management Committee (ALCO) provides oversight over Liquidity Risk with monthly reporting to it.

The Contingency Funding Plan (CFP) helps to ensure that the Group and Company can prudently and efficiently manage extraordinary and unexpected fluctuations in liquidity. The objectives of the Contingency Funding Plan are as follows:

- To ensure that the Group and Company meets all its statutory and regulatory requirements within the stipulated times;
- To ensure that the Group and Company meets its business obligations promptly and within committed deadlines;
- To safeguard and preserve the reputation of the Group and Company;
- To ensure that the interests of all key stakeholders are protected and preserved;
- To prevent adverse impact on the profitability of the Group and Company; and
- To lay down specific levels of escalation so that any liquidity problem receives timely appropriate attention.

The analysis of the net funding requirements involves the construction of a maturity ladder and the calculation of a net cumulative surplus or deficit over specified time periods. The net funding requirement is determined by analysing future cash flows based on assumptions concerning the future behaviour of on-balance sheet and off-balance sheet assets and liabilities.

Evaluating whether the Group and Company is sufficiently liquid depends on the behaviour of future cash flows under different scenarios. Scenarios are divided into two main categories:

- Business-as-usual scenarios (Normal business conditions);
- Stress scenarios (Company-specific stress scenarios or market-wide stress scenarios).

The Group measures whether there is an adequate level of diversification of funding by monitoring diversification by term (e.g. short, medium and long term), source (e.g. Government, Corporates, Retail) and instrument (e.g. investment securities).

There are a number of liquidity management techniques, which contribute to the overall soundness of the Group and Company's liquidity. These include:

- Ensure effective cash management in order to meet daily liquidity requirement;
- Maintain adequate diversification of funding;
- Building strong relationships with providers of funding; and
- Incorporating liquidity costs in internal pricing, performance measurement and new product approval.



Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

The Group and Company's approach to managing liquidity is to ensure, as far as possible, that it will always have enough liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group and Company's reputation. The Group and Company is exposed to daily calls on its available cash resources from deposits withdrawals, loan draw downs and commitments as and when they fall due.

Experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high degree of certainty.

The Group and Company sets limits on the minimum proportion of maturing funds available to meet such calls and borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The liquidity position of the Group and Company is monitored on a daily basis. For regulatory purposes, the Banking Act, requires the Group and Company to maintain certain proportions of its liabilities in liquid assets. The Group and Company also submits a monthly report to the Bank of Botswana which includes the liquidity position.

Exposure to liquidity risk

The Group and Company was liquid as at 31 December 2023 with a total statutory liquid assets to deposits ratio of 17.32% (31 December 2022: 17.65%) compared to a Bank of Botswana required minimum of 10%.

The liquidity requirement is managed in accordance with the Banking Act which states that every Group and Company shall, after making provisions to meet its liabilities, from day to day hold an amount in cash or on authorised deposits or in approved investments as security for prompt repayment of fixed period and subscription shares and of deposits, loans and overdrafts and for the payment of interest accrued thereon.

The Board of Directors sets limits on the level of risk that may be accepted. The Banking Act sets limits within which the Group and Company should operate as regards to concentrations of assets and liabilities. However, use of this limit regime does not prevent losses outside of these limits in the event of more significant market movements.

The table below discloses the undiscounted cash flows of the Group and Company's assets and liabilities on the basis of their earliest possible contractual maturity. The Group and Company's expected cash flows on some financial assets and liabilities vary significantly from contractual cash flows. For example, demand deposits from customers are expected to maintain a stable and increasing balance, and unrecognised loan commitments are not all expected to be drawn down immediately. Also, retail mortgage loans have an original contractual maturity of up to 30 years but with lower average expected maturities as customers take advantage of early repayment periods. As part of the management of its liquidity risk arising from financial liabilities, the Group and Company holds liquid assets comprising cash and cash equivalents to meet liquidity requirements.

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

The summary of the Group and Company's contractual liquidity gap position is as follows:

Group - 2023

	On demand P'000	1 - 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	366,036	-	-	-	-	366,036
Investments with banks and other financial institutions	100,192	101,471	278,244	-	-	479,907
Other assets	729	-	-	-	-	729
Loans and advances to customers	58,492	116,524	519,107	2,541,577	4,735,776	7,971,476
Total assets	525,449	217,995	797,351	2,541,577	4,735,776	8,818,148
Liabilities						
Customers' deposits	869,140	129,189	2,649,856	706,010	17,500	4,371,695
Borrowings	8,084	5,471	24,459	284,067	4,388	326,469
Debentures	1,122	1,141	4,583	124,905	-	131,751
Lease liabilities	229	694	1,914	11,313	4,628	18,778
Other liabilities	24,070	-	-	-	-	24,070
Total liabilities	902,645	136,495	2,680,812	1,126,295	26,516	4,872,763
Commitments	4,201	61,960	17,396	-	-	83,557
Net liquidity gap	(381,397)	19,540	(1,900,857)	1,415,282	4,709,260	3,861,828

Group - 2022

	On demand P'000	1 - 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	41,092	-	-	-	-	41,092
Investments with banks and other financial institutions	221,987	229,931	-	-	-	451,918
Other assets	475	-	-	-	-	475
Loans and advances to customers	43,596	85,922	384,091	1,911,365	3,816,485	6,241,459
Total assets	307,150	315,853	384,091	1,911,365	3,816,485	6,734,944
Liabilities and equity						
Customers' deposits	461,349	409,112	1,164,871	709,100	91,110	2,835,542
Borrowings	78,203	12,744	253,572	317,392	21,885	683,796
Debentures	-	-	6,828	27,329	105,658	139,815
Lease liabilities	-	650	1,951	11,437	6,997	21,035
Other liabilities	8,985	-	-	-	-	8,985
Total liabilities	548,537	422,506	1,427,222	1,065,258	225,650	3,689,173
Commitments	1,968	46,285	20,286	-	-	68,539
Net liquidity gap	(243,355)	(152,938)	(1,063,417)	846,107	3,590,835	2,977,232



Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Company - 2023

	On demand P'000	1 - 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	345,087	-	-	-	-	345,087
Investments with banks and other financial institutions	100,192	101,471	278,244	-	-	479,907
Balance due from related company	3,756	-	-	-	-	3,756
Other assets	729	-	-	-	-	729
Loans and advances to customers	58,492	116,524	519,107	2,541,577	4,735,776	7,971,476
Total assets	508,256	217,995	797,351	2,541,577	4,735,776	8,800,955
Liabilities						
Customers' deposits	869,732	129,189	2,649,856	706,010	17,500	4,372,287
Borrowings	8,084	5,471	24,459	284,067	4,388	326,469
Debentures	1,122	1,141	4,583	124,905	-	131,751
Lease liabilities	229	694	1,914	11,313	4,628	18,778
Other liabilities	23,581	-	-	-	-	23,581
Total liabilities	902,748	136,495	2,680,812	1,126,295	26,516	4,872,866
Commitments	4,201	61,960	17,396	-	-	83,557
Net liquidity gap	(398,693)	19,540	(1,900,857)	1,415,282	4,709,260	3,844,532

Company - 2022

	On demand P'000	1 - 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	41,092	-	-	-	-	41,092
Investments with banks and other financial institutions	221,987	229,931	-	-	-	451,918
Balance due from related company	1,036	-	-	-	-	1,036
Other assets	475	-	-	-	-	475
Loans and advances to customers	134,706	85,922	384,071	1,911,365	3,816,485	6,332,549
Total assets	399,296	315,853	384,071	1,911,365	3,816,485	6,827,070
Liabilities						
Customers' deposits	461,349	409,112	1,164,871	709,100	91,110	2,835,542
Borrowings	78,203	12,744	253,572	317,392	21,885	683,796
Debentures	-	-	6,828	27,329	105,658	139,815
Lease liabilities	-	650	1,951	11,437	6,997	21,035
Other liabilities	8,789	-	-	-	-	8,789
Total liabilities	548,341	422,506	1,427,222	1,065,258	225,650	3,688,977
Commitments	1,968	46,286	20,286	-	-	68,540
Net liquidity gap	(151,013)	(152,939)	(1,063,437)	846,107	3,590,835	3,069,553

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Market risk

The Group and Company has developed a framework for the management of Interest Rate in the Banking Book (IRRBB). IRRBB is the risk that the Group and Company's financial position will be exposed to the adverse movements in interest rates. IRRBB arises when there is a mismatch between the maturity profiles of Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL). Interest rates are managed principally through monitoring interest rate gaps and by having pre- approved limits for re-pricing bands. The impact of rate changes is measured, managed, monitored and reported on a monthly basis by ALCO. The adverse impact generated from the shock is related to regulatory capital in order to assess the magnitude of the impact.

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 Treasury Department in its day-to-day monitoring activities. Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from non-trading activities. The Group and Company in derivatives to manage and hedge it's own risk.

The overall objective of interest rate risk management is to maintain stability of net interest income (NII) over time. This is seen as being consistent with maximising shareholder value.

Potential changes in net interest income are quantified by applying potential interest rate movements to the cumulative mismatch position in each defined time band. The gap model assumes that the derived potential rate movements will occur by way of an overnight rate shock to all maturities along the yield curve.

The potential rate change applied to a particular gap depends on whether the gap is asset-sensitive (more assets re-pricing than liabilities) or liability-sensitive (more liabilities re-pricing than assets). The risk to an asset-sensitive position is that rates will fall. If this occurs, more assets will re-price at a faster rate than liabilities, thereby squeezing the net interest margin and reducing NII. The risk to a liability-sensitive position is that rates will rise also causing a squeeze as higher borrowing costs are not offset by an equivalent earnings rate on assets.

The Group and Company is negatively affected by lower interest rates due to the asset sensitivity of its statement of financial position.

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

Interest rate sensitivity analysis

A principal part of management of market risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios. The Group and Company aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income.

The scenarios are run only for assets and liabilities that represent the major interest-bearing positions. Financial instruments subject to interest rate risk are summarised as follows:

Group and Company

Total financial assets
Total financial liabilities

	2023 P'000	2022 P'000
Total financial assets	4,806,779	3,724,436
Total financial liabilities	(4,584,516)	(3,409,145)
	222,263	315,291

The table below presents the Group and Company's sensitivity to a change in interest rate assuming that all other variables remain constant. The impact would be a maximum increase or decrease of the same amount.

Pre-tax profit

Equity

Pre-tax profit	4,445	6,306
Equity	4,445	6,306



Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

An interest rate shock approach is used to express interest rate risk in the banking book in terms of Pillar II capital. A shock of 200 basis points is applied. The shock percentage used is reconsidered annually in accordance with the ICAAP. The simulation is done on a monthly basis to verify that the maximum loss potential is within the limit set by management.

The profile of assets and liabilities and the interest sensitivity gap is as follows:

Group - 2023

	0 - 3 months P'000	3 - 12 months P'000	1 -2 years P'000	2 - 5 years P'000	Over 5 years P'000	Total P'000
Assets						
Cash and cash equivalents	263,341	-	-	-	-	263,341
Investments with banks and other financial institutions	200,669	271,433	-	-	-	472,102
Loans and advances to customers	4,060,274	137	891	1,612	8,422	4,071,336
Total assets	4,524,284	271,570	891	1,612	8,422	4,806,779
Liabilities						
Customers' deposits	1,527,634	2,454,652	215,087	9,045	4,665	4,211,083
Borrowings	9,267	75,941	103,128	82,862	-	271,198
Debentures	-	102,235	-	-	-	102,235
Total liabilities	1,536,901	2,632,828	318,215	91,907	4,665	4,584,516
Net interest sensitivity gap	2,987,383	(2,361,258)	(317,324)	(90,295)	3,757	222,263

Company - 2023

	0 - 3 months P'000	3 - 12 months P'000	1 -2 years P'000	2 - 5 years P'000	Over 5 years P'000	Total P'000
Assets						
Cash and cash equivalents	242,392	-	-	-	-	242,392
Investments with banks and other financial institutions	200,669	271,433	-	-	-	472,102
Loans and advances to customers	4,060,274	137	891	1,612	8,422	4,071,336
Total assets	4,503,335	271,570	891	1,612	8,422	4,785,830
Liabilities						
Customers' deposits	1,527,634	2,454,652	215,087	9,045	4,665	4,211,083
Borrowings	9,267	75,941	103,128	82,862	-	271,198
Debentures	-	102,235	-	-	-	102,235
Total liabilities	1,536,901	2,632,828	318,215	91,907	4,665	4,584,516
Net interest sensitivity gap	2,966,434	(2,361,258)	(317,324)	(90,295)	3,757	201,314

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Group and Company - 2022

	0 - 3 months P'000	3 - 12 months P'000	1 - 2 years P'000	2 - 5 years P'000	Over 5 years P'000	Total P'000
Assets						
Cash and cash equivalents	35,134	-	-	-	-	35,134
Investments with banks and other financial institutions	221,225	226,808	-	-	-	448,033
Other assets	475	-	-	-	-	475
Loans and advances to customers	3,228,130	14	73	3,888	8,689	3,240,794
Total assets	3,484,964	226,822	73	3,888	8,689	3,724,436
Liabilities						
Customers' deposits	844,431	881,178	765,186	226,921	-	2,717,716
Borrowings	152,820	73,460	161,928	180,318	20,668	589,194
Debentures	-	-	102,235	-	-	102,235
Total liabilities	997,251	954,638	1,029,349	407,239	20,668	3,409,145
Net interest sensitivity gap	2,487,713	(727,816)	(1,029,276)	(403,351)	(11,979)	315,291

The Group and Company has three types of contracts as described below:

- i. Variable - All these instruments reprice on the first bucket as they change interest rate or reprice immediately.
- ii. Floating - These reprice on reprice dates in line with the repricing dates stated in their contracts/pricing supplements.
- iii. Fixed - These reprice at maturity in line with the reinvestment risk nature of a maturing instrument.

Capital risk

The policy framework represents the capital management approach to be followed by the Group and Company to ensure alignment with the principles of the Internal Capital Adequacy Assessment Process (ICAAP) detailed by the Bank of Botswana. The purpose of the Capital Management Framework is to provide a clearly defined, documented and mandatory approach and principles in the capital planning process. As indicated throughout this document, Capital is managed by the Group and Company through the use of target capital ranges set above the regulatory minimum thereby creating a buffer. The size of the buffer is derived from stress testing to ensure the capital base can sustain unforeseen events affecting the Group's capital base or risk weighted assets.



Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Capital Management

To monitor the adequacy of its capital, the Group and Company uses ratios prescribed by Bank of Botswana, per the Basel Capital Adequacy Framework (Basel II). These ratios measure Capital adequacy by comparing the Group and Company's eligible capital with its reported assets and commitments at weighted amounts to reflect their relative risk (risk weighted assets).

For prudential purposes, Tier 1 Capital consists of Ordinary shares together with the statutory and retained earnings reserves. The Group and Company's policy is to maintain a strong capital base so as to sustain growth for the business.

The Group and Company has complied with regulatory capital requirements. The ratio was 17.20% as at 31 December 2023, (2022: 27.51%) the minimum capital adequacy ratio set by Bank of Botswana was 12.5% at the reporting date.

	Notes	Group	
		2023 P'000	2022 P'000
Capital base			
Stated capital	23	487,453	487,453
Other revenue reserves		17,956	39,857
Regulatory adjustment		(38,940)	(18,061)
Tier I capital		466,469	509,249
Unpublished current year's loss		(21,348)	(21,900)
Collective impairment		6,234	795
Tier II capital		(15,114)	(21,105)
Total capital		451,355	488,144
Risk weighted assets			
Credit risk weighted assets		2,489,861	1,651,546
Operational risk weighted assets		133,645	122,950
Total risk weighted assets		2,623,506	1,774,496
Capital adequacy ratio		17.20 %	27.51 %
Regulatory requirement		12.5 %	12.5 %

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Classification of assets and liabilities

The tables below set out the Group and Company's classification of assets and Liabilities. These are not presented at their fair value on the Group and Company's statement of financial position for which fair value approximates the carrying amounts.

The carrying amounts of the financial instruments are deemed to approximate fair value.

Cash and cash equivalents, investments with banks, balances due from related company and other assets and liabilities

Cash and cash equivalents, investments with banks, balances due from related company and other financial assets and liabilities are short-term in nature, as such, the carrying amounts are deemed to closely approximate fair value.

Short-term loans and advances to customers

The fair value of short-term loans and advances is deemed to closely approximate the carrying value. This is due to the instruments included in this classification bearing variable rate. The instruments are for a period not exceeding five years and reprice in line with changes in prime lending rate.

Unsecured loans and advances to customers

The fair value of short-term loans and advances is deemed to closely approximate the carrying value. This is due to the instruments included in this classification bearing variable rate. The instruments are for a period not exceeding ten years and reprice in line with changes in prime lending rate.

Mortgage loans and advances to customers

The carrying amount of loans and advances is deemed to closely approximate the carrying value. This is due to the instruments included in this classification bearing variable rate and only an insignificant portion bearing fixed rate. Loans bearing variable rates reprice in line with changes in prime lending rate.

Deposits and borrowings

Deposits are generally of a short-term nature where the impact of discounting would be negligible. Borrowings includes bonds which are linked to the Monetary Policy Rate (MoPR). They reprice in line with changes in the Monetary Policy Rate. For both deposits and borrowings, the counterparties are not related to the Bank and terms were concluded on market terms, hence, the carrying amount approximates market values.

Debentures

The carrying amount of debentures is deemed to closely approximate the fair value as their pricing is aligned to the prime- lending rate. Therefore, they reprice in line with changes in the prime lending rate.



Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

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.

Group - 2023

		At amortised cost P'000	Other non- financial assets/ liabilities P'000	Current assets and liabilities P'000	Non current assets and liabilities P'000	Total carrying amount P'000
	Note					
Cash and cash equivalents	4	366,036	-	366,036	-	366,036
Investments with banks and other financial institutions	5	472,102	-	472,102	-	472,102
Other assets	8	729	68,168	29,758	39,139	68,897
Loans and advances to customers	10	4,071,336	-	694,123	3,377,213	4,071,336
		4,910,203	68,168	1,562,019	3,416,352	4,978,371
Customer deposits	16	4,211,083	-	3,648,777	562,306	4,211,083
Borrowings	17	271,198	-	38,014	233,184	271,198
Debentures	18	102,235	-	6,846	95,389	102,235
Other liabilities	20	18,305	57,170	50,080	25,395	75,475
		4,602,821	57,170	3,743,717	916,274	4,659,991

Group - 2022

		At amortised cost P'000	Other non- financial assets/ liabilities P'000	Current assets and liabilities P'000	Non current assets and liabilities P'000	Total carrying amount P'000
	Note					
Cash and cash equivalents	4	41,092	-	41,092	-	41,092
Investments with banks and other financial institutions	5	448,033	-	448,033	-	448,033
Other assets	8	475	61,776	22,229	40,022	62,251
Loans and advances to customers	10	3,240,794	-	470,310	2,770,484	3,240,794
		3,730,394	61,776	981,664	2,810,506	3,792,170
Customer deposits	16	2,717,746	-	2,035,332	682,414	2,717,746
Borrowings	17	589,193	-	344,519	244,674	589,193
Debentures	18	102,235	-	6,828	95,407	102,235
Other liabilities	20	8,985	27,113	19,926	16,172	36,098
		3,418,159	27,113	2,406,605	1,038,667	3,445,272

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Company - 2023

	Note	At amortised cost P'000	Other non- financial assets/ liabilities P'000	Current assets and liabilities P'000	Non current assets and liabilities P'000	Total carrying amount P'000
Cash and cash equivalents	4	345,087	-	345,087	-	345,087
Investments with banks and other financial institutions	5	472,102	-	472,102	-	472,102
Balance due from related company	6	3,756	-	3,756	-	3,756
Other assets	8	729	67,202	28,792	39,139	67,931
Loans and advances to customers	10	4,071,336	-	691,892	3,379,444	4,071,336
		4,893,010	67,202	1,541,629	3,418,583	4,960,212
Customer deposits	16	4,211,676	-	3,648,777	562,899	4,211,676
Borrowings	17	271,198	-	38,014	233,184	271,198
Debentures	18	102,235	-	6,846	95,389	102,235
Other liabilities	20	18,256	56,510	49,371	25,395	74,766
		4,603,365	56,510	3,743,008	916,867	4,659,875

Company - 2022

	Note	At amortised cost P'000	Other non- financial assets/ liabilities P'000	Current assets and liabilities P'000	Non current assets and liabilities P'000	Total carrying amount P'000
Cash and cash equivalents	4	41,092	-	41,092	-	41,092
Investments with banks and other financial institutions	5	448,033	-	448,033	-	448,033
Balance due from related company	6	1,036	-	1,036	-	1,036
Other assets	8	475	61,670	22,123	40,022	62,145
Loans and advances to customers	10	3,240,794	-	470,310	2,770,484	3,240,794
		3,731,430	61,670	982,594	2,810,506	3,793,100
Customer deposits	16	2,720,234	-	2,037,818	682,416	2,720,234
Borrowings	17	589,193	-	344,519	244,674	589,193
Debentures	18	102,235	-	6,828	95,407	102,235
Other liabilities	20	8,789	26,998	19,615	16,172	35,787
		3,420,451	26,998	2,408,780	1,038,669	3,447,449



Notes to the Consolidated And Separate Financial Statements

3. New Standards and Interpretations

3.1 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 2024.

The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023.

Since the Group and Company has reported a loss, the related Pillar Two disclosures are not required, therefore the amendments will have no impact on the Group and Company's consolidated and separate financial statements at 31 December 2023.

Initial application of IFRS 17 and IFRS 9 - Comparative information

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

The effective date of the amendment is for years beginning on or after 01 January 2023. The amendment did not have any impact on the Group and Company's financial statements.

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

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

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

The group and company has adopted the amendment for the first time in the 2023 consolidated and separate financial statements.

The amendment did not have an impact on the Group and Company's financial statements.

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

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Notes to the Consolidated And Separate Financial Statements

3. New Standards and Interpretations (continued)

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 2023 consolidated and separate financial statements.

The amendments have had an impact on the Group and Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group and Company's financial statements.

Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in 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 2023 consolidated and separate financial statements.

The amendment did not have any impact on the Group and Company's financial statements.

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

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

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

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 2023.

The group and company has adopted the amendment for the first time in the 2023 consolidated and separate financial statements.

The amendment did not have any impact on the Group and Company's financial statements

IFRS 17 Insurance Contracts

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

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

The group and company expects to adopt the standard for the first time in the 2023 consolidated and separate financial statements.

The amendment did not have any impact on the Group and Company's financial statements.



Notes to the Consolidated And Separate Financial Statements

3. New Standards and Interpretations (continued)

3.2 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 January 2024 or later periods:

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

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is 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 expected that the amendment will not have a material impact on the Group and Company's consolidated and separate financial statements.

Lack of exchangeability - amendments to IAS 21

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 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.

Supplier finance arrangements - amendments to IAS 7 and IFRS 7

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 2024 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.

Notes to the Consolidated And Separate Financial Statements

3. New Standards and Interpretations (continued)

Non-current liabilities with covenants - amendments to IAS 1

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 2024 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

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 2024 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.



Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022
4. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand	9,899	5,958	9,899	5,958
Bank balances (including balance with central bank)	263,341	35,134	242,392	35,134
Statutory reserve	92,796	-	92,796	-
Cash and cash equivalents for the purposes of the statement of cash flows	366,036	41,092	345,087	41,092

The balance held in the statutory reserve is non-interest bearing.

ECL for bank balances and statutory reserve is considered negligible due to the very low probability of default.

5. Investments with banks

Redeemable within one year	472,102	448,033	472,102	448,033
	472,102	448,033	472,102	448,033

6. Balance due from related company

Balance due from related party	-	-	3,756	1,036
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The balance relates to amounts payable with respect to fees charged by BBS Bank Limited for support services offered during the year. The balance is recoverable within a period of twelve months.

No expected credit loss allowance was recognised in the current or previous reporting date.

7. Non-current assets held for sale

At the beginning of the financial year, the Group and Company held five properties that met the criteria for Non-Current Assets held for sale. During the year, the Group and Company secured buyers for two properties. The disposal was effected as part of the transition from Building Society to Commercial Banking to optimize and adhere to the requirements of the Banking Act.

The Group and Company has identified a buyer for one property while the other two properties were derecognised as non-current assets held for sale after Management resolved on November 20, 2023, to refurbish these properties for use as housing for Senior Management.

The sale of the remaining properties is expected to occur within twelve months.

The total for the year is presented below with no liabilities directly associated with the assets:

Non-current assets held for sale				
Land and buildings	12,593	13,832	12,593	13,832
Reconciliation of assets held for sale				
Balance at beginning of year	13,832	-	13,832	-
Transfer from freehold and leasehold property	-	13,832	-	13,832
Transfer to freehold and leasehold property	(1,239)	-	(1,239)	-
Balance at end of year	12,593	13,832	12,593	13,832

Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022
8. Other Assets				
Prepayment - off market staff loans	45,080	46,214	45,080	46,214
Prepayments - other	14,458	12,465	14,457	12,463
Other debtors	8,630	3,097	7,665	2,993
Rent debtors	729	475	729	475
Total other assets	68,897	62,251	67,931	62,145
Refer to note 47 for details on the impact of restatement.				
9. Properties-in-possession				
Balance at beginning of the year	36,831	39,871	36,831	39,871
Repossessions during the year	-	9,055	-	9,055
De-recognition of properties in possession	(10,251)	(12,095)	(10,251)	(12,095)
Balance at the end of the year	26,580	36,831	26,580	36,831
Number of properties in possession - residential and commercial	31	41	31	41
Proceeds from sale of properties in possession				
Proceeds on disposal of properties	10,251	12,095	10,251	12,095
Loss on disposal during the year	(3,287)	(1,001)	(3,287)	(1,001)
	6,964	11,094	6,964	11,094

The properties-in-possession represent premises repossessed by the Group and Company. These properties are held with the intention to sell in the short to medium term and are stated at the lower of cost of repossession and net realizable value. The Group and Company anticipate recovering the carrying amount within a period of five years, contingent upon market interest. As per the Group's internal policy, independent valuations of these properties are conducted by a third-party valuer every three years for impairment assessment purposes. The net realizable value is determined by referencing both the valuation reports and the latest prices of similar properties. Any necessary adjustments to align the carrying amount with the most recent valuation reports are made following the valuation process where recoverable amounts are lower than carrying amounts. A register of these assets is maintained by the Group and is accessible for inspection.



Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022
10. Loans and advances to customers				
Short-term loans and advances to customers	59,755	56,303	59,755	56,303
Unsecured loans and advances to customers	793,953	14,835	793,953	14,835
Mortgage loans and advances to customers	3,279,289	3,221,376	3,279,289	3,221,376
Gross loans and advances to customers	4,132,997	3,292,514	4,132,997	3,292,514
Less ECL impairment allowance				
Short-term loans and advances to customers	(288)	(301)	(288)	(301)
Unsecured loans and advances to customers	(7,486)	(193)	(7,486)	(193)
Mortgage loans and advances to customers	(53,887)	(51,226)	(53,887)	(51,226)
Total expected credit losses	(61,661)	(51,720)	(61,661)	(51,720)
Net loans and advances to customers	4,071,336	3,240,794	4,071,336	3,240,794
Amount to be recovered within one year	694,123	513,609	694,123	513,609
Amount to be recovered after one year	3,438,874	2,778,905	3,438,874	2,778,905
	4,132,997	3,292,514	4,132,997	3,292,514

a) Reconciliation of expected credit loss allowance (ECL) on loans and advances to customers.

Balance at beginning of year*	(51,720)	(54,868)	(51,720)	(54,868)
ECL Impairment allowance	(9,941)	3,148	(9,941)	3,148
Impairment allowance	(5,387)	7,218	(5,387)	7,218
Unrecognised interest on impaired loans	(4,554)	(4,070)	(4,554)	(4,070)
	(61,661)	(51,720)	(61,661)	(51,720)

ECL per stage is disclosed under note 2.

As per IAS 1 - Presentation of financial statements, the Group and Company revised the presentation of loans and advances which were historically reported individually on the face of the statement of financial position and in the notes. These are now disclosed in aggregate on the face of the statement of financial position and in a single note in the financial statements.

The comparative information for 2022 has been revised to reflect this revised presentation. This does not have any impact on the statement of financial position.

Short-term loans and advances to customers are for periods between twelve and sixty months, bear interest at 6.00% (2022: 9.76% per annum) and are secured by paid up savings, subscription savings and fixed deposits.

Unsecured loans and advances to customers are for periods up to 120 months, bear interest between 15.5% to 24.0%.

Mortgage loans are granted up to a maximum period of thirty years. The gross loans and advances with a variable rate amount to P3,277 billion (2022: P 3,246 billion) and P10 million (2022: P 12 million) are at fixed rates of interest.

Interest is charged at rates between 6.01% and 13.26% (2022: 6.26% and 13.26%) per annum and loans are secured by a first mortgage bond against the financed property. The rate of interest on staff mortgage loans is 3.1% (2022: 3.4%) per annum. The group lends up to 90% of the market value of the property being financed.

Notes to the Consolidated And Separate Financial Statements

11. Right-of-use assets

Group and Company	2023			2022		
	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	20,169	(11,243)	8,926	19,824	(9,181)	10,643

Reconciliation of right-of-use assets - Group and Company - 2023

	Opening balance	Additions	Remeasurement of ROU**	Depreciation	Total
	P'000	P'000	P'000	P'000	P'000
Right-of-use assets	10,643	651	(366)	(2,002)	8,926

** The remeasurement resulted from the revision of contractual payments of some leases the Group and Company has entered into. The related lease liability has been remeasured by discounting the revised lease payments using the initial discount rate and this resulted in the reduced Right-of-use asset at the reporting date. Right-of-use assets are held by the Group and Company for use for a period more than twelve months.

Reconciliation of right-of-use assets - Group and Company - 2022

	Opening balance	Remeasurement of ROU**	Depreciation	Total
	P'000	P'000	P'000	P'000
Right-of-use assets	15,319	(2,552)	(2,124)	10,643

The Group and Company has entered into lease agreement for low value items (printers). Rental expense incurred on these is recognised in profit or loss over the lease term on a straight line basis.

The following amounts are amounts recognised in profit or loss:

	Group		Company	
	P'000	P'000	P'000	P'000
Depreciation expense of right-of -use assets	2,002	2,124	2,002	2,124
Interest expense on lease liabilities	1,119	1,304	1,119	1,304
Expense relating to leases of low-value- assets (included in other expenses)	741	686	741	686
Total amount recognised in profit or loss	3,862	4,114	3,862	4,114

The Group and Company had total cash outflows for leases amounting to P1,557 million (including leases of low value items) (2022: P1,886 million).

In the current year, the Group and Company entered into a lease agreement for the lease of computer equipment. A total of 103 computer equipment units were agreed to be leased, effective from October 1, 2023, over a period of 4 years from the effective date. As of the end of the year, a total of 60 computer equipment units had been received from the lessor, and additions amounting to P0.651 million were recognized (2022: P Nil million).



Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022
12. Deferred tax asset				
The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:				
Deferred tax liability	(6,138)	-	(6,138)	-
Deferred tax asset	17,788	-	17,788	-
Total net deferred tax asset	11,650	-	11,650	-
Reconciliation of deferred tax asset / (liability)				
Tax losses available for set off against future taxable income	14,280	-	14,280	-
Temporary difference on tangible fixed assets	(1,031)	-	(1,031)	-
Temporary difference on right of use assets	376	-	376	-
Temporary difference on prepaid expenditure	(4,845)	-	(4,845)	-
Temporary difference on lease liability	(260)	-	(260)	-
Temporary difference on deferred revenue	3,127	-	3,127	-
Other temporary differences	3	-	3	-
Closing Balance	11,650	-	11,650	-
Non-current	11,650	-	11,650	-

Management has assessed the recoverability of the deferred asset as at the reporting date. In this assessment, Management took into account the progress made in the transformation process and the financial projections for the strategy period, which indicate that the Group and Company are making progress towards returning to profitability. Management anticipates recovering the deferred tax assets as the deductible temporary differences reverse in the future. Following an evaluation of the recoverability of the deferred tax assets conducted by the bank, Management is confident that the Bank has sufficient taxable forecasted future profits to recover all deductible temporary differences. The taxable losses of P64,910 will expire in 2029 after a five-year period.

13. Intangible assets

Group and Company	2023			2022		
	Cost /	Accumulated	Carrying	Cost /	Accumulated	Carrying
	Valuation	amortisation	value	Valuation	amortisation	value
	P'000	P'000	P'000	P'000	P'000	P'000
Computer software, other	45,420	(31,873)	13,547	50,941	(40,519)	10,422
Work-in-progress	11,113	-	11,113	7,639	-	7,639
Total	56,533	(31,873)	24,660	58,580	(40,519)	18,061

Reconciliation of intangible assets - Group and Company - 2023

	Opening balance	Additions	Transfers from work in progress	Adjustments**	Amortisation	Total
Computer software, other	10,422	556	8,366	(977)	(4,820)	13,547
Work-in-progress	7,639	11,840	(8,366)	-	-	11,113
	18,061	12,396	-	(977)	(4,820)	24,660

**This relates to write off of intangible assets which were no longer generating economic benefits for the Group and Company.

Notes to the Consolidated And Separate Financial Statements

13. Intangible assets (continued)

Reconciliation of intangible assets - Group and Company - 2022

	Opening balance	Additions	Transfers from work in progress	Adjustments**	Amortisation	Total
	P'000	P'000	P'000	P'000	P'000	P'000
Computer software, other	7,138	-	6,954	(616)	(3,054)	10,422
Work-in-progress	9,012	5,581	(6,954)	-	-	7,639
Total	16,150	5,581	-	(616)	(3,054)	18,061

The useful life of intangible assets is 3 - 5 years.

Included in intangibles balance cost above is P24.0 million (2022: P 14.5 million) relating to fully amortized assets which are still in use.

Work in progress relates to the ongoing projects for digital banking platforms and payment systems necessary to create capabilities fit for a commercial bank.

Intangible assets are held by the Group and Company for use for a period more than twelve months. Intangible assets held by the Group and Company are not internally generated.

14. Property and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
	P'000	P'000	P'000	P'000	P'000	P'000
Freehold and leasehold property	84,610	(20,734)	63,876	82,811	(18,734)	64,077
Equipment, furniture and fittings	49,490	(43,643)	5,847	48,741	(41,222)	7,519
Motor vehicles	1,086	(805)	281	853	(737)	116
Computer hardware	30,678	(24,379)	6,299	27,860	(22,729)	5,131
Capital - Work in progress	22,099	-	22,099	19,562	-	19,562
Total	187,963	(89,561)	98,402	179,827	(83,422)	96,405

Reconciliation of property and equipment - Group and Company - 2023

	Opening balance	Additions	Transfers	Depreciation	Total
	P'000	P'000	P'000	P'000	P'000
Freehold and leasehold property	64,077	121	1,239	(1,561)	63,876
Equipment, furniture and fittings	7,519	749	-	(2,421)	5,847
Motor vehicles	116	233	-	(68)	281
Computer hardware	5,131	2,511	307	(1,650)	6,299
Capital - Work in progress	19,562	2,844	(307)	-	22,099
Total	96,405	6,458	1,239	(5,700)	98,402



Notes to the Consolidated And Separate Financial Statements

14. Property and equipment (continued)

Reconciliation of property and equipment - Group and Company - 2022

	Opening balance P'000	Additions P'000	Disposals P'000	Transfers P'000	Depreciation P'000	Total P'000
Freehold and leasehold property	76,401	2,830	-	(13,832)	(1,322)	64,077
Equipment, furniture and fittings	9,634	1,973	-	-	(4,088)	7,519
Motor vehicles	251	-	-	-	(135)	116
Computer hardware	6,487	879	(398)	-	(1,837)	5,131
Capital - Work in progress	14,180	5,382	-	-	-	19,562
	106,953	11,064	(398)	(13,832)	(7,382)	96,405

The Capital-work-in progress comprises of P22 million for the construction of a new head office for BBS Bank in the Central Business District (CBD). The project is yet to commence.

Transfers relate assets classified as held for sale. Refer to note 7.

A register of the assets is kept with the Group and Company and is available for inspection.

Included in property and equipment cost above is P64.0 million (2022: P 56.0 million) relating to fully depreciated assets which are still in use.

Fair value of assets

Freehold and leasehold land and buildings were valued by an independent professional property valuer in March 2022 at an open market value of P178 million. In terms of the Group and Company's internal policy, the valuation by an independent valuer is conducted every three years. A register of the assets is kept at the Group and Company and is available for inspection.

The Group and Company acts as lessor of leasehold land and buildings. These leases have an average life of between three and five years with a renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. The Group and Company has classified these leases as operating leases because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets. The lessor retains title of the property and only facilitate rental through lease agreements with lessee.

A total of P5.0 million was earned as rental income in the current year (2022: P 5.3 million).

Property and equipment are held by the Company for use for a period more than twelve months.

15. Investment in subsidiary

BBS Insurance Agency Limited is a 100% owned subsidiary company of BBS Bank Limited. It was incorporated in Botswana on 28 July 2021 and started trading on 08 June 2022. The Company does not have any regulatory restrictions to use its subsidiary's assets and its cash balances. BBS Insurance Agency Limited has paid up capital of P100,000.

	Group		Company	
	2023	2022	2023	2022
Investments in subsidiary	-	-	100	100

The investment in subsidiary is for a period more than twelve months.

Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022
16. Customer deposits				
Fixed deposits	2,858,810	1,439,260	2,858,810	1,439,260
Savings accounts	821,294	799,452	821,887	801,940
Notice deposits	440,129	422,147	440,129	422,147
Accrued interest	90,850	56,887	90,850	56,887
	4,211,083	2,717,746	4,211,676	2,720,234

Fixed deposits have a term ranging from twelve months to sixty months and earn interest at between 1.76% and 2.31% (2022: 2.01% and 8.15%) per annum paid on a monthly basis.

Savings deposits are repayable on demand. They earn interest at 0.10% and 3.01% (2022:1.76% and 2.56%) Indefinite period savings earn interest at the Botswana prime lending rate less 0.5% being 6.01% (2022: 6.26%) per annum.

Notice deposits are invested for a period of not less than 18 months and may be redeemed subject to 3 months' notice. Early redemption is permitted with a proportionate forfeiture of interest accrued.

As per IAS 1 - *Presentation of financial statements*, the Group and Company revised the presentation of customer deposits which were historically reported individually in the note. Savings deposits which are repayable on demand are now disclosed in aggregate in the note. Additionally, the face of the statement of financial position now discloses an aggregate balance for Customer deposits.

The comparative information for 2022 has been revised to reflect this revised presentation. This does not have any impact on the statement of financial position.



Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022
17. Borrowings				
Gross future cash flows				
Unsecured long term-bonds	326,468	529,166	326,468	529,166
Vunani Fund Managers	-	154,630	-	154,630
Total borrowings	326,468	683,796	326,468	683,796
Less: future interest payments				
Unsecured long term-bonds	(55,270)	(92,794)	(55,270)	(92,794)
Vunani Fund Managers	-	(1,809)	-	(1,809)
	(55,270)	(94,603)	(55,270)	(94,603)
Carrying amount due at the reporting date	271,198	589,193	271,198	589,193
Borrowings repayable within one year				
Unsecured long term-bonds	38,014	189,889	38,014	189,889
Vunani Fund Managers	-	152,821	-	152,821
	38,014	342,710	38,014	342,710
Borrowings repayable after one year				
Unsecured long term-bonds	233,184	246,483	233,184	246,483
Carrying amount due at the reporting date	271,198	589,193	271,198	589,193
Principal balance				
Unsecured long term-bonds	265,621	429,644	265,621	429,644
Vunani Fund Managers	-	150,000	-	150,000
	265,621	579,644	265,621	579,644
Accrued interest				
Unsecured long term-bonds	5,577	6,775	5,577	6,775
Vunani Fund Managers	-	2,821	-	2,821
	5,577	9,596	5,577	9,596
Arrangement fees				
Unsecured long term bonds	-	(47)	-	(47)
	-	(47)	-	(47)
Carrying amount due at the reporting date	271,198	589,193	271,198	589,193

Notes to the Consolidated And Separate Financial Statements

17. Borrowings (continued)

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022
Reconciliation of cashflow during the year				
Opening balance	589,193	667,893	589,193	667,893
Repayment during the year	(313,976)	(78,534)	(313,976)	(78,534)
Interest paid during the year	(9,596)	(9,763)	(9,596)	(9,763)
Interest accrued at year end	5,577	9,597	5,577	9,597
Carrying amount at the end of the year	271,198	589,193	271,198	589,193

Vunani Fund Managers (formerly Stanlib Investment Management Services (Pty) Ltd)

The loan amounting to P150 million (2022: P 150 million) was fully repaid upon reaching maturity. The initial principal amount of P 75 million was settled on 11 January 2023, with the remaining P 75 million settled on 12 April 2023.

Unsecured long term – bonds

BBS012 is the only bond listed on the Botswana Stock Exchange Limited.

BBS005 which commenced on 3 December 2008 with a fixed rate of 11.20% and a principal amount of P150 million was fully repaid on 3 December 2023.

BBSBL issued a 5-year Bond amounting to P64,470 million, BBS012 on 9 August 2021 with a floating rate of 7.50%. 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 on 9th February and 9th August commencing on 9th February 2022.

31 December 2023				
Number	Maturity date	Amount P'000	Type	Interest rate per annum
BBS007	26 August 2025	86,700	Fixed	9%
BBS010	27 December 2028	116,426	Fixed	8% reducing balance method
BBS011	16 September 2027	25,000	Fixed	7.25%
BBS012	09 August 2026	64,470	Floating	Monetary policy rate plus 6.36%

31 December 2022				
Number	Maturity date	Amount P'000	Type	Interest rate per annum
BBS005	03 December 2023	150,000	Fixed	11.20%
BBS007	26 August 2025	86,700	Fixed	9%
BBS010	27 December 2028	116,426	Fixed	8% reducing balance method
BBS011	16 September 2027	25,000	Fixed	7.25%
BBS012	09 August 2026	64,470	Floating	Monetary policy rate plus 6.36%



Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022
18. Debentures				
Debentures	101,000	101,000	101,000	101,000
Accrued interest on debentures	1,235	1,235	1,235	1,235
	102,235	102,235	102,235	102,235
Gross future cash flows				
- within one year	6,846	6,828	6,846	6,828
- in second to fifth year inclusive	124,906	27,329	124,906	27,329
- later than five years	-	105,658	-	105,658
Total gross debentures	131,752	139,815	131,752	139,815
Less: future interest payments				
- within one year	6,846	6,828	6,846	6,828
- in second to fifth year inclusive	22,671	27,329	22,671	27,329
- later than five years	-	3,423	-	3,423
Total interest payments	29,517	37,580	29,517	37,580
Total net debentures	102,235	102,235	102,235	101,974

The debentures are unsecured, unlisted irredeemable debt instruments with a fixed term of ten years effective 26 April 2018. Significant members who signed an irrevocable undertaking entered into an agreement to subscribe for debenture notes. The debentures amount to P101 million and bear interest at the BBS prime lending rate. Interest is payable semi-annually in April and October.

Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022
19. Lease liabilities				
Reconciliation of lease liabilities				
Opening balance	15,886	19,638	15,886	19,638
Additions	651	-	651	-
Lease interest expense	1,119	1,304	1,119	1,304
Payments (interest and principal)	(2,590)	(2,504)	(2,590)	(2,504)
Remeasurement of lease liability*	(366)	(2,552)	(366)	(2,552)
Closing balance	14,700	15,886	14,700	15,886
Payments of lease liabilities	1,119	1,304	1,119	1,304
Lease interest expense				
Payments (interest and principal)	(2,590)	(2,504)	(2,590)	(2,504)
Repayment of principal portion of lease liability	(1,471)	(1,200)	(1,471)	(1,200)

*The remeasurement resulted from the revision of contractual payments of some leases the Group and Company has entered into. The related lease liability has been remeasured by discounting the revised lease payments using the initial discount rate and this resulted in the reduced lease liability at the reporting date.

Minimum lease payments due				
- within one year	2,836	2,601	2,836	2,601
- in second to fifth year inclusive	11,309	11,437	11,309	11,437
- later than five years	4,590	6,997	4,590	6,997
Total undiscounted lease liability	18,735	21,035	18,735	21,035
less: future finance charges	(4,035)	(5,149)	(4,035)	(5,149)
Present value of minimum lease payments	14,700	15,886	14,700	15,886
Present value of minimum lease payments due				
- within one year	1,802	1,467	1,802	1,467
- in second to fifth year inclusive	8,743	8,277	8,743	8,277
- later than five years	4,155	6,142	4,155	6,142
carrying amount	14,700	15,886	14,700	15,886

The Group and Company has entered into various leases for office space as it operates from various locations. The duration of the leases range between five to ten years with an option to renew. The incremental borrowing rate to discount the leases was 7.44% (2022:7.44%). The leases are subject to escalations between 6% and 10% on anniversary. Interest expense relating to lease liabilities is disclosed under note 26.



Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022
20. Other liabilities				
Sundry liabilities	10,755	449	10,294	179
Accounts payable	4,586	1	4,586	1
Payroll liabilities	13,389	8,785	13,181	8,786
Accrued expenses	18,297	8,553	18,257	8,511
Loan commitments issued- expected credit loss*	66	19	66	19
Deferred administration fees	28,382	18,291	28,382	18,291
	75,475	36,098	74,766	35,787
Reconciliation of deferred administration fees				
Opening balance	18,291	16,217	18,291	16,217
Additional administration fees deferred during the year	14,558	4,980	14,558	4,980
Administration fees released to profit or loss during the year**	(4,467)	(2,906)	(4,467)	(2,906)
Closing balance	28,382	18,291	28,382	18,291

*Expected credit losses on loan commitments was classified as stage 1 in the current and previous year.

** Income from opening balance recognised during the year was P 1.945 million (2022: P 1.831 million).

Accrued expenses include amounts payable to creditors for goods and services supplied such as security, utilities and cleaning services.

Payroll liabilities is made up of leave, gratuity and provision for terminal benefits.

Maturity analysis - Deferred administration fees

- within one year	2,987	2,119	2,987	2,119
- in second to fifth year inclusive	9,570	6,733	9,570	6,733
- later than five years	15,825	9,439	15,825	9,439
carrying amount	28,382	18,291	28,382	18,291

Other liabilities other than deferred administration fees and gratuity are held for a period less than twelve months.

Reconciliation of the expected credit loss allowance (ECL) on loan commitments

	Loss allowance	Loss allowance
	2023	2022
Opening balance	19	5
Impairment allowance	47	14
Closing balance	66	19

There has been an increase in ECL due to an increase in the loan commitments from P69 million to P84 million.

Other liabilities include balances in transmission and suspense accounts expected to clear in the short-term.

Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022
21. Withholding tax				
Withholding tax	2,498	1,337	2,629	1,338

This relates to withholding tax on interest paid to the Group and Company's customers and which is due to Botswana Unified Revenue Service.

Effective 01 July 2021, the Group and Company exempts interest up to P7 800 accrued to a resident individual and does not apply any exemption on interest accrued to Corporates.

Withholding tax is payable within a period of less than one month.

22. Current tax receivable/(payable)

Corporate tax	68	(38)	68	-
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23. Stated capital

Authorised

Ordinary shares at no par value	487,453	487,453	487,453	487,453
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Issued

Ordinary	487,453	487,453	487,453	487,453
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Ordinary shares

Balance at the beginning of the year	487,453	487,453	487,453	487,453
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Balance at the end of the year - fully paid

	487,453	487,453	487,453	487,453
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As at 31 December 2023, shares amounting to P3.7 million (2022: P 4.2 million) were held in the Group and Company Trust Account with the Botswana Stock Exchange. These shares are for shareholders who did not have CSDB accounts as at the time of registering the shares in the Serala over the counter board (OTC) of the Botswana Exchange Limited.

24. Reserves Statutory reserve

The statutory reserve fund was established in terms of paragraph 39 of the Building Societies Act (CAP 42:03). The Act required the Company to set aside a minimum of 10% of its undistributed profits into the reserve fund. The Company charged against the reserve fund any net loss remaining after applying such loss against any undistributed profits brought forward from previous years. On 6 October 2022, the Building Societies Act ceased to apply to the Bank, as such the balance of the reserve was transferred to retained earnings following the cessation of the Building Societies Act.

Balance at the beginning of the year	-	113,437	-	113,437
Transfer out of statutory reserve	-	113,437	-	113,437
Balance at the end of the year	-	-	-	-



Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022
25. Interest income				
Cash and cash equivalents and investments with banks	38,711	28,087	38,537	28,087
Unsecured personal loans	31,015	-	31,015	-
Mortgage loans and advances	280,340	248,176	280,340	248,176
Short term loans and advances	8,080	5,477	8,080	5,477
Interest on staff loans arising from fair value adjustments	11,261	7,103	11,261	7,103
Total interest income	369,407	288,843	369,233	288,843
Cash and cash equivalents and investments with banks	38,711	28,087	38,537	28,087
Unsecured personal loans	31,018	3	31,018	3
Mortgage loans and advances	284,878	252,231	284,878	252,231
Short term loans and advances	8,093	5,489	8,093	5,489
Interest on staff loans arising from fair value adjustments	11,261	7,103	11,261	7,103
Gross interest income	373,961	292,913	373,787	292,913
Unrecognised interest on impaired loans**				
Mortgage loans and advances	(4,538)	(4,055)	(4,538)	(4,055)
Short term loans and advances*	(13)	(12)	(13)	(12)
Unsecured personal loans	(3)	(3)	(3)	(3)
	(4,554)	(4,070)	(4,554)	(4,070)
Net interest income	369,407	288,843	369,233	288,843

* Includes interest revenue recognition on staff debtors-loans of P0.003 million (2022: P0.003 million).

**Unrecognised interest on impaired loans represents interest income forgone on credit impaired financial assets. Interest is calculated on the net amortised cost of the asset instead of Gross cost of the asset.

All Interest is calculated at contractual rate which approximates the effective interest rate.

26. Interest expense

Unsecured loan term bonds	38,773	43,271	38,773	43,271
Vunani Fund Managers	1,590	11,570	1,590	11,570
Debentures	6,828	5,563	6,828	5,563
Notice deposits	11,451	8,476	11,451	8,476
Fixed deposits	150,668	83,261	150,668	83,261
Savings deposits	35,990	31,773	36,016	31,787
Lease interest	1,119	1,304	1,119	1,304
Total interest expense	246,419	185,218	246,445	185,232

All Interest expense is calculated at effective interest rate.

Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022
27. Expected credit losses				
Expected credit losses on financial assets Impairment allowance-excluding unwinding of discount on impaired loans				
Expected credit loss allowance - loans and advances to customers	5,387	(7,218)	5,387	(7,218)
Staff loans write-off	59	229	59	229
Expected credit loss allowance - mortgage loans commitment	-	14	-	14
	5,493	(6,975)	5,493	(6,975)

The inputs and assumptions into the IFRS 9 model are carefully considered by Management for completeness and relevance. The inputs and assumptions are reviewed on an annual basis and adjusted accordingly to reflect changing macro-economic environment. ECL calculations are reviewed for accuracy and consistency and reasonableness on a regular basis. The results for the year have been consistent with Management expectations. The inputs and models used for calculating ECLs may not always capture all characteristics of the market or underlying customer behaviour at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

28. Other impairment losses

Write-down on mortgage loans

Loss on repossession of collateral	-	1,203	-	1,203
Loss on mortgage loans de-recognised from collateral sold at auction during the year	1,126	1,331	1,126	1,331
	1,126	2,534	1,126	2,534

Loss incurred on sale of non-financial assets and valuation

Gain on disposal of property in possession	(563)	(713)	(563)	(713)
Loss on disposal of property in possession during the year	2,297	1,001	2,297	1,001
Loss on write-down of non-financial assets	990	-	990	-
	2,724	288	2,724	288
	3,850	2,822	3,850	2,822

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

The comparative information for 2022 has been revised to reflect this revised presentation. This does not have any impact on the statement of profit or loss and other comprehensive income.



Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022
29. Net fee and commission income				
A. Disaggregation of fee and commission income				
Fee and commission income from contracts with customers falls within the scope of IFRS 15 - Revenue from contracts with customers. Revenue recognition is disaggregated by major type of services below.				
Fee and commission income				
Administration fees	10,833	5,301	5,561	4,786
Account services	4,747	4,742	4,747	4,742
Transactional	5,814	4,855	5,814	4,855
Commissions	24,738	6,829	5,715	4,294
	46,132	21,727	21,837	18,677
Fee and commission expense				
Interbank transaction fees	(1,689)	(1,678)	(1,689)	(1,678)
Partnership commission	(588)	-	(588)	-
Net fee and commission income	43,855	20,049	19,560	16,999

B. Contract balances

Information about contract liabilities from contracts with customers is shown below.

Contract liabilities which are included in other liabilities	28,382	18,291	28,382	18,291
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The contract liabilities primarily relate to the non-refundable upfront administration fees received from customers on opening loan accounts or obtaining further advances. This is recognised on a straight-line basis over the remaining term of a loan.

Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022

29. Net fee and commission (continued)

C. Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group and Company recognises revenue when all performance obligations have been satisfied.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Fee and commission income from administration fees of loans and advances	This relates to fee and commission income related to the loans and advances to customers of the Group and Company based on 1.25% for mortgage loans, 1.25% for short-term loans and 1.10% for unsecured loans.	Revenue from administration fees is recognised on a straight-line basis over the remaining term of a loan. The amounts to be recognised in future months are recognised as other liabilities.
Fee income from account services	This relates mainly to service fees, such as financial reference letters and dishonored payment fees charged monthly in line with the Group and Company tariff guide.	The fees are recognised as the services are performed and received.
Transactional income	This relates mainly to transaction fees charged monthly in line with the Group and Company tariff guide.	The fees are recognised as the services are performed and received.
Commission income	This relates to commission fees on Mortgage customers insurance referral fees based on agreed margins with the brokers.	The fees are recognised as the services are performed and received.

30. Other operating income

Rental income	5,031	5,268	5,041	5,274
Sundry income	296	-	1,995	992
Profit on exchange differences	-	142	-	142
	5,327	5,410	7,036	6,408

31. Personnel expenses

Employee costs

Salaries and wages	63,332	65,323	62,543	64,858
Pension fund contributions	6,224	6,187	6,222	6,187
Post-employment benefits - gratuity	4,139	4,324	4,049	4,256
Leave pay provision charge	3,074	2,215	3,018	2,179
Fair value adjustments-off market staff loans	8,819	4,511	8,819	4,511
Staff rationalization costs	15,533	-	15,533	-
	101,121	82,560	100,184	81,991



Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022
32. Depreciation and amortisation				
Depreciation				
Property and equipment	5,700	7,382	5,700	7,382
Right-of-use assets	2,002	2,124	2,002	2,124
	7,702	9,506	7,702	9,506
Amortisation				
Intangible assets	4,820	3,054	4,820	3,054
Total depreciation and amortisation				
Depreciation	7,702	9,506	7,702	9,506
Amortisation	4,820	3,054	4,820	3,054
	12,522	12,560	12,522	12,560
33. Other expenses				
Directors fees*	1,640	2,148	1,640	2,148
Audit fees - current year	2,058	1,946	2,013	1,904
Audit fees - prior year overprovision	-	(330)	-	(330)
Advertising and marketing	3,737	3,138	3,737	3,123
Computer maintenance expenses	1,778	1,427	1,778	1,427
Insurance	3,228	2,911	3,228	2,904
Legal and professional fees	1,153	1,306	1,153	1,306
Consulting and professional fees	10,659	8,542	10,659	8,542
License fees	19,906	14,734	19,906	14,731
Repairs and maintenance	4,172	4,861	4,172	4,861
Printing and stationery	1,545	1,161	1,545	1,161
Telephone and postage	7,680	4,457	7,680	4,457
Travel and subsistence costs	1,509	777	1,499	777
Office supplies	2,157	1,514	2,137	1,514
Security expenses	2,864	2,758	2,864	2,758
Subscriptions	4,987	931	4,978	927
Water & electricity	1,846	1,500	1,846	1,500
Loss on exchange differences	11	-	11	-
Other expenses	2,767	1,030	2,754	1,028
VAT expense - unclaimed portion	3,697	4,893	3,697	4,893
	77,394	59,704	77,297	59,631

Printing and stationery includes expense relating to short-term leases of printers amounting to P0.741 million (2022: P 0.686 million).

*Directors fees consist of sitting fees of P1,474,000 (2022: P 1,929,000) and other directors' expenses of P166,000 (2022: P 219,000).

Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022
34. Taxation				
Major components of the tax expense				
Current				
Local income tax - current period	4,788	313	-	-
Deferred				
Current year	(11,650)	-	(11,650)	-
	(6,862)	313	(11,650)	-
Reconciliation of the accounting profit and tax expense				
Reconciliation between accounting profit and tax expense				
Operating loss before tax	(28,210)	(21,587)	(49,962)	(23,011)
Tax at the applicable tax rate of 22% (2022: 22%)	(6,206)	(4,341)	(10,992)	(5,062)
Less: exempt portion relating to BBS Bank Limited	-	4,654	-	5,062
Less: fair value expenses on staff loans not deductible for tax purposes	1,940	-	1,940	-
Add: income not taxable for tax purposes	(2,598)	-	(2,598)	-
Income tax charge	(6,864)	313	(11,650)	-
Effective tax rate	24 %	(1)%	23 %	- %

35. Dividend declared

No dividend was declared or paid in the current or previous year.

36. Basic and diluted loss per share

Earnings per share are calculated by dividing the net loss attributable to equity holders of the Group and Company by the weighted average number of ordinary shares during the year.

Loss attributed to shareholders	(21,348)	(21,900)
Weighted average number of ordinary shares outstanding during the year (thousands)	487,453	487,453
Basic and diluted loss per share (thebe)	(4.38)	(4.49)

No instruments at the reporting date were considered to have a dilutive effect on the ordinary share value and as a result no difference was recognised between the basic and dilutive earnings per share for the current or prior financial year.



Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022
37. Commitments				
Commitment in respect of mortgages approved but not yet disbursed	83,558	68,538	83,558	68,538
Mortgage commitments are for a period not exceeding 12 months.				
Capital expenditure - approved but not yet committed	3,500	2,680	3,500	2,680
Capital expenditure - approved and committed	4,200	3,956	4,200	3,956

Capital commitments are for IT related projects to capacitate the system for commercialisation undertaken by the Group and Company. The commitments are to be financed through funds raised from customer deposits and borrowings.

38. Related parties

Related party balances

BBS Bank Limited transacts part of its business with related parties including directors and parties related to or under the control of the directors.

Details of related party transactions of BBS Bank Limited are set out below:

Amounts due to related parties

Savings accounts

Executive Management	467	931	467	931
Non-executive directors	-	50	-	50
BBS Insurance Agency Limited	-	593	-	2,488
	467	1,574	467	3,469

Interest expense on savings accounts

BBS Insurance Agency Limited	-	-	26	13
Executive Management	-	6	-	6
Non-executive directors	-	1	-	1
	-	7	26	20

Paid up, subscription and indefinite period paid up savings

Held by the BBS Bank Limited Directors	50	15	50	15
Executive Management	2,149	1,378	2,149	1,378
	2,199	1,393	2,199	1,393

Interest expense on paid up, subscription and indefinite period paid up savings

Executive Management	25	46	25	46
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Ordinary shares

Held by the BBS Bank Limited Non-executive directors	104	104	104	104
Executive Management	459	631	459	631
	563	735	563	735

Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022
38. Related parties (continued)				
Indefinite period paid-up savings				
Botswana Privatisation Asset Holdings	70,757	70,781	70,757	70,781
Botswana Police Staff Savings and Loans Guarantee Scheme	168,823	159,698	168,823	159,698
	239,580	230,479	239,580	230,479
Interest expense on Indefinite period paid-up savings				
Motor Vehicle Accident Fund	-	1,078	-	1,078
Botswana Privatisation Asset Holdings	1,129	3,591	1,129	3,591
Botswana Police Staff Savings and Loans Guarantee Scheme	2,693	7,833	2,693	7,833
	3,822	12,502	3,822	12,502
Debentures				
Motor Vehicle Accident Fund	41,000	41,000	41,000	41,000
Botswana Privatisation Asset Holdings	50,000	50,000	50,000	50,000
	91,000	91,000	91,000	91,000
The terms and conditions are as disclosed per note 18				
Interest expense on debentures				
Motor Vehicle Accident Fund	2,772	2,264	2,772	2,264
Botswana Privatisation Asset Holdings	3,380	2,762	3,380	2,762
	6,152	5,026	6,152	5,026
Ordinary shares				
Motor Vehicle Accident Fund	36,793	36,793	36,793	36,793
Botswana Privatisation Asset Holdings	73,464	73,464	73,464	73,464
Botswana Police Staff Savings and Loans Guarantee Scheme	44,823	44,823	44,823	44,823
	155,080	155,080	155,080	155,080

Motor Vehicle Accident Fund, Botswana Privatisation Asset Holdings and Botswana Police Staff savings and loans guarantee scheme are related parties through their shareholding relationship with the entity.

Amounts due from related parties

Mortgages

Non-Executive Directors	1,620	1,608	1,620	1,608
Executive Management	27,843	25,632	27,843	25,632
	29,463	27,240	29,463	27,240

Short-term loans

Executive Management	148	153	148	153
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Unsecured personal loans

Executive Management	3,346	3,348	3,346	3,348
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Amount receivable from related company

BBS Insurance Agency Limited	-	-	3,756	1,036
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Advances are made to employees on concessionary terms in accordance with the conditions of employment.



Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022

38. Related parties (continued)

Advances to Directors and parties related thereto are in the normal course of business and considered to be adequately secured.

Advances to related parties at concessionary rates of interest are valued at the present value of expected future repayments of the advances discounted at a pre-tax discount rate that equates to the interest rate charged on similar loans to non-related parties.

During the period under review, the entity settled certain liabilities on behalf of a related party, as disclosed in the Group and Company's financial statements. A total amount receivable from a related company includes P 3.2 million pertaining to Self Assessment Tax for the fourth quarter (December 2023), which was settled on behalf of BBS Insurance Agency Limited.

Amount due from related company is considered to be a low credit risk and has not been impaired as the related party is a subsidiary controlled by the Group.

Loan commitments

Held by the BBS Bank Limited Executive Management

1	-	-	-
---	---	---	---

Expected credit losses on balances due from related parties

Mortgages

Non-Executive Directors

4.00	0.21	4.00	0.21
------	------	------	------

Executive Management

2	3	2	3
---	---	---	---

6	3	6	3
----------	----------	----------	----------

Short loans

Executive Management

0.22	0.52	0.22	0.52
------	------	------	------

Unsecured personal loans

Executive Management

29	25	29	25
----	----	----	----

Expected credit losses on related party loans and advances were classified as Stage 1 at the reporting date.

Related party transactions

Amounts paid to related parties

Non-Executive Directors - remuneration fees and other expenses

Nature of transaction

Board sitting fees and other expenses

1,640	2,148	1,640	2,148
-------	-------	-------	-------

Board of Directors - interest expense

Interest expense

0.28	-	0.28	1.00
------	---	------	------

Executive Management - interest expense

Interest expense

25	-	25	52
----	---	----	----

1,665	2,148	1,665	2,201
--------------	--------------	--------------	--------------

Amounts received from related parties

Non-Executive Directors - interest income

Interest income

-	130	-	130
---	-----	---	-----

Executive Management - interest income

Interest income

-	1,347	-	1,347
---	-------	---	-------

BBS Insurance Agency Limited

Interest income

-	-	-	13
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BBS Insurance Agency Limited

Management fees

-	-	1,699	991
---	---	-------	-----

-	1,477	1,699	2,481
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Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022
38. Related parties (continued)				
Executive Management				
Gross emoluments of the key management personnel are analysed as follows:				
Salaries, allowances and other short-term benefits	14,492	14,782	14,492	14,782
Post-employment benefits	6,284	4,256	6,284	4,256
	20,776	19,038	20,776	19,038

Key management personnel for the Group and Company have been defined as members of Executive Committee of BBS Bank Limited.

39. Going concern assessment

The Group and Company recorded a loss of P21 million (2022: P 22 million) and P38 million (2022: P 23 million) respectively for the year ended 31 December 2023 and as of that date its total assets exceeded total liabilities by P484 million (2022: P 505 million) and P466 million (2022: P 504 million), representing a cumulative decrease of P21 million (2022: P 22 million) and P38 million (2022: P 23 million) from the previous year. The liquid assets ratio stood at 17.32% (2022: 17.65%) at the reporting date which is above the regulatory threshold of 10%.

The Company has been recording recurring losses since 2018 with liquidity and capital adequacy ratios (CAR) exceeding the Bank of Botswana prudential limits. The regulatory limit of CAR was revised downwards from 15% to 12.5% effective 1 April 2020 as part of monetary policy measures taken by the Government.

Credit risk

The Group and Company continues to carry out stress testing of all its credit risk elements. Estimates and conclusions by Management are continuously scrutinized based on historical events and current estimates of upcoming events.

There have been no significant changes to assumptions and modelling conclusions applied in the Group and Company's Financial Statements for the year ended 31 December 2023.

Strategic outlook

The Group remains committed to its Corporate Strategy, designed to steer the organisation through the ongoing transition period and into the future. This strategy which includes transformation initiatives, aims not only to expand the business but also to turn around the loss-making position of the Group. Central to this strategic roadmap is the unwavering focus on generating enhanced shareholder value.

As at the reporting date, the Group made considerable progress in executing key projects designed to enhance its banking capabilities. These efforts have been carried out with the objective of improving the Group's market competitiveness and strengthening its foundational operations.

With a sharp focus on operational effectiveness and progressive strategy, the Group is well-equipped to navigate the evolving business landscape. By focusing on long-term results and optimising shareholder returns, the Group is on track to achieve its goals of prolonged prosperity and wealth creation.

Forecasted financial position and performance

Considering where the Bank is with its transformation journey, the performance of the Group is expected to show improvement and recovery from 2024 upon operationalisation of the key transformation initiatives.

It is anticipated that the Group will record a marginal profit in the next 12 months due to new business growth achieved to date.



Notes to the Consolidated And Separate Financial Statements

39. Going concern assessment (continued)

Ratios such as the cost to income ratio and loans to deposits ratio will remain elevated and will improve with the diversification of the assets base and introduction of diversified income streams and non-maturing deposits. Management is aware of this and will ensure that the necessary initiatives to mitigate the negative impact are implemented to ensure that the Group continues to operate with no threat to its existence in the foreseeable future.

Economic outlook

Data released by Statistics Botswana in December 2023 indicate that the domestic economy averaged 3.0 percent during the first three (3) quarters of 2023, compared to an average of 5.5 percent realised over the same period in 2022. The domestic economy is estimated to grow at 3.2 percent in 2023, further revised downwards from the 3.6 percent that was earlier estimated for the year. This trajectory is largely reflective of the performance of the diamond mining sector especially from the third quarter of 2023. Growth is expected to reach 4.0% growth in 2024.

Management will proceed with caution and adopt diligent prioritisation of resources. The key strategic focus is on the transformational journey with a view to improve the returns of the Group.

Management has assessed the ability of the Group to continue as a going concern and has no reason to believe that the business will not be a going concern in the year ahead. Management is of the view that the conditions that have been identified do not raise doubt about the entity's ability to continue as a going concern.

As a result, the Group and Company's financial statements for the year ended 31 December 2023 have been prepared on a going concern basis.

40. Events after the reporting date

Resignation of a Director

On 29 January 2024, Mr. Bernard Mzizi stepped down as a member of Board of Directors of BBS Bank Limited ("the Bank") after serving for a period of three years.

Launch of the BBS current account

The Bank introduced its current account on 05 February 2024, marking a significant step forward in providing products and services to customers. BBS customers can now easily transfer funds within BBS and other banks, make payments and effectively manage their finances. This launch is a crucial strategic move to promote Current and Savings Accounts (CASA).

Launch of banking capabilities

On 20 February 2024, the bank reached a major milestone in its transformation journey by introducing systems aimed at enhancing its banking capabilities. These include:

- Botswana Interbank Settlement Systems (BISS)
- Real Time Gross Settlement (RTGS)
- Society for Worldwide Interbank Financial Telecommunication (SWIFT)
- Botswana Automated Clearing House Integration (BACH)
- Foreign Exchange capabilities

As a result, the Bank is now equipped to facilitate electronic transactions with other banks, both domestically and internationally, through various clearing and settlement systems.

Notes to the Consolidated And Separate Financial Statements

41. Litigation

BBS Bank Limited remains a defendant in only two significant litigation matters which arose from its normal day to day operations. These are claims by Southern African Furniture Manufacturers (SAFCO) and its subsidiaries Dwinchi (Pty) Ltd and Mohan (Pty) Ltd for approximately P40.55 million, in respect of damages incurred and for replacement of movable property which they allege the Company (BBS Bank Limited) wrongfully sold in 2005. This matter has been ongoing since November 2015 and is going through the judicial process. Management believe that the defence against the claim will be successful.

42. Compliance with the Banking Act

BBS Bank Limited is governed by the Banking Act (CAP 46.04).

43. Segment information

As at the reporting date, BBS Bank Limited had no separate segments for consideration by the Managing Director. As such, the main business of the Company was evaluated as a whole by the Chief Operating Decision Maker (CODM). The Chief Operating Decision Maker of the Company is considered to be the Managing Director. Following the issuance of the commercial banking license, the Bank is restructuring its business model to introduce new banking products and services which will be key for the definition and identification of its operating segments/business units. As at the reporting date no separate segments had been identified. As part of the transition, the company will identify separate identifiable segments based on its products and services. The Executive Management Committee will monitor the operating results of the business units separately for purposes of making decisions about resource allocation and the performance assessment. Segment performance will be based on profit or loss and measured consistently with profit or loss in the consolidated financial statements.

44. Shareholder information

	No of shares held - 2023	% holding - 2023
Botswana Privatisation Asset Holding (Pty) Ltd	73,464	15.07 %
Botswana Police Staff Savings and Loans Guarantee Scheme	44,823	9.20 %
Mr Derek Brink	38,011	7.80 %
Motor Vehicle Accident Fund	36,793	7.55 %
Ms Rita Brink	35,341	7.25 %
Mr Simon Hirschfeld	13,191	2.71 %
Estate of late Abdul Joseph	12,191	2.50 %
Botlhale Investments (Pty) Ltd	11,966	2.45 %
Ms Lerie Brink	11,037	2.26 %
Others	210,636	43.21 %
Total shareholding	487,453	100 %
	No of shares held - 2022	% holding - 2022
Botswana Privatisation Asset Holding (Pty) Ltd	73,464	15.07 %
Botswana Police Staff Savings and Loans Guarantee Scheme	44,823	9.20 %
Mr Derek Brink	38,011	7.80 %
Motor Vehicle Accident Fund	36,793	7.55 %
Ms Rita Brink	35,341	7.25 %
Mr Simon Hirschfeld	13,191	2.71 %
Estate of late Abdul Joseph	12,191	2.50 %
Botlhale Investments (Pty) Ltd	11,966	2.45 %
Ms Lerie Brink	11,037	2.26 %
Others	210,636	43.21 %
Total shareholding	487,453	100 %



Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022
45. Tax (paid) refunded				
Balance at beginning of the year	(38)	-	-	-
Current tax recognised in profit or loss	(4,788)	313	-	-
Balance at end of the year	(68)	(38)	(68)	-
Tax paid	(4,894)	275	(68)	-
46. Cash flow workings				
Interest receipts				
Total interest income	369,407	288,843	369,233	288,843
Unrecognised interest on impaired loans	4,554	4,090	4,554	4,090
Movement in accrued interest - investments with banks and other financial institutitons	1,757	(1,693)	1,757	(1,693)
Movement in accrued interest - Mortgage loans and advances to customers	(698)	(44)	(698)	(44)
Movement in accrued interest - unsecured loans and advances	16	(2)	16	(2)
Movement in accrued interest - short-term loans and advances	(18)	(10)	(18)	(10)
Interest income - off market staff loans	(11,261)	(7,103)	(11,261)	(7,103)
	363,757	284,081	363,583	284,081
Commission receipts				
Fee and commission income	46,132	21,727	21,837	18,677
Administration fees released to profit or loss during the year	(4,467)	(2,906)	(4,467)	(2,906)
	41,665	18,821	17,370	15,771
Interest payments				
Total interest income	(246,419)	(185,218)	(246,445)	(185,218)
Accrued interest - debentures	-	261	-	261
Accrued interest - borrowings	(4,019)	(166)	(4,019)	(166)
Accrued interest - customer deposits	33,963	13,266	33,963	13,266
	(216,475)	(171,857)	(216,501)	(171,857)
Commission payment				
Interbank transactional fees	(2,277)	(1,678)	(2,277)	(1,678)
Partnership commission released to profit and loss during the year	415	-	415	-
	(1,862)	(1,678)	(1,862)	(1,678)
Other operating income				
Other operating income	5,327	5,410	7,036	6,408

Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2023	2022	2023	2022
46. Cash flow workings (continued)				
Cash payments to employees and suppliers				
Employee costs	(101,121)	(82,559)	(100,184)	(81,987)
Other expenses	(77,394)	(59,704)	(77,297)	(59,631)
Intangible assets written off	977	616	977	616
Property and equipment written off	-	396	-	396
Fair value adjustments - off market staff loans	8,819	4,511	8,819	4,511
	(168,719)	(136,740)	(167,685)	(136,095)
Change in other liabilities				
Movement in other liabilities	39,377	3,635	38,979	3,324
Expected credit losses - Commitments	(47)	(14)	(47)	(14)
Deferred administration fees released to profit or loss during the year	4,467	2,906	4,467	2,906
	43,797	6,527	43,399	6,216
Change in loans and advances to customers				
Movement in loans and advances to customers	(830,542)	(59,465)	(830,542)	(59,465)
Movement in accrued interest	700	35	700	35
Staff mortgage impairment	(8,819)	(4,511)	(8,819)	(4,511)
Partnership commission released to profit and loss during the year	(415)	-	(415)	-
Expected credit loss allowance - loans and advances to customers	(5,387)	7,218	(5,387)	7,218
Loss on repossession of collateral	-	(1,203)	-	(1,203)
Loss on mortgage loans de-recognised	(1,126)	(1,331)	(1,126)	(1,331)
Unrecognised interest on impaired loans	(4,554)	(4,070)	(4,554)	(4,070)
Staff loan written off	(59)	(229)	(59)	(229)
Gain on disposal of property in possession	563	713	563	713
Interest income - off market staff loans	11,261	7,103	11,261	7,103
Repossessions during the year	-	(9,055)	-	(9,055)
	(838,378)	(64,795)	(838,378)	(64,795)
Investments with banks and other financial institutions				
New placements of investments	(2,223,726)	(2,849,559)	(2,223,726)	(2,849,559)
Maturities of investments	2,197,900	2,714,739	2,197,900	2,714,739
	(25,826)	(134,820)	(25,826)	(134,820)
Net cash flows used in investments with banks and other financial institutions				
Change in customers' deposits				
Movement in customer deposits	1,493,337	206,682	1,491,442	209,171
Movement in accrued interest	(33,963)	(13,267)	(33,963)	(13,267)
	1,459,374	193,416	1,457,479	195,904
Cashflows from customers				



Notes to the Consolidated And Separate Financial Statements

47. Prior year restatement

The Group and Company offer employees loans at interest rates below market rates, specifically set at 50% of the BBS Bank Prime lending rate.

Previous treatment

The Group and Company measured the fair value of loans issued to staff at the lower than market rate on initial recognition. The fair value for these loans being the present value of all future cash receipts using the prevailing prime lending rate. The Group and Company recognized the difference between present value and amount advanced in profit or loss and a corresponding entry to loans and advances at initial recognition.

Even though employees forfeit (i.e., the rate reverts to market within three years after leaving the employ of the company) this benefit when they leave the employ of the Group and company, Management did not recognize a prepayment on initial recognition but rather expensed the difference between the present value and amount advanced up front to profit and loss.

Furthermore, the Group and Company would fair value the outstanding loan balance at the end of each reporting period to derive the revised fair value adjustment. An adjustment would then be made to both profit or loss and statement of financial position to reflect the revised fair value adjustment.

Current treatment

During the year management corrected the recognition of the employee benefit provided as an expense over the term of the loan, in accordance with IAS 19 - Employee benefits.

From the current year, the fair value adjustment is calculated at the date of the loan origination and recognized in the statement of financial position as a prepayment which is expensed on straight-line basis over the life of the loan.

Additionally, the interest income charged at preferential rates is reversed and a revised interest income calculated at the effective interest rate is recognized in profit or loss. The change impacted prior periods and constitutes a prior year error in terms of International Accounting Standards 8: Accounting policies, Changes in Accounting Estimates and Errors (IAS8).

The cumulative misstatement on retained earnings as at 31 December 2023, amounted to P17,179,327. The error has been corrected with retrospective effect in accordance with the requirements of IAS 8. The cumulative misstatement on retained earnings as at 31 December 2021, net of tax, amounted to P33,280 million. The restatement impacted the loans and advances, other assets, staff costs, interest income and retained earnings for the respective years.

The effects of the restatement are summarised as follows:

i. Effect on statement of comprehensive income

For the year ended 31 December 2022	Group			Company		
	Previously reported P'000	Adjustments P'000	As restated P'000	Previously reported P'000	Adjustments P'000	As restated P'000
Interest income	281,740	7,103	288,843	281,740	7,103	288,843
Personnel expenses	(73,601)	(8,959)	(82,560)	(73,032)	(8,959)	(81,991)
Loss for the year	(20,045)	(1,856)	(21,900)	(21,155)	(1,856)	(23,011)
Total comprehensive loss for the year	(20,045)	(1,856)	(21,900)	(21,155)	(1,856)	(23,011)
Basic and diluted loss per share (thebe)	(4.34)		(4.72)			

Notes to the Consolidated And Separate Financial Statements

47. Prior year restatement (continued)

ii. Effect on cashflows

For the year ended 31

December 2022

	Group			Company		
	Previously reported	Adjustments	As restated	Previously reported	Adjustments	As restated
	P'000	P'000	P'000	P'000	P'000	P'000
Loss before taxation	(20,045)	(1,856)	21,900	(21,155)	(1,856)	(23,011)
Movement in Other Assets	(4,337)	(444)	(4,781)	(4,231)	(444)	(4,675)
(Increase)/decrease in loans and advances to customers	(65,239)	444	(64,795)	(65,239)	444	(64,795)
Total cash at end of the year	41,092	-	41,092	41,092	-	41,092

iii. Effect on statement of financial position

As at 31 December

2022

	Group			Company		
	Previously reported	Adjustments	As restated	Previously reported	Adjustments	As restated
	P'000	P'000	P'000	P'000	P'000	P'000
Other assets	15,186	47,065	62,251	15,080	47,065	62,145
Loans and advances to customers	3,256,435	(15,641)	3,240,794	3,256,435	(15,641)	3,240,794
Total assets	3,936,518	31,424	3,967,942	3,937,548	31,424	3,968,972
Retained (loss)/profit	(13,468)	31,424	17,956	(14,578)	31,424	16,846
Total equity	473,985	31,424	505,409	472,875	31,424	504,299

iii. Effect on statement of financial position

As at 01 January

2022

	Company		
	Previously reported	Adjustments	As restated
	P'000	P'000	P'000
Other assets	10,500	46,970	57,470
Loans and advances	3,195,019	(13,690)	3,181,329
Total assets	3,828,712	33,280	3,861,992
Retained loss	(106,860)	33,280	(73,580)
Total equity	494,030	33,280	527,310

BBS Insurance Agency Limited commenced operations on 8th June 2022. As such, the Group produced its first set of consolidated financial statements for the year ended 31 December 2022. The Group structure did not exist in 2021.



Shareholder information

Notice of Annual General Meeting

For the Financial Year Ended 31 December 2023

Contents

1. Letter of Invitation to Shareholders	1
2. Notice of Annual General Meeting (AGM)	2
2.1. Purpose of AGM	
2.2. Minutes of the Previous AGM	
Ordinary Resolution 1: Adoption of Minutes from the Previous AGM	
2.3. Presentation of the Consolidated Annual Financial Statements and Reports	
Ordinary Resolution 2: Adoption of AFS and Reports\	
2.4. Ratify the Remuneration of Auditors for the Reporting Period	
Ordinary Resolution 3: Ernst & Young Botswana (EY)	
2.5. Re-Appointment of Auditors	
Ordinary Resolution 4: Ernst & Young Botswana (EY)	
2.6. Election of Directors	
Ordinary Resolution 5: E.T. Rakhudu	
Ordinary Resolution 6: T. Johnson	
Ordinary Resolution 7: M.W. Mogotsi	
2.7. Disposal of Assets	
Special Resolution 1: Disposal of BBS Bank Selibe-Phikwe Office Building	
2.8. Amendment of BBS Bank Constitution	
Special Resolution 2: Adoption of Amended Constitution	
2.9. Notes to the Notice of the AGM	
2.9.1. Registration and Attendance	
2.9.2. Proxies and Voting	
2.9.3. Identification	
2.9.4. Questions	
2.10. Annexure A	
Profile Summaries of Directors Up for Election	
2.11. Annexure B	
Additional Information with Respect to Special Resolution Number 2	
2.12. Proxy Form	
2.13. Contact Information	

Letter of Invitation to Shareholders

Dear BBS Bank Shareholder,

BBS BANK LIMITED ANNUAL GENERAL MEETING: THURSDAY 23 MAY 2024

Please be invited to the BBS Bank Limited ("BBS Bank", "the bank" or "the company") annual general meeting (AGM), to be held as hybrid meeting on Thursday 23 May 2024 at 09h00. The hybrid meeting is intended to enable shareholders who are unable to be present in person at the venue, to attend remotely.

We have attached the summarised consolidated annual financial statements of the bank, and the notice of the AGM, accompanied by explanatory notes and a proxy form. The Consolidated Annual Financial Statements and the BBS Bank 2023 Integrated Report are available on our website, that is, www.bbs.co.bw or at our offices. You can also obtain a copy by sending an email to the Company Secretary at bbs@bbs.co.bw.

We have provided, on the 'Notes to the Notice of the AGM' section of the notice, information on how to participate in the AGM, submission of proxy forms, voting instructions and/or sending of queries in advance.

The AGM provides an opportunity for shareholders to engage with the Board Members and Management. I look forward to your participation.

Yours Sincerely,



Vincent B. Mogano (Dr.)
Board Chairman



NOTICE OF ANNUAL GENERAL MEETING

Notice is Hereby Given that the 2023 Annual General Meeting (“AGM”) of shareholders of BBS Bank Limited (Hereinafter “BBS Bank” or “the Bank”) will be held at AVANI Gaborone Resort and Casino in Gaborone and virtually, through electronic participation on Thursday 23 May at 09h00.

Purpose of the AGM

The purpose is to transact the business set out in this notice of the AGM (“Notice”), to consider and if deemed fit, to adopt, pass, with or without modification the following resolutions, and to transact any other business as may be transacted at the AGM or raised by shareholders and to answer any questions put forth by shareholders in terms of the Companies Act Cap. 42:01 as amended (“the Act”) and the Constitution of BBS Bank (“Constitution”), regarding the affairs and business of the Bank.

AGENDA

Ordinary Business

1. To read the notice convening the meeting and confirm the presence of a quorum in accordance with the Constitution.

In terms of Article 66 of the BBS Bank Constitution, a quorum for a meeting of shareholders is constituted if those shareholders or their proxies who are present or who have casted postal votes are between them able to exercise a majority of the votes to be cast on the business to be transacted by the meeting.

2. Ordinary Resolution Number 1: Minutes of the Previous Meeting

To receive and adopt the minutes of the AGM held on 28 April 2023.

RESOLVED THAT the Minutes of the AGM held on 28 April 2023 be and are hereby adopted.

3. Ordinary Resolution Number 2: Consolidated Annual Financial Statements

To receive, consider and adopt in terms of the Act and the Constitution, the 2023 Audited Consolidated Financial Statements of the Bank (as approved by the Board of Directors of BBS Bank) including the report of directors and auditors.

RESOLVED THAT the Audited Consolidated Financial Statements for the financial year ended 31 December 2023, together with the directors’ and independent auditors’ reports thereon be and are hereby adopted.

*The full set of audited financial statements of the Bank for the year ended 31 December 2023 can be accessed on the Bank’s website (www.bbs.co.bw), and can be obtained free of charge upon request from the Company Secretary by emailing to bbs@bbs.co.bw and will also be emailed to shareholders.

4. Ordinary Resolution Number 3: Remuneration of Auditors

To consider and ratify the remuneration of external auditors, Ernst & Young for the year ended 31 December 2023 (as approved by the BBS Bank Board of Directors).

RESOLVED THAT the remuneration of Ernst & Young, BWP2,058m for the year ended 31 December 2023 (2022: BWP1,946m) be and is hereby ratified.

5. Ordinary Resolution Number 4: Re-Appointment of Auditors

BBS Bank is mandated to produce annual financial statements which are audited by an external auditor. The external auditor should be appointed annually by the shareholders at the Bank’s annual general meeting. The BBS Bank Board has considered the continued independence of the external auditors and has concluded that there is no cause to believe that the auditors have acted without objectivity and independence. In line with the Banking Act Cap. 46:04, Financial Reporting Act, the Act and King IV Code of Corporate Governance which the Bank has adopted, the Board has confirmed that the audit quality for the year ended 31 December 2023 was satisfactory and therefore recommend Ernst & Young, a firm of auditors practicing at Plot 22 Khama Crescent, Gaborone for re-appointment as the independent external auditors of the Bank for the ensuing year.

RESOLVED THAT Ernst & Young be and is hereby re-appointed as the external auditors of the Bank and to hold office until the conclusion of the next AGM.

6. Ordinary Resolutions Number 5-7: Election of Directors

To consider and appoint by way of separate resolutions the following individuals as independent non-executive directors of BBS Bank in terms of the Constitution:

- 6.1. Ms. Ewetse Tata Rakhudu
- 6.2. Mr. Thulisizwe Johnson
- 6.3. Mr. Mmoloki Waboraro Mogotsi

The Board Charter requires retirement and rotation of directors at the end of their 3-year term. It requires further that rotation of Board Members should be structured so as to retain valuable skills, to have continuity of knowledge and experience and to introduce persons with new ideas and expertise. Directors who retire, and being eligible are entitled to offer themselves for re-election. The term of office of three Non-Executive Directors, Messer's Duraiswamy Kalyanaraman, Victor Ramalepa and Bernard Mzizi*¹ will come to an end on 30 April 2024. The said Directors have opted to retire and have not offered themselves for re-election. In line with the bank's Director Nominations and Appointment Policy, a recruitment was triggered in the last quarter of FY2023 to fill the impending vacancies. The recruitment, which was primarily informed by the Board performance evaluation, the skills gap analysis, the bank's strategy and regulatory requirements, was advertised and done through an independent recruitment agency. The areas of focus for this recruitment were skills, qualification and experience in commercial banking, leadership, strategy, financial reporting, accounting, audit practice, legal, compliance and regulatory. Following a competitive nominations exercise, these individuals emerged as meeting the skills needs of the bank, as well as the regulatory fit and proper vetting. The recruitment will aid the bank in promoting the balance of skill and experience, diversity, improvement of related party representation in the Board and increase the number of Independent Non-Executive Directors. After screening and evaluating all relevant factors, the BBS Bank Board have resolved to recommend the said individuals to the Shareholders for appointment as Non-Executive Directors of BBS Bank. The Constitution requires that directors be elected by the Shareholders by way of ordinary resolution.

Ordinary Resolution Number 5

RESOLVED THAT Ms. Ewetse Tata Rakhudu be and is hereby appointed as a Non-Executive Director of BBS Bank, subject to regulatory approval.

Ordinary Resolution Number 6

RESOLVED THAT Mr. Thulisizwe Johnson be and is hereby appointed as a Non-Executive Director of BBS Bank, subject to regulatory approval.

Ordinary Resolution Number 7

RESOLVED THAT Mr. Mmoloki Waboraro Mogotsi be and is hereby appointed as a Non-Executive Director of BBS Bank, subject to regulatory approval.

Biographical profiles of Ms. Rakhudu, Mr. Johnson and Mr. Mogotsi respectively are set out in Annexure A to this Notice.

7. Special Resolution Number 1: Disposal of Assets

Following the conversion and licensing as a commercial bank, BBS Bank has to fully comply with the prudential regulations, in particular the Banking Act. The Banking Act prohibits banks from owning immovable property, unless such is for the purpose of conducting banking business, for future expansion, staff or such other purpose permitted by the central bank. The bank owns an office building located at Plot 2658 Selibe-Phikwe ('the asset'), which is currently tenanted to third parties. The central bank has directed BBS Bank to comply with the Banking Act and has not acceded to a dispensation that was sought. To secure compliance, the Board of Directors considered several options, resulting in the decision to dispose of the asset. Article 50 of the Constitution requires a special resolution for the disposal of any immovable property of the company.

RESOLVED THAT the recommendation to dispose of Plot 2648 Selibe-Phikwe, to comply with regulatory requirements be and is hereby approved.

8. Special Resolution Number 2: Amendment of BBS Bank Constitution

The Constitution of BBS Bank was first adopted in August 2017, when the then Botswana Building Society demutualized into a company. Significant changes has since occurred since the demutualization, including but not limited to the change of name to BBS Bank Limited, the granting of the banking license, the transformation into a commercial bank, developments in the regulatory space including the promulgation of Bank of Botswana Guidelines on Corporate Governance for Banks that came into force in 2023, transition from King III to now King IV, the amendment of the BSE Listing Requirements and the amendment of the Act. In addition, the bank now has a new vision and growth strategy that should see it move beyond the limitations that are imposed by the current text of the Constitution. These developments necessitated the review of the Constitution and its alignment with business and regulatory developments. As a matter of good practice, governance documents such as the Constitution must be kept alive and up to date with changes in the company and the environment within which it operates.

Additional information on the nature, extent and rationale of the proposed revisions appears more fully at Annexure B of this Notice.

RESOLVED THAT the amended BBS Bank Limited Constitution be and is hereby adopted.

9. Any Other Business

To transact any other business which may be transacted at the AGM, including answering questions put forth by Shareholders regarding the affairs and business of the Bank.

10. Adjournment of AGM by Chairperson



NOTES TO THE NOTICE OF THE AGM

1. Registration and Attendance

- 1.1. Electronic Registration:** Shareholders may attend either virtually or in-person (physically) at the venue. To attend the AGM, shareholders should access the link "BBS 2023 Annual General Meeting Registration" in the BBS Bank website for registration and verification purposes. Upon successful verification, a notification with the AGM details will be sent to the Shareholder. On the day of the meeting, Shareholders should start logging in from 08h00.
- 1.2. Registration and Attendance at the Venue:** Shareholders who wish to attend the AGM in-person, and who have not registered online, will be able to register at the venue from 08h00 to 08h45. In order to register at the venue, shareholders will be required to provide identification, as more fully set out at the 'identification' section below.
- 1.3. Electronic Attendance:** once registration is confirmed, shareholders wishing to attend virtually will be required to connect to the AGM through a virtual link and follow relevant prompts. Attendees may be required to complete all relevant fields including title, first name, last name, contact details and email address for verification and before the commencement of the meeting.
- 1.4. Disclaimer:** BBS Bank, its directors, employees, transfer secretaries or advisors will not be responsible for loss of network connectivity or other network failure due to insufficient data, airtime, internet bandwidth, network provider challenges and/or power outages and/or any other cause that could limit or prevent any shareholder or proxy from participating in and/or voting at the AGM.

2. Proxies and Voting

- 2.1. Shareholders are urged to consult clauses on proxies and proxy forms as outlined in the BBS Bank Constitution, a copy of which is available on the Bank's website by accessing the link "BBS Bank Constitution". The Constitution will also be emailed to Shareholders. The clauses are paraphrased in the "Notes" section of this Notice.
- 2.2. A shareholder is entitled to attend (and vote, if applicable) at the meeting. A shareholder may appoint a proxy to attend and participate at the meeting in the place of the shareholder. A proxy need not be a shareholder of the Bank.
- 2.3. Proxy Forms must be received by the Company Secretary 48 HOURS before the start of the meeting either by email at bbs@bbs.co.bw, or delivered at BBS Bank Head Office 4th Floor (see location details in the "Contact Information" section below) or at any BBS Bank Branch across the country.
- 2.4. The Chairperson may accept or reject a proxy form which is completed and/or received other than in the accordance with these instructions.
- 2.5. This Notice of the AGM which includes the form of proxy with additional notes and instructions, will also be available on the BBS Bank website www.bbs.co.bw. It will also be emailed to shareholders from 30 April 2024. Alternatively, a copy may be requested from the Company Secretary by emailing bbs@bbs.co.bw.
- 2.6. As stated above, the Form of Proxy or other authority appointing the Proxy must be delivered to BBS Bank Limited, Plot 13108-12, Corner of Lemmenyane and Segoditshane Roads, Broadhurst, Gaborone. Such can also be posted (at the risk of the shareholder) to BBS Bank Limited at P.O. Box 40029, Gaborone, or emailed to BBS Bank Limited at bbs@bbs.co.bw and must be duly received by the Bank at least 48 hours before the date of the meeting.

3. Identification

Shareholders and proxies will be required to provide proof of identification reasonably satisfactory before attending or participating in the meeting. Shareholders may be required to log in using their share account or identity numbers (National Identity Card numbers 'Oman' for citizens and Passport numbers for non-citizens).

4. Questions

To facilitate engagement and asking of questions between shareholders attending in-person and those attending virtually, the Bank will allow questions to be raised at the meeting by shareholders attending in person first and then by shareholders attending electronically. Shareholders attending virtually can also submit their questions by way of text via the electronic meeting chat box.

The Bank would like to respond to as many shareholders' questions as possible. Therefore, shareholders are encouraged to submit their questions prior to the meeting, at least 48 hours before the date of the meeting to bbs@bbs.co.bw to ensure that all questions are addressed at the AGM.

By order of the Board.

Dimpho Phagane
Company Secretary

ANNEXURE A

Summary of Biographical Profile of Directors to be considered for election.

Ewetse Tata Rakhudu (62) (F) (Ewetse)

MBA, LLB

Ewetse is a legal professional and a longtime central banker. She commenced her career as State Counsel with Attorney Generals Chambers before joining private practice and then becoming a magistrate. She later joined Bank of Botswana as Assistant Manager in 1991 and then rose through the ranks to become Board Secretariat Manager, Deputy Director-Board Secretariat, Director of Human Resources, Director of Payments and Settlements, and General Manager. She retired in May 2023 as General Counsel, a position she held since March 2018. In addition to her extended experience in banking, prudential regulation, and corporate governance, Ewetse has held numerous board positions across different industries. These include the United Nations Electoral Observer in Mozambique, a member of the National Advisory Board on HIV/AIDS in the Workplace, a board member at BOMAID, Deputy Chairperson of the National Advisory Board, a board member and Chairperson of Botswana Power Corporation (BPC). Her appointment will help improve the gender diversity representation in the board, to four (4) females.

Thulisizwe Johnson (61) (M) (Thuli)

MSc (Management), BA (Economics), Executive Development Programme

Thuli is a seasoned banker and astute industry leader. He has held leadership positions in various industries including Managing Director of Barclays Bank of Botswana and recently was a founding Chief Executive Officer of the Gambling Authority. Before this, Thuli held other senior leadership positions in the financial services industry including Managing Director of Metropolitan Life Botswana, General Manager/CEO of National Development Bank, Assistant General Manager at ULC Pty Ltd (now Access Bank), Assistant Investment Manager at Botswana Insurance Fund Management (BIFM) and Botswana Development Corporation (BDC). He has held various board leadership positions including director at Standard Chartered Bank, director at Barclays Bank, director at National Development bank, Chairman of the Audit Committee at Botswana International University of Science and Technology (BIUST), Chairman at Motswedi Securities, director at Asphalt Botswana, Chairman of the Vision 2016 Council, Chairman of Botswana National Sports Council and Vice President of Business Botswana. He is passionate about sports, especially golf and softball where he has held Chairmanship and other leadership positions. He has now retired into private business and corporate consulting.

Mmoloki Waboraro Mogotsi (39) (M) (Mmoloki)

B. Business & Commerce (Accounting), B. Compt, PGD (Accounting Sciences), ACPA (BICA), CA (SA)

Mmoloki is a chartered accountant with international and local experience in mining and manufacturing distribution. He is a Finance Director at Famous Brands, a fast-moving consumer goods and retailer since March 2020. Before this, he held several finance-related positions within the Cummins group of companies such as Financial Director at Cummins Botswana, Financial Planning & Analysis Manager at Cummins Southern Africa, Financial Analyst-Middle East, and Financial Controller at Cummins Morocco. His appointment is intended to aid the bank in having more financial reporting, accounting and audit practise skills, more independent non-executive directors, and improve age diversity targets in the board.



ANNEXURE B

This table indicates the section where changes are proposed to be made to the Constitution:

Section	Change/Rationale
Cover Page	To reflect new name i.e. BBS Bank Limited from BBS Limited. Addition of the bank's new brand and highlighting that a special resolution is required
Table of Contents	Addition of new contents and renumbering
Definitions	Re-arrangement and addition of new terms such as representatives, stock exchange listing rules, general interpretation rules
Section 2: Objects	<p>Reworded to remove limitations in the current text and alignment with the Companies Act to show that the bank, as a juristic person is capable of undertaking any activity that a company is permitted to do in law.</p> <p>Section 25(2) of the Act provides that the constitution of a company may contain a provision relating to the capacity, rights, powers, or privileges of the company if the provision restricts the capacity of the company or those rights, powers and privileges.</p> <p>Section 26(1) states that if the constitution of a company sets out the objects of a company, there is deemed to be a restriction in the constitution on carrying on any business or activity that is not within those objects, unless the constitution expressly provides otherwise. Hence the proposed change in wording. The text singled out banking business and by interpretation it excluded all other activities that the bank may desire to enter into in future.</p>
Section 3	Referencing the Banking Act and Listing Requirements as mandatory
Section 3	Highlighting debentures, as a class of securities that can be issued by the company from time to time
Section 5.3	Shows the legal status and benefit of holding an ordinary share
Section 5.4	Empowers the company to issue new shares of such class and features, from time to time
Section 5.6	Fraction shares are not permissible and if such were to occur, a cash payout will be made to the shareholder
Section 5.7	Recognition that if listed, the company shares will be issued in electronic form (dematerialised) in line with CSDB rules
Section 6	Empowers the company to issue, reduce or alter its stated capital for the benefit of the company
Section 7	Enhanced the requirements for issuing new shares and compliance with regulatory requirements
Section 7.4	Shows that the company may make bonus issue to shareholders, from the distribution available
Section 14	Introduces the concept of untraceable shareholders and gives guidance as to what should be done if a shareholder is untraceable. Currently a challenge to the bank
Section 16	Recognises that commission may be payable upon subscribing for the company's securities
Section 19	Addition that a share transfer will be done in terms of the share transfer system applicable to the trading of the securities from time to time
Section 22	Notes the practice that share transfer may be halted under the direction of the board
Section 28	Removal of 7 years, since all lawful shareholders should be recorded into the share register
Section 34	Proposal to remove issuance of share certificate since the Company's shares are dematerialised. It is however qualified under cl.35
Section 48.1.3	Declaration of dividends subject to prudential requirements
Section 48.7	Removal of reference to cheques as a form of payment (no longer applicable)
Section 54.1.5	To qualify that a special resolution for disposal of immovable property, is applicable where the value of the property qualifies it as a major transaction.
Section 54	Inclusion of the fact that a special resolution to liquidate the Company can be reversed through legal process, in addition to another special resolution
Section 62.3	Chairperson empowered to regulate the proceedings of general meetings
Section 63	<p>Recognise that AGM notice may be published in many ways including by post, electronically, telephonic, newspaper, or published via Stock Exchange X-News.</p> <p>Notes that an urgent general meeting may be called if fifty percent (50%) of the shareholders having a right to attend and vote at the general meeting agree that such meeting be called.</p>
Section 64.2	To enhance the text that accompany agenda items in the AGM notice, to give shareholders more information about proposed resolutions
Section 70.5.1	Highlights that a proxy attending a meeting has the same voting rights as a shareholder

Section 70.6	Notes that voting by poll is commensurate to the number of shares held by a shareholder
Section 70.9	Introduces scrutineers to poll votes, who shall be auditors of the company. Alignment with best practise
Section 71.2	Highlights that a proxy need not be a shareholder in the company
Section 72	Guides how adjourned meetings should be conducted and business to be transacted
Section 78	Addition of the lead independent director role, consistent with King IV Code of Corporate Governance
Section 80.3	Addition of guidance on holding special meetings by the board
Section 82.5	Addition of related party transactions amongst matters wherein a director may be conflicted to vote
Section 87	Replacement of CEO with Managing Director, to align with correct nomenclature
Section 90.6	<p>Tenure of directors aligned to King IV Code and BoB Guidelines on Corporate Governance.</p> <p>King IV states that non-executive directors should not serve for longer than nine (9) years, subject to annual independence testing.</p> <p>Clause 3.13 of the Bank of Botswana Guidelines on Corporate Governance for Banks states that a non-executive director of a bank shall be restricted to a term not exceeding, cumulatively a period of 10years</p>
Section 93.1.2	Age of retirement of directors revised from 70 years to 75 years, to align with Bank of Botswana Guidelines on Corporate Governance. It also recorded that to serve beyond the age of 75years, regulatory approval is required, subject to fit and proper requirements
Section 93.1.7-98.1.11	Addition of other circumstances under which a director may cease to hold office, in line with best practise
Section 95	New clause on retirement and rotation of directors. This excludes executive directors whose retirement is governed by the conditions of service. In addition, the clause incorporates prudential requirements on tenure and retirement age.
Section 96	<p>The remuneration of directors will be determined at the general meeting. Change from directors approving their own fees.</p> <p>The clause also empowers the board to approve and implement a remuneration policy. It also covers statutory and prudential requirements regarding loans to directors</p>
Section 100	<p>New clause introducing the requirement for appointment of external auditors at the general meeting. It has been happening but not documented. To align with statutory, prudential and corporate governance requirements.</p> <p>Section 191 of the Companies Act provides for the appointment of an auditor, at each annual meeting who shall hold office from the conclusion of the meeting until the conclusion of the next annual meeting and must audit the financial statements of the company and, if the company is required to complete group financial statements, those group financial statements, for the accounting period next after the meeting.</p> <p>Section 22 of the Banking Act provides that every bank shall appoint, annually, and at its own expense, an independent auditor, acceptable to the Central Bank, who shall make a report to the bank's shareholders on the annual balance sheet and profit and loss account, in accordance with the requirements in the Companies Act relating to the auditing of company accounts, and with generally accepted accounting standards in Botswana, and such other directives and guidelines as the Central Bank may, from time to time, issue.</p> <p>Clause 4.1 of the BoB Guidelines on Banks' Audit Committees, Annual Independent External Audit and Publication of Audited Financial Statements, states that each bank shall, on an annual basis and upon recommendation by its Audit Committee, appoint an independent external auditor.</p>
Section 101	New clause that highlights the obligation of the board to ensure that proper books of accounts are kept
Section 103	Notes that notices to shareholders may be sent via a newspaper's publication or by electronic means, or such other manner as the Constitution, the Companies Act or Listing Requirements allows
Section 109	New clause that highlights authority to represent the Company in entering into legal transactions
Section 112	New clause noting access to company records to be done under the directions of the board
Section 113	New clause on indemnity available to directors in terms of the Companies Act
Section 114	New sections noting the power of designated officers to authenticate company records and resolutions



PROXY FORM

BBS BANK LIMITED

(Incorporated in the Republic of Botswana)
Company Registration Number: BW00001057162
BSE Share Code ISIN: BW0000001965

This proxy form is for use by certificated shareholders (if any) and dematerialised shareholders registered in their own name as at the record date of the AGM i.e. 16 May 2024.

This proxy form is for the BBS Bank AGM to be held on 23 May 2024 at 09h00 at AVANI Gaborone Resort and Casino in Gaborone and via electronic communication (Refer to the notes to the notice of the AGM).

I/We (full names) of (address)
..... and contact number being the holder of (insert number of shares) shares in the company hereby appoint:

1. or failing him/her;
2. of failing him/her;
3. the Chairperson of the AGM, as my/our proxy to attend, speak and vote on my/our behalf at the AGM that will be held for the purpose of considering and, if deemed fit, passing, with or without modifications, the ordinary and special resolutions to be proposed at the meeting and at each adjournment thereof, and to vote for and/or against the ordinary and special resolutions and/or to abstain from voting in respect of shares of the ordinary shares registered in my/our names in accordance with the following instructions:

		For	Against	Abstain
	Ordinary Resolutions			
1.	Adoption of Minutes of the Previous Meeting			
2.	Adoption of Consolidated AFS and Reports			
3.	Ratify the remuneration of auditors			
4.	Re-appointment of auditors			
5.	Election of E.T. Rakhudu as a director			
6.	Election of T. Johnson as a director			
7.	Election M.W. Mogotsi as a director			
	Special Resolutions			
8.	Approval of the recommendation to dispose immovable property i.e. Plot 2658 Selibe-Phikwe			
9.	Adoption of the Amended Constitution			

Insert X or a tick in the relevant space above according to cast your vote.

On a show of hands or voice, a shareholder entitled to vote is eligible for one vote irrespective of the number of shares that they hold or represent.

On a poll, a shareholder entitled to vote is eligible for the proportion of votes equivalent to the number of shares held or represented. A poll may be demanded by a shareholder or shareholders representing not less than 10 (ten) percent of the total voting rights of all shareholders having the right to vote at the meeting, or by a shareholder or shareholders holding the shares that confer a right to vote at a meeting and on which the aggregate amount paid up is not less than 10 (ten) percent of the total amount paid up on all shares that confer that right.

Signed at (place)..... On this (day)..... day of (month)..... 2024

Signature

Assisted by (where applicable) (state relationship and full names)

Contact Information

BBS Bank Limited

Incorporated in the Republic of Botswana)
Company Registration Number: BW00001057162
BSE Share Code ISIN: BW0000001965

Registered Office

4th Floor, BBS Bank Head Office
Plot 13108-12, Cnr Lemmenyane & Segoditshane Roads
Kagiso Mall, Broadhurst
Gaborone

Postal Address

P.O. Box 40029
Gaborone

Contact Numbers

Tel: (+267) 397 1396
Fax: (+267) 390 3029

Company Secretary

Dimpho T. Phagane
Plot 13108-12, Cnr Lemmenyane & Segoditshane Roads
Kagiso Mall, Broadhurst
Gaborone

Transfer Secretary

Central Securities Depository Botswana (CSDB)
4th Floor, Fairscape Precinct
Plot 70667 Fairgrounds,
Private Bag 00417
Gaborone

Website

www.bbs.co.bw

Enquiries

bbs@bbs.co.bw

Social media

Facebook - BBS Bank
Instagram - bbsbanklimited
X - BBS_BW
Whatsapp - +267 77 730 334

Auditors

Ernst & Young
Plot 22 Khama Crescent
P.O Box 41015
Gaborone

