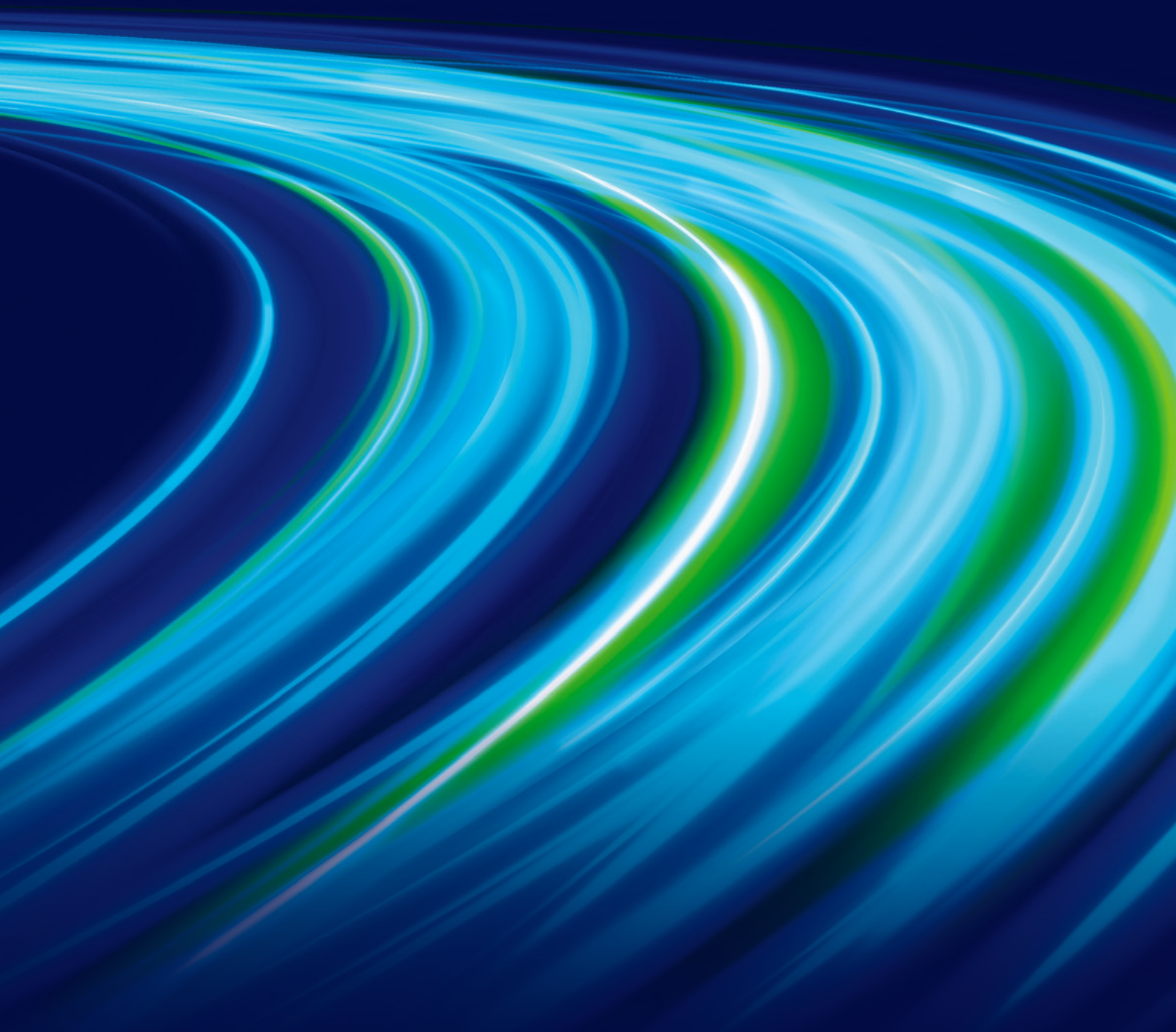




Annual Report 2025



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Learn more about our client segments

Read more in our Client segment review on pages 10 to 12



About this Report

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Discover more in our suite of reports

This Annual Report is part of a wider suite of corporate reports and disclosures.



For our full suite of 2025 disclosures visit sc.com/financial-results and sc.com/sustainabilitylibrary

Fuelling Botswana's Momentum

Who We Are & What We Do

For 128 years, Standard Chartered Bank Botswana has been the gateway for Botswana to the global economy. As the country's longest-standing international bank, we have evolved from a traditional branch network into a digitally enabled banking platform that connects corporate, institutional, and individuals to unique growth opportunities across Asia, Africa, and the Middle East.

We serve two client segments

Corporate & Investment Banking

Supports large corporations, development organisations, governments, and financial institutions with risk management, advisory and financing solutions.

Operating income
P 328m

Wealth & Retail Banking

Serves the local and international banking needs of our clients across the wealth continuum with a focus on the affluent segment, while supporting small and medium-sized enterprises.

Operating income
P 623m

Strategic Investment

People and Culture

Promotes a culture of innovation across the bank, investing in disruptive financial technology and creating alternative financial service business models, as well as growing our digital banks.

Total Staff Costs
P 244m

Training & Development Investment
P 1.1m

2025 Key Performance Indicators (KPIs)

The 2025 financial year was defined by a strategic shift toward non-interest revenue and disciplined capital management, ensuring the Bank remains a stable partner for Botswana's future.

Financial Performance Metrics

(Year Ended 31 December 2025)

Total Operating Income

P 951m

(2024: P 1,065m)

↓ 11%

Non-Interest Revenue

P 197m

(2024: P 199m)

↓ 1%

Credit Loss Ratio

0.6%

(2024: 1.1)

Capital Adequacy Ratio

17.2%

(2024: 18.0%)

Advances-to-Deposit Ratio

57.9%

(2024: 59.1%)

Operating Expenses

P 557m

(2024: P 612m)

↓ 9%

Our Footprint

How the Bank's 128-year physical legacy is integrated with and enhanced by digital and agency banking.

Primary 'Pins'

10 Branches

4 Express Centres

66 ATMs
including
21 CDMs

Unique capability to dispense USD/ZAR



141 Eazy Pula Agency

Brand's reach into every districts across Botswana, widespread coverage.

By harnessing the momentum of our 128-year history, we are well-positioned to support Botswana's plans for economic diversification and serve as a trusted, long-term partner for the next generation.

The Momentum of Legacy: 128 Years

Timeline



At Standard Chartered Bank Botswana, we are more than just a financial institution; we are a 128-year-old gateway that connects Botswana to the global economy. While we are part of a world-class international network, our heart and heritage are deeply rooted in Botswana's soil. We leverage our differentiated global reach to offer unique growth opportunities in the world's most dynamic markets—from the trade corridors of Asia and the Middle East to the burgeoning economies across Africa—ensuring that local enterprises and individuals can compete and thrive on a global stage.

Driven by Purpose, Defined by Culture

Our Distinctive Momentum in Botswana

What makes us different

Our strength lies in the connectivity of our markets, the diversity of our people and the depth of our client relationships.

Our distinctive strengths, such as our expertise in managing generational wealth, our commitment to mobilising sustainable finance, and our innovative approach, are just some of the qualities that set us apart.

Our strengths



Our Network & Footprint

We help Botswana and local enterprises move beyond borders. By connecting Botswana's diamond, beef, and emerging tech sectors to our established markets in Asia and the Middle East, we are fuelling the nation's export momentum.



Wealth Management Expertise

We don't just manage money; we protect the legacies of Botswana families. Our localised expertise in managing generational wealth is paired with global investment access, ensuring that local prosperity is sustained for the next 128 years.



Commitment to Sustainable Finance

Aligned with Botswana's Vision 2036, we mobilise capital for local inclusive growth. Through supporting large-scale renewable energy transitions, we are the financial engine for a green and equitable Botswana.



Innovation & Digital Momentum

We are scaling digital solutions that matter locally. Through Eazy Pula (Agent Banking), we have taken the bank to the village, ensuring that 128 years of banking excellence is available at the touch of a button in every district.



Our purpose

To drive commerce and prosperity through our unique diversity. In Botswana, this means more than just banking. It means being a long-term partner to the government's diversification agenda and a champion for the local workforce. Our diversity, spanning 370+ colleagues, is what enables us to apply strong local market insight while maintaining alignment with international standards and best practice.

Do the right thing

We lead with integrity in every transaction. In 2025, this was evidenced by our proactive credit risk management and our commitment to the Fair Pay Charter, ensuring our colleagues are rewarded transparently.

Never settle

128 years is just the beginning. We are constantly accelerating, as seen in our Future Workplace Now initiative, where 65% of our staff have embraced a hybrid model to increase productivity and work-life balance.

Better together

We believe in the power of partnership. Whether it's revitalizing the SC Cup with the Liverpool Football Club connection for our clients or collaborating with local regulators, we know that Botswana's momentum is a collective effort.

Valued behaviours

Read more on our people and culture on pages 20 to 21

Chairperson's Statement



Solomon Molebatsi Sekwakwa
Chairperson

Operating Environment

The 2025 financial year was characterised by a challenging macroeconomic environment, resulting from a number of forces, which collided to create the perfect storm for Botswana. The country's economic performance was constrained by subdued activity in the diamond sector, driven by weaker global demand and evolving consumer preferences owing to the proliferation of synthetic diamonds. Given the sector's importance to export earnings and fiscal revenues, this downturn contributed to tighter market liquidity and significantly increased economic pressure.

Financial institutions operated under constrained liquidity conditions during the year, with elevated cost of funding placing pressure on balance sheets and margins. Within this context, Standard Chartered Bank Botswana Limited exercised disciplined balance sheet management while continuing to support its valuable clients.

Geopolitical developments, notably the ongoing conflict in the Middle East, continue to contribute to global market volatility, disrupted trade and logistics, and sustained pressure on global energy prices. These conditions weigh on investor confidence and heightened downside risks to global growth, with indirect implications for emerging markets, including Botswana. The Bank continues to monitor these developments closely and implement appropriate measures to safeguard the interests of the business, clients and shareholders.

Despite these headwinds, the Bank delivered a resilient performance for the year ended 31 December 2025. Total income and profit before tax declined by 11% and 28% respectively, costs were reduced by 9%, continuing to demonstrate a disciplined cost management strategy. The Bank also maintained a relatively stable deposit base despite elevated cost of funding.

Strategic Review and Portfolio Considerations

The Bank remained focused on executing its strategy, centered on cross-border banking capabilities targeting corporate and institutional clients, and providing wealth solutions for our affluent client segment, where the connectedness of the international network provides a clear competitive advantage.

Whilst delivering the strategy, we stayed alive to the prevailing and challenging market conditions and therefore adopted a cautious approach to growth in certain areas, prioritising risk management and the protection of the book quality.

Exploration of the Sale of Standard Chartered Bank Botswana

On 27 November 2024, the Board announced the proposed exploration of the sale of the Wealth and Retail Banking segment, this was followed by a further announcement on the 13 January 2026 wherein the Bank indicated that the exploration of the sale would include the whole Botswana franchise. The transaction continues to progress in compliance with all applicable laws and regulatory requirements, with a focus on achieving outcomes that are in the best interests of all stakeholders.

In line with legal and regulatory obligations, the Bank provides monthly updates on the transaction and encourages stakeholders to engage through official channels for accurate information. The Board remains committed to ensuring that the process is conducted effectively and that the business is protected for the benefit of all stakeholders including the eventual purchaser.

Board and Governance

The Board maintained its focus on strong corporate governance, effective risk oversight, and regulatory compliance throughout the year. Changes to Board composition were managed in accordance with approved succession planning frameworks and regulatory expectations, ensuring continuity and stability.

The Board bid farewell Ms. Doreen Cilla Khama who retired from her position as Board Chairman effective 30 June 2025. The Board and Management of Standard Chartered, wish to thank her for her dedicated service and valuable contribution to the Bank. Meanwhile, the Board welcomed Mr Tally Tshetiso, whose experience in finance, trade, and investment policy strengthens the Board's collective capability.

The Board continues to work closely with management to ensure disciplined execution of the strategy and responsiveness to an extremely volatile and dynamic operating environment.

Our Employees and Customers

I would like to extend my sincere appreciation to our employees who have demonstrated remarkable professionalism, resilience and dedication throughout this period. Despite uncertainty, our teams remained focused on serving customers and safeguarding the Bank's control environment. Their composure and commitment reflects the strength of our culture and depth of talent within the organisation.

Equally, we are grateful for the continued loyalty and confidence demonstrated by our customers, many of whom have banked with us for generations. Customer engagement levels and transactional activity remained resilient underscoring the enduring trust placed in the Standard Chartered brand in Botswana and our differentiated value proposition in the market.

Outlook

Looking forward, the short-term outlook remains uncertain, shaped by ongoing geopolitical tensions and global economic fragility, which leads to unanticipated structural changes in commodity markets.

Against this backdrop, the Bank will continue to prioritise balance sheet strength, continue to manage our risk prudently, whilst maintaining operational efficiency and disciplined capital allocation. Even as the Bank transitions, the strategic focus remains on leveraging the Bank's international network to support clients, facilitating cross-border trade and investment and continuing to build on our 128-year legacy in Botswana as we contribute to the country's economic development. Top of mind will be retaining value for our clients, employees and shareholders as we navigate the sale process.

On behalf of the Board, I wish to thank the Management and Staff for their commitment to upholding the values of the Bank – Never Settle, Better Together & Do the Right thing, in their pursuit of sustaining the business. A heartfelt thank you to our Clients and Shareholders, who continue to put their trust in us and who have remained steadfast in the face of the Bank's evolution.

Chief Executive Officer's Report



Mpho Masupe
Chief Executive Officer

Navigating Change with Discipline and Purpose

As we reflect on the past year and look ahead to 2026, Standard Chartered Bank Botswana remains firmly anchored in its purpose as a global bank that connects corporate, institutional and affluent clients to a unique international network spanning Asia, Africa and the Middle East. This network continues to be our greatest strength, enabling us to support clients as they navigate evolving macro-economic conditions whilst accessing sustainable growth opportunities across some of the world's most dynamic markets.

With a history spanning 128 years, Standard Chartered Bank Botswana has consistently demonstrated resilience and adaptability across multiple economic cycles. This resilience has been tested over a century, being the first international Bank in the market. Over the years, the Bank has led the charge in the financial services sector, priding itself in being a Bank of many firsts. First to introduce KYC, first to flight multi-lingual ATM's, first to introduce a chip and pin and offer straight through processing to mainland China, amongst a whole host of other firsts. Standard Chartered has deeply entrenched itself in the fabric of country, being intricately linked with the economic development of the country, as well as the lives of ordinary Batswana. It has also become renowned for being a talent incubator and producing high-performing professionals who have become leaders in various sectors across the country.

Financial Performance in a Challenging Environment

The Bank's performance for the year ended 2025 should be viewed against the backdrop of a highly volatile liquidity environment, which exerted pressure on margins, as well as deteriorating macroeconomic conditions which necessitated a more cautious approach to origination and asset growth to safeguard the balance sheet strength and preserve asset quality. In addition, the financial results include a once-off impairment charge, arising from an accounting adjustment to reverse duplicated interest in suspense. This charge is non-recurring in nature. Importantly, it does not reflect any deterioration in the Bank's underlying asset quality or credit fundamentals, which remain stable and well managed.

Strategic Transition

In November 2024, the Bank announced its intention to explore the sale of the Wealth and Retail Banking segment. And the process ensued for about a year. Following further strategic evaluation, Standard Chartered PLC announced in January 2026 its decision to progress towards the sale of the entire Standard Chartered Bank Botswana franchise. This decision reflects the full value inherent in the Botswana

franchise, including the depth of our client relationships, the strength of our brand, and most importantly the exceptional talent and expertise of our people. The Bank has demonstrated sustained performance, resilience and strategic relevance, making it a highly attractive proposition for prospective buyers.

The Bank will continue to provide periodic updates on the progress of the sale through the Botswana Stock Exchange, in line with regulatory requirements, until the transaction is concluded.

Supporting Our People Through Transformation

During this period of significant organisational change, colleagues have consistently demonstrated a high level of commitment, professionalism and resilience, ensuring ongoing stability for our clients and stakeholders. The Bank remains firmly focused on upskilling and reskilling our workforce, with deliberate actions to prepare colleagues for a smooth transition to the new owner. We are investing in targeted capability development, internal talent mobility, transparent communication and structured change management to ensure our people are well supported, future-ready and positioned for continued success. Maintaining employee well-being and engagement remains a priority as we sustain performance throughout the transition.

Outlook and Priorities for 2026

The macroeconomic environment remains delicate, with persistent uncertainty surrounding the outlook for diamonds, ongoing risks of livestock disease, constraints within the healthcare sector, and geopolitical tensions in the Middle East- contributing to increased trade and operating costs. Growth is projected at 4.5% for this year; however, this represents primarily a technical rebound from a notably low base following two consecutive years of recession, supported by an anticipated moderate improvement in diamond demand.

Our focus remains on preserving the value of the Botswana franchise and ensuring continuity for our clients, colleagues and stakeholders. The bank will continue to operate with the same discipline, integrity and client-centricity that define our brand, leveraging our strong local presence alongside the breadth and reach of our international network.

In conclusion, I would like to extend my sincere thanks, on behalf of the Board and Management, to our colleagues for their unwavering dedication and focused delivery of our mandate, despite multiple headwinds. Their steadfast focus on our clients and the communities we serve reinforces our reputation as we progress through an important phase in the Bank's journey in Botswana.

Wealth and Retail Banking (WRB)

Wealth & Retail Banking (WRB) Botswana continues to strengthen its position as a leading international bank serving affluent individuals, emerging affluent clients, and business banking clients with cross-border ambitions. Leveraging Standard Chartered's global network, digital capabilities, and deep local market expertise, the business remains focused on delivering differentiated wealth, lending, payments, and transaction banking solutions.

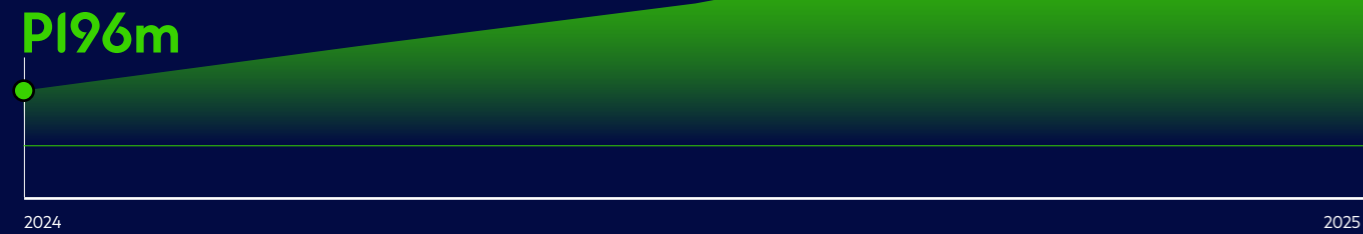
We serve affluent and emerging affluent clients through a comprehensive suite of banking, wealth, lending, insurance, and investment solutions. Our relationship-led model combines personalised advice with digital convenience, enabling clients to build, protect, and grow their wealth while accessing international opportunities through Standard Chartered's global footprint.

We focus on deepening client relationships through digital engagement, lending solutions, deposits, and wealth propositions. We continue to support clients as they progress along the affluent continuum, strengthening long-term relationships and increasing product penetration.

For Business Banking clients, we provide integrated solutions that support growth, liquidity management, payments, trade and cross-border banking needs. Botswana's internationally connected businesses increasingly value our network capabilities, particularly across Africa, the Middle East, Europe, and Asia.

WRB Botswana works closely with Corporate and Investment Banking to deliver seamless solutions for entrepreneurs, business owners, and senior executives, creating a powerful ecosystem that supports wealth creation and business expansion.

Assets Under Management (AUM) Pula Millions (P'm)



Key Strategic Highlights

- The segment achieved a significant step-up in wealth performance, consistent with its strategic intention to pivot towards the affluent segment and wealth solutions.
- Assets under management increased from P196m to P544m, representing a growth of 179% year-on-year.
- Net new money in the affluent segment rose to P517m, compared to P91m in the prior year. This reflects improved Priority client acquisition, deeper engagement with existing clients, and a stronger focus on the advisory-led wealth proposition.
- Our International Banking proposition has shown solid uptake in both local and foreign investments, reaffirming our strategic choices to increase our presence in segments aligned to our strengths.
- The business maintained disciplined underwriting standards and a prudent risk appetite, prioritising asset quality and long-term sustainability over volume expansion. Deposits remained stable and appropriately ring-fenced, underpinning a strong liquidity position and funding resilience.
- The implementation of a fully automated credit decisioning system has significantly improved our client experience by reducing turnaround time.
- The strong momentum in Wealth supports the segment's ongoing transition towards a more diversified and sustainable revenue stream, reducing reliance on balance sheet-intensive activities.

Affluent net new money (NNM)



Performance Summary

WRB experienced a more challenging operating environment in 2025, with profitability declining primarily due to lower net interest income and increased credit impairment charges. Despite this, the segment remained profitable and delivered a resilient performance in a year characterised by macroeconomic headwinds. WRB made meaningful strategic progress in repositioning the business towards higher-return, capital-light wealth offerings.

- Interest income of P810m increased by 7% year-on-year, whilst net interest income declined by 16% over the same period, reflecting margin compression driven by subdued lending and a high cost of funding environment.
- Fee income remained resilient at P175m, indicating that transactional banking, cards, payments, and wealth activities continued to deliver stable revenue.
- Trading income remained flat at P31m, indicating stable foreign exchange and treasury activity.
- Total operating income declined by 13%, reflecting pressure on both funded and non-funded revenue lines.
- Customer deposits contracted by 3%, indicative of the highly competitive funding environment and lower liquidity balances from wealth and retail banking customers.
- Customer assets decreased by 5%, consistent with active balance sheet optimisation actions.

Income decline by
13%
↓ YoY

Affluent segment income
7%
↑ YoY

Capital Markets
12%
↑ YoY



Corporate & Investment Banking (CIB)

The Corporate and Investment Banking segment delivered a resilient performance in a challenging operating environment characterised by subdued economic activity and constrained liquidity conditions.

Performance summary

Operating Income	Operating Profit
P328m	P228m
↓ 5% YoY	↑ 40%

Operating expense	The segment demonstrated the strength of the underlying franchise and management continued focus on margin protection and operational efficiency.
P82m	
↓ 52% YoY	

Balance Sheet

Loans & Advances	Deposits
1.1bn	9.4bn
↑ 10% YoY	Flat

The balance sheet remained sound with continued asset origination, loan and advances increased by 10%, supporting client activity. Deposits remained flat YoY, despite a volatile and constrained liquidity environment, reflecting strong client confidence and disciplined funding strategies

The segment continues to leverage the Bank's global network, deep sector expertise and innovative product capabilities to position itself as a leading partner to corporate and investment clients. Focus areas include disciplined asset growth, targeted deposit mobilisation and the delivery of tailored advisory and capital solutions to key sectors. While macroeconomics conditions remain constrained, the segment is well positioned to capture emerging opportunities, support clients through the cycle and deliver sustainable, risk adjusted returns to shareholders.



People and Culture

Our People, Our Strength

At Standard Chartered Bank Botswana, our diversity is our differentiator. We believe that delivering our corporate purpose is fundamentally tied to how we invest in our 370+ employees, enhance their experience, and strengthen our high-performance culture. As a bank like no other, we connect markets, clients, and ideas through a team characterised by ambition, accountability, and a collective drive to make a positive impact on the communities we serve.

Invested in Growth and Wellbeing

We are committed to building for the long term by offering innovative learning solutions and unique career development paths. Through our Talent Marketplace, colleagues gain cross-border exposure across our global network—spanning Europe, the Americas, Africa, the Middle East, and Asia—equipping them with the skills to thrive for life.

Recognizing that our people perform best when they are supported, we prioritise holistic wellbeing:

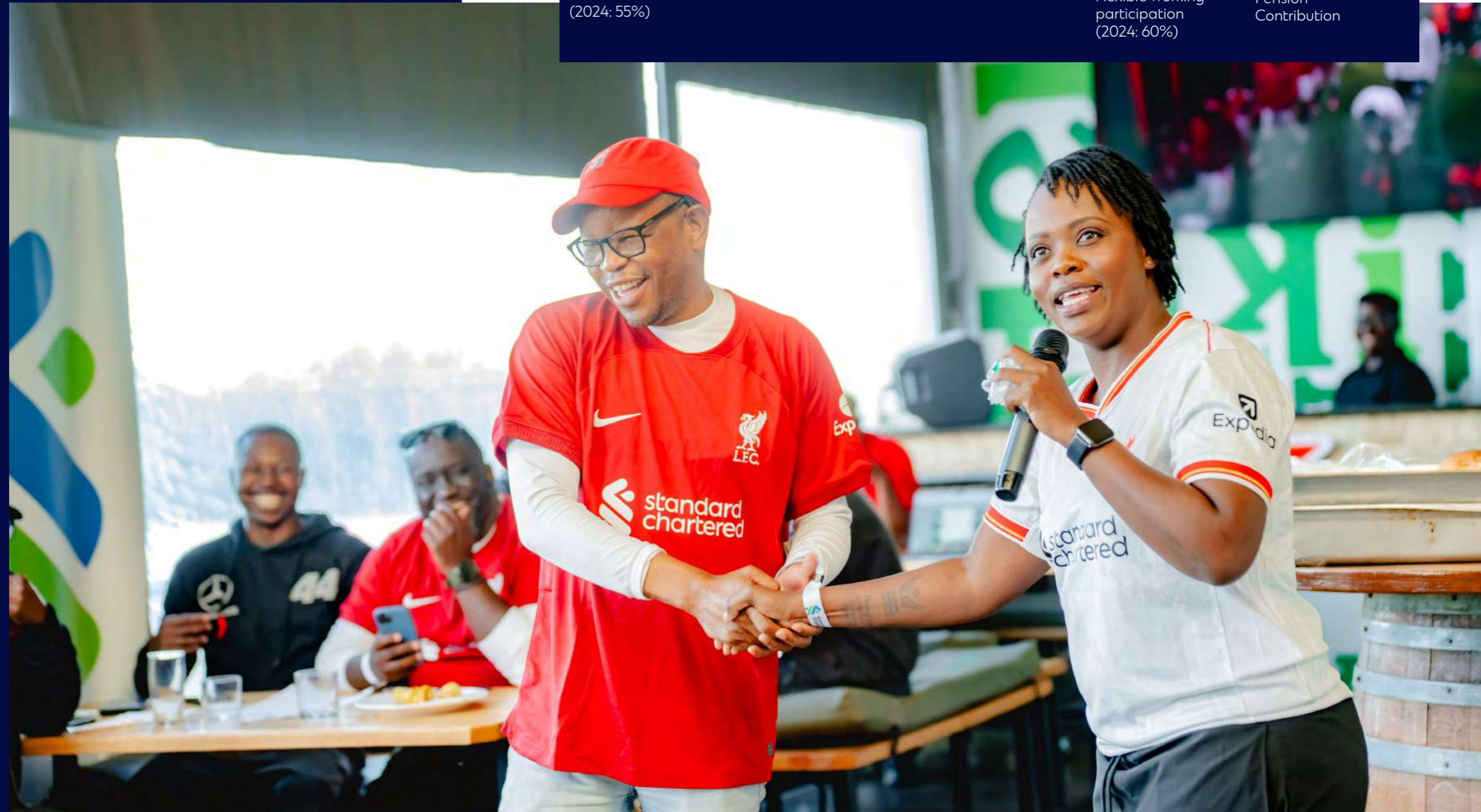
- **Flexible Work:** Our “Future Workplace” initiative has seen 65% of colleagues transition to hybrid working arrangements, fostering a healthier work-life balance.
- **Fair Reward:** We maintain a fair pay charter with performance-related structures, including increases in bonuses and annual salary reviews to reward achievement.
- **Inclusive Benefits:** In 2024, we proudly implemented our new parental entitlement, with 6 male colleagues already benefiting from the 20-week leave policy, reinforcing our commitment to gender-neutral support.

Prosperity Through Diversity

Our unique diversity—of people, footprint, and products—is our distinct advantage. It is the primary engine behind our innovation and our ability to drive sustainable commerce. We foster an environment where every voice is heard and every employee is empowered to take accountability and drive positive change. By bringing together diverse perspectives, we unlock commercial value and deliver client-centric solutions that set us apart in the market.

Here for Good

Being “Here for good” is the bedrock of our culture. It dictates how we grow sustainably, how we finance small businesses, and how we engage with our communities. By doing the right thing and holding each other to the highest standards, we are co-creating a future that our employees, clients, and stakeholders can all be proud of.



Key People Metrics

Our workforce and retention

375

Total number of colleagues (2024: 404)

100%

Permanent and pensionable (2024: 100%)

6%

Attrition rate

Learning and professional growth

SELF-LED LEARNING GROWTH

Active participation

80%

(2024: 55%)

TOTAL TRAINING SPEND

Pl.Im

External Training

Well-Being & Comprehensive Leave

30days

Annual leave

20weeks

Parental Leave

24/7

Access to Employee Assistance program

Adoption & Retirement Security

65%

Flexible working participation (2024: 60%)

14%

Pension Contribution

Chief Risk Officer's Review



Jared Obongo
Chief Risk Officer

The Bank's strong performance in 2025 is underpinned by our commitment to effective risk management and a strong track record of managing risks during periods of volatile macroeconomic and geopolitical conditions.

We proactively manage risk in a changing world.

Managing Risk

The Bank continues to take measured risks to meet its strategic priorities within Board of Directors approved risk appetite limits, management action triggers, and reasonable risk profile. 2025 saw the emergence of a multipolar global economy, with recent geopolitical shocks, industrial policy, and protectionist measures accelerating fragmentation in trade, technology, and capital flows. Heightened trade tensions from US tariffs were a focal point during the year, and although this tapered in the second half, uncertainties remain. Constant fluctuations in policy changes and escalating conflicts led to increased economic uncertainty, market volatility and elevating refinancing risks.

The global, regional, and local economies witnessed less slowdown in Real Gross Domestic Product in 2025 compared to 2024. However, the operating environment remained challenging. The impact of increasing interest rates, inflated cost of living, geo-political uncertainty, Brent oil price increase, reduced price and demand of copper and diamond, and supply chain disruptions posed challenges to the credit portfolios and other principal risks. Double credit rating downgrades in 2025 of Botswana by reputable rating agencies signalled contraction of the economy on the back of reduced price and demand of diamond.

Specifically:

- Few corporate clients were put on early alerts monitoring on purely precautionary basis due to volatility of price and demand of diamond.
- Low level of non-funded income contribution in 2025 exposed the Bank to interest sensitive assets/instruments.
- Botswana Household annual credit growth slowed to 2.6% in 2025, from 4.6% in 2024. The lower annual increase in household credit was due to a decline in rates of growth for unsecured personal loans, mortgages and motor vehicle loans from 6% to 3.9%, 1% to zero, and 8.6% to -2.4%, respectively, during the period under review. This was mainly attributable to reduced loan disbursements owing to tighter lending conditions.

Corporate and Investment Banking (CIB)

Our CIB credit portfolio remained resilient with overall good asset quality, as evidenced by our largely investment grade corporate portfolio (31 December 2025: 56%, 31 December 2024: 83%). We actively tracked geopolitical risks to enable us to act should the need materialise. We closely monitored vulnerable sectors and identified clients that may face difficulties on account of increased interest rates, foreign exchange movements, commodity volatility or increased prices of essential goods.

Wealth and Retail Banking (WRB)

The WRB credit portfolio remained alert to the risks of the uncertain economic outlook but continued to demonstrate resilience. Overall, delinquencies have improved, 30+% delinquency recorded 0.89% as at 31 December 2025 compared to 0.90% same period in 2024. Our delinquency

volume has improved marginally mainly due to improved collections coverage and resolution rates. For both our secured and unsecured consumer credit portfolios, we continued to monitor customer affordability across our key sectors and dynamically adjusted origination criteria, portfolio management and collections strategies, as appropriate.

Treasury Risk

Our liquidity and capital risks are managed to ensure a strong and resilient balance sheet that supports sustainable growth. We continued to enhance our Treasury Risk framework to incorporate the lessons from recent market events as well as horizon risks. Capital ratios remained above the Risk Appetite floor and regulatory limits for December 2025 with Common Equity Tier 1 (CET1) closing at 6.6% against regulatory limit of 4.5% and Tier 1 at 12.4% against regulatory limit of 7.5%. Capital Adequacy Ratio (CAR) ended at 17.2% against regulatory minimum of 12.5%. The improved performance on CAR was on the back of Risk Weighted Asset efficiency measures. Liquidity remained resilient across the Bank. Local currency Assets to Deposits ratio dropped to 79% as of December 2025 largely on account of corporate term deposits albeit at a higher cost as rates spiked during the last period of the year. Statutory liquidity remained at adequate levels; Liquid Asset Ratio (LAR) closed the quarter at 20.2% against regulatory limit of 10%. We maintained a resilient liquidity position throughout the period.

The Risk function remains actively engaged in providing independent review and challenge to internal and regulatory stress tests and recovery and resolution capabilities.

Risk Performance Summary

Asset quality is resilient. The percentage of investment-grade corporate net exposure reduced to 56% (31 December 2024: 83%). The Bank remained vigilant of persistent challenging conditions in key sectors of the economy. In 2025, we saw a \$4m decrease in Early Alerts exposure (31 December 2025: P588m, 31 December 2024: P645m), although more clients were put on early alert due to the contraction of the economy.

Our Retail portfolio is largely unsecured however lending is mainly to stable segments that have demonstrated good performance over the years particularly Government and key Quasi Government schemes.

An update on our risk management approach

Our Enterprise Risk Management Framework (ERMF) sets out the principles and minimum requirements for risk management and governance across the Group. The ERMF is complemented by Frameworks, policies and standards which are mainly aligned to the Principal Risk Types (PRTs) and is embedded across the Group, including its subsidiaries.

The ERMF enables the Group to manage enterprise-wide risks, with the objective of maximizing risk-adjusted returns while remaining within our Risk Appetite (RA).

Principal Risk Types

PRTs are risks inherent in our strategy and business model. These are formally defined in our ERMF, which provides a structure for monitoring and controlling these risks through the Risk Appetite Statement. We will not compromise compliance with our Risk Appetite in order to pursue revenue growth or higher returns.

The table below provides an overview of the Bank's PRTs and their corresponding risk appetite statements.

Principal Type	Risk Definition	Risk Appetite Statement
Credit Risk	Potential for loss due to failure of a counterparty to meet its agreed obligations to pay the Bank.	The Bank manages its credit exposures following the principle of diversification across products, geographies, client segments and industry sectors.
Traded Risk	Potential for loss resulting from activities undertaken by the Bank in financial markets.	The Bank should control its financial markets activities to ensure that market and counterparty credit risk losses do not cause material damage to the Bank's franchise.
Treasury Risk	Potential for insufficient capital, liquidity, or funding to support our operations, the risk of reductions in earnings or value from movements in interest rates impacting banking book items and the potential for losses from a shortfall in the Bank's pension plans.	The Bank should maintain sufficient capital, liquidity and Funding to support its operations, and an interest rate profile ensuring that the reductions in earnings or value from movements in interest rates impacting banking book items does not cause material damage to the Bank's franchise. In addition, the Bank should ensure its pension plans are adequately funded.
Operational and Technology	Potential for loss resulting from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks).	The Bank aims to control operational and technology risks to ensure that operational losses (financial or reputational), including any related to the conduct of business matters, do not cause material damage to the Bank's franchise.
Information and Cyber Security (ICS) Risk	Risk to the Bank's assets, operations, and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information assets and/or information systems.	Bank aims to mitigate and control ICS risks to ensure that incidents do not cause the Bank material harm, business disruption, financial loss or reputational damage – recognizing that while incidents are unwanted, they cannot be entirely avoided.
Financial Crime Risk	Potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to international sanctions, anti-money laundering and anti-bribery and corruption, and fraud.	The Bank has no appetite for breaches of laws and regulations related to Financial Crime, recognizing that while incidents are unwanted, they cannot be entirely avoided.
Compliance Risk	Potential for penalties or loss to the Bank or for an adverse impact to our clients, stakeholders or to the integrity of the markets we operate in through a Failure on our part to comply with laws, or regulations.	The Bank has no appetite for breaches of laws and regulations related to regulatory non-compliance; recognizing that while incidents are unwanted, they cannot be entirely avoided.
Environmental, Social and Governance (ESGR) Risk	Potential or actual adverse impact on the environment and/or society, the Bank's financial performance, operations, or the Bank's name, brand or standing, arising from environmental, social or governance Factors, or as a result of the Bank's actual or perceived actions or inactions.	The Bank aims to measure and manage financial and non-financial risks arising from climate change, reduce emissions in line with our net zero strategy and protect the Bank from material reputational damage by upholding responsible conduct and striving to do no significant environmental and social harm.
Strategic Risk	Potential for opportunity loss from failure to optimise the earnings potential of the Bank's franchise. Opportunity losses could come about either because the business decisions taken as part of the Strategy formulation process does not deliver the expected profit and returns, or because the Bank does not take a decision, which leads to lost opportunities.	The Group will not compromise adherence to its Risk Appetite in order to pursue revenue growth or higher returns.

In addition to the PRTs, the Bank has defined the following Risk Appetite statement for Climate Risk: "The Bank aims to measure and manage financial and non-financial risks arising from climate change, and reduce emissions related to our own activities and those related to the financing of clients in alignment with the Paris Agreement."

Topical and Emerging Risks (TERs)

Topical Risks refer to themes that may have emerged but are still evolving rapidly and unpredictably. Emerging Risks refer to unpredictable and uncontrollable outcomes from certain events that may have the potential to adversely impact our business.

Below is a summary of the TERs, and the mitigating actions we are taking based on our current knowledge and assumptions. This reflects the latest internal assessment as performed by senior management.

The list of TERs is not exhaustive and there may be additional risks that could have an adverse effect on the Group. Our mitigation approach for these risks may not eliminate them but demonstrates our awareness and attempts to mitigate or manage their impact.

Macroeconomic and geopolitical considerations

There is a complex interconnectedness between risks due to the direct influence of geopolitics on macroeconomics, as well as the global or concentrated nature of key supply chains. A more complex, differently integrated and generally more volatile global landscape could challenge cross-border business models but also provide new business opportunities.

The Bank is exposed to these risks directly through investments, infrastructure and employees, and also indirectly through its clients. While the primary impact is financial, there may be other ramifications such as reputational, compliance or operational considerations.

Expanding array of global tensions and transition of the international order

The global geopolitical landscape has shifted from a rules-based international order to a system driven by relative power dynamics. Fluid political and economic alliances are evolving, with the landscape further complicated by ongoing conflicts, e.g., in Ukraine and the Middle East.

The Bank may be impacted by direct exposure to countries engaged in conflicts, as well as by second-order effects on its clients and markets such as agricultural commodities, oil and gas. The sanctions landscape is also becoming increasingly complex, with potential divergence across regimes requiring heightened awareness in running a compliant, global operation.

Macroeconomic uncertainty including potential price bubbles

While many tariff deals have been struck between the US and the rest of the world, the average global tariff level has increased significantly relative to a year ago. The potential for change remains, with the US administration applying additional tariffs in response to non-economic issues or to achieve leverage in other areas.

The relative alignment between the US and China is a major factor. However, dislocation risks persist, and headwinds are brewing in export-reliant locations such as Southeast Asia. Friction has also been seen around the export of rare earth metals from China.

Tariffs, supply chain disruption, strong labour markets and higher deficits could be inflationary, leading to higher rates. In contrast, aggressive cuts could further fuel inflation. Developed markets have diminished fiscal flexibility to react due to their high debt levels and social burdens. Volatile interest rates also impact the Group's net interest income outlook.

Tariff volatility, policy unpredictability and uncertainty over the continued independence of the Fed could impact investor perceptions of risk-free assets across global markets and encourage a gradual and steady diversification. In an extreme case, the rest of the world could reduce trade with the US, which could result in further weakening of the US dollar, challenging its status as the global reserve currency, or risk premia on traditionally risk-free assets such as US Treasuries. However, these are unlikely to materialise in the short term.

Supply chain issues and key material shortages Geopolitical volatility, shifts towards protectionism, and ongoing conflicts have complicated the operation of global supply chains. Countries are 'de-risking' through diversifying their supply chains. This includes tactics such as reducing reliance on rivals or concentrated suppliers, looking to either re-industrialise or make use of near-shoring and friend-shoring production, and forming entirely new relationships.

The growing need for minerals and rare earth elements to power future technologies can be leveraged to achieve economic or political aims by restricting access. This can bolster the negotiating influence of refiners and producers such as China, Indonesia, Botswana and some other African markets.

How these risks are mitigated

- We conduct portfolio reviews and stress tests at Group, country, business and asset class level, with regular reviews of vulnerable sectors.
- We have a structural hedging program to mitigate the impact of volatile interest rates.
- We run daily market risk stress scenarios to assess the impact of unlikely but plausible market shocks.
- We run a suite of management scenarios with differing severities to assess their impact on key RA metrics.
- We have a dedicated country risk team that closely monitors sovereign risk.
- We maintain a diversified portfolio across products and geographies, with specific RA metrics to monitor concentrations.
- Increased scrutiny is applied when onboarding clients in sensitive industries and ensuring compliance with sanctions.
- We maintain underwriting principles for specialised product and industry segments, detailing transaction-level origination standards and sub-segment caps supported by regular portfolio reviews.
- We regularly review our supply chains and third-party arrangements to improve operational resilience.
- We actively review and test our crisis management and business continuity plans.

New business structures, channels and competition

Competitive disruption

Sources of disruption and disintermediation to traditional finance are increasing, with more established fintech and private credit sectors.

While there is increasing regulatory scrutiny on alternative financing providers by regulators, there is still a governance gap that could put banks at a competitive disadvantage.

Financiers that can harness technology can rapidly improve their market share, as the concept of a hyper-personalised 'segment of one' is increasing in prominence, and may change marketing, client service and distribution channels.

Rapid adoption of AI

The expansion of AI capabilities is increasingly pervasive and pivotal to business operations across industries. Traditional finance faces adoption challenges in complying with existing regulation and governance standards. Cost pressures and lack of key skills in the industry could hamper a swift transition.

The integration of more sophisticated insights utilizing big data and AI could enhance the services offered to clients. However, if such capabilities are widely available it may impact banks' ability to differentiate. AI also has implications on broader considerations such as the ethical use of data and protecting privacy and security, and the increase in 'shadow AI' or the use of unauthorised AI channels or tools.

There has been a large increase in the use of AI in fraud, scams and spreading misinformation. AI powered deepfakes and autonomously generated malware are changing the nature of cyber threats, in particular increasing the speed of attack. However, the availability and maturity of security and controls continues to lag development of the technology itself.

Cyber, data and operational resilience

An expanding digital footprint and integration of smarter AI systems increases inherent cyber and operational risk, with more opportunities for cybercriminals to gain entry or access to corporate assets, including infrastructure such as cloud and third-party enabled services. These threats extend to our clients, with the Group at risk of financial loss if they are materially affected.

How these risks are mitigated

- We continuously monitor and evaluate emerging technology trends, business models and opportunities.
- We apply a tiered approach to evaluate AI systems, proportionate to the associated risks.
- We are partnering with central banks and other stakeholders on digital currency and stable coin projects around the world.
- We manage data and information security risks through our Compliance and Information and Cyber Security risk frameworks.
- The Group continues to invest in its resilience capabilities, with a focus on regulatory compliance, as well as ensuring the continued operational stability of the Bank.
- The Group is focused on uplifting its global data centre footprint, enhancing technology to reduce obsolescence, assuring its use of third parties and building response and recovery capabilities.
- We have improved operational resilience monitoring capabilities to identify potential vulnerabilities quickly and put in place necessary remediations and controls.

Conclusion

Throughout the year, we maintained a proactive approach to risk management and remained anticipatory in addressing emerging risks. We monitored the business through our well-established risk frameworks and practices, such as stress tests and portfolio reviews, highlighting any potential concentrations to be acted upon.



Chief Financial Officer's Review



Tapiwa Butale
Chief Financial Officer

Business Performance

Standard Chartered Bank Botswana (SCBB)'s performance underscores its commitment to sustainable long term value creation for shareholders. The Bank delivered on its key financial objective for 2025, achieving a Return on Tangible Equity (ROTE) of 26%, in line with its target of 25%.

Total income for 2025 closed at P950.8m, representing a decline of 11% year on year (YoY). Net interest income (NII) decreased by 13% YoY, reflecting margin compression on asset products driven by a higher cost of funding compared to the prior year. This performance is indicative of the liquidity pressures experienced across the market.

Non funded income remained relatively flat YoY, closing the year with a 20.8% contribution to total income.

Cost containment initiatives continued to deliver tangible benefits, with operating expenses declining by 9% year on year to P556.8m. These savings were largely driven by the Bank's digitisation strategy, which supported improved operating efficiency and resulted in a Cost to Income Ratio (CIR) of 59%.

Total loans and advances to customers closed the year at P7.9bn, reflecting a measured 3% YoY decline, largely driven by a deliberate de-risking of the WRB portfolio. WRB balances reduced by 5% to P6.9bn as the Bank proactively optimised risk in response to a challenging macroeconomic and liquidity environment. Offsetting this, CIB assets increased to P1.1bn, supported by increased drawdowns from quality corporate clients, underscoring the strength of the franchise in this segment.

Total customer deposits closed at a robust P13.7bn, down a modest 1% year-on-year, primarily due to targeted management of retail funding and competitive liquidity pricing conditions. WRB deposits decreased by 3% year-on-year, while CIB deposits were broadly stable, demonstrating the resilience and stickiness of our corporate funding base.

Net Interest Income and margin

	2025 P'000	2024 P'000
Net Interest Income	753,522	866,223
Average Interest-earning Assets	12,723,897	11,064,124
Average Interest-bearing Liabilities	10,807,117	11,475,350
Gross Yield (%)	9.4	10.0
Rate Paid (%)	4.0	2.1
Net Yield	5.3	7.9
Net Margin (%)	5.9	7.8

Net Interest Income (NII) decreased by 13% year on year to P754m largely driven by an increase in interest expense. Average interest earning assets increased by 27% largely due to an increase in the investment securities held throughout the financial year. The increase in interest expense resulted in a deterioration of the net margin by 190 basis points annually.

Credit Quality

	2025 P'000	2024 P'000
Gross loans and Advances to customers	8,092,199	8,337,356
Of which Stage 1 and 2	7,928,603	8,112,202
Of which Stage 3	163,596	225,154
Expected Credit loss provisions	170,922	182,992
Of which Stage 1 and 2	17,063	24,588
Of which Stage 3	153,859	158,404
Net loans and Advances to customers	7,921,277	8,154,364
Of which Stage 1 and 2	7,911,540	8,087,614
Of which Stage 3	9,737	66,750
Collateral	1,212,720	1,463,659
Stage 1 and stage 2 exposures	1,198,754	687,632
Stage 3 exposures	13,966	776,027

Total Expected Credit Loss (ECL) provisions reduced by 7%, with Stage 1 and 2 ECL provisions decreasing by 31% YoY, and Stage 3 impaired exposures decreasing by 3% reflecting the quality of the loan book.

2025 highlights

Total customer deposits

P13.7bn

↓ 1% YoY

Profit before tax

P342m

↓ 28% YoY

Operating expenses

P556.8m

↓ 9% YoY

Balance Sheet and Liquidity

	2025 P'000	2024 P'000
Assets		
Loans and advances to banks	17,431	791
Loans and advances to customers	7,921,277	8,154,364
Other Assets	9,351,672	10,214,189
Total assets	17,290,380	18,369,344
Liabilities		
Deposits from other banks	1,624,632	1,095,708
Deposits from customers	13,689,235	13,792,379
Other Liabilities	824,751	2,223,203
Total Liabilities	16,138,618	17,111,290
Equity	1,151,762	1,258,054
Advances-to-deposits Ratio (%)	57.9	59.1
Liquid Assets Ratio (%)	16.1	19.2

The local currency advance-to-deposit ratio remained healthy at 58%, reflecting a prudent balance between growth, liquidity and risk management. Overall, the Bank has navigated a difficult operating environment with resilience, maintaining sound asset quality, a solid funding profile, and capacity to support future growth as conditions normalise.

Risk Weighted Assets (RWA)

	2025 P'000	2024 P'000
By Risk Type		
Credit	6,094,583	6,691,982
Market	24,810	21,903
Operational	801,248	801,249
Total RWAs	6,920,641	7,515,134

Total RWA went down by 9% ending at P6.9bn largely driven by a decrease in Credit Risk RWA which closed at P6.1bn from P6.7bn.

Capital Base and ratios

	2025 P'000	2024 P'000
CET1 Capital	454,968	439,154
Additional Tier 1 Capital (AT1)	400,000	400,000
Tier 1 Capital	854,968	839,154
Tier 2 Capital	337,183	507,955
Total Capital	1,192,151	1,347,109
Capital adequacy ratio (%)	17.2	17.9
Regulatory Threshold (%)	12.5	12.5

Capital ratios remain within regulatory limits with Capital Adequacy Ratio (CAR) ending the period at 17.2%. The bank continuously embarks on initiatives to optimise deployment of capital for maximum return to shareholders.

Sustainability Review

Achieving Net Zero: Contributing to global targets through local action

Our Sustainability Journey

Sustainability is a strategic area of focus, as we strive to promote inclusive growth and prosperity across the markets where we operate. Our approach to sustainability supports the Group's strategy, which is designed to deliver our Purpose: to drive commerce and prosperity through our unique diversity. This is underpinned by our brand promise, here for good.

Our approach is articulated through our long-term sustainability goals - our Sustainability Aspirations - and our short-term sustainability targets - our Sustainability Strategic Pillars. The Aspirations and Pillars set out how we intend to deliver across our Sustainability agenda.

Sustainability continues to be included in the 2025 Group scorecard and 2024-26 Long-Term Incentive Plan (LTIP) with performance measures that align with our Sustainability Aspirations and Sustainability Strategic Pillars.

The Group's global footprint combined with its particular focus on Asia, Africa and the Middle East informs our unique understanding of the complexity associated with reaching our net zero targets by 2050 across our financed and facilitated emissions, including a heightened focus on the security and resilience of our markets as they respond to greater climate change-induced uncertainty. As a financial institution, the Group has an important role to play in supporting our clients and markets as they navigate this complexity, while driving and encouraging change in the real-world economy.



Our approach to managing our environmental footprint

The Group defines net zero in line with ISO IWA 42 as a condition in which human-caused residual GHG emissions are balanced by human-led removals over a specified period and within specified boundaries, whereby residual emissions are those GHG emissions that remain after taking all possible actions to implement emissions reductions. This approach aligns with the principles outlined in the GHG Protocol.

In 2025, the Group achieved its net zero target across Scope 1 and 2 emissions, marking a significant milestone. The Group also reduced its carbon footprint by 96% from a 2018 baseline of ktCO₂e. This achievement reflects the steps we have taken to decarbonise our real estate portfolio and aligns with the overall Group's net zero agenda. Residual emissions that persist despite our rigorous efforts to minimise them are counterbalanced by purchasing and retiring carbon credits. Moving forward we remain committed to sustaining our net zero commitment for Scope 1 and 2 emissions and continue to strengthen measures to support it.

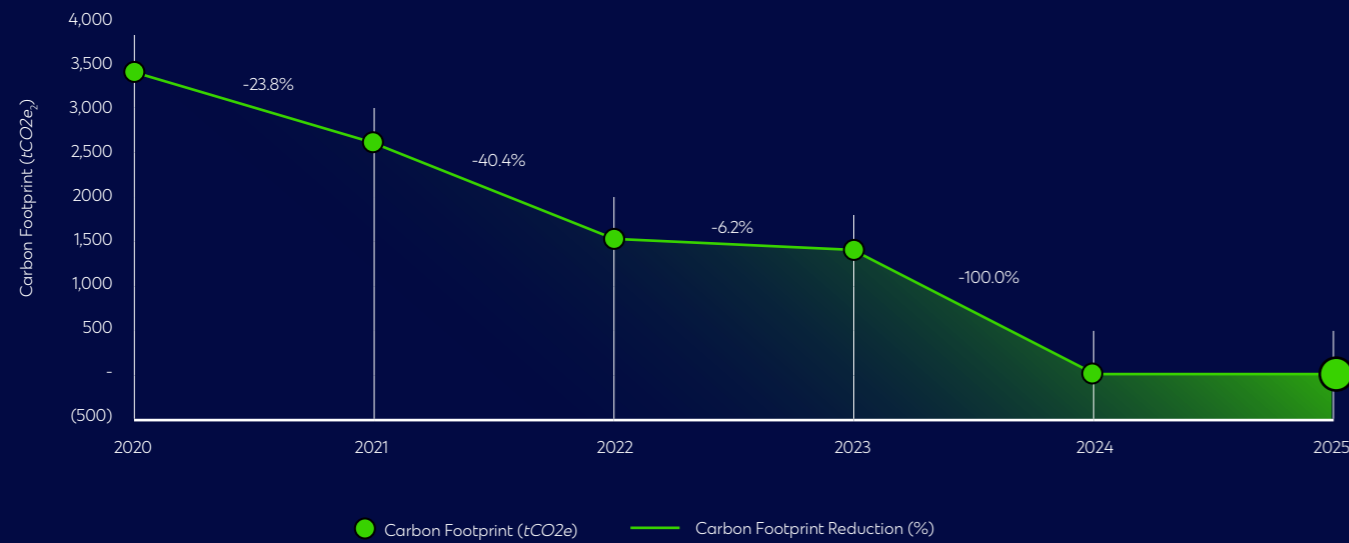
Botswana's Progress: A Global Sustainability Ambassador

As Botswana strengthens its connections to global markets, our operations here serve as a model for sustainable business practices. We're proud to report that our Botswana operations have achieved Net Zero in Scope 1 and 2 emissions—a significant milestone made possible through strategic energy-efficient investments and increased reliance on renewable energy sources through renewable energy certificates. We aim to reach net zero in our financed emissions by 2050.

Our sustainability initiatives in Botswana, which connect local actions to global environmental goals, include:

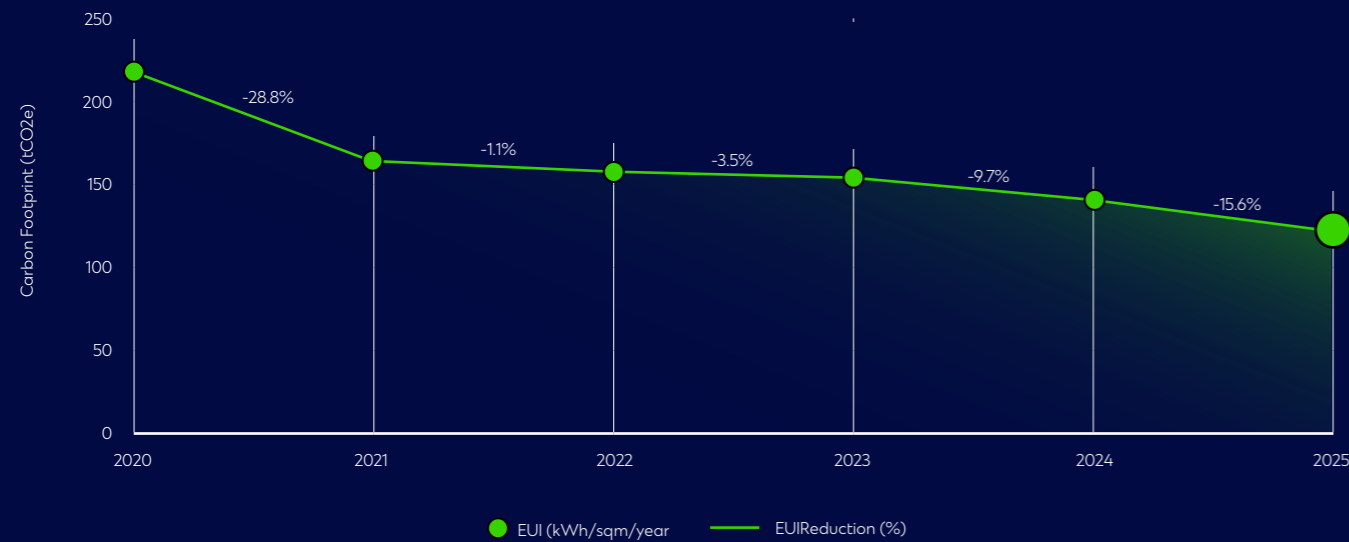
- Complete transition to efficient LED lighting across all branches
- Installation of inverter-type efficient air conditioning systems
- Implementation of solar PV projects
- Strategic operational adjustments to MEP systems

SCB Botswana - Carbon Footprint (tCO2e)



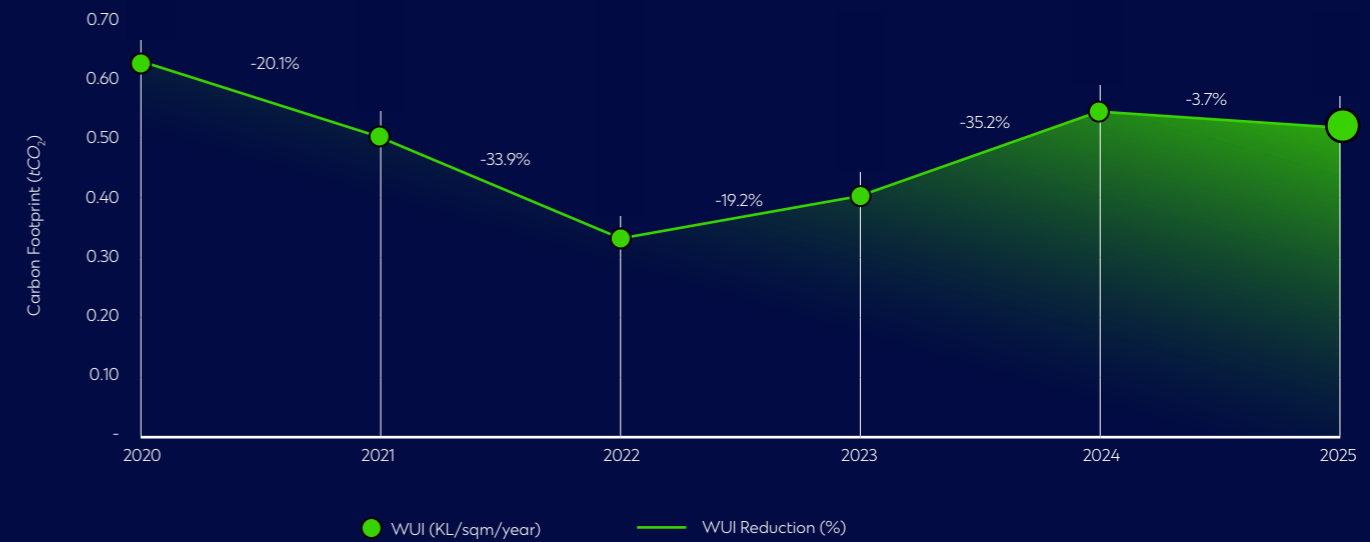
Through these energy conservation measures, we have reduced our energy usage intensity (EUI) by 48% from our 2020 baseline, positioning our Botswana operations as leaders in our global sustainability network.

SCB Botswana - EUI (Kwh/sqm/year)



Water conservation remains crucial in connecting Botswana's sustainability efforts to global water management standards. In 2025, we reversed the trend and achieved a remarkable water usage intensity (WUI) reduction of 18% from our 2020 baseline.

SCB Botswana - WUI (KL/sqm/year)



Building Sustainable Connections for Tomorrow

Looking forward, we're intensifying our sustainability focus in Botswana. We plan focus on operational energy efficiency measures to keep driving efficiency through HVAC systems optimisation, energy monitoring, and schedule adjustments. These initiatives highlight our ongoing commitment to sustainable practices that connect Botswana's operations to our global environmental goals.

Waste Management: Connecting to the Circular Economy

In 2025, we diverted 55% of our waste, totalling approximately 959 kg. As we strengthen Botswana's connections to global sustainability standards, we're implementing plans to increase our diversion percentage through comprehensive awareness campaigns and enhanced employee engagement initiatives that promote global best practices in waste reduction and management.




Measurement and Verification: Connecting Data to Action

Our carbon metrics focus on Scope 1 and Scope 2 emissions from our operations. Data is collected monthly and consolidated into a central database for accurate tracking of carbon emissions, water usage, and waste management. This approach connects our local operations to global sustainability standards through transparent reporting. All data undergoes thorough verification at both group and country levels by Global Documentation Ltd, independent assessors who ensure our reporting meets international standards.

As we continue connecting Botswana to the world through enhanced trade relationships and financial services, our sustainability practices demonstrate how local action contributes to global environmental goals—reinforcing Standard Chartered's position as a responsible global corporate citizen committed to sustainable development both locally and internationally.

Our Approach to Managing Impacts in our Upstream Value Chain

How we create value

-  **Innovation**
Driving resilience and new ideas.
-  **Ethics**
Respecting human rights and inclusion.
-  **Sustainability**
Moving toward a net-zero future.

How the Group engages

We aim to identify and work with a more diverse range of suppliers. We focus on growing these relationships and increasing spend with existing and new diverse suppliers, while committing to supporting suppliers through coaching, mentoring and outreach programmes.

In 2025, in partnership with WEConnect International – a global network supporting women-owned businesses – we hosted three virtual and three face-to-face events across our markets. By partnering with WEConnect International directly, we have continued to identify and expand our diverse supplier base.

Through our events, we provide a platform for our suppliers to collaborate, share knowledge and exchange best practices. The events foster transparency, supports capability building, promotes recognition and ensures our suppliers are aligned with our sustainability standards and decarbonisation goals

How the Board engages

Progress is tracked, on an annual basis, by the Group Culture and Sustainability Board Committee and the Group Diversity and Inclusion Council. This supports alignment with our wider sustainability goals and embeds accountability for progress.

Outcomes from engagement

We remain committed to a diverse and inclusive supply chain in 2026. To broaden our impact, we aim to incorporate our larger suppliers into our inclusion programmes, encouraging them to engage and report on their own diverse spending and activities

Read more on the principles of supplier diversity and inclusion in our Supplier Diversity and Inclusion Standard at sc.com/supplier-standard

Why we engage

We are committed to fostering an inclusive and sustainable supply chain that reflects the diversity of the communities we serve. By engaging with diverse suppliers – small and medium sized businesses, businesses owned by women, ethnic minorities, persons with disabilities, and social enterprises we help create equitable economic opportunities and drive innovation across our value chain.

Our partnerships enable diverse suppliers to access new markets, build capacity and strengthen their business resilience, while providing us with fresh perspectives, agile solutions, and stronger community connections. Through these relationships, we continue to advance shared growth, inclusion and long-term value creation for all stakeholders.

We continue our focus on decarbonising our supply chain. We work with our suppliers to calculate emissions and set reduction targets where appropriate.

Their interests

- Open and transparent tendering process
- Simple and consistent onboarding requirements
- Accurate and on-time payments
- Willingness to adopt supplier-driven innovation
- Guidance on implementation of sustainability matters



Stakeholder Engagement and Community Impact

A Lasting Legacy

The Bank continued to position itself firmly as a Corporate and Investment Banking (CIB) business by leveraging high-impact opportunities to showcase our cross-border expertise and network. The Bank participated in the 2025 Mining Indaba, The Future of Mining Summit and Global Expo, where it demonstrated the value Standard Chartered continues to bring to Botswana's mining sector, particularly the diamond industry. We also hosted a Global Outlook Seminar for our key CIB stakeholders and clients, alongside Straight2Bank workshops for clients' operational teams, to deepen understanding of CIB capabilities.



To advance our Affluent growth objectives, we implemented a range of educational initiatives designed to highlight our value proposition. These included hosting a Sip & Paint event for the female Muslim community in Gaborone, our annual Gin Soiree Client Appreciation event, and an Economic Outlook Webinar focused on emerging investment opportunities for Botswana in light of global economic trends. Additionally, as part of our Government Bond product launch, we provided market education on investment diversification opportunities. The Bank partnered up with a local influencer, MmaRabachanaki, to promote our Foreign Exchange products; positioning the products in relatable and comedic content pieces, resulting in over 200,000 worth of impressions.



As part of the Bank's efforts to address the unemployment crisis in Botswana - a goal strongly aligned to our Global Community Impact priority of uplifting youth - a programme, called Atlega was born. Atlega targets tertiary students, to assist students to prepare for the world of work. The programme allows students to engage with the various professionals, to understand what skills they employed to navigate their careers. Over 900 students were reached with various leadership and career guidance discussions. Ba Isago University, Botswana University of Agriculture and Natural Resources (BUAN), Botswana Accountancy College (BAC) and ABM University all hosted Standard Chartered for these meaningful exchanges. The Atlega programme continues to transform as we continue to partner with various entities to provide practical life and career skills for the students, such a CV writing and public speaking.



Our community impact pillar continues to be a pivotal lever for us as we do business in Botswana and live out our "Here for good" promise. The Bank donated P600,000 to the flood relief programme early in 2025, whilst also ensuring the safety of our Staff. Other initiatives, which are intended to leave an indelible mark in the communities within which we operate were carried out by our staff at Standard Chartered Botswana through the Employee Volunteering initiative, a global initiative which enables our Staff members to give back. A total of 2436 hours was spent in our communities, with Staff offering financial literacy education, study skills and mentoring for High School students as well as addressing social issues such as drug abuse and gender-based violence in our schools. Our overall participation rate for 2025 stood at 62% of the total staff headcount.



The Standard Chartered Foundation's flagship Women in Tech programme aligns with national efforts to boost digital adoption amongst SMEs and to advance the country's ranking of 110th out of 134 economies in terms of technological readiness and the rapid growth of mobile technology penetration in SMEs since 2015 (according to a 2024 study by North-West University in Mafikeng, South Africa).



The second cohort, providing mentorship and upskilling for women owned businesses was implemented in 2025. Capacity building training was conducted for 15 businesses, with emphasis on small business insurance, digital marketing and efforts to address the well-being and self-management of the entrepreneurs themselves. At the end of the programme - approximately P700,000 in seed funding was distributed amongst the top 6 deserving businesses to assist the business to grow. In total, P1,400,000 has been distributed to 12 outstanding participants of the programme over 2 years. The immediate impact of the programme includes 128 jobs created during the 6-month programme as well as an increase of P5 million in revenue for the 2025 cohort. Included

in the programme is the, Pay it Forward initiative, which calls on the cohort to mentor young girls. A total of 102 young girls have been mentored by the WIT participants, as we aim to encourage entrepreneurship from an early age and an alternative to formal employment. Women in Tech Botswana continues to showcase its reach by extending beyond Gaborone and surrounding areas to as far as Kauxwhi in Ngamiland, Shakawe, Serowe and other far-flung areas in Botswana. The programme continues to ensure that women led businesses in Botswana do not only succeed, but improve operational efficiency and achieve sustainable growth and scale.

2025 Performance Highlights

- Upskilling**
15 businesses trained in digital marketing, small business insurance, and founder well-being.
- Capital Distribution**
P700,000 in seed funding awarded to the top six participants (Totalling P1.4 million over two years).
- Economic Impact**
The 2025 cohort generated P5 million in revenue and created 128 new jobs.
- Geographic Reach**
Expanded impact beyond Gaborone to rural areas including Kauxwhi, Shakawe, and Serowe.
- Mentorship**
102 young girls were mentored through the "Pay it Forward" component of the programme.

Board of Directors



- ① **Solomon Molebatsi Sekwakwa**
Independent Non-Executive Director and Board Chairperson
- ② **Tally Tshkiso**
Independent Non-Executive Director
- ③ **Mpho Judith Dimbungu**
Independent Non-Executive Director
- ④ **Mpho Masupe**
Executive Director and Chief Executive Officer
- ⑤ **Jerry Kweku Boi Bedu-Addo**
Non-Executive Director

- ⑥ **Tapiwa Butale**
Executive Director and Chief Financial Officer
- ⑦ **Rapelang Rabana**
Independent Non-Executive Director
- ⑧ **Rodgers Majwabe Thusi**
Independent Non-Executive Director
- ⑨ **Luzibo Benza**
Company Secretary



Solomon Molebatsi Sekwakwa
Independent Non-Executive Director and Board Chairperson*

Appointed: April 2022

Nationality: Botswana

Committees: BC

Skills and experience: Solomon Sekwakwa is an economist and seasoned public sector leader with extensive expertise in economic planning, fiscal policy, governance and strategic development. He has significant board and governance experience across financial services, mining and public sector institutions.

Career: Solomon served for over a decade as Permanent Secretary in Botswana's Ministry of Finance and Economic Development, where he played a key role in national economic planning, budget formulation and implementation of financial policies. He also served as Permanent Secretary in the Ministry of Health.

His governance experience includes serving on the boards of Bank of Botswana, National Development Bank, Botswana Development Corporation, Debswana Diamond Company and Botswana Public Officers Pension Fund.

He holds a Master of Arts degree specialising in Development Economics, a Postgraduate Diploma in Economics from the University of Sussex, United Kingdom, as well as a Bachelor of Arts degree in Economics and Sociology from the University of Botswana.



Mpho Masupe
Executive Director and Chief Executive Officer

Appointed: September 2017

Nationality: Botswana

Committees: BC BR

Skills and experience: Mpho Masupe brings over two decades of leadership experience across banking, finance, strategy and corporate services within the banking and mining sectors. He has strong expertise in financial management, strategic leadership, operational transformation and change management, with a passion for developing young professionals and leading large-scale transformation initiatives.

Career: Mpho joined Standard Chartered Bank Botswana Limited in March 2013 as Chief Financial Officer and was appointed Chief Executive Officer in 2017. Prior to joining the Bank, he spent 22 years in finance, corporate services and strategy roles across various mining houses within the copper, nickel, coal and diamond sectors.

He holds a Master's Degree in Strategic Management from the University of Derby and a Bachelor of Commerce Degree from the University of Botswana. He has also completed Management and Executive Development programmes at the Gordon Institute of Business Science (GIBS), University of Pretoria.



J. Kweku Bedu-Addo
Non-Executive Director

Appointed: January 2018

Nationality: Ghanaian

Committees: BR BRN

Skills and experience: Kweku Bedu-Addo brings extensive experience across banking, finance, public policy and international development. He has held senior executive leadership roles within Standard Chartered across Ghana, Zambia, Singapore and Southern Africa, with deep expertise in corporate and institutional banking, strategic leadership, fiscal oversight and governance.

Career: Kweku joined Standard Chartered in 2000 following earlier experience within Ghana's Ministry of Finance during the country's structural adjustment reforms. Over his career with the Bank, he held several senior Corporate and Institutional Banking leadership roles across Africa and Asia. In 2010, he became the first Ghanaian Chief Executive Officer in Standard Chartered Ghana's 125-year history. From August 2017 to July 2024, he served as Regional Chief Executive Officer for Southern Africa, based in Johannesburg, South Africa.

He currently serves as Chairman of Standard Chartered Bank Mauritius, Independent Non-Executive Director and Chairperson of the Board Credit & Risk Committee at Development Bank Ghana, and a founding member of Ghana's National Fiscal Council.

*Doreen Cilla Khama retired from the Board effective 30th June 2025 and was succeeded by Solomon Molebatsi Sekwakwa.

Key

Board Audit Committee BA Board Risk Committee BR Board Credit Committee BC
Board Remuneration, Nomination & Evaluations Committee BRN Committee Chairperson Invite



Tapiwa Butale
Executive Director and
Chief Financial Officer

Appointed: May 2024

Nationality: Motswana

Committees: BA BC

Skills and experience: Tapiwa Butale is a seasoned finance executive with over 20 years of experience in audit, financial management, regulatory reporting and strategic financial leadership. She has extensive expertise in financial control, governance, budgeting, statutory reporting and financial planning within the banking sector.

Career: Tapiwa joined Standard Chartered Botswana in 2005 as Statutory Reporting Manager and progressed through a number of senior finance leadership roles within the Bank. She was appointed Financial Controller in April 2016 and subsequently became Chief Financial Officer in April 2022.

Prior to joining Standard Chartered Botswana, she gained experience in audit and financial management roles. Her leadership within the Bank has focused on strengthening financial governance, regulatory compliance, operational efficiency and strategic financial planning.

Tapiwa is a Chartered Accountant and a member in good standing of both the Botswana Institute of Chartered Accountants (BICA) and the Association of Chartered Certified Accountants (ACCA). She also holds an Association of Accounting Technicians (AAT) qualification.



Rodgers Majwabe Thusi
Independent Non-Executive Director

Appointed: July 2019

Nationality: Motswana

Committees: BR BRN

Skills and experience: Rodgers Thusi brings extensive expertise in mining engineering, mineral processing, project management and business risk management. He has broad experience across technical investigations, operations management, resource evaluation and engineering consultancy.

Career: Rodgers is the Co-Founder of Gidary Technical Solutions, a consultancy firm providing technical investigations, mineral resource evaluation and operational support services to mining operations. Over the course of his career, he has contributed to several mining and engineering projects across the sector.

He holds a Bachelor of Science degree specialising in Mineral Processing from the University of Wales, a Postgraduate Diploma in Management Studies from the Management College of Southern Africa and certificates in Advanced Operations Management and Business Risk Management from the University of Cape Town.

Rodgers is a member of the Botswana Institute of Engineers, a registered engineer with the Engineering Registration Board Botswana and a certified Project Management Professional through the Project Management Institute.



Rapelang Rabana
Independent Non-Executive Director

Appointed: February 2021

Nationality: Motswana

Committees: BC BRN

Skills and experience: Rapelang Rabana is an internationally recognised technology entrepreneur with expertise in digital transformation, innovation, product development, strategy, process engineering and brand development. She has extensive experience in technology-driven business transformation and education technology across Africa.

Career: Rapelang founded Rekindle Learning, an education technology company focused on corporate learning and digital skills development. She currently serves as Co-Chief Executive Officer of Imagine Worldwide, supporting the expansion of education technology solutions across Africa, and is also a Partner at FFWD Innovation.

Her achievements have earned global recognition, including being named among the World Economic Forum's "15 Women Changing the World" in 2015 and "Entrepreneur for the World" by the World Entrepreneurship Forum in 2014.

Rapelang holds a Bachelor of Business Science degree in Computer Science Honours and a Master of Science degree in Property Studies, both from the University of Cape Town, South Africa. She has also completed the FAIS Regulatory Examinations RE1, RE3 and RE5, as well as the Venture Capital Intensive Programme at Venture University in San Francisco, USA.



Mpho Judith Dimbangu
Independent Non-Executive Director

Appointed: April 2023

Nationality: Motswana

Committees: BA

Skills and experience: Mpho Judith Dimbangu brings over 30 years of experience in financial management, strategic leadership and operational transformation, primarily within the mining and manufacturing sectors. She has strong expertise in financial planning, governance, restructuring and business development.

Career: Mpho held several senior finance and leadership positions within DTC Botswana, Debswana Mining Company and De Beers Consolidated Mines. She later served as Managing Director of Spring Crown Holdings Proprietary Limited, a steel manufacturing company serving the mining, water works and construction sectors, until January 2025.

Her professional experience spans financial management, corporate governance, SME development and process improvement. She has also served on multiple boards and board committees across industries including financial services, aviation, pension fund administration and manufacturing.

Mpho is a Fellow Chartered Accountant (FCA) and holds a Master of Business Administration degree from the University of Derby. She has also completed executive leadership development programmes with Wits Business School and the London School of Business.



Tally Tshkiso
Independent Non-Executive Director

Appointed: October 2025

Nationality: Motswana

Committees: BA

Skills and experience: Tally Tshkiso is an accomplished economist with extensive experience in finance, trade, investment policy development and economic analysis across both the public and private sectors. He has strong expertise in governance, investment strategy and macroeconomic policy.

Career: Tally is the Founder and Principal Consultant of Tally Think Tank, a consultancy firm specialising in financial and economic analysis for both public and private sector clients. Throughout his career, he has actively contributed to policy dialogue and investment promotion initiatives, representing Botswana on international platforms and advocating for private sector-led economic growth.

His governance experience includes serving on the boards of Public Enterprises Evaluation and Privatisation Agency, Botswana Export Development and Investment Authority and African Alliance Botswana Group.

Tally holds a Master of Science degree in Economics from the University of Illinois at Urbana-Champaign in the United States and a Bachelor of Arts degree in Economics from the University of Botswana. He is also a member of Omicron Delta Epsilon, the International Economics Honour Society.

Luzibo Benza
Company Secretary

Appointed: May 2024

Nationality: Motswana



Skills and experience: Luzibo Benza is an admitted Attorney of the Courts of Botswana with extensive experience in corporate commercial law, banking law, labour law and litigation. She has developed specialist expertise in financial services regulation, enterprise risk management and corporate governance through both private legal practice and in-house legal advisory roles.

Career: Luzibo has worked both as a practising attorney and as in-house counsel, advising on a broad range of commercial, banking and labour-related legal matters. Her experience includes corporate governance advisory, regulatory compliance, banking and financial markets law, dispute resolution and enterprise risk management.

She holds a Master of Laws degree in Commercial Law from the University of Cape Town and a Bachelor of Laws degree from the University of Botswana. She has further completed postgraduate certifications in the Law of Banking and Financial Markets from the University of the Witwatersrand, South Africa, and Enterprise Risk Management from Botswana Accountancy College.

Key

Board Audit Committee BA Board Risk Committee BR Board Credit Committee BC
Board Remuneration, Nomination & Evaluations Committee BRN Committee Chairperson Invite

Management Team



Mpho Masupe
Chief Executive Officer



Tapiwa Butale
Chief Financial Officer



Jared Obongo
Chief Risk Officer



Bame Tshweneyagae
Head, Corporate Affairs,
Brand & Marketing



Diakolo Neo
Ag. Head, Wealth and
Retail Banking



Chamu Mugangavari
Executive Director, Corporate
and Investment Banking



Shathani Molefe
Chief Compliance Officer



Onangone Motlhabane
Ag. Chief Technology &
Operations Officer



Kenneth Mbaiwa
Head, Human Resources

*Onangone Motlhabane assumed the role of Acting Chief Technology & Operations Officer, Botswana, with effect from 4 May 2026, succeeding Molefe Petros.



Modiri Modise
Head, Financial Markets &
Financial Markets Sales



Neo Kwape
Head, Internal Audit



Charles Kamba
Head, Legal



Luzibo Benza
Company Secretary

Corporate Governance Framework

The Board of Directors (“the Board”) of Standard Chartered Bank Botswana Limited (“the Company”) maintains a strong commitment to the highest standards of corporate governance ensuring ethical conduct, regulatory compliance and sustainable value creation. The Board applies an integrated approach to governance aligned to strategy, regulatory requirements and international best practise enabling prudent management, effective oversight and accountability to stakeholders.

To ensure adherence to the highest standards of corporate governance and an effective control environment, the company has adopted several policies and standards. Among the policies adopted is the code of conduct which sets out key conduct principles and standards expected of each employee inclusive of the Board of Directors in the day-to-day execution of their responsibilities. On an annual basis, all employees of the company including the Board re-commit to adhering to the principles of the Code of conduct. Additionally, the Company’s vendors commit to the suppliers’ charter which sets out the minimum expected standards for all vendors.

The Board

The Board exercises sound leadership and independent judgment in all matters affecting the company in the best interest of all stakeholders. The Board is responsible for the long-term success of the company by ensuring sustainable leadership within a framework of effective controls. The Board sets the strategic tone of the company and takes appropriate actions to ensure that the company is properly resourced to realise its strategic aspirations.

Diversity and mix of skills

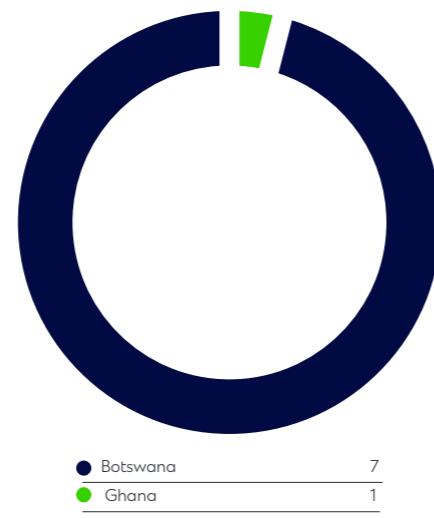
The Board complement reflects the company’s commitment to diversity which ensures that we have varied backgrounds, experiences and perspectives targeted at driving effective governance, strategic decision making whilst maintaining, at the same time, control on risk management. The Board is committed to ensuring its overall effectiveness and that it achieves the appropriate composition and balance of skills. The Board has a balanced representation across gender, ethnicity and professional expertise driving appropriate challenge within Board discussions. The Board Charter sets out an approach to be adopted to ensure that diversity remains a key feature of the Board.

Diversity as at 31 December 2025

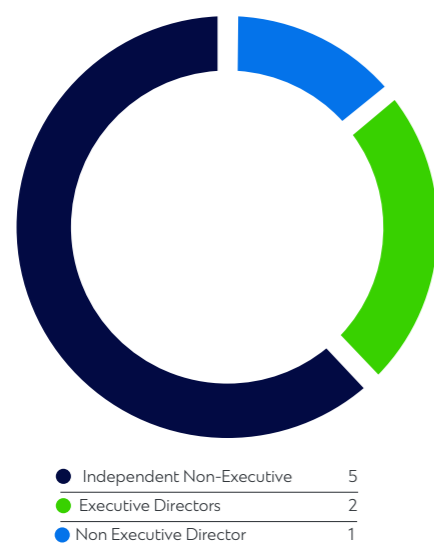
Board Tenure



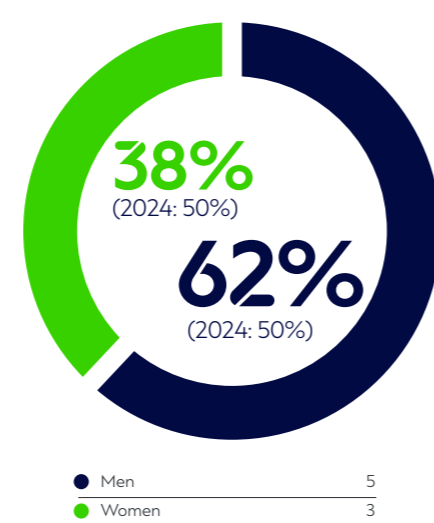
Nationality



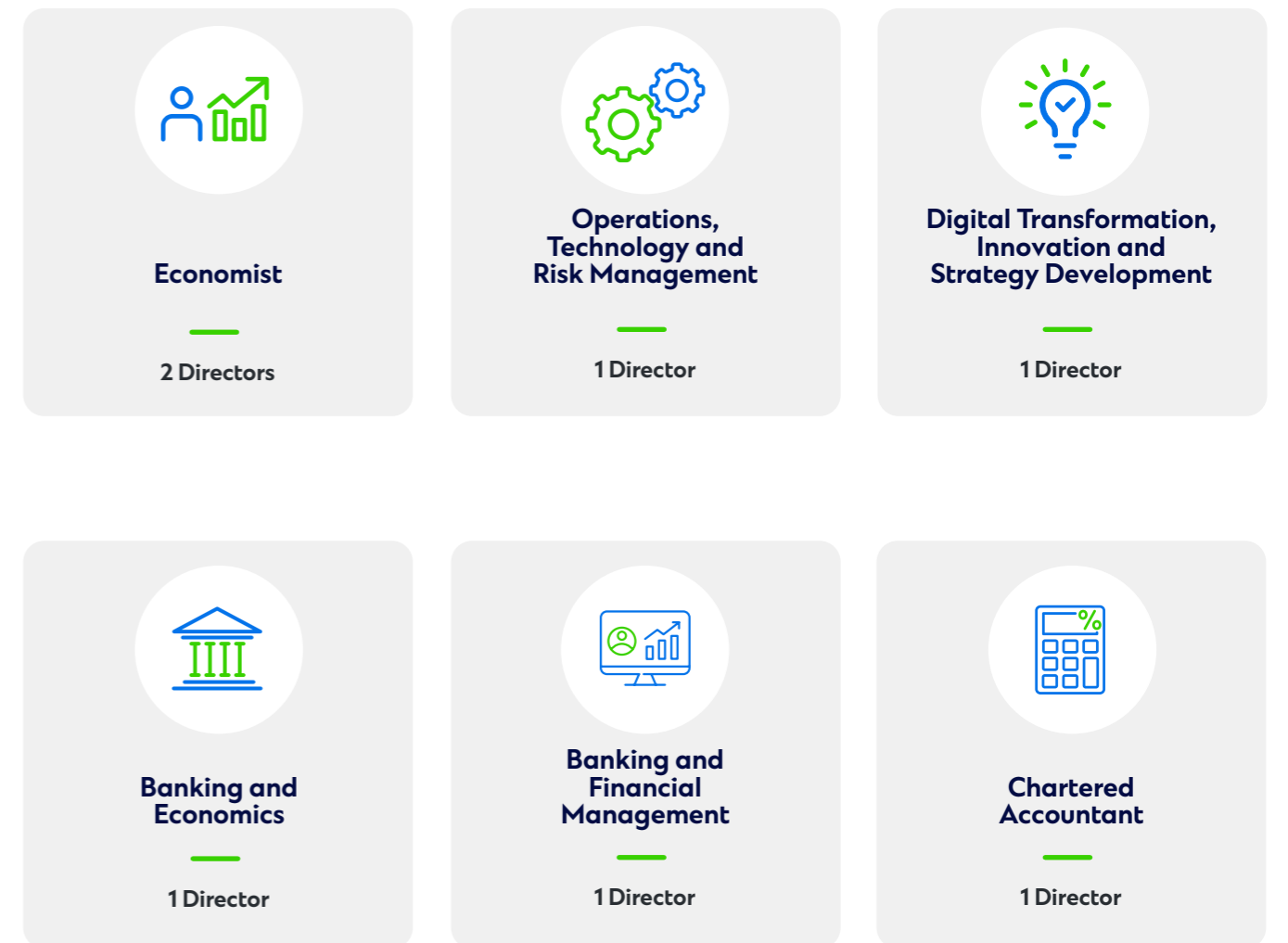
Independence



Gender



Board’s Areas of Expertise



There exists a cordial working relationship between the non – executive directors and executive directors characterised by a healthy level of challenge and debate. The Board periodically receives comprehensive reports on the business, economic and competitive landscape.

The Board continues to review the matters reserved for the Board, key among them being the review and tracking of the company's strategy, financial performance, approving any changes to capital ensuring there is sound internal controls, risk management, delegation and monitoring of authorities for expenditure, lending, people management and compensation and material outsourcing.

Independent Non-Executive Directors

The majority of the directors are independent and free of any interest, association and or relationship which when judged from the perspective of a reasonable and informed third party, would likely cause undue influence in their decision making. In determining independence of a non- executive director, the board considers an individual against the criteria set out in the King IV Code on Corporate governance, the Companies Act, Bank of Botswana guidelines on corporate governance including the manner in which they conduct themselves at Board meetings. The directors are required to declare any interest that may give rise to a potential or perceived conflict of interest on an ongoing basis including at each Board meeting.

The Board had concluded that there are no relationships, interests and or circumstances that would likely cause undue influence in the independent non-executive directors' decision making.

Board selection and appointment principles

In line with internationally accepted governance standards and local regulations, the company has adopted a formal and transparent procedure for the appointment of board members based on a set of broad principles;

- The Board should have an appropriate balance of skill, knowledge, diversity and experience relevant to the company. The Board should further exercise an independent mindset to challenge the executives where relevant.
- At least one third of the board members must be independent non- executive directors.
- The majority of membership within the Board delegated Committees comprises of Independent Non – Executive Directors.
- Prospective independent non - executive directors are interviewed by the Board Chairperson and the Remuneration, Nomination and Evaluations Committee representative with a view to assess their suitability for the roles and whether their values are aligned to those of the company.
- Candidates earmarked for Committee chairperson positions are subjected to an interview with the respective Group Committee Chairperson.
- Due diligence and screening checks are conducted prior to the appointment of any independent director to ensure the company is not exposed to risks associated with integrity, financial soundness, conflict of interest and related party relationships.
- All directors should have capacity to devote sufficient time and commitment to attend all board and committee meetings including engaging in relevant company events.

- The Board maintains a robust succession plan to ensure sound planning, a balance of knowledge, skill and appropriate continuity. The succession plan is reviewed annually by the Board Chairperson, the Chief Executive Officer with the assistance of the Company Secretary.
- A list of prospective independent directors is maintained by the Company Secretary and reviewed annually.
- Directors are subjected to an induction training upon joining the Board, and on a regular basis, the bank updates the directors' skills and knowledge through continuous training.

The Board has delegated the recruitment and appointment of Directors to the Remuneration, Nomination and Evaluations Committee.

Director Induction

The company has a comprehensive and tailored induction training for new directors on business operations with specific focus on risk, compliance, legal and regulatory issues. Upon joining, a director receives training on business aspects from various senior management personnel.

A crucial part of the induction programme is to ensure that the directors have an understanding of the governance environment including their statutory duties and obligations as directors. The company secretary plays a key role throughout the training. The directors' induction programme entails;

Constitution and the governance structure

The director undertakes a review of the Constitutional documents ad governance structures such as;

- Memorandum and articles of association
- Board and management structures
- Subsidiary governance structure
- Board charter
- Board and Committee terms of reference
- Management committee terms of reference
- Board and Committee meeting dates

Directors' duties

The director receives essential information necessary to provide knowledge and understanding of the following:

- Key legal and regulatory provisions from the King IV Code of South Africa on corporate governance, Companies Act and listing rules
- Directors roles and responsibilities
- Guidelines on conflict of interest
- Summary of director's liability insurance covers

Essential information on the business

The induction is designed to ensure the director receives information necessary to provide general understating of the business operations and its policies;

- Policies on Enterprise Risk Management Framework, Audit, Credit, Cyber Security
- History of the Standard Chartered Group
- Code of conduct
- Summary of the various business segments
- Delegated authorities manual
- Directors' continuous education programme

Directors ongoing development

The company has a development programme which is needs based and designed to upskill the directors. On an annual basis, the directors are expected to secure at least twelve (12) hours for development on relevant areas of disciplines crucial to execution of their roles and obligations, this includes training on relevant areas/disciplines having considered developments in the market. Further and pursuant the annual board evaluation exercise, areas that require further training are identified and these are addressed annually through trainings.

Moreover, the Directors have unlimited access to an online learning platform which provides knowledge on vast topics relevant to the banking industry and the company.

In the year 2025, the Directors received mandatory training and learning on the below:

- Geopolitical Macroeconomic Outlook H1
- Information Cyber Security Awareness
- Enterprise Risk Management Framework strengthening resilience; the critical role of cybersecurity
- Cyber Security for Artificial Intelligence
- Geopolitical and Macroeconomics Outlook H2

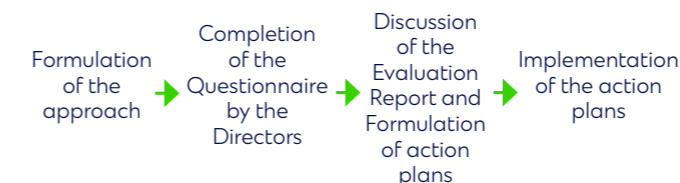
Board Effectiveness

The Board encourages open, transparent and constructive dialogue amongst the members. The Board and its Committees have a carefully structured agenda which acts as a guideline to ensure that the minimum standards of governance are upheld.

Board evaluation

A board evaluation process is conducted annually by the Remuneration, Nomination and Evaluation Committee with the support, to the extent necessary, of the company secretary. The evaluation entails a peer evaluation by each director, board committees and the overall board interactions, conduct of business meetings and scope of control exercised by the directors. Following the evaluation, the Committee identifies areas that require further consideration and improvement, which may include training, and these are addressed appropriately to the satisfaction of the Board. The outcomes of the evaluation process are reported to the Board and on request, to Bank of Botswana.

The Board evaluation process entails;



Role of the Board Chairperson and the Chief Executive Officer

The Board Chairperson and the Chief Executive Office are clearly defined in the board charter which is reviewed and approved by Board on an annual basis, the roles are distinct and held by two separate individuals. The Board Chairperson is an Independent Non- Executive Director whilst the Chief Executive Director is on full time employment by the Company.

Except for direction and guidance on policy, the board has delegated the conduct of the day- to – day business to the Chief Executive Officer and the Executive Management team.

Succession Planning

The company recognises succession planning as a critical component of effective governance. The Board therefore maintains a structured and regularly reviewed succession framework for both directors and the Country Management Team aimed at ensuring continuity of leadership, preservation of institutional knowledge and an appropriate balance of skills, experience and diversity. This proactive approach supports effective oversight, mitigates governance risks associated with transitions and ensures that the Company remains well positioned to meet its strategic objectives and regulatory expectations.

The Board has delegated this responsibility to the Remuneration, Nomination and Evaluations Committee.

Access to information

Directors have unrestricted access to information and management. The board is provided with timely information and comprehensive reports on material operational, risk management and financial matters of the company to facilitate informed discussions during meetings.

All directors have access to advice of the company secretary, who provides advisory support to the Board on governance matters. Directors further have access, where necessary, to independent professional advice at the company's expense.

Board Activities

To enable the Board to use its time efficiently, the Board with the support of the company secretary, maintains a scheduled programme of meetings and a rolling agenda. Despite the scheduled programme, the Board is at liberty to exert sufficient flexibility to the programme to ensure that key matters are afforded the appropriate time and attention. The Board also schedules informal sessions and interactions which allow members to discuss areas of business, strategy and external environment with the management team and external advisers.

Board meetings and Attendance

The Board convenes at least four formal meetings a year and a strategy session. As already stated above, a formal scheduled programme of the meetings is maintained. The directors receive comprehensive timely reports to enable them to exercise full and effective oversight over strategic, financial, operational, risk, compliance and governance issues among other things. The Board has the prerogative to schedule additional ad-hoc meetings where it deems necessary.

In the year 2025, Board meetings were convened in a hybrid manner and all the Directors attained a one hundred percentage (100%) attendance of the Board meetings. The below table shows the number of meetings held and the attendance by each director;

Director	Attendance	Attendance in %
D. Khama	2/2	100
S. Sekwakwa	4/4	100
R. Thusi	4/4	100
T. Tshekiso	1/1	100
R. Rabana	4/4	100
K. Bedu -Addo	4/4	100
M. Masupe	4/4	100
M. Dimbungu	4/4	100
T. Butale	4/4	100

Board Committees

The Board has four primary Committees with identified delegated authorities, these are the Board Risk Committee, Board Credit Committee, Board Audit Committee and the Board Remuneration, Nomination and Evaluation Committee. To foster objectivity within delegated structures of the Board, all Committees are chaired by an independent non-executive director and majority of the Committee members are Independent Non- Executive Directors. The respective Committee chairpersons report to the Board at each scheduled board meeting.

There are terms of reference in place setting out the responsibilities for each board committee, and these are reviewed annually and approved by the Board.

Board Audit Committee

Committee Composition

S. Sekwakwa*	Member
M. Dimbungu	Member
T. Tshekiso	Member

*Chairperson until 30th June 2025 and was succeeded by Mpho Judith Dimbungu

The Board is satisfied that the Committee chairperson has the requisite skills and experience to lead the Committee and that all the other members are adequately experienced and knowledgeable with regards to financial reporting.

Role and functions

The Committee is governed by Terms of Reference that set out the responsibilities, procedures including conduct of special investigations. The Terms of Reference are reviewed and approved by the Board annually. The Committee reviews the company's internal financial controls and advises the Board on matters relating to financial reporting. The Committee is further responsible for exercising oversight over work undertaken by the Conduct Financial Crime Compliance and Internal Audit functions as well as the statutory auditors.

Key responsibilities of the Committee include:

Financial reporting

The Committee reviews the integrity of financial statements of the company and recommends the financial statements for approval to the Board. The Committee further considers Management's recommendations with respect to impairments on loans and advances including other regulatory disclosure requirements.

Oversight over Internal Controls

The Committee regularly reviews and reports to the Board on the effectiveness of the Company's internal controls. The Committee discusses issues of concern raised by Head of Internal Audit and reviews Management's responses and remedial actions until they are resolved to its satisfaction. The Committee further receives regular reports from Head of Internal Audit on internal audits, compliance and legal risks and on the assurance framework. The Chief Compliance Officer submits reports on regulatory compliance and conduct issues.

Internal and External audit reports

The Committee receives reports on findings of the internal and external audits and tracks the actions on audit findings to closure.

Highlights for 2025

In 2025, the Board Audit Committee discharged its mandate in accordance with the law and as set out in its Terms of Reference, the Committee;

- Closely monitored audit findings and the actions arising from internal and external auditors
- Continued to monitor the controls in place for management of capital and liquidity positions in line with regulatory requirements
- Reviewed and approved the financial statements of the company each quarter
- Satisfied itself on the appropriateness of the company's accounting policies and practises
- Reviewed laws enacted during the year
- Followed up on all compliance monitoring reports
- Provided oversight over work undertaken by external auditors

Appropriateness of the expertise and experience of the Chief Financial Officer

In line with the Botswana Stock Exchange Listing Requirement the committee considered the appropriateness, expertise and experience of the Chief Financial Officer. The Committee having considered the detailed Curriculum Vitae and performance assessment outcome of Tapiwa Butale was satisfied that she had the relevant experience, and expertise to continue in the role.

The Committee is satisfied that it has discharged its mandate in accordance with approved Terms of Reference and local regulation.

Committee Meeting Attendance

Member	Scheduled Meeting	Percentage (%)
S. Sekwakwa	2/2	100
M. Dimbungu	3/3	100
T. Tshekiso	1/1	100

Board Risk Committee

Committee Composition

R. Thusi	Member
K. Bedu – Addo	Member

Role and functions

The Committees is responsible for exercising oversight of and reviewing prudential risk. It periodically reviews the company's overall risk Appetite Statement and makes recommendations to the Board. Its responsibilities include reviewing the appropriateness and effectiveness of the company's risk management systems, reviewing reports on principal risks to the business and ensuring effective due diligence on material acquisitions and disposals.

The Chief Risk Officer presents a report to the Committee at every scheduled meeting and the Committee discusses major risks faced by the Company. The Committee is responsible for ensuring that there are written policies, procedures and processes for identifying and managing risks within the company.

Highlights for 2025

The Committee held four meetings in the year and its areas of focus included:

- Enhanced focus on emerging risks including capital, liquidity and market risks
- Comprehensive review of the Company's risk appetite
- Reviewed its membership and revised its Terms of Reference to ensure all risks were reviewed and monitored by the Committee

Committee Meeting Attendance

Member	Attendance
R. Thusi	4/4
K. Bedu – Addo	4/4

Board Credit Committee

Committee Composition

R. Rabana	Member
D. Khama*	Member
S. Sekwakwa	Member
M. Masupe	Member

*Ceased to be a member on the 30th June 2025 and was replaced by Solomon Molebatsi Sekwakwa

Role and Functions

The Credit Committee assists the board of Directors in discharging Credit related duties and responsibilities effectively and efficiently, including but not limited to credit advances/loan approvals made by the Company and makes recommendations to the Board on the Company's overall credit risk appetite. Moreover, the Credit Committee performs all the functions directed by the Bank of Botswana through the Corporate Governance Guidelines, Risk Management Guidelines as well as the Banking Act and any other Statutory Instruments.

Highlights for 2025

- Review and provide oversight of the overall lending policy of a bank.
- Delegate and review lending limits set for the respective senior management officials of a bank.
- Ensuring that senior management, as well as individuals responsible for credit risk management, possess sound expertise, knowledge, and appropriate certifications to accomplish the risk management function.
- Review of the appropriateness of the Delegated Credit Authority Matrix at least annually and if required, recommend revised limits for approval to the Board.

Committee Meeting Attendance

Member	Attendance
R. Rabana	4/4
D. Khama	2/2
M. Masupe	4/4
S. Sekwakwa	2/2

Board Remuneration, Nomination and Evaluations Committee

Committee Composition

R. Rabana	Chairperson
R. Thusi	Member
K. Bedu – Addo	Member

Roles and Functions

The Committee assists the Board in discharging its oversight responsibilities relating to remuneration, compensation, and recruitment of executive directors, non-executive directors together with senior management. The Committee ensures that the Company's human resource policies and structures are consistent with effective risk management, promote the achievement of Company's strategic objectives and aim to build a future ready workforce.

Highlights for 2025

- Oversee the implementation of the People strategy, ensure that Fair Pay principles and gender balance are adhered to, and oversee any changes to the People strategy as applicable
- Oversee the design and operation of the rewards and compensation system
- Exercise competent and independent judgment on rewards and compensation policies, processes and practises and the incentives created for managing risk, capital and liquidity
- Review and approve the compensation of senior management and other key personnel

Committee Meeting Attendance

Member	Attendance
R. Rabana	4/4
R. Thusi	4/4
K. Bedu- Addo	4/4

Statutory Corporate Governance Statement

Board Charter

The Board charter outlines specific roles and responsibilities of the Board which are separate from those of management. The charter also provides for the composition of the Board and its Committees together with their respective terms of reference. It further sets out provisions on areas such as board structure, effectiveness, diversity and internal control. The charter is accessible to the public in the company's website.

Internal Controls

The Board is committed to managing the company's business and financial activities in a manner that enables it to maximise profitable business opportunities, ensures compliance with relevant laws and regulations and enhance resilience to external events.

The company's business is conducted within a developed control framework underpinned by policy statements, written procedures and control manuals. This ensures that there are written policies and procedures to identify and manage risk including operational risk, country risk, liquidity risk, regulatory risk, legal risk, reputational risk, market risk and credit risk. The Board has established a management framework that clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated.

The company has adopted processes to ensure that changes in legislation are captured and effectively monitored. All new laws impacting on the business of the company are reviewed by the legal department with a view to determine impact of the changes on the company. The compliance department ensures that the various business units have implemented controls to ensure compliance with the various laws and regulations.

Internal Audit function monitors compliance with policies and standards and the effectiveness of the internal control structures. The function is focused on areas of greatest risk as determined by a risk-based assessment methodology. The Internal Audit function reports to the Board Audit Committee.

The effectiveness of the company's internal controls system is reviewed regularly by the Board through a management framework and Internal Audit function.

Conflict of Interest

Directors are under a duty to avoid conflicts of interest. This entails not engaging directly or indirectly in any business that is in competition or conflicts with the company's business. The company has adopted a robust process requiring directors to disclose their outside business interests before they are initiated. Potential or actual conflicts are reported to the Company Secretary and a register of directors' interests is maintained.

The employees of the company are also required to comply with the company policy on Conflict of interest.

Code of Conduct

The Board has adopted a Code of Conduct relating to the lawful and ethical conduct of business which is supported by the Company's core values. All directors, management and employees are required to observe the Code and the high standards of integrity and fair dealing in their relations to customers, staff and regulators. As already stated, all employees and directors re-commit to the Code of Conduct annually.

Whistle Blowing Policy

Speaking Up is a confidential and anonymous whistle blowing programme adopted by the Company. It provides an independent and secure channel for employees, contractors, suppliers and members of the public to raise concerns. All Speaking Up cases are investigated and the required appropriate actions are taken to address any irregularities reported.

Anti-Bribery and Corruption

Anti – bribery and Corruption (ABC) policies aim to prevent employees, directors and or third parties working on behalf of the company from participating in active or passive bribery or corruption or from making facilitation payments. To emphasise on the policy provisions, the company regularly carries out training to all staff and the Board.

Related Party Transactions Standard

The Company has established a Related Party Transactions Standard which aims to set out requirements for the creation of any Related Party Transactions and maintains controls to prevent and or identify Non Exempt Transactions with existing Related Parties.

Insider Trading

The Company has a policy on insider trading implemented through the Group Transactional Conflicts and Information Walls Standards and the Group Personal Account Dealing Standards. In terms of the policy, directors and employees of the company are not permitted to trade in the Company's shares while in possession of any insider information not privy to the public and or during the closed period. The Group Personal Account Dealing Standards mandates all employees to declare any dealings with securities or company shares all year round.

Going Concern

The Board has assessed the Company's ability to continue as a going concern. The assessment considered among other things the impact arising from the micro economic headwinds, geopolitical tensions and the ongoing exploration of the sale of the Group's interest in Botswana. Based on the assessment, the Board confirms that it is satisfied that the company has adequate resources to continue in business for a period of 12 months from the date of approval of the audited financial statements.

Relations with Shareholders

The Board recognises the importance of maintaining good communications with shareholders. The Annual General Meeting and the Annual Report are tools used as an opportunity to maintain interactions with shareholders. In upholding and protecting shareholders' rights, the Board recognises that every shareholder has a right to participate and vote at shareholders meeting. The Board further, at general meetings, grants shareholders the opportunity to seek clarity on the Group and company's performance.

The Company in line with the provisions of the Companies Act gives shareholders 21 days' notice of the Annual General Meeting, on the notice shareholders are encouraged to submit questions and appoint proxies, where for whatever reason, they are unable to attend the meeting.

Over and above the Annual General Meeting, ad hoc shareholder requests are handled on an ongoing basis. To achieve quick and smooth resolution of shareholder queries, the Board has engaged the services of a professional registrar.

Competence, Qualifications and Experience of the Company Secretary

As required by the Botswana Stock Exchange Listing Rules, the Board has considered, and is satisfied, that the Company Secretary, Ms. Luzibo Benza, is competent, appropriately qualified and experienced to continue serving in office and supporting the Board. The Board is further satisfied that the Company Secretary maintains an arm's length relationship with the Board, thereby enabling her to provide objective and independent governance support. The Company Secretary is not a director of the Company, neither does she have a relationship with any of the Directors which could confer undue influence on her judgment as the gatekeeper of good corporate governance.

Directors Remuneration

The remuneration supports the achievement of the strategic objectives through balancing reward for both short term and long-term sustainable performance.

The Board received shareholders' authorisation to fix the directors remuneration by a resolution passed at the Annual General Meeting held on the 26th June 2025.

All remuneration and privileges accorded to the directors and enumerated under the policy are competitive and reviewed according to the prevailing market trends for companies of a similar size and complexity as the company. Compensation is set to attract Independent Non-Executive Directors with a broad range of skills and experience to determine the company's strategy and oversee its implementation.

Independent Non-Executive Directors were paid for the services they provide to the company and are re-imbursed for expenses incurred in the performance of their duties such as travel and subsistence. The table below shows the directors remuneration for the services they rendered during the year:

BOARD FEE STRUCTURE			
	US \$	Annual Retainer	Sitting Fee
Main Board	Board Chair	23,500	2,000
	Board Member	11,200	1500
Board Committee	Committee Chair	7,600	1250
	Committee Member	3,750	1000

To ensure continuity and that the Company retains and attracts the appropriate calibre of directors, the Company proposes a 10% upwards revision of the Directors fees as follows;

PROPOSED BOARD FEE STRUCTURE			
	US \$	Annual Retainer	Sitting Fee
Main Board	Board Chair	25,850	2,200
	Board Member	12,320	1650
Board Committee	Committee Chair	8,360	1375
	Committee Member	4,125	1100

Executive Directors do not receive remuneration for serving on the Board, the Executive Directors remuneration is as per their respective negotiated employment contracts.

Service Contracts for Independent Non-Executive Directors

Independent Non- Executive Directors are appointed on a fixed term basis not exceeding a period of three years, which may be renewed subject to re-election by shareholders at Annual General Meetings. The directors are bound by letters of appointment issued for and on behalf of the Company. Other than as set out above, there are no obligations in the letters of appointment which could give rise to payment for loss of office.

Executive Directors' remuneration policy

Executive directors receive salary, pension and other benefits. They are also eligible to be considered for variable remuneration which is determined based on both the company and individual performance. The company's remuneration approach is consistent with effective risk management and the delivery of the company's strategy centred on the below principles;

- A competitive remuneration opportunity that enables the company to attract, motivate and retain executive directors
- A clearly defined performance management framework that ensures executive directors have clear objectives and receive ongoing feedback
- Remuneration outcomes that relate to the performance of the executive director and the company. The company aims to ensure the executive director is aligned to deliver long term sustainable growth of the company on the interest of stakeholders
- Remuneration that is fair and transparent. An equal pay review is undertaken as part of the pay review process and
- A core level of benefits that protects the executive directors and reflect the company's commitment to employee wellbeing.

There were no changes to the remuneration policy for the year under review.

Service contracts for executive directors

The remuneration policy provides for a combination of permanent contracts and renewable fixed term contracts of employment for executive directors on international assignments.

King Report on Governance for South Africa (King IV Code)

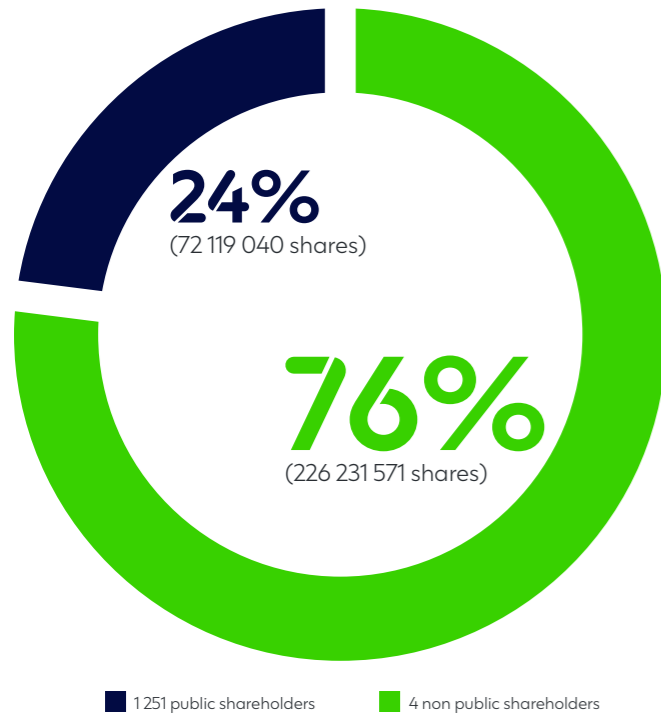
The company has over the years always committed to aligning and adopting the recommendations of the King IV report on governance for South Africa 2009. Having adopted the Code, the Board developed a programme for implementation of its principles in the company's business environment. As at 31st December 2025, most of the principles were being applied as set out below;

King IV Principle	Status	Explanation
Principle 1: The governing body should lead ethically and effectively	Complied	The Bank has adopted a code of conduct. The Board and all employees are subject to the Code of Conduct.
Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture	Complied	The Code of conduct sets out minimum standards in terms of what is expected from employees including Board on a day-to-day basis. The Board and employees are governed by the Code of Conduct
Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen	Complied	The Bank has established a Trust whose main purpose is to deliver the corporate social responsibility mandate. The principles of the Standard Chartered Foundation are focused on empowering youth globally and lifting the participation of girls and women to become economically active. This aligns closely with the activities of the Trust and is further supported by the Bank's Employee Volunteering initiatives which encourages Staff to do good in the communities within we which operate and have mostly targeted schools.
Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	Complied	The Board receives updates on a regular basis on the Bank's strategy, risks, opportunities and performance. There is oversight exercised by the Board to ensure delivery of the strategy.
Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects.	Complied	The Bank conducts regular engagements with stakeholders supported by detailed reports on the strategy of the Bank.
Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.	Complied	The Board has approved King IV Code on corporate governance and exercises oversight to ensure alignment with provisions of the Code.
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 objectively and effectively.	Complied	The Board is made up of diverse and appropriate skills and experience as set out in the report. The Company has in place a policy on board appointments which emphasises on diverse mix of appropriate skills within the Board.
Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with the balance of power and the effective discharge of its duties.	Complied	The Company has adopted a delegation of authority policy. The Board delegates responsibilities to various structures and exercises oversight to ensure proper execution of the responsibilities.
Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members support continued improvement in its performance and effectiveness.	Complied	The Board is evaluated annually to determine its effectiveness, proposed areas of improvement are tracked until they are satisfactorily closed.

Principle 10: The governing body should ensure that the appointment of, and delegation to, management contribute to the role clarity and the effective exercise of authority and responsibilities.	Complied	The Board has adopted a delegations of authority policy, there is oversight by Board to ensure effective exercise of the responsibilities.
Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	Complied	All material risk issues are reported to the Board. Further, the Board approves all risk policies.
Principle 12: The governing body should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives.	Complied	The Board exercises oversight over technology and Information, the board receives regular updates on ICS issues and approves ICS policies.
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 organisation being ethical and a good corporate citizen.	Complied	Compliance with applicable laws is a key area of focus for the bank. The Board receives regular reports on regulatory changes, any misalignment with law is addressed appropriately to close gaps.
Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	Complied	The Board has adopted a fair pay charter and benefits standards aimed at ensuring fair and transparent reward to employees.
Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and external reporting purposes.	Complied	The Bank has an Internal Audit function which is independent and reports to the Board Audit Committee and ultimately to Board.
Principle 16: In the execution of its governance roles 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 organisation over time.	Complied	The Board has adopted a shareholder inclusive approach in terms of engagements through regular meetings
Principle 17: The governing body of an institutional investor should ensure responsible investment.	Not Applicable	

Shareholder Spread

The company has a total of 1 255 shareholders with 298 350 611 issued shares. A detailed information relating to shareholding is as set out below;



Top ten Shareholders

Name	Total shares held
STANDARD CHARTERED HOLDINGS (AFRICA) B.V	221,246,286
FNBBN (PTY) LTD RE: BPOPF MORULA ACT MEM DEP EQ	13,631,556
STANBIC NOMINEES BOTSWANA RE MORULA DPF	12,297,881
STANBIC NOMINEES BOTSWANA RE BPOPF NON PROFIT-MCP	6,397,492
STANBIC NOMINEES BOTSWANA RE BPOPF WT PRO PORT MCP	5,543,021
FNBB NOMS RE: BPOPF (Transition) MORULA B ACT DEF LE	4,851,647
SCBN (PTY) LTD RE: BPOPF LEA PORTFOLIO CO AG	3,718,350
STANBIC NOMS BW RE 5TH QUARTER BPOPF LOCAL EQUITIES INCUBAT	3,387,992
STANDARD CHARTERED BOTSWANA EDUCATION TRUST	2,506,145
STANDARD CHARTERED BANK	2,479,070

The company's majority shareholder is Standard Chartered Holdings (Africa) B.V with 221 246 286 shares representing 74.156% of the entire shareholding.



Financial statements

Consolidated and Separate Annual Financial Statements for the year ended 31 December 2025

In this section

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Financial statements

Directors' Report

For the year ended 31 December 2025

The Directors have pleasure in submitting to the members their report and the consolidated and separate annual financial statements for the year ended 31 December 2025.

Activities

The Group continues to be engaged in the business of corporate banking and provides a wide range of financial services. The Group comprises of four subsidiaries, namely Standard Chartered Bank Insurance Agency (Proprietary) Limited, Standard Chartered Investment Services (Proprietary) Limited, Standard Chartered Botswana Education Trust and Standard Chartered Botswana Nominees (Proprietary) Limited.

Results

The Group results are disclosed in the statements of profit and loss and other comprehensive income on page 59 to 61 and reflect the following:

P342 million

Profit before taxation
(2024: P478 million)

P261 million

Profit after taxation
(2024: P347 million)

Dividends

During the year, dividends of P312 million and P315 million were declared and paid by the group and company (2024: P305 million for group and P307 million for company) gross of withholding tax.

Stated capital

There was no additional capital issued during the year.

Additional Tier 1 Capital

There was no Additional Tier 1 capital injection during the year (2024: Nil).

Events after reporting date

The Directors are not aware of any matters or circumstances arising since the end of the financial year, not dealt with in this report or these financial statements, that would significantly affect the operations of the group or the results of its operations. Refer to note 32.

Going Concern

The financial statements were approved by the Board of Directors on the 12th of March 2026. The Directors have made a comprehensive assessment of the Bank's ability to continue as a going concern.

In particular, the review entailed:

- An assessment of the Bank's strategy, and the revised 5 year corporate plan to 2030 (profitability, capital adequacy, liquidity and cashflows, with special emphasis in the next 12 months).
- A detailed analysis of capital adequacy and its makeup, liquidity profile and diversification of sources, current and forecast performance against prudential ratio thresholds and the ICAAP (a summary of the bank's capital and risk assessment processes, assesses its capital requirements and the adequacy of resources to meet them).
- An assessment of current performance in terms of profitability against budgets, liquidity and funding against Risk Appetite thresholds, loan book quality and impairments, regulatory compliance and any impeding legal matters.
- A consideration of the bank's performance under an ICAAP stress scenario.
- The liability and asset maturity profile, the liquid assets profile, outstanding debts and the bank's overall solvency and leverage.
- The emerging trends on average run rates for sales of primary products, banks prospects on raising client deposits at requisite levels and issuance of medium-term debt instruments.

Based on the above, supported by a continuous scanning of horizon risks within the framework of established principal risk types, the Directors are satisfied that the Bank has adequate resources to continue running as a going concern for the next 12 months and beyond. As such, the financial statements of the Bank are prepared on a going concern basis.

Directors' Report

For the year ended 31 December 2025

Holding company

The Group's ultimate holding company is Standard Chartered Bank PLC, a company incorporated and domiciled in the United Kingdom.

Directors

The following were directors of the Bank during the year and at the date of approval of the financial statements:

Solomon Molebatsi Sekwakwa	(Board Chairperson)
Doreen Cilla Khama	(Former chairperson – retired 30th June 2025)
Mpho Masupe	(Executive)
Tapiwa Butale	(Executive)
Jerry Kweku Boi Bedu -Addo	(Non-Executive)
Rodgers Majwabe Thusi	(Non-Executive)
Tally Tshekiso	(Non-Executive - Appointed on 3rd October 2025)
Rapelang Rabana	(Non-Executive)
Mpho Judith Dimbungu	(Non-Executive)

Company Secretary

Luzibo Benza

Auditors

Ernst & Young
2nd Floor, Plot 22, Khama Crescent
PO Box 41015, Gaborone, Botswana

By order of the Board



Luzibo Benza
Secretary

Statement of directors' responsibilities

The Directors are responsible for the preparation of the consolidated and separate annual financial statements of Standard Chartered Bank Botswana Limited that give a true and fair view, which comprise the statements of financial position as at 31 December 2025, the statements of profit or loss, statements of other comprehensive income, the statements of changes in equity, statements of cash flows for the year then ended and the notes to the financial statements which include a summary of material accounting policies, in accordance with IFRS Accounting Standards as Issued by the International Accounting Standards Board and the requirements of the Banking Act, 2023.

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

The Directors, supported by the Audit Committee, are satisfied that management introduced and maintained adequate internal controls to ensure that dependable records exist for the preparation of the Group and Company annual financial statements, to safeguard the assets of the Group and to ensure all transactions are duly authorised.

The Directors have made an assessment of the ability of the Company and its consolidated entities to continue as going concerns and have no reason to believe that the entities will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of the consolidated and separate annual financial statements:

The consolidated and separate annual financial statements of Standard Chartered Bank Botswana Limited, were approved by the board of directors on the 12th of March 2026 and are signed by:



Solomon Molebatsi Sekwakwa
Chairperson



Mpho Masupe
Chief Executive Officer

Auditors' Report



Firm of Chartered Accountants
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Partnership registered in Botswana
Company No: T0829
VAT No: P03625401112
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Independent Auditor's Report To the Shareholders of Standard Chartered Bank Botswana Limited Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Standard Chartered Bank Botswana Limited and its subsidiaries ("the Group") and Company set out on pages 59 to 176, which comprise the consolidated and separate statements of financial position as at 31 December 2025, and the consolidated and separate statements of profit or loss, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of material accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Standard Chartered Bank Botswana Limited as at 31 December 2025, and of its consolidated and separate financial performance and of its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act (CAP 42:01) and the Banking Act. 2023.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' *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 and the IESBA Code, as applicable to audits of financial statements of public interest entities in Botswana. 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.

Auditors' Report



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

Key Audit Matter	How the matter was addressed in the audit
<p>Credit Impairment (Consolidated and separate financial statements)</p> <p>At 31 December 2025 the Group and Company reported total expected credit loss provision of P171 million (2024: P183 million) on gross loans and advances to customers of P8.1 billion (2024: P8.3 billion), as disclosed in note 16 to the financial statements.</p> <p>Determining expected credit losses is highly judgemental and subjective as a result of the significant uncertainty associated with the estimation of expected future credit losses. Assumptions with increased complexity in respect of the timing and measurement of expected credit losses (ECL) include:</p> <p>Staging - The determination of what constitutes a significant increase in credit risk and default and consequent complete and timely allocation of qualifying assets to the appropriate stage in accordance with IFRS 9.</p> <p>Modelled output - Appropriateness of accounting interpretations, modelling assumptions, modelling techniques and the data used to determine the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) used to calculate the ECL.</p> <p>Multiple economic scenarios - The determination of the appropriateness of economic variables, the future forecasting of these variables and the approach to determine both the base case forecast and the ECL models. The assessment of non-linearity produced by the ECL models, the benchmarking of the output to the discrete scenarios and the evaluation of the need for any overlays.</p> <p>Management overlays and post-model adjustments - Appropriateness, completeness and valuation of risk event overlays to capture risks not identified by the credit impairment models, including the consideration of the risk of management override.</p> <p>Individually assessed ECL allowances - Measurement of individual provisions including the assessment of probability weighted recovery scenarios, existence and valuation of collateral, and expected future cashflows.</p> <p>In 2025, the most material factors impacting the ECL were the slow economic growth, and the rising interest rates.</p>	<p>We evaluated the adequacy of the design of the Group and Company's controls over material ECL balances. Operating effectiveness was evaluated for those controls upon which we placed reliance.</p> <p>We performed an overall stand-back assessment of the ECL allowance in total and by stage to determine if the ECL was reasonable. We considered the overall credit quality of the Group and Company's portfolios and risk profile.</p> <p>Staging - We evaluated the criteria used to allocate financial assets within the scope of IFRS 9 to stage 1, 2 or 3.</p> <p>We reperformed the staging distribution for a sample of financial assets and assessed the reasonableness of staging downgrades applied by management. We assessed the appropriateness of changes to the staging criteria. To assess the completeness of the identification of significant increase in credit risk, we challenged the credit risk ratings (including appropriate operation of quantitative backstops) for a sample of performing accounts and other accounts exhibiting risk characteristics such as financial difficulty, deferment of payment, late payment and heightened risk accounts appearing on the watchlist.</p> <p>Modelled output - With the support of EY credit risk modelling specialists, we performed a risk assessment over the models used in the ECL calculation using independently determined quantitative and qualitative criteria, and applied this risk rating to select a sample of models to test.</p> <p>For the selected models, we assessed the reasonableness of underlying assumptions, methodology and model build.</p> <p>This included evaluating model design and formulae, model implementation and validation, model monitoring, sensitivity testing and independently recalculating the Probability of Default. Loss Given Default and Exposure at Default parameters for a sample of higher risk models.</p> <p>To evaluate data quality, we performed sample testing over the completeness and accuracy of key data elements assessed to be material to the modelled ECL output. back to source evidence. We sample tested material data adjustments to the modelled output.</p>



Overall, economic uncertainty remains elevated with a consequent increased risk to the downside and therefore in line with the prior year there continues to be an elevated risk of a material misstatement.

The disclosure associated with credit impairment of loans and advances is set out in the financial statements in the following notes:

- Note 1 - Accounting policies
- Note 3 - Financial risk management and capital review
- Note 9 - Credit impairment
- Note 16 - Loans and advances to banks and customers

Economic scenarios - In collaboration with our economic specialists, we challenged the completeness and appropriateness of the macroeconomic variables used as inputs to the ECL models.

Our economic specialists assisted in evaluating the reasonableness of the base forecast for a sample of macroeconomic variables most pertinent to the Group's ECL calculation. Procedures performed included benchmarking the forecast for a sample of macroeconomic variables to peers, historical data analysis and examination of a variety of global external sources.

We assessed the reasonableness of the non-linearity produced by the ECL models and the appropriateness of management's overlay. Our economists assessed and challenged the Group and Company's choice of discrete scenarios to benchmark the output from the ECL models and determine the sensitivity analysis of the ECL. This challenge included the choice of discrete scenarios, the weights applied to each scenario and the quantum of the non-linearity overlay. We also performed a stand-back assessment by benchmarking the non-linearity and overall ECL charge and provision coverage to peers.

Management overlays and post model adjustments - We challenged the completeness and appropriateness of overlays used for risks not captured by the models and evaluated the outcome of model monitoring procedures that highlighted model deficiencies including the need for post model adjustments. We focused our challenge on idiosyncratic risks at a sector level and the results of model monitoring procedures. Our procedures included assessing the need for management overlays and post model adjustments, evaluating the assumptions and judgments used to determine these taking current market conditions into account, and computing independent ranges where appropriate.

Individually assessed ECL allowances - We selected a sample of individually assessed provisions and challenged management's level of provisioning by performing recalculation procedures. These procedures included challenging management's forward looking economic assumptions, the appropriateness of the recovery outcomes, cashflow profiles and timings, and the individual probability weightings used for each scenario.

We also engaged our valuation specialists to independently assess the value of collateral used in management's calculations on a sample basis.

We assessed the appropriateness of the accounting policies, loan impairment methodologies applied and the adequacy of the disclosures by comparing these to the requirements of IFRS 9- Financial Instruments



Other Information

Other information consists of the information included in the 135-page document titled "Standard Chartered Bank Botswana Limited Consolidated and Separate Audited Financial Statements for the year ended 31 December 2025", which includes the Statement of Directors' Responsibilities, the Directors' Report as required by the Companies Act (CAP42:01), the information marked as "unaudited" in the Financial Risk review and Capital review section (pages 124 - 125) 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. The directors are responsible for the other information.

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 the consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act (CAP 42:01) and the Banking Act, 2023 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 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.

Auditors' Report



- 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.
- 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: Bakani Ndwapi (CAP 0010 2026) Gaborone

27 March 2026

Financial statements

Statements of profit or loss

For the year ended 31 December 2025

	Notes	Group		Company	
		2025 P '000	2024 P '000	2025 P '000	2024 P '000
Interest income calculated using the effective interest		1,191,063	1,107,842	1,191,063	1,107,842
Interest expense calculated using the effective interest		(437,541)	(241,619)	(437,541)	(241,619)
Net interest income	4	753,522	866,223	753,522	866,223
Fees and commission income		264,531	254,141	241,649	230,173
Fees and commission expense		(106,700)	(64,960)	(106,700)	(64,960)
Net fee and commission income	5	157,831	189,181	134,949	165,213
Net trading income	6	39,429	9,630	39,429	9,630
Other operating income	7	51	425	51	425
Operating income		950,833	1,065,459	927,951	1,041,491
Staff costs		(243,946)	(258,175)	(243,749)	(258,134)
Premises costs		(588)	(1,627)	(588)	(1,627)
General administrative expenses		(278,924)	(314,373)	(279,066)	(302,316)
Depreciation and amortisation		(33,323)	(38,169)	(33,323)	(38,169)
Operating expenses	8	(556,781)	(612,344)	(556,726)	(600,246)
Operating profit before impairment losses and taxation		394,052	453,115	371,225	441,245
Credit impairment	9	(42,025)	35,031	(42,025)	35,031
Other impairment	10	(9,833)	(10,464)	(9,833)	(10,464)
Profit before taxation		342,194	477,682	319,367	465,812
Taxation	11	(81,194)	(131,178)	(75,965)	(124,575)
Profit for the year		261,000	346,504	243,402	341,237
Basic and diluted earnings per ordinary share (Thebe per share)	13	77.84	106.42		

The notes on pages 66 to 176 form an integral part of these financial statements.

Statements of comprehensive income

For the year ended 31 December 2025

	Notes	Group		Company	
		2025 P '000	2024 P '000	2025 P '000	2024 P '000
Profit for the year		261,000	346,504	243,402	341,237
Other comprehensive income					
Items that may be reclassified subsequently to income statement:		(16,399)	5,635	(16,399)	5,635
Change in fair value of property held at revalued amount					
Net gains recognised in equity		–	5,628	–	5,628
Change in fair value of financial instruments at fair value through other comprehensive income					
Net (loss)/gains recognised in equity		(21,024)	1,245	(21,024)	1,245
Taxation relating to components of other comprehensive income	11	4,625	(1,238)	4,625	(1,238)
Other comprehensive (loss)/income for the year, net of taxation		(16,399)	5,635	(16,399)	5,635
Total comprehensive income for the year		244,601	352,139	227,003	346,872

Statements of financial position

For the year ended 31 December 2025

	Notes	Group		Company	
		2025 P '000	2024 P '000	2025 P '000	2024 P '000
Assets					
Cash and balances at central banks	29	243,188	1,132,308	243,188	1,127,120
Loans and advances to banks	16	17,431	791	17,431	791
Investment securities	14	5,342,532	3,718,747	5,342,532	3,718,747
Due from related parties	30,14	3,373,805	4,903,383	3,363,090	4,811,097
Derivative financial instruments	14,15	40,098	40,172	40,098	40,172
Loans and advances to customers	16	7,921,277	8,154,364	7,921,277	8,154,364
Prepayments and accrued income	36	220,365	262,940	220,365	262,940
Non-current assets classified as held for sale	31	10,360	–	10,360	–
Other assets	19	8,420	14,579	8,360	14,519
Investments in subsidiary undertakings	34	–	–	30	30
Property and equipment	18	58,589	80,211	58,589	80,211
Deferred tax assets	11	3,637	915	3,637	–
Goodwill and intangible assets	17	50,678	60,934	50,678	60,934
Total assets		17,290,380	18,369,344	17,279,635	18,270,925
Liabilities					
Deposits by banks	14	1,624,632	1,095,708	1,624,632	1,095,708
Customer accounts	14	13,689,235	13,792,379	13,771,819	13,792,379
Derivative financial instruments	14,15	6,482	19,706	6,482	19,706
Accruals and deferred income	37	217,331	90,968	217,331	90,968
Due to related parties	30,14	286,839	985,499	286,839	985,499
Current tax liabilities	11	14,300	4,495	15,522	3,945
Other liabilities	21	64,056	404,213	64,260	380,652
Debt securities in issue	14,20	229,963	323,566	229,963	323,566
Subordinated liabilities and other borrowed funds	14,25	–	389,000	–	389,000
Provisions for liabilities and charges	22	5,780	5,756	5,780	5,756
Deferred tax liabilities	11	–	–	–	556
Total liabilities		16,138,618	17,111,290	16,222,628	17,087,735
Equity					
Stated capital	26	179,273	179,273	179,273	179,273
Retained earnings and other reserves		544,276	650,568	449,521	575,704
Total parent company shareholders' equity		723,549	829,841	628,794	754,977
Capital contribution	26	428,213	428,213	428,213	428,213
Total equity		1,151,762	1,258,054	1,057,007	1,183,190
Total equity and liabilities		17,290,380	18,369,344	17,279,635	18,270,925

The notes on pages 66 to 176 form an integral part of these financial statements. During 2025, the group reassessed the order of liquidity within the statement of financial position to reflect an appropriate order of liquidity. The re-presentation relates solely to the classification and sequencing of line items and has no impact on the amounts previously reported, as a result the 2024 comparatives have been restated.

These financial statements were approved by the Board of directors and authorised for issue on 12th March 2026 and signed on its behalf by:



Chairperson



Chief Executive Officer



Chief Financial Officer

Statements of changes in equity

For the year ended 31 December 2025

Group

	Stated capital P '000	Revaluation reserve P '000	Statutory credit risk reserve P '000	Treasury share reserve P '000	Fair value reserve P '000	Retained earnings P '000	Parent company shareholders' equity P '000	Capital Contribution P '000	Total P '000
As at 01 January 2024	179,273	29,397	19,152	(31,566)	962	617,195	814,413	428,213	1,242,626
Profit for the period	-	-	-	-	-	346,504	346,504	-	346,504
Other comprehensive income	-	4,390	-	-	1,245	-	5,635	-	5,635
Distributions	-	-	-	-	-	(31,664)	(31,664)	-	(31,664)
Dividends on ordinary shares	-	-	-	-	-	(305,047)	(305,047)	-	(305,047)
As at 31 December 2024	179,273	33,787	19,152	(31,566)	2,207	626,988	829,841	428,213	1,258,054
Profit for the period	-	-	-	-	-	261,000	261,000	-	261,000
Other comprehensive loss	-	-	-	-	(16,339)	-	(16,339)	-	(16,339)
Distributions	-	-	-	-	-	(30,721)	(30,721)	-	(30,721)
Dividends on ordinary shares	-	-	-	-	-	(312,460)	(312,460)	-	(312,460)
Other movements*	-	-	-	-	-	(7,772)	(7,772)	-	(7,772)
Transfers between reserves**	-	(23,646)	-	-	-	23,646	-	-	-
As at 31 December 2025	179,273	10,141	19,152	(31,566)	(14,132)	560,681	723,549	428,213	1,151,762

Note 26 includes a description of each reserve

Note 12 details dividends

*Other movements relate to an adjustment to Standard Chartered Bank Botswana Insurance Agency retained earnings balance that was made to account for restatement of the subsidiary's 2024 accounts.

**During the year, amounts relating to realised fair value gains on property, previously recognised in the fair value reserve, were transferred to retained earnings.

The notes on pages 66 to 176 form an integral part of these financial statements.

Company

	Stated capital P '000	Revaluation reserve P '000	Statutory credit risk reserve P '000	Fair value reserve P '000	Retained earnings P '000	Parent company shareholders' equity P '000	Capital Contribution P '000	Total P '000
As at 01 January 2024	179,273	29,347	19,152	962	518,405	747,139	428,213	1,175,352
Profit for the period	-	-	-	-	341,237	341,237	-	341,237
Other comprehensive income	-	4,390	-	1,245	-	5,635	-	5,635
Distributions to holders of subordinated capital securities	-	-	-	-	(31,664)	(31,664)	-	(31,664)
Dividends to equity holders of ordinary shares (Note 12)	-	-	-	-	(307,370)	(307,370)	-	(307,370)
As at 31 December 2024	179,273	33,737	19,152	2,207	520,608	754,977	428,213	1,183,190
Profit for the period	-	-	-	-	243,402	243,402	-	243,402
Other comprehensive loss	-	-	-	(16,339)	-	(16,339)	-	(16,339)
Distributions to holders of subordinated capital securities	-	-	-	-	(30,721)	(30,721)	-	(30,721)
Dividends to equity holders of ordinary shares (Note 12)	-	-	-	-	(314,840)	(314,840)	-	(314,840)
Other movements*	-	-	-	-	(7,685)	(7,685)	-	(7,685)
Transfers between reserves**	-	(23,646)	-	-	23,646	-	-	-
As at 31 December 2025	179,273	10,091	19,152	(14,132)	434,410	628,794	428,213	1,057,007

Note 26 includes a description of each reserve.

*Other movements relate to an adjustment to the Company's retained earnings to separate opening amounts relating to Standard Chartered Investment Services.

**During the year, amounts relating to realised fair value gains on property, previously recognised in the fair value reserve, were transferred to retained earnings.

The notes on pages 66 to 176 form an integral part of these financial statements.

Statements of cash flows

For the year ended 31 December 2025

	Notes	Group		Company	
		2025 P '000	Restated 2024 P '000	2025 P '000	Restated 2024 P '000
Cashflow from operating activities					
Profit for the year		261,000	346,504	243,402	341,237
Adjustments for:					
Interest income	4	(1,191,063)	(1,107,842)	(1,191,063)	(1,107,842)
Interest expense	5	437,541	241,619	437,541	241,619
Taxation	11	81,194	131,178	75,965	124,575
Depreciation	8	23,216	23,073	23,216	23,073
Amortisation on intangibles	8	10,107	15,096	10,107	15,096
Net impairment loss on loans and advances	9	76,854	2,539	76,854	2,539
Unrealised foreign exchange (gains)/ losses		(1,786)	3,761	(1,786)	3,761
Modification loss		18	175	18	175
Other impairment		9,833	10,464	9,833	10,464
Profit on sale of assets		(69)	(601)	(69)	(601)
Movements before changes in working capital		(293,155)	(334,034)	(315,982)	(345,904)
Change in derivative financial instruments assets	14,15	(1,901)	(36,805)	(1,901)	(36,805)
Change in investment securities	14	(940,788)	1,254,132	(940,788)	1,254,132
Change in loans and advances to customers	14,16	164,970	412,985	164,970	412,985
Change in due from related parties		831,756	(843,307)	750,186	(751,022)
Change in other assets	19	6,159	157,226	6,159	157,224
Change in prepayments and accrued income	35	(4,538)	4,082	(4,538)	4,082
Change in deposits from other banks	14,16	528,924	764,823	528,924	764,823
Change in customer deposits	14	(103,144)	711,025	(20,560)	711,025
Change in other liabilities	21	(34,904)	18,414	(10,104)	6,481
Change in derivative financial instruments liabilities	14,15	(13,224)	(3,457)	(13,224)	(3,457)
Change in due to related parties	14	(698,660)	(9,098)	(698,660)	(9,098)
Change in accruals and deferred income	36	13,016	(13,691)	13,016	(13,652)
Change in provisions for liabilities and charges	22	24	4,697	24	4,697
		(545,465)	2,086,992	(542,478)	2,155,511
Taxation paid	11	(71,625)	(103,729)	(67,043)	(98,291)
Interest received		1,233,156	1,100,125	1,233,156	1,100,125
Interest paid		(287,818)	(208,635)	(287,818)	(208,635)
Net cash flows from operating activities		328,248	2,874,753	335,817	2,948,710
Cash flow from investing activities					
Acquisition of property and equipment	18	(11,419)	(5,612)	(11,419)	(5,612)
Acquisition of intangibles	17	(9,664)	(21,305)	(9,664)	(21,305)
Proceeds from sale of property equipment		69	1,388	69	1,388
Net cash used in investing activities		(21,014)	(25,529)	(21,014)	(25,529)
Cash flow from financing activities					
Interest paid on subordinated liabilities	28	(15,915)	(25,689)	(15,915)	(25,689)
Repayment of subordinated liabilities	28	(389,000)	-	(389,000)	-
Interest paid on debt securities	28	(20,461)	(25,250)	(20,461)	(25,250)
Repayment of debt securities	28	(93,603)	-	(93,603)	-
Lease liability capital payments	21	(11,479)	(16,197)	(11,479)	(16,197)
Lease liability interest payment	21	(1,010)	(1,601)	(1,010)	(1,601)
Dividends paid	12	(312,460)	(305,048)	(314,840)	(307,371)
Distribution payment to holders of subordinated capital securities		(30,721)	(31,664)	(30,721)	(31,664)
Net cash used in financing activities		(874,649)	(405,449)	(877,029)	(407,772)
(Decrease)/increase in cash and cash equivalents		(567,415)	2,443,775	(562,226)	2,515,409
Cash and cash equivalents at 1 January		6,951,916	4,493,416	6,946,727	4,416,593
Net foreign exchange differences		(43,755)	14,725	(43,755)	14,725
Cash and cash equivalents as 31 December	29	6,340,746	6,951,916	6,340,746	6,946,727

Refer to Note 29 for breakdown of Cash and cash equivalents. The prior year statement of cash flows has been restated as explained in Note 39.

Section	Note
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Performance/return	2 Segmental information
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	4 Net interest income
	5 Net fees and commission
	6 Net trading income
	7 Other operating income
	8 Operating expenses
	9 Credit impairment
	10 Goodwill, property and equipment and other impairment
	11 Taxation
	12 Dividends
	13 Earnings per ordinary share
Assets and liabilities held at fair value	14 Financial instruments
	15 Derivative financial instruments
Financial instruments held at amortised cost	16 Loans and advances to banks and customers
Other assets and investments	17 Goodwill and intangible assets
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	19 Other assets
Funding, accruals, provisions, contingent liabilities and legal proceedings	20 Debt securities in issue
	21 Other liabilities
	22 Provisions for liabilities and charges
	23 Contingent liabilities and commitments
	24 Legal and regulatory matters
Capital instruments, equity and reserves	25 Subordinated liabilities
	26 Share capital, other equity instruments and reserves
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Cash flow statement	28 Cash flow statement
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Other disclosure matters	30 Related party transactions
	31 Non-current assets classified as held for sale Post balance sheet events
	32 Auditor's remuneration
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	35 Prepayments and accrued income
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Notes to the financial statements

1. Accounting policies

Reporting entity

Standard Chartered Bank Botswana Limited (“the Bank” or the “Company”) was incorporated in Botswana as a Bank with limited liability under the Botswana Companies Act and is licensed to operate as a commercial bank under Section 4 of the Banking Act, 2023. The Company’s registered address is Standard Chartered Bank Botswana Limited, Standard House, Plot 1124-30 Queens Road, Main Mall, Gaborone, Botswana. The Company is listed on the Botswana Stock Exchange (BSE Code: STANCHART). The consolidated financial statements for the year ended 31 December 2025 comprise the Company and its controlled entities (together referred to as the “Group”). The Company has four subsidiaries, namely Standard Chartered Bank Insurance Agency (Proprietary) Limited, Standard Chartered Investment Services (Proprietary) Limited, Standard Chartered Botswana Nominees (Proprietary) Limited and Standard Chartered Botswana Educational Trust. The immediate parent for the Company is Standard Chartered Holdings (Africa) B.V, an entity incorporated in the Netherlands. Standard Chartered Bank PLC, incorporated in United Kingdom is the ultimate parent. These financial statements represent the Group’s and Bank’s statutory financial statements.

Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Banking Act, 2023.

These financial statements were approved by the board of directors on 12th March 2026.

Basis of preparation

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by Group entities (unless otherwise specified in the note below on changes in accounting policies). The accounting policies disclosed for the consolidated financial statements apply equally to the Bank’s separate financial statements unless otherwise specified. The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, investment securities and financial assets and liabilities designated at fair value through profit or loss and debt equity instruments at fair value through other comprehensive income all of which have been measured at fair value.

Materiality assessment

In determining the accounting policies to disclose in these financial statements, the company made an assessment of whether the primary users of the financial statements needed the information to understand the material transactions, events or conditions in the financial statements. It is the company’s view that any such information is material. The assessment involved the use of judgement and a consideration was done to both qualitative and quantitative factors. In assessing whether information is qualitatively material, the company evaluated if that information is more likely to influence the decisions of the primary users of the entity’s financial statements.

Functional and presentation currency

These financial statements are presented in Botswana Pula (P). The functional currency of the Bank is the Botswana Pula. Except where indicated, the financial information presented in Botswana Pula has been rounded to the nearest thousand.

Basis of consolidation

Entities controlled by the Group are consolidated. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are presently exercisable are taken into account. The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

Business combinations are accounted for using the acquisition method under IFRS 3, i.e., the date of acquisition is the date on which control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. The excess of consideration transferred over net fair value of identifiable assets acquired is recorded as goodwill. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Notes to the financial statements

Investment in subsidiaries

Investment in subsidiaries are held at cost less impairment.

Transactions eliminated on consolidation

Inter-group balances and transactions, and any unrealised income and expenses arising from inter-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Segmental reporting

A segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components, whose operating results are reviewed regularly by the Group Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Segment results include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Significant accounting estimates and judgements

In preparing these consolidated and separate annual financial statements, management has made judgements, estimates and assumptions that affect the application of the Group’s accounting policies of 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. Revision of estimates are recognised prospectively.

Further information about key assumptions concerning the future, and other key sources of estimation uncertainty and judgement are set out in the relevant disclosure notes and accounting policies for the following areas:

- Credit impairment (note 9)
- Valuation of financial instruments (note 14)
- Deferred tax (note 11).

Changes in accounting policies

The Group has adopted relevant new standards, including any consequential amendments to other standards, which were effective for the financial year beginning on 1 January 2025 which have been disclosed within these notes. The accounting standards had no significant impact on the financials statements of the Group. Refer to the section ‘New standards and interpretations’ for a detailed disclosure on the new standards that were effective for the financial year beginning 1 January 2025.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in profit or loss.

Loans and advances

Loans and advances captions in the statement of financial position include loans and advances measured at amortised cost, they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method. Included in loans and advances are loans and advances to banks, advances to customers and investment securities. When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (“reverse repo” or “stock borrowing”), the arrangement is accounted for as a loan or advance.

Notes to the financial statements

Financial instruments

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 IFRS Accounting Standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

Credit impairment

The Group'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'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 provisions 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 or fair value through other comprehensive income, undrawn commitments and financial guarantees.

An expected credit loss represents the present value of expected cash shortfalls over the residual term of a financial asset, undrawn commitment or financial guarantee. 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 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.

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 Retail Banking loan portfolios, the Group has adopted a simplified approach based on historical roll rates or loss rates.

Forward-looking economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they influence credit risk, such as GDP growth rates, interest rates, house price indices and commodity prices among others. These assumptions are incorporated using the Group'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 a Monte Carlo approach centred around the Group's most likely forecast of macroeconomic assumptions.

Notes to the financial statements

Financial instruments continued

The below table shows the forward-looking assumptions incorporated in the ECL calculation:

	2025 Base forecast	2026 Base forecast	2027 Base forecast
GDP growth (real % Average)	-1.05	2.78	4.33
CPI (% annual average)	2.42	4.69	4.15
Interest rate (yr avg, %)	2.30	3.50	3.25
USD –BWP	13.15	12.99	12.58

The period over which cash shortfalls are determined is generally limited to the maximum contractual period for which the Group is exposed to credit risk. However, for certain revolving credit facilities, which include credit cards or overdrafts, the Group's exposure to credit risk is not limited to the contractual period. For these instruments, the Group estimates an appropriate life based on the period that the Group is exposed to credit risk, which includes the effect of credit risk management actions such as the withdrawal of undrawn facilities.

For credit-impaired financial instruments, the estimate of cash shortfalls may require the use of expert credit judgment. As a practical expedient, the Group 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 participations 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 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 provisions: netted against gross carrying value
Financial assets held at FVOCI-Debt instruments	Other comprehensive income (FVOCI expected credit loss Reserve) 1
Loan commitments	Provisions for liabilities and charges 2
Financial guarantees	Provisions for liabilities and charges 2

1. Debt and treasury securities classified as FVOCI are held at fair value in the statement of financial position. The expected credit loss attributed to these instruments is held as a separate reserve within OCI and is recycled to profit and loss along with any fair value measurement gains or losses held within FVOCI when the applicable instruments are derecognised.

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.

Notes to the financial statements

Financial instruments continued

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. 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 provision is recognised for default events that may occur over the lifetime of the asset.

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. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk. For less material portfolios where a loss rate or roll rate approach is applied to compute expected credit loss, significant increase in credit risk is primarily based on 30 days past due.

Quantitative factors include an assessment of whether there has been significant increase in the forward-looking probability of default (PD) since origination. A forward-looking PD is one that is adjusted for future economic conditions to the extent these are correlated to changes in credit risk. The residual lifetime PD at the reporting date is compared to the residual lifetime PD that was expected at the time of origination for the same point in the term structure and determine whether both the absolute and relative change between the two exceeds predetermined thresholds. To the extent that the differences between the measures of default outlined exceed the defined thresholds, the instrument is considered to have experienced a significant increase in credit risk.

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.

Notes to the financial statements

Financial instruments 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 provision to the extent that the commitment cannot be withdrawn. Loss provisions 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 provisions 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.

Expert credit judgment

For Corporate and Investment Banking, borrowers are graded by credit risk management on a credit grading (CG) scale from CG1 to CG14. Once a borrower starts to exhibit credit deterioration, it will move along the credit grading scale in the performing book and when it is classified as CG12 the credit assessment and oversight of the loan will normally be performed by Group Special Assets Management (GSAM).

Borrowers graded CG12 exhibit well-defined weaknesses in areas such as management and/or performance but there is no current expectation of a loss of principal or interest. Where the impairment assessment indicates that there will be a loss of principal on a loan, the borrower is graded a CG14 while borrowers of other credit impaired loans are graded CG13. Instruments graded CG13 or CG14 are regarded as non-performing loans, i.e. Stage 3 or credit impaired exposures.

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 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. 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 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 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. Loans that have been subject to a forbearance modification, but which are not considered credit impaired (not classified as CG13 or CG14), are disclosed as 'Forborne – not credit impaired'. This may include amendments to covenants within the contractual terms.

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 provision. 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 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 reversal is recognised in the profit or loss.

Notes to the financial statements

Financial instruments continued

Improvement in credit risk/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 further two-year probation period is met.

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

- At least a year has passed with no default based upon the forbore contract terms
- The customer is likely to repay its obligations in full without realising security
- The customer has no accumulated impairment against amount outstanding.

Subsequent to the criteria above, a further two-year probation period has to be fulfilled, whereby regular payments are made by the customer and none of the exposures to the customer are more than 30 days past due. Assets will transfer from stage 3 to stage 2 when they are no longer considered to be credit impaired. Assets will not be considered to be credit-impaired only if the customer makes payments such that all arrears have been cleared in line with the original contractual terms.

In addition:

- loans that were subject to forbearance measures must remain current for 12 months before they can be transferred to stage 2 or stage 1 when they are no longer considered to have significant increase in credit risk; and
- Wealth and Retail Banking loans that were not subject to forbearance measures must remain current for 180 days before they can be transferred to stage 2 or stage 1.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

All financial instruments are initially recognised at fair value, which is normally the transaction price. 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 inputs. Subsequent to initial recognition, some of the financial instruments are carried at fair value, with changes in fair value either reported within the income statement or within other comprehensive income until the instrument is sold or becomes impaired.

The fair values of quoted financial instruments in active markets are based on current prices. If the market for a financial instrument is not active, including for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Where representative prices are unreliable because of illiquid markets, the determination of fair value may require estimation of certain parameters, which are calibrated against industry standards and observable market data, or the use of valuation models that are based on observable market data. The fair value for the majority of the Group's financial instruments is based on observable market prices or derived from observable market parameters.

Equity investments that do not have observable market prices are fair valued by applying various valuation techniques, such as earnings multiples, net assets multiples, discounted cash flows, and industry valuation benchmarks. These techniques are generally applied prior to any initial public offering after which an observable market price becomes available. Disposal of such investments are generally by market trades or private sales.

Notes to the financial statements

Financial instruments continued

IFRS 9 methodology

Approach for determining expected credit losses

Credit loss terminology

Component	Definition
Probability of default (PD)	The probability that a counterparty will default, over the next 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2), incorporating the impact of forward-looking economic assumptions that have an effect on Credit Risk, such as interest rates, unemployment rates and GDP forecasts. The PD estimates will fluctuate in line with the economic cycle. The lifetime (or term structure) PDs are based on statistical models, calibrated using historical data and adjusted to incorporate forward-looking economic assumptions
Loss Given Default (LGD)	The loss that is expected to arise on default, incorporating the impact of forward-looking economic assumptions where relevant, which represents the difference between the contractual cashflows due and those that the bank expects to receive. The Group estimates LGD based on the history of recovery rates and considers the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant
Exposure at Default (EAD)	The expected balance sheet exposure at the time of default, taking into account expected changes over the lifetime of the exposure. This incorporates the impact of drawdowns of facilities with limits, repayments of principal and interest, amortisation and prepayments

To determine the expected credit loss, these components are multiplied together: PD for the reference period (up to 12 months or lifetime) x LGD x EAD and discounted to the balance sheet date using the effective interest rate as the discount rate. IFRS 9 expected credit loss models have been developed for the Corporate & Investment Banking businesses at Group level, however, the calibration of forward-looking information is assessed at a Botswana level to take into account local macroeconomic conditions.

Retail Banking expected credit loss models are country and product specific given the local nature of the Retail Banking business. For this segment's portfolio, loss rate models are applied. These use an adjusted gross charge-off rate, developed using monthly write-off and recoveries over the preceding 12 months and total outstanding balances. While this approach does not incorporate forward-looking information, to the extent that there are significant changes in the macroeconomic forecasts an assessment will be completed on whether an adjustment to the modelled output is required.

The following processes are in place to assess the ongoing performance of the models:

Quarterly model monitoring that uses recent data to compare the differences between model predictions and actual outcomes against approved thresholds.

Annual independent validations of the performance of material models by Group Model Validation (GMV); an abridged validation is completed for non-material models.

Application of lifetime

Expected credit loss is estimated based on the period over which the Bank is exposed to Credit Risk. For the majority of exposures this equates to the maximum contractual period. For Retail Banking credit cards and Corporate & Investment Banking overdraft facilities however, the Bank does not typically enforce the contractual period, which can be as short as one day. As a result, the period over which the Bank is exposed to Credit Risk for these instruments reflects their behavioural life, which incorporates expectations of customer behaviour and the extent to which Credit Risk management actions curtail the period of that exposure. The average behavioural life for Retail Banking credit cards is between 3 and 6 years, and 24 months for corporate overdraft facilities.

Notes to the financial statements

Financial instruments continued

Post model adjustments

As at 31 December 2025, there were no material PMA related ECLs on the book (2024: Nil).

Key assumptions and judgements in determining expected credit loss

Incorporation of forward-looking information

The evolving economic environment is a key determinant of the ability of a bank's clients to meet their obligations as they fall due. It is a fundamental principle of IFRS 9 that the provisions banks hold against potential future Credit Risk losses should depend not just on the health of the economy today but should also take into account potential changes to the economic environment. For example, if the bank was to anticipate a sharp slowdown in the world economy over the coming year, it should hold more provisions today to absorb the credit losses likely to occur in the near future. To capture the effect of changes to the economic environment, the PDs and LGDs used to calculate ECL incorporate forward-looking information in the form of forecasts of the values of economic variables and asset prices that are likely to have an effect on the repayment ability of the Bank's clients. The 'Base Forecast' of the economic variables is based on management's view on the five-year outlook, supported by projections from Standard Chartered PLC (Group)'s in-house research team and outputs from a third-party model that project specific economic variables and asset prices. The research team takes consensus views into consideration and senior management may have reviews that on projections for some core local variables against consensus when forming their view of the outlook.

For the period beyond five years, management utilises the in-house research view and third-party model outputs, which allow for a reversion to long-term growth rates or norms. All projections are updated on a quarterly basis.

Significant increase in credit risk

Significant Increase in Credit Risk (SICR) is an IFRS 9 requirement to identify facilities that have increased in risk since origination. These facilities should be placed in "Stage 2" and subject to a lifetime expected credit loss (ECL).

The assessment of significant increase in credit risk for Consumer Private and Business Banking products is defined by:

- An absolute increase in PD from origination;
- A relative increase in PD from origination; and
- 30 Days Past Due

Topical and emerging risks (TERs)

- Supply chain issues and key material shortages
- Expanding array of global tensions and transition of the international order
- Trade and tariff tensions
- Uncertain interest rate trajectory and credit downturn
- Sovereign risk

Global economy

The scenario includes a severe global aggregate supply shock, which leads to deep recessions across the world. An escalation of geopolitical tensions leads to a sharp increase in commodity and energy prices. There is a fragmentation of global trading relationships leading to shortages in key production inputs and a slowdown across major transportation routes. This increases world export price inflation and in turn domestic inflation, as producers search for new suppliers and manage these shortages – an effect like that experienced in the years after the Covid-19 pandemic. In addition, major trading nations impose import tariffs.

The combination of shocks leads to higher-than-expected inflation across advanced economies. The rise in inflation is assumed to cause expectations of higher inflation for some time, which also puts upward pressure on wage growth. This creates a challenging trade-off between stabilising GDP growth and returning inflation to its target. To prevent inflation expectations becoming entrenched, policymakers increase interest rates to bring inflation down.

Sectors with a greater reliance on imports, as well as those more exposed to energy and food prices, are particularly affected in this scenario. In contrast, the energy extraction industries receive a short-term benefit from higher wholesale oil and gas prices. Over time, businesses pass these higher costs through to prices, contributing to high inflation, and putting further pressure on households' real incomes. Lower-income households, whose essential spending represents a larger share of their income, are disproportionately affected. Slower growth also increases stress, in particular, on vulnerable sovereigns.

Notes to the financial statements

Financial instruments continued

Domestic economy

- This scenario embodies a rise in inflation due to severe supply chain issue, tightening global financial conditions, a fall in household income and lower consumer confidence, which marked slowdown in Botswana.
- Botswana witnesses an output contraction in Year 1 of stress projections, with real GDP contracts by 2.9% in Year 1. Growth picks up to 3.9% in Year 3 before slowly converging to the baseline growth levels.
- Inflation peaks in Year 1 at 10.9%, with Year 2 having elevated inflation at 6.8%. This is a steep rise from 2.4% in year 0. From Year 3 onwards, inflation gradually converges to pre-stress levels.
- Botswana's trade balance experiences shift with the contraction in annual imports by 17% in year 1. A recovery is seen from year 2 with imports growing at 8.4%.
- Equity prices fall sharply by 54.9% in year 1 of the projection. It recovers in year 2 recording a growth of 48.6%.
- Unemployment rate peaks at 27.6% in Year 2, further staying elevated at an average of 26% between Year 3 and 5.
- 3M key interest rate peaks to 7.6% in Year 1. Rates decline gradually in consecutive years.

Macroeconomic Indicator Base	2025 Baseline	2026F	2027F	2028F	2029F	2030F
Real GDP growth rate (%)	-1.05	2.78	4.33	3.54	3.27	2.94
Inflation, CPI (%)	2.42	4.69	4.15	3.60	4.34	4.64
Equity index (%)	10.32	8.39	8.24	8.36	8.09	7.83
FX rate (per USD 1.00)	13.15	12.99	12.58	12.16	11.69	11.92
Monetary policy or key interest rate (%)	2.30	3.50	3.25	3.00	2.74	2.65
Exports (value of)(YoY%)	-2.56	6.10	13.41	9.74	9.47	9.15
Imports (value of) (YoY%)	1.35	-1.25	3.24	7.04	7.76	7.40
Household income	7.23	8.65	8.16	8.35	8.21	7.92
Oil - Brent (USD/bbl)	71.50	63.70	66.43	70.61	71.54	72.13
Stress Severity	3	2	1	1	2	2
Macroeconomic Indicator Stress	2025 Baseline	2026F	2027F	2028F	2029F	2030F
Real GDP growth rate (%)	-1.05	-2.90	-1.64	3.88	3.27	2.29
Inflation, CPI (%)	2.42	10.86	6.78	3.68	3.55	2.58
Equity index (%)	10.32	-54.89	48.56	37.11	29.28	24.15
FX rate (per USD 1.00)	13.15	17.20	16.05	15.04	14.15	12.64
Monetary policy or key interest rate	2.30	7.80	7.21	5.70	4.18	2.91
Exports (value of)(YoY%)	-2.56	-20.76	23.21	22.16	10.81	9.50
Imports (value of) (YoY%)	1.35	-17.00	8.38	12.26	7.80	6.98
Household income	7.23	2.33	7.84	11.43	8.80	7.78
Unemployment rate (%)	23.36	25.17	27.62	26.80	25.98	25.16
Oil - Brent (USD/bbl)	71.50	137.85	124.55	111.30	98.44	87.24
Stress Severity	3	7	15	8	2	2

Source: SCB Global Research and Corporate Plan

Notes to the financial statements

Financial instruments continued

Macroeconomic Indicator Base	2024 Baseline	2025F	2026F	2027F	2028F	2029F
Real GDP growth rate (%)	0.60	5.14	3.98	2.97	3.02	2.72
Inflation, CPI (%)	3.37	4.01	3.37	2.95	4.12	4.64
Interest rate (yr avg, %)	2.35	1.74	1.96	2.46	2.65	2.65
FX rate (per USD 1.00)	13.69	14.00	14.10	14.30	14.46	14.67
Unemployment rate	23.25	23.12	22.92	22.66	22.37	22.09
Exports (value of)	-27.05	14.80	14.84	6.97	6.68	6.82
Imports (value of)	13.18	2.77	9.89	7.26	6.64	6.57
Oil - Brent (USD/bbl)	82.80	77.90	77.40	77.00	76.80	77.00
Stress Severity		2	2	3	3	3

Macroeconomic Indicator Stress	2024 Baseline	2025F	2026F	2027F	2028F	2029F
Real GDP growth rate (%)	0.60	-0.72	0.69	2.41	2.41	2.35
Inflation, CPI (%)	3.37	10.56	11.67	4.81	4.64	4.28
Interest rate (yr avg, %)	2.35	4.41	5.47	5.78	5.30	4.37
FX rate (per USD 1.00)	13.69	18.20	15.22	15.16	15.09	15.11
Unemployment rate	23.25	23.66	25.24	25.48	23.93	23.18
Exports (value of)(YoY%)	-27.05	-19.98	22.82	17.19	9.10	9.12
Imports (value of) (YoY%)	13.18	-17.93	14.83	13.78	8.08	7.09
Oil - Brent (USD/bbl)	82.80	123.80	116.00	103.20	91.00	80.90
Stress Severity		11	6	3	3	3

Source: SCB Global Research and Corporate Plan

The bank uses base case and stress case (that covers both downside and upside) depending on the trajectory of a specific MEV. The Bank and Group researched on the relationship between the identified MEVs and the credit performance and noted that there are spurious correlations between the variables and credit performance, especially for Retail Banking facilities which form circa 86% of the credit portfolio and therefore the Bank did not use the MEV weightings as per the Good Bank example. Almost 90% of Retail Banking facilities are deduction at source by Government entities and the decision for Government to pay is obligatory and does not directly relate to any MEV. The approach taken by the Bank has been fully disclosed in the AFS in page 105.

Notes to the financial statements

Financial instruments continued

Appendix- Global Landscape BOE BCST RF

Topical and emerging risks (TERs)	Scenario narrative
Supply chain issues and key material shortages Expanding array of global tensions and transition of the international order	The scenario includes a severe global aggregate supply shock, which leads to deep recessions across the world. An escalation of geopolitical tensions leads to a sharp increase in commodity and energy prices.
Trade and tariff tensions Supply chain issues and key material shortages	There is a fragmentation of global trading relationships leading to shortages in key production inputs and a slowdown across major transportation routes. This increases world export price inflation and in turn domestic inflation, as producers search for new suppliers and manage these shortages – an effect like that experienced in the years after the Covid-19 pandemic. In addition, major trading nations impose import tariffs.
Uncertain interest rate trajectory and credit downturn	The combination of shocks leads to higher-than-expected inflation across advanced economies. The rise in inflation is assumed to cause expectations of higher inflation for some time, which also puts upward pressure on wage growth. This creates a challenging trade-off between stabilising GDP growth and returning inflation to its target. To prevent inflation expectations becoming entrenched, policymakers increase interest rates to bring inflation down.
Sovereign risk	Sectors with a greater reliance on imports, as well as those more exposed to energy and food prices, are particularly affected in this scenario. In contrast, the energy extraction industries receive a short-term benefit from higher wholesale oil and gas prices. Over time, businesses pass these higher costs through to prices, contributing to high inflation, and putting further pressure on households' real incomes. Lower-income households, whose essential spending represents a larger share of their income, are disproportionately affected. Slower growth also increases stress, in particular, on vulnerable sovereigns.

Employee benefits

Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short term cash bonus or profit-sharing class if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Accruals relating to short term employee benefits are included in accruals and deferred income.

Other staff costs

Other staff costs mainly consist of staff subsidy on staff loans charged as a periodic cost based on the differential between the market interest rate and staff rate over the period of service.

New standards and interpretations that became effective in the current year

New standards, amendments to standards and interpretations that are effective for the first time for the year ended 31 December 2025 have been applied with no material effect on the Group and Company's financial statements.

Amendments to IAS 21 - Lack of exchangeability (effective 01 January 2025):

The amendment specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

Notes to the financial statements

Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations that are not yet effective for the year ended 31 December 2025 have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory. The group has only considered the below new standards and interpretations relevant to the Group. The following accounting standards not yet effective and these are not expected to have a significant impact on the financial statements of the Group and Company.

Amendments to IFRS 9 and IFRS 7 - Classification and measurement of financial instruments (effective 01 January 2026):

The amendments include guidance on the classification of financial assets, including those with contingent features which:

- Clarifies that a financial liability is derecognised on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met
- Clarified how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features.
- Clarifies the treatment of non-recourse assets and contractually linked instruments
- Requires additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income

Annual improvements to IFRS accounting standards – volume 11 (effective 01 January 2026):

The annual improvements process aims to improve the clarity and internal consistency of IFRS® Accounting Standards. In this volume of improvements, the International Accounting Standards Board (IASB) makes minor amendments to IFRS 9 Financial Instruments and to a further four accounting standards being IFRS 1 First-time Adoption of International Financial Reporting Standards; IFRS 7 Financial Instruments: Disclosures; IFRS 10 Consolidated Financial Statements; IAS 7 Statement of Cash Flows). The amendments to IFRS 9 address a conflict between IFRS 9 and IFRS 15 Revenue from Contracts with Customers over the initial measurement of trade receivables; and how a lessee accounts for the derecognition of a lease liability under paragraph 23 of IFRS 9.

IFRS 18 – Presentation and disclosure in financial statements (effective 01 January 2027):

The standard aims to provide greater consistency in presentation of the income and cash flow statements, and more disaggregated information. It introduces new categories and subtotals in the statement of profit or loss. It also requires disclosure of management-defined performance measures (as defined) and includes new requirements for the location, aggregation and disaggregation of financial information. The Group is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

IFRS 19 – Subsidiaries without Public Accountability: Disclosures (effective 01 January 2027):

The standard allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards.

Amendments to IFRS 9 and IFRS 7 – Power Purchase Agreements (effective 01 January 2026):

The International Accounting Standards Boards (IASB) has made targeted amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures to allow companies to better reflect nature-dependent electricity contracts in the financial statements. The amount of electricity generated under these contracts can vary based on uncontrollable factors such as weather conditions, and current accounting requirements may not adequately capture how these contracts affect a company's performance.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date deferred indefinitely):

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The effective date of the amendments has been deferred until such time as the IASB has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

Notes to the financial statements

2. Segmental information

The Bank has the following two strategic divisions, which are reportable segments. These divisions offer different products and services and are managed separately based on the Group's management and internal reporting structure. There is no intersegment revenue and all financial income for these segments is earned in Botswana.

Corporate and Investment Banking provides lending, trade finance, cash management, securities services, foreign exchange, risk management, capital raising, corporate finance solutions and advisory services to its customers. The segment focuses on deepening relationships with clients and providing them with solutions.

Wealth & Retail Banking (WRB) provides a broad range of products and services to meet the borrowing, wealth management and transactions needs of individuals and small sized enterprises (SEs). While we maintain our strong hold on the personal segment, more focus will be given to high-net-worth individuals and SEs paying particular attention to product innovation to attract and retain customers.

The Group's executive committee (the chief operating decision maker) reviews the internal management reports at least monthly. Information related to each reportable segment is set out below. Segment profit before taxation as included in internal management reports reviewed by the Group's management committee is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments to other entities that operate within the same industries.

Notes to the financial statements

2. Segmental information continued

	Wealth and Retail Banking P '000	Corporate and Investment Banking P '000	Total P '000
2025			
Profit or Loss			
Interest Income	810,214	380,849	1,191,063
Interest Expenses	(392,258)	(45,283)	(437,541)
Net interest revenue calculated using the effective interest method	417,956	335,566	753,522
Net fee and commission income	174,565	(16,734)	157,831
Net trading income	30,557	8,872	39,429
Other operating income	-	51	51
Net operating income	623,078	327,755	950,833
Depreciation and amortisation	(15,596)	(17,727)	(33,323)
Other operating expenses	(441,276)	(82,182)	(523,458)
Operating profit before impairment losses and taxation	166,206	227,846	394,052
Credit impairment	(10,711)	(31,314)	(42,025)
Other impairment	-	(9,833)	(9,833)
Segment profit/(loss) before taxation	155,495	186,699	342,194
Taxation			(81,194)
Profit for the year			261,000
Assets and liabilities			
Investment Securities	-	5,342,532	5,342,532
Loans and advances to customers	6,850,338	1,070,939	7,921,277
Other assets for reportable segments	166,357	3,917,272	4,083,629
Total assets for reportable segments	7,016,695	10,330,743	17,347,438
Deposits from non bank customers	4,253,880	9,435,355	13,689,235
Other liabilities for reportable segments	(258,830)	2,765,271	2,506,441
Total liabilities for reportable segments	3,995,050	12,200,626	16,195,676

Segment balances excludes total equity which cannot be allocated to the segments.

Notes to the financial statements

2. Segmental information continued

	Wealth and Retail Banking P '000	Corporate and Investment Banking P '000	Total P '000
2024			
Profit or Loss			
Interest Income	757,482	350,360	1,107,842
Interest Expenses	(257,021)	15,402	(241,619)
Net interest revenue calculated using the effective interest method	500,461	365,762	866,223
Net fee and commission income	187,759	1,422	189,181
Net trading income	30,539	(20,909)	9,630
Other operating income	-	425	425
Net operating income	718,759	346,700	1,065,459
Depreciation and amortisation	(26,693)	(11,476)	(38,169)
Other operating expenses	(401,535)	(172,640)	(574,175)
Operating profit before impairment losses and taxation	290,531	162,584	453,115
Credit impairment	3,646	31,385	35,031
Other impairment	(617)	(9,847)	(10,464)
Segment profit before taxation	293,560	184,122	477,682
Taxation			(131,178)
Profit for the year			346,504
Assets and liabilities			
Investment Securities	-	3,718,747	3,718,747
Loans and advances to customers	7,184,099	970,265	8,154,364
Other assets for reportable segments	233,332	6,262,901	6,496,233
Total assets for reportable segments	7,417,431	10,951,913	18,369,344
Deposits from non bank customers	4,401,405	9,390,974	13,792,379
Other liabilities for reportable segments	(227,830)	3,546,741	3,318,911
Total liabilities for reportable segments	4,173,575	12,937,715	17,111,290

Segment balances exclude total equity which cannot be allocated to the segments.

Notes to the financial statements

3. Financial Risk Management and Capital Review

Risk Review

Risk update

Key highlights 2025

- Asset quality has continued to improve amidst a challenging macroeconomic environment
- Credit impairment allowance significantly reduced across all stages
- The Bank has maintained a strong liquidity and capital position

Our portfolio quality

Wide-ranging disruption to supply chains and rising inflation levels continue to place intense pressure on the majority of our chosen sectors. Despite these extreme challenges, we have built a solid foundation that has helped us to deliver a good performance with a resilient risk profile. This year demonstrates our commitment to strong and sustainable growth, with continued improvements seen in a number of our metrics since the end of 2021. Credit Risk remains elevated as the Bank continues to monitor the ongoing volatility in the foreign exchange market.

Our risk profile in 2025

Our Enterprise Risk Management Framework (ERMF) enables us to closely manage enterprise-wide risks with the objective of maximising risk-adjusted returns while remaining within our Risk Appetite. Identification and assessment of potentially adverse risk events is an essential first step in managing the risks of any business or activity and in order to facilitate that, the Bank maintains a dynamic risk-scanning process with inputs from the internal and external risk environment, as well as potential threats and opportunities from the business and client perspectives, enabling us to proactively manage our portfolio. The Bank maintains a taxonomy of the Principal Risk Types (PRTs), Integrated Risk Types (IRTs) and risk sub-types that are inherent to the strategy and business model; as well as an emerging risks inventory that includes near-term risks as well as longer-term uncertainties.

Despite the challenges of the ongoing depressed economic growth, our solid foundation has helped us to deliver a good performance with a resilient risk profile. Our corporate portfolios remain predominantly short-tenor and diversified across industry sectors, products and geographies. We have seen improvements in a number of our metrics that reflect our robust risk management during the technical economic recession in the country.

Basis of preparation

Unless otherwise stated the Statement of financial position and Statements of comprehensive income information presented within this section is based on the Bank's management view.

Credit risk overview

Credit risk is the potential for loss due to the failure of a counterparty to meet its contractual obligations to pay the Bank. Credit exposures arise from both the banking and trading books

Impairment model

IFRS 9 requires an impairment model that requires the recognition of expected credit losses (ECL) on all financial debt instruments held at amortised cost, fair value through other comprehensive income (FVOCI), undrawn loan commitments and financial guarantees.

Staging of financial instruments

- Financial instruments that are not already credit-impaired are originated into stage 1 and a 12-month expected credit loss provision is recognised.
- Instruments will remain in stage 1 until they are repaid, unless they experience significant credit deterioration (stage 2) or they become credit-impaired (stage 3).
- Instruments will transfer to stage 2 and a lifetime expected credit loss provision recognised when there has been a significant change in the Credit risk compared to what was expected at origination.

The framework used to determine a significant increase in Credit risk is set out below.

Stage 1	Stage 2	Stage 3
<ul style="list-style-type: none"> • 12-month ECL • Performing 	<ul style="list-style-type: none"> • Lifetime expected credit loss • Performing but has exhibited significant increase in Credit risk (SICR) 	<ul style="list-style-type: none"> • Credit-impaired • Non-performing

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

IFRS 9 expected credit loss principles and approaches

The main methodology principles and approach adopted by the Bank are set out in the following table.

Title	Description	Supplementary Information
Approach to determining expected credit losses	For material loan portfolios, the Group has adopted a statistical modelling approach for determining expected credit losses that makes extensive use of credit modelling. These models leveraged existing advanced Internal Ratings Based (IRB) models, where these were available. Where model performance breaches model monitoring thresholds or validation standards, a post-model adjustment may be required to correct for identified model issues, which will be removed once those issues have been remedied.	IFRS 9 methodology Determining lifetime expected credit loss for revolving products Post-model adjustments
Incorporation of forward-looking information	The determination of expected credit loss includes various assumptions and judgements in respect of forward-looking macroeconomic information. Refer to page [74] for incorporation of forward-looking information, forecast of key macroeconomic variables underlying the expected credit loss calculation and the impact on non-linearity and sensitivity of expected credit loss calculation to macroeconomic variables. Management overlays may also be used to capture risks not identified in the models.	Incorporation of forward-looking information and impact of non-linearity Forecast of key macroeconomic variables underlying the expected credit loss calculation Management overlay and sensitivity to macroeconomic variables
Significant increase in Credit risk (SICR)	Expected credit loss for financial assets will transfer from a 12-month basis (stage 1) to a lifetime basis (stage 2) when there is a significant increase in Credit risk (SICR) relative to that which was expected at the time of origination, or when the asset becomes credit-impaired. On transfer to a lifetime basis, the expected credit loss for those assets will reflect the impact of a default event expected to occur over the remaining lifetime of the instrument rather than just over the 12 months from the reporting date. SICR is assessed by comparing the risk of default of an exposure at the reporting date with the risk of default at origination (after considering the passage of time). 'Significant' does not mean statistically significant nor is it reflective of the extent of the impact on the Bank's financial statements. Whether a change in the risk of default is significant or not is assessed using quantitative and qualitative criteria, the weight of which will depend on the type of product and counterparty.	Quantitative criteria Significant increase in credit risk thresholds Specific qualitative and quantitative criteria per segment: Corporate & Investment Banking clients Consumer Banking clients Private Banking clients Investment securities
Assessment of credit-impaired financial assets	Credit-impaired (stage 3) financial assets comprise those assets that have experienced an observed credit event and are in default. Default represents those assets that are at least 90 days past due in respect of principal and interest payments and/or where the assets are otherwise considered unlikely to pay. This definition is consistent with internal credit risk management and the regulatory definition of default. Unlikely to pay factors include objective conditions such as bankruptcy, debt restructuring, fraud or death. It also includes credit-related modifications of contractual cash flows due to significant financial difficulty (forbearance) where the Bank has granted concessions that it would not ordinarily consider. Interest income for stage 3 assets is recognised by applying the original effective interest rate to the net asset amount (that is, net of credit impairment provisions). When financial assets are transferred from stage 3 to stage 2, any contractual interest recovered in excess of the interest income recognised while the asset was in stage 3 is reported within the credit impairment line.	Consumer Banking clients Corporate & Investment Banking and Private Banking clients

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Title	Description	Supplementary Information
Transfers between stages	<p>Assets will transfer from stage 3 to stage 2 when they are no longer considered to be credit-impaired. Assets will not be considered credit-impaired only if the customer makes payments such that they are paid to current in line with the original contractual terms.</p> <p>Assets may transfer to stage 1 if they are no longer considered to have experienced a significant increase in credit risk. This will be immediate when the original PD based transfer criteria are no longer met (and as long as none of the other transfer criteria apply). Where assets were transferred using other measures, the assets will only transfer back to stage 1 when the condition that caused the significant increase in credit risk no longer applies (and as long as none of the other transfer criteria apply).</p>	Movement in loan exposures and expected credit losses
Modified financial assets	<p>Where the contractual terms of a financial instrument have been modified, and this does not result in the instrument being derecognised, a modification gain or loss is recognised in the income statement representing the difference between the original cashflows and the modified cash flows, discounted at the effective interest rate. The modification gain/loss is directly applied to the gross carrying amount of the instrument.</p> <p>If the modification is credit related, such as forbearance or where the Bank has granted concessions that it would not ordinarily consider, then it will be considered credit-impaired. Modifications that are not credit related will be subject to an assessment of whether the asset's credit risk has increased significantly since origination by comparing the remaining lifetime PD based on the modified terms to the remaining lifetime PD based on the original contractual terms.</p>	Forbearance and other modified loans
Governance and application of expert credit judgement in respect of expected credit losses	<p>The models used in determining ECL are reviewed and approved by the Group Credit Model Assessment Committee and have been validated by Group model validation, which is independent of the business.</p> <p>A quarterly model monitoring process is in place that uses recent data to compare the differences between model predictions and actual outcomes against approved thresholds. Where a model's performance breaches the monitoring thresholds then an assessment of whether an ECL adjustment is required to correct for the identified model issue is completed.</p> <p>The determination of expected credit losses requires a significant degree of management judgement which had an impact on governance processes, with the output of the expected credit models assessed by the IFRS 9 Impairment Committee.</p>	Group Credit Model Assessment Committee IFRS 9 Impairment Committee

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Maximum exposure to Credit risk

The table below presents the Bank's maximum exposure to Credit risk for its on-balance sheet and off-balance sheet financial instruments, before and after taking into account any collateral held or other Credit risk mitigation.

Group

	2025			2024		
	Credit risk management			Credit risk management		
	Maximum exposure	Collateral	Net Exposure	Maximum exposure	Collateral	Net exposure
	P '000	P '000	P '000	P '000	P '000	P '000
On-balance sheet						
Cash and balances at central banks*	-	-	-	873,040	-	873,040
Loans and advances to banks	17,431	-	17,431	791	-	791
Loans and advances to customers	7,921,277	1,204,178	6,717,099	8,154,364	1,463,659	6,690,705
Investment securities and other eligible bills	5,342,532	-	5,342,532	3,718,747	-	3,718,747
Derivative financial instruments	40,098	-	40,098	40,172	-	40,172
Accrued income	170,740	-	170,740	212,833	-	212,833
Due from related parties	3,373,805	-	3,373,805	4,903,383	-	4,903,383
Other assets	4,745	-	4,745	10,755	-	10,755
Total balance sheet	16,870,628	1,204,178	15,666,450	17,914,085	1,463,659	16,450,426
Off-balance sheet						
Undrawn Commitments	4,894,489	518	4,893,971	5,495,144	6,014	5,489,130
Financial Guarantees and other equivalents	305,384	8,025	297,359	231,816	7,018	224,798
Total off-balance sheet	5,199,873	8,543	5,191,330	5,726,960	13,032	5,713,928
Total	22,070,501	1,212,721	20,857,780	23,641,045	1,476,691	22,164,354

*Credit exposure to cash and balances at central banks excludes cash on hand of P261 million (2024: P264 million). In the current year, balances at central bank were overdrawn by P18 million as at the reporting date hence there was no credit exposure.

Company

	2025			2024		
	Credit risk management			Credit risk management		
	Maximum exposure	Collateral	Net Exposure	Maximum exposure	Collateral	Net exposure
	P '000	P '000	P '000	P '000	P '000	P '000
On-balance sheet						
Cash and balances at central banks*	-	-	-	867,852	-	867,852
Loans and advances to banks	17,431	-	17,431	791	-	791
Loans and advances to customers	7,921,277	1,204,178	6,717,099	8,154,364	1,463,659	6,690,705
Investment securities and other eligible bills	5,342,532	-	5,342,532	3,718,747	-	3,718,747
Derivative financial instruments	40,098	-	40,098	40,172	-	40,172
Accrued income	170,740	-	170,740	212,833	-	212,833
Due from related parties	3,363,090	-	3,363,090	4,811,097	-	4,811,097
Other assets	4,685	-	4,685	10,695	-	10,695
Total balance sheet	16,859,853	1,204,178	15,655,675	17,816,551	1,463,659	16,352,892
Off-balance sheet						
Undrawn Commitments	4,894,489	518	4,893,971	5,495,144	6,014	5,489,130
Financial Guarantees and other equivalents	305,384	8,025	297,359	231,816	7,018	224,798
Total off-balance sheet	5,199,873	8,543	5,191,330	5,726,960	13,032	5,713,928
Total	22,059,726	1,212,721	20,847,005	23,543,511	1,476,691	22,066,820

*Credit exposure to cash and balances at central banks excludes cash on hand of P261 million (2024: P264 million). In the current year, balances at central bank were overdrawn by P18 million as at the reporting date hence there was no credit exposure.

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Analysis of financial instrument by stage

This table shows financial instruments and off-balance sheet commitments by stage, along with the total credit impairment loss provision against each class of financial instrument.

Group

Group	2025											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value
P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	
Cash and balances at central banks	243,188	-	243,188	-	-	-	-	-	-	243,188	-	243,188
Loans and advances to banks (amortised cost)	17,431	-	17,431	-	-	-	-	-	-	17,431	-	17,431
Due from related parties	3,373,805	-	3,373,805	-	-	-	-	-	-	3,373,805	-	3,373,805
Loans and advances to customers (amortised cost)	7,084,394	(14,069)	7,070,325	844,209	(2,994)	841,215	163,596	(153,859)	9,737	8,092,199	(170,922)	7,921,277
Derivate financial instruments	40,098	-	40,098	-	-	-	-	-	-	40,098	-	40,098
Investment securities and other eligible bills	5,342,532	(4,115)	5,342,532	-	-	-	-	-	-	5,342,532	(4,115)	5,342,532
FVOCI ²	5,342,532	(4,115)	-	-	-	-	-	-	-	5,342,532	(4,115)	-
Accrued income	152,991	-	152,991	17,749	-	17,749	-	-	-	170,740	-	170,740
Other assets	4,745	-	4,745	-	-	-	-	-	-	4,745	-	4,745
Undrawn commitments ³	4,754,788	(205)	-	139,701	(275)	-	-	-	-	4,894,489	(480)	-
Financial guarantees, trade credits and irrevocable letter of credits ³	182,289	(151)	-	123,095	(967)	-	-	-	-	305,384	(1,118)	-
Total	21,196,261	(18,540)	16,245,115	1,124,754	(4,236)	858,964	163,596	(153,859)	9,737	22,484,611	(176,635)	17,113,816

1. Gross Carrying for off balance sheet refers to notional values

2. These instruments are held at fair value on the balance sheet. The ECL provision in respect of investment securities measured at FVOCI is held within the OCI reserve

3. These are off balance sheet instruments. Only the ECL is recorded on-balance sheet as a financial liability and therefore there is no net carrying amount. ECL allowances on off-balance sheet instruments are held as liability provisions to the extent that the drawn and undrawn components of loan exposures can be separately identified. Otherwise, they will be reported against the drawn component.

Group	2024											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value
P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	
Cash and balances at central banks	1,132,308	-	1,132,308	-	-	-	-	-	-	1,132,308	-	1,132,308
Loans and advances to banks (amortised cost)	791	-	791	-	-	-	-	-	-	791	-	791
Due from related parties	4,903,383	-	4,903,383	-	-	-	-	-	-	4,903,383	-	4,903,383
Loans and advances to customers (amortised cost)	7,429,389	(22,553)	7,406,836	682,843	(2,035)	680,808	225,124	(158,404)	66,720	8,337,356	(182,992)	8,154,364
Derivate financial instruments	40,172	-	40,172	-	-	-	-	-	-	40,172	-	40,172
Investment securities and other eligible bills	3,718,747	(398)	3,718,747	-	-	-	-	-	-	3,718,747	(398)	3,718,747
FVOCI ²	3,718,747	(398)	-	-	-	-	-	-	-	3,718,747	(398)	-
Accrued income ⁴	195,655	-	195,655	17,178	-	17,178	-	-	-	212,833	-	212,833
Other assets	10,755	-	10,755	-	-	-	-	-	-	10,755	-	10,755
Undrawn commitments ³	5,468,224	(168)	-	26,920	(12)	-	-	-	-	5,495,144	(180)	-
Financial guarantees, trade credits and irrevocable letter of credits ³	226,051	(75)	-	5,675	(422)	-	90	-	-	231,816	(497)	-
Total	23,125,474	(23,194)	17,408,647	732,616	(2,469)	697,986	225,214	(158,404)	66,720	24,083,304	(184,067)	18,173,353

1. Gross Carrying for off balance sheet refers to notional values

2. These instruments are held at fair value on the balance sheet. The ECL provision in respect of investment securities measured at FVOCI is held within the OCI reserve

3. These are off balance sheet instruments. Only the ECL is recorded on-balance sheet as a financial liability and therefore there is no net carrying amount. ECL allowances on off-balance sheet instruments are held as liability provisions to the extent that the drawn and undrawn components of loan exposures can be separately identified. Otherwise, they will be reported against the drawn component.

4. The prior-year amount of P213 million, previously classified wholly within Stage 1, has been reallocated between Stages 1 and 2 to provide a clearer presentation of the respective stage balances.

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Company	2025												
	Stage 1			Stage 2			Stage 3			Total			
	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	
Cash and balances at central banks	243,188	-	243,188	-	-	-	-	-	-	-	243,188	-	243,188
Loans and advances to banks (amortised cost)	17,431	-	17,431	-	-	-	-	-	-	-	17,431	-	17,431
Due from related parties	3,363,090	-	3,363,090	-	-	-	-	-	-	-	3,363,090	-	3,363,090
Loans and advances to customers (amortised cost)	7,084,394	(14,069)	7,070,325	844,209	(2,994)	841,215	163,596	(153,859)	9,737	8,092,199	(170,922)	7,921,277	
Derivate financial instruments	40,098	-	40,098	-	-	-	-	-	-	-	40,098	-	40,098
Investment securities and other eligible bills	5,342,532	(4,115)	5,342,532	-	-	-	-	-	-	-	5,342,532	(4,115)	5,342,532
FVOCI ²	5,342,532	(4,115)		-	-		-	-		-	5,342,532	(4,115)	
Accrued income	152,991	-	152,991	17,749	-	17,749	-	-	-	-	170,740	-	170,740
Other assets	4,685	-	4,685	-	-	-	-	-	-	-	4,685	-	4,685
Undrawn commitments ³	4,754,788	(205)	-	139,701	(275)	-	-	-	-	-	4,894,489	(480)	-
Financial guarantees, trade credits and irrevocable letter of credits ³	182,289	(151)	-	123,095	(967)	-	-	-	-	-	305,384	(1,118)	-
Total	21,185,486	(18,540)	16,234,340	1,124,754	(4,236)	858,964	163,596	(153,859)	9,737	22,473,836	(176,635)	17,103,041	

1. Gross Carrying for off balance sheet refers to notional values

2. These instruments are held at fair value on the balance sheet. The ECL provision in respect of investment securities measured at FVOCI is held within the OCI reserve

3. These are off balance sheet instruments. Only the ECL is recorded on-balance sheet as a financial liability and therefore there is no net carrying amount. ECL allowances on off-balance sheet instruments are held as liability provisions to the extent that the drawn and undrawn components of loan exposures can be separately identified. Otherwise, they will be reported against the drawn component.

Company	2024												
	Stage 1			Stage 2			Stage 3			Total			
	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	
Cash and balances at central banks	1,127,120	-	1,127,120	-	-	-	-	-	-	-	1,127,120	-	1,127,120
Loans and advances to banks (amortised cost)	791	-	791	-	-	-	-	-	-	-	791	-	791
Due from related parties	4,811,097	-	4,811,097	-	-	-	-	-	-	-	4,811,097	-	4,811,097
Loans and advances to customers (amortised cost)	7,429,389	(22,553)	7,406,836	682,843	(2,035)	680,808	225,124	(158,404)	66,720	8,337,356	(182,992)	8,154,364	
Derivate financial instruments	40,172	-	40,172	-	-	-	-	-	-	-	40,172	-	40,172
Investment securities and other eligible bills	3,718,747	(398)	3,718,747	-	-	-	-	-	-	-	3,718,747	(398)	3,718,747
FVOCI ²	3,718,747	(398)		-	-		-	-		-	3,718,747	(398)	
Accrued income ⁴	195,655	-	195,655	17,178	-	17,178	-	-	-	-	212,833	-	212,833
Other assets	10,695	-	10,695	-	-	-	-	-	-	-	10,695	-	10,695
Undrawn commitments ³	5,468,224	(168)	-	26,920	(12)	-	-	-	-	-	5,495,144	(180)	-
Financial guarantees, trade credits and irrevocable letter of credits ³	226,051	(75)	-	5,675	(422)	-	90	-	-	-	231,816	(497)	-
Total	23,027,940	(23,194)	17,311,113	732,616	(2,469)	697,986	225,214	(158,404)	66,720	23,985,770	(184,067)	18,075,819	

1. Gross Carrying for off balance sheet refers to notional values

2. These instruments are held at fair value on the balance sheet. The ECL provision in respect of investment securities measured at FVOCI is held within the OCI reserve

3. These are off balance sheet instruments. Only the ECL is recorded on-balance sheet as a financial liability and therefore there is no net carrying amount. ECL allowances on off-balance sheet instruments are held as liability provisions to the extent that the drawn and undrawn components of loan exposures can be separately identified. Otherwise, they will be reported against the drawn component.

4. The prior-year amount of P213 million, previously classified wholly within Stage 1, has been reallocated between Stages 1 and 2 to provide a clearer presentation of the respective stage balances.

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Credit quality analysis

Credit quality by client segment

For the Corporate & Investment Banking portfolio, exposures are analysed by credit grade (CG), which plays a central role in the quality assessment and monitoring of risk. All loans are assigned a CG, which is reviewed periodically and amended in light of changes in the borrower's circumstances or behaviour. CGs 1 to 12 are assigned to stage 1 and stage 2 (performing) clients or accounts, while CGs 13 and 14 are assigned to stage 3 (defaulted) clients. The mapping of credit quality is as follows.

Mapping of credit quality

The Bank uses the following internal risk mapping to determine the credit quality for loans.

Credit quality description	Corporate & Investment Banking			Wealth & Retail Banking	
	Default grade mapping	S&P external ratings equivalent	PD range (%)	Number of days past due	ECL Stages
Strong	Grades 1 - 5	AAA/AA+ to BB+/BBB-	0.000 - 0.425	Current and past due till 29	1
Satisfactory	Grades 6 - 8	BB+ to BB-/B+	0.425 - 15.75	Past due 30 - 89	1, 2
	Grades 9 -11	B+/B to B-/CCC	2.351 - 15.570		
Higher risk	Grade 12	B-/CCC	15.571 -100	Past due 30 - 89	2

For individually significant financial assets within Stage 3, GSAM will consider all judgments that have an impact on the expected future cash flows of the asset. These include: the business prospects, industry and geo-political 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, such as the Retail Banking portfolio or small business loans, which comprise a large number of homogenous loans that share similar characteristics, statistical estimates and techniques are used, as well as credit scoring analysis.

Retail Banking clients are considered credit impaired where they are more 90 days past due. Retail Banking products are also considered credit impaired if the borrower files for bankruptcy or other forbearance programme, the borrower is deceased or the business is closed in the case of a small business, or if the borrower surrenders the collateral, or there is an identified fraud on the account. Additionally, if the account is unsecured and the borrower has other credit accounts with the Group that are considered credit impaired, the account may also be credit impaired.

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.

The table overleaf sets out the gross loans and advances held at amortised cost, expected credit loss provisions and expected credit loss coverage by business segment and stage. Expected credit loss coverage represents the expected credit loss reported for each segment and stage as a proportion of the gross loan balance for each segment and stage.

Stage 1:

Stage 1 gross loans and advances to customers decreased by P345.0 million compared with 31 December 2024 and represent a decrease of 5%. Stage 1 gross balances represent 88.0% of loans and advances to customers (2024: 89.04%). The stage 1 coverage ratio is at 0.17% compared with 0.3% in 31 December 2024.

Stage 2:

Stage 2 loans and advances to customers increased by P161 million compared with 31 December 2024. The proportion of stage 2 loans also increased to 10% from 8% due to changes in exposures.

Stage 3:

Stage 3 loans and advances to customers decreased by 27% to P164 million compared with 31 December 2024 of P225 million.

In Corporate & Investment Banking, gross stage 3 loans decreased by P61 million compared with 31 December 2024.

In Wealth & Retail Banking (WRB), stage 3 loans decreased by P0.4 million.

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Loans and advances by client segment Group and Company

	2025					
	Customers					Financial Guarantees
	Banks	Corporate & Investment Banking	Wealth & Retail Banking	Customer Total	Undrawn commitments	
Amortised cost	P '000	P '000	P '000	P '000	P '000	P '000
Stage 1	17,431	296,817	6,787,577	7,084,394	4,754,788	182,289
- Strong	17,381	270,826	6,787,577	7,058,403	4,710,575	172,716
- Satisfactory	50	25,991	-	25,991	44,213	9,573
Stage 2	-	816,065	28,144	844,209	139,701	123,095
- Strong	-	-	-	-	-	-
- Satisfactory	-	816,065	28,144	844,209	109,458	117,542
- Higher risk	-	-	-	-	30,243	5,553
Stage 3, credit-impaired financial assets	-	88,788	74,808	163,596	-	-
Gross balance	17,431	1,201,670	6,890,529	8,092,199	4,894,489	305,384
Stage 1	-	(575)	(13,494)	(14,069)	(205)	(151)
- Strong	-	(517)	(13,494)	(14,011)	(156)	(138)
- Satisfactory	-	(58)	-	(58)	(49)	(13)
Stage 2	-	(2,826)	(168)	(2,994)	(275)	(967)
- Strong	-	-	-	-	-	-
- Satisfactory	-	(2,826)	(168)	(2,994)	(218)	(386)
- Higher risk	-	-	-	-	(57)	(581)
Stage 3, credit-impaired financial assets	-	(86,131)	(67,728)	(153,859)	-	-
Total credit impairment	-	(89,532)	(81,390)	(170,922)	(480)	(1,118)
Net carrying value	17,431	1,112,138	6,809,139	7,921,277	-	-
Stage 1	0.00%	0.19%	0.20%	0.20%	0.00%	0.08%
- Strong	0.00%	0.19%	0.20%	0.20%	0.00%	0.08%
- Satisfactory	0.00%	0.22%	0.00%	0.22%	0.11%	0.14%
Stage 2	0.00%	0.35%	0.60%	0.35%	0.20%	0.79%
- Strong	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
- Satisfactory	0.00%	0.35%	0.60%	0.35%	0.20%	0.33%
- Higher risk	0.00%	0.00%	0.00%	0.00%	0.19%	10.46%
Stage 3, credit-impaired financial assets (S3)	0.00%	97.01%	90.54%	94.05%	0.00%	0.00%
Cover ratio	0.00%	7.45%	1.18%	2.11%	0.01%	0.37%
Net carrying value (incl FVTPL)	17,431	1,112,138	6,809,139	7,921,277	-	-

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Group and Company

	2024					
	Customers					
	Banks	Corporate & Investment Banking	Wealth & Retail Banking	Customer Total	Undrawn commitments	Financial Guarantees
Amortised cost	P '000	P '000	P '000	P '000	P '000	P '000
Stage 1	791	283,505	7,145,884	7,429,389	5,468,224	226,051
- Strong	741	247,632	7,145,884	7,393,516	5,317,708	91,266
- Satisfactory	50	35,873	-	35,873	150,516	134,785
Stage 2	-	637,041	45,802	682,843	26,920	5,675
- Strong	-	-	45,802	45,802	26,920	-
- Satisfactory	-	637,041	-	637,041	-	200
- Higher risk	-	-	-	-	-	5,475
Stage 3, credit-impaired financial assets	-	149,902	75,222	225,124	-	90
Gross balance	791	1,070,448	7,266,908	8,337,356	5,495,144	231,816
Stage 1	-	(80)	(22,473)	(22,553)	(168)	(75)
- Strong	-	(69)	(22,473)	(22,542)	(91)	(19)
- Satisfactory	-	(11)	-	(11)	(77)	(56)
Stage 2	-	(1,731)	(304)	(2,035)	(12)	(422)
- Strong	-	-	(304)	(304)	(12)	-
- Satisfactory	-	(1,731)	-	(1,731)	-	(2)
- Higher risk	-	-	-	-	-	(420)
Stage 3, credit-impaired financial assets	-	(98,372)	(60,032)	(158,404)	-	-
Total credit impairment	-	(100,183)	(82,809)	(182,992)	(180)	(497)
Net carrying value	791	970,265	7,184,099	8,154,364	-	-
Stage 1	0.00%	0.03%	0.31%	0.30%	0.00%	0.03%
- Strong	0.00%	0.03%	0.31%	0.30%	0.00%	0.02%
- Satisfactory	0.00%	0.03%	0.00%	0.03%	0.05%	0.04%
Stage 2	0.00%	0.27%	0.66%	0.30%	0.04%	7.44%
- Strong	0.00%	0.00%	0.66%	0.66%	0.04%	0.00%
- Satisfactory	0.00%	0.27%	0.00%	0.27%	0.00%	1.00%
- Higher risk	0.00%	0.00%	0.00%	0.00%	0.00%	7.67%
Stage 3, credit-impaired financial assets (S3)	0.00%	65.62%	79.81%	70.36%	0.00%	0.00%
Cover ratio	0.00%	9.36%	1.14%	2.19%	0.00%	0.21%
Net carrying value (incl FVTPL)	791	970,265	7,184,099	8,154,364	-	-

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Group and Company

Loans and advances by client segment credit quality analysis

Credit grade	Regulatory 1 year PD range (%)	S&P external ratings equivalent	2025							
			Corporate & Investment Banking				Credit impairment			
			Gross				Credit impairment			
			Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Strong			270,826	-	-	270,826	(517)	-	-	(517)
4B-5B	0.111 - 0.425	BBB+ to BBB-/BB+	270,826	-	-	270,826	(517)	-	-	(517)
Satisfactory			25,991	816,065	-	842,056	(58)	(2,826)	-	(2,884)
6A-7B	0.426 - 1.350	BB+/BB to BB-	-	-	-	-	-	-	-	-
8A-9B	1.351 - 4.000	BB-/B+ to B+/B	25,991	816,065	-	842,056	(58)	(2,826)	-	(2,884)
Higher risk			-	-	-	-	-	-	-	-
12	15.751 - 99.999	CCC/C	-	-	-	-	-	-	-	-
Defaulted			-	-	88,788	88,788	-	-	(86,131)	(86,131)
13-14	100	Defaulted	-	-	88,788	88,788	-	-	(86,131)	(86,131)
Total			296,817	816,065	88,788	1,201,670	(575)	(2,826)	(86,131)	(89,532)

Group and Company

Credit grade	Regulatory 1 year PD range (%)	S&P external ratings equivalent	2024							
			Corporate & Investment Banking				Credit impairment			
			Gross				Credit impairment			
			Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Strong			247,632	-	-	247,632	(69)	-	-	(69)
4B-5B	0.111 - 0.425	BBB+ to BBB-/BB+	247,632	-	-	247,632	(69)	-	-	(69)
Satisfactory			35,873	637,041	-	672,914	(11)	(1,731)	-	(1,742)
6A-7B	0.426 - 1.350	BB+/BB to BB-	-	-	-	-	-	-	-	-
8A-9B	1.351 - 4.000	BB-/B+ to B+/B	35,873	637,041	-	672,914	(11)	(1,731)	-	(1,742)
Higher risk			-	-	-	-	-	-	-	-
12	15.751 - 99.999	CCC/C	-	-	-	-	-	-	-	-
Defaulted			-	-	149,902	149,902	-	-	(98,372)	(98,372)
13-14	100	Defaulted	-	-	149,902	149,902	-	-	(98,372)	(98,372)
Total			283,505	637,041	149,902	1,070,448	(80)	(1,731)	(98,372)	(100,183)

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Group and Company

Loans and advances by client segment credit quality analysis

Wealth & Retail Banking								
2025								
Credit grade	Gross			Total	Credit impairment			Total
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
Strong	6,787,577	-	-	6,787,577	(13,494)	-	-	(13,494)
Secured	1,053,203	-	-	1,053,203	(6,433)	-	-	(6,433)
Unsecured	5,734,374	-	-	5,734,374	(7,061)	-	-	(7,061)
Satisfactory	-	28,144	-	28,144	-	(168)	-	(168)
Secured	-	14,624	-	14,624	-	-	-	-
Unsecured	-	13,520	-	13,520	-	(168)	-	(168)
Defaulted	-	-	74,808	74,808	-	-	(67,728)	(67,728)
Secured	-	-	37,909	37,909	-	-	(31,708)	(31,708)
Unsecured	-	-	36,899	36,899	-	-	(36,020)	(36,020)
Total	6,787,577	28,144	74,808	6,890,529	(13,494)	(168)	(67,728)	(81,390)
2024								
Credit grade	Gross			Total	Credit impairment			Total
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
Strong	7,145,884	45,802	-	7,191,686	(22,473)	(304)	-	(22,777)
Secured	1,086,081	23,731	-	1,109,812	(2,083)	(177)	-	(2,260)
Unsecured	6,059,803	22,071	-	6,081,874	(20,390)	(127)	-	(20,517)
Defaulted	-	-	75,222	75,222	-	-	(60,032)	(60,032)
Secured	-	-	37,334	37,334	-	-	(22,896)	(22,896)
Unsecured	-	-	37,888	37,888	-	-	(37,136)	(37,136)
Total	7,145,884	45,802	75,222	7,266,908	(22,473)	(304)	(60,032)	(82,809)

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Movement in gross exposures and credit impairment for loans and advances, investment securities, undrawn commitments and financial guarantees

The tables overleaf set out the movement in gross exposures and credit impairment by stage in respect of amortised cost loans to banks and customers, undrawn commitments, financial guarantees and investment securities classified at amortised cost and FVOCI. The tables are presented for the Bank, investment securities and other eligible bills.

Methodology

The movement lines within the tables are an aggregation of monthly movements over the year and will therefore reflect the accumulation of multiple trades during the year. The credit impairment charge in the income statement comprises the amounts within the boxes in the table below less recoveries of amounts previously written off. Discount unwind is reported in net interest income and related to stage 3 financial instruments only.

Movement in gross exposures and credit impairment for loans and advances, investment securities, undrawn commitments and financial guarantees (continued)

The approach for determining the key line items in the tables is set out below.

- Transfers - transfers between stages are deemed to occur at the beginning of a month based on prior month closing balances
- Net remeasurement from stage changes - the remeasurement of credit impairment provisions arising from a change in stage is reported within the stage that the assets are transferred to. For example, assets transferred into stage 2 are remeasured from a 12 month to a lifetime expected credit loss, with the effect of remeasurement reported in stage 2. For stage 3, this represents the initial remeasurement from specific provisions recognised on individual assets transferred into stage 3 in the year
- Net changes in exposures - new business written less repayments in the year. Within stage 1, new business written will attract up to 12 months of expected credit loss charges. Repayments of non-amortising loans (primarily within Corporate & Investment Banking) will have low amounts of expected credit loss provisions attributed to them, due to the release of provisions over the term to maturity. In stages 2 and 3, the amounts principally reflect repayments although stage 2 may include new business written where clients are on non-purely precautionary early alert, are credit grade 12, or when non-investment grade investment securities are acquired.
- Changes in risk parameters - for stages 1 and 2, this reflects changes in the probability of default (PD), loss given default (LGD) and exposure at default (EAD) of assets during the year, which includes the impact of releasing provisions over the term to maturity. It also includes the effect of changes in forecasts of macroeconomic variables during the year. In stage 3, this line represents additional specific provisions recognised on exposures held within stage 3
- Interest due but not paid - change in contractual amount of interest due in stage 3 financial instruments but not paid, being the net of accruals, repayments and write-offs, together with the corresponding change in credit impairment

Changes to ECL models, which incorporates changes to model approaches and methodologies, is not reported as a separate line item as it has an impact over a number of lines and stages.

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Group and Company (All segments)

	Stage 1			Stage 2			Stage 3			Total		
	Gross balance P '000	Total credit impairment P '000	Net P '000	Gross balance P '000	Total credit impairment P '000	Net P '000	Gross balance P '000	Total credit impairment P '000	Net P '000	Gross balance P '000	Total credit impairment P '000	Net P '000
Amortised cost												
As at 01 January 2025	12,295,673	(23,194)	12,272,479	715,438	(2,469)	712,969	225,214	(195,974)	29,240	13,236,325	(221,637)	13,014,688
Transfers to stage 1	131,946	2,488	134,434	(131,946)	(2,398)	(134,344)	-	(90)	(90)	-	-	-
Transfers to stage 2	(2,663,755)	1,011	(2,662,744)	2,709,060	(1,057)	2,708,003	(45,305)	46	(45,259)	-	-	-
Transfers to stage 3	4	2	6	(70,462)	766	(69,696)	70,458	(768)	69,690	-	-	-
Net change in exposures	7,604,068	(7,675)	7,596,393	(2,108,516)	(5)	(2,108,521)	(88,110)	(34,836)	(122,946)	5,407,442	(42,516)	5,364,926
Net remeasurement from stage changes	-	135	135	-	(881)	(881)	-	-	-	-	(746)	(746)
Changes in risk parameters	-	14,412	14,412	-	(5,533)	(5,533)	-	(42,471)	(42,471)	-	(33,592)	(33,592)
Write-offs	-	-	-	-	-	-	-	-	-	-	-	-
Interest due but unpaid	-	-	-	-	-	-	-	6,236	6,236	-	6,236	6,236
Discount unwind	-	-	-	-	-	-	-	1,870	1,870	-	1,870	1,870
Exchange translation differences and other movements	13,498	(5,719)	7,779	(7,040)	7,341	301	1,810	39,729	41,539	8,268	41,351	49,619
As at 31 December 2025	17,381,434	(18,540)	17,362,894	1,106,534	(4,236)	1,102,298	164,067	(226,258)	(62,191)	18,652,035	(249,034)	18,403,001
Income statement ECL (charge)/release		6,872			(6,419)			(77,307)			(76,854)	
Recoveries of amounts previously written off*		-			-			34,829			34,829	
Total credit impairment (charge)/release		6,872			(6,419)			(42,478)			(42,025)	

The impairment analysis does not include amounts related to fair value through other comprehensive income (FVOCI) which are analysed separately on the movement of investment securities and other eligible bills.

* In the current year, the Group and Company identified that recoveries of amounts previously written off had been incorrectly included in the expected credit loss (ECL) movement. The comparative figures have been corrected to exclude these recoveries and present them as a separate line item. This correction affects the disclosure only and has no impact on total ECL, profit or loss, or equity for any period presented.

	Stage 1			Stage 2			Stage 3			Total		
	Gross balance P '000	Total credit impairment P '000	Net P '000	Gross balance P '000	Total credit impairment P '000	Net P '000	Gross balance P '000	Total credit impairment P '000	Net P '000	Gross balance P '000	Total credit impairment P '000	Net P '000
Amortised cost												
As at 01 January 2024	16,830,382	(58,798)	16,771,584	(322,760)	31,541	(291,219)	108,116	(199,208)	(91,092)	16,615,738	(226,465)	16,389,273
Transfers to stage 1	90,978	8,094	99,072	(90,978)	(8,094)	(99,072)	-	-	-	-	-	-
Transfers to stage 2	(2,038,712)	(1,984)	(2,040,696)	2,053,804	4,044	2,057,848	(15,092)	(2,060)	(17,152)	-	-	-
Transfers to stage 3	-	-	-	(68,177)	(7,940)	(76,117)	68,177	7,940	76,117	-	-	-
Net change in exposures	(2,588,213)	9,645	(2,578,568)	(856,771)	772	(855,999)	117,680	(153,459)	(35,779)	(3,327,304)	(143,042)	(3,470,346)
Net remeasurement from stage changes	-	(295)	(295)	-	910	910	-	9	9	-	624	624
Changes in risk parameters	-	27,357	27,357	-	(23,709)	(23,709)	-	136,231	136,231	-	139,879	139,879
Write-offs	-	-	-	-	-	-	(54,030)	-	(54,030)	(54,030)	-	(54,030)
Interest due but unpaid	-	-	-	-	-	-	-	(81)	(81)	-	(81)	(81)
Exchange translation differences and other movements	1,238	(7,213)	(5,975)	320	7	327	363	14,654	15,017	1,921	7,448	9,369
As at 31 December 2024	12,295,673	(23,194)	12,272,479	715,438	(2,469)	712,969	225,214	(195,974)	29,240	13,236,325	(221,637)	13,014,688
Income statement ECL (charge)/release		36,707			(22,027)			(17,219)			(2,539)	
Recoveries of amounts previously written off*		-			-			37,570			37,570	
Total credit impairment (charge)/release		36,707			(22,027)			20,351			35,031	

The impairment analysis does not include amounts related to fair value through other comprehensive income (FVOCI) which are analysed separately on the movement of investment securities and other eligible bills.

* In the current year, the Group and Company identified that recoveries of amounts previously written off had been incorrectly included in the expected credit loss (ECL) movement. The comparative figures have been corrected to exclude these recoveries and present them as a separate line item. This correction affects the disclosure only and has no impact on total ECL, profit or loss, or equity for any period presented.

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Of which – movement of investment securities and other eligible bills

	Stage 1			Stage 2			Stage 3			Total		
	Gross balance P '000	Total credit impairment P '000	Net P '000	Gross balance P '000	Total credit impairment P '000	Net P '000	Gross balance P '000	Total credit impairment P '000	Net P '000	Gross balance P '000	Total credit impairment P '000	Net ³ P '000
Amortised cost and FVOCI												
As at 01 January 2024	4,274,968	(294)	4,274,674	-	-	-	-	-	-	4,274,968	(294)	4,274,674
Net change in exposures	(586,578)	(803)	(587,381)	-	-	-	-	-	-	(586,578)	(803)	(587,381)
Changes in risk parameters	-	698	698	-	-	-	-	-	-	-	698	698
Exchange translation differences and other movements	30,357	-	30,358	-	-	-	-	-	-	30,357	1	30,358
As at 31 December 2024	3,718,747	(398)	3,718,349	-	-	-	-	-	-	3,718,747	(398)	3,718,349
Income statement ECL (charge)/release		(105)			-			-			(105)	
Total credit impairment (charge)/release		(105)			-			-			(105)	
As at 01 January 2025	3,718,747	(398)	3,718,349	-	-	-	-	-	-	3,718,747	(398)	3,718,349
Net change in exposures	1,540,750	(1,113)	1,539,637	-	-	-	-	-	-	1,540,750	(1,113)	1,539,637
Changes in risk parameters	-	(2,606)	(2,606)	-	-	-	-	-	-	-	(2,606)	(2,606)
Exchange translation differences and other movements	83,035	2	83,037	-	-	-	-	-	-	83,035	2	83,037
As at 31 December 2025	5,342,532	(4,115)	5,338,417	-	-	-	-	-	-	5,342,532	(4,115)	5,338,417
Income statement ECL (charge)/release	-	(3,719)	-	-	-	-	-	-	-	-	(3,719)	-
Total credit impairment (charge)/release	-	(3,719)	-	-	-	-	-	-	-	-	(3,719)	-

Problem credit management and provisioning

Credit-impaired (stage 3) loans and advances by client segment

Gross stage 3 loans for the Bank is P164 million (2024: P 225 million). The decrease in loans was driven by a decrease in both the Wealth & Retail Banking and Corporate & Investment Banking book.

Gross stage 3 loans in Wealth & Retail Banking decreased to P74.8m (2024: P75.2m) and Corporate & Investment Banking decreased to P88.8m (2024: P145.9m).

Stage 3 cover ratio

The stage 3 cover ratio measures the proportion of stage 3 impairment provisions to gross stage 3 loans, and is a metric commonly used in considering impairment trends. This metric does not allow for variations in the composition of stage 3 loans and should be used in conjunction with other Credit risk information provided, including the level of collateral cover. The balance of stage 3 loans not covered by stage 3 impairment provisions represents the adjusted value of collateral held and the net outcome of any workout or recovery strategies. Collateral provides risk mitigation to some degree in all client segments and supports the credit quality and cover ratio assessments post impairment provisions. Further information on collateral is provided in the Credit risk mitigation section. Corporate & Investment Banking cover ratio increased to 97% compared to 66% in the previous reporting period.

Wealth & Retail Banking cover ratio is 91% (2024: 80%) due to new accounts with a higher cover ratio and impact of revaluations on existing loans.

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Group and Company

	2025			2024		
	Corporate & Investment Banking P '000	Wealth & Retail Banking P '000	Total P '000	Corporate & Investment Banking P '000	Wealth & Retail Banking P '000	Total P '000
Amortised cost						
Gross credit-impaired	88,788	74,808	163,596	149,902	75,222	225,124
Credit impairment provisions	(86,131)	(67,728)	(153,859)	(98,372)	(60,032)	(158,404)
Net credit-impaired	2,657	7,080	9,737	51,530	15,190	66,720
Cover ratio	97%	91%	94%	66%	80%	70%
Collateral (P '000)	6,886	7,080	13,966	749,613	26,414	776,027
Cover ratio (after collateral)	100%	100%	100%	100%	100%	100%

Credit risk mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting arrangements, credit insurance and credit derivatives, taking into account expected volatility and guarantees.

The reliance that can be placed on these mitigants is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor.

Collateral

The requirement for collateral is not a substitute for the ability to repay, which is the primary consideration for any lending decisions. Conditions for collateral held include a restriction to transfer and significant alteration of collateralised assets.

Collateral and other credit enhancements possessed or called upon

The Group obtains assets by taking possession of collateral or calling upon other credit enhancements (such as guarantees). Repossessed properties are sold at auctions. Where the proceeds are in excess of the outstanding loan balance the excess is returned to the borrower.

The collateral values in the table below (which covers loans and advances to banks and customers, excluding those held at fair value through profit or loss) are adjusted where appropriate in accordance with our risk mitigation policy and for the effect of over-collateralisation. The extent of overcollateralisation has been determined with reference to both the drawn and undrawn components of exposure as this best reflects the effect of collateral and other credit enhancements on the amounts arising from expected credit losses. The value of collateral reflects management's best estimate and is backtested against our prior experience. On average, across all types of non-cash collateral, the value ascribed is approximately half of its current market value. In the Wealth & Retail Banking segment, a secured loan is one where the borrower pledges an asset as collateral of which the Bank is able to take possession in the event that the borrower defaults.

Collateral held on loans and advances

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for stage 2 and 3 exposure and corresponding collateral.

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Group and Company

	2025								
	Net amount outstanding			Collateral			Net exposure		
	Total P '000	Stage 2 financial assets P '000	Credit- impaired financial assets (S3) P '000	Total P '000	Stage 2 financial assets P '000	Credit- impaired financial assets (S3) P '000	Total P '000	Stage 2 financial assets P '000	Credit- impaired financial assets (S3) P '000
Amortised cost									
Corporate & Investment Banking	1,112,138	813,239	2,657	137,113	122,309	6,886	975,025	690,930	-
Wealth & Retail Banking	6,809,139	27,976	7,080	1,075,607	24,698	7,080	5,733,532	3,278	-
Total	7,921,277	841,215	9,737	1,212,720	147,007	13,966	6,708,557	694,208	-

	2024								
	Net amount outstanding			Collateral			Net exposure		
	Total P '000	Stage 2 financial assets P '000	Credit- impaired financial assets (S3) P '000	Total P '000	Stage 2 financial assets P '000	Credit- impaired financial assets (S3) P '000	Total P '000	Stage 2 financial assets P '000	Credit- impaired financial assets (S3) P '000
Amortised cost									
Corporate & Investment Banking	867,739	635,310	51,530	771,585	-	749,613	96,154	635,310	-
Wealth & Retail Banking	7,286,625	45,498	15,190	692,074	54,798	26,414	6,594,551	(9,300)	-
Total	8,154,364	680,808	66,720	1,463,659	54,798	776,027	6,690,705	626,010	-

There are no financial instruments for which the entity has not recognised a loss allowance because of the collateral held.

Credit quality by industry**Loans and advances**

This section provides an analysis of the Bank's amortised cost portfolio by industry on a gross, total credit impairment and net basis.

From an industry perspective, gross loans and advances decreased by P202.6 million to P8.135 billion as compared to 31 December 2024.

Stage 1 loans decreased by P345.0 million to P7.08 billion.

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

	2025											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance	Total credit impairment	Net carrying amount	Gross balance	Total credit impairment	Net carrying amount	Gross balance	Total credit impairment	Net carrying amount	Gross balance	Total credit impairment	Net carrying amount
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
Amortised cost												
Industry:												
Energy	201,541	(383)	201,158	277,041	(2,441)	274,600	-	-	-	478,582	(2,824)	475,758
Manufacturing	5,000	(1)	4,999	-	-	-	9,549	(8,527)	1,022	14,549	(8,528)	6,021
Financing, insurance and non-banking	-	-	-	9,480	(281)	9,199	-	-	-	9,480	(281)	9,199
Transport, telecom and utilities	11,260	(15)	11,245	-	-	-	6,028	(6,028)	-	17,288	(6,043)	11,245
Food and household products	69,275	(133)	69,142	-	-	-	34,642	(34,642)	-	103,917	(34,775)	69,142
Commercial real estate	-	-	-	-	-	-	7,964	(6,653)	1,311	7,964	(6,653)	1,311
Mining and quarrying	-	-	-	-	-	-	57	-	57	57	-	57
Consumer durables	-	-	-	-	-	-	37	-	37	37	-	37
Construction	-	-	-	-	-	-	21,210	(20,982)	228	21,210	(20,982)	228
Government	9,741	(43)	9,698	529,544	(104)	529,440	-	-	-	539,285	(147)	539,138
Other	-	-	-	-	-	-	9,301	(9,299)	2	9,301	(9,299)	2
Retail Products:												
Mortgage	1,031,507	(7,773)	1,023,734	14,247	(9)	14,238	27,041	(21,021)	6,020	1,072,795	(28,803)	1,043,992
Credit Cards	82,421	(736)	81,685	1,785	(15)	1,770	30,952	(30,073)	879	115,158	(30,824)	84,334
Personal loans and other unsecured lending	5,640,708	(4,932)	5,635,776	11,736	(54)	11,682	5,947	(5,947)	-	5,658,391	(10,933)	5,647,458
Auto	3,108	(14)	3,094	-	-	-	-	-	-	3,108	(14)	3,094
Secured wealth products	25	(2)	23	-	-	-	-	-	-	25	(2)	23
Other	29,808	(37)	29,771	376	(90)	286	10,868	(10,687)	181	41,052	(10,814)	30,238
Net carrying value (customers)	7,084,394	(14,069)	7,070,325	844,209	(2,994)	841,215	163,596	(153,859)	9,737	8,092,199	(170,922)	7,921,277

	2024											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance	Total credit impairment	Net carrying amount	Gross balance	Total credit impairment	Net carrying amount	Gross balance	Total credit impairment	Net carrying amount	Gross balance	Total credit impairment	Net carrying amount
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
Amortised cost												
Industry:												
Energy	136,939	-	136,939	-	-	-	2,550	-	2,550	139,490	-	139,490
Manufacturing	3,352	-	3,352	-	-	-	9,072	(7,457)	1,616	12,424	(7,457)	4,968
Financing, insurance and non-banking	-	-	-	-	-	-	20,108	(49)	20,059	20,109	(49)	20,059
Transport, telecom and utilities	16,250	(19)	16,231	-	-	-	5,074	(4,735)	339	21,324	(4,754)	16,570
Food and household products	-	-	-	-	-	-	33,902	(20,329)	13,573	33,902	(20,329)	13,573
Commercial real estate	-	-	-	-	-	-	23,589	(11,047)	12,542	23,589	(11,047)	12,542
Mining and quarrying	-	-	-	-	-	-	52	-	52	52	-	52
Consumer durables	-	-	-	-	-	-	34	-	34	34	-	34
Construction	-	-	-	-	-	-	45,511	(45,511)	-	45,511	(45,511)	-
Government	24,438	(61)	24,376	637,041	(1,731)	635,310	-	-	-	661,479	(1,793)	659,686
Other	-	-	-	-	-	-	10,010	(9,244)	765	10,010	(9,244)	765
Retail Products:												
Mortgage	1,068,145	(2,063)	1,066,081	23,725	(177)	23,548	25,301	(13,464)	11,838	1,117,172	(15,704)	1,101,467
Credit Cards	113,858	(785)	113,073	1,914	(13)	1,901	30,065	(29,313)	752	145,837	(30,111)	115,726
Personal loans and other unsecured lending	6,048,471	(19,605)	6,028,866	20,157	(114)	20,044	7,823	(7,823)	-	6,076,451	(27,541)	6,048,910
Auto	7,331	(8)	7,323	-	-	-	-	-	-	7,331	(8)	7,323
Secured wealth products	10,605	(12)	10,593	6	-	6	2,601	-	2,601	13,211	(12)	13,199
Other	-	-	-	-	-	-	9,432	(9,432)	-	9,432	(9,432)	-
Net carrying value (customers)	7,429,389	(22,553)	7,406,836	682,843	(2,035)	680,808	225,124	(158,404)	66,720	8,337,356	(182,992)	8,154,364

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Investment securities and other eligible bills

This section provides further detail on gross investment securities and treasury bills.

The standard credit ratings used by the Bank are those used by Standard & Poor's or its equivalent. Investment securities held that have a short-term rating are reported against the long-term rating of the issuer. For securities that are unrated, the Bank applies an internal credit rating, as described under the credit rating and measurement section.

Total gross investment securities and other eligible bills increased by P1.62 billion to P5.34 billion. Of the total increase, 100 % is in stage 1.

Group and company

	2025			2024
	Gross	ECL	Net	Gross
Amortised cost and FVOCI	P '000	P '000	P '000	P '000
Stage 1	5,342,532	(4,115)	5,338,417	3,718,747
BBB- to BBB+	5,342,532	(4,115)	5,338,417	3,718,747
Gross balance	5,342,532	(4,115)	5,338,417	3,718,747

IFRS 9 expected credit loss methodology

Approach for determining expected credit losses

To determine the expected credit loss, these components are multiplied together: PD for the reference period (up to 12 months or lifetime) x LGD x EAD and discounted to the balance sheet date using the effective interest rate as the discount rate.

For less material retail portfolios, the Bank has adopted less sophisticated approaches based on historical roll rates or loss rates:

- For medium-sized retail portfolios, a roll rate model is applied, which uses a matrix that gives the average loan migration rate between delinquency states from period to period. A matrix multiplication is then performed to generate the final PDs by delinquency bucket over different time horizons.
- For smaller retail portfolios, loss rate models are applied. These use an adjusted gross charge-off rate, developed using monthly write-off and recoveries over the preceding 12 months and total outstanding balances.
- While the loss rate models do not incorporate forward looking information, to the extent that there are significant changes in the macroeconomic forecasts an assessment will be completed on whether an adjustment to the modelled output is required.

For a limited number of exposures, proxy parameters or approaches are used where the data is not available to calculate the origination PDs for the purpose of applying the SICR criteria; or for some retail portfolios where a full history of LGD data is not available estimates based on the loss experience from similar portfolios are used. The use of proxies is monitored and will reduce over time.

The following processes are in place to assess the ongoing performance of the models:

- Quarterly model monitoring that uses recent data to compare the differences between model predictions and actual outcomes against approved thresholds.
- Annual independent validations of the performance of material models by Group Model Valuation (GMV); an abridged validation is completed for non-material models.

Application of lifetime

Expected credit loss is estimated based on the period over which the Bank is exposed to credit risk. For the majority of exposures this equates to the maximum contractual period. For retail credit cards and Corporate & Investment Banking overdraft facilities however, the Bank does not typically enforce the contractual period, which can be as short as one day. As a result, the period over which the Bank is exposed to credit risk for these instruments reflects their behavioural life, which incorporates expectations of customer behaviour and the extent to which credit risk management actions curtail the period of that exposure. The average behavioural life for retail credit cards is between 3 and 6 years across our footprint markets.

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Stage 3 assets

Credit-impaired assets managed by Group Special Assets Management incorporate forward-looking economic assumptions in respect of the recovery outcomes identified and are assigned individual probability weightings. These assumptions are based on a Monte Carlo simulation but are informed by the Base Forecast.

Sensitivity of expected credit loss calculation to macroeconomic variables

The ECL calculation relies on multiple variables and is inherently non-linear and portfolio-dependent, which implies that no single analysis can fully demonstrate the sensitivity of the ECL to changes in the macroeconomic variables. The Group has conducted a series of analyses with the aim of identifying the macroeconomic variables which might have the greatest impact on the overall ECL. These encompassed single variable and multi-variable exercises, using simple up/down variation and extracts from actual calculation data, as well as bespoke scenario design assessments.

The primary conclusion of these exercises is that no individual macroeconomic variable is materially influential. The Group believes this is plausible as the number of variables used in the ECL calculation is large. This does not mean that macroeconomic variables are unimportant; rather, that the Group believes that consideration of macroeconomics should involve whole scenarios, as this aligns with the multi-variable nature of the calculation.

The Group faces downside risks in the operating environment related to the uncertainties surrounding the macroeconomic outlook. To explore this, a sensitivity analysis of ECL was undertaken to explore the effect of slower economic recoveries across the Group's footprint markets. Two downside scenarios were considered in particular to explore the current uncertainties over commodity prices. The 'Global Trade and Geopolitical Tensions' scenario is characterised by an escalating trade war between the US and China and other economies. The 'Higher for Longer Commodities and Rates' scenario explores the impact from stickier than expected inflation due to persistent shipping disruptions and rise in energy prices amid fears of an escalation of the Middle East conflict.

The total reported stage 1 and 2 ECL provisions (including both on and off-balance sheet instruments) would be approximately P94 million higher under the 'Higher for Longer Commodities and Rates' scenario, and P248 million higher under the 'Global Trade and Geopolitical Tensions' scenario than the baseline ECL provisions (which excluded the impact of multiple economic scenarios and management overlays which may already capture some of the risks in these scenarios). Stage 2 exposures as a proportion of stage 1 and 2 exposures would increase from 2.7 % in the base case to 2.8 % and 3.5 % respectively under the 'Higher for Longer Commodities and Rates', and 'Global Trade and Geopolitical Tensions' scenarios. This includes the impact of exposures transferring to stage 2 from stage 1 but does not consider an increase in stage 3 defaults.

There was no material change in modelled stage 3 provisions as these primarily relate to unsecured Retail Banking exposures for which the LGD is not sensitive to changes in the macroeconomic forecasts. There is also no material change for non-modelled stage 3 exposures as these are more sensitive to client specific factors than to alternative macroeconomic scenarios. The actual outcome of any scenario may be materially different due to, amongst other factors, the effect of management actions to mitigate potential increases in risk and changes in the underlying portfolio.

Significant increase in Credit risk (SICR)

Quantitative criteria

SICR is assessed by comparing the risk of default at the reporting date to the risk of default at origination. Whether a change in the risk of default is significant or not is assessed using quantitative and qualitative criteria. These quantitative significant deterioration thresholds have been separately defined for each business and where meaningful are consistently applied across business lines.

Assets are considered to have experienced SICR if they have breached both relative and absolute thresholds for the change in the average annualised lifetime probability of default over the residual term of the exposure. The absolute measure of increase in credit risk is used to capture instances where the PDs on exposures are relatively low at initial recognition as these may increase by several multiples without representing a significant increase in credit risk. Where PDs are relatively high at initial recognition, a relative measure is more appropriate in assessing whether there is a significant increase in credit risk, as the PDs increase more quickly.

The SICR thresholds have been calibrated based on the following principles:

- Stability – The thresholds are set to achieve a stable stage 2 population at a portfolio level, trying to minimise the number of accounts moving back and forth between stage 1 and stage 2 in a short period of time
- Accuracy – The thresholds are set such that there is a materially higher propensity for stage 2 exposures to eventually default than is the case for stage 1 exposures
- Dependency from backstops – The thresholds are stringent enough such that a high proportion of accounts transfer to stage 2 due to movements in forward-looking PDs rather than relying on backward-looking backstops such as arrears
- Relationship with business and product risk profiles – The thresholds reflect the relative risk differences between different products, and are aligned to business processes for Corporate & Investment Banking clients, the relative threshold is a 100 % increase in PD and the absolute change in PD is between 50 and 100 bps.

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

For Wealth & Retail Banking clients, the relative threshold is a 100 % increase in PD and the absolute change in PD is between 100 and 350 bps depending on the product.

Private Banking clients are assessed qualitatively, based on a delinquency measure relating to collateral top-ups or sell-downs. Investment securities originated before 1 January 2018 with an internal credit rating mapped to an investment grade equivalent are allocated to stage 1 and all other investment securities to stage 2. Investment securities originated after 1 January 2018 apply the same approach and thresholds as for Corporate & Investment Banking clients.

Qualitative criteria

Qualitative factors that indicate that there has been a significant increase in Credit risk include processes linked to current risk management, such as placing loans on non-purely precautionary Early Alert. Backstop

Across all portfolios, accounts that are 30 or more days past due (DPD) on contractual payments of principal and/or interest that have not been captured by the criteria above are considered to have experienced a significant increase in credit risk. Expert credit judgement may be applied in assessing significant increase in credit risk to the extent that certain risks may not have been captured by the models or through the above criteria. Such instances are expected to be rare, for example due to events and material uncertainties arising close to the reporting date.

Corporate & Investment Banking clients

Quantitative criteria

Exposures are assessed based on both the absolute and the relative movement in the PD from origination to the reporting date as described above.

To account for the fact that the mapping between internal credit grades (used in the origination process) and PDs is non-linear (e.g. a one-notch downgrade in the investment grade universe results in a much smaller PD increase than in the sub-investment grade universe), the absolute thresholds have been differentiated by credit quality at origination, as measured by internal credit grades being investment grade or sub-investment grade.

Qualitative criteria

All assets of clients that have been placed on Early Alert (for non-purely precautionary reasons) are deemed to have experienced a significant increase in credit risk.

An account is placed on non-purely precautionary Early Alert if it 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.

All client assets that have been assigned a CG12 rating, equivalent to 'Higher risk', are deemed to have experienced a significant increase in credit risk. Accounts rated CG12 are managed by the GSAM unit. All Corporate & Investment Banking clients are placed in CG12 when they are 30 DPD unless they are granted a waiver through a strict governance process.

Wealth & Retail Banking clients

Quantitative criteria

Material portfolios (defined as a combination of country and product, for example Hong Kong mortgages, Taiwan credit cards) for which a statistical model has been built, are assessed based on both the absolute and relative movement in the PD from origination to the reporting date as described previously page 70. For these portfolios, the original lifetime PD term structure is determined based on the original Application Score or Risk Segment of the client.

Qualitative criteria

Accounts that are 30 DPD that have not been captured by the quantitative criteria are considered to have experienced a significant increase in credit risk. For less material portfolios, which are modelled based on a roll-rate or loss-rate approach, SICR is primarily assessed through the 30 DPD trigger for Private Banking clients. For Private Banking clients, SICR is assessed by referencing the nature and the level of collateral against which credit is extended (known as 'Classes of Risk').

Qualitative criteria

For all Private Banking classes, in line with risk management practice, an increase in credit risk is deemed to have occurred where margining or loan-to-value covenants have been breached.

For Class I assets (lending against diversified liquid collateral), if these margining requirements have not been met within 30 days of a trigger, a significant increase in credit risk is assumed to have occurred.

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

For Class I and Class III assets (real-estate lending), a significant increase in credit risk is assumed to have occurred where the bank is unable to 'sell down' the applicable assets to meet revised collateral requirements within five days of a trigger.

Class II assets are typically unsecured or partially secured or secured against illiquid collateral such as shares in private companies. Significant credit deterioration of these assets is deemed to have occurred when any Early Alert trigger has been breached.

Investment Securities

Quantitative criteria

For investment securities originated before 1 January 2018, the bank is utilising the low credit risk simplified approach, where investment securities with an internal credit rating mapped to an investment grade equivalent are allocated to stage 1 and all other investment securities are allocated to stage 2. Investment securities originated after 1 January 2018 are assessed based on the absolute and relative movements in PD from origination to the reporting date.

Qualitative criteria

Investment securities utilise the same qualitative criteria as the Corporate & Investment Banking client segments, including being placed on Early Alert or being classified as CG12.

Assessment of credit-impaired financial assets

Wealth & Retail Banking clients The core components in determining credit-impaired expected credit loss provisions are the value of gross charge off and recoveries. Gross charge off and/or loss provisions are recognised when it is established that the account is unlikely to pay through the normal process. Recovery of unsecured debt post credit impairment is recognised based on actual cash collected, either directly from clients or through the sale of defaulted loans to third-party institutions. Release of credit impairment provisions for secured loans is recognised if the loan outstanding is paid in full (release of full provision), or the provision is higher than the loan outstanding (release of the excess provision).

Corporate & Investment Banking, and Private Banking clients

Credit-impaired accounts are managed by the Group's specialist recovery unit, Stressed Assets Risk (SAR), which is independent from its main businesses. Where any amount is considered irrecoverable, a stage 3 credit impairment provision is raised. This stage 3 provision is the difference between the loan-carrying amount and the probability-weighted present value of estimated future cash flows, reflecting a range of scenarios (typically the best, worst and most likely recovery outcomes). Where the cash flows include realisable collateral, the values used will incorporate the impact of forward-looking economic information.

The individual circumstances of each client are considered when SAR estimates future cash flows and the timing of future recoveries which involves significant judgement. All available sources, such as cash flow arising from operations, selling assets or subsidiaries, realising collateral or payments under guarantees are considered. In any decision relating to the raising of provisions, the Group attempts to balance economic conditions, local knowledge and experience, and the results of independent asset reviews.

Write-offs

Where it is considered that there is no realistic prospect of recovering a portion of an exposure against which an impairment provision has been raised, that amount will be written off.

Governance and application of expert credit judgement in respect of expected credit losses

The Group's Credit Policy and Standards framework details the requirements for continuous monitoring to identify any changes in credit quality and resultant ratings, as well as ensuring a consistent approach to monitoring, managing and mitigating credit risks. The framework aligns with the governance of ECL estimation through the early recognition of significant deteriorations in ratings which drive stage 2 and 3 ECL.

The models used in determining expected credit losses are reviewed and approved by the Group Credit Model Assessment Committee (CMAC) which is appointed by the Model Risk Committee. CMAC has the responsibility to assess and approve the use of models and to review all IFRS 9 interpretations related to models. CMAC also provides oversight on operational matters related to model development, performance monitoring and model validation activities including standards, regulatory and Group Internal Audit matters.

Prior to submission to CMAC for approval, the models are validated by Group Model Validation (GMV), a function which is independent of the business and the model developers. GMV's analysis comprises review of model documentation, model design and methodology, data validation, review of the model development and calibration process, out-of-sample performance testing, and assessment of compliance review against IFRS 9 rules and internal standards.

A quarterly model monitoring process is in place that uses recent data to compare the differences between model predictions and actual outcomes against approved thresholds. Where a model's performance breaches the monitoring thresholds, an assessment of whether a PMA is required to correct for the identified model issue is completed.

Key inputs into the calculation and resulting expected credit loss provisions are subject to review and approval by the IFRS 9

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Impairment Committee (IIC) which is appointed by the Group Risk Committee. The IIC consists of senior representatives from Risk, Finance, and Group Economic Research. It meets at least twice every quarter, once before the models are run to approve key inputs into the calculation, and once after the models are run to approve the expected credit loss provisions and any judgemental overrides that may be necessary.

The IFRS 9 Impairment Committee:

- Oversees the appropriateness of all Business Model Assessment and Solely Payments of Principal and Interest (SPPI) tests;
- Reviews and approves expected credit loss for financial assets classified as stages 1, 2 and 3 for each financial reporting period;
- Reviews and approves stage allocation rules and thresholds;
- [Approves material adjustments in relation to expected credit loss for fair value through other comprehensive income (FVOCI) and amortised cost financial assets];
- Reviews, challenges and approves base macroeconomic forecasts and the multiple macroeconomic scenarios approach that are utilised in the forward-looking expected credit loss calculations .

The IFRS 9 Impairment Committee is supported by an Expert Panel which also reviews and challenges the base case projections and multiple macroeconomic scenarios. The Expert Panel consists of members of Enterprise Risk Management (which includes the Scenario Design team), Finance, Group Economic Research and country representatives of major jurisdictions.

PMA's may be applied to account for identified weaknesses in model estimates. The processes for identifying the need for, calculating the level of, and approving PMA's are prescribed in the Credit Risk IFRS9 ECL Model Family Standards which are approved by the Global Head, Model Risk Management. PMA calculation methodologies are reviewed by GMV and submitted to CMAC as the model approver or the IIC. All PMA's have a remediation plan to fix the identified model weakness, and these plans are reported to and tracked at CMAC.

In addition, Risk Event Overlays account for events that are sudden and therefore not captured in the Base Case Forecast or the resulting ECL calculated by the models. All Risk Event Overlays must be approved by the IIC having considered the nature of the event, why the risk is not captured in the model, and the basis on which the quantum of the overlay has been calculated. Risk Event Overlays are subject to quarterly review and re-approval by the IIC and will be released when the risks are no longer relevant.

Liquidity and Funding Risk

Liquidity and Funding Risk is the risk that we may not have sufficient stable or diverse sources of funding to meet our obligations as they fall due.

The Bank's Liquidity and Funding Risk framework requires that it operates within predefined liquidity limits and remains in compliance with Bank liquidity policies and practices, as well as local regulatory requirements.

The Bank achieves this through a combination of setting Risk Appetite and associated limits, policy formation, risk measurement and monitoring, prudential and internal stress testing, governance and review.

Despite the challenging macro-economic environment, the Bank has been resilient throughout and kept a strong liquidity position. The Bank continues to focus on improving the quality of its funding mix and remains committed to supporting its clients.

Primary sources of funding

The Bank's funding strategy is largely driven by its policy to maintain adequate liquidity at all times for all currencies, and hence to be in a position to meet all obligations as they fall due. The Bank's funding profile is therefore well diversified across different sources, maturities and currencies.

Our assets are funded predominantly by customer deposits, supplemented with wholesale funding (which is diversified by type and maturity).

We maintain access to wholesale funding markets in all major financial centres in which we operate. This seeks to ensure that we have market intelligence, maintain stable funding lines and can obtain optimal pricing when performing our Interest Rate Risk management activities.

Liquidity and Funding Risk metrics

We monitor key liquidity metrics regularly.

The following liquidity and funding Board Risk Appetite metrics define the maximum amount and type of risk that the Bank is willing to assume in pursuit of its strategy: liquidity coverage ratio (LCR), liquidity stress survival horizons, external wholesale borrowing, and

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

advances-to-deposits ratio.

Stressed coverage

The Bank intends to maintain a prudent and sustainable funding and liquidity position, in all currencies, such that it can withstand a severe but plausible liquidity stress.

Our approach to managing liquidity and funding is reflected in the following Board-level Risk Appetite Statement:

"The Bank should hold an adequate buffer of high-quality liquid assets to survive extreme but plausible liquidity stress scenarios for at least 60 days without recourse to extraordinary central bank support."

The Bank's internal liquidity stress testing framework covers the following stress scenarios:
Standard Chartered-specific – This scenario captures the liquidity impact from an idiosyncratic event affecting Standard Chartered only i.e. the rest of the market is assumed to operate normally.

Market wide – This scenario captures the liquidity impact from a market-wide crisis affecting all participants in a country, region or globally.

Combined – This scenario assumes both Standard Chartered-specific and Market-wide events affecting the Bank simultaneously and hence is the most severe scenario.

All scenarios include, but are not limited to, modelled outflows for retail and wholesale funding, Off-Balance Sheet Funding Risk, Cross-currency Funding Risk, Intraday Risk, Franchise Risk and risks associated with a deterioration of a firm's credit rating.

Stress testing results show that a positive surplus was maintained under all scenarios at 31 December 2025. The results take into account currency convertibility and portability constraints while calculating the liquidity surplus.

External wholesale borrowing

The Board sets a risk limit to prevent excessive reliance on wholesale borrowing. Within the definition of Wholesale Borrowing, limits are applied and as at the reporting date, the Bank remained within Board Risk Appetite.

Advances-to-deposits ratio

This is defined as the ratio of total loans and advances to customers relative to total customer deposits. An advances-to-deposits ratio of below 100 % demonstrates that customer deposits exceed customer loans as a result of the emphasis placed on generating a high level of funding from customers.

The Bank's Advances-to-Deposit Ratio has reduced by 1.2 percentage points to 57.9% for Group and 1.6 percentage points to 57.5% for Company, driven by a decline in customer loans and advances, most of which came from retail customers.

Group

	2025 P '000	2024 P '000
Total loans and advances to customers	7,921,277	8,154,364
Total customer accounts	13,689,235	13,792,379
Advances-to-deposits ratio	57.9%	59.1%

Company

	2025 P '000	2024 P '000
Total loans and advances to customers	7,921,277	8,154,364
Total customer accounts	13,771,819	13,792,379
Advances-to-deposits ratio	57.5%	59.1%

Liquidity analysis of the Bank's balance sheet

Contractual maturity of assets and liabilities

The following table presents assets and liabilities by maturity based on the remaining period to the contractual maturity date as at the balance sheet date on an undiscounted basis.

Within the tables below, cash and balances with central banks, interbank placements (placements with other banks) and investment securities that are fair value through other comprehensive income are used by the Bank principally for liquidity management purposes. As at the reporting date, assets remain predominantly short-dated.

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

	2025									Total P '000
	One month or less P '000	Between one month and three months P '000	Between three months and six months P '000	Between six months and nine months P '000	Between nine months and one year P '000	Between one year and two years P '000	Between two years and five years P '000	More than five years and undated P '000		
Assets										
Cash and balances at central banks	243,188	-	-	-	-	-	-	-	-	243,188
Derivative financial instruments	35,073	-	-	-	5,025	-	-	-	-	40,098
Loans and advances to banks	17,406	-	-	-	-	25	-	-	-	17,431
Loans and advances to customers	223,376	655,411	7,900	20,258	40,030	781,474	3,738,665	5,842,365		11,309,479
Investment securities	1,683,603	1,728,386	1,156,971	217,380	390,348	403,745	-	138,695		5,719,128
Other assets	-	-	8,420	-	-	-	-	-	-	8,420
Due from related parties	5,290,592	-	-	-	-	-	-	-	-	5,290,592
Total assets	7,493,238	2,383,797	1,173,291	237,638	435,403	1,185,244	3,738,665	5,981,060		22,628,336
Liabilities										
Deposits by banks	666,406	229,297	397,776	288,944	112,237	-	-	-	-	1,694,660
Customer accounts	8,205,781	541,949	639,513	294,218	414,010	2,794,166	930,585	-	-	13,820,222
Derivative financial instruments	-	2,878	527	-	3,077	-	-	-	-	6,482
Debt securities in issue	1,775	3,549	5,324	5,324	5,324	21,295	251,258	-	-	293,849
Lease liabilities	743	872	1,649	1,698	1,690	5,872	2,711	-	-	15,235
Accruals and deferred income	182,007	-	-	-	-	-	-	-	-	182,007
Due to related parties	286,839	-	-	-	-	-	-	-	-	286,839
Other liabilities	323	32,322	-	-	-	-	-	-	-	32,645
Total liabilities	9,343,874	810,867	1,044,789	590,184	536,338	2,821,333	1,184,554	-	-	16,331,939
Net liquidity gap	(1,850,636)	1,572,930	128,502	(352,546)	(100,935)	(1,636,089)	2,554,111	5,981,060		6,296,397

Included in loans and advances to customers, is accrued interest receivable relating to loans secured by mortgage on residential properties and other loans, advances and bills held as per note 35. The liquidity gaps disclosed above are within the predefined Group's limits and remains in compliance with the regulatory requirements. Refer to page 108 for more details on how the Group manages its liquidity risk.

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

	2024									Total P '000
	One month or less P '000	Between one month and three months P '000	Between three months and six months P '000	Between six months and nine months P '000	Between nine months and one year P '000	Between one year and two years P '000	Between two years and five years P '000	More than five years and undated P '000		
Assets										
Cash and balances at central banks	1,132,308	-	-	-	-	-	-	-	-	1,132,308
Derivative financial instruments	8,948	4,879	-	20,748	5,597	-	-	-	-	40,172
Loans and advances to banks	766	-	-	-	-	25	-	-	-	791
Loans and advances to customers	76,761	741,493	14,749	62,337	44,546	303,344	4,698,537	6,131,630	-	12,073,397
Investment securities	1,990,637	478,006	645,160	153,083	173,167	18,875	322,441	25,735	-	3,807,104
Other assets	-	-	14,579	-	-	-	-	-	-	14,579
Due from related parties	4,091,798	-	811,585	-	-	-	-	-	-	4,903,383
Total assets	7,301,218	1,224,378	1,486,073	236,168	223,310	322,244	5,020,978	6,157,365		21,971,734
Liabilities										
Deposits by banks	432,085	117,000	113,578	194,924	143,121	95,000	-	-	-	1,095,708
Customer accounts	6,493,394	750,223	254,123	1,351,363	299,201	3,667,901	1,135,872	7,790	-	13,959,867
Derivative financial instruments	8,586	4,821	-	1,369	4,930	-	-	-	-	19,706
Debt securities in issue	1,975	3,950	5,925	5,925	99,528	17,615	282,808	-	-	417,726
Lease liabilities	920	1,862	5,628	2,693	5,090	10,446	667	-	-	27,306
Accruals and deferred income	51,306	-	-	-	-	-	-	-	-	51,306
Due to related parties	985,499	-	-	-	-	-	-	-	-	985,499
Other liabilities	296,693	80,214	-	-	-	-	-	-	-	376,907
Subordinated liabilities and other borrowed funds	1,949	3,773	5,659	390,824	-	-	-	-	-	402,205
Total liabilities	8,272,407	961,843	384,913	1,947,098	551,870	3,790,962	1,419,347	7,790		17,336,230
Net liquidity gap	(971,189)	262,535	1,101,160	(1,710,930)	(328,560)	(3,468,718)	3,601,631	6,149,575		4,635,504

Included in loans and advances to customers, is accrued interest receivable relating to loans secured by mortgage on residential properties and other loans, advances and bills held as per note 35. The liquidity gaps disclosed above are within the predefined Group's limits and remains in compliance with the regulatory requirements. Refer to page 108 for more details on how the Group manages its liquidity risk.

*The prior year maturity classification for amounts due from related parties has been re-presented to reflect appropriate buckets, the re-presentation has no impact on the primary statements.

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Company

	2025									Total P '000
	One month or less P '000	Between one month and three months P '000	Between three months and six months P '000	Between six months and nine months P '000	Between nine months and one year P '000	Between one year and two years P '000	Between two years and five years P '000	More than five years and undated P '000		
Assets										
Cash and balances at central banks	243,188	-	-	-	-	-	-	-	243,188	
Derivative financial instruments	35,073	-	-	-	5,025	-	-	-	40,098	
Loans and advances to banks	17,406	-	-	-	-	25	-	-	17,431	
Loans and advances to customers	223,376	655,411	7,900	20,258	40,030	781,474	3,738,665	5,842,365	11,309,479	
Investment securities	1,683,603	1,728,386	1,156,971	217,380	390,348	403,745	-	138,695	5,719,128	
Other assets	-	8,360	-	-	-	-	-	-	8,360	
Due from related parties	5,279,877	-	-	-	-	-	-	-	5,279,877	
Total assets	7,482,523	2,392,157	1,164,871	237,638	435,403	1,185,244	3,738,665	5,981,060	22,617,561	
Liabilities										
Deposits by banks	666,406	229,297	397,776	288,944	112,237	-	-	-	1,694,660	
Customer accounts	8,205,781	541,949	639,513	294,218	414,010	2,794,166	930,585	-	13,820,222	
Derivative financial instruments	-	2,878	527	-	3,077	-	-	-	6,482	
Debt securities in issue	1,775	3,549	5,324	5,324	5,324	21,295	251,258	-	293,849	
Lease liabilities	743	872	1,649	1,698	1,690	5,872	2,711	-	15,235	
Accruals and deferred income	182,007	-	-	-	-	-	-	-	182,007	
Due to related parties	286,839	-	-	-	-	-	-	-	286,839	
Other liabilities	323	32,321	-	-	-	-	-	-	32,644	
Total liabilities	9,343,874	810,866	1,044,789	590,184	536,338	2,821,333	1,184,554	-	16,331,938	
Net liquidity gap	(1,861,351)	1,581,291	120,082	(352,546)	(100,935)	(1,636,089)	2,554,111	5,981,060	6,285,623	

Included in loans and advances to customers, is accrued interest receivable relating to loans secured by mortgage on residential properties and other loans, advances and bills held as per note 35. The liquidity gaps disclosed above are within the predefined Banks's limits and remains in compliance with the regulatory requirements. Refer to page 108 for more details on how the Bank manages its liquidity risk.

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

	2024									Total P '000
	One month or less P '000	Between one month and three months P '000	Between three months and six months P '000	Between six months and nine months P '000	Between nine months and one year P '000	Between one year and two years P '000	Between two years and five years P '000	More than five years and undated P '000		
Assets										
Cash and balances at central banks	1,127,120	-	-	-	-	-	-	-	-	1,127,120
Derivative financial instruments	8,948	4,879	-	20,748	5,597	-	-	-	-	40,172
Loans and advances to banks	766	-	-	-	-	25	-	-	-	791
Loans and advances to customers	76,761	741,493	14,749	62,337	44,546	303,344	4,698,537	6,131,630		12,073,397
Investment securities	1,990,637	478,006	645,160	153,083	173,167	18,875	322,441	25,735		3,807,104
Other assets	-	-	14,519	-	-	-	-	-		14,519
Due from related parties	3,999,512	-	811,585	-	-	-	-	-		4,811,097
Total assets	7,203,744	1,224,378	1,486,013	236,168	223,310	322,244	5,020,978	6,157,365		21,874,200
Liabilities										
Deposits by banks	432,085	117,000	113,578	194,924	143,121	95,000	-	-		1,095,708
Customer accounts	6,493,394	750,223	254,123	1,351,363	299,201	3,667,901	1,135,872	7,790		13,959,867
Derivative financial instruments	8,586	4,821	-	1,369	4,930	-	-	-		19,706
Debt securities in issue	1,975	3,950	5,925	5,925	99,528	17,615	282,808	-		417,726
Lease liabilities	920	1,862	5,628	2,693	5,090	10,446	667	-		27,306
Accruals and deferred income	51,306	-	-	-	-	-	-	-		51,306
Due to related parties	985,499	-	-	-	-	-	-	-		985,499
Other liabilities	295,973	57,231	-	-	-	-	-	142		353,346
Subordinated liabilities and other borrowed funds	1,949	3,773	5,659	390,824	-	-	-	-		402,205
Total liabilities	8,271,687	938,860	384,913	1,947,098	551,870	3,790,962	1,419,347	7,932		17,312,669
Net liquidity gap	(1,067,943)	285,518	1,101,100	(1,710,930)	(328,560)	(3,468,718)	3,601,631	6,149,433		4,561,531

Included in loans and advances to customers, is accrued interest receivable relating to loans secured by mortgage on residential properties and other loans, advances and bills held as per note 35. The liquidity gaps disclosed above are within the predefined Banks' limits and remains in compliance with the regulatory requirements. Refer to page 108 for more details on how the Bank manages its liquidity risk.

*The prior year maturity classification for amounts due from related parties which were wholly classified under 'one month or less' have been re-presented to reflect appropriate bucketing, the re-presentation has no impact on the primary statements.

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Behavioural maturity of financial assets and liabilities

The cashflows presented in the previous section reflect the cashflows that will be contractually payable over the residual maturity of the instruments. However, contractual maturities do not necessarily reflect the timing of actual repayments or cashflow. In practice, certain assets and liabilities behave differently from their contractual terms, especially for short-term customer accounts, credit card balances and overdrafts, which extend to a longer period than their contractual maturity. On the other hand, mortgage balances tend to have a shorter repayment period than their contractual maturity date. Expected customer behaviour is assessed and managed on a country basis using qualitative and quantitative techniques, including analysis of observed customer behaviour over time.

Maturity of Assets and Liabilities

The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled and classified accordingly as either current or non-current in accordance with IAS 1 requirement.

Group	2025			2024		
	One year P '000	More than one year P '000	Total P '000	One year P '000	More than one year P '000	Total P '000
Assets						
Cash and balances at central banks	243,188	-	243,188	1,132,308	-	1,132,308
Loans and advances to banks	17,406	25	17,431	766	25	791
Investment securities	4,931,891	410,641	5,342,532	3,387,272	331,475	3,718,747
Due from related parties	3,373,805	-	3,373,805	4,903,383	-	4,903,383
Derivative financial instruments	40,098	-	40,098	40,172	-	40,172
Loans and advances to customers	882,696	7,038,581	7,921,277	885,697	7,268,667	8,154,364
Prepayments and accrued income	179,166	41,199	220,365	262,940	-	262,940
Non-current assets classified as held for sale	10,360	-	10,360	-	-	-
Other assets	8,420	-	8,420	14,579	-	14,579
Property and equipment	-	58,589	58,589	-	80,211	80,211
Deferred tax assets	-	3,637	3,637	-	915	915
Goodwill and intangible assets	-	50,678	50,678	-	60,934	60,934
Total assets	9,687,030	7,603,350	17,290,380	10,627,117	7,742,227	18,369,344
Liabilities						
Deposits by banks	1,624,632	-	1,624,632	1,000,708	95,000	1,095,708
Customer deposits	9,982,504	3,706,731	13,689,235	9,043,290	4,749,089	13,792,379
Derivative financial instruments	6,482	-	6,482	19,706	-	19,706
Accruals and deferred income	217,331	-	217,331	90,968	-	90,968
Due to related parties	286,839	-	286,839	985,499	-	985,499
Current tax liabilities	14,300	-	14,300	4,495	-	4,495
Debt securities in issue	-	229,963	229,963	-	323,566	323,566
Other liabilities	55,473	8,583	64,056	404,213	-	404,213
Subordinated liabilities and other borrowed funds	-	-	-	-	389,000	389,000
Provisions for liabilities and charges	5,780	-	5,780	5,756	-	5,756
Total liabilities	12,193,341	3,945,277	16,138,618	11,554,635	5,556,655	17,111,290

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Company

	2025			2024		
	One year P '000	More than one year P '000	Total P '000	one year P '000	More than one year P '000	Total P '000
Assets						
Cash and balances at central banks	243,188	-	243,188	1,127,120	-	1,127,120
Loans and advances to banks	17,406	25	17,431	766	25	791
Investment securities	4,931,891	410,641	5,342,532	3,387,272	331,475	3,718,747
Due from related parties	3,363,090	-	3,363,090	4,811,097	-	4,811,097
Derivative financial instruments	40,098	-	40,098	40,172	-	40,172
Loans and advances to customers	882,696	7,038,581	7,921,277	885,697	7,268,667	8,154,364
Prepayments and accrued income	179,166	41,199	220,365	262,940	-	262,940
Investment in subsidiary undertaking	-	30	30	-	30	30
Non-current assets classified as held for sale	10,360	-	10,360	-	-	-
Other assets	8,360	-	8,360	14,519	-	14,519
Property and equipment	-	58,589	58,589	-	80,211	80,211
Deferred tax assets	-	3,637	3,637	-	-	-
Goodwill and intangible assets	-	50,678	50,678	-	60,934	60,934
Total assets	9,676,255	7,603,380	17,279,635	10,529,583	7,741,341	18,270,925
Liabilities						
Deposits by banks	1,624,632	-	1,624,632	1,000,708	95,000	1,095,708
Customer deposits	10,065,088	3,706,731	13,771,819	9,043,290	4,749,089	13,792,379
Derivative financial instruments	6,482	-	6,482	19,706	-	19,706
Accruals and deferred income	217,331	-	217,331	90,968	-	90,968
Due to related parties	286,839	-	286,839	985,499	-	985,499
Current tax liabilities	15,522	-	15,522	3,945	-	3,945
Other liabilities	55,677	8,583	64,260	380,510	142	380,652
Debt securities in issue	-	229,963	229,963	-	323,566	323,566
Subordinated liabilities and other borrowed funds	-	-	-	-	389,000	389,000
Provisions for liabilities and charges	5,780	-	5,780	5,756	-	5,756
Deferred tax liabilities	-	-	-	-	556	556
Total liabilities	12,277,351	3,945,277	16,222,628	11,530,382	5,557,353	17,087,735

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, equity prices and credit spreads (not relating to changes in the obligor/issuer's credit standing) will affect the Group's income or the value of its holding of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Exposure to market risks

The principal tool used to measure and control market risk exposure within the Group's portfolios is Value at Risk (VaR). The VaR is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based upon a 99% confidence level and assumes an 8-day holding period.

The VaR model used is based mainly on historical simulation. Taking account of market data from the previous two years, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

An 8-day holding period assumes that it is possible to hedge or dispose of positions within that period. This may not be the case for certain highly illiquid assets or in situations in which there is severe general market illiquidity.

A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a 1% probability that losses could exceed the VaR. VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day. The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

The VaR measure is dependent upon the Group's position and the volatility of market prices. The VaR of an unchanged position reduces if market price volatility declines and vice versa.

The Group uses VaR limits for total market risk and specific foreign exchange, interest rate, equity, credit spread and other price risks. The overall structure of VaR limits is subject to review and approval by ERC. VaR limits are allocated to portfolios. VaR is measured at least daily and reports of utilisation of VaR limits are submitted to Market Risk department and regular summaries are submitted to ERC.

A summary of the VaR position of the Group's trading and banking book portfolios at 31 December and during the period is as follows:

	At 31 Dec P'000	Average P'000	Maximum P'000	Minimum P'000
2025				
Foreign currency risk	(25)	(114)	(825)	(10)
Credit spread risk	(90)	(21)	(101)	-
Interest rate risk	(5,776)	(2,542)	(7,650)	(370)
Overall	(5,891)	(2,677)	(8,576)	(380)
2024				
Foreign currency risk	33	135	437	105
Interest rate risk	593	666	1,713	234
Overall	626	801	2,150	339

The limitations of the VaR methodology are recognised by supplementing VaR limits with other metrics and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios, such as periods of prolonged market illiquidity on individual trading portfolios and the Group's overall position.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. ERC is the monitoring body for compliance with these limits and is assisted by Market Risk department in its day-to-day monitoring activities.

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Exposure to interest rate risk in the banking book

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are on a monthly basis include a 100-basis point parallel fall or rise in yield curves worldwide and a 50 basis points rise or fall in greater than 12-month portion of yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

Group - 31 December 2025	Zero rate		Floating rate			Fixed Rate instruments			Total P'000
	0-1 month		1-6 months	6-12 months	0-1 month		1 to 5 years		
	P'000	P'000	P'000	P'000	P'000	P'000	P'000		
Total Assets	3,442,034	2,983,352	1,977,493	102,145	4,999,973	3,167,849	279,458	467,555	17,419,859
Total Liabilities	(704,992)	(8,033,711)	(1,368,895)	(2,534,783)	(1,603,734)	(1,865,374)	(1,209,327)	(99,043)	(17,419,859)
Net Mismatch	2,737,042	(5,050,359)	608,598	(2,432,638)	3,396,239	1,302,475	(929,869)	368,512	-

Interest sensitivity gap- Floating rate bucket

Impact of decrease in interest rates in profit and equity

	(Increase)/ Decrease
50 basis points	56,091
100 basis points	112,322

Group - 31 December 2024	Zero rate		Floating rate			Fixed Rate instruments			Total P'000
	0-1 month		1-6 months	6-12 months	0-1 month		1 to 5 years		
	P'000	P'000	P'000	P'000	P'000	P'000	P'000		
Total Assets	4,407,344	1,742,280	1,936,220	5,374,500	2,268,000	1,189,000	1,108,000	344,000	18,369,344
Total Liabilities	(2,885,344)	(6,261,047)	(2,347,773)	(2,814,180)	(1,638,000)	(1,221,000)	(1,050,000)	(152,000)	(18,369,344)
Net Mismatch	1,522,000	(4,518,767)	(411,553)	2,560,320	630,000	(32,000)	58,000	192,000	-

Interest sensitivity gap- Floating rate bucket

Impact of decrease in interest rates in profit and equity

	(Increase)/ Decrease
50 basis points	11,850
100 basis points	23,700

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Exposure to interest rate risk in the banking book continued

Company - 31 December 2025	Zero rate		Floating rate			Fixed Rate instruments			Total P'000
	0-1 month		1-6 months	6-12 months	0-1 month		1-6 months	6-12 months	
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	
Total Assets	3,442,034	2,983,352	1,886,158	102,145	4,999,973	3,167,849	279,458	467,555	17,328,524
Total Liabilities	(704,992)	(8,033,711)	(1,277,560)	(2,534,783)	(1,603,734)	(1,865,374)	(1,209,327)	(99,043)	(17,328,524)
Net Mismatch	2,737,042	(5,050,359)	608,598	(2,432,638)	3,396,239	1,302,475	(929,869)	368,512	-

Interest sensitivity gap- Floating rate bucket

Impact of decrease in interest rates in profit and equity	(Increase)/ Decrease
50 basis points	56,091
100 basis points	112,322

Company - 31 December 2024	Zero rate		Floating rate			Fixed Rate instruments			Total P'000
	0-1 month		1-6 months	6-12 months	0-1 month		1-6 months	6-12 months	
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	
Total Assets	4,308,925	1,742,280	1,936,220	5,374,500	2,268,000	1,189,000	1,108,000	344,000	18,270,925
Total Liabilities	(2,786,925)	(6,261,047)	(2,347,773)	(2,814,180)	(1,638,000)	(1,221,000)	(1,050,000)	(152,000)	(18,270,925)
Net Mismatch	1,522,000	(4,518,767)	(411,553)	2,560,320	630,000	(32,000)	58,000	192,000	-

Interest sensitivity gap- Floating rate bucket

Impact of decrease in interest rates in profit and equity	(Increase)/ Decrease
50 basis points	11,850
100 basis points	23,700

Sensitivity analysis (PV01)

PV01 (price value per basis point) is a measure of sensitivity to a 1bp (basis point) change in interest rates. It can be shown for a set of assets or liabilities, and also the difference between the two which is known as active PV01. The outcomes may be positive or negative reflecting the change in value for say a rise or fall in interest rates. A positive PV01 implies a -ve net balance sheet gap in a particular tenor (More liabilities than assets), while a negative PV01 implies +ve balance sheet gap (More assets than liabilities).

This metric is strategically used to indicate immunization completeness (attempt to have a zero active PV01 or as close to Zero as possible). Where balance sheet gaps are perfectly immunised, the assets would fund the liabilities in each time period, however, to optimise revenue generation, assets and liabilities cannot be perfectly matched. The metric assists in ensuring risk arising from balance sheet mismatch (difference between assets and liabilities in various tenors) remains within our risk appetite.

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Sensitivity analysis (PV01) continued

Group

Fair Value PV01 Sensitivity analysis (P "000")

2025	0-1 month	1-6 months	6-12 months	1 to 5 years	Over 5 years
Marketable Securities	1,901,653	2,997,787	240,775	392,547	17,470
Sensitivity (PV01_1bps change in interest rate)	(21)	(49)	(47)	(19)	(4)

2024	0-1 month	1-6 months	6-12 months	1 to 5 years	Over 5 years
Marketable Securities	733,000	1,112,500	300,000	315,000	20,000
Sensitivity (PV01_1bps change in interest rate)	(204)	(2,412)	(1,002)	(4,767)	(583)

Company

2025	0-1 month	1-6 months	6-12 months	1 to 5 years	Over 5 years
Marketable Securities	1,901,653	2,997,787	240,775	392,547	17,470
Sensitivity (PV01_1bps change in interest rate)	(21)	(49)	(47)	(19)	(4)

2024	0-1 month	1-6 months	6-12 months	1 to 5 years	Over 5 years
Marketable Securities	733,000	1,112,500	300,000	315,000	20,000
Sensitivity (PV01_1bps change in interest rate)	(204)	(2,412)	(1,002)	(4,767)	(583)

Foreign exchange rate risk management

The responsibilities of Financial Markets department include monitoring of foreign exchange risk. Foreign exchange rate risk is the potential impact of adverse currency rates movements on earnings and economic value. This involves the risk of the Group incurring financial loss on settlement of foreign exchange positions taken in both the trading and banking books.

The foreign exchange positions arise from the following activities:

- Trading in foreign currencies through spot, forward and option transactions as a market maker or position taker, including the de-hedged position arising from customer driven foreign exchange transactions.
- Holding foreign currency position in the Bank's books (e.g. in the form of loans, deposits and cross border investments).

The Group's Financial Markets division is responsible for:

- Setting the foreign exchange risk management strategy and tolerance levels.
- Ensuring that effective risk management systems and internal controls are in place.
- Monitoring significant foreign exchange exposure.
- Ensuring that foreign exchange operations are supported by adequate management information systems which complement the risk management strategy.
- Reviewing the policies, procedures and currency limits regularly in line with changes in the economic environment.

The ERC regularly monitors the controls put in place by the Group Financial Markets division, which are approved and reviewed by the Board from time to time.

The table below sets out principal structural foreign exchange exposures of the Group for only major currencies at 31 December 2025 and 2024.

Group and company

	2025			2024		
	Assets / (liabilities)	Sensitivity*		Assets / (liabilities)	Sensitivity*	
	P '000	1%	5%	P '000	1%	5%
American Dollar	8,846	(8)	(38)	5,864	(59)	(293)
British Pound	169	-	-	258	(3)	(13)
Euro	129	-	-	(175)	2	9
South African Rand	250	-	-	(1,516)	15	76

* A 1% and 5% weakening of the Pula against the above currencies will decrease profit or loss by the amounts shown above. The analysis assumes that all other variables in particular interest rates, remain constant. The strengthening of the Pula against the above currencies will have an opposite and equal effect on profit or loss and equity.

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Operational risk and Technology risk (unaudited)

Operational Risk is defined as the “Potential for loss from inadequate or failed internal processes, technology, human error, or from the impact of external events (including legal risks)”. It is inherent in the Bank carrying out business and can be impacted from a range of operational risks.

Operational and Technology risk profile

In 2025, the Group and Company have taken steps for further embedding of the enhanced framework to augment the management of operational risk with the aim of ensuring that risk is managed within Risk Appetite and we continue to deliver services to our clients.

The Group and Company have included information on operational and technology risk to enhance disclosure on bank approach to risk management as the bank is moving on to digital space hence the refocus on technology.

Operational Risk events and losses

Operational losses are one indicator of the effectiveness and robustness of the non-financial risk control environment. As at 31 December 2025, recorded impact from operational losses for the year is lower than 2024.

The Bank's profile of operational loss events in 2025 and 2024 is summarised in the table below. It shows the percentage distribution of gross operational losses by Basel business line.

Group and Company (Operational loss summary)

Distribution of Operational Losses by Basel business line	2025	2024
Agency services	0.0%	0.0%
Commercial Banking	9.1%	0.0%
Corporate Items	9.7%	12.1%
Payment and Settlements	64.3%	0.0%
Retail Banking	17.0%	18.7%
Retail Brokerage	0.0%	0.0%
Trading and Sales	0.0%	69.5%

Distribution of Operational Losses by Basel event type	2025	2024
Business disruption and system failures	0.0%	7.7%
Clients, Products & Business Practices	0.0%	11.5%
Damage to physical assets	0.0%	0.0%
Employment practices and workplace safety	0.0%	0.0%
Execution, Delivery & Process Management	99.8%	23.1%
External fraud	0.2%	57.7%
Internal fraud	0.0%	0.0%

Notes to the financial statements

3. Financial Risk Management and Capital Review continued

Other principal risks

Losses arising from operational failures for other principal risks are reported as operational losses. Operational losses do not include Operational Risk-related credit impairments.

Capital review (unaudited)

The Capital review provides an analysis of the Group's capital and leverage position, and requirements. The capital risk management note has been prepared in accordance with the Guidelines on the Revised International Convergence of Capital Measurement and Capital Standards for Botswana (Basel II). It is not an IFRS requirement and therefore, did not form part of the audit scope.

Capital summary

Bank of Botswana (BoB) sets and monitors the capital requirements for the Bank and requires the Bank to maintain a minimum Capital Adequacy Ratio (CAR) of 12.5% of risk-weighted assets (RWA). The Bank's policy is to maintain a strong capital base to maintain investor, creditor and market confidence to sustain the future development of the business. There were no breaches to this requirement in the current or previous year, as the Bank maintained its CAR above 12.5%. The Bank has developed Capital risk appetite which defines the capital tolerance levels both minimum (floor) and maximum (ceiling) which is monitored and tracked on a monthly basis through various governance forums. The Bank's regulatory capital is analysed in two parts:

- Tier I capital, which includes stated capital, additional Tier 1 capital (AT1), retained earnings, accumulated other comprehensive income and other disclosed reserves, common shares issued by consolidated subsidiaries of the bank and held by third parties, regulatory adjustments applied in the calculation of Common Equity Tier 1 (CET1) capital.
- Tier II capital, which includes unpublished profits for the current year, subordinated debt and impairments.

	2025	2024
CET1 ratio	6.6%	5.8%
Tier 1 capital ratio	12.4%	11.2%
Capital adequacy ratio	17.2%	18.0%
Risk-weighted assets (RWA) P '000	6,920,641	7,515,134

Capital analysis is for the group in line with the Bank of Botswana guidelines.

	2025 P '000	2024 P '000
CET1 capital instruments and reserves		
Stated capital	179,273	179,273
Other revenue reserves	542,428	631,416
Capital contribution	28,213	28,213
Statutory credit risk reserve	19,152	19,152
Less regulatory adjustments	(53,098)	(67,342)
CET1 capital	715,968	790,712
Additional Tier 1 Capital (AT1)	400,000	400,000
Tier 1 capital	1,115,968	1,190,712
Non-specific impairment	76,182	83,650
Subordinated debt	-	77,800
Tier 2 capital	76,182	161,450
Credit	6,094,583	6,691,982
Market	24,810	21,903
Operational	801,248	801,249
Total risk-weighted assets	6,920,641	7,515,134

During the year, dividends amounting to P312million were declared and paid (2024: P305million).

A distribution of P31million was paid to holders of subordinated undated AT1 capital securities during the year (2024: P32million).

Notes to the financial statements

4. Net interest income

Accounting policy

Interest

Interest income for financial assets held at amortised cost, and interest expense on all financial liabilities held at amortised cost is recognised in the income statement using the effective interest rate method.

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 estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all fees 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 the statement of profit or loss include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis; and
- interest on investment securities measured at fair value through other comprehensive income.

Interest income and interest expense are accrued daily based on individual customer interest rates. The accrued income and expense are applied to the customer account and settled on a monthly basis. Amounts of accrued interest income and expenses yet to be applied to customer accounts but recognised as income and expense are presented under prepayments and accrued income and accruals and deferred income respectively, on the statement of financial position.

Interest in suspense

If there are any recoveries on stage 3 loans, any contractual interest earned while the asset was in stage 3 is recognised in the credit impairment line. Interest that was previously suspended worth P25m (2024: P22m) was released to income statement due to stage 3 accounts that cured during the year.

	Group and Company	
	2025 P '000	2024 P '000
Loans and advances to banks	4,416	3,501
Loans and advances to customers	859,041	807,293
Investment securities	36,000	32,554
Other eligible bills	153,409	55,751
Due from related parties	138,197	208,743
Interest income	1,191,063	1,107,842
Deposits by banks	101,213	27,950
Customer accounts	301,845	165,012
Debt securities in issue	20,808	24,645
Subordinated liabilities and other borrowed funds	12,369	22,410
Interest expense on IFRS 16 lease liabilities	1,306	1,602
Interest expense	437,541	241,619
Net interest income	753,522	866,223

Notes to the financial statements

5. Net fees and commission

Fees and commission income that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Fees and commission income consists of income from fiduciary activities, commission on insurance brokerage activities and other fees which includes placement fees and syndication fees which are recognised as the related services are performed. When a loan commitment is not expected to result in the drawdown of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are rendered. The determination of the services performed for the customer, the transaction price, and when the services are completed depends on the nature of the product with the customer. The main considerations on income recognition by product are as follows:

Transaction Banking

The Bank recognises fee income associated with transactional trade, cash management and custody activities at the point in time the service is provided. The Bank recognises income associated with trade contingent risk exposures (such as letters of credit and guarantees) and periodic custody activities over the period in which the service is provided.

Payment of fees is usually received at the same time the service is provided. In some cases, letters of credit and guarantees issued by the Bank have annual upfront premiums, which are amortised on a straight-line basis to fee income over the year.

Insurance Brokerage

For commission on brokerage activities, customers are entitled to a pro-rata refund of insurance premiums paid in advance if their loans are early settled. As a result, a portion of the commission on brokerage activities may need to be refunded. Refund on commission earned on these insurance premiums collected are accounted for as variable consideration. The commission income is estimated and recognised only to the extent that it is highly probable that a significant reversal of revenue will not occur (the constraint). The amount received but not recognised as revenue is accounted for as a claw-back liability, until such time as the premiums is refunded or the constraint is removed. Clawback liability is included in other liabilities note (21).

Notes to the financial statements

5. Net fees and commission continued

Group	Corporate & Investment Banking		Wealth & Retail Banking		Total	
	2025 P '000	2024 P '000	2025 P '000	2024 P '000	2025 P '000	2024 P '000
Fee income earned from services that are provided over time:						
Corporate Finance	14,570	2,132	86	1,136	14,656	3,268
Lending and Portfolio Management	14	16	23	21	37	37
	14,584	2,148	109	1,157	14,693	3,305
Fee income from providing financial services at a point in time						
Fiduciary Activities	14,233	14,083	-	-	14,233	14,083
Financial Markets	392	(5,812)	(1,480)	11,058	(1,088)	5,246
Transaction banking	7,922	8,131	1,548	1,904	9,470	10,035
Retail Products	65	-	211,188	197,504	211,253	197,504
Insurance brokerage	-	-	15,970	23,968	15,970	23,968
	22,612	16,402	227,226	234,434	249,838	250,836
Fees and commission income	37,196	18,550	227,335	235,591	264,531	254,141
Fees and commission expenses						
Transaction banking	(31,048)	(17,128)	(23,690)	(223)	(54,738)	(17,351)
Card expenses	-	-	(42,085)	(38,253)	(42,085)	(38,253)
Sales commission	-	-	(9,877)	(9,356)	(9,877)	(9,356)
Total	(31,048)	(17,128)	(75,652)	(47,832)	(106,700)	(64,960)
Net fees and commission	6,148	1,422	151,683	187,759	157,831	189,181

Company	Corporate & Investment Banking		Wealth & Retail Banking		Total	
	2025 P '000	2024 P '000	2025 P '000	2024 P '000	2025 P '000	2024 P '000
Fee income earned from services that are provided over time:						
Corporate Finance	14,570	2,132	86	1,136	14,656	3,268
Lending and Portfolio Management	14	16	23	21	37	37
	14,584	2,148	109	1,157	14,693	3,305
Fee income from providing financial services at a point in time						
Fiduciary Activities	14,233	14,083	-	-	14,233	14,083
Financial Markets	392	(26,588)	(1,480)	31,834	(1,088)	5,246
Transaction banking	7,922	8,131	1,548	1,904	9,470	10,035
Retail Products	65	-	204,276	197,503	204,341	197,503
	22,612	(4,374)	204,344	231,241	226,956	226,867
Fees and commission income	37,196	(2,226)	204,453	232,398	241,649	230,172
Fees and commission expenses						
Transaction banking	(54,078)	(17,128)	(660)	(223)	(54,738)	(17,351)
Card expenses	-	-	(42,085)	(38,253)	(42,085)	(38,253)
Sales commission	-	-	(9,877)	(9,356)	(9,877)	(9,356)
Total	(54,078)	(17,128)	(52,622)	(47,832)	(106,700)	(64,960)
Net fees and commission	(16,882)	(19,354)	151,831	184,566	134,949	165,212

Notes to the financial statements

6. Net trading income

Accounting policy

Net trading income comprises foreign exchange gains and losses, foreign exchange trading income, gains and losses from changes in the fair value of financial instruments, income from the sale and purchase of trading positions and margins on marking instruments which are included in the profit or loss in the period they arise.

Gains and losses arising from changes in the fair value of financial instruments held at fair value through profit or loss are recorded in net trading income in the period in which they arise. This includes contractual interest receivable or payable. Income is recognised from the sale and purchase of trading positions, margins on market making and customer business and fair value changes.

When the initial fair value of a financial instrument held at fair value through profit or loss relies on unobservable inputs, the difference between the initial valuation and the transaction price is amortised to net trading income as the inputs become observable or over the life of the instrument, whichever is shorter. Any unamortised 'day one' gain is released to net trading income if the transaction is terminated.

	Group		Company	
	2025 P '000	2024 P '000	2025 P '000	2024 P '000
Net trading income	39,429	9,630	39,429	9,630
Significant items within net trading income include:				
Net gains on instruments held for trading	39,429	11,567	39,429	11,567
Losses on financial liabilities designated at fair value through profit or loss	-	(1,937)	-	(1,937)

7. Other operating income

Accounting policy

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.

Modifications to an operating lease are accounted for from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease. Both the right-of-use asset and lease liability are adjusted to account for changes in the scope of the lease, and any gain or loss is immediately recognised in profit or loss.

	2025 P '000	2024 P '000
Other operating income includes:		
Profit on disposal of assets and loss on lease modifications	51	425
	51	425

Notes to the financial statements

8. Operating expenses

Accounting policy

Short-term employee benefits: salaries and social security expenses are recognised over the period in which the employees provide the service. Variable compensation is included within share-based payments costs and wages and salaries.

Pension costs: contributions to defined contribution pension schemes are recognised in profit or loss when payable. Further details are provided in Note 27.

	Group		Company	
	2025 P '000	2024 P '000	2025 P '000	2024 P '000
Staff costs				
Salaries and wages	213,841	223,044	213,649	223,003
Contributions to defined contribution pension plan	18,657	19,478	18,657	19,478
Other staff costs	9,760	10,559	9,755	10,559
Redundancy	1,688	5,094	1,688	5,094
Total staff costs	243,946	258,175	243,749	258,134
General administrative expenses				
Audit fees	3,525	2,783	3,525	2,783
Consultancy costs	10,615	8,267	10,588	8,267
Directors Fees (note 30)	3,019	2,792	2,877	2,659
Repairs and maintenance	10,492	9,081	10,492	9,069
Communication costs	9,830	8,624	9,830	8,623
Group recharges	128,757	179,393	128,757	179,393
Advertising and sponsorship	10,277	1,060	10,243	620
Technical support	5,607	4,754	5,607	4,754
Printing and stationery	3,231	2,223	3,231	2,223
Security	6,899	4,107	6,899	4,107
Facilities management costs	22,198	21,873	22,198	21,873
Insurance	16,629	6,699	16,629	6,699
Irrecoverable VAT and WHT	31,969	36,270	31,969	36,270
Other expenses*	15,876	26,447	16,221	14,976
Total general administrative expenses	278,924	314,373	279,066	302,316

*Other expenses include travel, corporate subscriptions and outsourcing costs. Amounts previously included under other expenses have been disaggregated into "facilities and management costs" and "insurance" to provide the users of the financial statements with more relevant information. The prior year amounts have been disaggregated in the same manner for comparability.

Notes to the financial statements

8. Operating expenses continued

	Group		Company	
	2025 P '000	2024 P '000	2025 P '000	2024 P '000
Staff costs	243,946	258,175	243,749	258,134
Premises and equipment expenses:				
Rental of premises	588	1,627	588	1,627
	588	1,627	588	1,627
General administrative expenses:				
Other general administrative expenses	278,924	314,373	279,066	302,316
	278,924	314,373	279,066	302,316
Depreciation and amortisation:				
Property and equipment:				
Premises	19,680	18,328	19,680	18,328
Equipment, furniture and fittings	3,536	4,745	3,536	4,745
	23,216	23,073	23,216	23,073
Intangibles:				
Software	10,107	15,096	10,107	15,096
	33,323	38,169	33,323	38,169
Total operating expenses	556,781	612,344	556,726	600,246

Notes to the financial statements

9. Credit impairment

Accounting policy

Significant accounting estimates and judgements

Expected credit losses

Expected credit loss on loans and advances to banks (note 16), investments securities (note 14), other financial assets (note 19) and related parties (note 30) is considered immaterial. The sustained drop in Expected Credit Loss (ECL) provisions for the loan book is reflective of improved overall quality

Credit impaired loans

Credit impaired loans are loans and advances for which the Group determines that there is objective evidence of impairment, and it does not expect to collect all principal and interest due according to the contractual terms of the loan. These loans are graded CG13 and CG14 in the Group's internal credit risk grading system.

Not credit impaired loans

Not credit impaired loans, are those for which contractual interest or principal payments are past due, but the Group believes that specific impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

Write off policy

The Group writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when the Group Credit department determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status.

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are updated annually for commercial properties and every three years for residential properties during the life of the loan until the loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowed activity. Collateral usually is not held against investment securities, and no such collateral was held at the current or previous reporting date.

	Group		Company	
	2025 P '000	2024 P '000	2025 P '000	2024 P '000
Expected credit loss on financial assets				
Expected credit losses	76,854	2,539	76,854	2,539
Recoveries	(34,829)	(37,570)	(34,829)	(37,570)
Credit impairment	42,025	(35,031)	42,025	(35,031)

Notes to the financial statements

10. Goodwill, fixed asset and other impairment

Accounting policy

Refer to notes 17 and 18 for the relevant accounting policies. The relevant assets were reviewed for impairment during the current and prior year, and a total of P9.8 million (2024: P10.5 million) is recorded within impairment to reflect the results of the assessment.

11. Taxation

Accounting policy

Income tax payable on profits is based on the applicable tax law in each jurisdiction and is recognised as an expense in the period in which profits arise. Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or refundable on the taxable income or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax is measured using tax rates enacted or substantially enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax. Deferred tax is not recognised for the following temporary differences: those arising on the initial consideration of goodwill; differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or losses; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current liabilities and assets on a net basis, or their tax assets and liabilities will be realised simultaneously.

Current and deferred tax relating to items which are charged or credited directly to equity, is credited or charged directly to equity and is subsequently recognised in the income statement together with the current or deferred gain or loss.

Significant accounting estimates and judgements

- Determining the Group's tax charge for the year involves estimation and judgement, which includes an interpretation of local tax laws and an assessment of whether the tax authorities will accept the position taken. These judgements take account of external advice where appropriate, and the Group's view on settling with the relevant tax authorities
- The Group provides for current tax liabilities at the best estimate of the amount that is expected to be paid to the tax authorities where an outflow is probable. In making its estimates the Group assumes that the tax authorities will examine all the amounts reported to them and have full knowledge of all relevant information
- The recoverability of the Group's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised. In preparing management forecasts the effect of applicable laws and regulations relevant to the utilisation of future taxable profits have been considered
- Withholding tax that arise from the distribution of dividends by the Bank are recognised as a liability to pay the revenue authority at the same time the dividend is recognised. Withholding tax of 10% is payable on the gross value of the dividends paid to residents and non-residents unless a double taxation agreement exists.

Notes to the financial statements

11. Taxation continued

	Group		Company	
	2025 P '000	2024 P '000	2025 P '000	2024 P '000
Taxation:				
Profit before tax	342,194	477,682	319,367	465,812
Taxation at Statutory rate (22%)	75,283	105,090	70,261	102,479
Non-deductible	5,911	3,058	5,704	2,926
Prior year deferred tax adjustments	-	18,162	-	18,162
Prior year current tax adjustments	-	4,868	-	1,008
	81,194	131,178	75,965	124,575
Tax rate reconciliation				
Tax rate	22.0%	22.0%	22.0%	22.0%
Non-deductible	1.7%	0.6%	1.8%	0.6%
Prior year deferred tax adjustments	0.0%	3.8%	0.0%	3.9%
Prior year current tax adjustments	0.0%	1.0%	0.0%	0.2%
Effective tax rate	23.7%	27.5%	23.8%	26.7%

	Group		Company	
	2025 P '000	2024 P '000	2025 P '000	2024 P '000
The charge for taxation based upon the profit for the year comprises:				
Current tax:				
Botswana tax at 22 % (2024: 22 %):				
Current tax charge on income for the year	81,082	111,007	78,620	108,263
Adjustments in respect of prior years	348	4,868	1	1,008
	81,430	115,875	78,621	109,271
Deferred tax:				
Origination/reversal of temporary differences	(236)	(2,859)	(2,656)	(2,858)
Adjustments in respect of prior years	-	18,162	-	18,162
	(236)	15,303	(2,656)	15,304
Tax on profits on ordinary activities	81,194	131,178	75,965	124,575
Effective tax rate	23.7%	27.5%	23.8%	26.7%

Notes to the financial statements

11. Taxation continued

	Group		Company	
	2025 P '000	2024 P '000	2025 P '000	2024 P '000
Current tax comprises:				
Current tax assets	-	7,651	-	7,035
Current tax liabilities	4,495	-	3,945	-
Net current tax opening balance	(4,495)	7,651	(3,945)	7,035
Movements in income statement	(81,082)	(111,007)	(78,620)	(108,263)
Movements in other comprehensive income	-	-	-	-
Taxes paid	71,625	103,729	67,043	98,291
Prior year under provision	(348)	(4,868)	-	(1,008)
Net current tax balance as at 31 December	(14,300)	(4,495)	(15,522)	(3,945)
Current tax assets	-	-	-	-
Current tax liabilities	14,300	4,495	15,522	3,945
Total	14,300	4,495	15,522	3,945

Deferred tax: The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the year:

	Group				At 31 December 2025 P '000
	At 01 January 2025 P '000	Exchange & other adjustments P '000	(Charge)/ credit to profit P '000	(Charge)/ credit to equity P '000	
Deferred tax comprises:					
Accelerated tax depreciation	(8,010)	-	1,049	-	(6,961)
Fair value through other comprehensive income	(141)	-	-	(4,625)	(4,766)
Property revaluation	(7,737)	4,891	-	-	(2,846)
Retirement benefit obligations	-	-	308	-	308
Share-based payments	87	-	(34)	-	53
Unrealised gains	(2,252)	2,220	827	-	795
Other temporary differences	18,968	-	(1,914)	-	17,054
Net deferred tax assets	915	7,111	236	(4,625)	3,637

Other temporary differences are made up of mainly cross border recharges P8.59 million, leave P1.30 million and bonus provision P6.48 million. Other temporary differences have been disaggregated in the current year to show unrealised gains separately and prior year updated for comparability purposes.

Notes to the financial statements

11. Taxation continued

	At 01 January 2024	Exchange & other adjustments	(Charge)/ credit to profit	(Charge)/ credit to equity	At 31 December 2024
	P '000	P '000	P '000	P '000	P '000
Deferred tax comprises:					
Accelerated tax depreciation	(7,317)	-	(692)	-	(8,009)
Impairment provisions on loans and advances	16,801	-	(16,801)	-	-
Fair value through other comprehensive income	(387)	-	-	246	(141)
Property revaluation	(6,499)	-	-	(1,238)	(7,737)
Retirement benefit obligations	696	-	(696)	-	-
Share-based payments	68	-	18	-	86
Unrealised gains	1,983	-	(4,235)	-	(2,252)
Other temporary differences	13,180	-	5,788	-	18,968
Net deferred tax assets	18,525	-	(16,618)	(992)	915

Other temporary differences are made up of mainly Cross border recharges (P8.7 million).

	Company				
	At 01 January 2025	Exchange & other adjustments	(Charge)/ credit to profit	(Charge)/ credit to equity	At 31 December 2025
	P '000	P '000	P '000	P '000	P '000
Deferred tax comprises:					
Accelerated tax depreciation	(7,228)	-	1,049	-	(6,179)
Fair value through other comprehensive income	(633)	-	-	(4,625)	(5,258)
Property revaluation	(7,737)	4,891	-	-	(2,846)
Retirement benefit obligations	-	-	308	-	308
Share-based payments	87	-	(34)	-	53
Unrealised gains	(3,034)	-	827	-	(2,207)
Other temporary differences	17,989	1,271	506	-	19,766
Net deferred tax assets/(liabilities)	(556)	6,162	2,656	(4,625)	3,637

Other temporary differences are made up of mainly cross border recharges P8.59 million, leave P1.295 million and bonus provision P6.48 million.

Notes to the financial statements

11. Taxation continued

	At 01 January 2024	Exchange & other adjustments	(Charge)/ credit to profit	(Charge)/ credit to equity	At 31 December 2024
	P '000	P '000	P '000	P '000	P '000
Deferred tax comprises:					
Accelerated tax depreciation	(6,536)	-	(692)	-	(7,228)
Impairment provisions on loans and advances	16,801	-	(16,801)	-	-
Fair value through other comprehensive income	(387)	-	-	(246)	(633)
Property revaluation	(6,499)	-	-	(1,238)	(7,737)
Retirement benefit obligations	696	-	(696)	-	-
Share-based payments	69	-	18	-	87
Unrealised gains	1,201	-	(4,235)	-	(3,034)
Other temporary differences	10,887	-	7,102	-	17,989
Net deferred tax assets/(liabilities)	16,232	-	(15,304)	(1,484)	(556)

Other temporary differences are made up of mainly Cross border recharges P8.70 million, leave P1.85 million and bonus provision P6.88 million.

12. Dividends

Accounting policy

Dividends on ordinary shares and distribution to holders of subordinated capital securities classified as equity are recognised in equity in the year in which they are declared. Dividends on ordinary equity shares are recorded in the year in which they are declared and, in respect of the final dividend, have been approved by the shareholders.

The Board considers a number of factors prior to dividend declaration which includes the rate of recovery in the Group's financial performance, the macroeconomic environment, and opportunities to further invest in our business and grow profitably.

Ordinary equity shares

	Group		Company	
	2025	2024	2025	2024
Final dividend (Gross of WHT) declared and paid during the year	312,460	305,048	314,840	307,371
Dividend per share (thebe)	105.53	103.0	105.53	103.0

Dividends on ordinary equity shares are recorded in the period in which they are declared and, in respect of the final dividend, have been approved by the shareholders. Accordingly, the final ordinary equity shares dividends set out above relate to the respective prior years.

13. Earnings per ordinary share

Accounting policy

The Group 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 Bank by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per ordinary share is calculated by dividing the basic earnings which require adjustment for the effects of dilutive potential ordinary shares, by the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares, excluding own shares held. Throughout the financial year, there were no dilutive potential shares which would result in Diluted EPS being different to EPS.

Notes to the financial statements

13. Earnings per ordinary share Continued

The table below provides the basis of underlying earnings.

	2025 P '000	2024 P '000
Profit for the period attributable to equity holders	261,000	346,505
Distributions to holders of subordinated capital securities	(30,721)	(31,664)
Profit for the period attributable to ordinary shareholders	230,279	314,841
Basic - Weighted average number of shares (thousands)	295,844	295,844
Treasury shares (thousands)	2,506	2,506
Total weighted average number of ordinary shares (thousands)	298,350	298,350
Basic earnings per ordinary share (thebe)	77.84	106.42

There were no dilutive potential shares during 2025 and 2024 and as such, diluted earnings per share is equal to basic earnings per share.

Notes to the financial statements

14. Financial instruments

Classification and measurement

Accounting policy

The Group classifies its financial assets into the following measurement categories: amortised cost; fair value through other comprehensive income (FVOCI); and fair value through profit or loss. Financial liabilities are classified as either amortised cost or held at fair value through profit or loss. Management determines the classification of its financial assets and liabilities at initial recognition of the instrument or, where applicable, at the time of reclassification. The Group policy for 'Regular way purchase or sale' of a financial asset (other than loans and receivables) shall be accounted based on trade date accounting.

Financial assets held at amortised cost and fair value through other comprehensive income (FVOCI)

Debt instruments held at amortised cost or held at FVOCI 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 considers 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 considers:

- Contingent events that would change the amount and timing of cash flows
- Leverage features
- Prepayment and extension terms
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements);
- 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 or at FVOCI depend on the objectives of the business models under which the assets are held. A business model refers to how the Group manages financial assets to generate cash flows. The Group makes an assessment of 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'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
- 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. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("hold to collect and sell") are classified as held at FVOCI.

Both a 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'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.

Notes to the financial statements

14. Financial instruments continued

The Group's business model assessment is as follows:

Business model	Business objective	Characteristics	Businesses	Products
Hold to collect	Intent is to originate financial assets and hold them to maturity, collecting the contractual cash flows over the term of the instrument	<ul style="list-style-type: none"> Providing financing and originating assets to earn interest income as primary income stream Performing credit risk management activities Costs include funding costs, transaction costs and impairment losses 	<ul style="list-style-type: none"> Corporate Lending Financial Markets Transaction Banking Retail Lending Treasury Markets (Loans and Borrowings) 	<ul style="list-style-type: none"> Loans and advances
Hold to collect and sell	Business objective met through both hold to collect and by selling financial assets	<ul style="list-style-type: none"> Portfolios held for liquidity needs; or where a certain interest yield profile is maintained; or that are normally rebalanced to achieve matching of duration of assets and liabilities Income streams come from interest income, fair value changes, and impairment losses 	<ul style="list-style-type: none"> Treasury Markets 	<ul style="list-style-type: none"> Debt securities
Fair value through profit or loss	All other business objectives, including trading and managing financial assets on a fair value basis	<ul style="list-style-type: none"> Assets held for trading Assets that are originated, purchased, and sold for profit taking or underwriting activity Performance of the portfolio is evaluated on a fair value basis Income streams are from fair value changes or trading gains or losses 	<ul style="list-style-type: none"> Financial Markets All other business lines 	<ul style="list-style-type: none"> Derivatives Trading portfolios Financial Markets reverse repos Financial Markets (FM Bond and Loan Syndication)

Financial assets and liabilities held at fair value through profit or loss

Financial assets which are not held at amortised cost or that are not held FVOCI are held at fair value through profit or loss. Financial assets and liabilities held at fair value through profit or loss are either mandatorily classified fair value through profit or loss or irrevocably designated at fair value through profit or loss at initial recognition.

Designated at fair value through profit or loss

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis (accounting mismatch). Financial liabilities may also be designated at fair value through profit or loss where they are managed on a fair value basis or have an embedded derivative where the Group is not able to separate the embedded derivative component. Financial liabilities designated at fair value through profit or loss are held at fair value, with changes in fair value recognised in the net trading income line in the profit or loss, other than that attributable to changes in credit risk. Fair value changes attributable to credit risk are recognised in other comprehensive income and recorded in a separate category of reserves unless this is expected to create or enlarge an accounting mismatch, in which case the entire change in fair value of the financial liability designated at fair value through profit or loss is recognised in profit or loss.

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.

Modified financial instruments

Financial assets and financial liabilities whose original contractual terms have been modified, including those loans subject to forbearance strategies, are modified instruments. Modifications may include changes to the tenor, cash flows and or interest rates among other factors.

Gains and losses arising from modifications for credit reasons are recorded as part of credit impairment. Modification gains and losses arising from non-credit reasons for financial assets are recognised within income. (Refer to note 7 Other operating income). Modification gains and losses arising on financial liabilities are recognised within income.

Notes to the financial statements

14. Financial instruments continued

Financial guarantee contracts and loan commitments

The Group issues financial guarantee contracts and loan commitments in return for fees. Under a financial guarantee contract, the Group undertakes to meet a customer's obligations under the terms of a debt instrument if the customer fails to do so. Loan commitments are firm commitments to provide credit under pre specified terms and conditions. Financial guarantee contracts and loan commitments issued at below market interest rates are initially recognised as liabilities at fair value, while financial guarantees and loan commitments issued at market rates are recorded off balance sheet. Subsequently, these instruments are measured at the higher of the expected credit loss provision, and the amount initially recognised less the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

Debt investment securities

Debt investment securities are initially recognised and subsequently measured at fair value through other comprehensive income. The Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. On derecognition, gains and losses accumulated in other comprehensive income (OCI) are reclassified to profit or loss.

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market to which the Group has access at the date. The fair value of a liability includes the risk that the Bank will not be able to honour its obligations.

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either market risk or credit risk, the fair value of the group of financial instruments is measured on a net basis.

Mandatorily classified at fair value through profit or loss

Financial assets and liabilities which are mandatorily held at fair value through profit or loss are split between two subcategories as follows:

Trading, including:

- Financial assets and liabilities held for trading, which are those acquired principally for the purpose of selling in the short-term
- Derivatives

Non-trading mandatorily at fair value through profit or loss, including:

- Instruments in a business which has a fair value business model (see the Group's business model assessment) which are not trading or derivatives
- Hybrid financial assets that contain one or more embedded derivatives
- Financial assets that would otherwise be measured at amortised cost or FVOCI but which do not have SPPI characteristics
- Financial liabilities that constitute contingent consideration in a business combination

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 commits to purchase or sell the asset). Loans and advances and other financial assets held at amortised cost are recognised on the 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 the income statement but is amortised or released to the income statement as the inputs become observable, or the transaction matures or is terminated.

Subsequent measurement

Financial assets and financial liabilities held at amortised cost

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest method (see Interest income and expense). Foreign exchange gains and losses are recognised in the income statement.

Where a financial instrument carried at amortised cost is the hedged item in a qualifying fair value hedge relationship, its carrying value is adjusted by the fair value gain or loss attributable to the hedged risk.

Notes to the financial statements

14. Financial instruments continued

Financial assets held at FVOCI

Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. Foreign exchange gains and losses on the amortised cost are recognised in income. Changes in expected credit losses are recognised in the profit or loss and are accumulated in equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss reserve, are transferred to the profit or loss.

Financial assets and liabilities held at fair value through profit or loss

Financial assets and liabilities mandatorily held at fair value through profit or loss and financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value, including contractual interest income or expense, recorded in the net trading income line in the profit or loss unless the instrument is part of a cash flow hedging relationship.

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 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'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 and 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. However, where a financial liability has been modified, it is derecognised if the difference between the modified cash flows and the original cash flows is more than 10 %, or if less than 10 %, the Group will perform a qualitative assessment to determine whether the terms of the two instruments are substantially different.

If the Group purchases its own debt, it is derecognised and the difference between the carrying amount of the liability and the consideration paid is included in 'Other income' except for the cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income which are never recycled to the profit or loss.

The movements in the applicable expected credit loss loan positions are disclosed in further detail in Risk Review.

Under the Phase 2 Interest Rate Benchmark Reform amendments to IFRS 9, changes to the basis for determining contractual cash flows as a direct result of interest rate benchmark reform are treated as changes to a floating interest rate to that instrument, provided that the transition from the IBOR benchmark rate to the alternative RFR takes place on an economically equivalent basis. Where the instrument is measured at amortised cost or FVOCI, this results in a change in the instrument's effective interest rate, with no change in the amortised cost value of the instrument. If the change to the instrument does not meet these criteria, the Group applies judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Group adjusts the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised effective interest rate.

Reclassifications

Financial liabilities are not reclassified subsequent to initial recognition. Reclassifications of financial assets are made when, and only when, the business model for those assets changed. Such changes are expected to be infrequent and arise as a result of significant external or internal changes such as the termination of a line of business or the purchase of a subsidiary whose business model is to realise the value of pre-existing held for trading financial assets through a hold to collect model.

Financial assets are reclassified at their fair value on the date of reclassification and previously recognised gains and losses are not restated. Moreover, reclassifications of financial assets between financial assets held at amortised cost and financial assets held at fair value through other comprehensive income do not affect effective interest rate or expected credit loss computations. There were no reclassifications of financial assets or financial liabilities during the current and prior year.

Reclassified from amortised cost

Where financial assets held at amortised cost are reclassified to financial assets held at fair value through profit or loss, the difference between the fair value of the assets at the date of reclassification and the previously recognised amortised cost is recognised in profit or loss.

Notes to the financial statements

14. Financial instruments continued

For financial assets held at amortised cost that are reclassified to fair value through other comprehensive income, the difference between the fair value of the assets at the date of reclassification and the previously recognised gross carrying value is recognised in other comprehensive income. Additionally, the related cumulative expected credit loss amounts relating to the reclassified financial assets are reclassified from loan loss provisions to a separate reserve in other comprehensive income at the date of reclassification.

Reclassified from fair value through other comprehensive income

Where financial assets held at fair value through other comprehensive income are reclassified to financial assets held at fair value through profit or loss, the cumulative gain or loss previously recognised in other comprehensive income is transferred to profit or loss.

For financial assets held at fair value through other comprehensive income that are reclassified to financial assets held at amortised cost, the cumulative gain or loss previously recognised in other comprehensive income is adjusted against the fair value of the financial asset such that the financial asset is recorded at a value as if it had always been held at amortised cost. In addition, the related cumulative expected credit losses held within other comprehensive income are reversed against the gross carrying value of the reclassified assets at the date of reclassification.

Reclassified from fair value through profit or loss

Where financial assets held at fair value through profit or loss are reclassified to financial assets held at fair value through other comprehensive income or financial assets held at amortised cost, the fair value at the date of reclassification is used to determine the effective interest rate on the financial asset going forward. In addition, the date of reclassification is used as the date of initial recognition for the calculation of expected credit losses. Where financial assets held at fair value through profit or loss are reclassified to financial assets held at amortised cost, the fair value at the date of reclassification becomes the gross carrying value of the financial asset.

The Group and Company classification of its financial assets and liabilities is summarised in the following tables.

Group

Assets	Notes	Assets at fair value				
		Trading mandatorily at fair value through profit or loss	Fair value through other comprehensive income	Total financial assets at fair value	Assets held at amortised cost	Total
		P '000	P '000	P '000	P '000	P '000
Cash and balances at central banks		–	–	–	243,188	243,188
Accrued interest on loans and advances to customers	36	–	–	–	166,696	166,696
Derivative financial instruments	14	40,098	–	40,098	–	40,098
Loans and advances to banks	16	–	–	–	17,431	17,431
Loans and advances to customers	16	–	–	–	7,921,277	7,921,277
Investment securities			5,342,532	5,342,532	–	5,342,532
Accrued interest on investment securities		–	4,044	4,044	–	4,044
Other assets	19	–	–	–	4,745	4,745
Due from related parties*		–	–	–	3,373,805	3,373,805
Total at 31 December 2025		40,098	5,346,576	5,386,674	11,727,142	17,113,816

Investment securities are made up of Government Bonds P0.41 billion (2024: P0.56 billion), Bank of Botswana Certificates of P0.5 billion (2024: P0.5 billion) and Treasury Bills of P4.44 billion (2024: P2.67 billion). Included in the investment securities balances are assets worth P485 million (2024: P433 million) pledged as security for the use of credit facility with Bank of Botswana. *Included within balances due from related parties is a reverse repurchase agreement with Standard Chartered Bank UK Treasury amounting to P2.1 billion, with a 6-day maturity and an interest rate of 3.78% per annum.

Notes to the financial statements

14. Financial instruments continued

Assets	Notes	Assets at fair value				Total
		Trading mandatorily at fair value through profit or loss	Fair value through other comprehensive income	Total financial assets at fair value	Assets held at amortised cost	
		P '000	P '000	P '000	P '000	
Cash and balances at central banks		-	-	-	1,132,308	1,132,308
Accrued interest on loans and advances to customers*	36	-	-	-	204,076	204,076
Derivative financial instruments	14	40,172	-	40,172	-	40,172
Loans and advances to banks	15	-	-	-	791	791
Loans and advances to customers	15	-	-	-	8,154,364	8,154,364
Investment securities		-	3,718,747	3,718,747	-	3,718,747
Accrued interest on investment securities		-	8,721	8,721	-	8,721
Other assets**	19	-	-	-	10,755	10,755
Due from related parties		-	-	-	4,903,383	4,903,383
Total at 31 December 2024		40,172	3,727,468	3,767,640	14,405,677	18,173,317

*Prior year amount of P212.83 million has been corrected to remove accrued interest on investment securities from accrued interest on loans and advances to customers. There is no impact to the primary statements or any other notes in the financial statements.

**Prior year amount of P14.58 million relating to other assets has been corrected to remove non-financial instruments. There is no impact to the primary statements or any other notes in the financial statements.

Group

Liabilities	Notes	Liabilities at fair value				Total
		Trading mandatorily at fair value through profit or loss	Total financial liabilities at fair value	Amortised cost		
		P '000	P '000	P '000	P '000	
Derivative financial instruments	14	6,482	6,482	-	6,482	
Deposits by banks		-	-	1,624,632	1,624,632	
Customer accounts		-	-	13,689,235	13,689,235	
Debt securities in issue	20	-	-	229,963	229,963	
Other liabilities	21	-	-	49,385	49,385	
Accruals and deferred income	37	-	-	182,007	182,007	
Due to related parties		-	-	286,839	286,839	
Total at 31 December 2025		6,482	6,482	16,062,061	16,068,543	

Deposits by banks comprise of amounts owed to other domestic P1.51 billion (2024: P1.0 billion) and foreign P115 million (2024: P91 million) credit institutions by the Group. Customer accounts comprise of money deposited by all individuals and companies which are not credit institutions. These are made up of current and savings accounts P7.5 billion (2024: P5.9 billion), term deposits P6.1 billion (2024: P6.9 billion) and other deposits P0.1 billion (2024: P0.9 billion). Such funds are recorded as liabilities in the Group's balance sheet under customer accounts.

Liabilities	Notes	Liabilities at fair value				Total
		Trading mandatorily at fair value through profit or loss	Total financial liabilities at fair value	Amortised cost		
		P '000	P '000	P '000	P '000	
Derivative financial instruments	14	19,706	19,706	-	19,706	
Deposits by banks		-	-	1,095,708	1,095,708	
Customer accounts		-	-	13,792,379	13,792,379	
Debt securities in issue	20	-	-	323,566	323,566	
Accruals and deferred income*	37	-	-	51,306	51,306	
Other liabilities**	21	-	-	391,457	391,457	
Subordinated liabilities and other borrowed funds	24	-	-	389,000	389,000	
Due to related parties		-	-	985,499	985,499	
Total at 31 December 2024		19,706	19,706	17,028,915	17,048,621	

*Prior year amounts of accruals and deferred income of P90.97 million has been updated to remove non-financial instruments. The change had no impact on primary statements.

**Prior year amounts of other liabilities of P404.21 million has been updated to remove non-financial instruments. The change had no impact on primary statements.

Notes to the financial statements

14. Financial instruments continued

Assets	Notes	Assets at fair value				Total
		Trading mandatorily at fair value through profit or loss	Fair value through other comprehensive income	Total financial assets at fair value	Assets held at amortised cost	
		P '000	P '000	P '000	P '000	
Cash and balances at central banks		-	-	-	243,188	243,188
Accrued interest on loans and advances to customers	36	-	-	-	166,696	166,696
Derivative financial instruments	14	40,098	-	40,098	-	40,098
Loans and advances to banks	16	-	-	-	17,431	17,431
Loans and advances to customers	16	-	-	-	7,921,277	7,921,277
Investment securities		-	5,342,532	5,342,532	-	5,342,532
Accrued interest on investment securities		-	4,044	4,044	-	4,044
Other assets	19	-	-	-	4,685	4,685
Due from related parties*		-	-	-	3,363,090	3,363,090
Total at 31 December 2025		40,098	5,346,576	5,386,674	11,716,367	17,103,041

Investment securities are made up of Government Bonds P0.41 billion (2024: P0.56 billion), Bank of Botswana Certificates of P0.5 billion (2024: P0.5 billion) and Treasury Bills of P4.44 billion (2024: P2.67 billion). Included in the investment securities balances are assets worth P485 million (2024: P433 million) pledged as security for the use of credit facility with Bank of Botswana.

*Included within balances due from related parties is a reverse repurchase agreement with Standard Chartered Bank UK Treasury amounting to P2.1 billion, with a 6-day maturity and an interest rate of 3.78% per annum.

Assets	Notes	Assets at fair value				Total
		Trading mandatorily at fair value through profit or loss	Fair value through other comprehensive income	Total financial assets at fair value	Assets held at amortised cost	
		P '000	P '000	P '000	P '000	
Cash and balances at central banks		-	-	-	1,127,120	1,127,120
Accrued interest on loans and advances to customers*	36	-	-	-	204,076	204,076
Derivative financial instruments	14	40,172	-	40,172	-	40,172
Loans and advances to banks	15	-	-	-	791	791
Loans and advances to customers	15	-	-	-	8,154,364	8,154,364
Investment securities		-	3,718,747	3,718,747	-	3,718,747
Accrued interest on investment securities		-	8,721	8,721	-	8,721
Other assets**	19	-	-	-	10,695	10,695
Due from related parties		-	-	-	4,811,097	4,811,097
Total at 31 December 2024		40,172	3,727,468	3,767,640	14,308,143	18,075,783

*Prior year amount of P212.83 million has been corrected to remove accrued interest on investment securities from accrued interest on loans and advances to customers. There is no impact to the primary statements or any other notes in the financial statements.

**Prior year amount of P14.52 million relating to other assets has been corrected to remove non-financial instruments. There is no impact to the primary statements or any other notes in the financial statements.

Notes to the financial statements

14. Financial instruments continued

Liabilities	Notes	Liabilities at fair value			
		Trading P '000	Total financial liabilities at fair value P '000	Amortised cost P '000	Total P '000
Derivative financial instruments	14	6,482	6,482	–	6,482
Deposits by banks		–	–	1,624,632	1,624,632
Customer accounts		–	–	13,771,819	13,771,819
Debt securities in issue	20	–	–	229,963	229,963
Other liabilities	21	–	–	49,384	49,384
Accruals and deferred income	37	–	–	182,007	182,007
Due to related parties		–	–	286,839	286,839
Total at 31 December 2025		6,482	6,482	16,144,644	16,151,126

Deposits by banks comprise of amounts owed to other domestic P1.51 billion (2024: P1.0 billion) and foreign P115 million (2024: P91 million) credit institutions by the Company. Customer accounts comprise of money deposited by all individuals and companies which are not credit institutions. These are made up of current and savings accounts P7.6 billion (2024: P5.9 billion), term deposits P6.1 billion (2024: P6.9 billion) and other deposits P0.1 billion (2024: P0.9 billion). Such funds are recorded as liabilities in the Company's balance sheet under customer accounts.

Liabilities	Notes	Liabilities at fair value			
		Trading P '000	Total financial liabilities at fair value P '000	Amortised cost P '000	Total P '000
Derivative financial instruments	14	19,706	19,706	–	19,706
Deposits by banks		–	–	1,095,708	1,095,708
Customer accounts		–	–	13,792,379	13,792,379
Debt securities in issue	22	–	–	323,566	323,566
Other liabilities**	23	–	–	367,866	367,866
Accruals and deferred income*		–	–	51,306	51,306
Subordinated liabilities and other borrowed funds	27	–	–	389,000	389,000
Due to related parties		–	–	985,499	985,499
Total at 31 December 2024		19,706	19,706	17,005,324	17,025,030

*Prior year amounts of P90.97 million relating to accruals and deferred income have been updated to remove non-financial instruments. The change had no impact on primary statements.

**Prior year amounts of P380.65 million relating to other liabilities have been updated to remove non-financial instruments. The change had no impact on primary statements.

Notes to the financial statements

14. Financial instruments continued

Valuation of financial instruments

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments held by the Group. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs. Valuation techniques used include discounted cash flow analysis and pricing models and, where appropriate, comparison with instruments that have characteristics similar to those of the instruments held by the Group. The Valuation Methodology function is responsible for independent price verification, oversight of fair value and appropriate value adjustments and escalation of valuation issues. Independent price verification is the process of determining that the valuations incorporated into the financial statements are validated independent of the business area responsible for the product. The Valuation Methodology function has oversight of the fair value adjustments to ensure the financial instruments are priced to exit. These are key controls in ensuring the material accuracy of the valuations incorporated in the financial statements. The market data used for price verification (PV) may include data sourced from recent trade data involving external counterparties or third parties such as Bloomberg, Reuters, brokers-market consensus pricing providers. Valuation Methodology perform an ongoing review of the market data sources that are used as part of the PV and fair value processes which are formally documented on a semi-annual basis detailing the suitability of the market data used for price testing. Price verification uses independently sourced data that is deemed most representative of the market the instruments trade in. To determine the quality of the market data inputs, factors such as independence, relevance, reliability, availability of multiple data sources and methodology employed by the pricing provider are taken into consideration.

The Valuation and Benchmarks Committee (VBC) is the valuation governance forum consisting of representatives from Group Market Risk, Product Control, Valuation Methodology and the business, which meets monthly to discuss and approve the independent valuations of the inventory. For Principal Finance, the Investment Committee meeting is held on a quarterly basis to review investments and valuations

Significant accounting estimates and judgements

The Group evaluates the significance of financial instruments and material accuracy of the valuations incorporated in the financial statements as they involve a high degree of judgement and estimation uncertainty in determining the carrying values of financial assets and liabilities at the balance sheet date.

- Fair value of financial instruments is determined using valuation techniques and estimates (see below) which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs. Changes in the observability of significant valuation inputs can materially affect the fair values of financial instruments
- When establishing the exit price of a financial instrument using a valuation technique, the Group estimates valuation adjustments in determining the fair value
- In determining the valuation of financial instruments, the Group makes judgements on the amounts reserved to cater for model and valuation risks, which cover both Level 2 and Level 3 assets, and the significant valuation judgements in respect of Level 3 instruments
- Where the estimated measurement of fair value is more judgemental in respect of Level 3 assets, these are valued based on models that use a significant degree of non-market-based unobservable input

Valuation techniques

Refer to the fair value hierarchy explanation – Level 1, 2 and 3

- Financial instruments held at fair value
 - Debt securities – asset-backed securities: Asset-backed securities are valued based on external prices obtained from consensus pricing providers, broker quotes, recent trades, arrangers' quotes, etc. Where an observable price is available for a given security, it is classified as Level 2. In instances where third-party prices are not available or reliable, the security is classified as Level 3. The fair value of Level 3 securities is estimated using market standard cash flow models with input parameter assumptions which include prepayment speeds, default rates, discount margins derived from comparable securities with similar vintage, collateral type, and credit ratings
 - Debt securities in issue: These debt securities relate to structured notes issued by the Group. Where independent market data is available through pricing vendors and broker sources these positions are classified as Level 2. Where such liquid external prices are not available, valuations of these debt securities are implied using input parameters such as bond spreads and credit spreads and are classified as Level 3. These input parameters are determined with reference to the same issuer (if available) or proxies from comparable issuers or assets
 - Investment securities: For investment securities that do not have directly observable market values, the Group utilises a number of valuation techniques to determine fair value. Where available, securities are valued using input proxies from the same or closely related underlying (for example, bond spreads from the same or closely related issuer) or input proxies from a different underlying (for example, a similar bond but using spreads for a particular sector and rating). Certain instruments cannot be proxies as set out above, and in such cases the positions are valued using non-market observable inputs. This includes those instruments held at amortised cost and predominantly relates to asset-backed securities. The fair value for such instruments is usually proxies from internal assessments of the underlying cash flows
 - Derivatives: Derivative products are classified as Level 2 if the valuation of the product is based upon input parameters which

Notes to the financial statements

14. Financial instruments continued

are observable from independent and reliable market data sources. Derivative products are classified as Level 3 if there are significant valuation input parameters which are unobservable in the market, such as products where the performance is linked to more than one underlying variable. Examples are foreign exchange basket options, equity options based on the performance of two or more underlying indices and interest rate products with quanto payouts. In most cases these unobservable correlation parameters cannot be implied from the market, and methods such as historical analysis and comparison with historical levels or other benchmark data must be employed

- Loans and advances: These primarily include loans in the FM Bond and Loan Syndication business which were not syndicated as of the balance sheet date and other financing transactions within Financial Markets and loans and advances including reverse repurchase agreements that do not have SPPI cash flows or are managed on a fair value basis. These loans are generally bilateral in nature and, where available, their valuation is based on observable clean sales transactions prices or market observable spreads. If observable credit spreads are not available, proxy spreads based on comparable loans with similar credit grade, sector and region, are used. Where observable credit spreads and market standard proxy methods are available, these loans are classified as Level 2. Where there are no recent transactions or comparable loans, these loans are classified as Level 3
- Other debt securities: These debt securities include convertible bonds, corporate bonds, credit and structured notes. Where quoted prices are available through pricing vendors, brokers or observable trading activities from liquid markets, these are classified as Level 2 and valued using such quotes. Where there are significant valuation inputs which are unobservable in the market, due to illiquid trading or the complexity of the product, these are classified as Level 3. The valuations of these debt securities are implied using input parameters such as bond spreads and credit spreads. These input parameters are determined with reference to the same issuer (if available) or proxied from comparable issuers or assets

Financial instruments held at amortised cost

The following sets out the Group's basis for establishing fair values of amortised cost financial instruments and their classification between Levels 1, 2 and 3. As certain categories of financial instruments are not actively traded, there is a significant level of management judgement involved in calculating the fair values:

- Cash and balances at central banks: The fair value of cash and balances at central banks is their carrying amounts
- Debt securities in issue, subordinated liabilities: The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current market related yield curve appropriate for the remaining term to maturity
- Deposits and borrowings: The estimated fair value of deposits with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market prices is based on discounted cash flows using the prevailing market rates for debts with a similar Credit Risk and remaining maturity
- Loans and advances to banks and customers: For loans and advances to banks, the fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using the prevailing money market rates for debts with a similar Credit Risk and remaining maturity. The Group's loans and advances to customers' portfolio is well diversified by geography and industry. Approximately a quarter of the portfolio re-prices within one month, and approximately half re-prices within 12 months. Loans and advances are presented net of provisions for impairment. The fair value of loans and advances to customers with a residual maturity of less than one year generally approximates the carrying value. The estimated fair value of loans and advances with a residual maturity of more than one year represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates and Credit Risk. Expected cash flows are discounted at current market rates to determine fair value.
- Other assets: Other assets comprise primarily of cash collateral and trades pending settlement. The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are either short-term in nature or re-price to current market rates frequently

Fair value adjustments

When establishing the exit price of a financial instrument using a valuation technique, the Group considers adjustments to the modelled price which market participants would make when pricing that instrument. The main valuation adjustments (described further below) in determining fair value for financial assets and financial liabilities are as follows:

- Bid-offer valuation adjustment: Generally, market parameters are marked on a mid-market basis in the revaluation systems, and a bid-offer valuation adjustment is required to quantify the expected cost of neutralising the business' positions through dealing away in the market, thereby bringing long positions to bid and short positions to offer. The methodology to calculate the bid-offer adjustment for a derivative portfolio involves netting between long and short positions and the grouping of risk by strike and tenor based on the hedging strategy where long positions are marked to bid and short positions marked to offer in the systems
- Credit valuation adjustment (CVA): The Group accounts for CVA against the fair value of derivative products. CVA is an adjustment to the fair value of the transactions to reflect the possibility that our counterparties may default and we may not receive the full market value of the outstanding transactions. It represents an estimate of the adjustment a market participant would include when deriving a purchase price to acquire our exposures. CVA is calculated for each subsidiary, and within each entity for each counterparty to which the entity has exposure and takes account of any collateral we may hold. The Group calculates the CVA by using estimates of future positive exposure, market-implied probability of default (PD) and recovery rates. Where market-implied data is not readily available, we use market-based proxies to estimate the PD. Wrong-way risk occurs when the exposure to a counterparty is adversely correlated with the credit quality of that counterparty, and the Group has implemented a model to capture this impact for key wrong-way exposures. The Group also captures the uncertainties associated with wrong-way risk in the Group's Prudential Valuation Adjustments framework
- Debit valuation adjustment (DVA): The Group calculates DVA adjustments on its derivative liabilities to reflect changes in its own

Notes to the financial statements

14. Financial instruments continued

- credit standing. The Group's DVA adjustments will increase if its credit standing worsens and conversely, decrease if its credit standing improves. For derivative liabilities, a DVA adjustment is determined by applying the Group's probability of default to the Group's negative expected exposure against the counterparty. The Group's probability of default and loss expected in the event of default is derived based on bond and CDS spreads associated with the Group's issuances and market standard recovery levels. The expected exposure is modelled based on the simulation of the underlying risk factors over the expected life of the deal. This simulation methodology incorporates the collateral posted by the Group and the effects of master netting agreements
- Model valuation adjustment: Valuation models may have pricing deficiencies or limitations that require a valuation adjustment. These pricing deficiencies or limitations arise due to the choice, implementation and calibration of the pricing model
- Funding valuation adjustment (FVA): The Group makes FVA adjustments against derivative products. FVA reflects an estimate of the adjustment to its fair value that a market participant would make to incorporate funding costs or benefits that could arise in relation to the exposure. FVA is calculated by determining the net expected exposure at a counterparty level and then applying a funding rate to those exposures that reflect the market cost of funding. The FVA for uncollateralised (including partially collateralised) derivatives incorporates the estimated present value of the market funding cost or benefit associated with funding these transactions
- Other fair value adjustments: The Group calculates the fair value on the interest rate callable products by calibrating to a set of market prices with differing maturity, expiry and strike of the trades
- Day one and other deferrals: In certain circumstances the initial fair value is based on a valuation technique which differs to the transaction price at the time of initial recognition. However, these gains can only be recognised when the valuation technique used is based primarily on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement. The difference is amortised to the income statement until the inputs become observable, or the transaction matures or is terminated. Other deferrals primarily represent adjustments taken to reflect the specific terms and conditions of certain derivative contracts which affect the termination value at the measurement date

In addition, the Group calculates own credit adjustment (OCA) on its issued debt designated at fair value, including structured notes, in order to reflect changes in its own credit standing. Own issued note liabilities are discounted utilising spreads as at the measurement date. These spreads consist of a market level of funding component and an idiosyncratic own credit component. Under IFRS 9 the change in the own credit component (OCA) is reported under other comprehensive income. The Group's OCA reserve will increase if its credit standing worsens and conversely, decrease if its credit standing improves. The Group's OCA reserve will reverse over time as its liabilities mature.

Fair value hierarchy – financial instruments held at fair value

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Group recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

- Level 1: Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2: Fair value measurements are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable
- Level 3: Fair value measurements are those where inputs which could have a significant effect on the instrument's valuation are not based on observable market data

The following tables show the classification of financial instruments held at fair value into the valuation hierarchy:

Notes to the financial statements

14. Financial instruments continued

Group and company	Level 1 P '000	Level 2 P '000	Level 3 P '000	Total P '000
Assets				
Financial instruments held at fair value through profit or loss				
Derivative financial instruments	–	38,768	1,330	40,098
Of which:				
Foreign exchange	–	38,768	1,330	40,098
Investment securities				
Debt securities and other eligible bills	2,663,785	2,678,747	–	5,342,532
Of which:				
Issued by Central Banks & Governments	2,663,785	2,678,747	–	5,342,532
Total financial instruments at 31 December 2025	2,663,785	2,717,515	1,330	5,382,630
Liabilities				
Financial instruments held at fair value through profit or loss				
Derivative financial instruments	–	5,152	1,330	6,482
Of which:				
Foreign exchange	–	5,152	1,330	6,482
Total financial instruments at 31 December 2025	–	5,152	1,330	6,482

Level 2 fair values of investments have been generally derived using the market approach.
Nil level 1 reported for derivatives for the current year as per the valuation report.

Instruments	Applicable to level	Valuation Technique	Significant observable inputs	Significant unobservable inputs	Range of unobservable inputs
Investment Securities	2	Bonds: Fair value through market rate from a quoted market Treasury Bills: Fair value through market rate	Market rates from quoted market	Not applicable	Not applicable

Notes to the financial statements

14. Financial instruments continued

	Level 1 P '000	Level 2 P '000	Level 3 P '000	Total P '000
Assets				
Financial instruments held at fair value through profit or loss				
Derivative financial instruments	5,993	33,559	620	40,172
Of which:				
Foreign exchange	5,993	33,559	620	40,172
Investment securities				
Debt securities and other eligible bills	1,254,583	2,464,164	–	3,718,747
Of which:				
Issued by Central Banks & Governments	1,254,583	2,464,164	–	3,718,747
Total financial instruments at 31 December 2024	1,260,576	2,497,723	620	3,758,919
Liabilities				
Financial instruments held at fair value through profit or loss				
Derivative financial instruments	5,752	13,334	620	19,706
Of which:				
Foreign exchange	5,752	13,334	620	19,706
Total financial instruments at 31 December 2024	5,752	13,334	620	19,706

Movement in level 3 assets

	Group and Company	
	2025 P '000	2024 P '000
Derivatives		
Balance at 1 January	620	58,501
Translation increase	508	4,613
Purchases	1,330	–
Sales	–	(686)
Settlements	(677)	(61,740)
Losses recognised in profit or loss	(451)	(68)
Balance at 31 December	1,330	620

In the current year, a reconciliation of the opening balances to the closing balances for level 3 financial instruments has been presented separately to provide more information to the users.

Fair value hierarchy - financial instruments measured at amortised cost

The following table shows the carrying amounts and incorporates the Group's estimate of fair values of those financial assets and liabilities not presented on the Group's balance sheet at fair value. These fair values may be different from the actual amount that will be received or paid on the settlement or maturity of the financial instrument. For certain instruments, the fair value may be determined using assumptions for which no observable prices are available.

Notes to the financial statements

14. Financial instruments continued

Group	Carrying value P '000	Fair value			Total P '000
		Level 1 P '000	Level 2 P '000	Level 3 P '000	
Assets					
Cash and balances at central banks ¹	243,188	–	243,188	–	243,188
Loans and advances to banks	17,431	–	17,431	–	17,431
Loans and advances to customers	7,921,277	–	–	7,921,277	7,921,277
Accrued interest on loans and advances to customers	–	–	–	166,696	166,696
Other assets ¹	4,745	–	4,745	–	4,745
Due from related parties	3,373,805	–	3,373,805	–	3,373,805
At 31 December 2025	11,560,446	–	3,639,169	8,087,973	11,727,142
Liabilities					
Deposits by banks	1,624,632	–	1,624,632	–	1,624,632
Customer accounts	13,689,235	–	13,689,235	–	13,689,235
Debt securities in issue	229,963	–	229,963	–	229,963
Accruals and deferred income	182,007	–	182,007	–	182,007
Other liabilities ¹	49,385	–	49,385	–	49,385
Due to related parties	286,839	–	286,839	–	286,839
At 31 December 2025	16,062,061	–	16,062,061	–	16,062,061

¹The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are short-term in nature or reprice to current market rates frequently.

	Carrying value P '000	Fair value			Total P '000
		Level 1 P '000	Level 2 P '000	Level 3 P '000	
Assets					
Cash and balances at central banks ¹	1,132,308	–	1,132,308	–	1,132,308
Loans and advances to banks	791	–	791	–	791
Loans and advances to customers	8,154,364	–	24,376	8,129,988	8,154,364
Accrued interest on loans and advances to customers	–	–	–	204,076	204,076
Other assets ¹	10,755	–	10,755	–	10,755
Due from related parties	4,903,383	–	4,903,383	–	4,903,383
At 31 December 2024	14,201,601	–	6,071,613	8,334,064	14,405,677
Liabilities					
Deposits by banks	1,095,708	–	1,095,708	–	1,095,708
Customer accounts	13,792,379	–	13,792,379	–	13,792,379
Debt securities in issue	323,566	–	323,566	–	323,566
Accruals and deferred income*	51,306	–	51,306	–	51,306
Subordinated liabilities and other borrowed funds	389,000	–	389,000	–	389,000
Other liabilities ¹	416,969	–	416,969	–	416,969
Due to related parties	985,499	–	985,499	–	985,499
At 31 December 2024	17,054,427	–	17,054,427	–	17,054,427

¹The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are short-term in nature or reprice to current market rates frequently.

*Prior year amounts of P90.9 million relating to accruals and deferred income have been updated to remove non-financial instruments. The change had no impact on primary statements.

Notes to the financial statements

14. Financial instruments continued

Company	Carrying value P '000	Fair value			Total P '000
		Level 1 P '000	Level 2 P '000	Level 3 P '000	
Assets					
Cash and balances at central banks ¹	243,188	–	243,188	–	243,188
Loans and advances to banks	17,431	–	17,431	–	17,431
Loans and advances to customers	7,921,277	–	–	7,921,277	7,921,277
Accrued interest on loans and advances to customers	–	–	–	166,696	166,696
Other assets ¹	4,685	–	4,685	–	4,685
Due from related parties	3,363,090	–	3,363,090	–	3,363,090
At 31 December 2025	11,549,671	–	3,628,394	8,087,973	11,716,367
Liabilities					
Deposits by banks	1,624,632	–	1,624,632	–	1,624,632
Customer accounts	13,771,819	–	13,771,819	–	13,771,819
Debt securities in issue	229,963	–	229,963	–	229,963
Accruals and deferred income	182,007	–	182,007	–	182,007
Other liabilities ¹	49,384	–	49,384	–	49,384
Due to related parties	286,839	–	286,839	–	286,839
At 31 December 2025	16,144,644	–	16,144,644	–	16,144,644

¹The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are short-term in nature or reprice to current market rates frequently. Disclosure has been included in the current year to provide more information to the users.

	Carrying value P '000	Fair value			Total P '000
		Level 1 P '000	Level 2 P '000	Level 3 P '000	
Assets					
Cash and balances at central banks ¹	1,127,120	–	1,127,120	–	1,127,120
Loans and advances to banks	791	–	791	–	791
Loans and advances to customers	8,154,364	–	24,376	8,129,988	8,154,364
Accrued interest on loans and advances to customers	–	–	–	204,076	204,076
Other assets ¹	10,695	–	10,695	–	10,695
Due from related parties	4,811,097	–	4,811,097	–	4,811,097
At 31 December 2024	14,104,067	–	5,974,079	8,334,064	14,308,143
Liabilities					
Deposits by banks	1,095,708	–	1,095,708	–	1,095,708
Customer accounts	13,792,379	–	13,792,379	–	13,792,379
Debt securities in issue	323,566	–	323,566	–	323,566
Accruals and deferred income*	51,306	–	51,306	–	51,306
Subordinated liabilities and other borrowed funds	389,000	–	389,000	–	389,000
Other liabilities ¹	393,439	–	393,439	–	393,439
Due to related parties	985,499	–	985,499	–	985,499
At 31 December 2024	17,030,897	–	17,030,897	–	17,030,897

¹The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are short-term in nature or reprice to current market rates frequently.

*Prior year amounts of P90.9 million relating to accruals and deferred income have been updated to remove non-financial instruments. The change had no impact on primary statements.

Notes to the financial statements

14. Financial instruments continued

Loans and advances to customers by client segment

	2025					
	Carrying value			Fair value		
	Stage 3	Stage 1 and stage 2	Total	Stage 3	Stage 1 and stage 2	Total
	P '000	P '000	P '000	P '000	P '000	P '000
Corporate & Investment Banking	2,657	1,109,481	1,112,138	2,657	1,109,481	1,112,138
Wealth & Retail Banking	7,080	6,802,059	6,809,139	7,081	6,802,058	6,809,139
At 31 December 2025	9,737	7,911,540	7,921,277	9,738	7,911,539	7,921,277

	2024					
	Carrying value			Fair value		
	Stage 3	Stage 1 and stage 2	Total	Stage 3	Stage 1 and stage 2	Total
	P '000	P '000	P '000	P '000	P '000	P '000
Corporate & Investment Banking	51,530	918,735	970,265	51,530	816,209	867,739
Wealth & Retail Banking	15,190	7,168,909	7,184,099	15,190	7,271,435	7,286,625
At 31 December 2024	66,720	8,087,644	8,154,364	66,720	8,087,644	8,154,364

15. Derivative financial instruments

Accounting policy

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorised as trading unless they are designated as hedging instruments.

Derivatives are initially recognised and subsequently measured at fair value, with revaluation gains recognised in profit or loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within other comprehensive income).

Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs which are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Notes to the financial statements

15. Derivative financial instruments continued

Derivatives

Group and Company

	2025			2024		
	Notional principal amounts	Assets	Liabilities	Notional principal amounts	Assets	Liabilities
	P '000	P '000	P '000	P '000	P '000	P '000
Derivatives						
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	1,410,536	38,773	2,269	4,562,432	38,720	6,981
Currency swaps and options	173,410	1,325	4,213	120,805	1,232	12,725
	1,583,946	40,098	6,482	4,683,237	39,952	19,706
Interest rate derivative contracts:						
Forward rate agreements and options	-	-	-	839,161	220	-
Gross total derivatives	1,583,946	40,098	6,482	5,522,398	40,172	19,706
Offset	-	-	-	-	-	-
Total derivatives	1,583,946	40,098	6,482	5,522,398	40,172	19,706

The Group limits exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. As required by IAS 32, exposures are only presented net in these accounts where they are subject to legal right of offset and intended to be settled net in the ordinary course of business.

The Group applies balance sheet offsetting only in the instance where we are able to demonstrate legal enforceability of the right to offset (e.g. via legal opinion) and the ability and intention to settle on a net basis (e.g. via operational practice).

The notional principal amounts disclosed above indicate the volume of transactions outstanding at the year end and are not indicative of either the market or credit risk.

16. Loans and advances to banks and customers

Accounting policy

Refer to Note 14 Financial instruments for the relevant accounting policy.

Group and Company

	2025	2024
	P '000	P '000
Loans and advances to banks	17,431	791
Expected credit loss	-	-
	17,431	791
Loans and advances to customers	8,092,199	8,337,356
Expected credit loss	(170,922)	(182,992)
	7,921,277	8,154,364
Total loans and advances to banks and customers	7,938,708	8,155,155

Analysis of loans and advances to customers by client segment together with their related impairment provisions are set out within the Risk review and Capital review Note 3.

Notes to the financial statements

17. Goodwill and intangible assets

Accounting policy

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in Investments in associates. Goodwill included in intangible assets is assessed at each balance sheet date for impairment and carried at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Detailed calculations are performed based on discounting expected cash flows of the relevant cash generating units (CGU) and discounting these at an appropriate discount rate, the determination of which requires the exercise of judgement. Goodwill is allocated to CGUs for the purpose of impairment testing. CGU represent the lowest level within the Group which generate separate cash inflows and at which the goodwill is monitored for internal management purposes. The CGU was taken to be a sub-segment of Corporate and Investment Banking (CIB); the Custody business. This was made by considering the value add that accrued to CIB as a result of acquisition of the custody business. The key assumptions used in the estimation of the recoverable amount are set out below;

In percent	2025	2024	2023	2022
Discount rate (weighted average cost of capital) %	13.42	8.1	7.6	7.8
GDP growth rates %	-0.9	3.2	3.9	6.7
Effective tax rate %	22	22	22	22

The recoverable amount of the CGU, P2,053 million as at 31 December 2025 (2024: P1,237 million), has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The carrying amount of the CGU as at 31 December was a negative P270 million (2024: P620 million). As a result of the analysis, there is headroom of P2,322 million (2024: P1,857 million), and management did not identify an impairment for the CGU.

Significant accounting estimates and judgements

The carrying amount of goodwill is based on the application of judgements including the basis of goodwill impairment calculation assumptions. Judgement is also applied in determination of cash generating units.

Estimates include forecasts used for determining cash flows for CGUs, the appropriate long-term growth rates to use and discount rates which factor in country risk-free rates and applicable risk premiums. The Group undertakes an annual assessment to evaluate whether the carrying value of goodwill is impaired. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgement and is subject to potential change over time.

Acquired intangibles

Acquired intangibles comprise of customer relationships, capitalised software and work in progress. At the date of acquisition of a subsidiary or associate, intangible assets which are deemed separable and that arise from contractual or other legal rights are capitalised and included within the net identifiable assets acquired. These intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the entity and are amortised on the basis of their expected useful lives (4 to 16 years). At each balance sheet date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Computer software

Acquired computer software licences are capitalised if the principles of development are met on the basis of the costs incurred to acquire and bring to use the specific software.

Internally generated software represents substantially all of the total software capitalised. Direct costs of the development of separately identifiable internally generated software are capitalised where it is probable that future economic benefits attributable to the asset will flow from its use (internally generated software). These costs include salaries and wages, materials, service providers and contractors, and directly attributable overheads. Costs incurred in the ongoing maintenance of software are expensed immediately when incurred. Internally generated software is amortised over each asset's useful life to a maximum of a 10 year time period. On an annual basis software assets' residual values and useful lives are reviewed, including assessing for indicators of impairment. Indicators of impairment include loss of business relevance, obsolescence of asset, exit of the business to which the software relates, technological changes, change in use of the asset, reduction in useful life, plans to reduce usage or scope.

For capitalised software, judgement is required to determine which costs relate to research (and therefore expensed) and which costs relate to development (capitalised). Further judgement is required to determine the technical feasibility of completing the software such that it will be available for use. Estimates are used to determine how the software will generate probable future economic benefits, these estimates include; cost savings, income increases, balance sheet improvements, improved functionality or improved asset safeguarding.

Notes to the financial statements

17. Goodwill and intangible assets (continued)

Amortisation

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss over the estimated useful lives of intangible assets, other than goodwill, from the month that they are available for use. The estimated useful life of software is 8 years and 10 years for customer relationships.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash generating units. Goodwill arising from business combination is allocated to cash generating units or groups of cash generating units that are expected to benefit from synergies of the combination.

The 'recoverable amount' of an asset or cash generating unit is assessed as the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its recoverable amount. The Group's corporate assets do not generate separate cash inflows and are used by more than one cash generating unit. Corporate assets are allocated to cash generating units on a reasonable and consistent basis and tested for impairment as part of the testing of the cash generating unit to the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating units, and then to reduce the carrying amounts of the other assets in the cash generating units on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Group and Company

	2025				2024			
	Goodwill P '000	Acquired intangibles P '000	Computer software P '000	Total P '000	Goodwill P '000	Acquired intangibles P '000	Computer software P '000	Total P '000
Cost								
At 1 January	29,880	94,684	174,419	298,983	29,880	94,684	153,114	277,678
Additions	-	-	9,664	9,664	-	-	21,305	21,305
Amounts written off	-	-	(12,915)	(12,915)	-	-	-	-
At 31 December	29,880	94,684	171,168	295,732	29,880	94,684	174,419	298,983
Amortisation								
At 1 January	18,621	94,684	124,744	238,049	18,621	94,684	101,007	214,312
Amortisation for the year	-	-	10,107	10,107	-	-	15,096	15,096
Amounts written off	-	-	(12,915)	(12,915)	-	-	(203)	(203)
Impairment charge	-	-	9,813	9,813	-	-	8,844	8,844
At 31 December	18,621	94,684	131,749	245,054	18,621	94,684	124,744	238,049
Net book value	11,259	-	39,419	50,678	11,259	-	49,675	60,934

At 31 December 2025, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to P 18 million (31 December 2024: P 18 million), of which P Nil was recognised in 2025 (31 December 2024: P Nil million).

During 2025, the Group and Company performed its annual review of computer software intangibles to determine instances when the Group and Company is no longer using certain applications in its ongoing business and impaired P9.8 million (2024: P8.8 million). The intangible assets amounting to P12.9million (2024: P0.2 million) written off done so based on the carrying value of the assets to be decommissioned. The recoverable amount of the impaired assets, P18.5 million (2024: P22.5 million), was determined based on value in use, calculated using estimated future cash flows, discounted to their present value using 8.1% as the discount rate.

Notes to the financial statements

18. Property and equipment

Accounting policy

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. Buildings are measured at revalued amount less related accumulated depreciation and impairment losses. Land is measured at revalued amount. Revaluations are carried out periodically by the directors using independent valuers on the open market basis. The directors consider the fair value of land and buildings every three years. Surpluses and deficits arising on the revaluation of land and buildings are transferred to or from the revaluation reserve through other comprehensive income and accumulated in equity. The reserve is released to retained earnings on the sale of the asset.

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.

An item of property and equipment and any significant part initially recognised 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 on 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 when the asset is derecognised.

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 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.

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 for the current and comparative periods are as follows:

Land (owned)	Land is not depreciated
Leasehold properties	Shorter of useful life / period of lease
Buildings	50 years
Equipment	3 - 5 years
Furniture, fixtures and fittings	7 - 10 years

Capital work in progress comprises expenses incurred for installation of equipment that are directly attributable to making the asset available for use. These items are not yet available for use and therefore not depreciated. Assets remain in capital work in progress until they have been put into use or commissioned, whichever is the earlier date. At that time they are transferred to the appropriate class of property and equipment as additions and depreciated.

Leasehold properties comprise of office buildings.

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 company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset or until the next major renovations, whichever period is shorter.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Notes to the financial statements

18. Property and equipment continued

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. IFRS 16 introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value which has been determined as less than P50,000 for the Group. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Group and Company

	2025							
	Land and building	Leasehold property	Equipment	Furniture & fixtures	WIP	Right-of-use assets		
						Buildings	ATMs	Total
P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	
Cost or valuation								
At 1 January	52,131	16,503	110,696	24,949	5,631	60,256	13,651	283,817
Additions	-	6,776	604	-	4,039	1,280	2,513	15,212
Transfers	-	-	3,535	-	(3,535)	-	-	-
Transfers to assets held for sale (note 31)	-	(14,536)	-	-	-	-	-	(14,536)
Disposals	(786)	-	(2,470)	(515)	-	(4,572)	(15)	(8,358)
Other movements	-	-	(688)	-	-	-	-	(688)
As at 31 December	51,345	8,743	111,677	24,434	6,135	56,964	16,149	275,447
Accumulated Depreciation								
Accumulated at 1 January	(14,347)	(12,219)	(105,171)	(22,684)	-	(37,703)	(11,482)	(203,606)
Depreciation	(3,559)	(214)	(2,405)	(1,131)	-	(12,447)	(3,460)	(23,216)
Transfers to assets held for sale (note 31)	-	4,177	-	-	-	-	-	4,177
Disposals	180	-	2,470	514	-	4,405	-	7,569
Other movements	-	-	(1,782)	-	-	-	-	(1,782)
Accumulated at 31 December	(17,726)	(8,256)	(106,888)	(23,301)	-	(45,745)	(14,942)	(216,858)
Net book amount at 31 December	33,619	487	4,789	1,133	6,135	11,219	1,207	58,589

Land and buildings comprise of commercial and residential properties. Land and buildings are disclosed at revalued amount less accumulated depreciation and impairment. During the year, P Nil (2024: P5.6 million) relating to gain on revaluation of buildings was recognised in other comprehensive income. The carrying amount that would have been recognised for land and buildings if they have been carried under the cost model is P17.9 million (2024: 22.1 million). Right of use assets comprising of buildings and ATMs are disclosed at costs less accumulated depreciation. The transfer of capital work in progress has been included as part of additions. A register containing the details of each property is available for inspection at the registered office. Property, equipment comprises of some assets with original cost P 23million (2024: P 23million) which are fully depreciated and still in use. Group and Company impaired a total of P Nil (2024: P1.6 million) relating to assets classified under work in progress (WIP).

Notes to the financial statements

18. Property and equipment continued

Group and Company

	2024							
	Land and building	Leasehold property	Equipment	Furniture & fixtures	Right-of-use assets			Total
	P'000	P'000	P'000	P'000	WIP P'000	Buildings P'000	ATMs P'000	P'000
Cost or valuation								
At 1 January	41,738	16,503	106,750	22,473	8,729	56,801	9,652	262,647
Additions	-	-	4,619	2,471	3,638	3,455	4,644	18,827
Revaluation of property	5,628	-	-	-	-	-	-	5,628
Disposals / transfers	(1,054)	-	-	-	(5,116)	-	(645)	(6,815)
Impairment	-	-	-	-	(1,620)	-	-	(1,620)
Other movements*	5,819	-	(673)	5	-	-	-	5,151
As at 31 December	52,131	16,503	110,696	24,949	5,631	60,256	13,651	283,818
Accumulated Depreciation								
Accumulated at 1 January	(12,817)	(11,746)	(101,778)	(21,332)	-	(24,872)	(8,878)	(181,424)
Depreciation	(2,420)	(473)	(3,393)	(1,352)	-	(12,831)	(2,604)	(23,073)
Disposals	267	-	-	-	-	-	-	267
Other movements	623	-	-	-	-	-	-	623
Accumulated at 31 December	(14,347)	(12,219)	(105,171)	(22,684)	-	(37,703)	(11,482)	(203,607)
Net book amount at 31 December	37,784	4,284	5,526	2,264	5,631	22,553	2,169	80,211

*Other movements relate to capitalised dilapidation costs.

Fair value hierarchy

The fair value of the land and buildings was determined by an external independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The valuation was performed on 25 November 2024 using the investment method. The model considers the present value of property rentals taking into account rental growth rates. The net cash-flows are discounted using risk adjusted discount rates of 8%. The valuer provides the fair value of the Group's land and buildings at least every three years; however, the directors consider the fair value of land and buildings at each reporting date and as of 31 December 2025, no material changes to the value of the property were noted.

The fair value measurement of land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

The directors have assessed assumptions and estimates in the fair value calculation in determining the fair value of land and buildings. The table below shows the significant unobservable inputs for the related valuation technique. None are considered to have significantly high sensitivity and thus sensitivity analysis is not disclosed.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cashflows; Comparable method for residential properties and Investment method for commercial properties	<ul style="list-style-type: none"> Market yield of between 10 - 14% Prime rentals of office space between P80-160/sq.m 	<p>The estimated fair value would increase/ (decrease) if:</p> <ul style="list-style-type: none"> Higher/lower market yields Increase/decrease in rental per sqm

Notes to the financial statements

19. Other assets

Accounting policy

Refer to Note 14 Financial instruments for the relevant accounting policy.

	Group		Company	
	2025 P'000	2024 P'000	2025 P'000	2024 P'000
Other assets include:				
Financial assets held at amortised cost (Note 14):				
Items in transit and sundry receivables	4,745	10,755	4,685	10,695
	4,745	10,755	4,685	10,695
Non-financial assets:				
Other assets	3,675	3,824	3,675	3,824
	8,420	14,579	8,360	14,519

To match the changes in note 14, prior year amounts have been disaggregated to disclose financial and non-financial instruments separately. The change had no impact on primary statements.

Notes to the financial statements

20. Debt securities in issue

Accounting policy

Refer to Note 14 Financial instruments for the relevant accounting policy.

	Group and company	
	2025 P '000	2024 P '000
Securities		
P 93 603 million fixed of 6.5% rate senior notes due 2025	–	93,603
P229 963 million floating rate of MoPR+5.76% senior notes due 2028 *	229,963	229,963
Total Senior Notes issued	229,963	323,566

	Interest rate	Maturity	2025	2024
			P '000	P '000
Senior Unsecured debt was issued on 28 June 2021. Interest is payable semi-annually. Claims in respect of the loan capital and interest thereon are subordinate to the claims of other creditors and depositors	Fixed interest rate of 6.50% per annum	02 June 2025	–	93,603
Senior Unsecured debt was issued on 28 June 2021. Interest is payable semi-annually. Claims in respect of the loan capital and interest thereon are subordinate to the claims of other creditors and depositors*	Floating interest rate of MoPR+5.76% per annum	02 June 2028	229,963	229,963

*Debt security is issued by Standard Chartered Bank Botswana. In the balance sheet Senior Unsecured debt is presented as Debt Securities in issue. The fixed interest rates remained unchanged from previous year.

21. Other liabilities

Accounting policy

Refer to Note 14 Financial instruments for the relevant accounting policy for financial liabilities and 'Leases' under the Property and equipment policies on page 158 for the accounting policy for leases.

	Group		Company	
	2025 P '000	2024 P '000	2025 P '000	2024 P '000
Financial liabilities held at amortised cost (Note 14)				
Property leases	16,740	25,729	16,740	25,729
Items in transit ¹	32,322	69,491	32,321	45,900
Unsettled trades* ¹	323	296,237	323	296,237
	49,385	391,457	49,384	367,866
Non-financial liabilities				
Value added tax	5,308	3,114	5,513	3,144
Withholding tax	9,363	9,642	9,363	9,642
	64,056	404,213	64,260	380,652

*Unsettled trades relate to treasury bills placed with the central bank of which their settlement had not cleared by the reporting date. The year-on-year decline reflects timing of placements and subsequent settlements which was different on both the reporting periods.

¹In the current year, unsettled trades and items in transit have been disaggregated to enhance the users' understanding of the line items. Prior year comparatives have been updated to reflect the changes with no impact to primary statements.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term discounted using the incremental borrowing rate applicable in the economic environment of the lease. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Notes to the financial statements

21. Other liabilities continued

Group and Company

	2025 P '000	2024 P '000
Lease liabilities		
Interest on lease payments	1,306	1,602
Expenses relating to property leases	558	1,627
Amounts recognised in statement of cashflows		
Lease liability payments	12,489	17,798
Interest	1,010	1,601
Principal	11,479	16,197
The Group's commitments under non-cancellable leases expiring:		
Within 1 year	6,652	16,193
After 1 year but less than 5 years	8,583	11,113
After 5 years	–	–

22. Provisions for liabilities and charges

Accounting policy

The Group recognises a provision for a present legal or constructive obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably. Where a liability arises based on participation in a market at a specified date, the obligation is recognised in the financial statements on that date and is not accrued over the period.

Significant accounting estimates and judgements

The recognition and measurement of provisions for liabilities and charges requires significant judgement and the use of estimates about uncertain future conditions or events.

Estimates include the best estimate of the probability of outflow of economic resources, cost of settling a provision and timing of settlement. Judgements are required for inherently uncertain areas such as legal decisions (including external advice obtained), and outcome of regulator reviews.

	Group and Company					
	2025			2024		
	Provision for credit commitments P '000	Other provisions P '000	Total P '000	Provision for credit commitments P '000	Other provisions P '000	Total P '000
At 1 January	677	5,079	5,756	635	424	1,059
Exchange translation differences	3	(1)	2	6	–	6
Charge against profit	918	5,073	5,991	36	4,742	4,778
Provisions utilised	–	(5,969)	(5,969)	–	(87)	(87)
At 31 December	1,598	4,182	5,780	677	5,079	5,756

Provision for credit commitment comprises those undrawn contractually committed facilities where there is doubt as to the borrowers' ability to meet their repayment obligations. Other provisions comprise of payroll related and operational loss provisions.

Notes to the financial statements

23. Contingent liabilities and commitments

Accounting policy

Financial guarantee contracts and loan commitments

The Group issues financial guarantee contracts and loan commitments in return for fees. Financial guarantee contracts and any loan commitments issued at below-market interest rates are initially recognised at their fair value as a financial liability, and subsequently measured at the higher of the initial value less the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers and their expected credit loss provision. Loan commitments may be designated at fair value through profit or loss where that is the business model under which such contracts are held. Notional values of financial guarantee contracts and loan commitments are disclosed in the table below.

Capital commitments are contractual commitments the Group has entered into to purchase non-financial assets.

The table below shows the contract or underlying principal amounts of unmatured off-balance sheet transactions at the balance sheet date. The contract or underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

	Group and Company	
	2025 P '000	2024 P '000
Financial guarantees and trade credits		
Financial guarantees, trade and irrevocable letters of credit	305,384	231,816
Expected credit loss (Note 3)	(1,118)	(497)
	304,266	231,319
Commitments		
Loan commitments	4,894,489	5,495,144
Expected credit loss (Note 3)	(480)	(180)
	4,894,009	5,494,964
Total contingent liabilities and commitments	5,198,275	5,726,283

There were no capital commitments at 31 December 2025 (2024: Nil)

The Group has contingent liabilities in respect of certain legal and regulatory matters for which it is not practicable to estimate the financial impact as there are many factors that may affect the range of possible outcomes.

The table below shows the contractual expiry by maturity of the Group's financial guarantees and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	P '000	P '000	P '000	P '000	P '000	P '000
As at 31 December 2025						
Financial guarantees	125,500	37,859	122,890	19,135	–	305,384
Other undrawn commitments to lend	2,153,812	1,286,422	1,046,642	175,000	–	4,661,876
Other commitments and guarantees	–	–	100,014	132,599	–	232,613
Total commitments and guarantees	2,279,312	1,324,281	1,269,546	326,734	–	5,199,873
As at 31 December 2024						
Financial guarantees	576	2,254	89,729	139,251	6	231,816
Other undrawn commitments to lend	3,076,923	1,686,124	131,119	175,000	–	5,069,166
Other commitments and guarantees	–	–	200,842	225,136	–	425,978
Total commitments and guarantees	3,077,499	1,688,378	421,690	539,387	6	5,726,960

Notes to the financial statements

24. Legal and regulatory matters

Standard Chartered Bank Botswana Limited together with African Banking Corporation Botswana, African Banking Corporation Zambia and Standard Chartered Bank Johannesburg Branch (Lenders) are defendants in a dispute before the Gauteng High Court, instituted by Mapula Solutions (Proprietary) L "Mapula". Mapula is claiming damages, to the sum of P527 million, for an alleged breach of contract in respect of a Debt Rescheduling Agreement "DRA". The DRA was signed between the Lenders and Blue Financial Services Limited. Blue breached the terms of the DRA and the Lenders cancelled the DRA, this cancellation was confirmed by the Gauteng High Court. Mapula assumed rights by cession from a Related Party of Blue, based on that cession of rights Mapula instituted action against the Lenders. Mapula in claiming that the Lenders had no right to cancel the DRA. The matter is going through the litigation process at the Supreme Court; accordingly, this has been disclosed as a contingent liability and no provision has been recognised.

25. Subordinated liabilities

Accounting policy

Subordinated liabilities are classified as financial instruments. Refer to Note 14 Financial instruments for the accounting policy. All subordinated liabilities are unsecured, unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Group has the right to settle these debt instruments in certain circumstances as set out in the contractual agreements. Where a debt instrument is callable, the issuer has the right to call.

	Interest rate	Maturity	2025	2024
			P '000	P '000
Subordinated debt issued for capital injection	4% above MoPR rate	29 July 2025	–	389,000

Monetary Policy Rate (MoPR) was adopted for Subordinated debt due to unavailability of the 91 day Bank of Botswana Certificate (BoBC) rate.

26. Stated capital, other equity instruments and reserves

Accounting policy

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue available number of own equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company or other members of the consolidated Group purchase the Company's equity share capital, the consideration paid is deducted from the total shareholders' equity of the Group and/or of the Company as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity of the Group and/or the Company.

	Stated capital	Capital contribution
	P '000	P '000
At 1 January 2024	179,273	428,213
At 31 December 2024	179,273	428,213
At 31 December 2025	179,273	428,213

Stated capital

Ordinary shares are classified as 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.

Authorised ordinary shares

The Company's stated capital consists of 400 000 000 ordinary shares of no par value (2024: 400 000 000).

Issued Ordinary shares

298 350 611 ordinary shares of no par value (2024: 298 350 611). All issued shares are fully paid.

Notes to the financial statements

26. Stated capital, other equity instruments and reserves continued

Unissued ordinary shares

As at 31 December 2025, unissued shares totalled 101 619 389 (2024: 101 619 389).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the entity. All shares rank equally with regard to the Bank's residual assets.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have all complied with externally imposed capital requirements throughout the period.

Reserves

The constituents of the reserves are summarised as follows:

Revaluation reserve

The revaluation reserve comprises the net cumulative increase in the fair value of property.

Statutory credit risk reserve

This reserve represents a statutory reserve required under the Banking Act, 2023 which was based on a threshold percentage of the credit risk weighted assets prior to the implementation of IFRS 9, Financial Instruments. Post implementation, the requirement to determine the reserve amount annually became no longer applicable and the regulator advised that the balance be maintained as is. The Group treats the reserve as non-distributable reserve (NDR).

Capital contribution

This represents the part of the consideration for the acquisition of the custody business (P28m) paid by Standard Chartered PLC, the ultimate parent company of Standard Chartered Bank Botswana Limited. The other amount of P400m is made up of the subordinated undated capital securities issued by the parent company Standard Chartered PLC. The capital securities are non-cumulative subordinated capital securities issued by the Issuer to the Security Holder that qualify as Additional Tier 1 Capital of the Bank under the Capital Regulations of Bank of Botswana. The Group classifies capital contributions as equity or financial liabilities, in accordance with the substance of the contractual terms of the instruments, there is no contractual obligation to deliver cash and at any event that would require the Bank to deliver cash is at its option. The Group's capital securities are redeemable at the option of the issuer and are therefore classified as equity. The contribution is a non - distributable capital with no diluting effect on ordinary shareholders. The interest payments on these securities will be accounted for as dividends.

Fair value reserve

This represents the cumulative movement on debt instruments measured at fair value through other comprehensive income until the instrument is derecognised or impaired, in which case the cumulative amount recognised in other comprehensive income is released to profit or loss.

Retained earnings

Retained earnings represent the cumulative net profit or loss realised by the Group after deducting dividends to shareholders and other utilisation of the reserve.

Treasury share reserve

The reserve for the company's treasury shares comprises the cost of the Bank's shares held by the Group. As at the reporting date, the Group held 0.84% of the Company's shares (2024: 0.84%) as treasury shares.

27. Retirement benefit obligations

Accounting policy

The Group operates a defined contribution pension plan. Contributions by the Group to the plan are recognised in profit or loss. The plan is externally administered, therefore there is no liability to the Group apart from the monthly contributions. There are no post-retirement medical funding obligations.

Retirement benefit charge for both group and company comprises:

	2025 P '000	2024 P '000
Defined contribution plans	18,657	21,576
Charge against profit	18,657	21,576

Notes to the financial statements

28. Cash flow statement

Disclosures

	Group		Company	
	2025 P '000	2024 P '000	2025 P '000	2024 P '000
Subordinated debt (including accrued interest):				
Opening balance	389,000	389,000	389,000	389,000
Interest paid-Cash flow item	(15,915)	(25,689)	(15,915)	(25,689)
Accrued Interest-Non-Cash flow item	15,915	25,689	15,915	25,689
Repaid during year	(389,000)	-	(389,000)	-
Closing balance	-	389,000	-	389,000

	Group		Company	
	2025 P '000	2024 P '000	2025 P '000	2024 P '000
Debt Security (including accrued interest):				
Opening balance	323,566	323,566	323,566	323,566
Interest paid-Cash flow item	(20,461)	(25,250)	(20,461)	(25,250)
Accrued Interest-Non-Cash flow item	20,461	25,250	20,461	25,250
Repaid during year	(93,603)	-	(93,603)	-
Closing balance	229,963	323,566	229,963	323,566

29. Cash and cash equivalents

Accounting policy

Cash and cash equivalents comprises of cash on hand (at Branches and ATMs), on demand and overnight balances with central banks (unless restricted) and placements with less than three months' maturity from the date of acquisition, including treasury bills and other eligible bills, loans and advances to banks, and short-term government securities.

The following balances with less than three months' maturity from the date of acquisition have been identified by the Group as being cash and cash equivalents.

	Group		Company	
	2025 P '000	2024 Restated P '000	2025 P '000	2024 Restated P '000
Cash and balances at central banks	243,188	1,132,308	243,188	1,127,119
Investment securities	2,717,873	1,758,741	2,717,873	1,758,741
Loans and advances to banks	17,431	791	17,431	791
Amounts due from related parties	3,362,254	4,060,076	3,362,254	4,060,076
Total	6,340,746	6,951,916	6,340,746	6,946,727

The prior year amounts were restated to reflect correct presentation of cash and cash equivalents. Refer to note 39 for further details. Cash and balances at central banks consist of cash on hand of P261 million (2024: P264 million), balances at central banks of -P18 million (2024: P868 million).

Notes to the financial statements

30. Related party transactions

Directors and officers

Details of directors' remuneration and interests in shares are disclosed in the Directors' remuneration report. IAS 24 Related party disclosures requires the following additional information for key management compensation. Key management comprises non-executive directors, executive directors of Standard Chartered Botswana, the directors of Standard Chartered Bank and the persons discharging managerial responsibilities (PD MR) of Standard Chartered Botswana.

Key management personnel and non-executive directors' balances:

Balances and transactions with directors and key management personnel

(i) Directors and key personnel compensation

The aggregate value of transactions, compensation and outstanding balances related to key management personnel for both Group and Company were as follows

	2025 P '000	2024 P '000
Directors' fees - short term employee benefits	3,019	2,792
Directors and key management personnel compensation - short term employee benefits	34,657	32,974
Directors and key management personnel compensation - long term employment benefits	2,169	1,933

Compensation of the Group's key management personnel includes short term employee benefits and non-cash benefits.

(ii) Key management personnel and non-executive directors' balances: Group and Company

	Assets		Liabilities	
	2025 P '000	2024 P '000	2025 P '000	2024 P '000
Loans				
Auto, mortgages and personal	18,131	14,607	-	-
Deposits	-	-	1,542	379

Expected credit losses on auto, mortgages and personal loan relating to key management personnel and non-executive directors are included in the ECL balance (Refer to Note 16).

Notes to the financial statements

30. Related party transactions continued

Group and Company

A number of banking transactions are entered into with related parties in the normal course of business. These transactions are carried out under mutually agreed terms and conditions. These include loans, deposits and foreign currency transactions with the group and purchase of software. In line with a formalised agreement between SCBBL and SCB PLC, recharges are capped at 40% of direct costs

Standard Chartered Bank PLC is the ultimate parent, Standard Chartered Holdings (Africa) B.V is the immediate parent, and all other entities shown on the below tables are fellow subsidiaries except for the Bank's subsidiaries as listed on note 34.

Details of related party at year end are as follows:

	Group		Company	
	2025 P '000	2024 P '000	2025 P '000	2024 P '000
Balances due from:				
Standard Chartered Bank PLC	2,575,660	1,334,991	2,575,660	1,334,991
Standard Chartered Bank New York	518,984	2,462,006	518,984	2,462,006
Standard Chartered Bank Johannesburg	11,896	828,816	11,896	828,816
Standard Chartered Bank China	6,949	6,770	6,949	6,770
Standard Chartered Bank Mauritius	33	-	33	-
Other group companies*	21,012	154,625	8,369	62,339
Standard Chartered Hong Kong	239,271	116,175	239,271	186,885
Standard Chartered Insurance Agency	-	-	1,928	(70,710)
	3,373,805	4,903,383	3,363,090	4,811,097
Balances due to:				
Standard Chartered Bank PLC	128,012	389,000	128,012	389,000
Standard Chartered Bank New York	2,073	-	2,073	-
Standard Chartered Bank Johannesburg	47,770	-	47,770	-
Standard Chartered Hong Kong	90,348	-	90,348	-
Other group companies*	13,541	974,751	13,541	974,751
Standard Chartered Bank Mauritius	5,095	10,748	5,095	10,748
	286,839	1,374,499	286,839	1,374,499

Balances due to related parties include subordinated liabilities and other borrowed funds.

Balances due to related companies are unsecured, carry variable interest rates, and are short term in nature.

Under balances due from related parties, P3.362 billion (2024: P4.06 billion) form part of cash and cash equivalents for cashflow purposes as they are made up of nostro balances, reverse repos and placements against banking entities.

Expenses recognised during the period in respect of bad or doubtful debts due from related parties are included in the ECL balance (Refer to Note 16). There is no material ECL provision held for related party balances for both current year and prior year.

*Other group companies includes various Standard Chartered Bank entities that have immaterial amounts.

Notes to the financial statements

30. Related party transactions continued

	Interest income P '000	Interest expense P '000	Group recharges and other expenses P '000	Dividends paid P '000	Distributions to holders of subordinated capital securities P '000	Net trading income P '000	Net Fees and commission expense P '000
Group - 2025							
SCB UK Treasury	31,024	14,221	82,293	-	-	7,656	21,148
SCB Singapore DBU	43,826	-	687	-	-	-	345
SCB Mauritius	83	(1)	-	-	-	(5)	5,000
SCB Kenya	-	-	3,113	-	-	26	8
SCB New York	29,304	736	-	-	-	32	1,890
SCB Johannesburg	33,960	938	-	-	-	(51)	3,412
SCB Poland	-	-	511	-	-	-	-
SCB Hong Kong	-	-	-	-	-	243	1,484
SCB India	-	-	34,483	-	-	-	51
SCB Malaysia	-	-	4,178	-	-	-	-
SCB Germany	-	-	-	-	-	-	1,102
SCB China	-	-	561	-	-	-	-
Standard Chartered Holdings (Africa) B.V	-	-	-	236,091	-	-	-
SCB others	-	1	2,931	2,644	-	(1,649)	15,580
	138,197	15,895	128,757	238,735	-	6,252	50,020
Group - 2024							
Standard Chartered Bank PLC	29,257	20,890	134,865	-	31,664	6,752	990
SCB Singapore DBU	29,340	2	-	-	-	(10)	185
SCB Mauritius	10,582	6	-	-	-	45	-
SCB Japan	-	-	-	-	-	-	-
SCB Kenya	-	1	-	-	-	-	-
SCB New York	53,096	(195)	-	-	-	-	54
SCB Johannesburg	44,677	629	-	-	-	(358)	675
SCB Poland	-	-	547	-	-	-	-
SCB Hong Kong	41,924	8	-	-	-	1	-
SCB India	-	-	37,570	-	-	61	-
SCB Malaysia	-	31	2,088	-	-	-	7
SCB Germany	-	(37)	-	-	-	-	-
SCB China	-	1	607	-	-	-	-
Standard Chartered Holdings (Africa) B.V	-	-	-	230,437	-	-	-
SCB others	-	-	3,716	-	-	-	17,305
	208,876	21,336	179,393	230,437	31,664	6,491	19,216

Notes to the financial statements

30. Related party transactions continued

	Interest income P '000	Interest expense P '000	Group recharges and other expenses P '000	Dividends paid P '000	Distributions to holders of subordinated capital securities P '000	Net trading income P '000	Net Fees and commission expense P '000	Standard Chartered Insurance Agency expenses P '000
Company - 2025								
Standard Chartered Bank PLC	-	-	-	-	-	-	-	-
SCB UK Treasury	31,024	14,221	82,293	-	-	7,656	21,148	-
SCB Singapore DBU	43,826	-	687	-	-	-	345	-
SCB Mauritius	83	(1)	-	-	-	(5)	5,000	-
SCB Japan	-	-	-	-	-	-	-	-
SCB Kenya	-	-	3,113	-	-	26	8	-
SCB New York	29,304	736	-	-	-	32	1,890	-
SCB Johannesburg	33,960	938	-	-	-	(51)	3,412	-
SCB Poland	-	-	511	-	-	-	-	-
SCB Hong Kong	-	-	-	-	-	243	1,484	-
SCB India	-	-	34,483	-	-	-	51	-
SCB Malaysia	-	-	4,178	-	-	-	-	-
SCB Germany	-	-	-	-	-	-	1,102	-
SCB China	-	-	561	-	-	-	-	-
Standard Chartered Holdings (Africa) B.V	-	-	-	236,091	-	-	-	-
SCB others	-	1	2,931	2,644	-	(1,649)	15,580	10,500
	138,197	15,895	128,757	238,735	-	6,252	50,020	10,500
Company - 2024								
Standard Chartered Bank PLC	29,257	20,890	134,865	-	31,664	6,752	990	-
SCB Singapore DBU	29,340	-	-	-	-	(10)	185	-
SCB Mauritius	10,582	-	-	-	-	45	-	-
SCB Japan	-	-	-	-	-	-	-	-
SCB Kenya	-	-	-	-	-	-	-	-
SCB New York	53,096	-	-	-	-	-	54	-
SCB Johannesburg	44,677	-	-	-	-	(358)	675	-
SCB Poland	-	-	-	-	-	-	-	-
SCB Hong Kong	41,924	-	-	-	-	1	-	-
SCB India	-	-	-	-	-	61	-	-
SCB Malaysia	-	-	-	-	-	-	7	-
SCB Germany	-	-	-	-	-	-	-	-
SCB China	-	-	-	-	-	-	-	-
MESA Regional Office	-	-	-	-	-	61	-	-
SCB India	-	-	-	-	-	-	-	-
SCB Malaysia	-	-	-	-	-	-	-	-
SCB Germany	-	-	-	-	-	-	-	-
SCB China	-	-	-	-	-	-	-	-
Standard Chartered Holdings (Africa) B.V	-	-	-	230,437	-	182	17,305	-
SCB others	-	-	(7,781)	2,553	-	6,673	19,216	-
	208,876	20,890	127,084	232,990	31,664	13,345	38,432	-

Transaction with other entities in the Standard Chartered Group are in the ordinary course of business on mutually agreed terms and conditions.

Notes to the financial statements

31. Non – current assets classified as held for sale

Accounting Policy

The group classifies non-current assets and disposals as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Upon reclassification property and equipment are measured at the lower of their carrying amount and fair value less costs to sell. Financial instruments continue to be measured per the accounting policies in Note 14 Financial instruments. The criteria for held for sale classification 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. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn.

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale. The asset below has been presented as held for sale following the approval of Group management and the transaction is expected to complete in 2026.

	2025 P '000	2024 P '000
Property and equipment	10,360	–
Buildings (note 18)	10,360	–

On the 2024 financial statements, note 31 referred to the sale of wealth and retail banking (WRB) business, an update on the matter has been given on note 38.

32. Post balance sheet events

Subsequent to the reporting date, geopolitical conflict involving the United States, Israel and Iran has escalated in the Middle East region. The conflict has contributed to increased volatility in global financial markets, including fluctuations in foreign exchange rates, commodity prices (notably energy), interest rates and liquidity conditions, and credit spreads in certain jurisdictions which may impact projected GDP growth rates and inflation. As at the date of approval of these financial statements, the ultimate outcome of the conflict and its broader economic impact remain uncertain. These events occurred after the reporting period and are considered non-adjusting under IAS 10. While the situation continues to evolve, management is monitoring potential impacts on the Bank's financial position, performance and risk profile. There have been no other events, facts or circumstances of a material nature that have occurred subsequent to the reporting date which necessitate an adjustment to the disclosure in these Annual Financial Statements or the notes thereto. The Directors have resolved to not award a final dividend for both Group and Company (2024; P312m and P315m respectively, being 105.53 thebe per share gross of withholding tax).

33. Auditor's remuneration

Auditor's remuneration is included within other general administration expenses. The amounts paid by the Group to their principal auditor, Ernst & Young Botswana, are set out below. All services are approved by the Board of directors and are subject to controls to ensure the external auditor's independence is unaffected by the provision of other services.

	2025 P '000	2024 P '000
Audit of Standard Chartered Bank Botswana Ltd (Current year)	2,563	2,473
Audit of Standard Chartered Bank Botswana Ltd (Prior year under provision)	485	310
Total audit fees	3,048	2,783

The disclosure has been added to provide more useful information to the users

The following is a description of the type of services included within the categories listed above:

- Audit fees for the Group statutory audit are in respect of fees payable to Ernst & Young for the statutory audit of the Bank and Group consolidation
- Other assurance services include agreed-upon-procedures in relation to statutory and regulatory filings
- Financial markets transaction services are fees payable to Ernst & Young for issuing comfort letters

Expenses for costs incurred and disbursements made in respect of their role as auditor, were reimbursed to EY. Such expenses did not exceed 1% of total fees charged above.

Notes to the financial statements

34. Subsidiaries and other structured entities

As at 31 December 2025, the Group's interests in related undertakings are disclosed below. Unless otherwise stated, the stated capital disclosed comprises ordinary or common shares which are held by subsidiaries of the Group. Standard Chartered Bank Insurance Agency (Proprietary) Limited, Standard Chartered Investment Services (Proprietary) Limited, Standard Chartered Botswana Education Trust, Standard Chartered Botswana Nominees (Proprietary) Limited are directly held subsidiaries.

The Group has not provided any financial support or issued guarantees in favour of the subsidiaries. Standard Chartered Botswana Nominees (Proprietary) Limited is a dormant company. Standard Chartered Investment Services (Proprietary) Limited is an advisory-based business and acts as an agent that offers clients fixed income securities Standard Chartered. Standard Chartered Insurance Agency (Proprietary) Limited operates as an insurance agent for the Group and is managed from the Group's head office. The Agency collects premiums from clients on behalf of a Broker for a commission.

Subsidiaries are entities which the Bank controls. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The assessment of power is based on the Bank's practical ability to direct the relevant activities of the entity unilaterally for the Bank's own benefit and is subject to re-assessment if and when one or more of the elements of control change. Subsidiaries are fully consolidated from the date on which the Bank effectively obtains control. They are de-consolidated from the date that control ceases, and where any interest in the subsidiary remains, this is re-measured to its fair value and the change in carrying amount is recognised in the income statement. The Group does not have significant restrictions on its ability to access or use assets, and settle liabilities of the group.

In the Bank's financial statements, investments in subsidiaries are held at cost less impairment. Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in the Group accounts.

The list below provides details of the subsidiaries of the group.

Subsidiary Undertakings

Subsidiary Name	Country of incorporation	Stated capital P	Ownership interest	
			2025	2024
Standard Chartered Bank Insurance Agency (Proprietary) Limited	Botswana	30,100	100%	100%
Standard Chartered Investment Services (Proprietary) Limited	Botswana	100	100%	100%
Standard Chartered Botswana Education Trust	Botswana	–	100%	100%
Standard Chartered Botswana Nominees (Proprietary) Limited	Botswana	100	100%	100%

The amounts for stated capital are presented in Pula and are not rounded.

Standard Chartered Botswana Education Trust is a structured entity that was set up to promote educational activities. Standard Chartered Botswana Education Trust acquired 0.84% shareholding in Standard Chartered Bank Botswana Limited. Standard Chartered Bank Botswana directs and influences both the financial and operating activities of Standard Chartered Botswana Education Trust, demonstrating power over the entity. The Bank has no contractual obligation to provide financial support to the Trust. No financial support has been extended to the Trust.

	2025 P '000	2024 P '000
Investment in subsidiaries		
As at 31 December	30	30

Notes to the financial statements

35. Fiduciary activities

In the normal course of business, the Group is a party to financial investments with off-balance sheet risk to meet the financing needs of customers. These instruments involve, to varying degrees, elements of credit risk which are not reflected in the statement of financial position. The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amount of those instruments. A large majority of these expire without being drawn upon, and as a result the contracted nominal principal amounts are not representative of the actual future credit exposure or liquidity requirements of the Group. Expected credit loss for contingent liabilities and commitments of P1.60m (2024: P0.68m) was recognised under IFRS 9 at the current reporting date.

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

These instruments are held in trust on behalf of customers and are therefore not treated as assets of the Bank and accordingly, have not been included in these financial statements.

	Group		Company	
	2025 P '000	2024 P '000	2025 P '000	2024 P '000
Assets held in custody	36,773,366	33,545,889	36,773,366	33,545,889

36. Prepayments and accrued income

	Group		Company	
	2025 P '000	2024 P '000	2025 P '000	2024 P '000
Prepayments and deferred expenses	49,625	50,107	49,625	50,107
Accrued interest receivable:				
Investment securities	4,044	8,757	4,044	8,757
Loans secured by mortgage on residential properties	15,247	13,262	15,247	13,262
Other loans, advances and bills held	151,449	190,814	151,449	190,814
Total Accrued interest receivable	170,740	212,833	170,740	212,833
Total	220,365	262,940	220,365	262,940

Refer to note 4 for accounting policy for accounting policy on accrued interest.

37. Accruals and deferred income

	Group		Company	
	2025 P '000	2024 P '000	2025 P '000	2024 P '000
Accrued interest payable*	154,289	40,942	154,289	40,942
Holiday Pay accrual**	5,889	8,395	5,889	8,395
Bonus Accrual**	29,435	31,267	29,435	31,267
Sundry accruals and deferred income	27,718	10,364	27,718	10,364
Total	217,331	90,968	217,331	90,968

*Accrued interest payable includes amounts payable of interest on debt securities, customer deposit accounts and subordinated liabilities and other borrowed funds. Refer to note 4 for accounting policy on accrued interest.

**Accounting policies on employee related accruals is documented on note 1.

Notes to the financial statements

38. Sale of Standard Chartered Bank Botswana Limited

On 13 January 2026, the Company made a cautionary announcement through the Botswana Stock Exchange to inform the local shareholders and the local market that Standard Chartered PLC (SC PLC), the indirect majority shareholder of the Company, has decided to explore the sale of its entire interest in the Company ("SC's Interest"). Having already announced a potential sale of the Wealth and Retail Banking (WRB) business in 2024, SC PLC decided to explore the sale of the full Botswana franchise instead of just the WRB segment as it became apparent that the interested buyers see significant value in the combined scale of the full SC Botswana franchise.

This decision by SC PLC was officially completed on 4 December 2025.

The announcement done to the local market does not constitute an adjusting subsequent event under IAS 10 as it was a confirmation of conditions that already existed at year end. Furthermore, the announcement of the sale does not change the going concern basis of preparation of the annual financial statements of the entity for the year ended 31 December 2025, as there is no intention to cease operations or to liquidate the franchise. This is further substantiated by:

- the franchise will continue trading normally until the sale
- the sale is strategic, not distress driven
- the buyer is expected to continue operations

39. Correction of an error on presentation of cash and cash equivalent in the statement of cash flows

During the year, the Group and the Company reviewed the classification of items included within "Cash and cash equivalents" in the consolidated and separate statements of cash flows. As a result of this review, it was identified that:

- Certain short-term placements and other current assets due from related entities had previously been included in "Cash and cash equivalents", even though they did not meet the definition of cash equivalents under IAS 7 Statement of Cash Flows and the Group's accounting policy; and
- Certain investment securities that met the definition of cash equivalents (i.e. with original maturities of three months or less and not subject to contractual restrictions) had not been included within "Cash and cash equivalents".

This resulted in an error in the classification of cash equivalents in prior periods. To correct this:

- Short-term placements and other current assets due from related Standard Chartered entities that do not meet the IAS 7 definition of cash equivalents have been reclassified out of "Cash and cash equivalents" and presented within the appropriate asset categories (refer to note 29); and
- Investment securities that meet the IAS 7 definition of cash equivalents have been reclassified into "Cash and cash equivalents".

The Group and Company further noted that, the line item "Net impairment loss on loans and advances" within cash flows from operating activities was incorrectly presented as an outflow of P28.9 million instead of an inflow of P2.5 million. This misclassification also affected the line item "Change in loans and advances to customers" within cash flows from operating activities. The error was identified as part of the current year review and control processes and has now been corrected by reclassifying the amounts within cash flows from operating activities.

Accordingly, the consolidated and separate statements of cash flows for the year ended 31 December 2024 have been restated to reflect these reclassifications. Comparative amounts have been adjusted to present the information on a consistent basis. The reclassification has no impact on total assets, total liabilities, or profit for the year, but affects the presentation of cash and cash equivalents and related cash flow line items. The following tables present the impact of the restatement on the consolidated financial statements:

Group	As previously reported at 31 December 2024	Reclassification adjustment	Restated at 31 December 2024
	P '000	P '000	P '000
Cash flows from operating activities:			
Change in investment securities	(504,609)	1,758,741	1,254,132
Net impairment loss on loans and advances	(28,970)	31,509	2,539
Change in loans and advances to customers	444,494	(31,509)	412,985
Change in due from related parties	-	(843,307)	(843,307)
Closing cash and cash equivalents	6,036,482	915,434	6,951,916

Notes to the financial statements

39. Correction of an error on presentation of cash and cash equivalent in the statement of cash flows (continued)

Company	As previously reported at 31 December 2024 P '000	Reclassification adjustment P '000	Restated at 31 December 2024 P '000
Cash flows from operating activities:			
Change in investment securities	(504,609)	1,758,741	1,254,132
Net impairment loss on loans and advances	(28,970)	31,509	2,539
Change in loans and advances to customers	444,494	(31,509)	412,985
Change in due from related parties	–	(751,022)	(751,022)
Closing cash and cash equivalents	5,939,008	1,007,719	6,946,727

Annual General Meeting Notice

For the year ended at 31st December 2025

Notice is hereby given that the 51st Annual General Meeting of the members of Standard Chartered Bank Botswana Limited will be held on Tuesday 30th June 2026 at Plot 1124-30, Queens Road, 5th Floor, Standard Chartered House, Main Mall, Gaborone at 15:00 hours for the following purposes:

- 1 To consider and approve, by way of a special resolution, the amendment of the Constitution of the Company in terms of the draft Constitution tabled before the meeting and made available for inspection by shareholders, as more fully disclosed in the Circular.
- 2 To receive, consider and approve the Annual Financial Statements for the year ended 31st December 2025, together with the Auditor's reports therein.
- 3 To re-elect the following Directors who retire by rotation and in accordance with Section 66 of the Constitution, and who being eligible, offer themselves for re-election. The Directors brief resumes are attached to this notice and set out at pages 33 and 35 of the report.
 - 3.1 Jerry Kweku Boi Bedu – Addo
 - 3.2 Mpho Judith Dimbungu
- 4 To confirm and ratify the appointment of Director Tally Tshekiso as an Independent Non-Executive Director effective 3rd October 2025. Mr Tally Tshekiso's resume is attached to this notice and set out at page 35 of the report.
- 5 To confirm and ratify the Directors remuneration report and the remuneration paid to the Directors for the year ending 31st December 2025 and to approve the proposed Directors remuneration for the ensuing year.
- 6 To confirm and ratify the remuneration of the auditors, Ernst & Young Botswana for the year ended 31st December 2025.
- 7 To confirm and ratify the appointment of the auditors Ernst & Young Botswana and to authorise the Board to determine the external auditor's remuneration for the ensuing year.
- 8 To receive and consider questions and or comments from the shareholders.

Notes:

Any member entitled to attend and vote, is entitled to appoint a proxy to attend and speak and, on a poll, vote in his/her stand. The person so appointed needs not be a member. The instrument appointing such a proxy should be forwarded to reach the Secretary, at Standard Chartered Bank Botswana Limited, Head Office, Plot 1124-30, Queens Road, 5th Floor, Standard House, The Mall, P O Box 496, Gaborone, alternatively via e-mail at bwinvestorrelations@sc.com not less than 48 hours before the meeting.

Copies of the Annual Report, proposed Constitution and supporting documentation are available for download at www.sc.com/bw.

By order of the Board



Luzibo Benza
Company Secretary

Annexure – Directors Profiles

Mpho Judith Dimbungu Independent Non-Executive Director

Appointed: April 2023

Nationality: Motswana

Skills and experience: Mpho Judith Dimbungu brings over 30 years of experience in financial management, strategic leadership and operational transformation, primarily within the mining and manufacturing sectors. She has strong expertise in financial planning, governance, restructuring and business development.

Career: Mpho held several senior finance and leadership positions within DTC Botswana, Debswana Mining Company and De Beers Consolidated Mines. She later served as Managing Director of Spring Crown Holdings Proprietary Limited, a steel manufacturing company serving the mining, water works and construction sectors, until January 2025.

Her professional experience spans financial management, corporate governance, SME development and process improvement. She has also served on multiple boards and board committees across industries including financial services, aviation, pension fund administration and manufacturing.

Mpho is a Fellow Chartered Accountant (FCA) and holds a Master of Business Administration degree from the University of Derby. She has also completed executive leadership development programmes with Wits Business School and the London School of Business.

Tally Tshekiso Independent Non-Executive Director

Appointed: October 2025

Nationality: Motswana

Skills and experience: Tally Tshekiso is an accomplished economist with extensive experience in finance, trade, investment policy development and economic analysis across both the public and private sectors. He has strong expertise in governance, investment strategy and macroeconomic policy.

Career: Tally is the Founder and Principal Consultant of Tally Think Tank, a consultancy firm specialising in financial and economic analysis for both public and private sector clients. Throughout his career, he has actively contributed to policy dialogue and investment promotion initiatives, representing Botswana on international platforms and advocating for private sector-led economic growth.

His governance experience includes serving on the boards of Public Enterprises Evaluation and Privatisation Agency, Botswana Export Development and Investment Authority and African Alliance Botswana Group.

Tally holds a Master of Science degree in Economics from the University of Illinois at Urbana-Champaign in the United States and a Bachelor of Arts degree in Economics from the University of Botswana. He is also a member of Omicron Delta Epsilon, the International Economics Honour Society.

J. Kweku Bedu-Addo Non-Executive Director

Appointed: January 2018

Nationality: Ghanaian

Skills and experience: Kweku Bedu-Addo brings extensive experience across banking, finance, public policy and international development. He has held senior executive leadership roles within Standard Chartered across Ghana, Zambia, Singapore and Southern Africa, with deep expertise in corporate and institutional banking, strategic leadership, fiscal oversight and governance.

Career: Kweku joined Standard Chartered in 2000 following earlier experience within Ghana's Ministry of Finance during the country's structural adjustment reforms. Over his career with the Bank, he held several senior Corporate and Institutional Banking leadership roles across Africa and Asia. In 2010, he became the first Ghanaian Chief Executive Officer in Standard Chartered Ghana's 125-year history. From August 2017 to July 2024, he served as Regional Chief Executive Officer for Southern Africa, based in Johannesburg, South Africa.

He currently serves as Chairman of Standard Chartered Bank Mauritius, Independent Non-Executive Director and Chairperson of the Board Credit & Risk Committee at Development Bank Ghana, and a founding member of Ghana's National Fiscal Council.

Proxy Form

Please complete in block letters

I/WE _____

Being a shareholder of Standard Chartered Bank Botswana Limited, hereby appoint:

_____ or failing him or her

_____ or failing him or her

_____ or failing him or her

as my proxy to vote on my behalf at the annual general meeting of the company to be held on the 30th June 2026 and at any adjournment of the meeting thereof as follows;

	Resolution	For	Against	Abstain
1	To approve, by way of a special resolution, the amendment of the Constitution of the Company.			
2	To receive, consider and approve the Annual Financial Statements for the year ended 31st December 2025, together with the Auditor's reports therein.			
3	3.1 To re-elect as a Director Jerry Kweku Boi Bedu – Addo who retire by rotation and in accordance with Section 66 of the Constitution, and who being eligible, offers himself for re-election.			
	3.2 To re-elect as a Director Mpho Judith Dimbungu who retires by rotation and in accordance with Section 66 of the Constitution, and who being eligible, offers herself for re-election.			
4	To confirm and ratify the appointment of Tally Tshekiso as an Independent Non-Executive Director effective 3rd October 2025.			
5	To confirm and ratify the Directors remuneration report and the remuneration paid to the Directors for the year ending 31st December 2025 and to approve the proposed Directors remuneration for the ensuing year.			
6	To confirm and ratify the remuneration of the auditors, Ernst & Young Botswana for the year ended 31st December 2025.			
7	To confirm and ratify the appointment of the auditors Ernst & Young Botswana and to authorise the Board to determine the external auditor's remuneration for the ensuing year.			

Unless otherwise indicated, my proxy may vote as he/she thinks fit.

Signature _____ Date _____ 2026

Notes _____

- Any alteration of this form must be initialled by the signatory
- This form of proxy should be completed and returned so as to reach the Secretary of the Company on the 5th floor, Standard House, The Mall, P O Box 496, Gaborone, alternatively via e-mail at bwinvestorrelations@sc.com no later than Friday 26th June 2026 @ 12:00 hours.

