Stanbic Bank

Annual Report

for the year ended 31 December 2023

Beyond Banking
Driving Botswana's Growth
in Times of Change

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Introduction

ABOUT STANBIC BANK BOTSWANA LIMITED

We opened our doors as **Stanbic Bank Botswana Limited (SBBL)** in March 1992 and have been serving our community, driving the growth of our nation and creating value for our customers for over **31 years.**

At Stanbic Bank Botswana Limited, we channel our energy into three main client segments:

- **Personal and Private Banking** which is responsible for retail clients
- **Business and Commercial Banking** which services commercial clients and SMEs
- **Corporate and Investment Banking** which provides a customised suite of solutions for large corporations and multinationals.

Our *Letsema 2025* corporate strategy provides us with a detailed roadmap which articulates our ambitions to defend and surpass our current market position across all segments.

We employ approximately 600 highly focused, committed and future-skilled members of staff. The growth of our national footprint is accelerating, currently occupying 13 branches across the country in Gaborone, Francistown, Maun, Palapye, Selebi-Phikwe, Letlhakane and Kazungula. Our distribution channels also include 79 ATMs and Point of Sale devices spread across the country. Our e-commerce solutions continue to offer convenience and flexibility to our clients.

As we apply ourselves to the daily work of serving our communities, we find guidance in our sustainability agenda: social, environmental and economic. As a company, we are highly attuned to the needs of Batswana and our sustainability investments are yielding results in the areas of enterprise growth and job creation, infrastructure development and integrated energy, climate resilience and financial inclusion.

We believe in our ability to positively influence the way Batswana live, work and transact. *Unayo*, our unique mobile money platform, is used by households and businesses across the country. *Shyft*, our foreign exchange application, making it quicker, easier and cheaper to do business internationally.

Our transformation journey has earned us respect and recognition. In the year 2023, we have won various awards from Global Finance Magazine.

Best Consumer Digital Bank in Botswana

Best Sub-Custodian Bank in Botswana

Best Consumer Digital Bank for Information Security and Fraud Management.

To learn more about Stanbic Bank Botswana Limited, visit us at **www.stanbicbank.co.bw** or search for us on all the main social media platforms.

BOTSWANA STRUCTURE SHAREHOLDING AND OWNERSHIP

STANDARD BANK GROUP LIMITED

100%
STANBIC AFRICA HOLDINGS LIMITED (UNITED KINGDOM)

100%
STANBIC BANK BOTSWANA LIMITED

- **100%** Stanbic Financial Services (Pty) Ltd
- **100%** Stanbic Nominees Botswana (Pty) Ltd
- **100%** Stanbic Insurance Services (Pty) Ltd

Our value creation story

OUR APPROACH TO VALUE CREATION

Accounting to our stakeholders

Risk appetite

Our strategy is achieved within the parameters of our risk appetite, which implies conscious risk taking. To enable regular changes to our risk appetite in response to challenges in our operating context, we continuously instil a risk-aware culture throughout the bank and continually enhance our risk management capabilities.

Letsema 2025 strategy

Our strategy is focused on creating shared value, and represents our commitment to the shared future we intend to create for our clients, our people and our country.

Governance approach to value creation over time

Our governance approach

Promotes strategic decision-making that combines long-term and shorter-term outcomes, to reconcile the interests of the bank and society in our pursuit of sustainable value.

Our operating context

Key trends provide an opportunity for growth and development, which justifies the optimism underpinning our strategy and purpose, and enables us to navigate the complexity and changes in our environment.

Our strategic priorities

Our Purpose

Botswana is our home, we drive her growth

Everything we do, pursue and commit to must hang-on and deliver this ambition. Our role is greater than simply the products and services we provide. Our long-term profitability depends on the stability and well-being of our country. So, when we look at the reason we exist, it is to use the fundamental power of financial services to make a better life for fellow Batswana.

Our values

Serve as beacons for the behaviours and qualities that define us at our best as we execute our strategy:

- Being proactive
- Constantly raising the bar
- Working in teams
- Delivering to our stakeholders
- Respecting each other
- Serving our customers
- Upholding the highest levels of integrity
- Growing our people

Directing our priorities

TRANSFORM CLIENT EXPERIENCE

Using digital technology, data and human insight we aim to understand our clients, partners and employees as deeply and empathetically as we can. We use our human skills and digital capacities to help meet their needs and to enable them to achieve their goals.

Our sustainability is underpinned by our ability to deliver growth and value over the long-term and realise the opportunity that providing products and services that meet the development needs of Botswana's growth and people.

We are aligned to the United Nations Sustainable Development Goals (UN SDGs):

3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
13 CLIMATE ACTION

Letsema 2025

The way we execute

Our strategy is as much about what we are doing as what we are not doing. All our business segments and corporate functions must have a strategy and be disciplined about the "what" and the "how". We should only do things that deliver on our strategy. And, there needs to be consistency in how we communicate our strategy to all stakeholders. These are the building blocks from which we derive our legitimacy and deliver our strategy.

The culture we wish to build for our people

Our people on the ground need to be empowered to put the client first. If we think of everything we do, our greatest asset is our people. To help us grow our country, we need committed people with a commercial mindset, who have a passion for the country. Our people should be motivated to deliver exceptional services and solutions, which in turn help us grow Botswana.

The promises we make to the client

This principle brings to life our commitment to client centricity. Every person, process, decision, response and action by the organisation or its staff should be designed or intended to deliver an exceptional client experience.

Performance linked to value creation

We are embedding a high-performance culture and creating an environment in which our people are empowered and motivated to deliver exceptional client experiences, and are rewarded for their contribution towards realising our purpose and vision.

Remuneration that drives value over time

Our reward philosophy is being evolved to reflect the bank's strategy. We combine reward elements that link directly to strategic and financial performance criteria and thresholds. These awards are made on a discretionary basis to avoid penalising executives for factors outside of their control that impact on value creation.

Our material matters

Our material issues synthesize the interests of the bank and those of its stakeholders. They are linked to our value drivers, direct the focus of our strategic planning and management priorities, and inform our reporting to stakeholders.

Our stakeholders

Our stakeholders are the providers of the capital we need to create value. Stakeholder inclusivity and responsiveness enables us to secure and maintain these inputs, and to identify opportunities and challenges.

Our Vision

A picture of where we want to be in the next 3 years

The Standard Bank Group celebrates an impressive history of more than 160 years operating in Africa, and over 31 years in Botswana. This is an organisation with more than a century of existence, but still possessing the drive of a start-up, constantly hungry for growth. It is this drive that we will leverage on as Stanbic Bank Botswana Limited to help us realise our vision over the next three years to create value for the clients we serve by providing access to digital, financial and related solutions that support sustainable growth.

Our Reason to Win

The confidence to deliver on our purpose

This articulates our unique differentiators, which give us the licence to operate, compete and win. It's what gives our clients, staff and shareholders confidence in us. As the foundation of our culture, our legitimacy is vitally important, and is vested in the relationships we build with our customers, clients, employees, shareholders, regulators and other stakeholders. It instils confidence in our stakeholders and customers to invest and do business with Stanbic Bank Botswana Limited.

EXECUTE WITH EXCELLENCE

We must maintain appropriate standards of risk management, uphold the highest standards of integrity, and achieve operational excellence. We define operational excellence to include delivering comprehensive solutions with maximum efficiency.

DRIVE SUSTAINABLE GROWTH AND VALUE

We will deliver inclusive, enduring and environmentally sustainable value to our shareholders and to the societies and economies we serve.

We provide consistently exceptional client and partner experiences via an expanded range of innovative solutions.

We will ensure our people feel deeply connected with our purpose and are empowered and recognised.

+

We do the right business, the right way.

We use technology and data to better serve and protect our clients, reduce costs and scale our platform businesses.

=

We deliver superior value to shareholders by driving sustainable growth and returns.

We drive Botswana's growth through delivering shared value.

OUR MATERIAL MATTERS

Our material issues are those that matter most to our internal and external stakeholders and providers of capital; and that impact on our ability to create value in the short, medium and long term.

They take into account the diverse views of our stakeholders, allowing us to understand their perceptions of how the group is creating value and to identify focus areas to ensure social legitimacy.

2023 MATERIALITY ASSESSMENT PROCESS

We measure our strategic progress against our six value drivers and have identified the material issues that are most likely to have an impact on them and therefore our ability to achieve our strategic aspirations.

We use the concept of double materiality to ensure that we have considered how material issues may impact on our business, across our six value drivers, and how our business materially impacts society. This approach is crucial to ensure we deliver both financial outcomes and positive SEE impacts.

While these issues evolve over time, the broad themes are relatively stable. To identify and adequately interrogate our material issues, we undertake research and engagement on a range of information, including the consideration of:

- Risks, threats and opportunities identified through our enterprise risk process
- Stakeholder engagement and reputation risk analysis
- Issues raised through various engagements.

Our material issues

Based on our understanding of our strategic aspirations and stakeholder priorities, our material issues are as follows:

OUR STRATEGIC PRIORITIES

OUR VALUE DRIVERS AND MATERIAL ISSUES

CLIENT FOCUS
- Improving overall client experience
- Being future-ready for new competition and changing client expectations
- Fair outcomes for clients

EMPLOYEE ENGAGEMENT
- Employee engagement
- Employee health and wellbeing
- Workforce diversity and inclusion
- Skills attraction, retention and development

RISK AND CONDUCT
- Ethical conduct and business practices
- Managing climate risk
- Balancing social, economic and environmental impact for Botswana's growth
- Managing third-party risks

OPERATIONAL EXCELLENCE
- Information security, data privacy, cybersecurity
- Reliability of digital transaction channels

FINANCIAL OUTCOME
- Delivering sustainable value to shareholders

POSITIVE SEE IMPACT
- Delivering positive impact for Batswana
- Investment in education to ensure development of skills and inclusivity

Exploring our journey growth

KEY MILESTONES

1992

Under the name Union Bank of Botswana, we opened our very first branch in Broadhurst, Gaborone.

1993

Our brand emerged: we officially took on the name Stanbic Bank Botswana Limited.

1994

Hello, Francistown. We opened our first Service Centre on Blue Jacket Street.

1999

We introduced online banking for the first time through the Customer Access terminal System.

2001

Withdrawals at the tip of your fingers: we set up our very first ATM.

2002

We opened the Fairgrounds Branch and took up residence there, making it our new country headquarters.

2003

We launched a dedicated Corporate & Investment Banking function for institutional investors as well as Private Banking solutions for high net worth clients. In addition, we extended our footprint to Maun.

2004

Our Business Banking department was born, answering the call for our Commercial, Enterprise and SME clients. We also consolidated our Francistown operations to Galo Mall.

2006

We launched an invigorating new brand promise: **Inspired. Motivated. Involved.**

2008

We relocated our Gaborone West Branch to Game City and also opened in Palapye.

2009

Reflecting our new positioning in the market, we adopted the new tagline: **Moving Forward.**

2010

We introduced the first of its kind '**Bank in a Box**' in Mogoditshane and Molepolole. We eagerly entered into a financial literacy partnership with the Ministry of Education which began in junior secondary schools and was later rolled out to the public.

2011

We embarked on our sponsorship of Morupule Coal Mine's Annual GM's Cycle Challenge, where proceeds were donated to vulnerable communities in Palapye and the surrounding areas.

2012

We completed an epic 600km cycle between Gaborone and Ghanzi to raise funds for a mobile clinic in Shakawe. **Our Batho Pele** corporate strategy was launched.

2013

Online banking and SMS Alerts became mainstream for our personal clients. Enhancements to our Core Banking System, the largest in our history to date, improved our operational efficiencies and digital capabilities. Our branch in Selebi Phikwe opens.

2014

We became the official sponsors of Botswana's landmark outdoor entertainment venue, the Stanbic Bank Piazza.

2015

We launched the Stanbic Bank Smart App and set up our very first Mobile Branch. The **Road to Excellence** corporate strategy is launched.

2016

We kicked off our iconic sponsorship agreement with Township Rollers Football Club.

2017

We relocated the Broadhurst branch to Airport Junction and extended our footprint to Acacia Mall. Stanbic Bank Botswana Limited celebrated 25-years of moving forward.

2018

We brought cash-depositing ATMs to our customers and embarked on the **Legacy 2021** strategy.

2019

Our Accelerate Incubator came to life, bringing hope and invigoration to youth-owned SMEs. The Kazungula branch was opened.

2020

We launched our groundbreaking Africa-China Trade Solutions, allowing Batswana to import goods seamlessly from China. Our first ever Digital Branch was opened in Letlhakane. We celebrated our new brand promise: **It Can Be.**

2021

Unayo, our flagship digital product, came into the hands of Batswana for the first time, bringing all-inclusive financial solutions to everyone. Core Banking infrastructure was enhanced once more.

2022

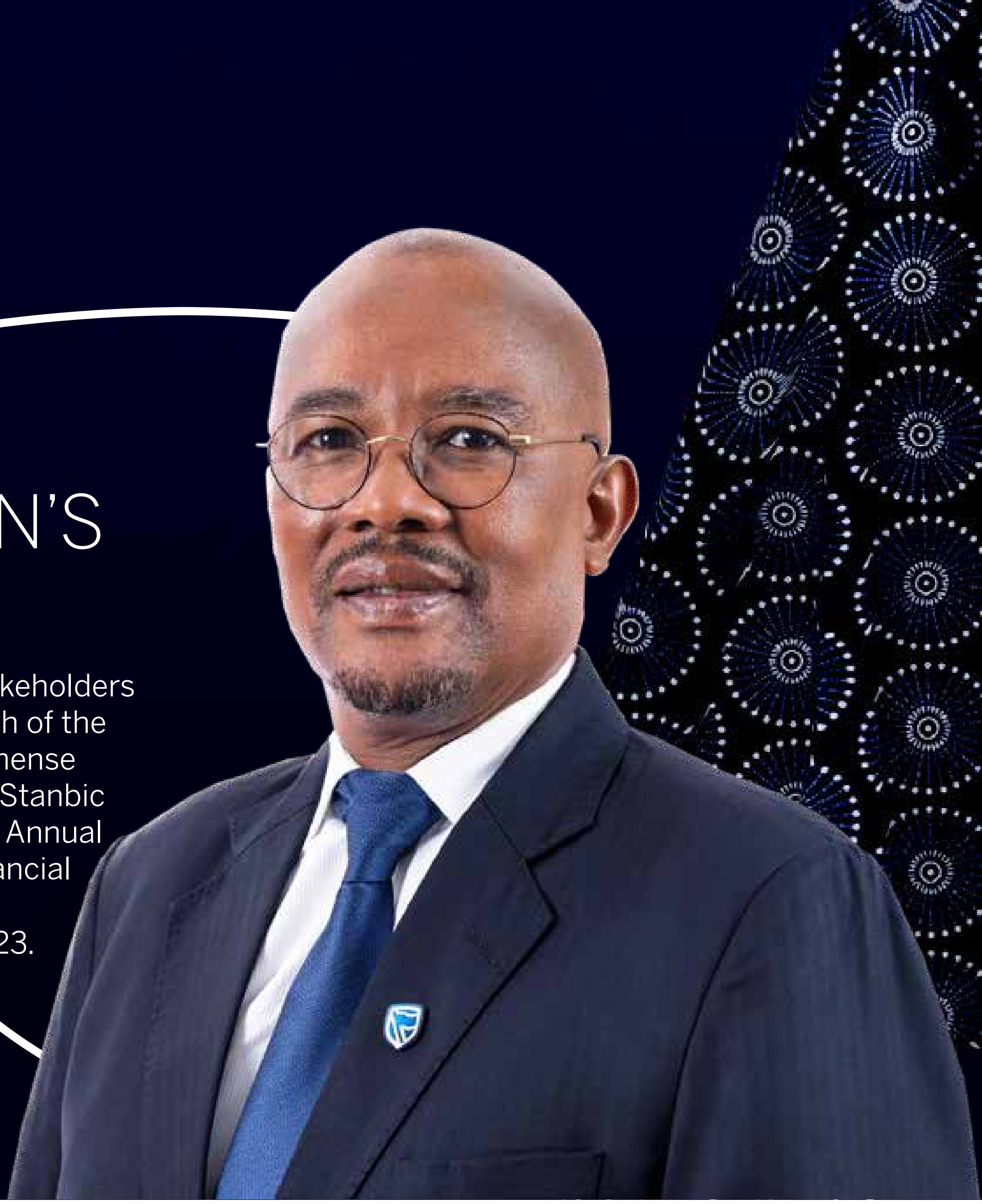
We launched the *Shyft* app, simplifying international transactions and foreign exchange like never before. We celebrated our 30th Anniversary and confirmed our sponsorship of Gaborone Golf Club.

2023

Our ***Letsema*** corporate strategy is embedded into the bank, solidifying our platform-based vision for the business.

CHAIRMAN'S REPORT

To our distinguished stakeholders across the entire breadth of the country, it gives me immense pleasure to present the Stanbic Bank Botswana Limited Annual Report and Audited Financial Statements for the year ended 31 December 2023.



Dr TTK Matome, Chairman

This reporting period has been characterised by volatility, both at home and abroad.

Increased interest rates, underperforming diamond sales, and geopolitical turmoil caused by the conflicts in the Euro-Asia zone have held the economy back from reaching its growth targets. These factors not only pose threats to capital, liquidity, and credit risks in the banking sector, but to the livelihoods of our clients as well.

On the positive side, Botswana's Gross Domestic Product (GDP) continues to register growth having printed at 3.8% by December 2023, and inflation officially came back under control and within the Bank of Botswana's objective range, falling to 3.5% for the same period. This is expected to ease pressure on the cost of living as we go into 2024.

Although our economy is showing growth, the full recovery that many households and businesses have craved since closing the chapter on the COVID-19 pandemic has been slow in coming.

Performance Highlights

Notwithstanding the economic headwinds largely resulting from the deep contraction of the diamond market, our business remains strong and resilient, guided as always by our purpose: "**Botswana is our home. We drive her growth**". This is what motivates our blue team to show up each day with the passion and dedication to deliver to our clients' needs.

We completed the reporting period in December 2023 with a strong balance sheet and liquidity position, and with a Capital Adequacy Ratio of 19.92% which is well above the 12.50% regulatory threshold.

We generated overall headline earnings of P484 million, reflecting an impressive growth of 9.0% from the previous financial year.

We have invested actively in our infrastructure, systems, and technology, allowing us to achieve greater levels of operational efficiency and innovative capabilities.

In the year under review, we also embarked on a company-wide organisational redesign to align the skills of our people and the portfolios they occupy with the customer centric ambitions that we have as a bank. This has resulted in an increased workforce which has the future-ready skills necessary for providing effective and efficient services and financial products to our market. This will enable us to deliver integrated and seamless financial services that anticipate individual client needs.

We see these two factors, being people and technology, as crucial levers which secure our competitive advantage within the banking sector.

CHAIRMAN'S REPORT (Continued)

Future-Ready Transformation

the birth of the platform-based business model

This year was significant because it marked the commencement of our three-year strategy, *Letsema 2025*.

As we reflect on the first twelve months of this journey, we have sound conviction that the strategic imperatives we have identified are relevant to the needs of our market and supportive of our growth agenda.

Letsema 2025 aims to transform the bank beyond a traditionalist provider of financial services into a platform-based business.

This means transcending our well-established role in society as a bank and financial services provider and re-considering the way we create value for the clients and communities we serve. To achieve this, we will create digital platforms and offer complementary services built around the diverse social, individual, and business needs of our customers.

To breathe life into this plan and drive long-term sustainable growth, we devoted 2023 to improving the resilience and strength of our balance sheet, scrutinising our internal controls to build a more robust risk culture, utilising data, and insights as tools for high-impact decision-making and ensuring that our workforce is fit for purpose. At the core of our vision is a competent and resilient team who are passionate about service delivery.

Looking forward: the future is now

In the years ahead, *Letsema 2025* will:

- Create new opportunities and value at scale through innovation and technology.
- Boldly increase our distribution channels and points of representation.
- Enable digital capability to improve efficiencies and support structural cost reduction.
- Promote economic inclusion and uplift the most vulnerable members of our society with financial services that are truly accessible.
- Continue to sharpen the skill sets of our employees.
- Accelerate our progress towards the Environmental, Social and Governance (ESG) priorities we have identified.

Our operating environment can be unpredictable, our market is competitive and many of our customers are facing distress. But we also believe that these challenges are focusing our efforts and rallying our employees behind strong leadership to realise our compelling vision for the future.

On that note, I would like to take this opportunity to officially welcome our new Board member Michaela Alves Da Silva. I have no doubt that she will bring in the necessary experience to augment the skill sets of the existing team, as we move forward with our strategy.

Message of appreciation

I would like to take this opportunity to express our sincere gratitude to my predecessor Craig Granville for his astute leadership during his tenure as Board Chairman. It was through his guidance and stewardship that we were able to learn how to navigate some of the most challenging and disruptive periods in the last couple of years, but still maintain our position amongst the market leaders in the country. We wish him all the best in his future endeavours and thank him for his tireless service to this Board.

Special gratitude also goes to our valued clients who continue to show confidence in our bank by being a part of our journey.

I would like to also thank the Bank of Botswana for their continued guidance and confidence.

Gratitude also goes to our Shareholders for their continued and unwavering support.

Gratitude also goes to my Board colleagues whose wisdom, constructive oversight, and willingness to go the extra mile have been critical to our 2023 success.

Finally, I would also like to thank our Blue Team, ably led by the Chief Executive, for their resilience, tremendous effort, and dedication throughout this period. You are delivering the bank's strategic priorities, creating long-term sustainable value, and driving Botswana's growth.

Dr TTK Matome
Chairman

CHIEF EXECUTIVE'S REPORT

Purpose-led. Clear Strategy. Winning attitudes, Ownership and Accountability. These are the principles we have adopted to build and future-proof our organisation.

Chose Modise, Chief Executive

The future is becoming more and more unpredictable and yet on the other hand our clients' expectations for continued support are increasing. The banking industry faces unprecedented challenges globally. The combination of economic slowdowns, geopolitical tension and long periods of high inflation have a lasting impact on households, businesses, and entire governments.

We closely monitor these forces, and understand how to navigate them in the short-term, however, we do not let the chaos disrupt our plans, nor cloud our vision for the future.

Our financial performance in 2023

Despite the economic headwinds, we are delivering on our objectives to diversify our revenue through non-traditional banking services, optimise our balance sheet and improve our margins.

Our sense of resolve manifests clearly in our financial results for 2023. I am pleased to report a 9.0% increase in profit after tax, up from P444 million in 2022 to P484 million in the 2023 reporting period.

One year into our newly launched *Letsema 2025* corporate strategy, our proactive revenue generation models are bearing fruit: topline revenue has increased by 16.7%. At the same time, our focused cost optimisation philosophy has earned us a Cost-to-Income Ratio of 52.8%, lower than 58.3% in 2022.

This kind of performance would not be possible without the delivery of consistently exceptional client experiences. It is an assertive message that we are in touch with our clients needs and that our strategy is delivering on its promises. It is also an affirmation that our culture and strategy are in sync.

Profit for the year

P484 million ▲ 9.0%

2022: P444 million

Cost-to-Income Ratio

52.8% ▼ 5.4%

2022: 58.3%

CHIEF EXECUTIVE'S REPORT (Continued)

Our strategic aspirations

We have successfully completed the first year of our *Letsema 2025* strategy, which is a clear, actionable, and measurable roadmap for the future.

Built on three distinct priority pillars, *Letsema 2025* is also a vibrant call to action for all our people at Stanbic Bank Botswana Limited.

Priority pillars

Transforming our client experience

We monitor customer satisfaction carefully, harnessing the expertise of our trained data scientists and analysts to build models that accurately predict what our customers will need next. We call this Future Ready Transformation.

Executing with Excellence

The future of banking will be fully digital. Today, our online platforms are safer, more robust, and more intuitive than ever before. As we make these strides, we attract, engage, and retain customers at scale.

Driving Sustainable Growth & Value

We are consistently and responsibly expanding our long-term profitability while prioritising the environment, society, and maintaining the absolute highest standards of corporate governance and accountability.

Client focus

This year, our Customer Satisfaction Index for Corporate clients has improved to 8.5, a result which, we believe, is market leading. We are obsessed with the needs of our customers and are in business to create memorable experiences.

As our emphasis inevitably shifts to digital banking, we are paying close attention to all the ways in which we can transform these high-quality interactions into online relationships that endure.

During the period under review, we delivered on our promise to make a difference in lives of our clients through our innovative product offerings. We launched our digital onboarding functionality, which brings much needed convenience and reduced turnaround times for business account opening.

In anticipation of the sunsetting of cheques in December 2023, we moved swiftly to avail a prepaid card, which can be used as an alternative to cheques, but also provides additional benefits and flexibility of transacting.

It gives us pride to build infrastructure that will directly impact the communities we serve and create legacies that stand the test of time. This year, we funded the construction of a shopping mall in the northern part of the country which will create jobs and improve livelihoods in the area.

In addition, we supported one of our clients in expansion of their school facilities. Education is among the ecosystem sectors we will be placing specific focus and attention on, in alignment with national priorities.

Creating value for our people

I credit our employees for the vital role they have played in the co-creation of our culture. This is not just a token gesture, but in fact, draws heavy inspiration from our Setswana culture as denoted by our strategy name *Letsema*.

Employees must have access to open communication platforms and have the right to be heard equally, just like the centuries old Lekgotla system which embraces diversity in thought, experience, and talent.

This year we introduced a monthly Lekgotla forum where all staff across the bank convene to engage on topical issues and receive updates on on-going activities. The forum has brought transparency and fostered a sense of togetherness and trust.

Our compelling Purpose ***Botswana is our Home, we drive her growth,*** remains unchanged, however we have refreshed our Vision statement to accurately capture how we would like to position ourselves in our market and set ourselves apart from the rest – it reads;

To create value for clients and the communities we serve by providing access to digital, financial and related solutions that support sustainable growth.

We jealously guard our human capital and are working hard to create the kind of environment where great people come to do their life's best work. We have implemented the hybrid working model, combining flexibility in working patterns and locations, enabling us to be more supportive of the wellbeing of our colleagues.

This has culminated in a significant improvement in our Employee Net Promoter Score, which is testimony that our people truly feel part of the fabric of the organisation.

This year we underwent a bank wide redesign exercise, aimed at ensuring that our strategic aspirations are supported by the right structures. As we look forward to 2024, the focus will be on resourcing and bringing in highly skilled, competent, and talented individuals who align with the culture and values of Stanbic Bank Botswana Limited.

CHIEF EXECUTIVE'S REPORT (Continued)

Risk and accountability

We only accept the absolute highest levels of corporate governance at Stanbic Bank Botswana Limited. Nothing less. This commitment to best practice gives us a system in which to succeed, aligns the direction of the Company and promotes the interests of all stakeholders.

We will always do the right business, the right way. The bank's approach to risk management is mature and based on a well-established governance process and relies on both individual responsibility and collective oversight, supported by comprehensive reporting.

These philosophies are critical to the reputation, earnings, and financial position of the bank, encouraging sound economic decision-making which adequately balances risk and reward.

During the period under review, we have sustained a stable operational environment with no material adverse incidents. Our risk culture promotes ownership and accountability.

Operational excellence

Leveraging technology and data will help us to better serve and protect our clients, reduce our operating costs, and scale the business.

We are strengthening both front and back-end systems, ensuring that our platforms are optimal and stable. The bank's infrastructure is in place to serve our customers with minimal disruptions in the event of a disaster.

The bank has become more deliberate about cultivating the skills and capabilities we have internally to innovate and develop solutions to improve our internal efficiencies.

Through automation of processes, we have been able to mitigate against any revenue leakage.

Responsible corporate citizenship

The Stanbic Bank Botswana Limited value drivers of Client Focus and Social, Economic and Environmental (SEE) drive our Corporate Social Investment (CSI) strategy. The intention of CSI is to contribute meaningfully to our stakeholders by creating sustainable positive impact in our communities and demonstrate that Stanbic Bank Botswana Limited is a socially responsive and responsible corporate citizen.

Our SEE framework is more than an intervention in communities – it is an integral part of how we do business. It is informed by and aligned to the Transitional National Development Plan (TNDP) and the United Nations (UN) Sustainable Development Goals (SDGs). Through this framework we are proactive in identifying opportunities for interventions arising from social, economic, and environmental challenges. Where possible, we establish relevant, long-term partnerships focused on co-creation. We also create appropriate platforms for employee volunteering that go beyond "charitable giving" and enable employees to become actively involved in community projects.

We allocate our resources towards causes we collectively believe in, with particular emphasis on Health, Education and Entrepreneurship. We have proudly presented the details of these initiatives, in full, in our Sustainability Report.

Our accolades

Having operated in Botswana for over 31 years, Stanbic Bank Botswana Limited continues to receive prestigious awards as testament to the transformative role it plays in partnering Botswana and driving her growth.

In the year 2023, the bank, received various awards from the Global Finance including Best Consumer Digital Bank in Botswana, Best Sub-Custodian bank in Botswana and Best Consumer Digital bank for Information Security and Fraud Management, among others.

Looking forward with gratitude and optimism

"Botswana is our home. We drive her growth". Nothing can shake our commitment to deliver on this purpose.

We understand that the macroeconomic environment will not always be ideal, but we also embrace the philosophy that we are masters of our collective future, the authors of our own growth story.

I would like to thank you, all our stakeholders, for the continued support. The Board of Directors, the Executive Team, and I are fully committed to creating sustainable value and strong shareholder returns by focusing on our clients' needs and enabling them to achieve their aspirations.

My sincere gratitude also goes to my colleagues here at Stanbic Bank Botswana Limited. Your extraordinary commitment to excellence is a testament to who you are.

And finally: to our esteemed clients. We promise to stand true to our pledge of making your dreams possible in 2024 and beyond.

Chose Modise
Chief Executive

Exploring the future of banking

CHIEF FINANCE AND VALUE MANAGEMENT OFFICER'S REPORT

Realeboga Phoi, Chief Finance and Value Management Officer

Thinking globally

The global economic landscape has been marred by growing geo-political tensions, particularly in the Euro-Asia region, which has created far-reaching instability around the world: disrupted supply chains, inflation, currency fluctuation and volatile commodity markets. The US Dollar has also strengthened against most currencies. The World Economic Outlook (WEO) projects a slowdown of global economic growth to 2.9% with a modest rebound in 2024, albeit lower than the historical average of 3.8%. WEO also suggested that monetary policy tightening across the markets will help to cool down demand and inflation, but the full impact to economic activity is yet to be felt.

We are pleased, however, to note the following commentary, also provided by the WEO: 'Banking sector stress has receded, though tilted to the downside.'

Local economic performance

The local economic landscape was not immune to these imported pressures. The first quarters of the year saw persistently high inflation for the second year in a row, well above the Bank of Botswana's objective range despite the tightening of monetary policy. By mid-year of 2023, inflation had rapidly fallen to within the objective range, providing a measure of relief to both households and businesses. The country's mining activity has been heavily affected by the global landscape as well as growing acceptance of lab-grown diamonds. This turmoil has had a deep impact on Botswana's GDP.

Regulatory interventions by the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) have resulted in a review of the Pension Fund Regulations (PFR2), culminating in the localisation of some pension fund investments. This is expected to boost liquidity and economic activity within the financial services sector through development of new products to sustain the pension industry's returns.

Operating model

For purposes of aligning with the new fit operating model as well as to optimise the investments in technologies, we have actively and consistently invested in the upskilling of our people. Ensuring that we deploy the right people in the right places has prepared us for the future. The bank also reviewed its product structures and client segments to ensure that every client has access to a suite of products that fit their needs. The result? The birth of new partnerships and restructure of segments. Optimising this experience for our clients is a key driver of their satisfaction.

The facelifting of our voice branch and self-service channels has created additional opportunities to surpass client expectations once more. Our data optimisation journey, which is a product of intense data science training, enables the most precise decision making as well as allows the bank to cater to every client need including those of the underbanked and unbanked.

CHIEF FINANCE & VALUE MANAGEMENT OFFICER'S REPORT (Continued)

Financial performance

The Board of Directors and leadership have reviewed the structures and strategies that will rapidly propel the bank on its digital journey. Our years-long focus on refreshing our technology architecture, and, alongside the Standard Bank Group, re-design our internal structures give the bank an operational backbone to support the platform journey and reposition us beyond the traditional provision of financial services. Cost optimisation efforts are also starting to bear fruits: in 2023 the bank's profits grew by 9.0% from P444 million in 2022 to P484 million in this reporting period.

The bank's profitability is driven across its segments, as outlined below.

Corporate and Investment Banking (CIB)

CIB posted a profit of P263 million, (2022: P195 million) a 34% year-on-year growth rate largely attributable to balance sheet optimisation strategies as well as a continued improvement in its asset book credit risk management excellence. The segment has maintained a healthy credit loss ratio of 0.02%.

Business and Commercial Banking (BCB)

BCB posted a reduction in total profitability largely on the back of the once-off credit recovery in 2022. Despite this, the segment has continued to improve book quality and closes the year with a credit loss ratio of 2.3%. The optimisation of the balance sheet as well the development of cost management initiatives have resulted in a 53.0% improvement in net interest income from P238 million in 2022 and a marginal growth in operating expenses at 2.1%, from P293 million in 2022.

Personal and Private Banking (PPB)

The use of data analytics has resulted in improved net interest income growth of 6.0% despite increased borrowing costs. Asset book quality continues to be well-managed, with a credit loss ratio of 0.7%. Optimisation of cost structures has reduced operating expenses by 5.8%, from P325 million in 2022 to P306 million in 2023.

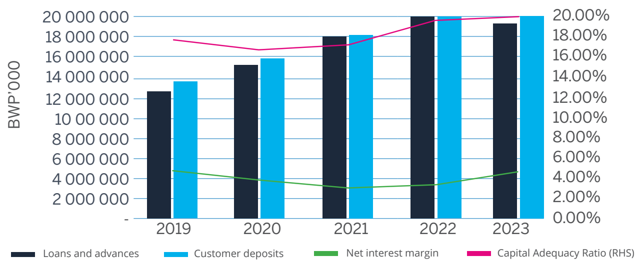
Balance sheet structure

As a result of the review of the operating model, the bank's balance sheet grew by 4.2%, led largely by a restructure of deposits which saw a 3.6% growth and loans and advances to customers increasing marginally by 0.5%.

2023 presented us with a liquidity-constrained environment, however the bank's focus on financial literacy, attracting younger clients and the informal sector – via the Youth Account, *Unayo* and enhanced self-service channels – resulted in a noticeable growth in household deposits.

The bank's balance sheet structure comes from its focus on risk management and prudent utilisation of its liquidity pool, also evidenced by a growth in financial investments by 26.1%.

Balance sheet efficiency



The bank's balance sheet has grown by 4.2% driven by a growth in deposits of 3.5%, allowing for a growth of 0.5% on customer loans and advances. The bank remains well capitalised at 19.92%.

We ensure the optimal utilisation of our capital. Stanbic Bank Botswana Limited remains well capitalised, closing the financial year with Capital Adequacy Ratio of 19.92%. Consequently, the bank was able to declare and pay out dividends of P200 million to its shareholder.

The bank's loan to deposit ratio improved from 71% to 69% in 2023. The bank's leadership, through its Assets and Liabilities Committee (ALCO), is charged with the management of liquidity. Our technology enhancements make it easier for clients to access our products and services, playing a key role in the maintenance of liquidity.

CHIEF FINANCE AND VALUE MANAGEMENT OFFICER'S REPORT (Continued)

Total Operating Income

In addition to the 151pbs rate increase in 2022, the bank's strategies have resulted in a 30.6% growth in net interest income. Income from fees and commissions saw marginal growth of 1.2%.

The growth in fees and commissions expense has prompted the bank to review its partnerships to optimise costs related to revenue activities. Trading income continues to experience a squeeze which we attribute to currency volatility and the challenges of living, working and doing business in the post COVID-19 environment.

Credit Impairments

In 2023, the portfolio showed great resilience to economic headwinds. Total impairment charges closed at P109 million against a one-off release of P12 million in the previous year. The impairment was within the normalised charge of P110 million achieved in 2022 (adjusted for a once off P98 million recovery in 2022) despite customer book growth of P100 million.

The bank continued to leverage from its investment in people and risk management strategies implemented in 2022 in terms of credit origination, portfolio management, rehabilitations and recoveries. Credit loss and non-performing loans ratios closed at 0.6% and 3.5% respectively with the PPB and CIB significantly driving the performance.

Though non-performing loans (NPL) increased in 2023, they were largely driven by a single customer in the Business and Commercial Banking Portfolio. The bank is fully collateralised on this exposure and expects to recover in full. This has led to the increase in NPL ratios from 2.1% in December 2022 to 3.5% in December 2023.

The bank continues to enhance its credit management strategies through training. Predelinquency management strategies were implemented in the Rehabilitations and Recoveries Unit to maximise collections before charge-off.

More focused external debt collector management and early litigation were implemented. The use of data and analytics have become a critical piece in predictive and behavioural profiling, making for early detection of distress and allowing for early intervention measures that are effective.

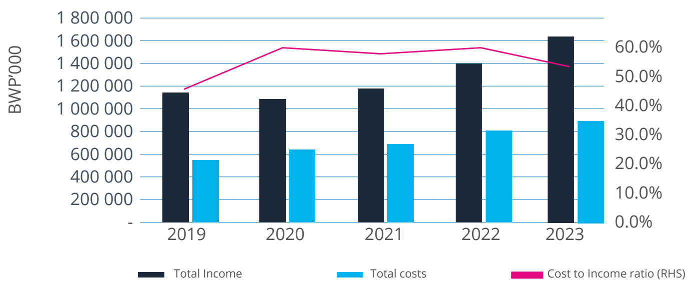
Operating expenses

The bank's operating expenses grew by 5.6%, largely driven by a once-off 19.4% growth in staff costs at the back of the re-design exercise the bank embarked on.

We believe that happy staff means happy clients. With this in mind, we are attentive to the real inflationary environment and have aligned their salary adjustments accordingly. Other operating costs declined by 3.6% as a result of the ongoing optimisation of our cost structure to align to our strategic focus areas.

Despite the once off separation costs, the bank was able to reduce the Cost to Income ratio down to 52.8%. The cost of compliance continues to rise and the bank continues to make investments in its structures to ensure our platforms protect our clients as well as give them the freedom and peace of mind to do business anytime, anywhere.

Total income vs Operating costs



The bank's cost optimisation strategies are yielding fruit, seeing a cost growth of 5.6%, resulting in an improved cost to income ratio of 52.8%.

Outlook

The operating landscape is expected to continue on a tough terrain. The recovery rate of the diamond sector remains uncertain. Other mining sectors are also face challenges of their own. We do, however, expect an acceleration in economic growth between 2025 and 2028.

The continued grey listing of our neighbouring countries and trading partners by the Financial Action Task Force (FATF) is also expected to shake up the region in the medium term as governments embark on the necessary remedial efforts.

Stanbic Bank Botswana Limited continues its transformation agenda, leading the way as a change maker not just in the industry, but in our community. Our investments in technology, skills development as well as deepening client relationships has set the bank up to respond to the rapidly changing global economy.

Our work also protects the financial services industry, the economy as a whole – as well as our clients and future clients. The bank forges forward with much optimism, aligning our strategic focus to the National Agenda, supporting individual and business growth, in line with our purpose: **Botswana is our home. We drive her growth.**

Realeboga Phoi
Chief Finance and Value Management Officer

Our accountability

CORPORATE GOVERNANCE REPORT

The board operates on the understanding that sound governance practices are fundamental to earning the trust of stakeholders, which is critical to sustaining performance and preserving shareholder value.

Company registration number

The Company's or Bank's registration number is BW0000732198.

Activities

Stanbic Bank Botswana Limited provides personal and business banking and corporate and investment banking services in Botswana. The bank has thirteen establishments across the country and has a staff complement of 565 (2022: 604).

Holding Company

Stanbic Bank Botswana Limited is a wholly owned subsidiary of Stanbic Africa Holdings Limited. Stanbic Africa Holdings Limited is a wholly owned subsidiary of the Standard Bank Group Limited, a public company listed on the Johannesburg Stock Exchange.

The Standard Bank Group Limited traces its roots back to 1862 and has a primary listing on the Johannesburg Securities Exchange of South Africa (JSE) with a secondary listing on the Namibian Stock Exchange (NSX).

Registered office

Plot 50371
Fairground Office Park
Gaborone

Shares in issue and stated capital

The total number of shares in issue at 31 December 2023 is 31 936 205 (2022: 31 936 205) ordinary shares, at a stated capital of P390 177 000 (2021: P390 177 000). No shares were issued during the current or previous year.

Group and Company results

The results for the year are set out in the accompanying financial statements and show an after-tax profit of P484 million (2022: P444 million) and P477 million (2022: P435 million) for the Group and Company respectively.

Dividends

A total dividend of P310 million was paid to the shareholder, Stanbic Africa Holdings Limited during the year ended 31 December 2023 (2022: NIL).

Matters not dealt with

There are no matters not already dealt with which are material to the state of affairs of the bank or group.

Post reporting date events

Events material to the understanding of these annual financial statements that occurred between the financial year end and the date of this report have been disclosed in note 49.

Subsidiaries companies

Stanbic Insurance Services (Pty) Ltd

This company undertakes the provision of asset protection and credit life insurance products in collaboration with various insurance underwriters. Sales of these products have become embedded in the bank's sales processes. The company reported a profit after tax of P7.0 million (2022: P7.3 million).

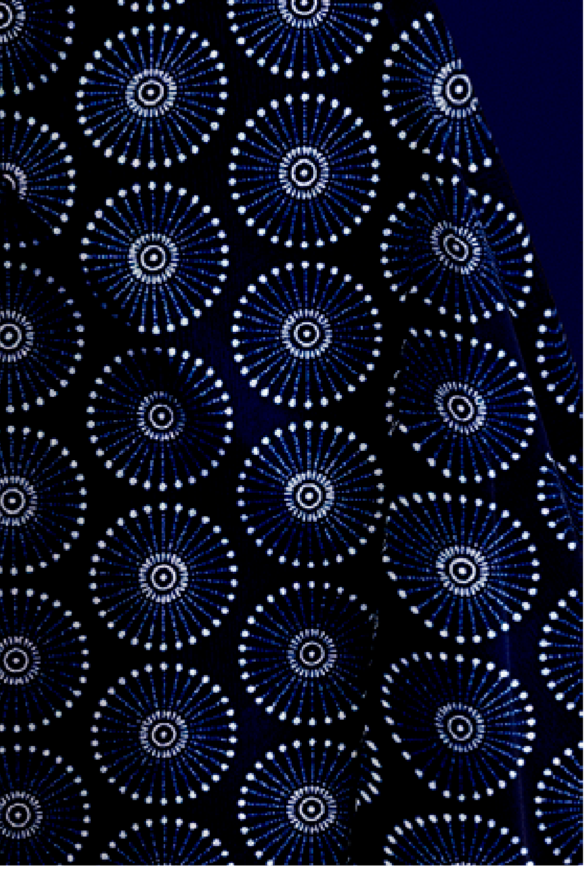
Stanbic Nominees Botswana (Pty) Ltd

Stanbic Bank Botswana Limited (the bank), through its custody business, manages clients' funds and investments in securities. The NBFIRA requires banks to separate assets managed on behalf of third parties from their own. Stanbic Nominees Botswana Proprietary Limited was established to comply with this requirement. The Company was established to ring-fence assets managed on behalf of the bank's customers. The Company acts in a nominee capacity, which results in securities being registered in its name on behalf of the bank's customers.

The securities are not assets of the company as the company does not control the stocks and no benefits are expected to flow to the company from these investments. As such, the securities are not reflected on the company's statement of financial position but disclosed as third-party assets under management in note 42 of these financial statements.

Stanbic Financial Services (Pty) Ltd

Stanbic Financial Services (Pty) Ltd was set up to separate investment advisory and market maker activities from banking activities. Set up in 2020, the new entity, was fully licensed by the NBFIRA in July 2021. The company reported a profit after tax of P150 110 (2022: P1.1 million).



Standard Bank Group Limited – overview

The Standard Bank Group complies with the principles of the Code of Corporate Practices and Conduct (King Code). The principles of the King Code determine the standards for the Group's governance framework and practices. Stanbic Bank Botswana Limited (the bank) is guided by these principles. In addition, compliance with applicable legislation, regulations, standards and codes remains an essential characteristic of the bank's culture. The Board of Directors monitor compliance with these by means of management reports. Information on the outcomes of any significant interaction with key stakeholders, such as the bank's regulators, is also provided to the Board. The bank complies with all applicable legislation, regulations, standards and codes in Botswana.

The Stanbic Bank Botswana Limited Board

The Board of directors of Stanbic Bank Botswana Limited have deep experience and diverse skills, which collectively ensure that the Board operates effectively to protect and create value in the design and delivery of the bank's strategy, and in the execution of its duties.

The Stanbic Bank Botswana Limited Board is a unitary Board.

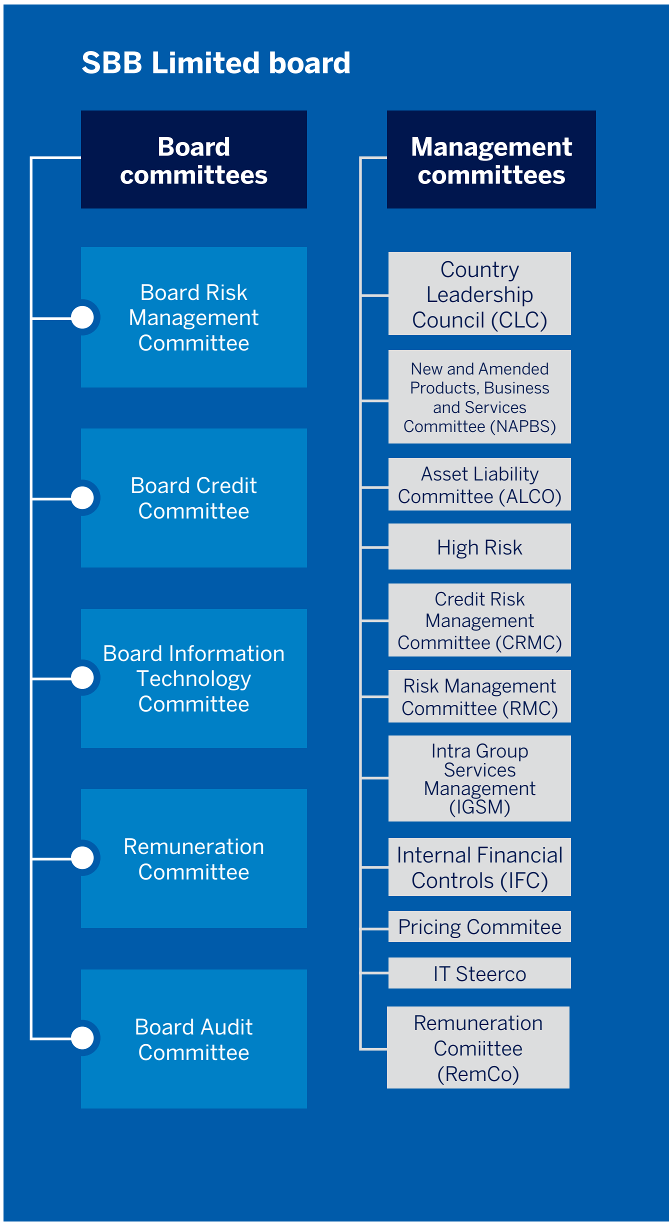
1. Appointments and resignations

Appointments	Resignations
Michaela Alves Da Silva Independent Non-Executive Director 28 July 2023	**Craig Granville** Independent Non-Executive Director 10 May 2023
Mootiemang Reginald Motswaiso Independent Non-Executive Director 28 July 2023	**Mootiemang Reginald Motswaiso** Independent Non-Executive Director 18 December 2023

2. Board induction

Newly appointed directors are provided with all relevant governance information. This includes the bank's founding documents, mandates, governance structures, legislation, policies and minutes of previous meetings. One-on-one meetings are scheduled with management and the company secretary to introduce new directors to the bank and its operations. Meetings are also scheduled with the Chairpersons of the various Committees to introduce them to the workings of the various Committees. The remainder of the induction programme is tailored to each new director's specific requirements.

CLC	Country Leadership Council
EXCO	Executive Committee
BRMC	Board Risk Management Committee
BCC	Board Credit Committee
BITC	Board Information Technology Committee
RemCo	Remuneration Committee
BAC	Board Audit Committee



BOARD OF DIRECTORS

Dr Tebogo TK Matome

Non-Executive Director (Independent)

Board Chairman

APPOINTED **2023**

QUALIFICATIONS

Doctor of Philosophy Master of Social Sciences • Bachelor of Commerce

EXPERIENCE

Dr TTK Matome is a non-executive Director and Chairman of the Board of Directors. Dr TTK Matome is the founding and former Chief Executive Officer of the Local Enterprise Authority responsible to lead, direct and implement the Republic of Botswana Government Strategy on SMME development. He is also a former CEO of the Botswana Stock Exchange and was responsible for developing and running the institution from a one-man outfit. He has also worked for Botswana Insurance Fund Management and lectured on money and finance modules at the University of Botswana. Dr TTK Matome held various Board appointments including being Chairman of Bokamoso Private Hospital, Maruapula School Governing Council, Vice Chairman of the NBFIRA, and ordinary member at BTA (now BOCCRA), CEDA and BCL among others. Dr TTK Matome has also published several articles in international and overseas refereed journals. Dr TTK Matome has returned to the University of Botswana as a lecturer in Finance, under the Accounting and Finance Department.

COMMITTEE MEMBERSHIP

Chose Modise

Executive Director

Chief Executive

APPOINTED **2022**

QUALIFICATIONS

Fellow Member of the Botswana Institute of Chartered Accountants (FCPA) • Fellow member of the Association of Chartered Certified Accountants (FCCA)

EXPERIENCE

Chose Modise has been a Director since 1st January 2022 following his service as the Chief Financial Officer from December 2018, a role he executed exceptionally. Mr Modise is a finance professional with experience in the fields of finance, auditing and risk management obtained through the various leadership roles he has held across various sectors spanning from FMCG, Hospitality, Banking to Insurance. He also has multi-national corporation commercial experience, having worked for SABMiller Africa & Asia based in Johannesburg looking after 18 countries. He has a wealth of board experience gained from multiple boards across different markets in Africa including Botswana.

COMMITTEE MEMBERSHIP

COMMITTEE MEMBERSHIPS BAC BRMC BCC RemCo BITC Committee chairperson * Invitee

BOARD OF DIRECTORS (Continued)

Non-executive directors

Antonio Caroto Coutinho

Non-Executive Director

APPOINTED **2021**

QUALIFICATIONS

B.Com (Accounting), University of Pretoria, South Africa • Management, Henley Management College, United Kingdom

EXPERIENCE

Antonio Coutinho is currently the Regional Chief Executive for Southern and Central Africa in Standard Bank Africa Regions, looking after a portfolio of 7 countries (Botswana, Eswatini, Lesotho, Mozambique, Namibia, Zimbabwe and Zambia). Prior to this he was the Chief Executive of Angola and Chief Executive of Standard Bank Mozambique. He has been in Banking for over 23 years, and he is an International Business Executive with a proven track record of success integrating business systems and financial expertise. He also serves as Board member of Standard Bank Eswatini, Stanbic Bank Zambia, Standard Lesotho Bank, Standard Bank de Angola, Stanbic Bank Mozambique and Stanbic Bank Botswana Limited.

COMMITTEE MEMBERSHIP

Rudie De Wet

Non-Executive Director (Independent)

Chairperson, Remuneration Committee

APPOINTED **2015**

QUALIFICATIONS

B. Arch, University of Pretoria

EXPERIENCE

Rudie De Wet is a Director at Dewet Drilling Botswana a company managing / co-managing various drilling and civil engineering projects in Botswana. He is a director and shareholder of Dewet Drilling (Pty) Ltd, DWD Technologies Group (Pty) Ltd, Albertina Ranch (Pty) Ltd and Seleka Ranch (Pty) Ltd. Mr De Wet is a non-executive director with SeedCo International and also serves as Vice Chairman of Botswana Wildlife Producers Association.

COMMITTEE MEMBERSHIP

COMMITTEE MEMBERSHIPS BAC BRMC BCC RemCo BITC Committee chairperson * Invitee

BOARD OF DIRECTORS (Continued)

Non-executive directors

Mohamed Ismail

Non-Executive Director (Independent)

Chairperson, Board Credit Committee

APPOINTED **2015**

EXPERIENCE

Mohamed Ismail is a versatile, delivery focused, assertive business leader with over forty years of experience in leading the Ismail Group of Companies, being a successful diversified portfolio of businesses ranging from petroleum retailing, liquefied petroleum gas (LPG) distribution and Quick Service Restaurants. He is the master franchisee for Chicken Licken outlets in Botswana.

COMMITTEE MEMBERSHIP

Mthabisi Bokete

Non-Executive Director (Independent)

Chairperson, Board Information and Technology Committee

APPOINTED **2020**

QUALIFICATIONS

B Eng. (Hons) Mechatronics

EXPERIENCE

Mthabisi Bokete, is an established innovative youth entrepreneur and the founder and CEO of the multi award winning software company, Digital Natives, which is focused on digital design and marketing. Digital Natives designed and introduced a Mobile Digital Wifi Enabled Truck it also Developed a KYC app called Digital Dimond which took 1st Place in the Regional SADC's Innovation Investment competition. Amongst other awards Mthabisi also won the 2019 Total Startupper competition and Huawei Most Innovative App 2017. To date he founded Stock Africa, an Agricultural Commodity Aggregator platform and DialX, an Artificial Intelligence Customer and Staff Enablement Systems, Mthabisi was also nominated for the Africa Forbes 30 Under 30 2020 List and a TEDx Speaker for the event.

COMMITTEE MEMBERSHIP

COMMITTEE MEMBERSHIPS BAC BRMC BCC RemCo BITC Committee chairperson * Invitee

BOARD OF DIRECTORS (Continued)

Non-executive directors

Butler Phirie

Non-Executive Director (Independent)

Chairperson, Board Audit Committee

APPOINTED **2022**

QUALIFICATIONS

Bachelor of Commerce Degree (Bcomm) • Fellow Chartered Certified Accountants (FCCA) • Fellow Chartered Accountant (Botswana Institute of Chartered Accountants) (FCA Bots)

EXPERIENCE

Butler Phirie has over thirty-five (35) years' experience in advisory, external audit, accounting, taxation, internal audit and financial management. Mr Phirie held the role of Country Senior Partner at PwC when he retired in 2021. Prior to that he worked at Botswana Development Corporation (BDC) from 1992 to 2001 and Coopers & Lybrand from 1984 to 1991. His experience spans a cross section of the Botswana economy in both private and public sector industries. Mr. Phirie is a former President of Botswana Institute of Accountants, and he is also providing leadership to Business Botswana.

COMMITTEE MEMBERSHIP

Mark Haskins

Non-Executive Director (Independent)

APPOINTED **2022**

QUALIFICATIONS

Certificate in Management Principles • Certificate in MBA Essentials

EXPERIENCE

Mark Haskins is an established entrepreneur with strategic and entrepreneurial experience in leading thriving medium to large enterprises in the security, retail and distribution industries. He owned the DHL International franchise operating in Francistown from 2007 to 2021. He was the Managing Director and shareholder of Security Services Botswana (Pty) Ltd from 2014 to 2018. He is currently a shareholder of J Haskins & Sons (Pty) Ltd, which is notably one of the oldest companies in Botswana, where he draws down experience from a company that has been in business for 125 years. He also runs his own companies: Webb Enterprises (Pty) Ltd and QB Holdings (Pty) Ltd which are property management companies. Mr Haskins is employed at Benju (Pty) Ltd as Chief Operations Officer, a beverage distribution company representing some of the world's largest brands.

COMMITTEE MEMBERSHIP

COMMITTEE MEMBERSHIPS BAC BRMC BCC RemCo BITC Committee chairperson * Invitee

BOARD OF DIRECTORS (Continued)

Non-executive directors

Larona L. B. Somolekae

Non-Executive Director (Independent)

Chairperson, Board Risk Management Committee

APPOINTED **2022**

QUALIFICATIONS

Master of Science in Law and Finance (MSc) (Oxford) • Master of Laws (LLM) (Harvard) • Bachelor of Laws with distinction (LLB) (Wits)

EXPERIENCE

Ms Somolekae is the youngest woman to serve on the board of Stanbic Bank Botswana Limited. She has experience as a banking and finance lawyer and has worked at leading pan-African corporate law firm Bowmans in South Africa, as well as a corporate law firm in Botswana. Having on-the-ground experience of working in two adjacent but different African jurisdictions has given her nuanced regional Africa experience. She has also gained international legal experience while working as an International Visiting Lawyer on secondment to the London office of global bank Standard Chartered in the Global Banking-Europe team, as well as the London office of global law firm, Norton Rose Fulbright in the Project Finance Department with a focus on energy, infrastructure, and natural resources (through the highly selective ILFA Flagship Programme, for Africa's brightest legal professionals).

She has served on the Board of the Harvard Law School Recent Graduates' Network and serves on the Board of the Thapong Visual Arts Centre. Ms Somolekae has provided thought leadership from a pan-African and interdisciplinary perspective on financial regulation particularly the regulation of mobile money/fintech, improving the investment climate in Africa, emerging business risks, and the socio-economic effects of the COVID-19 pandemic.

COMMITTEE MEMBERSHIP

Lungisa Fuzile

Non-Executive Director

APPOINTED **2022**

QUALIFICATIONS

Bachelor of Commerce Economics (Honours) (University of KwaZulu-Natal – formerly University of Natal) • Master of Commerce (Economics) (University of Kwazulu-Natal) • Advanced Management Programme (Harvard)

EXPERIENCE

Lungisa Fuzile is currently the Chief Executive of Standard Bank South Africa and has held this role since January 2018. He is responsible for overseeing and providing leadership to the executive team charged with running the business operations of the bank. Prior to this, he worked in the public sector for over 20 years. He was the Director General at the National Treasury of South Africa, a role he held for 6 years responsible for the successful execution of the legislative mandate of the National Treasury.

Lungisa is a member of the Standard Bank of South Africa Board and the Group Leadership Council. He chairs the South Africa Executive Committee and its appropriate sub committees in addition to being a director of the Standard Bank Tutuwa Community Foundation. He is also the Chairperson of the Banking Association of South Africa Board, a member of the Business Leadership South Africa Board and a Council member for the Walter Sisulu University.

COMMITTEE MEMBERSHIP

COMMITTEE MEMBERSHIPS BAC BRMC BCC RemCo BITC Committee chairperson * Invitee

BOARD OF DIRECTORS (Continued)

Non-executive directors

Batsho Dambe-Groth

Non-Executive Director (Independent)

APPOINTED **2022**

QUALIFICATIONS

BSc degree in Applied Psychology specialising in Occupational Psychology, University of Wales Institute of Science and Technology • Certified Global Remuneration Professional (GPA) from WorldatWork, USA compensation organisation

EXPERIENCE

Batsho is a recipient of the prestigious US Department of State Humphrey Fellowship under the Fulbright Programme, where she spent a sabbatical in the human resources industry in the United States. With over 30 years' experience, Batsho began her career with DeBeers Botswana and progressed in the human resources field working in the mining, parastatal, insurance and financial services sectors, progressing up to executive levels. Batsho has served on the Board of the BIHL Group and was the first female Chairperson of a listed financial services entity in Botswana. At BIHL she also served as Chairperson of the Remuneration Committee. Batsho was an independent non-executive Board member in the petroleum industry at Botswana Oil, where she was also the Chairperson of the Human Resources and Nominations Committee. Batsho Dambe-Groth is the Managing Director of Dambe-Groth Pty Ltd t/a Resource Logic, a business that specialises in human resources and business solutions, and a Director of Botswana Craft Marketing, Etsha Weavers Group, Boitekanelo, Loapi, Gems of Kalahari, and is a Council Member of Maru-a-Pula School, chairing the Human Resources Committee.

COMMITTEE MEMBERSHIP

Michaela Alves Da Silva

Non-Executive Director (Independent)

APPOINTED **2023**

QUALIFICATIONS

Chartered Global Management Accountant (UK) • Fellow Member of the Botswana Institute of Chartered Accountants (FCPA) • Member of the Institute of Chartered Global Management Accountants (CGMA)

EXPERIENCE

Appointed July 2023 Ms Da Silva is an experienced senior finance professional with a wealth of local and international Corporate Finance, Financial Management and Corporate Strategy experience across various sectors and industries. She possesses Top 4 and UK listed company experience gained in senior roles. She is currently the Co-Founder & Managing Director of Rera Partners, a local company which specialises in providing SMME's Corporate Finance and Management Consultancy services. Ms Da Silva has also served on the Botswana Institute of Chartered Accountants Training and Development Committee, and she currently serves on the Cheetah Conservation Botswana Board as an Independent Director (Pro-Bono) since August 2011.

COMMITTEE MEMBERSHIP

COMMITTEE MEMBERSHIPS BAC BRMC BCC RemCo BITC Committee chairperson * Invitee

COUNTRY LEADERSHIP COUNCIL

Chose Modise
Chief Executive

APPOINTED **2022**

QUALIFICATIONS
Fellow Member Association of Chartered Certified Accountants (FCCA) • Association of Accounting Technician (AAT) • Pre-Entry Science.

Joined the group: 2018

Realeboga Phoi
Chief Finance and Value Management Officer

APPOINTED **2022**

QUALIFICATIONS
Fellow Member Association of Chartered Certified Accountants (FCCA) • Association of Accounting Technician (AAT)

Joined the group: 2017

Lesego Osman
Head, Business and Commercial Banking

APPOINTED **2023**

QUALIFICATIONS
Masters in Business Administration - Finance • Diploma in Bank Credit Management • Bachelor of Information Systems • Association of Chartered Certified Accountants.

Joined the group: 2023

Morufhi Masikara
Head, Corporate and Investment Banking

APPOINTED **2023**

QUALIFICATIONS
Masters in Development Finance • BCom Honours, Financial Analysis & Portfolio Management.

Joined the group: 2014

Portia Motshegare
Head, Personal and Private Banking

APPOINTED **2021**

QUALIFICATIONS
MBA Marketing and Management • Bachelor Of Arts, Social Sciences • Certificate in Digital Disruptions • Certified Retail Banker

Joined the group: 2012

Titose Musa
Head, Compliance

APPOINTED **2023**

QUALIFICATIONS
Bachelor of Arts • Master of Science in Strategic Management

Joined the group: 2023

Stephane Sandridge
Head, Brand and Marketing

APPOINTED **2019**

QUALIFICATIONS
Bachelor of Business Administration (Marketing) • Digital Marketing - Red & Yellow Digital Marketing School.

Joined the group: 2015

Kabo Molomo
Head, Credit

APPOINTED **2020**

QUALIFICATIONS
- Bachelor of accounting • ACCA • Master of Business Administration

Joined the group: 2020

COUNTRY LEADERSHIP COUNCIL (Continued)

Mmoloki Letshwao
Head, Risk

APPOINTED **2023**

QUALIFICATIONS
Bachelor of Accountancy • Association of Chartered Certified Accountants (Level 2) • Global Institute of Internal Auditors • Botswana Institute of Bankers • Association of Certified Fraud Examiners • Certified Anti Money Laundering Specialist

Joined the group: 2015

Pinkie G. Douglas
Head, People and Culture

APPOINTED **2023**

QUALIFICATIONS
Bachelor of Commerce (Honours) Organisational Psychology • Bachelor Of Social Science Labour, HR and Organisational Psychology

Joined the group: 2008

Boitumelo Banabotlhe
Head, Internal Audit

APPOINTED **2024**

QUALIFICATIONS
Bachelor of Accountancy (BACC) • Management Development Programme (MDP) Member • Fellow Member Association of Chartered Certified Accountants (FCCA)

Joined the group: 2024

Mopati Dawn Thomas Mpedi
Head, Operations

APPOINTED **2024**

QUALIFICATIONS
Bachelor of Business Administration in Management

Joined the group: 2024

Masaitseweng Binns
Head, Strategy Enablement

APPOINTED **2024**

QUALIFICATIONS
Master of Science Degree in Strategic Management • Marketing Management Institute of Marketing Management (IMM) • Financial Advisory Chartered Institute of Insurance

Joined the group: 2024

Siamisang T Morolong
Head, Legal and Governance

APPOINTED **2014**

QUALIFICATIONS
Master of Laws (Intellectual Property) • Bachelor of Laws

Joined the group: 2014

4. Board composition

The Board is currently composed of twelve (12) directors; nine (9) independent non-executive directors, two (2) non- executive directors and one (1) executive director.

Gender

Age

Nationality

Tenure

Independence

5. Board responsibilities

Ultimate responsibility for governance rests with the Board of Directors (Board). The key mandate of the Board, which forms the basis for its responsibilities, is to ensure that the bank is a sustainable organisation capable of fulfilling its stated objectives. The Board is committed to achieving high standards of corporate governance, through transparency, accountability, good performance, effective controls, integrity and a sound ethical culture across all group activities.

The bank has a unitary Board structure and the roles of the Chairman, and the Chief Executive are separate and distinct. The Chairman is an independent non-executive director. The number and stature of independent non-executive directors ensures that sufficient independence is brought to bear on decision making.

6. Board meetings

During the year, the Board held thirteen (13) meetings, including the annual strategy session and Board training. In addition to standard items on the Board agenda, which includes compliance and governance matters, the Board's key focus areas in 2023 which was the first year of the *Letsema 2025*. Transitioning from the Legacy221 strategy, there was a continued focus on strengthening risk & conduct, stabilising the technology landscape and solving for liquidity. Further to that, the Board ensured the bank's delivery on the additional growth levers of the *Letsema 2025* strategy; Beyond Banking Revenue, Data as a tool to drive business decisions, Financial Inclusion and SEE/ESG.

The Board of Directors is provided with comprehensive documentation ten days prior to each of the scheduled meetings. A secure electronic Board management system is used to access Board papers and materials. Board packs are made available via this system prior to meetings, allowing adequate time for the Board members to apply their minds to the content.

All the Directors have attended at least seventy (70%) of all the meetings and activities for the year. In 2023, attendance by Directors at the meetings of the Board was as follows:

	Special Meeting	Quarter 1	Special Board - BoB Presentation	Board Training	Special Board- Appointment of BAC members	Special Meeting - AGM	Succession Planning	Quarter 2	Quarter 3	Board Training	Board Strategy	Quarter 4	Special Meeting
Board Member	17 Feb 2023	24 Mar 2023	25 Apr 2023	27 Apr 2023	09 May 2023	10 May 2023	14 Jun 2023	15 Jun 2023	24 Aug 2023	12 Oct 2023	18-21 Oct 2023	1 Dec 2023	12 Dec 2023
C Granville (Chair)*	√	√	√	√	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a
M Ismail	√	√	-	√	√	√	-	√	√	-	√	√	√
P R De Wet	√	√	-	√	√	√	√	√	√	√	√	√	-
Dr T T K Matome (Chair)**	√	√	√	√	√	-	√	√	√	√	√	√	√
M Bokete	√	√	√	√	√	√	√	√	√	√	√	√	√
A Coutinho	-	√	√	√	√	√	√	√	√	-	√	√	-
L Fuzile	-	√	-	√	√	√	√	√	√	-	√	√	√
M Haskins	√	√	√	√	√	-	√	√	√	-	√	√	√
B Phirie	√	√	√	√	√	√	√	√	√	√	√	√	√
L Somolekae	√	√	√	√	√	√	√	√	√	√	√	√	√
B Groth	√	√	√	√	√	√	√	√	√	√	√	√	√
M Alves Da Silva ***	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	√	√	√	√	√
M R Motswaiso ****	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	√	√	√	√	-

* C Granville resigned from the committee on 10 May 2023
**Dr TTK Matome was appointed as the new Chairperson of the Board on 11 May 2023.
*** M Alves Da Silva was appointed to the committee on 28 July 2023.
**** M R Motswaiso was appointed to the committee on 28 July 2023 and resigned from the committee on 18 December 2023
√ attended
- absent
n/a – not a member

7. Board Committees

The Board retains effective control through the corporate governance framework and delegates certain functions to its committees according to clearly defined mandates and decision-making rights set by the framework. The role played by Board Committees is key in facilitating the discharge of the Board's responsibilities. This allows the board to allocate sufficient attention to the matters reserved for its decision-making, while also ensuring that delegated matters receive in-depth focus. Committee chairmen are accountable for the effective functioning of board committees.

7.1 Board Risk Management Committee (BRMC)

BRMC is mandated with the responsibility to ensure quality, integrity, reliability and independence of the bank's risk management functions. The committee assists the Board in the discharge of its duties relating to corporate accountability and associated risks in terms of management, assurance and reporting. The BRMC reviews and assesses the integrity of the risk control systems and ensures that risk policies and strategies are effectively identified, managed and monitored to contribute to a climate of discipline and control, to reduce the impact of risk, including fraud, in all areas of operation. For the year under review, the committee is satisfied that it has fulfilled its obligations in terms of its mandate. In discharging its responsibilities, as set out in the committee's terms of reference, the following were some of the key focus areas that were considered and approved for the year: Risk appetite and risk profile for the bank's banking operations; on a quarterly basis, reviewed detailed risk management reports which covered key risk types, including credit, operational, country and market risk across the bank; reviewed quarterly reports on legal and reputational risk. The Committee also considered regulatory matters including updates on regulatory developments, with continued focus on AML (Anti-money laundering); and approval of the macroeconomic scenarios for the running of the Internal Capital Adequacy Assessment Process (ICAAP) stress testing process.

BOARD RISK MANAGEMENT COMMITTEE ATTENDANCE 2023

Board Member	Quarter 1 20/03/2023	Quarter 2 13/06/2023	Quarter 3 21/08/2023	Quarter 4 28/11/2023
A Coutinho	√	√	√	√
Dr TTK Matome (Chair) *	√	n/a	n/a	n/a
M Bokete	√	√	√	√
L Fuzile	√	√	√	-
L Somolekae (Chair) **	n/a	√	√	√

✓ Attended - Absent n/a Not a member of the committee * Changes to the committee composition. Refer to the detail below.

*Dr TTK Matome resigned from the committee on 11 May 2023.
** L Somolokae was appointed as the chairperson of the committee on 12 May 2023.

7.2 Board Credit Committee (BCC)

The purpose of the bank's Board Credit Committee is to ensure that effective credit governance is in place to provide for the adequate management, measurement, monitoring and control of credit risk including country risk. For the year under review, the committee is satisfied that it has fulfilled its obligations in terms of its mandate. In discharging its responsibilities as set out in the committee's terms of reference, the following were some of the key strategic focus areas for the year: supporting clients by offering repayment moratoriums to assist with management of their financial performance to survive the current economic conditions and ensuring we maintain the right appetite for our credit offerings.

BOARD CREDIT COMMITTEE ATTENDANCE 2023

Board Member	Quarter 1 21/03/2023	Quarter 2 12/06/2023	Quarter 3 22/08/2023	Special BCC 17/10/2023	Quarter 4 27/11/2023
M Ismail (Chair)	√	√	√	√	√
P R De Wet *	n/a	–	√	√	√
C Granville **	√	n/a	n/a	n/a	n/a
L Somolekae ***	√	n/a	n/a	n/a	n/a
Dr TTK Matome ****	√	n/a	n/a	n/a	n/a
B Groth	n/a	√	√	√	√
M Haskins	n/a	√	√	√	√

✓ Attended - Absent n/a Not a member of the committee * Changes to the committee composition. Refer to the detail below.

* P R De wet was appointed to the committee on 11 May2023.
** C Granville resigned from the committee on 10 May 2023.
*** L Somolekae resigned from the committee on 11 March 2023.
**** Dr TTK Matome resigned from the committee on 31 March 2023.

7.3 Board Audit Committee (BAC)

The role of the BAC is to assist the Board with discharging its responsibility to safeguard the bank's assets, maintain adequate accounting records and develop and maintain effective systems of internal control. The Committee provides a channel of communication between the Board, management, regulatory authorities, internal auditors, and the external auditors. The overall objective of the Committee is to ensure that management has created and maintained an effective control environment in the organisation and demonstrates and stimulates the necessary respect of the internal control structure amongst all parties. For the year under review, the committee is satisfied that it has fulfilled its obligations in terms of its mandate. In discharging its responsibilities as set out in the committee's terms of reference, the following were some of the key focus areas for the year: reviewed and approved internal audit's charter and approved the internal audit plan, reviewed quarterly reports from internal audit which covered progress with audit plan delivery; review of financial reports including quarterly financial updates and updates on liquidity and capital planning and management and review of reports on fraud risk and investigations; considered and approved the external auditor's appointment as well as external auditors reports.

BOARD AUDIT COMMITTEE ATTENDANCE 2023

Board Member	Quarter 1 22/03/2023	Quarter 2 14/06/2023	Quarter 3 23/08/2023	Quarter 4 29/11/2023
L Somolekae *	√	√	n/a	n/a
C Coutinho	√*	√*	√*	√*
B Phirie(Chair)	√	√	√	√
R De Wet *	√	√	n/a	n/a
M Alves Da Silva **	n/a	n/a	√	√
M R Motswaiso ***	n/a	n/a	√	√

✓ Attended - Absent n/a Not a member of the committee * Changes to the committee composition. Refer to the detail below.

* L Somolekae and R De Wet resigned from the committee on 27 July 2023.
** M Alves Da Silva was appointed to the committee on 28 July 2023
*** M R Motswaiso was appointed to the committee on 28 July 2023 and resigned from the committee on 18 December 2023.

7.4 Board Information and Technology Committee (BITC)

The purpose of the BITC is to assist the Board to fulfil its oversight responsibilities for the bank's investments, operations and strategy in relation to Information Technology (IT) and to ensure that relevant Governance Standards are being effectively implemented by management and that the Board receives assurance on the effectiveness thereof. During 2023, five quarterly committee meetings were held. In discharging its responsibilities as set out in the committee's terms of reference, the following were some of the key focus areas for the year - the approval of IT and data standards including a review of the bank's IT strategy, and the Head of Technology and Operations quarterly reports; considered an overview of cybercrime and cyber sub-risks affecting the financial services industry.

BOARD INFORMATION AND TECHNOLOGY COMMITTEE ATTENDANCE 2023

Board Member	Quarter 1 20/03/2023	Quarter 2 12/06/2023	Quarter 3 21/08/2023	Quarter 4 27/11/2023
M Bokete(Chair)	√	√	√	√
T T K Matome *	n/a	√	√	√
C Granville **	√	n/a	n/a	n/a
M Haskins	√	√	√	√
B Phirie ***	√	√*	n/a	n/a
S Somolekae	n/a	√	√	√

✓ Attended - Absent n/a Not a member of the committee * Changes to the committee composition. Refer to the detail below.

*Dr TTK Matome was appointed to the committee on 11 May 2023.
** C Granville resigned from the committee on 10 May 2023.
*** B Phirie resigned from the committee on 11 May 2023.

7.5 Board Remuneration Committee (RemCo)

The Board has delegated the RemCo to provide general oversight on the formulation and implementation of effective and efficient Human Capital Strategy and Policies and to ensure that the strategy and policies are consistent with the bank's culture, the bank's overall strategic objectives and control environment. For the year under review, the committee is satisfied that it has fulfilled its obligations in terms of its mandate. In discharging its responsibilities as set out in the committee's terms of reference, the following were some of the key focus areas for the year: talent and succession planning including the executive management succession plans and training as well as roll-out of the future-ready structure.

BOARD REMUNERATION COMMITTEE ATTENDANCE 2023

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Board Member	21/03/2023	13/06/2023	22/08/2023	28/11/2023
R De Wet(Chair)	√	√	√	√
M Haskins *	√	n/a	n/a	n/a
C Granville **	√	n/a	n/a	n/a
M Ismail	√	√	√	√
B Groth ***	n/a	√	√	√
TTK Matome ****	n/a	√	√	√

✓ Attended - Absent n/a Not a member of the committee *Changes to the committee composition. Refer to the detail below.

* M Haskins resigned from the committee on 11 May 2023 .
** C Granville resigned from the committee on 10 May 2023.
*** B Groth was appointed to the Committee 31 March 2023.
**** Dr TTK Matome was appointed to the committee on 11 May 2023.

8. Board and Committee Meeting Attendance

The overall attendance of the Board and Committee meetings was satisfactory. None of the directors was absent for more than 30% of the meetings.

9. Directors Remuneration

The Board is remunerated in accordance with the Subsidiary Governance Framework (the Framework), which is aimed at setting the minimum standards on governance practices for SBG entities. in line with Principle 14 of the Framework, it is the responsibility of the shareholders to ensure that directors' remuneration is reviewed on an annual basis and benchmarked against local peers. To achieve this, the office of the Secretariat conducts an annual benchmarking exercise, with focus on competitor financial institutions and other non-bank financial institutions on Board fees and other forms of remuneration. A recommendation on appropriate fees is thereafter made to the Board and ultimately to the shareholder for approval. The below was the remuneration of the board of directors for the financial year 2023:

Board fees	Designation	2023 Board fees
Main Board Retainers	Board Chairman	196 381
	Board Members	98 191
Main Board Sitting fees	Board Chairman	49 095
	Board Members	32 730
Committee Retainers	Committee Chairman	65 460
	Committee Members	49 750
Committee Sitting fees	Committee Chairman	24 548
	Committee Members	16 365
Board Audit Committee Retainers	Committee Chairman	115 210
	Committee Members	99 500
Board Audit Committee Sitting fees	Committee Chairman	40 913
	Committee Members	32 730

10. Strategy setting and performance monitoring

The bank's strategy is the responsibility of the Board. This is considered and approved by the Board at a meeting dedicated for that purpose. The Board monitors the bank's performance on an ongoing basis. Performance is monitored by way of quarterly management reports and presentations at Board meetings. Deep-dive sessions are held on each business unit's performance and heads of business units attend Board meetings, as required, increasing contact between the Board and Management.

The annual strategy session with the Board was held from 18-21 October 2023. The annual strategy session allows for the Board and Management to engage solely on strategic matters, including agreed key focus areas.

11. Skills, knowledge, experience, and attributes of directors

The Board is of appropriate size. The collective background of the Board members provides a balanced mix of skills, demographics, genders, nationalities, experience, and tenures to enable it to fulfil its governance role and responsibilities objectively and effectively. The Board possesses the skills, knowledge, and experience necessary to fulfil its obligations. The Directors bring a balanced mix of attributes and experience to the Board, including Financial Services; Risk Management and Controls; Accounting and Auditing; IT and Digital; People Development / Diversity and Inclusion; Governance and Stakeholder Engagement.

12. Access to information

Directors have unrestricted access to the bank's management and company information, and the resources required to carry out their duties and responsibilities. Access to external specialist advice is available to directors at the bank's expense in line with the Board-approved policy for obtaining independent professional advice by directors.

13. Directors' Declarations and Conflicts of interest

Directors declare their professional and business interests to the Board before assumption of office and this declaration is continuously reviewed and updated where there are changes.

The Board is committed to acting in the best interest of the bank, in good faith and without undue personal conflicts of interest. All Board decisions are consistently based on ethical foundations in line with the bank's values. In line with King IV, at the beginning of each meeting all members are required to declare any conflicts of interest they have in respect of matters on the agenda. Any such conflicts are proactively managed, as determined by the Board and subject to legal provisions. The Company Secretary maintains a register of directors' interests as they occur. The Board is aware of outside commitments of directors and is satisfied that directors allocate sufficient time to enable them to discharge their oversight responsibly.

14. Rotation of directors

In accordance with the Companies Act, one-third of the non-executive directors are required to retire annually, and, if available and eligible, may stand for re-election at the company's annual general meeting (AGM).

15. Independence assessment

The Board deliberates and approves the categorisation of directors as independent using the criteria set out in the King Code. When assessing independence of directors, the review process includes a self-assessment by each director as well as consideration of each director's circumstances by the Board. To promote and enhance diversification, transparency and independence of the Board, the representation of the related persons of the board is restricted to one-third of the board membership in line with the Bank of Botswana Guidelines on Corporate Governance. Consideration is also given to whether directors' interests, position, association or relationships, are likely to influence unduly or cause bias in decision-making when judged from the perspective of a reasonable and informed third-party.

16. On Going Director Training

Directors are kept abreast of applicable laws and regulations, changes to legislation, standards and codes, and relevant financial sector developments that could affect the bank and its operations. Continuing board education sessions are scheduled in advance to ensure full board participation. Ongoing director education ensures that the board has both the awareness of relevant trends and the appropriate skills to offer relevant counsel and provide effective oversight.

During the year under review the following training topics were considered:

- Environment, Social and Governance (ESG): Green Financing/ Green bonds and ESG Risks
- Risk Governance, Non-Financial Risk, Financial Risk & Strategic Risk
- Sovereign Risk
- Cyber security and Risk
- Anti-Money Laundering (AML)
- Internal Capital Adequacy Assessment Process (ICAAP)
- Integrated Recovery Plan (IRP)

17. Board effectiveness and evaluation

The Board and its Committees conduct annual self-evaluations to assess themselves against their objectives. The aim of the evaluation is to assist the Board in improving its effectiveness. The

outcome of the evaluation is discussed at a Board meeting and any areas of concern are addressed. Relevant action points are also noted for implementation. Directors also participate in peer reviews, which are conducted every year to assess individual performance and the outcome of the reviews is carried out by the chairperson in one-on-one discussion with individual directors. The performance of the Chairperson and the Chief Executive is also assessed annually.

18. Shareholder's responsibilities

The shareholder's role is to appoint the Board of directors, support them and direct supply of capital as appropriate.

19. Going concern

The Board has reviewed the facts and assumptions on which it relies and, based on these, continues to view the bank as a going concern for the foreseeable future.

20. Sustainability

The Group's commitment to sustainable development and ethical business practice is premised on our belief that the only way to grow shareholder value and manage business risk over the long term is to do our best to meet the needs of all our stakeholders. As such we continue to manage the Group's non-financial impacts and contributions in a balanced and considered manner – seeking to align the interests and expectations of all our stakeholders in a way that unites commercial opportunity with social and environmental responsibility.

It is the policy of the Group to set aside a considerable proportion of its after-tax profits for community development and support. Social and environmental responsibility remains an important part of the Group's culture.

21. Social responsibility

As an African business, the bank understands the challenges and benefits of doing business in Africa and owes its existence to the people and societies within which it operates.

The bank is committed therefore not only to the promotion of economic development but also to the strengthening of civil society and human well-being.

The bank concentrates its social investment expenditure in defined focus areas in order to make the greatest impact. These areas of focus are subject to annual revision as the country's socio-economic needs change.

22. Codes and regulations

The bank operates in a highly regulated industry and is committed to complying with legislation, regulation, and codes of best practice. It seeks to maintain the highest standards of governance, including transparency and accountability.

The bank complies with all applicable legislation, regulations, standards and codes.

23. Acknowledgements

Our sincere thanks go to our customers, staff and other stakeholders for their continued support over the past year. The guidance and diversity of the Board gives us added confidence to enable us to take our bank to the next level.

RISK MANAGEMENT AND CONTROL

The effective management of risk is critical to the reputation, earnings and financial position of Stanbic Bank Botswana Limited. A culture of encouraging sound economic decision-making, which adequately balances risk and reward, is embedded in all our banking activities.

A disciplined and integrated approach to managing risk is fundamental to the success of our operations. A description of the bank's approach to risk management covering a summary of the overall methodology and the management of individual types of risks explained.

Risk management approach

The bank's approach to risk management is based on a well-established governance process and relies on both individual responsibility and collective oversight, supported by comprehensive reporting. This key philosophy influences our risk culture and is evident in the actions and behaviour of our employees and leaders as they make decisions that balance risk and reward in order to optimise risk-based returns.

The bank has in place governance standards for all major risk types. All these standards are applied consistently across the bank and are approved by the Board. These standards form an integral part of the bank's governance structures, reflecting the expectations and requirements of the Board in respect of key areas of control across the bank. The standards ensure alignment and consistency in the manner that major risk types across the bank are identified, measured, managed, controlled and reported. The bank's risk governance structure emphasizes and balances strong independent oversight with clear ownership for risk control within each business unit.

The bank has entrenched three lines of defence for effective risk management. In the first line of defence is business unit management who are responsible for conducting business to meet set objectives (such as growth and return) and seek the best risk/return trade-offs. They are primarily responsible for risk management. Their assessment, evaluation and measurement of risk is an ongoing process integrated within the day-to-day activities of the business. This process includes the implementation of the bank's risk management framework, identification of risk issues and the implementation of remedial action where required. Business unit management owns and manages risks within their business units.

The second line of defense consists of the bank's Risk Management function which is independent of business unit management. The Risk Management function is primarily accountable for setting the bank's risk management framework and policy which emphasizes transparency, accountability and supports a common understanding among stakeholders of how the bank manages risk. The Risk Management function defines mandates, guidelines, and limits to keep business within risk appetite; they monitor the risk profile and identify potential breaches and initiate and track corrective actions. The Risk Management function is also charged with providing oversight and independent reporting to senior management at the risk management oversight committees and to the Board through the Board Risk Management Committee (BRMC).

The third line of defence consists of the Internal Audit function which provides an independent review of adherence to risk and control standards, mandates and guidelines, and is responsible for the assessment of the adequacy and effectiveness of the overall risk management framework and risk governance structures as identifiers of operational weakness. Internal Audit reports independently to the Board Audit Committee (BAC). An Internal Audit plan is subjected to Board Approval on annual basis and it is risk based such that key risks are considered as part of scope of work by the Internal Audit function.

RISK MANAGEMENT AND CONTROL (Continued)

RISK APPETITE AND RISK TOLERANCE

Risk appetite is the quantum of risk that the bank is willing to accept in the normal course of business in pursuit of its strategic and financial objectives. It is normal business practice that risks taken within "appetite" may give rise to expected losses, and these are adequately covered by expected earnings through provisioning. In defining its risk appetite, the bank takes into account its vision, mission, strategy, guiding principles, risk philosophy and capacity to bear risk.

Risk tolerance is an assessment of the maximum risk the bank is willing to sustain for short periods of time. It emphasises the "downside" of the risk distribution, and the bank's capacity to survive unexpected losses. The capacity to absorb unexpected losses depends on having sufficient capital and liquidity available to avoid insolvency. Risk tolerance typically provides a useful upper boundary for the bank's risk appetite.

The bank's Board has ultimate responsibility for the bank's strategic direction and an effective risk management culture, which includes evaluating key risk areas and ensuring that the processes for risk management and systems of internal control are implemented. It has delegated its risk-related responsibilities primarily to five committees: the Board Risk Management Committee (BRMC), Board Audit Committee (BAC), Board Credit Committee (BCC), Board Information Technology Committee (BITC) and Board Remuneration Committee (RemCo), with each committee focusing on different aspects of risk management.

INTERNAL AUDIT ASSURANCE

The bank's internal audit function operates under a mandate from the Board Audit Committee (BAC). Internal Audit's primary objective is to provide independent assurance to BAC on the quality of controls in the bank's operational activities. It assists the Executive Management team in meeting their business objectives by examining the bank's activities, assessing the risks involved and evaluating the adequacy and effectiveness of processes, systems and controls to manage these risks. Internal Audit applies a risk-based audit approach in executing its mandate. Material or significant control weaknesses and planned management remedial actions are reported to management and the BAC. These issues are tracked to ensure that agreed remedial actions have been implemented within agreed timelines. Overdue audit issues are also reported to the BAC on a quarterly basis.

BASEL II

The Basel Capital Adequacy Framework (Basel II) as defined by the Bank for International Settlements (BIS) is premised on three pillars, Pillar I: Minimum Capital Requirements, Pillar II: Supervisory Review Process, Pillar III: Market Disclosure, and aims at encouraging banks, through minimum capital requirements, to improve their risk management processes.

The bank complies with all capital adequacy requirements as prescribed by Bank of Botswana under the revised capital standard. The bank through its Treasury and Capital Management (TCM) unit, monitors capital adequacy with the aim of taking decisions that optimise capital.

The management of all significant risks to Stanbic Bank Botswana Limited and the general banking industry is discussed below:

Risk management in banking activities

Credit risk

Credit risk is the risk that a counterparty will be unable to pay the principal amount and interest in full when these falls due contractually. It is composed of obligor risk, risks associated with climate change, concentration risk and country risk and represents the largest source of risk to which banking entities in the group are exposed.

The bank has set in place comprehensive resources, expertise and controls to ensure efficient and effective management of credit risk, specifically in the banking activities, as described below.

- In lending transactions: credit risk arises through non-performance by a counterparty for credit facilities utilised. Such facilities are typically loans and advances, including the advancement of securities and contracts to support customer obligations (such as letters of credit and performance guarantees).
- In trading activities: credit risk arises due to non-performance by a counterparty for payments linked to trading related financial obligations.

Approach to managing credit risk

Credit risk is managed by means of a governance structure with clearly defined mandates and delegated authorities and the use of relevant credit assessment tools in the evaluation of new and outstanding facilities for customers under the respective business units discussed below.

Credit risk is managed through:

- maintaining a culture of responsible lending and a robust risk policy and control framework
- identifying, assessing and measuring credit risk across the group, from an individual facility level through to an aggregate portfolio level
- defining, implementing and continually re-evaluating risk appetite under actual and stressed conditions
- monitoring the group's credit risk exposures relative to approved limits
- ensuring that there is expert scrutiny and approval of credit risk and its mitigation independently of the business functions.

RISK MANAGEMENT AND CONTROL (Continued)

Corporate and Investment Banking (CIB)

The use of risk rating models combined with an in-depth knowledge and understanding of each customer is essential in assessing the credit risk of each CIB counter party. A consistent credit rating framework is in place to assist the bank in making credit decisions on new commitments and in managing the portfolio of existing exposures. The probabilities of default under these models are an important component of the formal credit assessment process of new and existing businesses. The validation and on-going enhancement of these models is a continuous focus area to ensure that the tools used in these credit assessments remain relevant and adequate.

Personal and Private Banking (PPB) and Business and Commercial Banking (BCB)

The nature of the product and strength of historical data is a fundamental dependence under credit risk management for the PPB and BCB customers. A diverse range of performance analysis techniques are applied across product sets and potential credits in recognition of the differing asset, maturity and individual or business profiles.

Rehabilitation and recovery form a key component of the credit cycle. All credit portfolios are closely monitored on a regular basis to evaluate the level of risk assumed against expected risk levels. This role is competently executed by a fully-fledged rehabilitation and recovery unit within the credit function.

Liquidity risk

Liquidity risk is defined as the risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

Liquidity risk arises if the bank cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due or can only do so at materially disadvantageous terms. Liquidity risk can arise from both internal and external risk factors.
A sound and robust liquidity management process is required to measure, monitor and manage liquidity exposures. The bank's liquidity management framework is principles based and is designed to measure and manage the liquidity position at various levels to ensure that all payment obligations can be met under both normal and stressed conditions without incurring additional costs.

Approach to managing liquidity risk

The nature of the Group's banking and trading activities gives rise to continuous exposure to liquidity risk. Liquidity risk may arise where counterparties, who provide the Group with short-term funding, withdraws or do not roll over that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

The bank manages liquidity in accordance with applicable regulations and within the bank's risk appetite framework. The bank's liquidity risk management governance framework supports the measurement and management of liquidity across both the corporate and retail sectors to ensure that payment obligations can be met, under both normal and stressed conditions. Liquidity risk management ensures that the bank has the appropriate amount, diversification and tenor of funding and liquidity to always support its asset base. The bank manages liquidity risk as three interrelated pillars, which are aligned to the Basel III and regulatory liquidity requirements.

The following elements are incorporated as part of a cohesive liquidity management process:

- Maintaining a structurally sound balance sheet;
- Foreign currency liquidity management;
- Ensuring the availability of sufficient contingency liquidity;
- Preserving a diversified funding base;
- Undertaking regular liquidity scenario/stress testing;
- Maintaining adequate liquidity contingency plans; and
- Short term and long-term cash flow management.

The cumulative impact of the above elements is monitored by the bank's Asset and Liability Committee (ALCO) and the process is underpinned by a system of extensive internal and external controls. The latter includes the application of purpose-built technology, documented processes and procedures, independent oversight by risk management and regular independent reviews and evaluations of the effectiveness of the system by both internal and external audit.

Active liquidity and funding management is an integrated effort across a number of functional areas. Short term cash flow projections are used to plan for and meet the day-to-day requirements of the business, including adherence to prudential and ALCO requirements. Long term funding needs are derived from the projected balance sheet structures and positions are regularly updated to ensure the bank's adherence to all funding governance. Liquidity contingency plans are designed to, as far as possible, protect stakeholder interests and maintain market confidence in order to ensure a positive outcome in the event of a liquidity crisis. The plans incorporate an extensive early warning indicator methodology supported by a clear and decisive crisis response strategy. These plans are reviewed periodically for relevance and reliability.

We maintain a prudent approach to liquidity management in accordance with the applicable laws and regulations, these include maintaining both the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) in excess of the set minimum risk appetites throughout 2023. These ratios are the main drivers of liquidity risk management, as such appropriate liquidity buffers were held in line with the assessment of liquidity risk in stressed market within which the bank operates.

Proactive liquidity management in line with the bank's liquidity standards ensured that, despite volatile and constrained but recovering market liquidity, adequate liquidity was maintained to fully support balance sheet strategies. This has been achieved through continuous engagements between Treasury and Capital Management, Risk and Business units in which the liquidity risk with respect to on and off-balance sheet positions, are carefully monitored. At the same time, consideration has

RISK MANAGEMENT AND CONTROL (Continued)

been provided to the adequacy of contingent funding, ensuring sufficiency to accommodate unexpected liquidity demands. The bank continues to leverage the deposit franchises across the portfolio to ensure that it has the appropriate amount, tenor, and diversification of funding to support its current and forecast asset base while containing cost of funding at sustainable levels.

Market risk

Market risk arises from a decrease in the market value of a portfolio of financial instruments caused by an adverse move in market variables such as equity, bond and commodity prices, currency exchange rates, interest rates and credit spreads, as well as implied volatilities on all of the above. The bank's key market risks arise from:

- trading book
- interest rate risk in the banking book (IRRBB)
- foreign currency risk

Trading book

Definition

Market risk in the trading book is represented by financial instruments, including commodities, held in the trading book, arising out of normal global markets' trading activity.

Approach to managing market risk in the trading book

The bank's policy is that all trading activities are undertaken within the bank's global markets operations. The market risk function is independent of the bank's trading operations and is accountable to ALCO. ALCO has a reporting line into the Country Leadership Council (CLC).

The market risk team is responsible for identifying, measuring, managing, monitoring, and reporting market risk as outlined in the market risk governance standard. Exposures and excesses are monitored and reported daily. Where breaches in limits and triggers occur, actions are taken by market risk function to bring exposures back in line with the approved market risk appetite, with such breaches being reported to management and ALCO.

Value at Risk (VaR) and Stress Value at Risk (SVaR)

The bank uses the historical VaR and SVaR approach to quantify market risk under normal and stressed conditions.

For risk management purposes VaR is based on 251 days of unweighted recent historical data updated at least monthly, a holding period of one day and a confidence level of 95%.

SVaR uses a similar methodology to VaR, but is based on 251-day period of financial stress which is reviewed quarterly and assumes a ten-day holding period and a worst-case loss.

VaR is calculated on the basis of exposures outstanding at the close of business and, therefore, does not necessarily reflect intra-day exposures. VaR is unlikely to reflect loss potential on exposures that only arise under significant market movements.

Market risk exposures resulting from trading activities are contained within the bank's Corporate and Investment Banking trading operations. The Board grants authority to take market risk exposure to ALCO. The bank manages market risk through a range of market risk limits and triggers. It uses a suite of risk measurement methodologies and tools to establish limits, including securities revaluation models (Mark to Market), PV01 (Present value of the nominal at the adverse interest rates shock by one basis point), stress testing, loss triggers and other basic risk management measures and internal controls.

A clear segregation of duties as well as independent reporting lines exists between the bank's Global Markets, Global Markets Operations and Market Risk functions.

Foreign currency risk

The bank is exposed to foreign exchange risk and translation risk. Foreign exchange risk arises from recognised assets and liabilities and future highly probable forecast commercial transactions denominated in a currency that is not the functional currency of the bank. The risk is evaluated by measuring and monitoring the net foreign monetary asset value and the forecast highly probable foreign currency income and expenditures of the relevant group entity for each respective currency. Foreign currency risk is hedged with the objective of minimising the earnings volatility associated with assets, liabilities, income, and expenditure denominated in a foreign currency.

Translation risk arises on consolidation from recognised assets and liabilities denominated in a currency that is not the reporting currency of the Group and Company. The risk is evaluated by measuring and monitoring the net foreign non-monetary value of the relevant financial asset or liability for each respective currency.

Interest Rate Risk in the Banking Book (IRRBB)

RRBB refers to the current and/or future risk to the bank's earnings and capital arising from adverse movements in interest rates that affect the bank's banking book positions.

Changes in interest rates affect a bank's earnings by altering the level of NII generated from interest rate sensitive assets, liabilities and off-balance sheet items. The economic value of a bank is also affected when interest rates change, as the present value and timing of future cash flows change, influencing the underlying value of a bank's assets, liabilities and off-balance sheet items.

The governance framework adopted for the management of structural interest rate risk mirrors that of liquidity risk management in terms of committee structures and the setting of standards, policies and limits. This is also true for the monitoring process and internal controls.

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (IRRBB) (net interest income and banking bookmark to market profit or loss) and the economic value of equity. The bank's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the bank operates. The bank's Treasury and Capital Management team monitors banking book interest rate risk on a monthly basis operating under the oversight of ALCO. Interest rate risk management is predominantly controlled by a central treasury department (SBG Treasury) under approved policies.

RISK MANAGEMENT AND CONTROL (Continued)

Non-Financial risk

Non-Financial risk is the potential for loss resulting from the inadequacy of, or a failure in, internal processes, people, systems or external events.

The bank recognises the significance of non-financial risk, and the fact that it is inherent in all business units. The bank's non-financial risk governance standard codifies the core governing principles for non-financial risk management and defines a common framework with the basic components for the identification, assessment, management, monitoring and reporting of non-financial risk. This common framework defines the minimum requirements whilst ensuring an element of flexibility for each business unit's particular operating environment. This framework is further supported by a set of comprehensive non-financial risk management policies.

The bank's approach to managing non-financial risk has been the adoption of practices that are designed to improve the efficiency and effectiveness in the utilisation of the bank's resources, minimising losses and effectively exploiting opportunities. This approach is aligned to the bank's enterprise-wide risk management framework and adopts sound risk management practices recommended by the Basel II Accord's Sound Practices for the Management and Supervision of Operational Risk.

The bank's independent Non-Financial Risk management function performs control and oversight roles, including the implementation of a set of appropriate policies, governance standards and tools. These tools include:

- A centralised operational loss database providing management reports which are used to identify improvements to processes and controls arising from loss trends;
- Risk and Control Self-Assessments through which existing and emerging risks and their related controls are identified and assessed;
- Key Risk Indicators, which measure specific factors to provide an early warning to proactively address potential exposures;
- An escalation matrix that supports the identification, assessment, quantification and timely escalation of risks and risk incidents to management for appropriate decision-making; and
- A robust business resilience framework, with disaster recovery plans to ensure that the bank appropriately manages the adverse impact from unforeseeable disasters to the business and continues to provide services to its clientele at acceptable predefined levels.

Insurance risk

Insurance Risk Management includes oversight of the effective use of insurance aligned with the bank's risk management strategy and risk appetite. To provide additional protection from loss, the bank manages a comprehensive portfolio of insurance and other risk mitigating arrangements.

The bank further maintains a comprehensive insurance programme to cover residual risk as a result of losses from fraud, theft, potential liability claims, and damage to physical assets while additionally operating comprehensive internal audit and risk assurance programmes on the entire bank's operations.

Information Technology risk

Part of non-financial risk management speaks to the Information Technology (IT) component of the operational environment. The nature of the IT world dictates that the bank implements an effective risk management and control environment and to this end, the bank has adopted the following Frameworks:
Control Objective for Information and Related Technology (COBIT): This framework is used for governance and management of an IT enterprise. A robust control environment driven by clearly defined policies, processes and procedures as well as close monitoring of all system performance and access to the technology enabled assets are at the core of managing the technology risks. This also includes the availability of services offered through the technology domain.

Information Technology Infrastructure Library (ITIL): The bank has adopted the ITIL framework to manage IT service delivery which is at the core of our strategic delivery to ensure a continuation of service to our customers and our industry partners.

Information Security Forum's Standard of Good Practice: The bank has adopted this Standard as it is the most comprehensive and current source of information security controls available, enabling the bank to adopt good practice in response to evolving threats and changing business requirements.

In keeping with sound Corporate Governance practices, the Board ensures that prudent and reasonable steps have been taken with respect to fulfilling its responsibilities for Information Technology (IT) Governance. To assist the Board to fulfil this obligation, the Country Leadership Council has been delegated the authority of oversight of the management of IT Governance. The IT Steering Committee has therefore been formed as a sub-Committee of the Country Leadership Council and provides assurance to the Board regarding the performance of IT as a strategic asset.

The purpose of the Committee is to provide assurance to the Country Leadership Council and the Board that management has implemented effective Technology Governance structures that support the effective and efficient management of resources, the optimisation of costs and the mitigation of risk in a secure and sustainable manner. The Committee meets on a monthly basis and has a mandate from the BITC to which it reports on a quarterly basis.

RISK MANAGEMENT AND CONTROL (Continued)

Human Capital Risk

The Remuneration Committee serves as a subcommittee of the Country Leadership Council. The purpose of the committee is to provide focus and direction on Human Capital matters to ensure successful delivery of Human Capital strategies and plans and to ensure that the bank is resourced sustainably with a pool of diverse, highly skilled, motivated and effective workforce, capable of delivering on the bank's Strategy.

The committee meets on a monthly basis and is under a mandate of the Remuneration Committee (RemCo) to which it reports on a quarterly basis.

Business Resilience

Within the bank, Business Resilience is a specialist non-financial risk discipline enabled by three capabilities, which are integrated in a single framework to provide an agile, cohesive and coordinated suite of point-in-time response and recovery interventions to counter the financial and reputational impacts of worst-case operational disruptions.

The three Business Resilience capabilities within the bank are Emergency Response, Crisis Management and Business Continuity Management (BCM) which includes IT Service Continuity. Business Resilience ensures timely availability of all key processes which are required to support essential activities and customer services in the event of a disruption of business. The bank tests, both periodically and as appropriate, its business continuity plans, IT Disaster Recovery plan and conducts evacuation drills across all its points of representation with a view of testing the adequacy, reliability and resilience of the plans.

The bank continues to adopt a hybrid arrangement of splitting its workforce between working from the office, working from home and other alternative sites in the response to changes in the environment.

Compliance risk

Compliance is an independent core risk management function of the bank, which has unrestricted access to the BRMC, BAC, Chief Executive and the Chairperson of the Board. The bank ensures compliance to various Regulatory prescriptions such as laws, guidelines and policies by embedding the compliance risk management framework across all business areas.

The bank operates a centralised Compliance function which is run by a fully resourced specialised function that provides oversight on all aspects of Compliance: Regulatory Compliance, Training, Compliance Monitoring, Investigations and Fraud Risk as well as Anti-Money Laundering and Counter Financing of Terrorists and other financial crime. The Compliance function supports the management and Business Units of the bank by providing guidance on existing and emerging legislative developments through training and stakeholder engagements where relevant compliance issues are discussed. The purpose of these engagements is to ensure that compliance risk is managed by all staff and stakeholders of the bank in their respective positions.

The Compliance function also conducts monitoring reviews in accordance with the annual plan approved by the BAC to determine the adequacy of the controls and ascertain the level of compliance risk the bank faces in relation to the business function.

The Compliance function also houses the Investigations and Fraud Risk (IFR) unit. This unit focuses on fraud prevention, detection, investigation and whistle blowing activities. Awareness training and engagements are provided to the staff, stakeholders, merchants and clients. The bank maintains a zero-tolerance approach towards fraud and dishonesty.

Money Laundering Control

The bank ensures compliance to all Anti-money Laundering/ Combating Financing of Terrorism (AML/CFT) requirements in accordance with local laws and Group policies that are aligned to the Financial Action Task Force (FATF) recommendations. The recent changes in legislation have been incorporated into the bank's risk management framework and mitigating controls have been incorporated into the operational policies, processes and procedures to combat risks of money laundering and financing of terrorism across the bank's network. The bank's AML/CFT programme is supported by a robust surveillance system which provides enhanced screening of clients and transactions, thereby, safeguarding the bank, clients and the Botswana economy.

RISK MANAGEMENT AND CONTROL (Continued)

Occupational Health and Safety

The health and safety of employees, clients and other stakeholders and the environment continues to be a priority. The bank seeks to effectively identify, reduce or control accidents or injuries to employees, contractors and clients. The bank continues to focus on ensuring compliance with current legal and regulatory framework and ensuring that occupational health and safety procedures are closely linked to the operational needs of the business.

Environmental, Social and Governance Risk

Risks to the bank's ability to achieve its strategy arising from its direct and indirect impacts on the environment, society and governance.

The bank's activities give rise to climate-related risks and opportunities, both in respect of the bank's own operations and in respect of its lending to customers.

Climate-related risks and opportunities are considered qualitatively material to the bank due to investor and other stakeholder expectations, as well as the nature of the bank's activities. Such activities include the bank's own business operations, and its lending to customers that operate in sectors that are vulnerable to physical and transition risks.

In terms of physical risk, the impact of higher frequency and intensity of physical hazards such as droughts, floods, heat and water stress and others, could impair the business assets and operations of the bank's borrowers, leading to lower asset values, poorer credit quality and higher defaults, provisions and write-offs.

Regarding transition risk, the bank and the customers it transacts with, may face increases in risks associated with policy and legal changes, technology developments and market demand and supply dynamics. The bank and its customers may be exposed to higher costs associated with mitigation and adaptation strategies designed to manage the transition to a lower carbon economy. In the case of the bank's customers, such costs may affect the value of the bank's financial assets and potentially lead to lower credit quality and higher impairments.

Taxation risk

Taxation risk is the possibility of suffering losses, financial or otherwise, as a result of the misapplication of tax systems (whether in legislative systems, rulings or practices) applicable to the entire spectrum of taxes and other fiscal imposts to which the bank is subject.

The bank fulfils its responsibilities under tax law in relation to compliance, planning or client service matters. Tax law includes all responsibilities which the bank may have in relation to company taxes, personal taxes, capital gains taxes, indirect taxes and tax administration.

The identification and management of tax risk is the primary objective of the bank's tax and regulatory function, and this objective is achieved through the application of a tax risk matrix approach, which measures the fulfilment of tax responsibilities against the specific requirements of each category of tax to which the bank is exposed, in the context of the various types of activity the bank conducts. The bank has fully resourced personnel and systems for tax risk management and has access to advisory services from external specialists.

Reputational risk

Safeguarding the bank's reputation is of paramount importance to its continued operations and is the responsibility of every member of staff. Reputational risks can arise from social, ethical or environmental issues, or as a consequence of operational risk events. Stanbic Bank Botswana Limited's strong reputation is dependent upon the way in which it conducts its business, but it can also be affected by the way in which its clients, to whom it provides financial services, conduct themselves.

Management of all operating activities is required to establish a strong internal control structure to minimise the risk of operational and financial failure and to ensure that a full assessment of reputational implications is made before strategic decisions are taken. The bank sets clear standards and policies on all major aspects of the business and these standards and policies are integral to the bank's system of internal controls and are communicated through procedures, manuals and appropriate staff training.

Business/Strategic risk

Strategic risk is the risk of adverse outcomes resulting from a weak competitive position or from a choice of strategy, markets, products, activities or structures. Major potential sources of strategic risk include revenue volatility due to factors such as macroeconomic conditions, inflexible cost structures, uncompetitive products or pricing, and structural inefficiencies.

It is not cost effective to attempt to eliminate all business or strategic risk and it would not, in any event, be possible to do so. Events of small significance are expected to occur and are accepted as inevitable; events of material significance are rare, and the bank seeks to reduce the risk from these in a framework consistent with its expected risk profile and appetite.

RISK MANAGEMENT AND CONTROL (Continued)

Risk Data Aggregation and Risk Reporting (RDARR)

After the financial crisis in 2008, it became clear that banks did not have the necessary risk information readily available to understand their exposures to counterparties. Poor decisions were being made, based on poor data and supervisory regulators failing to identify and address large concentrations of risk taken on by some banks.

To rectify this, the Basel Committee on Banking Supervision (BCBS) published BCBS 239, "The Principles for Effective Risk Data Aggregation and Risk Reporting". The BCBS 239 standard introduces a global, overarching risk data aggregation and risk data reporting framework. It comprises a set of principles aimed at making sure the aggregation of data is such that banks can monitor risks accordingly and, importantly, report on them accurately and in a timely fashion.

RDARR is a business initiative within the bank that aims to strengthen our risk data aggregation capabilities, and internal risk reporting practices. RDARR is underpinned by the 11 BCBS 239 principles that are relevant to banks. RDARR provides openings to think and do things differently - to optimise the competitive advantages and market opportunities that comprehensive risk reporting and management of risk information can provide.

The backbone of the RDARR programme is risk data, how we aggregate, trace its origins, improve its quality and overall use of risk data as an asset from which to make informed and proactive business decisions.
RDARR will enable the bank to:

- Formulate our business strategies and aspirations taking into account a transparent and accurate assessment of our risks and opportunities to drive a competitive advantage.
- Have the opportunity to enhance the infrastructure for reporting key information so as to support the Board and senior management in identifying, monitoring and managing risks; and
- Develop and build confidence in the information that is made available and shorten the decision-making process throughout the bank.

Resolution and Recovery Planning (RRP)

Resolution and Recovery Planning (RRP) seeks to identify management actions which would be adopted during periods of severe stress to ensure the survival of the bank and the sustainability of the economy of Botswana. This calls for identification of options available to the bank to regain full financial viability in times of severe financial stress.
The four major building blocks of the bank's RRP are:

- Strategy setting and defining risk appetite;
- Risk identification and measurement;
- Capital adequacy planning and stress testing; and
- Monitoring, management and communication.

The capital adequacy ratio reflects the capital strength of an entity.

Stanbic Bank Botswana Limited is required to meet the Bank of Botswana (BoB) capital requirements, set at a minimum capital adequacy ratio of 12.5 percent (2022: 12.5 percent).

Qualifying capital

Qualifying capital is divided into two tiers: primary and secondary.

Primary capital (Tier I) comprises funds raised through the issue of ordinary shares, non-redeemable, non-cumulative preference shares, retained earnings and reserves (other than regulatory reserves). The bank continues to maintain capital levels well above the BoB's minimum requirements.

Secondary capital (Tier II) comprises cumulative preference shares, certain subordinated loan funding and general debt provisions net of any related deferred tax.

Risk weighted assets

Risk-weighted assets (RWA) represent an aggregated measure of different risk factors affecting the evaluation of financial products and transactions in a bank. The aggregation considers credit, market and operational risk. RWA for credit risk is determined by applying a set risk-weighting to on and off-balance sheet financial investments, according to the relative credit risk of the counterparty.

RWA for market risk is determined by applying prescribed risk weights to market risk exposures. Market risk factors considered are changes in the bank's trading book due to changes in equity prices, interest rates, credit spreads, foreign-exchange rates, commodity prices and other indicators whose values are set in a public market.

RWA for operational risk is calculated using a methodology consistent with the qualitative and quantitative criteria as defined in Basel II.

SUSTAINABILITY REPORT

Sustainability, at its core, is about reaching today's goals without hurting the ability of future generations to achieve their own. At Stanbic Bank Botswana Limited, we ensure that our daily actions are consistent with the needs and priorities of the communities we serve.

Our approach to Sustainability

Driving sustainable growth and value is a strategic priority for the bank and is central to our purpose and strategy.

Maximising positive impact
Realising the significant opportunity to grow earnings and market share by providing products and services that meet the development needs of our Country and her people.

Effectively managing risk
Minimising and mitigating the risks (including climate-related financial risks), arising from our own operations, who we do business with and what we finance.

Stanbic Bank Growth Funding

Through Stanbic Bank Growth Fund we have surveyed the landscape to identify growth potential enterprises. Typically, these would be small to medium entities that fall outside of our credit parameters.

As part of our sustainability strategy, we have set up the Stanbic Bank Growth Fund to provide financing that is geared at financial inclusion for small medium entities.

The funding is also offered on flexible and creative terms often tailored for each enterprise to ensure fit for purpose financing that nurtures growth specific to the needs of each enterprise.

Accelerating the growth of targeted businesses

Our Accelerate Empowerment Procurement (AEP) initiative makes it easy for local youth and/or women-owned enterprises to supply their goods and services to the bank.

After all, every small business needs a great customer to help them scale up and get to the next level. We aim to be that great customer, fast-tracking the financial inclusion and empowerment of these targeted groups.

As part of growing small medium enterprises, we had set ourselves a target of P12 million for 2023. We surpassed it to reach transactional spend of P13.4 million for the year under review. The initiative plays a critical role in enabling small to medium companies to trade and grow their capabilities.

The enterprises which benefit from the Bank's AEP initiative collectively employ 450 people.

AEP initiative employs
450
people

SMEs value
P12 million
2023 target

Growing Strategic Partnerships That Drive Economic Impact

Our sustainability approach entails building and driving shared value opportunities.

Our partnership with Botswana University of Agriculture and Natural Resources (BUAN) will give students opportunity to participate in a profit share model and take their own first steps towards embarking on commercial farming after their studies.

Through this partnership, we provided funding for an initial plantation setup of over 2300 various fruit trees, highlighting our long term view to sustainability.

The partnership also allows students to acquire skills through on the job skills transfer as with the installation of the drip irrigation system which was installed by students.

Creative Business Cup

Creative Business Cup is an annual global competition, enrolling participants from more than 80 countries from all over the world. At Stanbic Bank Botswana Limited, we believe in connecting and empowering the creative sector. We are proud to sponsor our local participants in this unique competition, giving them the confidence to reach a wider audience.

SUSTAINABILITY REPORT (Continued)

Importing from China confidently, every time

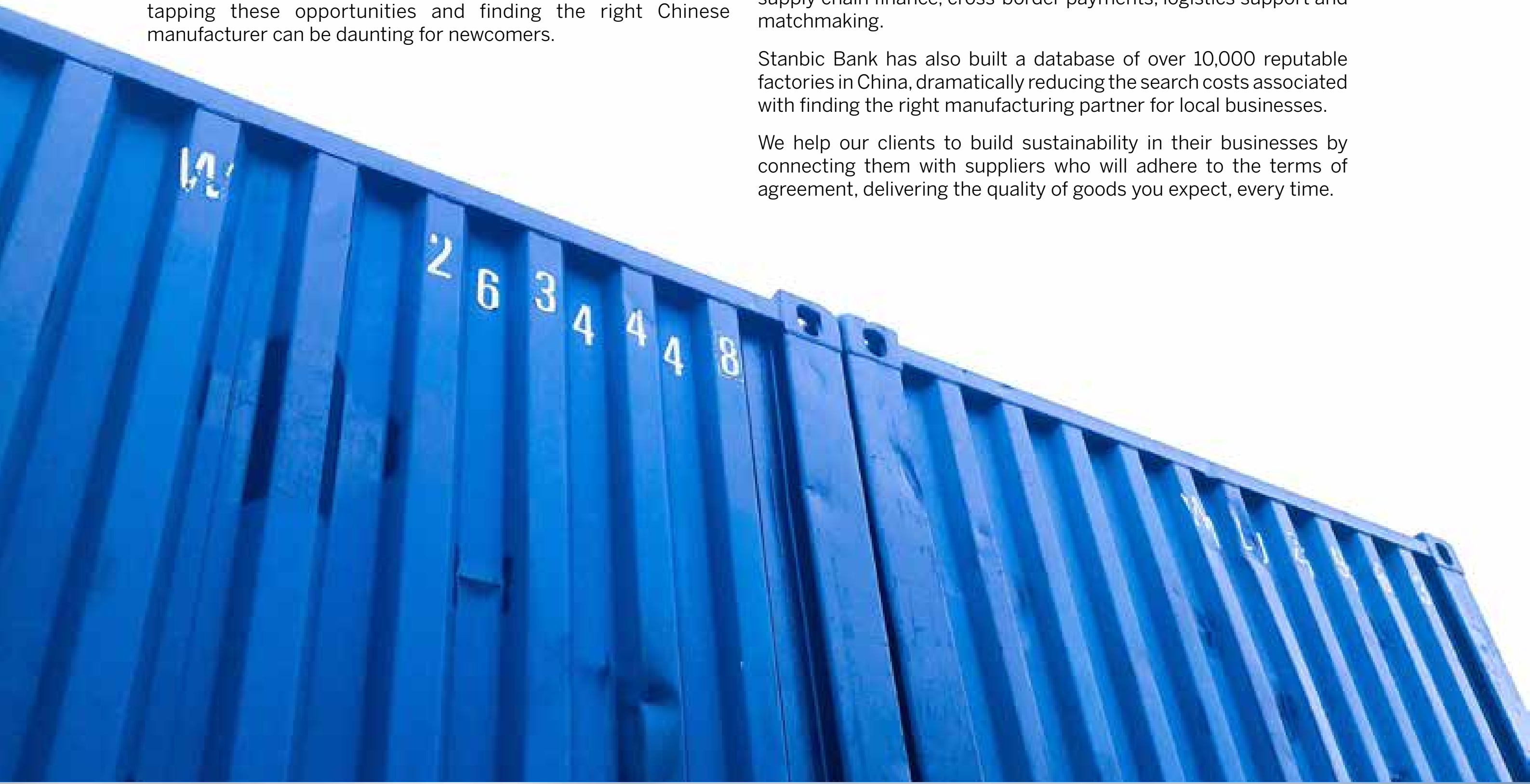
Our holistic Africa-China Trade Solutions (ACTS) gives local entrepreneurs a better way to do business with the world's biggest manufacturer.

All over the globe, businesses of every shape and size rely on Chinese suppliers. Botswana is no exception. However, successfully tapping these opportunities and finding the right Chinese manufacturer can be daunting for newcomers.

We help entrepreneurs through every stage of this process, providing them with a solution that offers letters of credit, forex solutions, supply chain finance, cross-border payments, logistics support and matchmaking.

Stanbic Bank has also built a database of over 10,000 reputable factories in China, dramatically reducing the search costs associated with finding the right manufacturing partner for local businesses.

We help our clients to build sustainability in their businesses by connecting them with suppliers who will adhere to the terms of agreement, delivering the quality of goods you expect, every time.



Solar-powered banking is future-ready banking

SBBL supports the ideals of the Paris Agreement of transitioning economies to lower carbon emissions. SBBL also supports efforts to mitigate the impact of climate change, and to improve access to reliable and sustainable energy sources: a critical factor for sustainable economic growth given the Country's climate change exposure and vulnerabilities.

Our **areas of focus** for
Stanbic Bank Botswana Limited

HEALTH

EDUCATION

COMMUNITY UPLIFTMENT

OUR BRANCHES AND TEAMS SPEARHEAD COMMUNITY OUTREACH

We continue to invest in CSI programmes, working with partners in government and society to support priorities such as access to education, health-care interventions and broader community upliftment. These initiatives make an enormous difference in the lives of beneficiaries, and help to connect our people to our communities and build pride in our brand.

SUSTAINABILITY REPORT (Continued)

Acacia

Toiletries, sanitary towels, beds, carpeting and refurbishments to the Artesia School sick bay.

Airport Junction

Clothing and toiletries to the Oncology Ward at Princess Marina Hospital.

Fairgrounds

Blankets, fruit trees and financial literacy books to Mantshwabisi Primary School.

Kgale

Over 100 textbooks and furniture to Kagiso Senior Secondary School.

Mogoditshane

Winter school uniforms, stationery and financial literacy books to 75 students from underprivileged families at Hatsalatladi School.

SUSTAINABILITY REPORT (Continued)

Francistown

Computer equipment, water tanks and televisions to Aerodrome Primary School and Francistown Centre for Deaf Education.

Selebi-Phikwe

Students with the best exam results at four different schools.

Maun

Protective clothing and toiletries to the Albino and Vitiligo community through Letsholathebe Hospital.

Palapye

Playground equipment to Ratsie Setlhako Primary School.

Kazungula

Essential fixtures, fittings and amenities to the dormitories at Chobe Secondary School.

SUSTAINABILITY REPORT (Continued)

Commercial Banking team

School shoes, mattresses, sanitary towels and financial literacy books to Bakgatla Primary School in Moshupa. The team also donated eight tablets, a laptop and printer to the Ngami District Health Management Team at Letsholathebe Hospital in Maun.

Private Banking team

Toiletries and infants' clothing to the maternity ward at Mogoditshane Clinic.

Letlhakane

High quality printer to Mosu Primary School.

Products and Employee Value Banking team

Stationery and classroom learning tools to assist Kgatleng Brigade trade school.

SUSTAINABILITY REPORT (Continued)

Legal team

Handed over new textbooks and revision books to Mahupu Unified Secondary school library, including scientific calculators, printing paper, school shoes, stationery and financial literacy books.

Assurance team

Mattresses, nappies and cleaning supplies to orphans and vulnerable children under the care of Botswana Retired Nurses Society.

Finance and Value Management team

Computer equipment, furniture and refurbishments, educational tools and toys to Solomon Dihutso Primary School for children with special needs.

Credit team

Stationery, books, revision material and toiletries to Tsholofelong Children & Youth Trust.

PEOPLE AND CULTURE REPORT

This year we asked our employees a simple, yet daring question: **'Would you recommend Stanbic Bank Botswana Limited as a great place to work for?'** In authentic voices, the people have responded.

Pinkie G. Douglas - Head, People and Culture

We have embarked on a holistic journey to embed employee commitment and loyalty, giving ourselves new tools to retain top talent, nurture a culture that inspires and unify the team behind our purpose: **Botswana is our home, we drive her growth.**

Human capital and our strategic direction

Our people are the foundation of our 2025 corporate strategy, aptly named *Letsema*. The success of our organisation lies in their collective wisdom, daily contributions and lived experiences. *Letsema* is compelling: it summons us all to play our part in co-creating for the future.

Inspiration from traditional roots

People are our strategic asset. They give us an identity. An advantage. To harness their strengths, we have introduced monthly *Lekgotla* Meetings – an initiative driven by the Chief Executive himself – which gives every employee, regardless of their position, an opportunity to be truly heard.

We draw this inspiration from our traditional roots. For centuries, the *Lekgotla* system of governance has created a platform for social dialogue to boost cohesion, innovation and inclusivity among Batswana. We are doing the same.

The People and Culture Committee

The People and Culture Committee is the organisation's people and culture custodian.

We preserve and guard these two assets jealously, and we have developed appropriate measurement tools to make sure that our gains are steady and positive. Soliciting the voice of the people is an act of courage: doing so presents a great opportunity for the bank to respond and create an environment where fulfilling work can take place and employees can strive for the impact they want to create.

Employee Net Promoter Score

This measurement shows whether employees are willing to recommend Stanbic Bank Botswana Limited as a place to work. This score has been growing for three consecutive years. We now find ourselves at an all-time high, stronger than ever.

Open-to-Speak Index

Employees must be able to use their voices without fear of reproach. This index has also increased to an all-time high, an unequivocal cultural success and testament to the fact that success is born in environments where transparency is valued.

Leadership Effectiveness

Great companies hold their leaders to high standards. We actively measure how effectively leaders are engaging and supporting their teams. A similar trend has emerged, representing confidence in management at levels never seen before.

PEOPLE AND CULTURE REPORT (Continued)

How can we better support our employees?

In this financial year, the People and Culture Committee accelerated its commitment. We enhanced our mandate by introducing new propositions in line with our People Promise Agenda.

Leadership Summit 2023

Our new Coaching for Performance is another exciting leadership proposition tailor made to build leadership capability.

High Performance and Recognition

We shine a light on top performers. The 2023 Mark of Excellence Awards acknowledge those special individuals who go beyond their goals, prescribed duties, standard expectations and deliverables. The Quarterly Chief Executive's Awards further reinforce this message: doing great things is recognised here.

Talent and Succession Management

Standard Bank Group is built on deep channels of institutional learning. The Group encourages mobility, allowing high performers to spend time in different markets where we operate so that they can benchmark, share experiences and learn.

During the period under review six (6) Batswana were seconded to other markets across the Group including the UK, Mauritius and South Africa to expand their skills, on 3-12 months exposures.

Over and above these secondments, seven (7) of Botswana's very own, home-grown executives assumed high-level positions in South Africa and within the Group. We are deliberate with our talent agenda and support our people on their career journeys.

Our commitment to wellness

How employees are feeling (both physically and emotionally) is fundamental to our growth, stability, strength and sustainability. At Stanbic Bank Botswana Limited, we embed wellbeing into our lifestyles.

We focus on health in the following ways:

1. Employee Education
   - Hosting webinars and engagement sessions
   - Open dialogue around Men's and Women's health
2. Manager Capacitation
3. Partnerships and Rewards Schemes
   - Blood donation
   - Routine health screens
   - Gym partnerships
4. Wellness Events
   - Celebrating healthy lifestyle achievements

Organisational Redesign

Part of our *Letsema* ambition is to be a platform business in order to continue serving and exceeding our client's expectations. As part of our journey to transform and run a platform business we embarked on an organisational redesign exercise. Our objective is to future-proof the business by putting the right people, with the right skills, into the right places.

With this alignment in mind, we redeployed talent and extended voluntary separation options to 72 employees.

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Group is required by the Companies Act (CAP 42:01) to prepare financial statements for each financial period.

The directors are responsible for the preparation of the Group and Company financial statements of Stanbic Bank Botswana Limited that give a true and fair view; comprising the statements of financial position at 31 December 2023, profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, significant accounting policies and the notes to the financial statements, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), its interpretations adopted by the IASB, and in the manner required by Banking Act (Cap 46:04) of Botswana.

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

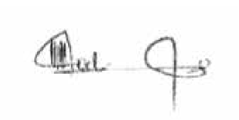
The directors, supported by the Board Audit Committee, are satisfied that management introduced and maintained adequate internal controls to ensure that dependable records exist for the preparation of the Group and Company financial statements, to safeguard the assets of the Group and to ensure all transactions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

The directors have made an assessment of the bank and its subsidiaries' ability to continue as going concerns and have no reason to believe these entities will not continue as going concerns in the foreseeable future.

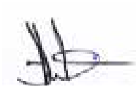
The independent auditor is responsible for reporting on whether the consolidated and separate financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of the Group's financial statements and financial statements of the bank:

The group and the bank's financial statements were approved by the directors on 21 March 2024 and are signed on their behalf by:



C. Modise
Director



Dr TTK Matome
Director

KPMG, Chartered Accountants Audit
Plot 67977, Off Tlokweng Road, Fairgrounds Office Park
PO Box 1519, Gaborone, Botswana Telephone +267 391 2400
Fax +267 397 5281
Web http://www.kpmg.com/

Independent Auditor's Report

To the shareholder of Stanbic Bank Botswana Limited

Opinion

We have audited the consolidated and separate financial statements of Stanbic Bank Botswana Limited (the Group and Company) set out on pages 59 to 154 which comprise the statements of financial position at 31 December 2023, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, material accounting policies and notes to the financial statements.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Stanbic Bank Botswana Limited at 31 December 2023, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in compliance with the requirements of the Banking Act (Cap 46:04) of Botswana.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Botswana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Credit impairment for loans and advances to customers

Credit Impairment for loans and advances to customers

This key audit matter is applicable to both the consolidated and separate financial statements.

Please refer to **material accounting policy 6** on financial instruments, note **21.1** relating to key management assumptions over credit impairment losses on loans and advances, **note 22.7** on credit impairment charges, **note 27** on loans and advances and, **note 45.3** on credit risk.

Key audit matter	How the matter was addressed in our audit
The Group's and the Company's core business involves providing loans and advances to individuals and to the commercial and corporate sectors. Consequently, the main component of the Group's and Company's financial assets comprise loans and advances to customers which is significant to the total assets of the Group and Company. Expected credit losses (ECL) relating to loans and advances to customers amounting to P477 million for both Group and Company represent management's best estimate of the losses expected within the loans and advances portfolio. Management applies significant judgement in respect of the following: • The estimation of the probability of default (PD), exposure at default (EAD) and the loss given default (LGD). • Evaluation of significant increase in credit risk (SICR) in accordance with IFRS 9 and as included in note 21.1; • Determination of macroeconomic inputs and forward looking information used in the SICR assessment and ECL measurement that includes the impact of inflation and GDP outlook and;	Our procedures included; • We evaluated the professional qualifications, experience and objectivity of the experts engaged by management for the valuation of the collateral by inspecting their profiles and ensuring that they are registered with their regulator. • We evaluated the design and implementation, and tested operating effectiveness of relevant key controls implemented over: ◦ management's oversight of credit models (the 'ECL models') and the approval of the inputs and assumptions used in the determination of the ECL by comparing the design and implementation to the market. ◦ the loan origination by comparing to Know Your Customer (KYC) and credit review processes which includes monitoring and default management. • Assessed the appropriateness of the accounting policies and loan impairment methodologies applied in accordance with IFRS 9, Financial Instruments.

KPMG

Credit Impairment for loans and advances to customers

This key audit matter is applicable to both the consolidated and separate financial statements.

Please refer to **material accounting policy 6** on financial instruments, **note 21.1** relating to key management assumptions over credit impairment losses on loans and advances, **note 22.7** on credit impairment charges, **note 27** on loans and advances and, **note 45.3** on credit risk.

Key audit matter	How the matter was addressed in our audit
• Evaluation of the ECL raised for stage 3 exposures on the timing of cash flows for discounting. Due to the significance of the loans and advances to customers and the significant estimation uncertainty and judgment involved in determining the ECL, credit impairments for loans and advances to customers was considered to be a key audit matter.	• With the assistance of our credit risk specialists we: ◦ assessed the ability of the ECL models to reflect the impact of forecasted inflation and GDP through appropriate calibration. ◦ evaluated the reasonableness of the assumptions used in the ECL models relating to both the specific and portfolio impairments and evaluated the accuracy and completeness of the calculations of the ECL models as per below. • We assessed and challenged management's estimation of the PD, EAD, LGD, SICR, estimated macroeconomic inputs and forward looking information including the data inputs used by: ◦ comparing inputs to the economic scenarios to those provided by the Bank of Botswana and those approved by the Asset and Liability Committee. ◦ recalculating the present value and timing of cashflows for a sample of collateral. ◦ evaluating the staging of a sample of exposures by comparing a sample of items in each staging category to source documentation ◦ reperforming credit reviews and assessing credit exposures in troubled sectors in order to evaluate the appropriateness of SICR and staging allocations performed by management. • For a sample of stage 3 exposures, we independently recalculated the impairment losses based on our assessment of the expected cash flows and recoverability of collateral at an individual exposure level. • We assessed the adequacy of the disclosure made in the financial statements in accordance with IFRS 9, Financial Instruments and IFRS 7, Financial Instruments disclosure and credit risk.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's report, Chief Executive's report, Chief Finance and Value Management Officer's report, Corporate governance report, Risk management and control, Corporate social investment report, and statement of Director's responsibilities but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 of consolidated and separate financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board (IFRS Accounting Standards) and in compliance with the requirements of the Banking Act (Cap 46:04) of Botswana, 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's 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 and/or company or to cease operations, or have no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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/or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the 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 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.

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KPMG
Firm of Certified Auditors
Practicing member: Gosego Motsamai (CAP 035 2024)

28 March 2024
Gaborone

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

		Group		Company	
	Note	**2023 P000's**	2022 P000's	**2023 P000's**	2022 P000's
Interest income	22.1	**1 757 799**	1 370 282	**1 757 799**	1 370 282
Interest expense	22.2	**(646 405)**	(519 034)	**(646 607)**	(519 047)
Net interest income		**1 111 394**	851 248	**1 111 192**	851 235
Fee and commission income	22.3	**411 021**	374 614	**393 980**	359 865
Fee and commission expense	22.4	**(135 677)**	(102 577)	**(135 677)**	(102 577)
Net fee and commission income		**275 344**	272 037	**258 303**	257 288
Net trading income	22.5	**224 685**	247 357	**224 685**	247 357
Other income	22.6	**20 159**	26 927	**27 642**	33 497
Net non-interest income		**520 188**	546 321	**510 630**	538 142
Total-net-income		**1 631 582**	1 397 569	**1 621 822**	1 389 377
Credit impairment charges	22.7	**(109 303)**	11 891	**(109 303)**	11 891
Net income before operating expenses		**1 522 279**	1 409 460	**1 512 519**	1 401 268
Staff costs	22. 8	**(427 911)**	(358 358)	**(427 911)**	(358 358)
Other operating expenses	22. 9	**(433 270)**	(456 996)	**(433 083)**	(459 857)
Total operating expenses		**(861 181)**	(815 354)	**(860 994)**	(818 215)
Profit before indirect tax		**661 098**	594 106	**651 525**	583 053
Indirect tax	22.11	**(32 628)**	(25 199)	**(32 325)**	(25 173)
Profit before direct tax		**628 470**	568 907	**619 200**	557 880
Direct tax	22.11	**(144 542)**	(125 059)	**(142 470)**	(122 462)
Profit for the year		**483 928**	443 848	**476 730**	435 418
Other comprehensive income after taxation					
Items that may not be subsequently reclassified to profit or loss					
Net change in fair value of equity financial assets measured at FVOCI		-	(240)	-	(240)
Total comprehensive income for the year		**483 928**	443 608	**476 730**	435 178

C. Modise
Director

Dr TTK Matome
Director

STATEMENTS OF FINANCIAL POSITION

At 31 December 2023

		Group		Company	
		2023	2022	2023	2022
	Note	P000's	P000's	P000's	P000's
Assets					
Cash and balances with the Central Bank	23	**1 466 490**	544 879	**1 466 490**	544 879
Derivative assets	24.3	**1 377**	12 163	**1 377**	12 163
Trading portfolio assets	25	**3 212**	-	**3 212**	-
Financial investments	26.1	**3 805 364**	3 018 080	**3 805 364**	3 018 080
Loans and advances	27.1	**19 323 952**	20 055 089	**19 323 952**	20 055 089
Loans and advances to banks	27.1	**5 990 721**	6 790 157	**5 990 721**	6 790 157
Loans and advances to customers	27.1	**13 333 231**	13 264 932	**13 333 231**	13 264 932
Other assets	28	**133 977**	87 540	**134 107**	88 200
Current tax asset	32	**54 934**	29 631	**50 678**	27 712
Investment in subsidiaries	29	**-**	-	**1 922**	1 922
Intangible assets	30	**102 921**	123 359	**102 921**	123 359
Property, equipment and right of use assets	31.1	**142 752**	150 649	**142 752**	150 649
Deferred tax asset	32	**12 621**	20 546	**12 538**	20 546
Total assets		**25 047 600**	24 041 936	**25 045 313**	24 042 599
Liabilities					
Derivative liabilities	24.3	**-**	15 464	**-**	15 464
Deposits	34	**21 200 521**	20 472 874	**21 242 130**	20 510 863
Deposits from banks	34	**1 060 094**	1 011 054	**1 060 094**	1 011 054
Deposits from customer accounts	34	**20 140 427**	19 461 820	**20 182 036**	19 499 809
Accruals, deferred income and other liabilities	35	**500 609**	383 293	**501 496**	383 552
Trading portfolio Liabilities*	33	**3 412**	27 175	**3 412**	27 175
Debt securities in issue	36	**1 016 440**	990 440	**1 016 440**	990 440
Total Liabilities		**22 720 982**	21 889 246	**22 763 478**	21 927 494
Equity					
Stated capital	37.1	**390 177**	390 177	**390 177**	390 177
Reserves	37.3	**1 936 441**	1 762 513	**1 891 658**	1 724 928
Equity - attributable to ordinary shareholders		**2 326 618**	2 152 690	**2 281 835**	2 115 105
Total liabilities and equity		**25 047 600**	24 041 936	**25 045 313**	24 042 599

*During 2023, the group reassessed the order of liquidity within the statement of financial position and moved the trading portfolio liabilities above the debt securities in issue line as this item was found to be more liquid that those that follow in the above presentation. This had no impact on the associated amounts within these line items. The reorder has also been applied to the prior year.

C. Modise
Director

Dr TTK Matome
Director

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2023

Group	Stated capital P000's	Statutory credit reserve P000's	Retained earnings P000's	Total equity P000's
Balance at 1 January 2023	**390 177**	**154 474**	**1 608 039**	**2 152 690**
Profit for the year	**-**	**-**	**483 928**	**483 928**
Net change in fair value of equity financial assets measured at FVOCI	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**483 928**	**483 928**
Dividends paid	**-**	**-**	**(310 000)**	**(310 000)**
Balance at 31 December 2023	**390 177**	**154 474**	**1 781 967**	**2 326 618**

Group	Stated capital P000's	Statutory credit reserve P000's	Fair value through OCI reserve [1] P000's	Retained earnings P000's	Total equity P000's
Balance at 1 January 2022	390 177	154 474	240	1 164 191	1 709 082
Profit for the year	-	-	-	443 848	443 848
Net change in fair value of equity financial assets measured at FVOCI	-	-	(240)	-	(240)
Total comprehensive income for the year	-	-	(240)	443 848	443 608
Balance at 31 December 2022	390 177	154 474	-	1 608 039	2 152 690

[1] The fair value through OCI reserve comprises of FVOCI reserves for debt and equity financial investments. Refer to note 37.3.

Company	Stated capital P000's	Statutory credit reserve P000's	Fair value through OCI reserve [1] P000's	Retained earnings P000's	Total equity P000's
Balance at 1 January 2023	**390 177**	**154 474**	**-**	**1 570 454**	**2 115 105**
Profit for the year	**-**	**-**	**-**	**476 730**	**476 730**
Net change in fair value of equity financial assets measured at FVOCI	**-**	**-**	**-**	**-**	**-**
Total Comprehensive Income for the year				**476 730**	**476 730**
Dividends Paid	**-**	**-**	**-**	**(310 000)**	**(310 000)**
Balance at 31 December 2023	**390 177**	**154 474**	**-**	**1 737 184**	**2 281 835**

Company	Stated capital P000's	Statutory credit reserve P000's	Fair value through OCI reserve [1] P000's	Retained earnings P000's	Total equity P000's
Balance at 1 January 2022	390 177	154 474	240	1135 036	1679 927
Profit for the year	-	-	-	435 418	435 418
Net change in fair value of equity financial assets measured at FVOCI	-	-	(240)	-	(240)
Total comprehensive income for the year	-	-	(240)	435 418	435 178
Balance at 31 December 2022	390 177	154 474	-	1 570 454	2 115 105

[1] The fair value through OCI reserve comprises of FVOCI reserves for debt and equity financial investments. Refer to note 37.3.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2023
In Pula (thousands)

		Group		Company	
	Note	2023 P000's	2022 P000's	2023 P000's	2022 P000's
Profit before indirect tax		**661 098**	594 106	**651 525**	583 053
Adjusted for:					
Amortisation and impairment of intangible assets	30	**24 666**	24 356	**24 666**	24 356
Credit impairment charges	22.7	**142 975**	111 481	**142 975**	111 481
Depreciation - property and equipment	31.2	**30 719**	31 676	**30 719**	31 671
Depreciation – right of use assets	31.2	**13 880**	15 737	**13 880**	15 737
Interest expense on lease liabilities	22.2	**1 258**	1 529	**1 258**	1 529
Profit/ (loss) on sale of property and equipment	22.9	**112**	(352)	**112**	(352)
Increase in income-earning and other assets	41.1	**(281 426)**	(2 870 859)	**(280 813)**	(2 874 798)
Increase in deposits and other liabilities	41.2	**822 048**	2 323 982	**828 217**	2 336 583
Preference dividend income-Liberty Holdings	43.5	**(10 190)**	(11 291)	**(10 190)**	(11 291)
Interest income	22.1	**(1 757 799)**	(1 370 282)	**(1 757 799)**	(1 370 282)
Interest expense	22.2	**646 405**	519 034	**646 607**	519 047
Cash flows generated/ (utilised) in operations		**293 746**	(630 883)	**291 157**	(633 266)
Interest received		**1 734 828**	1 346 504	**1 734 826**	1 346 504
Interest paid		**(585 286)**	(474 952)	**(585 487)**	(474 965)
Indirect tax paid	22.11	**(32 628)**	(25 199)	**(32 325)**	(25 173)
Direct tax paid	41.3	**(158 649)**	(109 306)	**(156 160)**	(106 936)
Net cash flows from operating activities		**1 252 011**	106 164	**1 252 011**	106 164
Net cash flows used in investing activities		**(29 892)**	(11 954)	**(29 892)**	(11 954)
Purchased expenditure on:					
- property (freehold and leasehold)	31.2, 31.4	**(4 104)**	(667)	**(4 104)**	(667)
- equipment	31.2, 31.4	**(29 105)**	(17 886)	**(29 105)**	(17 886)
- intangible asset	30	**(4 228)**	-	**(4 228)**	-
	31.2	**(2 674)**	(5 471)	**(2 674)**	(5 471)
Proceeds from disposal of equipment		**29**	779	**29**	779
Preference dividend received-Liberty Holdings	43.5	**10 190**	11 291	**10 190**	11 291
Net cash flows (used in)/ from financing activities		**(300 508)**	19 182	**(300 508)**	19 182
Unsubordinated debt redeemed	41.4	**(124 000)**	(284 000)	**(124 000)**	(284 000)
Unsubordinated debt issued	41.4	**150 000**	315 720	**150 000**	315 720
Principal lease payments *	35	**(16 508)**	(12 538)	**(16 508)**	(12 538)
Dividends paid to shareholder		**(310 000)**	-	**(310 000)**	-
Net movement in cash and cash equivalents		**921 611**	113 392	**921 611**	113 392
Cash and cash equivalents at beginning of the year		**544 879**	431 487	**544 879**	431 487
Cash and cash equivalents at end of the year	**23**	**1 466 490**	544 879	**1 466 490**	544 879

*Principal lease payments have been separately disclosed and moved from the Increase in deposits and other liabilities. The same has been done for prior for Increase in deposits and other liabilities and principal lease payments. Note 41.2 restated for CY and PY.

MATERIAL ACCOUNTING POLICIES

For the year ended 31 December 2023

Stanbic Bank Botswana Limited is a company incorporated in the Republic of Botswana. The bank's registration number is BW0000732198. The consolidated financial statements of the bank for the year ended 31 December 2023 comprise the bank and its subsidiaries (together referred to as the "Group"). The Group and Company are primarily involved in investment, corporate and retail banking, and in providing asset management services. The financial statements were approved by the Board of directors on 21 March 2024.

The principal accounting policies applied in the presentation of the Group and Company's financial statements are set out below.

1. Basis of preparation

Statement of compliance
The Group's consolidated and Company's separate financial statements are prepared in accordance with IFRS Accounting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), its interpretations adopted by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, and in the manner required by Banking Act (Cap 46:04) of Botswana. The financial statements have been prepared on the historical cost basis except for the material items in the statement of financial position shown under Basis of measurement below.

Basis of measurement
The following principles and accounting policy elections in terms of IFRS have been made, with reference to the detailed accounting policies indicated in brackets:

- Purchases and sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned are recognised and derecognised using trade date accounting (accounting policy 6).
- Commodities acquired principally for the purpose of selling in the near future or generating a profit from fluctuation in price or broker-traders' margin are measured at fair value less cost to sell (accounting policy 6).
- Intangible assets, property, equipment and right of use assets are accounted for at cost less accumulated depreciation/ amortisation and impairment (accounting policy 7).
- The portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis (accounting policy 6).
- Investments in subsidiaries are accounted for at cost less accumulated impairment losses, where applicable, in the separate financial statements (accounting policy 2).
- Derivatives are initially recognised at fair value (accounting policy 6).
- Trading portfolio assets and liabilities are measured at fair value (accounting policy 6).

Functional and presentation currency
The Group and Company financial statements are presented in Botswana Pula, which is the functional currency of the Stanbic Bank Botswana Limited Group. All amounts are stated in thousands of Pula (P000's), unless indicated otherwise.

Use of estimates and judgments
The preparation of the financial statements in conformity with the IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in note 21.

Adoption of new standards and interpretations effective for the current financial year
The accounting policies are consistent with those reported in the previous year except as required in terms of the adoption of the following:

Adoption of new and amended standards effective for the current financial year

- **IAS 12 Income Taxes (amendment)** The amendment clarifies how companies should recognise deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations.
-
- **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.
- **IAS 1 and IFRS Practice Statement 2 amendment - Disclosure of Accounting Policies** The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.

The adoption of IAS 12 Income Taxes (amendment) impacted both the Group and Company's previously reported financial results as the right of use asset and lease liability had to be separately treated for deferred tax purposes. IAS 8 and IAS 1 did not affect the Group and Company's previously reported financial results, disclosures or accounting policies and did not impact the Group and Company's results upon transition. Accounting policies have been amended as relevant.

In preparing the Group and Company financial statements, estimates and assumptions are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of future events.

MATERIAL ACCOUNTING POLICIES (continued)

2. Basis of consolidation

Separate financial statements

Investments in subsidiaries are accounted for at cost less accumulated impairment losses (where applicable) in the separate financial statements. The carrying amounts of these investments are reviewed annually for impairment indicators and, where an indicator of impairment exists, are impaired to the higher of the investment's fair value less costs to sell or value in use.

Consolidated financial statements

The accounting policies of subsidiaries that are consolidated by the Group conform to the Group's accounting policies. Intragroup transactions, balances and unrealised gains/(losses) are eliminated on consolidation. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. The proportion of comprehensive income and changes in equity allocated to the Group and non-controlling interest are determined on the basis of the Group's present ownership interest in the subsidiary.

Subsidiaries are consolidated from the date on which the Group acquires control up to the date that control is lost. Control is assessed on a continuous basis.

Common control transactions

Acquisitions	The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred is measured as the sum of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The consideration includes any asset, liability or equity resulting from a contingent consideration arrangement. The obligation to pay contingent consideration is classified as either a liability or equity based on the terms of the arrangement. The right to a return of previously transferred consideration is classified as an asset. Transaction costs are recognised within profit or loss as and when they are incurred. Where the initial accounting is incomplete by the end of the reporting period in which the business combination occurs (but no later than 12 months since the acquisition date), the Group reports provisional amounts. Where applicable, the Group adjusts retrospectively the provisional amounts to reflect new information obtained about facts and circumstances that existed at the acquisition date and affected the measurement of the provisional amounts. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess (shortage) of the sum of the consideration transferred (including contingent consideration), the value of non-controlling interest recognised and the acquisition date fair value of any previously held equity interest in the subsidiary over the fair value of identifiable net assets acquired is recorded as goodwill in the statement of financial position (gain on bargain purchase, which is recognised directly in non-trading and capital related items). When a business combination occurs in stages, the previously held equity interest is remeasured to fair value at the acquisition date and any resulting gain or loss is recognised in non-trading and capital related items. Increases in the Group's interest in a subsidiary, when the Group already has control, are accounted for as transactions with equity holders of the Group. The difference between the purchase consideration and the Group's proportionate share of the subsidiary's additional net asset value acquired is accounted for directly in equity.
Initial measurement of non-controlling interest	The Group elects on each acquisition to initially measure non-controlling interest on the acquisition date at either fair value or at the non-controlling interest's proportionate share of the investees' identifiable net assets.

Common control transactions, in which the company is the ultimate parent entity both before and after the transaction, are accounted for at book value.

MATERIAL ACCOUNTING POLICIES (continued)

3. Foreign currency translations

Transactions and balances

Foreign currency transactions are translated into the respective group entities' functional currencies at exchange rates prevailing at the date of the transactions (in certain instances a rate that approximates the actual rate at the date of the transactions is utilised, for example, an average rate for a month). Foreign exchange gains and losses resulting from the settlement of such transaction and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are recognised in profit or loss (except when recognised in OCI as part of qualifying cash flow hedges and net investment hedges to the extent that the hedge is effective).

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items.

Foreign currency gains and losses on intra-group loans are recognised in profit or loss except where the settlement of the loan is neither planned nor likely to occur in the foreseeable future. In these cases the foreign currency gains and losses are recognised in the Group's FCTR.

4. Funds management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity.

5. Cash and cash equivalents

Cash and cash equivalents disclosed in the statement of financial position and statement of cash flows consist of cash (coins and bank notes) and balances with the Central Bank.

Coins and bank notes and the reserving requirements held with the Central Bank have been classified at fair value through profit or loss. This is the default as the contractual terms do not give rise on specified dates to cash flows that represent solely payments of principal and interest on the principal amount outstanding.

6. Financial instruments

Initial measurement - financial instruments

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the Group and Company commits to purchase (or sell) the instruments (trade date accounting).

Financial assets

Initial recognition

Financial assets are classified in their respective categories and measured at cost or fair value as follows:

MATERIAL ACCOUNTING POLICIES (continued)

6. Financial instruments (continued)

Initial measurement - financial instruments (continued)

Amortised cost	A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): • Held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows and • The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss – default.
Fair value through OCI	Includes: • A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss): – Held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell financial assets; and – The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. • This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss – default. • Equity financial assets which are not held for trading and are irrevocably elect (on an instrument-by-instrument basis) to be presented at fair value through OCI.
Held for trading	Those financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Included are commodities that are acquired principally for the purpose of selling in the near future or generating a profit from fluctuations in price or broker-trader margin.
Designated at fair value through profit or loss	Financial assets are designated to be measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch that would otherwise arise
Fair value through profit or loss – default	Financial assets that are not classified into one of the above-mentioned financial asset categories.

MATERIAL ACCOUNTING POLICIES (continued)

6. Financial instruments (continued)

Subsequent measurement

Subsequent to initial measurement, financial assets are classified in their respective categories and measured at either amortised cost or fair value as follows:

Amortised cost	Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses which are recognised as part of credit impairment charges. Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.
Fair value through OCI	**Debt instrument**: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to the other gains and losses on financial instruments within non-interest revenue. Expected credit impairments losses are recognised as part of credit impairment charges. However, for these FVOCI debt instruments the expected credit loss is recognised in OCI and does not reduce the carrying amount of the financial asset in the statement of financial position. Interest income on a debt financial asset is recognised in interest income in terms of the effective interest rate method. Dividends received are recognised in interest income within profit or loss. **Equity instrument**: Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When equity financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified within reserves to retained income. Dividends received on equity instruments are recognised in other revenue within non-interest revenue.
Held for trading	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value gains and losses (including interest and dividends) on the financial asset recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue.
Fair value through profit or loss – default	**Debt instruments** - Fair value gains and losses (including interest and dividends) on the financial asset recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue. **Equity instruments** - Fair value gains and losses on the financial asset recognised in the income statement as part of other gains and losses on financial instruments. Dividends received on equity instruments are recognised in other revenue within non-interest revenue.

Impairment

Expected credit loss (ECL) is recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below market interest rate.

The measurement basis of the ECL of a financial asset includes assessing whether there has been a Significant Increase in Credit Risk (SICR) at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

MATERIAL ACCOUNTING POLICIES (continued)

6. Financial instruments (continued)
Impairment (continued)

Stage 1	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.
Stage 2	A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.
Stage 3 (credit impaired assets)	A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired: • default • significant financial difficulty of borrower and/ or modification of expected cashflows or loan performance. • probability of bankruptcy or financial reorganisation • disappearance of an active market due to financial difficulties.

The key components of the impairment methodology are described as follows:

Significant increase in credit risk (SICR)	At each reporting date the Group assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.
Low credit risk	Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.
Default	The Group's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets: • significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower) • a breach of contract, such as default or delinquency in interest and/or principal payments • disappearance of active market due to financial difficulties • it becomes probable that the borrower will enter bankruptcy or other financial reorganisation • where the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Group would not otherwise consider • Exposures which are overdue for more than 90 days are also considered to be in default
Forward-looking information	Forward-looking information is incorporated into the Group's impairment methodology calculations and in the Group's assessment of SICR. The Group includes all forward-looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact portfolios or individual counterparty exposures.
Write-off	Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to legal enforcement and loan recovery activities.

ECLs are recognised within the statement of financial position as follows:

Financial assets measured at amortised cost (including loan commitments)	Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a loss allowance within other liabilities.
Off-balance sheet exposures (excluding loan commitments)	Recognised as a provision within other liabilities.
Financial assets measured at fair value through OCI	Recognised in the fair value reserve within equity. The carrying value of the financial asset is recognised in the statement of financial position at fair value.

MATERIAL ACCOUNTING POLICIES (continued)

6. Financial instruments (continued)

Reclassification

Reclassifications of debt financial assets are permitted when, and only when, the Group changes its business model or management of financial assets, in which case all affected financial assets are reclassified. Reclassifications are accounted for prospectively from the date of reclassification as follows:

Financial assets that are reclassified from amortised cost to fair value are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in other gains and losses on financial instruments.

- The fair value of a financial asset that is reclassified from fair value to amortised cost becomes the financial asset's new carrying value;
- Financial assets that are reclassified from amortised cost to fair value through OCI are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in OCI;
- The fair value of a financial asset that is reclassified from fair value through OCI to amortised cost becomes the financial asset's new carrying value with the cumulative fair value adjustment recognised in OCI being recognised against the new carrying value;
- The carrying value of financial assets that are reclassified from fair value through profit or loss to fair value through OCI remains at fair value; and
- The carrying value of financial assets that are reclassified from fair value through OCI to fair value through profit or loss remains at fair value, with the cumulative fair value adjustment in OCI being recognised in the income statement at the date of reclassification.

Initial recognition

Financial liabilities are classified in their respective categories and measured at cost or fair value as follows:

Nature

Held-for-trading	Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
Designated at fair value through profit or loss	Financial liabilities are designated to be measured at fair value in the following instances: • to eliminate or significantly reduce an accounting mismatch that would otherwise arise where the financial liabilities are managed, and their performance evaluated and reported on a fair value basis. • where the financial liability contains one or more embedded derivatives that significantly modify the financial liability's cash flows.
Amortised cost	All other financial liabilities not included in the above categories.

MATERIAL ACCOUNTING POLICIES (continued)

6. Financial instruments (continued)

Subsequent measurement

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

Held-for-trading	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
Designated at fair value through profit or loss	Fair value, with gains and losses arising from changes in fair value (including interest and dividends but excluding fair value gains and losses attributable to own credit risk) are recognised in the other gains and losses on financial instruments as part of non-interest revenue. Fair value gains and losses attributable to changes in own credit risk are recognised within OCI, unless this would create or enlarge an accounting mismatch in which case the own credit risk changes are recognised within trading revenue.
Amortised cost	Amortised cost using the effective interest method recognised in interest expense.

Derecognition and modification of financial assets and liabilities

Financial assets and liabilities are derecognised in the following instances:

	DERECOGNITION	MODIFICATION
Financial assets	Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the Group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group enters into transactions whereby it transfers assets, recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements. When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.	In determining whether a modification is substantial, for a financial asset, qualitative factors are considered and for a financial liability, both qualitative and quantitative factors are considered. Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes. If the terms are not substantially different for financial assets or financial liabilities, the Group recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within non-interest revenue (for all other modifications).
Financial liabilities	Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.	

MATERIAL ACCOUNTING POLICIES (continued)

6. Financial instruments (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A loan commitment is a firm commitment to provide credit under specified terms and conditions. It is a binding promise from a lender that a specified amount of loan or line of credit will be made available to the named borrower at a certain interest rate, during a certain period and, usually, for a certain purpose.

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and thenamortised over the life of the financial guarantee. Financial guarantee contracts (that are not designated at fair value through profit or loss) are subsequently measured at the higher of the:

- ECL calculated for the financial guarantee; or
- unamortised premium.

Derivatives and embedded derivatives

In the normal course of business, the Group enters into a variety of derivative transactions for trading purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, interest rate, inflation, credit, commodity and equity exposures. Derivative instruments used by the Group in both trading and hedging activities include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, credit risk, inflation risk, interest rates and the prices of commodities and equities.

Derivatives are initially recognised at fair value. Derivatives that are not designated in a qualifying hedge accounting relationship are classified as held-for-trading with all changes in fair value being recognised within trading revenue. This includes forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs, and the commodities are held to settle another derivative contract. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

In terms on IFRS 9 embedded derivatives included in hybrid instruments, where the host is a financial asset, are assessed in terms of the accounting policy for financial assets. In all other instances (being non-financial host contracts and financial liabilities), the embedded derivatives are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The host contract is accounted for and measured applying the relevant Group accounting policy.

The method of recognising fair value gains and losses on derivatives designated as a hedging instrument depends on the nature of the hedge relationship.

Foreign currency risk

The Group and Company operate internationally and are exposed to foreign exchange risk and translation risk. Foreign exchange risk arises from recognised assets and liabilities and future highly probable forecast commercial transactions denominated in a currency that is not the functional currency of the Group and company. The risk is evaluated by measuring and monitoring the net foreign monetary asset value and the forecast highly probable foreign currency income and expenditures of the relevant Group entity for each respective currency. Foreign currency risk is hedged with the objective of minimising the earnings volatility associated with assets, liabilities, income and expenditure denominated in a foreign currency.

Translation risk arises on consolidation from recognised assets and liabilities denominated in a currency that is not the reporting currency of the Group and Company. The risk is evaluated by measuring and monitoring the net foreign non-monetary asset value of the relevant Group entity for each respective currency.

The Group and Company use a combination of currency forwards, swaps and foreign denominated cash balances to mitigate against the risk of changes in the future cash flows and functional currency value on its foreign-denominated exposures. Under the Group's policy, the critical terms of these instruments must align with the foreign currency risk of the hedged item and is hedged on a 1:1 hedge ratio or where currency is managed on a portfolio basis the weighted expected foreign cash flows are aligned.

The Group and Company elect for each foreign currency hedging relationship, using either foreign currency forwards and swaps, to either include or exclude the currency forward points (basis) contained in the derivative instrument from the hedging relationship. This election is based on the currency pair involved, the shape of the yield-curve and the direction of the foreign currency hedged risk. The basis is determined using the differential between the contracted forward rate and the spot market exchange rate and is discounted, where material. Where the basis is excluded from the hedging relationship this is deferred in other comprehensive income and recognised in profit or loss as appropriate during the hedging relationship.

Interest rate risk

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (IRRBB) (net interest income and banking bookmark-to-market profit or loss) and the economic value of equity. The Group and Company's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the Group and company operate. The Group and Company's treasury and capital management team monitors banking book interest rate risk on a monthly basis operating under the oversight of Group ALCO. The Group and Company's interest rate risk management is predominantly controlled by a central under TCM department under approved policies. TCM department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

MATERIAL ACCOUNTING POLICIES (continued)

7. Non-financial assets

<table>
<tr><th>Type and initial and subsequent measurement</th><th>Useful lives, depreciation/ amortisation method or fair value basis</th><th>Impairment</th></tr>
<tr>
<td>Tangible assets (property, equipment and land and right-of-use assets)
Property and equipment items are initially recognised at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Land is measured at cost less accumulated impairment losses

Costs that are subsequently incurred are included in the asset's related carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. Expenditure, which does not meet these criteria, is recognised in operating expenses as incurred.

Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate major components of property and equipment.</td>
<td><table>
<tr><td>Equipment</td><td>computer equipment
office equipment
furniture and fittings</td><td>4 to 5 years
3 to 10 years
5 to 13 years</td></tr>
<tr><td>Motor vehicles</td><td></td><td>4 to 5 years</td></tr>
<tr><td>Leasehold buildings</td><td></td><td>Lease period</td></tr>
<tr><td>Freehold buildings</td><td></td><td>40 years</td></tr>
<tr><td>Land</td><td></td><td>Not depreciated</td></tr>
</table>
The residual values, useful lives and the depreciation method applied are reviewed, an adjusted if appropriate, at each financial year end. In the current year we disclosed some clarity on the accounting estimate in line with the Group policy to show that the depreciation method is a range. This has been previously disclosed incorrectly and was not representative of the bank accounting policy.</td>
<td>These assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in non-trading and capital related items for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined as the higher of an asset's fair value less costs to sell and value in use.

Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purposes of assessing impairment, assets that cannot be tested individually are Grouped at the lowest cash generating units (CGUs).

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. The carrying amount of these other assets may, however, not be reduced below the higher of the CGU's fair value less costs to sell and its value in use.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through non-trading and capital related items 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.</td>
</tr>
</table>

MATERIAL ACCOUNTING POLICIES (continued)

7. Non-financial assets (continued)

Computer software
Costs associated with developing or maintaining computer software programmes and the acquisition of software licenses are generally recognised as an expense as incurred.

However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the Group and have a probable future economic benefit beyond one year, are recognised as intangible assets.

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses from the date that the assets are available for use.

Expenditure subsequently incurred on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortisation is recognised in operating expenses on a straight-line basis at rates appropriate to the expected lives of the assets (five to twelve years) from the date that the asset is available for use.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if necessary.

Intangible assets that have an indefinite useful life are tested annually for impairment and additionally when an indicator of impairment exists.

The accounting treatment for computer software and other intangible assets is otherwise the same as for tangible assets.

Derecognition
Non-financial assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss on derecognition is recognised in profit or loss and is determined as the difference between the net disposal proceeds and the carrying amount of the non-financial asset.

8. Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The Group's provisions typically (when applicable) include the following:

- **Provisions for legal claims**
  Provisions for legal claims are recognised on a prudent basis for the estimated cost for all legal claims that have not been settled or reached conclusion at the reporting date. In determining the provision management considers the probability and likely settlement (if any). Reimbursements of expenditure to settle the provision are recognised when and only when it is virtually certain that the reimbursement will be received.

- **Provision for onerous contracts**
  A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

- **Contingent assets**
  Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is probable that economic benefits will flow to the Group, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Group's control.

- **Contingent liabilities**
  Contingent liabilities include certain guarantees (other than financial guarantees) and letters of credit and are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements unless the probabilities of materialising are considered remote.

MATERIAL ACCOUNTING POLICIES (continued)

9. Employee benefits

Type and description	Statement of financial position	Statement of other comprehensive income	Statement of profit or loss
Defined contribution plans The Group operates a single defined contribution plan.	Accruals are recognised for unpaid contributions until the employee leaves employment of the Group.	No direct impact.	Group contributions are recognised as an operating expense in the periods during which services are rendered by the employees.
Short-term benefits Short-term benefits consist of salaries, accumulated leave obligations, bonuses and any non-monetary benefits such as medical aid contributions.	A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave 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.	No direct impact.	Short-term employee benefit obligations are measured on an undiscounted basis and are expensed in operating expenses as the related service is provided.

MATERIAL ACCOUNTING POLICIES (continued)

10. Tax

Type	Description, recognition and measurement	Offsetting
Direct taxation: current tax	Current tax is recognised in the direct taxation line in profit or loss except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI. Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.	• Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and 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 tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.
Direct taxation: deferred tax	Deferred tax is recognised in direct taxation except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI. Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. 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 is not recognised for the following temporary differences: • the initial recognition of goodwill; • the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and • investments in subsidiaries and associates (excluding mutual funds) where the Group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally, the Group is unable to control the reversal of the temporary difference for associates unless there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.	
Indirect taxation	Indirect taxes, including non-recoverable value added tax (VAT), skills development levies and other duties for banking activities, are recognised in the indirect taxation line in the income statement.	Not applicable
Dividend tax	Taxes on dividends declared by the Group are recognised as part of the dividends paid within equity, as dividend tax represents a tax on the shareholder and not the Group. Dividend tax withheld by the Group on dividends paid to its shareholders and payable at the reporting date to the Botswana Unified Revenue Services (where applicable) is included in 'Other liabilities' in the statement of financial position.	Not applicable

MATERIAL ACCOUNTING POLICIES (continued)

11. Fair value

In terms of IFRS, the Group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date under current market conditions. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value, it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date.

Fair value hierarchy

The Group's financial instruments that are both carried at fair value and for which fair value is disclosed are categorised by the level of fair value hierarchy. The different levels are based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Hierarchy levels

The levels have been defined as follows:

Level 1

Fair value is based on quoted market prices (unadjusted) in active markets for an identical financial asset or liability. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3

Fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument being valued and the similar instrument.

Hierarchy transfer policy

Transfers of financial assets and financial liabilities between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Inputs and valuation techniques

Fair value is measured based on quoted market prices or dealer price quotations for identical assets and liabilities that are traded in active markets, which can be accessed at the measurement date, and where those quoted prices represent fair value. If the market for an asset or liability is not active or the instrument is not quoted in an active market, the fair value is determined using other applicable valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants.

Fair value measurements are categorised into level 1, 2 or 3 within the fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and a market-related discount rate at the reporting date for an asset or liability with similar terms and conditions.

If an asset or a liability measured at fair value has both a bid and an ask price, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

The fair value of the following items included in cash and cash equivalents is the same as the amortised cost value, as amortised cost items are initially measured at fair value: cash and balances with the central bank and on demand gross loans and advances to banks which are readily convertible to a known amount of cash that has not been adjusted for expected credit losses. The fair value of these items of cash and cash equivalents as well as deposits and debt funding that are mostly redeemable on demand does not change, as there are no adjustments made to these items subsequent to initial recognition. These items are included in level 1 of the fair value hierarchy.

The Group's valuation control framework governs internal control standards, methodologies, and procedures over its valuation processes, which include the following valuation techniques and main inputs and assumptions per type of instrument:

MATERIAL ACCOUNTING POLICIES (continued)

11. Fair value (continued)

Inputs and valuation techniques (continued)

Item and description	Valuation technique	Main inputs and Assumptions
Derivative financial instruments Derivative financial instruments comprise foreign exchange and interest rate that are either held-for-trading or designated as hedging instruments in hedge relationships.	Standard derivative contracts are valued using market accepted models and quoted parameter inputs. More complex derivative contracts are modelled using more sophisticated modelling techniques applicable to the instrument. Techniques include: • Discounted cash flow model • combination technique models.	For level 2 and 3 fair value hierarchy items: • discount rate* • spot prices of the underlying • correlation factors
Trading assets and trading liabilities Trading assets and liabilities comprise instruments which are part of the Group's underlying trading activities. These instruments primarily include sovereign and corporate debt, commodities, collateral, collateralised lending agreements and equity securities. **Financial investments** Financial investments are trading financial assets and primarily comprise of sovereign and corporate debt, listed and unlisted equity instruments.	Where there are no recent market transactions in the specific instrument, fair value is derived from the last available market price adjusted for changes in risks and information since that date. Where a proxy instrument is quoted in an active market, the fair value is determined by adjusting the proxy fair value for differences between the proxy instrument and the financial investment being fair valued. Where proxies are not available, the fair value is estimated using more complex modelling techniques. These techniques include discounted cash flow and Black-Scholes models using current market rates for credit, interest, liquidity, volatility, and other risks. Combination techniques are used to value unlisted equity securities and include inputs such as earnings and dividend yields of the underlying entity.	
Loans and advances to banks and customers Loans and advances comprise: Loans and advances to banks: call loans, loans granted under resale agreements and balances held with other banks. Loans and advances to customers comprise: mortgage loans (home loans and commercial mortgages), other asset-based loans, including collateralised debt obligations and other secured and unsecured loans (card debtors, overdrafts, other demand lending, term lending and loans granted under resale agreements).	For certain loans fair value may be determined from the market price of a recently occurring transaction adjusted for changes in risks and information between the transaction and valuation dates. Loans and advances are reviewed for observed and verified changes in credit risk and the credit spread is adjusted at subsequent dates if there has been an observable change in credit risk relating to a particular loan or advance. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for interest rate risk, foreign exchange risk, liquidity and credit risk, as appropriate. For credit risk, probability of default and loss given default parameters are determined using credit default swaps (CDS) markets, where available and appropriate, as well as the relevant terms of the loan and loan counterparty such as the industry classification and subordination of the loan.	For level 2 and 3 fair value hierarchy items: • discount rate*
Deposits and debt funding Deposits from banks and customers comprise amounts owed to banks and customers, deposits under repurchase agreements, negotiable certificates of deposit, credit-linked deposits and other deposits.	For certain deposits, fair value may be determined from the market price on a recently occurring transaction adjusted for all changes in risks and information between the transaction and valuation dates. In the absence of an observable market for these instruments, discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors, including a measure of the Group's credit risk relevant for that financial liability. The market risk parameters are valued consistently to similar instruments held as assets stated in the section above. The credit risk of the reference asset in the embedded CDS in credit-linked deposits is incorporated into the fair value of all credit-linked deposits that are designated to be measured at fair value through profit or loss. For collateralised deposits that are designated to be measured at fair value through profit or loss, such as securities repurchase agreements, the credit enhancement is incorporated into the fair valuation of the liability.	For level 2 and 3 fair value hierarchy items • discount rate*

MATERIAL ACCOUNTING POLICIES (continued)

11. Fair value (continued)

Inputs and valuation techniques (continued)

- Discount rates, where applicable, include the risk-free rate, risk premiums, liquidity spreads, credit risk (own and counterparty as appropriate), timing of settlement, storage/service costs, prepayment and surrender risk assumptions and recovery rates/loss given default.

Portfolio valuations

The Group has elected to adopt the portfolio exception to measure the fair value of certain Group's of financial assets and financial liabilities. This exception permits the Group of financial assets and financial liabilities to be measured at fair value on a net basis, with the net fair value being allocated to the financial assets and financial liabilities.

Day one profit or loss

For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument or is determined using valuation models with only observable market data as inputs.

Day one profit or loss is deferred where the fair value of the financial instrument is not able to be evidenced by comparison with other observable current market transactions in the same instrument or is determined using valuation models that utilise non-observable market data as inputs.

The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

12. Equity

Ordinary shares are classified as equity. Stated capital is recognised at the fair value of consideration received. Incremental costs directly attributable to the issue of new shares or options are deducted from the initial measurement of the equity instrument.

Dividends on ordinary shares

Dividend distribution to ordinary shareholders is recognised within equity upon approval by the Company's directors. Dividends on ordinary shares are charged gross of withholding tax to equity in the period in which they are declared. Dividends declared after the statement of financial position date are disclosed in the notes to the financial statements.

13. Equity-linked transactions

Equity-settled share-based payments

The ultimate holding company, Standard Bank Group Limited, operates two equity settled share-based compensation plans through which certain key management staff of the bank are compensated.

The fair value of equity settled share options is determined on the grant date and accounted for as an employee service expense over the vesting period of the share options, with a corresponding increase in the share-based payment reserve. Non-market vesting conditions, such as the resignation of employees and retrenchment of staff, are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against income over the remaining vesting period. The reserve and its accounting thereof are maintained from Group.

Cash-settled share-based payments

Share-based payments are accounted for as liabilities at fair value until the date of settlement. The liability is recognised over the vesting period and is revalued at every reporting date up to and including the date of settlement. All changes in the fair value of the liability are recognised in operating expenses (staff costs). The awards vest over the specified period of service and/or once the performance conditions are met.

MATERIAL ACCOUNTING POLICIES (continued)

14. Leases

Lessee accounting policies

Type	Statement of financial position	Income Statement
	IFRS 16 – lessee accounting policies	
Single lessee accounting model All leases are accounted for by recognising a right-of use asset and a lease liability except for: • leases of low value assets; and • leases with a duration of twelve months or less.	**Lease liabilities:** Initially measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate implicit in the lease unless (as is typically the case for the Group) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. The Group's internal funding rate is the base on which the incremental borrowing rate is calculated. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes: • Amounts expected to be payable under any residual value guarantee: • The exercise price of any purchase option granted in favour of the Group, should it be reasonably certain that this option will be exercised; • Any penalties payable for terminating the lease, should the term of the lease be estimated on the basis of this termination option being exercised. Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.	**Interest expense on lease liabilities:** A lease finance cost, determined with reference to the interest rate implicit in the lease or the Group's incremental borrowing rate, is recognised within interest expense over the lease period.
	Right of use assets: Initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for: • lease payments made at or before commencement of the lease; • initial direct costs incurred; and • the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset. The Group applies the cost model subsequent to the initial measurement of the right of use assets.	**Depreciation on right of use assets:** Subsequent to initial measurement, the right of use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset should this term be shorter than the lease term unless ownership of the underlying asset transfers to the Group at the end of the lease term, whereby the right of use assets are depreciated on a straight-line basis over the remaining economic life of the asset. This depreciation is recognised as part of operating expenses.
Single lessee accounting model (continued)	**Termination of leases:** When the Group or lessor terminates or cancels a lease, the right of use asset and lease liability are derecognised.	**Termination of leases:** On derecognition of the right of use asset and lease liability, any difference is recognised as a derecognition gain or loss in profit or loss.
All leases that meet the criteria as either a lease of a low value asset or a short-term lease are accounted for on a straight-line basis over the lease term.	Accruals for unpaid lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease expense are recognised.	Payments made under these leases, net of any incentives received from the lessor, are recognised in operating expenses on a straight-line basis over the term of the lease. When these leases are terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.

MATERIAL ACCOUNTING POLICIES (continued)

14. Leases (continued)

Lessee accounting policies (continued)

Type	Statement of financial position	Income Statement
	IFRS 16 – lessee accounting policies (continued)	
Reassessment and modification of leases	**Reassessment of lease terms and lease modifications that are not accounted for as a separate lease:** When the Group reassesses the terms of any lease (i.e. it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right of use asset is reduced to zero any further reduction in the measurement of the lease liability is recognised in profit or loss. For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease the carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease.	
	Lease modifications that are accounted for as a separate lease: When the Group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the Group accounts for these modifications as a separate new lease. This accounting treatment equally applies to leases which the Group elected the short-term lease exemption and the lease term is subsequently modified.	

Lessor accounting policies

Type	Statement of financial position	Income Statement
	IFRS 16 – lessor accounting policies	
Finance leases Leases, where the Group transfers substantially all the risk and rewards incidental to ownership, are classified as finance leases.	Finance lease receivable, including initial direct costs and fees, are primarily accounted for as financing transaction in backing activities, with rentals and instalments receivable, less unearned finance charges.	Finance charges earned within interest income are computed using the effective interest method, which reflects a constant periodic rate of return on the investment in the finance lease. The tax benefits arising from investment allowances on assets leased to clients are accounted for within direct taxation line.
Operating leases All leases that do not meet the criteria of a financial lease are classified as operating leases.	The asset underlying the lease continues to be recognised and accounted for in terms of the relevant Group accounting policies. Accruals for outstanding lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease income are recognised.	Operating lease income net of any incentives given to lessees, is recognised on the straight-line basis, or a more representative basis where applicable, over the lease term and is recognised in operating income. When an operating lease is terminated before the lease period has expired, any payment received/(paid) by the Group by way of a penalty is recognised as income/(expense) in the period in which termination takes place.

Lessor lease modifications

Finance leases	When the Group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the Group accounts for these modifications as a separate new lease. All other lease modifications that are not accounted for as a separate lease are accounted for in terms of IFRS 9, unless the classification of the lease would have been accounted for as an operating lease had the modification been in effect at inception of the lease. These lease modifications are accounted for as a separate new lease from the effective date of the modification and the net investment in the lease becomes the carrying amount of the underlying asset.
Operating leases	Modifications are accounted for as a new lease from the effective date of the modification.

Finance leases – lessor
Leases, where the Group transfers substantially all the risks and rewards incidental to ownership, are classified as finance leases.

MATERIAL ACCOUNTING POLICIES (continued)

14. Leases (continued)

Lessee accounting policies (continued)

Finance leases receivable, including initial direct costs and fees, are primarily accounted for as financing transactions in banking activities, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances.

Finance charges earned are computed using the effective interest method, which reflects a constant periodic rate of return on the investment in the finance lease. Initial direct costs and fees are capitalised to the value of the lease receivable and accounted for over the lease term as an adjustment to the effective rate of return. The tax benefits arising from investment allowances on assets leased to clients are accounted for in the direct taxation line.

Operating leases – lessor
All leases that do not meet the criteria of a financial lease are classified as operating leases. The asset underlying the lease continues to be recognised and accounted for in terms of the relevant Group accounting policies. Accruals for outstanding lease charges, together with a straight-line lease asset or liability, being the difference between actual payments and the straight-line lease income are recognised. Operating lease income net of any incentives given to lessees, is recognised on the straight-line basis or a more representative basis where applicable over the lease term and is recognised in operating expenses.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as operating expenses in the period in which termination takes place.

15. Revenue and expenditure

Banking activities

Revenue is derived substantially from the business of banking and related activities and comprises interest income, fee and commission revenue, trading revenue and other non-interest revenue.

Net interest income

Interest income and expense (with the exception of borrowing costs that are capitalised on qualifying assets, that is assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value) is recognised in net interest income using the effective interest method for all interest-bearing financial instruments. In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred, and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate.

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

When a financial asset is classified as stage 3 impaired, interest income is calculated on the impaired value (gross carrying amount less specific impairment) based on the original effective interest rate. The contractual interest income on the gross exposure is suspended and is only recognised in credit impairments when the financial asset is reclassified out of stage 3.

Net fee and commission income

Net Fee and commission revenue, including accounting transaction fees, card-based commission, documentation and administration fees, electronic banking fees, foreign currency service fees, insurance-based fees and commissions, and placement fees and syndication fees are recognised as the related services are performed.

Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. Loan syndication fees, where the Group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised as interest income.

The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.

Fee and commission expenses included in net fee and commission revenue are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is recognised as fee and commission expense where the expenditure is linked to the production of fee and commission revenue.

MATERIAL ACCOUNTING POLICIES (continued)

15. Revenue and expenditure (continued)

Trading revenue

Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends.

Dividend income

Dividends are recognised in interest income (other revenue) for debt (equity instruments) when the right to receipt is established.

Other gains/losses on financial instruments

Includes:

- Fair value gains and losses on debt financial assets that are at fair value through profit or loss;
- Gains and losses arising from the derecognition of financial assets and financial liabilities classified as at amortised cost:
- Gains and losses arising from the reclassification of a financial asset from amortised cost to fair value:
- Gains and losses arising from the modification of a financial asset (which is not distressed) and financial liability as at amortised cost.

Other revenue

Other revenue comprises of revenue that is not included in any of the categories mentioned above.

This could include dividends on equity financial assets, underwriting profit from the group's short-term insurance operations and related insurance activities and re-measurement gains and losses from contingent consideration on disposals and purchases.

Offsetting

Income and expenses are presented on a net basis only when permitted by IFRS, or for gains and losses arising from a Group of similar transactions.

16. Segment reporting

An operating segment is a component of the Group engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. The Group's identification of segments and the measurement of segment results are based on the Group's internal reporting to the chief operating decision makers, comprising of the chief executive and members of the finance executive members of the CLC.

17. Fiduciary activities

The Group commonly engages in trust or other fiduciary activities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. These assets and the income arising directly thereon are excluded from these financial statements as they are not assets of the Group. However, fee income earned, and fee expenses incurred by the Group relating to the Group's responsibilities from fiduciary activities are recognised in profit or loss.

18. Non-trading and capital related items

Non-trading and capital related items primarily include the following:

- gains and losses on disposal of subsidiaries, joint ventures and associates (including foreign exchange translation gains and losses);
- gains and losses on the disposal of property and equipment and intangible assets;
- Impairment and reversals of impairments of joint ventures and associates;
- impairment of investments in subsidiaries, property and equipment, and intangible assets; and
- other items of a capital related nature.

19. Statutory credit risk reserve

The statutory credit risk reserve represents the amount by which local regulatory authorities require in addition to the IFRS impairment provision. Changes in this reserve are accounted for as transfers to and from retained earnings as appropriate.

MATERIAL ACCOUNTING POLICIES (continued)

20. New standards and interpretations not yet adopted

The following new or revised standards and amendments that are applicable to the Group and its subsidiaries are not yet effective for the year ended 31 December 2023 and have not been applied in preparing these financial statements.

Pronouncement	Title	Effective date
IAS 1	**IAS 1 Presentation of Financial Statements (amendments)** The first amendment clarifies how to classify debt and other liabilities as current or non-current. The objective of the amendment is aimed to promote consistency in applying the requirements by helping entities determine whether, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment also includes clarifying the classification requirements for debt an entity might settle by converting it into equity. These are clarifications, not changes, to the existing requirements, and so are not expected to affect entities' financial statements significantly. The amendment is not expected to have a significant impact on the Group and Company's financial statements as there are no such transactions. The second amendment to IAS 1 requires a company to classify debt as non-current only if the company can avoid settling the debt in the 12 months after the reporting date. However, a company's ability to do so is often subject to complying with covenants. For example, a company might have long-term debt that could become repayable within 12 months if the company fails to comply with covenants in that 12-month period. The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements and the aim of the amendments therefore is to improve the information companies provide about long-term debt with covenants. The amendments will be applied retrospectively and are not expected to have a material impact on the group's financial statements.	1 January 2024
IAS 1	**Presentation of financial Statements – Classification of liabilities as Current or Non-current and Non-current liabilities with Covenants** The amendment states that a company will classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement Covenants with which the company must comply after the reporting date (i.e., future covenants) do not affect a liability's classification at that date. The amendment is not expected to have a significant impact on the Group and Company's financial statements as there are no such transactions.	1 January 2024
IFRS 16	**IFRS 16 Leases (narrow scope amendments) – Lease liability in a sale and leaseback** The amendments add to requirements explaining how a company accounts for a sale and leaseback after the date of the transaction. IFRS 16 had not previously specified how to measure the transaction when reporting after that date. The amendments add to the sale and leaseback requirements in IFRS 16, thereby supporting the consistent application of the standard. These amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction. The amendments will be applied retrospectively and are not expected to have a material impact on the Group and Company's financial statements. The amendment is not expected to have a significant impact on the Group and Company's financial statements as there are no such transactions.	1 January 2024
IAS 7 and IFRS 7	**IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures - Supplier Finance Arrangements (amendments)** The amendment addresses the presentation of liabilities and the associated cash flows arising out of supplier finance arrangements, as well as disclosures required for such arrangements and exposure to liquidity risk. The amendment is not expected to have a significant impact on the Group and Company's financial statements as the Group does not even have this type of arrangements.	1 January 2024
IAS 21	**IAS 21 Lack of exchangeability (amendments)** The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. This amendment is not expected to have any impact of Group and separate financial statements as there are no such transactions.	1 January 2025

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

21. Key management assumptions

In preparing the group and company financial statements, estimates and assumptions are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements, collectively referred to as key management assumptions, are continually evaluated and are based on factors such as historical experience and current best estimates of future events. The estimates and judgements below have remained unchanged unless otherwise stated. The following represents the most material key management assumptions applied in preparing these financial statements. The key management assumptions indicated apply to Group and Company, unless otherwise stated.

21.1. Credit impairment losses on loans and advances

Expected credit loss (ECL) on financial assets

During the current reporting period models have been enhanced but no material changes to assumptions have occurred.

ECL on financial assets – drivers

For the purpose of determining the ECL:

- The Personal and Private Banking (PPB) and Business and Commercial Banking (BCB) portfolios are based on the product categories or subsets of the product categories, with tailored ECL models per portfolio. The impairment provision calculation excludes post-write-off recoveries (PWOR) from the loss given default (LGD) in calculating the ECL. These LGD parameters are aligned to market practice.
- Corporate and Investment Banking (CIB) exposures are calculated separately based on rating models for each of the asset classes.

ECL measurement period

The ECL measurement period for stage 1 exposures is 12 months (or the remaining tenor of the financial asset for CIB exposures if the remaining lifetime is less than 12 months).

- A loss allowance over the full lifetime of the financial asset is required if the credit risk of that financial instrument has increased significantly since initial recognition (stage 2).
- A lifetime measurement period is applied to all credit impaired (stage 3) exposures.
- Lifetimes include consideration for multiple default events, i.e. where defaulted exposures cure and then subsequently re-default. This consideration increases the lifetime periods and the potential ECL.
- The measurement periods for unutilised loan commitments utilise the same approach as on-balance-sheet exposures.

Significant increase in credit risk (SICR) and low credit risk

PPB and BCB

In accordance with IFRS9, all exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. SICR thresholds, which are behaviour score based, are derived for each portfolio vintage of exposures with similar credit risk and are calibrated over time to determine which exposures reflect deterioration relative to the originated population and consequently reflect an increase in credit risk. Behaviour scorecards are based on a combination of factors which include the information relating to customers, transactions and delinquency behaviour (including the backstop when contractual payments are more than 30 days past due) to provide a quantitative assessment (score), and more specifically, a ranking of customer creditworthiness. The creditworthiness of a customer is summarised by a score, with high scores corresponding to low-risk customers, and conversely, low scores corresponding to high-risk customers. These scores are often taken into account in determining the probability of default (PD) including relative changes in PD. Credit risk has increased since initial recognition when these criteria are met.

The Group and Company determines the SICR threshold by utilising an appropriate transfer rate of exposures that are less than 30 days past due (DPD) to stage 2. This transfer rate is such that the proportion of the 0-29 DPD book transferred into stage 2 is no less than the observed 12-month roll rate of 0-29 days accounts into 30 or more days in arrears.

The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR by portfolio vintage and to consequently facilitate appropriate impairment coverage.

Where behaviour scores are not available, historical levels of delinquency are applied in determining whether there has been SICR. For all exposures, the rebuttable presumption of 30 days past due as well as exposures classified as either debt review or as 'watch-list' are used to classify exposures within stage 2.

In accordance with the Bank of Botswana (BoB) Circular No 1 (refer Bank of Botswana website), a bank shall comply with the accounting treatment of the modified financial instrument as required by the IFRS 9 method. In applying the IFRS 9 a bank should correctly attribute loan quality ranking using its best judgement and understanding of the customer's risk profile and the general economy. All loans meeting the qualifying criteria for the three-month a moratorium shall not be recognised as non-performing. Therefore, for regulatory reporting requirement purposes, a bank shall not raise specific provisions against such loans, except if, for accounting and tax purposes, such a provision is required.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

21. Key management assumptions (continued)

21.1. Credit impairment losses on loans and advances (continued)

CIB (including certain BCB exposures)

The Group uses a 25-point master rating scale to quantify the credit risk for each exposure. On origination, each client is assigned a credit risk grade within the Group's 25-point master rating scale. Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data for the applicable portfolio. These credit ratings are evaluated at least annually or more frequently as appropriate.

CIB exposures are evaluated for SICR by comparing the credit risk grade at the reporting date to the origination credit risk grade. Where the relative change in the credit risk grade exceeds certain pre-defined ratings' migration thresholds or, when a contractual payment becomes more than 30 days overdue (IFRS 9's rebuttable presumption), the exposure is classified within stage 2. These pre-defined ratings' migration thresholds have been determined based on historic default experience which indicate that higher rated risk exposures are more sensitive to SICR than lower risk exposures. Based on an analysis of historic default experience, exposures that are classified by the Group's master rating scale as investment grade (within credit risk grade 1 - 12 of the Group's 25-point master rating scale) are assessed for SICR at each reporting date but are considered to be of a low credit risk customer. To determine whether a client's credit risk has increased significantly since origination, the Group and Company would need to determine the extent of the change in credit risk using the table below.

Standard Bank (SB) master rating scale band	SICR trigger (from origination)
SB 1 – 12	Low credit risk
SB 13 – 20	3 rating or more
SB 21 – 25	1 rating or more

The SICR methodology remains unchanged (comparing the credit risk grading) to determine whether these exposures are classified within Stage 1 or Stage 2. The credit risk grade is assessed at the time of the relief, and subsequently monthly reviews of the status of the request and client's performance are conducted.

Incorporation of forward-looking information in ECL measurement

For PPB and BCB products the forward-looking economic expectations are included in the ECL where adjustments are made based on the Group's macroeconomic outlook, using models that correlate these parameters with macroeconomic variables. Where modelled correlations are not viable or predictive, adjustments are based on expert judgement to predict the outcomes based on the group's macroeconomic outlook expectations. In addition to forward-looking macroeconomic information, other types of FLI, such as specific event risks and industry data, have been taken into account in ECL estimates when required, through the application of out-of-model adjustments. These out-of-model adjustments are subject to Credit Committee oversight and approval for statutory reporting.

The Group's macroeconomic outlooks are incorporated in CIB's client rating and include specific forward-looking economic considerations for the individual client. The client rating thus reflects the expected client risk for the Group's expectation of future economic and business conditions. Further adjustments, based on point-in-time market data, are made to the PDs assigned to each risk grade to produce PDs and ECL representative of existing market conditions.

Default

The definition of default, which triggers the credit impaired classification (stage 3), is based on the Group's internal credit risk management approach and definitions. Whilst the specific determination of default varies according to the nature of the product, it is compliant to the Basel definition of default, and generally determined as occurring at the earlier of:

- where, in the Group's view, the counterparty is unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

The Group has not rebutted IFRS 9's 90 days past due rebuttable presumption.

Write off policy

An impaired loan is written off once all reasonable attempts at collection have been made and there is no material economic benefit expected from attempting to recover the balance outstanding. The following criteria must be met before a financial asset can be written off:

- the financial asset has been in default for the period defined for the specific product (i.e. VAF, homes loans, etc.) which is deemed sufficient to determine whether the entity is able to receive any further economic benefit from the impaired loan; and
- at the point of write-off, the financial asset is fully impaired (i.e. 100% allowance) with no reasonable expectations of recovery of the asset, or a portion thereof.

As an exception to the above requirements, where the exposure is secured (or for collateralised structures), the impaired loan can only be written off once the collateral has been realised. Post realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above. The shortfall amount does not need to meet the first requirement to be written off.

For unsecured exposures, post write-off collection and enforcement activities include outsourcing to external debt collection agents as well as, collection/settlement arrangements to assist clients to settle their outstanding debt. The Group continuously monitors and reviews when exposures are written off, the levels of post write-off recoveries as well as the key factors causing post write-off recoveries, which ensure that the Group's point of write-off remains appropriate and that post write-off recoveries are within expectable levels after time.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

21. Key management assumptions (continued)

21.1. Credit impairment losses on loans and advances (continued)

Repossessions

When certain conditions come into effect the bank may repossess the underlying collateral. Repossessions are initiated by a formal letter of demand. Once the assets have been taken into custody they are valued by approved valuers. All costs charged, for example legal fees and repair costs are booked against the account. A repossessed asset is released on condition that the arrears together with repossession expenses are fully paid. Alternatively, the repossessed assets may be sold within 120 days, through a public auction or offer sale. When the bank takes possession of collateral which is not cash or not readily convertible into cash the bank determines a minimum sale amount and auctions the asset for the pre-set sale amount.

Events leading to repossession include:

- Voluntary or Custody surrender pending payment of arrears
- Handed in by the administrator/trustee of a deceased or insolvent estate; and
- Where goods have been found abandoned and / or the customer has absconded

Curing

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e., stage 3) still exist. Distressed restructured financial assets that no longer qualify as credit impaired remain within stage 3 for a minimum period of six months (i.e., six full consecutive monthly payments per the terms and conditions). In the case of financial assets with quarterly or longer dated repayment terms, the classification of a financial asset out of stage 3 may be made subsequent to an evaluation by the Group's CIB or PPB and BCB Credit Risk Management Committee, such evaluation will take into account qualitative factors in addition to compliance with payment terms and conditions of the agreement. Qualitative factors include compliance with covenants and compliance with existing financial asset terms and conditions.

Where it has been determined that a financial asset no longer meets the criteria for significant increase in credit risk, the financial asset will be moved from stage 2 (lifetime expected credit loss model) back to stage 1 (12-month expected credit loss model) prospectively.

Forward-looking economic expectations which were applied in the determination of the ECL at the reporting date:

A range of base, bullish and bearish forward-looking economic expectations were determined, as at 31 December 2023, for inclusion in the Group's forward-looking process and ECL calculation.

Economic expectation

- Real GDP growth in 2023 is expected to be 4.1%, down from 5.8% in 2022. A major risk to the 2023–24 prediction is El Nino weather patterns having a bigger-than-expected impact on agricultural, electricity, and cattle ranching. Monetary policy might continue kept unchanged in order to promote a long-lasting economic recovery
- Throughout the forecast period real GDP growth is expected to average 4.4% annually. The unpredictable nature of the world's resource markets combined with Botswana's dependence on diamonds threatens the future even with our optimistic growth projections.
- Strong fiscal intakes will be ensured by high diamond prices, while further spending growth will be restrained by the government's commitment to fiscal consolidation. In the absence of significant changes in trade patterns, the exchange rate policy is unlikely to change much during the forecast period.
- Sluggish government spending, amidst efforts to rein in public sector expenditure and strengthen oversight of state-owned enterprises, may impel softer growth in the medium term but, in the short term, election spending in the fiscal year 2023/24 should boost growth.

Main macroeconomic factors

The following table shows the main macroeconomic factors used to estimate the allowances for credit losses on loans. For each scenario, namely, the base case, bullish and bearish scenario, the average values of the factors over the next 12 months and over the remaining forecast period are presented below:

	Base scenario[3]		Bearish scenario[3]		Bullish scenario[3]	
2023	Next 12 months[1]	Remaining forecast period[2]	Next 12 months[1]	Remaining forecast period[2]	Next 12 months[1]	Remaining forecast period[2]
	(%)	(%)	(%)	(%)	(%)	(%)
Inflation	3.80	3.94	4.61	2.23	2.70	4.81
Real GDP	4.20	5.67	5.70	3.21	2.70	4.59
6 months T-bill	5.31	6.50	6.52	1.11	3.81	1.82
Policy rate	2.40	2.65	2.40	3.69	2.20	6.25
Exchange rate (USD/BWP)	13.61	12.89	14.60	9.40	12.60	11.98

[1] Revised as at 31 December 2023. Next 12 months following 31 December 2023 is 1 January 2024 to 31 December 2024
[2] The remaining forecast period is 2024 to 2025.
[3] The scenario weighting is: Base at 60.0%, Bull at 25.0% and Bear at 15.0%. There has been a weighting change driven by the optimistic position by the bank and the evident signs of GDP growth and reduced risk of default or credit losses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

21. Key management assumptions (continued)

21.1. Credit impairment losses on loans and advances (continued)

Main macroeconomic factors (continued)

2022	Base scenario[3]		Bearish scenario[3]		Bullish scenario[3]	
	Next 12 months[1]	Remaining forecast period[2]	Next 12 months[1]	Remaining forecast period[2]	Next 12 months[1]	Remaining forecast period[2]
	(%)	(%)	(%)	(%)	(%)	(%)
Inflation	8.02	3.69	8.82	4.49	7.32	2.99
Real GDP	5.60	4.36	4.10	2.86	6.27	5.86
6 months T-bill	7.00	6.50	6.75	6.25	5.25	4.85
Bank rate	4.65	4.15	5.65	4.50	3.90	3.50
Exchange rate (USD/BWP)	12.36	12.00	13.00	12.64	11.72	11.36

[1] Revised as at 31 December 2022.
[2] The remaining forecast period is 2023 to 2025.
[3] The scenario weighting is: Base at 55.0%, Bull at 15.0% and Bear at 30.0%.
[4] There was a change on the Bull and Bear scenarios due to the optimistic position the bank evidenced post the COVID-19 era. The economy has shown more sign of recovery and the likelihood to get less credit losses.

Sensitivity analysis of CIB forward looking impact on IFRS 9 provision

Management assessed and considered the sensitivity of the IFRS 9 provision against the forward-looking economic conditions at a client level. The reviews and ratings of each client are performed at least annually. This process entails credit analysts completing a credit scorecard and incorporating forward looking information. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting IFRS 9 provision for the individual client. Therefore, the impact of forward-looking economic conditions is embedded into the total IFRS 9 provision for each CIB client and cannot be stressed or separated out of the overall CIB IFRS 9 provision.

Sensitivity analysis of PPB and BCB forward looking impact on IFRS 9 provision

The following table shows a comparison of the forward-looking impact on the IFRS 9 provision as at 31 December 2023 based on the probability weightings of the above three scenarios resulting from recalculating each of the scenarios using a 100% (2022: 100%) weighting of the above factors.

	Allowances for credit losses (P000's)	
Forward looking impact on IFRS 9 provision		
Scenarios	**2023**	2022
100% Bear	**551 352**	525 145
100% Base	**81 738**	417 743
100% Bull	**166 165**	335 166

Forward looking expectations

- The Standard Bank Group Economics Research team assists the Group to determine the macroeconomic outlook for commodities over a planning horizon of at least three years. The outlook is provided to the Chief Finance and Value Management Officer for review and the Asset and Liability Committee (ALCO) for approval.
- Macroeconomic outlooks take into account various variables such as gross domestic product, central bank policy interest rates, inflation, exchange rates and treasury bill rates.
- Narratives of economic outlooks, being bear, base and bull cases, are compiled and typically include consideration of the economic background, sovereign risk, foreign exchange risk, financial sector and monetary policy stance.
- Probabilities are assigned to each of the bear, base and bull cases based on primary macroeconomic drivers that are reviewed monthly.
- The forward-looking economic expectations are updated on a bi-annual basis or more regularly when deemed appropriate.

21.2. Fair value of financial instruments

In terms of IFRS, the Group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value, being the price that would, respectively, be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities.

Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value, it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. Information obtained from the valuation of financial instruments is used to assess the performance of the Group and, in particular, provides assurance that the risk and return measures that the Group has taken are accurate and complete.

The Group's valuation control framework governs internal control standards, methodologies and procedures over its valuation processes, which include:

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

21. Key management assumptions (continued)

21.3. Valuation process

Prices quoted in an active market: The existence of quoted prices in an active market represents the best evidence of fair value. Where such prices exist, they are used in determining the fair value of financial assets and financial liabilities.

Valuation techniques: Where quoted market prices are unavailable, the Group establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible. Where such inputs are not available, the Group makes use of theoretical inputs in establishing fair value (unobservable inputs). Such inputs are based on other relevant input sources of information and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustments to reflect the terms of the actual instrument being valued and current market conditions. Changes in these assumptions would affect the reported fair values of these financial instruments. Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters that are corroborated by reference to independent market data, where possible, or alternative sources, such as, third-party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models such as, discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated modelling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

Valuation adjustments: Valuation adjustments are an integral part of the valuation process. Adjustments include, but are not limited to:

- credit spreads on illiquid issuers
- implied volatilities on thinly traded instruments
- correlation between risk factors
- prepayment rates
- other illiquid risk drivers.

In making appropriate valuation adjustments, the Group applies methodologies that consider factors such as bid-offer spreads, liquidity, counterparty and own credit risk. Exposure to such illiquid risk drivers is typically managed by:

- using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver;
- raising day one profit provisions in accordance with IFRS;
- quantifying and reporting the sensitivity to each risk driver; and
- limiting exposure to such risk drivers and analysing the exposure on a regular basis.

Validation and control: All financial instruments carried at fair value, regardless of classification, and for which there are no quoted market prices for that instrument, are fair valued using models that conform to international best practice and established financial theory. These models are validated independently by the Group's model validation unit and formally reviewed and approved by the Group market risk methodologies committee. This control applies to both off-the-shelf models, as well as those developed internally by the Group. Further, all inputs into the valuation models are subject to independent price validation procedures carried out by the Group's market risk unit. Such price validation is performed on at least a monthly basis, but daily where possible given the availability of the underlying price inputs. Independent valuation comparisons are also performed, and any significant variances noted are appropriately investigated. Less liquid risk drivers, which are typically used to mark level 3 assets and liabilities to model, are carefully validated and tabled at the monthly price validation forum to ensure that these are reasonable and used consistently across all entities in the Group. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values. They are also disclosed on a monthly basis at the market risk and asset and liability committees.

Portfolio exception: The Group has on meeting certain qualifying criteria, elected the portfolio exception which allows an entity to measure the fair value of certain Groups of financial assets and financial liabilities on a net basis similar to how market participants would price the net risk exposure at the measurement date. Other financial instruments, not at level 3, are utilised to mitigate the risk of these changes in fair value.

The fair value of financial instruments, such as Treasury Bills, Corporate and Government Bonds which are not actively traded on open markets but are purchased via an auction process are determined by using valuation techniques. Wherever possible, models use only observable market data such as bid prices and market yields. Changes in assumptions could affect the reported fair values of financial instruments.

21.4. Current and deferred tax

The Group is subject to direct and indirect taxation. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty in the ordinary course of business. The Group and Company recognise provisions for tax based on objective estimates of the amount of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, disclosed in note 22.11 and note 32, respectively, in the period in which such determination is made.

Uncertain tax positions, which do not meet the probability criteria defined within IFRS, are not provided for but are rather disclosed as contingent liabilities or assets as appropriate. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The most significant management assumption is the forecasts that are used to support the probability assessment that sufficient taxable profits will be generated by the entities in the Group in order to utilise the deferred tax assets.

The Group and Company are subject to direct and indirect taxation requirements which are determined with reference to transactions and calculations for which the ultimate tax determination has an element of uncertainty in the ordinary course of business. The Group recognises provisions for tax based on objective estimates of the amount of taxes that may be due.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

21. Key management assumptions (continued)

21.5. Computer software intangible asset

The Group reviews its assets under construction and assets brought into use for impairment at each reporting date and tests the carrying value for impairment whenever events or changes in circumstances indicate that the carrying amount (or components of the carrying amount) may not be recoverable. These circumstances include, but are not limited to, new technological developments, obsolescence, changes in the manner in which the software is used or is expected to be used, changes in discount rates, significant changes in macroeconomic circumstances or changes in estimates of related future cash benefits. The impairment tests are performed by comparing an asset's recoverable amount to its carrying amount. The recoverable amount is determined as the higher of an asset's fair value less the cost of disposal and its value in use. The value in use is calculated by estimating future cash benefits that will result from each asset and discounting those cash benefits at an appropriate discount rate.

The review and testing of assets for impairment inherently requires significant management judgement as it requires management to derive the estimates of the identified assets' future cash flows in order to derive the asset's recoverable amount. No indication of impairment was observed.

21.6. Provisions

The principal assumptions taken into account in determining the value at which provisions are recorded, include determining whether there is an obligation, as well as assumptions about the probability of the outflow of resources and the estimate of the amount and timing for the settlement of the obligation. For legal provisions, management assesses the probability of the outflow of resources by taking into account historical data and the status of the claim in consultation with the Group's legal counsel. In determining the amount and timing of the obligation once it has been assessed to exist, management exercises its judgement by taking into account all available information, including that arising after the reporting date up to the date of the approval of the financial results. Refer to note 35 for provisions and other liabilities disclosures.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

22. Statements of profit or loss and other comprehensive income information

22.1. Interest income

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Interest on loans and advances	**1 607 839**	1292 012	**1 607 839**	1292 012
Interest on financial investments	**149 960**	78 270	**149 960**	78 270
	1 757 799	1370 282	**1 757 799**	1370 282

22.2. Interest expense

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Interest on deposits - current and savings accounts	**8 919**	7 469	**8 931**	7 482
Interest on deposits - call, and term*	**548 551**	429 750	**548 551**	429 750
Interest on deposits- debt securities in issue*	**78 297**	71 409	**78 297**	71 409
Interest on lease liabilities	**1 259**	1 529	**1 259**	1 529
Interest on deposits with banks	**9 379**	8 877	**9 569**	8 877
	646 405	519 034	**646 607**	519 047

*Interest from debt securities was removed from interest on deposits- call and term and disclosed separately under interest on deposits – debt securities in issue. This has been done for prior year numbers as well.

22.3. Fee and commission income

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Documentation and admin fees	**94 042**	77 238	**94 042**	77 238
Electronic banking transaction fees	**27 162**	24 836	**27 162**	24 836
Point of presentation transaction fees	**13 873**	10 296	**13 873**	10 296
Guarantee fees	**9 755**	10 141	**9 755**	10 141
Insurance commissions	**15 149**	14 749	**-**	-
Card based commission	**185 663**	154 029	**185 663**	154 029
Foreign currency service fees	**21 380**	26 788	**21 380**	26 788
Service and penalty fees on current accounts	**17 600**	17 915	**17 600**	17 915
ATM fees	**11 754**	10 297	**11 754**	10 297
Script and security fees	**10 334**	14 274	**10 334**	14 274
Other fees	**4 309**	14 051	**2 417**	14 051
	411 021	374 614	**393 980**	359 865

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

22. Statements of profit or loss and other comprehensive income information (continued)

22.3. Fee and commission income (continued)

Performance obligations and revenue recognition policies

The principal assumptions taken into account for fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition
Documentation, admin fees.	This relates to fee and commission income related to the loans and advances to customers.	Revenue from documentation and admin fees are recognised on a straight-line basis over the commitment period. The amounts to be recognised in future months are recognised as other liabilities.
Transaction-based fees - electronic banking transactions fees, point of presentation transaction fees, ATM fees and script and security fees and other fees including guarantees.	Transaction-based fees such as electronic banking fees, point of presentation fees, ATM fees, script and security fees, are charged to the customer's account when the transaction takes place.	Revenue related to transaction based fees is recognised at the point in time when the transaction takes place.
Account servicing fees – foreign currency service fees, service and penalty fees on current accounts	Account servicing fees are charged on a monthly basis.	The fees are recognised as the services are performed and received. Penalty fees are also recognised when the customer has defaulted on their obligation.
Insurance and card-based commissions.	Commission income relating to insurance(new business or renewals) and card based activities	The fees are recognised as the services are performed and received.

22.4. Fee and commission expense

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Card based expenses	**135 374**	102 004	**135 374**	102 004
Other fees	**303**	573	**303**	573
Fee and commission expense	**135 677**	102 577	**135 677**	102 577

Fee and commission expense reported above relates to the financial assets or liabilities not carried at FVTPL.

22.5. Net trading income

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Gain on foreign exchange dealings	**228 843**	252 535	**228 843**	252 535
Net loss on financial instruments held for trading	**(4 158)**	(5 178)	**(4 158)**	(5 178)
	224 685	247 357	**224 685**	247 357

22.6. Other income

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Preference dividend (43.5)	**10 190**	11 291	**10 190**	11 291
Sundry income	**8 245**	15 636	**8 865**	15 642
Management fees	**-**	-	**6 863**	6 564
Other Gains	**1 724**	-	**1 724**	-
	20 159	26 927	**27 642**	33 497

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

22. Statements of profit or loss and other comprehensive income information (continued)

22.7. Credit impairment charges

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Net expected credit loss raised and (released)	**142 975**	111 481	**142 975**	111 481
Financial investments (note 26.5)	**24**	(17)	**24**	(17)
Loans and advances (note 27.2)	**141 048**	110 829	**141 048**	110 829
Letters of credit, guarantees and commitments	**1 903**	669	**1 903**	669
Recoveries on loans and advances previously written off*	**(33 672)**	(123 372)	**(33 672)**	(123 372)
	109 303	(11 891)	**109 303**	(11 891)

* During the current reporting period, the movement of credit impairment relatively remained within normal impairment ranges. In the previous reporting period, the bank made an insurance cover indemnity claim on one of its major clients under the Business and Commercial Banking (BCB) segment of about P98 million which resulted in reduction of the credit impairment charge for the year, thus leading to reduction in overall credit impairment charges for the previous year. Overall credit impairments increased due to the non-occurrence of the prior year event.

22.8. Staff costs

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Salaries and allowances*	**395 344**	328 390	**395 344**	328 390
Retirement benefit costs	**32 567**	29 968	**32 567**	29 968
	427 911	358 358	**427 911**	358 358

*Included on this number was a once off event relating to organisational redesign exercise which amounted to approximately P40 million. The exercise commenced in August 2023 and concluded by end of December 2023. In addition to this there is share-based expense of about P11 million (2022 P5 million).

22.9. Other operating expenses

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Amortisation – intangible assets (note 30)	**24 666**	24 356	**24 666**	24 356
Auditor's remuneration	**5 271**	4 259	**5 271**	4 259
- Audit fees (current year)	**4 300**	3 556	**4 300**	3 556
- Audit fees (prior year under provision)	**971**	703	**971**	703
Depreciation property plant and equipment (note 31.2)	**44 599**	47 413	**44 599**	47 413
- Property - Freehold	**1 301**	3 158	**1 301**	3 158
- Property - Leasehold	**927**	1 911	**929**	1 911
- Equipment – Computers and office equipment	**23 767**	21 561	**23 766**	21 561
- Equipment – Motor vehicles	**1 063**	1 424	**1 063**	1 424
- Equipment – Furniture and fittings	**3 661**	3 622	**3 660**	3 622
- Right of use of assets	**13 880**	15 737	**13 880**	15 737
- Leases of low value assets and short-term leases	**758**	118	**758**	118
-Expenses relating to leases of low-value items	**758**	118	**758**	118
Information technology	**129 292**	148 259	**129 292**	148 259
Communication, marketing and advertising	**37 275**	46 678	**37 275**	46 678
Repairs and maintenance	**14 601**	11 847	**14 601**	11 847
Professional fees	**28 440**	32 960	**28 253**	32 960
Head office franchise fee	**48 435**	41 373	**48 435**	41 373
Profit/ (loss) on sale of plant and equipment	**112**	(352)	**112**	(352)
Travel and entertainment	**11 154**	10 090	**11 154**	10 090
Training expenses	**2 421**	1 598	**2 421**	1 598
Administration and general expenses	**86 246**	88 397	**86 246**	91 258
	433 270	456 996	**433 083**	459 857

The net gain from foreign exchange for Group and Company relating to information technology, franchise fees and administration and general expenses included in other operating expenses amounts to P3.183 million (2022: P3.751 million).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023

22. Statements of profit or loss and other comprehensive income information (continued)

22.10. Non-executive directors' emoluments

Remuneration report

The table below presents the remuneration received by the Directors as required by King IV Code.

	Group		Company	
	2023 P000's	2022 P000's	2023 P000's	2022 P000's
Short term benefits	**8 134**	6 380	**8 084**	6 370
Non-Executive Directors				
Craig Anthony Granville	**249**	1 012	**249**	1 012
Dr Tebogo TK Matome	**855**	678	**855**	678
Jennifer Mary Marinelli	**-**	404	**-**	404
Orefitlhetse Masire	**-**	334	**-**	334
Mohamed Ismail	**718**	653	**718**	653
Rudolph De Wet	**737**	552	**737**	552
Mthabisi Bokete	**737**	568	**737**	568
Mythri Sambasivan-George	**-**	212	**-**	212
Larona Lesedi Somolekae	**805**	531	**805**	531
Mark Haskins	**689**	500	**689**	500
Butler D Phirie	**909**	535	**909**	535
Antonio C Cautinho[1]	**508**	211	**508**	211
Lungisa Fuzile[1]	**492**	180	**492**	180
Batsho Pamela Growth	**729**	-	**729**	-
Mootiemang R Motswaiso	**295**	-	**295**	-
Michaela Alves Da Silva	**361**	-	**361**	-
Yvette Mogatusi	**25**	10	**-**	-
Chedza Balopi	**25**	-	**-**	-
	8 134	6 380	**8 084**	6 370

Refer to Note 44 for remuneration received by executive management.

[1]The remuneration for the director is paid to Stanbic Africa Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

22. Statements of profit or loss and other comprehensive income information (continued)

22.11. Taxation

a) Amounts recognised in profit or loss

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Indirect taxation				
- Value added tax	**32 628**	25 199	**32 325**	25 173
Direct taxation				
Total direct taxation	**144 542**	125 059	**142 470**	122 462
- Current year	**136 337**	125 059	**134 265**	122 462
- current tax	**128 244**	130 828	**126 172**	128 231
- deferred tax	**8 093**	(5 769)	**8 093**	(5 769)
-Prior year	**8 205**	-	**8 205**	-
- current tax	**8 205**	-	**8 205**	-

b) Botswana tax rate reconciliation (%)

	Group		Company	
	2023 %	2022 %	**2023 %**	2022 %
Direct taxation charge for the year as a percentage of profit after indirect tax:	**23.0**	22	**23.0**	22
The charge for the year has been (increased)/reduced as a consequence of: - Non-deductible expenses[1]	**0.2**	-	**0.2**	-
- Tax payments relating to previous years	**(1.2)**	-	**(1.2)**	-
Statutory tax rate	**22**	22	**22**	22

[1] Comprises of subscriptions and entertainment.3

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

23. Cash and balances with the Central Bank

	Group		Company	
	2023 P000's	2022 P000's	2023 P000's	2022 P000's
Coins and bank notes	**217 274**	119 985	**217 274**	119 985
Balances with the Central Bank	**1 249 216**	424 894	**1 249 216**	424 894
	1 466 490	544 879	**1 466 490**	544 879

Coins and bank notes and the reserving requirements held with the Central Bank have been classified at fair value through profit or loss – default as the contractual terms do not give rise on specified dates to cash flows that represent solely payments of principal and interest on the principal amount outstanding. Included in this balance is P329 million (2022: P340 million) that is held as reserve requirement. These balances primarily comprise of reserving requirements held with the Central Bank and are available for use by the Group subject to certain guidelines levied by the Central Bank. The bank can transfer any amount from and to balances held with central bank from the settlement account and vice versa over the maintenance period. These balances are held at fair value.

24. Derivative financial instruments

All derivatives are classified as derivatives held for trading.

24.1. Fair values

The fair value of a derivative financial instrument, for quoted instruments is the quoted market price and for unquoted instruments the present value of the positive or negative cash flows and is based on those which would have occurred if the rights and obligations arising from that instrument were closed out in an orderly marketplace transaction at year end.

24.2. Notional amount

The gross notional amount is the sum of the absolute value of all bought and sold contracts. The amount should be used only as a means of assessing the Group's participation in derivative contracts.

24.3. Derivative assets and liabilities

	Maturity analysis of net fair value						
2023 Group	**Within 1 year P000's**	**After 1 year, within 5 years P000's**	**After 5 years P000's**	**Net fair value P000's**	**Fair value of assets P000's**	**Fair value of liabilities P000's**	**Net notional amount P000's[1]**
Derivatives held for trading							
Foreign exchange derivatives	**1 377**	**-**	**-**	**1 377**	**1 377**	**-**	**1 470 302**
- Forwards and swaps	**1 377**	**-**	**-**	**1 377**	**1 377**	**-**	**1 470 302**
2023 Company							
Derivatives held for trading							
Foreign exchange derivatives	**1 377**	**-**	**-**	**1 377**	**1 377**	**-**	**1 470 302**
- Forwards and swaps	**1 377**	**-**	**-**	**1 377**	**1 377**	**-**	**1 470 302**

	Maturity analysis of net fair value						
2022 Group	Within 1 year P000's	After 1 year, within 5 years P000's	After 5 years P000's	Net fair value P000's	Fair value of assets P000's	Fair value of liabilities P000's	Net notional amount P000's[1]
Derivatives held for trading							
Foreign exchange derivatives	(3 301)	-	-	(3 301)	12 163	(15 464)	1581 197
- Forwards and swaps	(3 301)	-	-	(3 301)	12 163	(15 464)	1581 197
2022 Company							
Derivatives held for trading							
Foreign exchange derivatives	(3 301)	-	-	(3 301)	12 163	(15 464)	1 581 197
- Forwards and swaps	(3 301)	-	-	(3 301)	12 163	(15 464)	1581 197

[1]The notional amount is the sum of the absolute value of all bought and sold contracts for both derivative assets and liabilities. The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the Group's participation in derivative contracts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

24. Derivative financial instruments (continued)

24.4. Use and measurement of derivative instruments

In the normal course of business, the Group enters into a variety of derivative transactions for trading that include swaps and forwards. The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

The fair value of all derivatives is recognised on the statement of financial position and is only netted to the extent that a legal right of set-off exists and there is an intention to settle on a net basis.

Swaps are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period. The major type of swap transactions undertaken by the Group are cross currency interest rate swaps.

Cross currency interest rate swaps involve the exchange of interest payments based on two different currency principal balances and interest reference rates and generally also entail exchange of principal amounts at the start and / or end of the contract.

Forwards are contractual obligations to buy or sell financial instruments on a future date at a specified price. Forward contracts are tailor-made agreements that are transacted between counterparties in the market.

24.5. Derivatives held for trading

The bank trades derivative instruments on behalf of customers and for its own positions. The Group transacts derivative contracts to address customer demands both as a market maker in the wholesale market and in structuring tailored derivatives for customers. The Group also takes proprietary positions for its own accounts. Trading derivative include foreign exchange derivatives. Foreign exchange derivatives consist of forward exchange contracts and swaps.

25. Trading portfolio assets

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Listed – Government bonds	**3 212**	-	**3 212**	-
	3 212	-	**3 212**	-
Maturity analysis:				
Maturing within 1 month	**-**	-	**-**	-
Maturing after 1 month but within 6 months	**131**	-	**131**	-
Maturing after 6 months but within 12 months	**-**	-	**-**	-
Maturing after 12 months	**3 081**	-	**3 081**	-
	3 212	-	**3 212**	-

Comparative numbers show a nil balance as we had no trading assets in the prior year.

a. Redemption value

Dated trading assets had a redemption value as at 31 December 2023 of P3.212 million (2022: P Nil million) for the Group and Company.

26. Financial investments

26.1. Classification

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Listed – Government bonds*	**423 026**	611 233	**423 026**	611 233
Unlisted – Other	**3 382 338**	2 406 847	**3 382 338**	2 406 847
	3 805 364	3 018 080	**3 805 364**	3 018 080
Comprising:				
Government bonds	**423 026**	611 233	**423 026**	611 233
Corporate bonds	**185 882**	185 742	**185 882**	185 742
Bank of Botswana Certificates	**3 196 456**	2 221 105	**3 196 456**	2 221 105
	3 805 364	3 018 080	**3 805 364**	3 018 080

*In the current year we have disclosed the corporate bonds as part of the unlisted also changed the comparative numbers, but this does not result in restatement of the note.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

26. Financial investments (continued)

26.1. Classification (continued)

Maturity analysis

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
The maturities represent periods to contractual redemption of the investment securities recorded.				
Maturing within 1 month	**3 196 456**	1 629 625	**3 196 456**	1 629 625
Maturing after 1 month but within 6 months	**-**	768 179	**-**	768 179
Maturing after 6 months but within 12 months	**-**	-	**-**	-
Maturing after 12 months	**608 908**	620 276	**608 908**	620 276
	3 805 364	3 018 080	**3 805 364**	3 018 080
The maturities above represent periods to contractual redemption of the investment securities recorded.				
Net financial investments measured at amortised cost	**3 805 364**	3 018 080	**3 805 364**	3 018 080
Gross financial investments measured at amortised cost	**3 805 407**	3 018 099	**3 805 407**	3 018 099
Less: Expected credit loss for financial investments measured amortised cost	**(43)**	(19)	**(43)**	(19)
	3 805 364	3 018 080	**3 805 364**	3 018 080

26.2. Redemption value

Dated investment securities had a redemption value at 31 December 2023 of P3.805 billion (2022 P3.018 billion) for the Group and for the Company. Included in these amounts are dated pledged assets with a redemption value at 31 December 2023 of P643.0 million (2022: P598.1 million) for the Group and Company (refer to note 26.7 for further details).

26.3. Investment registers

Registers of the investment securities are available for inspection by members, or their authorised agents at the registered offices of the Group and its subsidiaries.

26.4. Fair value

The fair value of unlisted investments is equal to the carrying value. All unlisted investments were fair valued at 31 December 2023 based on ruling prices at reporting date. Refer to note 38.2 for the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

26. Financial investments (continued)

26.5. Reconciliation of expected credit losses for debt financial investments measured at amortised cost

Group and Company	Opening ECL 1 January 2023 P000's	Transfers Total between stages	Income statement movements: ECL on new exposure raised P000's	Income statement movements: Change in ECL due to modifications P000's	Income statement movements: Subsequent changes in ECL P000's	Income statement movements: Change in ECL due to derecognition P000's	Net ECL raised/ (released) [1] P000's	Closing ECL 31 December 2023 P000's
Corporate	-	-	-	-	-	-	-	-
Stage 1	-	-	-	-		-	-	-
Stage 2	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-
Sovereign	15	-	39	-	(15)	-	24	39
Stage 1	15	-	39	-	(15)	-	24	39
Stage 2	-	-	-	-	-	-	-	-
Stage 3	-	-	-		-	-	-	-
Bank	4	-	-	-	-	-		4
Stage 1	4	-	-	-	2	-	-	4
Stage 2	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-
Total	19	-	39	-	(15)	-	24	43

[1] The increase in financial investments is mainly due to the new placements taken in the current which are mostly stage 1. In the current year there were no movement between stages for financial investments as shown above. Most of the exposures are Bank of Botswana certificates which are short term and mainly in stage 1 for their tenor.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

26. Financial investments (continued)

26.5. Reconciliation of expected credit losses for debt financial investments measured at amortised cost (continued)

		Income statement movements					
Group and Company	Opening ECL 1 January 2022 P000's	ECL on new exposure raised P000's	Change in ECL due to modifications P000's	Subsequent changes in ECL P000's	Change in ECL due to derecognition P000's	Net ECL raised/ (released)[1] P000's	Closing ECL 31 December 2022 P000's
Corporate	-	-	-	-	-	-	-
Stage 1	-	-	-		-	-	-
Stage 2	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-
Sovereign	32	-	(15)	(2)	-	(17)	15
Stage 1	32	-	(15)	(2)	-	(17)	15
Stage 2	-	-	-	-	-	-	-
Stage 3	-	-		-	-	-	-
Bank	4	-	(2)	2	-	-	4
Stage 1	4	-	(2)	2	-	-	4
Stage 2	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-
Total	36	-	(17)	-	-	(17)	19

[1] Net impairments raised/(released) less recoveries of amounts written off in previous years equals income statement impairment charge (refer credit impairment charges note).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

26. Financial investments (continued)

26.7. Pledged assets and assets not derecognised

Assets are pledged as collateral under repurchase agreements with the Central Bank. Mandatory reserve deposits are also held with the Central Bank in accordance with statutory requirements.

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Fair value of trading assets pledged as security	**642 659**	598 095	**642 659**	598 095

Maturity analysis

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Maturing within 1 month	**642 659**	598 095	**642 659**	598 095
	642 659	598 095	**642 659**	598 095

The carrying amount of total financial assets that have been pledged as collateral for liabilities (including amounts reflected above) at 31 December 2023 is P643 million (2022: P598 million) for the Group and Company. The assets pledged comprises Bank of Botswana certificates.

The assets pledged by the Group are strictly for the purpose of providing collateral to the counterparty. The counterparty is permitted to sell and/or re-pledge the assets to the extent reflected above. These transactions are conducted under terms that are usual and customary to security lending, securities borrowing and lending activities. The carrying amount of the pledged is equal to the fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

27. Loans and advances

The Group and Company extends advances to the personal, commercial and corporate sectors as well as to the public sector. Advances made to individuals are mostly in the form of mortgages, instalment credit, overdrafts and credit card borrowings. A significant portion of the Groups advances to commercial and corporate borrowers consist of advances made to companies engaged in manufacturing, finance, mining and service industries.

27.1.Loans and advances net of impairment and interest in suspense

	Group		Company	
	2023 P000's	2022 P000's	2023 P000's	2022 P000's
Loans and advances to banks*	**5 990 721**	6 790 157	**5 990 721**	6 790 157
- Balances with banks	**5 994 997**	6 793 307	**5 994 997**	6 793 307
- Expected credit loss for unimpaired loans	**(4 276)**	(3 150)	**(4 276)**	(3 150)
Net loans and advances to banks	**5 990 721**	6 790 157	**5 990 721**	6 790 157
Loans and advances to customers	**13 333 231**	13 264 932	**13 333 231**	13 264 932
Gross loans and advances to customer	**13 810 275**	13 694 734	**13 810 275**	13 694 734
- Mortgage lending	**2 115 487**	2 437 291	**2 115 487**	2 437 291
- Vehicle asset lending	**1 440 429**	1 002 098	**1 440 429**	1 002 098
- Overdrafts and other demand lending	**618 850**	476 902	**618 850**	476 902
- Medium-term advances	**9 124 419**	9 219 107	**9 124 419**	9 219 107
- Card debtors	**37 030**	43 924	**37 030**	43 924
Other instruments	**474 060**	515 412	**474 060**	515 412
Credit impairments for loans and advances to customers	**(477 044)**	(429 802)	**(477 044)**	(429 802)
Net loans and advances	**19 323 952**	20 055 089	**19 323 952**	20 055 089
Comprising:				
Gross loans and advances	**19 805 272**	20 488 041	**19 805 272**	20 488 041
Less: credit impairments (note 27.3)	**(481 320)**	(432 952)	**(481 320)**	(432 952)
Net loans and advances	**19 323 952**	20 055 089	**19 323 952**	20 055 089

* Included in the loans and advances to banks are related party balances further disclosed under note 43.6.

	Group		Company	
	2023 P000's	2022 P000's	2023 P000's	2022 P000's
Maturity analysis:				
The maturities represent periods to contractual redemption of the loans and advances recorded.				
Redeemable on demand	**1 257 267**	2 257 267	**1 257 267**	2 257 267
Maturing within 1 month	**117 469**	187 269	**117 469**	187 269
Maturing after 1 month but within 6 months	**907 718**	797 718	**907 718**	797 718
Maturing after 6 months but within 12 months	**555 527**	455 527	**555 527**	455 527
Maturing after 12 months	**16 485 971**	16 357 308	**16 485 971**	16 357 308
	19 323 952	20 055 089	**19 323 952**	20 055 089

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

27. Loans and advances (continued)

27.2. Credit impairments for loans and advances
Reconciliation of expected credit losses for loans and advances measured at amortised cost

Group and Company	Opening ECL 1 January 2022 P000's	(To)/From	From/(To)	From/(To)	Total Transfer between stages P000's	ECL on new exposure raised P000's	Change in ECL due to modifications P000's	Subsequent changes in ECL P000's	Changes in ECL due to derecognition P000's	New impairments raised/ (released) P000's	Impaired accounts written-off P000's	Exchange and other movements P000's	Closing ECL 31 December 2023 P000's
		Stage 1	Stage 2	Stage 3	Stage3								
Mortgages	**(126 457)**	**(14 096)**	**61**	**14 035**	**-**	**(36 626)**	**-**	**(29 249)**	**-**	**(65 875)**	**1 653**	**-**	**(190 679)**
Stage 1	(13 956)	-	16 129	(2 033)	14 096	(2 396)	-	(16 992)	-	(19 388)	-	-	(19 248)
Stage 2	(42 854)	(16 129)	-	16 068	(61)	(3 088)	-	20 240	-	17 152	-	-	(25 763)
Stage 3	(69 647)	2 033	(16 068)	-	(14 035)	(31 142)	-	(32 497)	-	(63 639)	1 653	-	(145 668)
Vehicle and Asset Finance	**(82 875)**	**(5 420)**	**357**	**5 063**	**-**	**(21 384)**	**-**	**25 681**	**-**	**4 297**	**2 317**	**-**	**(76 261)**
Stage 1	(10 162)	-	3 424	1 996	5 420	(3 519)	-	2 248	-	(1 271)	-	-	(6 013)
Stage 2	(42 684)	(3 424)	-	3 067	(357)	(14 644)	-	20 090	-	5 446	-	-	(37 595)
Stage 3	(30 029)	(1 996)	(3 067)	-	(5 063)	(3 221)	-	3 343	-	122	2 317	-	(32 653)
Card Debtors	**(6 437)**	**976**	**(1 134)**	**158**	**-**	**(4 690)**	**-**	**(76)**	**-**	**(4 766)**	**5 758**	**-**	**(5 445)**
Stage 1	(2 246)	-	(737)	(239)	(976)	(3 686)	-	4 328	-	642	300	-	(2 280)
Stage 2	(4 397)	737	-	397	1 134	(607)	-	796	-	189	-	-	(3 074)
Stage 3	206	239	(397)	-	(158)	(397)	-	(5 200)	-	(5 597)	5 458	-	(91)
Corporate	**(21 401)**	**-**	**-**	**-**	**-**	**(6 475)**	**-**	**(781)**	**4 856**	**(2 400)**	**-**	**-**	**(23 801)**
Stage 1	(16 750)	-	-	-	-	(4 260)	-	930	4 062	732	-	-	(16 018)
Stage 2	(4 828)	-	-	-	-	(2 215)	-	(1 711)	971	(2 955)	-	-	(7 783)
Stage 3	177	-	-	-	-	-	-	-	(177)	(177)	-	-	-
Sovereign	**(640)**	**-**	**-**	**-**	**-**	**(545)**	**-**	**(1 042)**	**532**	**(1 055)**	**-**	**-**	**(1 695)**
Stage 1	(79)	-	-	-	-	(545)	-	(40)	532	(53)	-	-	(132)
Stage 2	(561)	-	-	-	-	-	-	(1 002)	-	(1 002)	-	-	(1 563)
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-	-
Other instruments	**(195 142)**	**(29 391)**	**18 692**	**10 699**	**-**	**(51 573)**	**-**	**(32 193)**	**1**	**(71 249)**	**82 952**	**-**	**(183 439)**
Stage 1	(73 553)	-	25 886	3 505	29 391	(23 275)	-	(882)	1	(24 156)	-	-	(68 318)
Stage 2	(39 282)	(25 886)	-	7 194	(18 692)	(13 314)	-	54 709	-	41 395	-	-	(16 579)
Stage 3	(82 307)	(3 505)	(7 194)	-	(10 699)	(14 984)	-	(86 020)	-	(88 488)	82 952	-	(98 542)
TOTAL	**(432 952)**	**(47 931)**	**17 976**	**29 955**	**-**	**(121 293)**	**-**	**(37 660)**	**5 389**	**(141 048)**	**92 680**	**-**	**(481 320)**

*Other instruments on the above table also represents exposure for overdrafts, medium terms loans and other instruments reflected under note 27.1 Corporate and Sovereign which are internal naming for the CIB segment rare included medium-term advances under note 27.1. For the current year loan balance decreased however there was increase in impairments driven by change in drivers such as probability of default, coverage ratios and book distribution. Increase in default rates for Mortgages and term loans particularly directly linked to a once-off event from one client who experience a credit strain also increased the impairment for the period.
** The contractual outstanding amount on financial assets that were written off during the current reporting period that are still subject to enforcement activities is P92.6 million (2022: P255.4 million).
***The gross armotised carrying account for the modified accounts before restructure was P150 000 million as at the reporting date. The facility has not yet cured to stage 1.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

27. Loans and advances (continued)

27.2. Credit impairments for loans and advances
Reconciliation of expected credit losses for loans and advances measured at amortised cost

Group and Company	Opening ECL 1 January 2021 P000's	(To)/From	From/(To)	From/(To)	Total Transfer between stages P000's	ECL on new exposure raised P000's	Change in ECL due to modifications P000's	Subsequent changes in ECL P000's	Changes in ECL due to derecognition P000's	New impairments raised/ (released) P000's	Impaired accounts written-off P000's	Exchange and other movements P000's	Closing ECL 31 December 2022 P000's
		Stage 1	Stage 2	Stage 3	Stage3								
Mortgages	**(121 489)**	**(1 829)**	**58**	**1 771**	**-**	**(8 195)**	**-**	**(10 094)**	**-**	**(18 289)**	**13 321**	**-**	**(126 457)**
Stage 1	(13 267)	-	1 510	319	1 829	(6 748)	-	4 230	-	(2 518)	-	-	(13 956)
Stage 2	(33 207)	(1 510)	-	1 452	(58)	(979)	-	(8 610)	-	(9 589)	-	-	(42 854)
Stage 3	(75 015)	(319)	(1 452)	-	(1 771)	(468)	-	(5 714)	-	(6 182)	13 321	-	(69 647)
Vehicle and Asset Finance	**(82 082)**	**(3 925)**	**2 166**	**1 759**	**-**	**(9 692)**	**-**	**6 329**	**-**	**(3 363)**	**2 570**	**-**	**(82 875)**
Stage 1	(6 728)	-	2 166	1 759	3 925	(8 217)	-	858	-	(7 359)	-	-	(10 162)
Stage 2	(43 217)	(2 166)	-	-	(2 166)	(1 112)	-	3 811	-	2 699	-	-	(42 684)
Stage 3	(32 137)	(1 759)	-	-	(1 759)	(363)	-	1 660	-	1 297	2 570	-	(30 029)
Card Debtors	**(12 528)**	**1 488**	**(1 877)**	**389**	**-**	**(1 337)**	**-**	**993**	**-**	**(344)**	**6 435**	**-**	**(6 437)**
Stage 1	(1 997)	-	(1 527)	39	(1 488)	(390)	-	1 629	-	1 239	-	-	(2 246)
Stage 2	(9 866)	1 527	-	350	1 877	(865)	-	4 457	-	3 592	-	-	(4 397)
Stage 3	(665)	(39)	(350)	-	(389)	(82)	-	(5 093)	-	(5 175)	6 435	-	206
Corporate	**(29 032)**	**(1)**	**178**	**(177)**	**-**	**(1 078)**	**-**	**5 149**	**3 560**	**7 631**	**(564)**	**(47)**	**(21 401)**
Stage 1	(21 643)	-	178	(177)	1	(1 078)	-	2 411	3 559	4 892	-	(47)	(16 750)
Stage 2	(7 389)	(178)	-	-	(178)	-	-	2 738	1	2 739	(564)	-	(4 828)
Stage 3	-	177	-	-	177	-	-	-	-	-	-	-	177
Sovereign	**8 735**	**(1)**	**-**	**1**	**-**	**(2 206)**	**-**	**(418)**	**249**	**(2 375)**	**-**	**-**	**6 360**
Stage 1	9 100	-	-	1	1	(2 207)	-	18	9	(2 180)	-	-	6 921
Stage 2	(365)	-	-	-	-	-	-	(436)	240	(196)	-	-	(561)
Stage 3	-	(1)	-	-	(1)	1	-	-	-	1	-	-	-
Other instruments	**(334 343)**	**(9 531)**	**(6 812)**	**16 343**	**-**	**(67 807)**	**-**	**(33 395)**	**26**	**(101 484)**	**233 685**	**-**	**(202 142)**
Stage 1	(90 892)	-	4 829	4 702	9 531	(46 116)	-	47 506	26	21 017	-	-	(60 344)
Stage 2	(39 837)	(4 829)	-	11 641	6 812	(7 781)	-	1 224	-	(36 866)	-	-	(69 891)
Stage 3	(203 614)	(4 702)	(11 641)	-	(16 343)	(13 910)	-	(82 125)	-	(85 635)	233 685	-	(71 907)
TOTAL	**(570 739)**	**(13 799)**	**(6 287)**	**20 086**	**-**	**(90 315)**	**-**	**(31 436)**	**3 835**	**(118 224)**	**255 447**	**(47)**	**(432 952)**

*Other instruments on the above table also represents exposure for overdrafts, medium terms loans and other instruments reflected under note 27.1 Corporate and Sovereign which are internal naming for the CIB segment rare included medium-term advances under note 27.1

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

27. Loans and advances (continued)

27.2. Credit impairments for loans and advances (continued)

Industry Segmental Analysis

	Group and Company			
2023	**Stage 1 P000's**	**Stage 2 P000's**	**Stage 3 P000's**	**Total P000's**
Agriculture	**1 704**	**5 242**	**9 303**	**16 249**
Construction	**406**	**8 400**	**5 277**	**14 083**
Finance, real estate and other business services	**43 161**	**62 055**	**179 820**	**285 036**
Individuals	**45 925**	**47 701**	**71 810**	**165 436**
Manufacturing	**206**	**267**	**43**	**516**
	91 402	**123 665**	**266 253**	**481 320**

2022	Stage 1 P000's	Stage 2 P000's	Stage 3 P000's	Total P000's
Agriculture	908	11 561	13 175	25 644
Construction	288	11 190	4 418	15 896
Finance, real estate and other business services	21 688	31 468	28 058	81 214
Individuals	73 465	110 818	122 764	307 047
Manufacturing	188	178	2 785	3 151
	96 537	165 215	171 200	432 952

28. Other assets

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Items in the course of collection	**74 051**	52 395	**74 181**	53 055
Prepayments and other debtors	**59 926**	35 145	**59 926**	35 145
	133 977	87 540	**134 107**	88 200

Maturity analysis	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Receivable within 12 months	**133 977**	87 540	**134 107**	88 200
	133 977	87 540	**134 107**	88 200

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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28. Other assets (continued)

Classification analysis	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Financial	**60 018**	42 799	**57 692**	43 721
Non-Financial	**73 959**	44 741	**76 415**	44 479
	133 977	87 540	**134 107**	88 200

The above table shows a split of financial and non-financial which was not presented in the prior year and corrected in the current year.

29. Investment in subsidiaries

	Company	
	2023 P000's	2022 P000's
Investment in subsidiaries:		
- Stanbic Insurance Services (Pty) Ltd	**919**	919
- Stanbic Nominees Botswana (Pty) Ltd	**3**	3
- Stanbic Financial Services (Pty) Ltd	**1 000**	1 000
Carrying value at end of the year	**1 922**	1 922

There is no accumulated impairment on the investments in subsidiaries as the recoverable is higher than carrying amount.

30. Intangible assets

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Computer software				
Cost at beginning of year	**281 010**	281 010	**281 010**	281 010
Additions*	**4 228**	-	**4 228**	-
Cost at end of the year	**285 238**	281 010	**285 238**	281 010
Accumulated amortisation at beginning of the year	**(157 651)**	(133 295)	**(157 651)**	(133 295)
Amortisation	**(24 666)**	(24 356)	**(24 666)**	(24 356)
Accumulated amortisation at end of the year	**(182 317)**	(157 651)	**(182 317)**	(157 651)
Balance at end of the year	**102 921**	123 359	**102 921**	123 359

*Relates to the acquisition or enhancement on the existing core banking system by adding a purchased asset financing module to efficiently execute the bank strategy.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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31. Property, equipment and right of use assets

31.1. Summary 2023

Group and Company	2023 Cost P000's	2023 Accumulated depreciation P000's	2023 Net book value P000's	2022 Cost P000's	2022 Accumulated depreciation P000's	2022 Net book value P000's
Property						
Freehold	**55 404**	**(13 386)**	**41 018**	51 693	(12 085)	39 608
Leasehold	**33 551**	**(29 790)**	**3 761**	33 157	(28 863)	4 294
Right of use of assets	**83 435**	**(71 853)**	**11 582**	79 801	(57 972)	21 829
	172 390	**(115 029)**	**56 361**	164 651	(98 920)	65 731
Equipment						
Computer and office equipment	**249 658**	**(189 765)**	**59 893**	223 276	(166 034)	57 242
Motor vehicles	**10 515**	**(7 978)**	**2 537**	9 220	(6 915)	2 305
Furniture and fittings	**57 010**	**(34 049)**	**22 961**	55 986	(30 615)	25 371
	317 183	**(231 792)**	**85 391**	288 482	(203 564)	84 918
Total property, equipment and right of use assets	**488 573**	**(346 821)**	**142 752**	453 133	(302 484)	150 649

31.2. Movement 2023

Group and Company	Net book value 2022 P000's	Additions 2023 P000's	Net book value of disposals 2023 P000's	Depreciation 2023 P000's	Net book Value 2023 P000's
Property					
Freehold	**39 608**	**3 710**	-	**(1 301)**	**42 017**
Leasehold	**4 294**	**394**	-	**(927)**	**3 761**
Right of use of assets	**21 829**	**3 634**	-	**(13 881)**	**11 582**
	65 731	**7 738**	-	**(16 109)**	**57 360**
Equipment					
Computer and office equipment	**57 242**	**26 431**	**(13)**	**(23 767)**	**59 893**
Motor vehicles	**2 305**	**1 295**	-	**(1 063)**	**2 537**
Furniture and fittings	**25 371**	**1 379**	**(128)**	**(3 660)**	**22 962**
	84 918	**29 105**	**(141)**	**(28 490)**	**85 392**
Total property, equipment and right of use assets	**150 649**	**36 843**	**(141)**	**(44 599)**	**142 752**

31.3. Summary 2022

Group and Company	2022 Cost P000's	2022 Accumulated depreciation P000's	2022 Net book value P000's	2021 Cost P000's	2021 Accumulated depreciation P000's	2021 Net book value P000's
Property						
Freehold	51 693	(12 085)	39 608	51 280	(10 838)	40 442
Leasehold	33 157	(28 863)	4 294	32 904	(26 951)	5 953
Right of use of assets	79 801	(57 972)	21 829	58 056	(42 235)	15 821
Total property, equipment and right of use assets	164 651	(98 920)	65 731	142 240	(80 024)	62 216
Equipment						
Computer and office equipment	223 276	(166 034)	57 242	208 107	(144 999)	63 108
Motor vehicles	9 220	(6 915)	2 305	9 607	(6 896)	2 711
Furniture and fittings	55 986	(30 615)	25 371	51 677	(26 993)	24 684
	288 482	(203 564)	84 918	269 391	(178 888)	90 503
Total property, equipment and right of use assets	453 133	(302 484)	150 649	411 631	(258 912)	152 719

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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31. Property, equipment and right of use asset (continued)

31.4. Movement 2022

Group and Company	Net book value 2021 P000's	Additions/ Transfers 2022 P000's	Net book value of disposals 2022 P000's	Depreciation 2022 P000's	Net book value 2022 P000's
Property					
Freehold	40 442	413	-	(1 248)	39 608
Leasehold	5 953	254	-	(1 912)	4 294
Right of use of assets	15 821	21 745	-	(15 737)	21 829
	62 216	22 412	-	(18 897)	65 731
Equipment					
Computer and office equipment	63 108	17 886	-	(23 752)	57 242
Motor vehicles	2 711	1 163	(426)	(1 143)	2 305
Furniture and fittings	24 684	4 308	-	(3 621)	25 371
	90 503	23 357	(426)	(28 516)	84 918
Total property, equipment and right of use assets	152 719	45 769	(426)	(47 413)	150 649

31.5. Leasehold property

The leasehold property at Lot 14437, Gaborone is occupied under a fifty-year fixed period state grant lease commencing 8 August 1986.

31.6. Leases

Leases as lessee

The Group leases properties for its branches and ATMs. These leases typically run for a period of 5 years with an option to renew the lease at the end of the lease term. Lease payments are negotiated at the end of every lease term to align with market rentals.

Information about leases for which the Group is a lessee is presented below:

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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31. Property, equipment and right of use asset (continued)

31.6. Leases (continued)

a. Right of use assets

Right of use assets refer to leased properties that do not meet the definition of investment property and are presented as property, plant and equipment (see note 31.1).

Group and Company	**Land and buildings P000's**	**Total P000's**
Balance at 1 January 2023	**21 829**	**15 821**
Depreciation charge for the year	**(13 881)**	**(15 737)**
Additions to the right of use assets	**3 634**	**21 745**
Balance 31 December 2023	**11 582**	**21 829**

Group and Company	Land and buildings P000's	Total P000's
Balance at 1 January 2022	15 821	15 821
Depreciation charge for the year	(15 737)	(15 737)
Additions to the right of use assets	21 745	21 745
Balance 31 December 2022	21 829	21 829

b. Amounts recognised in profit or loss

Group and Company Land and buildings

	2023 P000's	2022 P000's
Leases		
Interest on lease liabilities	**(1 258)**	(1 529)
Expenses relating to short term leases	**(21)**	-
Expenses relating to low value assets, excluding short term leases of low value assets	**(758)**	(495)
Total expenses	**(2 037)**	(2 024)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

31. Property, equipment and right of use asset (continued)

31.6. Leases (continued)

c. Amounts recognised in profit or loss

Group and Company	2023 P000's	2022 P000's
Total cash outflow for leases	**(17 766)**	(14 067)

32. Deferred and Current tax

Deferred tax analysis

	Group		Company	
	2023 P000's	2022 P000's	2023 P000's	2022 P000's
Property and equipment timing differences	**(16 948)**	(15 257)	**(16 948)**	(15 257)
Fair value adjustments of financial instruments	**(339)**	(12)	**(339)**	(12)
Deferred income	**6 625**	6 739	**6 625**	6 739
Royalties accrued	**5 741**	5 069	**5 741**	5 069
Bonuses accrued	**15 055**	12 856	**15 055**	12 856
IFRS 9 transition adjustment: Remaining temporary differences	**9 907**	11 875	**9 907**	11 875
Right of use of asset**	**(2 548)**	(4 802)	**(2 548)**	(4 802)
Lease liability**	**2 681**	5 514	**2 681**	5 514
Other differences [1]	**(7 553)**	(1 436)	**(7 636)**	(1 436)
Deferred tax asset	**12 621**	20 546	**12 538**	20 546

[1] Other differences is made up of prepayments of P7.553 million (2022: P1.436 million).

**A split for right of use asset and lease liability has been done in the current and for prior as well.

	2023 P000's	2022 P000's	2023 P000's	2022 P000's
Deferred tax balance at beginning of the year	**20 546**	15 232	**20 546**	15 232
Various categories of (reversing) / originating temporary differences for the year:	**(7 925)**	5 314	**(8 008)**	5 314
- Depreciation	**(2 269)**	(2 677)	**(2 269)**	(2 677)
- Unwinding of IFRS Day 1 tax asset	**(1 967)**	(6 372)	**(1 967)**	(6 372)
- Fair value adjustments of financial instruments	**(327)**	1 068	**(327)**	1 068
- Investment securities at OCI	**-**	68	**-**	68
- Deferred Income [1]	**(114)**	(820)	**(114)**	(820)
- Other differences	**(3 248)**	14 047	**(3 331)**	14 047
Deferred tax balance at end of the year	**12 621**	20 546	**12 538**	20 546

[1] Deferred income has been separately presented from other differences to provide a more appropriate analysis of the deferred tax balance analysis. The prior year comparative disclosures have also been restated in line with this change. This disaggregation had no impact on the income statement.

The deferred tax asset is recognised for all temporary differences on the basis that it is probable that taxable profits will be available against which these deductible temporary differences will be utilised in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

32. Deferred and Current tax (continued)

Current tax analysis

		Group		Company	
		2023 P000's	2022 P000's	2023 P000's	2022 P000's
Opening balance- refundable		**29 631**	49 451	**27 712**	48 615
Current charge	22.11	**(136 449)**	(131 206)	**(134 378)**	(128 231)
Tax paid for the year	41.3	**158 649**	109 306	**156 160**	106 936
Other adjustments		**3 103**	2 080	**1 184**	392
Closing balance		**54 934**	29 631	**50 678**	27 712

33. Trading portfolio liabilities

	Group		Company	
	2023 P000's	2022 P000's	2023 P000's	2022 P000's
Listed – Government bonds	**3 412**	1 146	**3 412**	1 146
Unlisted – Other	**-**	26 029	**-**	26 029
	3 412	27 175	**3 412**	27 175
Comprising: Government bonds	**3 412**	1 146	**3 412**	1 146
Unlisted – Other	**-**	26 029	**-**	26 029
	3 412	27 175	**3 412**	27 175
Maturity analysis:				
Maturing within 1 month	**-**	25 930	**-**	25 930
Maturing after 6 months but within 12 months	**-**	1 245	**-**	1 245
Maturing after 12 months	**3 412**	-	**3 412**	-
	3 412	27 175	**3 412**	27 175

a. Redemption value
Dated trading liabilities had a redemption value as at 31 December 2023 of P3.412 million (2022: P27.175 million) for the Group and Company.

b. Valuation
The fair value of unlisted investments is equal to the carrying value. All unlisted investments were fair valued at 31 December 2023. Refer to note 38.2 for the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

34. Customer and bank deposits

Deposit products include cheque accounts, savings accounts, call and notice deposits, fixed deposits, and negotiable certificates of deposit.

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Deposits from banks	**1 060 094**	1 011 054	**1 060 094**	1 011 054
Deposits from customers	**20 140 427**	19 461 820	**20 182 036**	19 499 809
- Current and savings accounts	**3 970 633**	3 613 256	**4 012 242**	3 650 245
- Call, term, and negotiable certificates of deposits	**16 169 794**	15 848 564	**16 169 794**	15 849 564
Customer and bank deposits	**21 200 521**	20 472 874	**21 242 130**	20 510 863

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Maturity analysis:				
The maturity analysis is based on the remaining periods to contractual maturity from year end.				
Redeemable on demand	**13 934 224**	14 491 186	**13 975 833**	14 528 175
Maturing within 1 month	**1 925 376**	1 515 272	**1 925 376**	1 515 272
Maturing after 1 month but within 6 months	**4 511 934**	3 054 897	**4 511 934**	3 054 897
Maturing after 6 months but within 12 months	**790 414**	1 379 557	**790 414**	1 379 557
Maturing after 12 months	**38 573**	31 962	**38 573**	32 962
	21 200 521	20 472 874	**21 242 130**	20 510 863

35. Accruals, deferred income, and other liabilities

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Items in process of clearing	**322 402**	205 484	**323 313**	205 753
Provisions [1]	**17 332**	12 604	**17 333**	12 604
Expected credit loss for off-balance sheet exposures	**880**	826	**880**	826
Deferred income	**30 113**	30 631	**30 113**	30 631
Other liabilities [2]	**90 369**	87 210	**90 344**	84 330
Accruals	**26 011**	20 162	**26 011**	23 032
Lease liability	**13 502**	26 376	**13 502**	26 376
	500 609	383 293	**501 496**	383 552

Included in provisions are amounts payable to suppliers and legal provisions at P16.147 million and P1.185 million, respectively (2022: P11.222 million and P1.382 million, respectively). Legal provisions herein relate to legal matters that involve litigation, lawsuits, and other proceedings. At 31 December 2023 P16.147 million represents the outstanding third-party obligations in which the amount is uncertain in respect of IT projects targeted at driving the bank digital transformation which were yet to be settled. In addition, P1.185 million was classified a probable legal pay out for the current open ligations involving the bank operations. Provisions are expected to be settled within a year.

[2] Other liabilities comprise of employee related provisions, accrued expenses such as IT related costs franchise fee and tax provision (PAYE) payable the following month at P63.088 million, P14.079 million and P13.922 million respectively (2022: P14.759 million, P12.951 million and P7.431 million respectively).

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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35. Accruals, deferred income, and other liabilities (continued)

Maturity analysis	Group		Company	
	2023 P000's	2022 P000's	2023 P000's	2022 P000's
Payable within 1 year	**500 160**	279 783	**501 496**	280 042
Payable after 1 year but before 5 years	**-**	103 510	**-**	103 510
Payable after 5 years	**-**	-	**-**	-
	500 160	383 293	**501 496**	383 552

Provisions
The following table sets out a reconciliation of provisions.

	Group		Company	
	2023 P000's	2022 P000's	2023 P000's	2022 P000's
Balance at beginning of the year	**12 604**	7 779	**12 604**	7 779
Provisions made during the year	**10 934**	6 274	**10 934**	6 274
Provisions used during the year	**(6 205)**	(1 449)	**(6 205)**	(1 449)
Balance at end of the year	**17 333**	12 604	**17 333**	12 604

Reconciliation of expected credit losses for off-balance sheet exposures

Group and Company	Opening balance P000's	Net ECL released/ (raised) P000's	Exchange and other movements P000's	Closing balance P000's
Letters of credit, bank acceptances and guarantees				
2023				
Stage 1	**(790)**	**69**	**-**	**(721)**
Stage 2	**(6)**	**(123)**	**-**	**(129)**
Stage 3	**(30)**	**-**	**-**	**(30)**
Total	**(826)**	**(54)**	**-**	**(880)**
2022				
Stage 1	(133)	(657)	-	(790)
Stage 2	(3)	(3)	-	(6)
Stage 3	(30)	-	-	(30)
Total	(166)	(660)	-	(826)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

35. Accruals, deferred income, and other liabilities (continued)

Reconciliation of lease liabilities

The Group has entered into various non-cancellable lease agreements in respect of rented premises. Leases are contracted up to periods of 5 years, some with renewal options. Rental charges under these contracts escalate at fixed percentages of 5.0% to 10.0% per annum and include minimum monthly payments.

	Balance at 1 January 2023 P000's	Additions/ modification P000's	Interest expense P000's	Payments[1] P000's	Balance at 31 December 2023 P000's
GROUP AND COMPANY					
Buildings	**26 376**	**3 634**	**1 258**	**(17 766)**	**13 502**
Total	**26 376**	**3 634**	**1 258**	**(17 766)**	**13 502**

[1] These amounts relate to the principal and interest lease payments as disclosed in the cash flow statement.

	Balance at 1 January 2022 P000's	Additions/ modification P000's	Interest expense P000's	Payments[1] P000's	Balance at 31 December 2022 P000's
GROUP AND COMPANY					
Buildings	**17 169**	**21 745**	**135**	**(12 673)**	**26 376**
Branches	**-**	**-**	**1 135**	**(1 135)**	**-**
ATM space	**-**	**-**	**259**	**(259)**	**-**
Total	**17 169**	**21 745**	**1 529**	**(14 067)**	**26 376**

[1] These amounts relate to the principal lease payments as disclosed in the cash flow statement.

Maturity analysis: Discounted	**Group**		**Company**	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Within 1 year	**1 914**	8 638	**1 914**	8 638
More than 1 year but less than 5 years	**11 588**	17 738	**11 588**	17 738
Total lease liabilities	**13 502**	26 376	**13 502**	26 376

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

35. Accruals, deferred income, and other liabilities (continued)

Maturity analysis: Un-Discounted	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Within 1 year	**2 914**	13 030	**2 914**	13 030
More than 1 year but less than 5 years	**18 434**	19 510	**18 434**	19 510
Total lease liabilities	**21 348**	32 540	**21 348**	32 540

The amounts in the table include undiscounted cash flows, which include estimated interest payment for the current active lease agreements.

36. Debt securities in issue

Unsecured subordinated redeemable bonds qualifying as secondary capital in terms of applicable banking legislation:

	Redeemable Date	Start date	Group 2023 P000's	Group 2022 P000's	Company 2023 P000's	Company 2022 P000's
SBBL 068	**28-Nov-29**	**28-Nov-19**	**212 000**	212 000	**212 000**	212 000
SBBL 069	**28-Nov-29**	**28-Nov-19**	**88 000**	88 000	**88 000**	88 000
SBBL 072	**07-Jul-32**	**07-Jul-22**	**105 720**	105 720	**105 720**	105 720
SBBL 073	**07-Jul-32**	**07-Jul-22**	**110 000**	110 000	**110 000**	110 000
Total subordinated debt			**515 720**	515 720	**515 720**	515 720

	Maturity Date	Start date	Group 2023 P000's	Group 2022 P000's	Company 2023 P000's	Company 2022 P000's
SBBL 070	**09-Oct-25**	**09-Oct-20**	**132 520**	132 520	**132 520**	132 520
SBBL 071	**09-Oct-25**	**09-Oct-20**	**118 200**	118 200	**118 200**	118 200
SBBL 074	**29-Jul-27**	**29-Jul-22**	**50 000**	50 000	**50 000**	50 000
SBBL 075	**29-Jul-27**	**29-Jul-22**	**50 000**	50 000	**50 000**	50 000
SBBL-0328-76	**14-Mar-28**	**14-Mar-23**	**150 000**	-	**150 000**	-
SBBL 060	**12-Mar-23**	**12-Mar-13**	**-**	24 000	**-**	24 000
SBBL 061	**11-Mar-23**	**11-Mar-13**	**-**	100 000	**-**	100 000
Total unsubordinated debt			**500 720**	474 720	**500 720**	474 720
Total debt			**1 016 440**	990 440	**1 016 440**	990 440

Bonds SBBL 060 and 061 with a value of P24 million and P100 million were redeemed on 12 March 2023 and 11 March 2023 whereas SBBL 0328-76 with a value of P150 million was issued on 14 March 2023.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

36. Debt securities in issue (continued)

Subordinated liabilities	**Group**		**Company**	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
More than 1 year but less than 5 years	**-**	-	**-**	-
More than 5 years	**515 720**	515 720	**515 720**	515 720
Total subordinated debt	**515 720**	515 720	**515 720**	515 720

Unsubordinated liabilities	**Group**		**Company**	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Within 1 year	**-**	124 000	**-**	124 000
More than 1 year but less than 5 years	**250 720**	250 720	**250 720**	250 720
More than 5 years	**250 000**	100 000	**250 000**	100 000
Total unsubordinated debt	**500 720**	474 720	**500 720**	474 720

Debt securities in issue and subordinated liabilities are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue. Subsequently they are measured at amortised cost using the effective interest method.

The Group and Company did not default on principal or interest and there were no breaches with respect to their liabilities during the current and prior periods.

The bonds constitute direct subordinated and unsecured obligations of the Group and Company and are subordinated to the un-subordinated, unsecured claims of general creditors of the Group and Company and claims of depositors. The notes are not subordinated to any categories of share capital or other subordinated obligations of the Group and Company. They rank pari passu among themselves.

The subordinated bonds form part of the Tier II Capital for the purpose of calculating capital adequacy.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

37. Stated capital and other reserves

37.1. Stated capital

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
31 936 205 (2022: 31 936 205) ordinary shares of no-par value	**390 177**	390 177	**390 177**	390 177
	390 177	390 177	**390 177**	390 177

Stated capital comprises the total amount authorised and subscribed for 31.936 million issued and fully paid ordinary shares of no-par value (2022: 31.936 million).

The holders of issued shares are entitled to receive dividends as declared from time to time and are entitled to one vote per ordinary share on a poll at meetings of the Company. All ordinary shares rank equally about the Company's residual assets.

37.2. Statutory credit risk reserve

Local legislation requires the bank to make appropriation to a general banking reserve for unforeseeable risks and future losses. The general provisions eligible for inclusion in Tier II is limited to a maximum of 1.25 percentage points of credit risk weighted assets, this is the amount that is also considered as the statutory credit reserve.

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Opening balance	**154 474**	154 474	**154 474**	154 474
Movement	**-**	-	**-**	-
Closing balance	**154 474**	154 474	**154 474**	154 474

37.3. Reserves

Share-based payment reserve

Standard Bank Group has two equity-settled schemes, namely the Group Share Incentive Scheme and the Equity Growth Scheme. The Group Share Incentive Scheme confers rights to employees to acquire ordinary shares at the value of the Standard Bank Group share price at the date the option is granted. The Equity Growth Scheme was implemented in 2005 and represents appreciation rights allocated to employees. The eventual value of the right is settled by the issue of shares equivalent, in value, to the value of rights.

The two schemes have five different sub-types of vesting categories as illustrated by the following table:

Vesting category	Year	% vesting	Expiry
Type A	3, 4, 5	50, 75, 100	10 years
Type B	5, 6, 7	50, 75, 100	10 years
Type C	2, 3, 4	50, 75, 100	10 years
Type D	2, 3, 4	33, 67, 100	10 years
Type E	3, 4, 5	33, 67, 100	10 years

A reconciliation of the movement of share options and appreciation rights is detailed below. Since the share-based schemes are managed and administrated in the Republic of South Africa the amounts are shown in Rands:

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

37. Stated capital and other reserves (continued)

37.3. Share-based payment reserve (continued)

Group Share Incentive Scheme	Option price range (Rands) 2023	Number of options 2023	2022
Options outstanding at the beginning of the year	-	**18 094**	5 304
Net Transfers	**148.56**	**1 066**	17 488
Exercised	-	**(11 305)**	(4 698)
Options outstanding at the end of the year	**148.56**	**7 855**	18 094

The weighted average share price for the year was R168.27 (2022: R127.22). The BWP/ZAR exchange rate used is 1.3287 at 13 December 2023.
The weighted average share price for the year was P126.64.
The following options granted to employees, including executive directors, had not been exercised as at 31 December 2023:

Number of ordinary shares	Option price range (Rands)	Weighted average price (Rands)	Option expiry period
7 855	**148.56**	**168.27**	**Year to 31 December 2023**

The amounts presented in the functional currency are presented below.
The following options granted to employees, including executive directors, had not been exercised as at 31 December 2023:

Number of ordinary shares	Option price range (Rands)	Weighted average price (Rands)	Option expiry period
18 094	135.77	135.77	Year to 31 December 2022

Group Equity Growth Scheme	Average price range (Rands) 2023	Number 2023	2022
Rights outstanding at the beginning of the year	-	**2 526**	-
Net Transfers	-	-	2 526
Exercised[1]	-	**(2 526)**	-
Rights outstanding at the end of the year [2]		-	2 526

Notes:
[1]During the year, Standard Bank Group shares (SBG) Nil (2022: Nil) were issued to settle the appreciated rights value.
[2]At the end of the year the Group would need to issue Nil (2022: Nil) SBG shares to settle the outstanding appreciated rights value.

The following rights granted to employees, including executive directors, had not been exercised as at 31 December 2023:

Number of rights	Award price range (Rands)	Weighted average price (Rands)	Rights expiry period
-	-	-	Year to 31 December 2023

There were no rights granted to employees as at 31 December 2023:

Summary total reserves

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Statutory credit risk reserve	**154 474**	154 474	**154 474**	154 474
Retained earnings	**1 781 967**	1608 039	**1 737 184**	1570 454
Fair value through OCI reserve	**-**	-	**-**	-
Closing total reserves	**1 936 441**	1762 513	**1 891 658**	1724 928

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

38. Classification of assets and liabilities

38.1. Accounting classification and fair values

All financial assets and liabilities have been classified according to their measurement category per IFRS 9, with disclosure of the fair values provided.

		Fair value through profit or loss					
Group 31 December 2023	**Note**	**Held for trading P000's**	**Fair value through profit / loss – default P000's**	**Amortised cost P000's**	**Non-financial assets / liabilities P000's**	**Total carrying amount P000's**	**Fair value P000's**
Assets							
Cash and balances with the central bank*	23	-	-	1 466 940	-	1 466 490	1 466 490
Derivative assets	24.3	1 377	-	-	-	1 377	1 377
Trading portfolio assets	25	3 212	-	-	-	3 212	3 212
Financial investments	26.1	-	-	3 805 364	-	3 805 364	3 805 364
Loans and advances to banks	27.1	-	-	5 990 721	-	5 990 721	5 990 721
Loans and advances to customers	27.1	-	-	13 331 554	-	13 331 554	13 331 554
Other assets	28	-	-	43 504	90 473	133 977	213 603
		4 589	-	24 637 633	90 473	24 732 695	24 812 321
Liabilities							
Derivative liabilities	24.3	-	-	-	-	-	-
Deposits from banks	34	-	-	1 060 094	-	1 060 094	1 060 094
Deposits from customers	34	-	-	20 140 427	-	20 140 427	20 140 427
Debt securities in issue	36	-	-	1 016 440	-	1 016 440	1 016 440
Other liabilities	35	-	-	67 656	432 953	500 609	500 609
Trading portfolio liabilities	33	3 412	-	-	-	3 412	3 412
		3 412	-	22 284 617	432 953	22 720 982	22 720 982

*Classification of cash and balances with central bank was corrected in the current year with one classification chosen being amortised cost as opposed to the prior year where there was a split between FVTPL and AC. PY has been restated as well.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

38. Classification of assets and liabilities (continued)

38.1. Accounting classification and fair values (continued)

All financial assets and liabilities have been classified according to their measurement category per IFRS 9, with disclosure of the fair values provided.

		Fair value through profit or loss					
Group 31 December 2022	**Note**	**Held for trading P000's**	**Fair value through profit / loss – default P000's**	**Amortised cost P000's**	**Non-financial assets / liabilities P000's**	**Total carrying amount P000's**	**Fair value P000's**
Assets							
Cash and balances with the central bank	23	-	-	544 879	-	544 879	544 879
Derivative assets	24.3	12 163	-	-	-	12 163	12 163
Trading portfolio assets	25	-	-	-	-	-	-
Financial investments	26.1	-	-	3 018 080	-	3 018 080	3 018 080
Loans and advances to banks	27.1	-	-	6 790 157	-	6 790 157	6 790 157
Loans and advances to customers	27.1	-	-	13 264 932	-	13 264 932	13 293 552
Other assets	28	-	-	36 743	375 972	412 715	412 715
		12 163	-	23 654 809	375 972	24 042 926	24 071 546
Liabilities							
Derivative liabilities	24.3	15 464	-	-	-	15 464	15 464
Deposits from banks	34	-	-	1 011 054	-	1 011 054	1 011 054
Deposits from customers	34	-	-	19 461 820	-	19 461 820	19 461 820
Debt securities in issue	36	-	-	990 440	-	990 440	990 440
Other liabilities	35	-	-	67 517	315 776	383 293	383 293
Trading portfolio liabilities	33	27 175	-	-	-	27 175	27 175
		42 639	-	21 530 831	315 776	21 889 246	21 889 246

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2023
In Pula (thousands)

38. Classification of assets and liabilities (continued)

38.1. Accounting classification and fair values (continued)

All financial assets and liabilities have been classified according to their measurement category per IFRS 9, with disclosure of fair values provided.

Company 31 December 2023	Note	Fair value through profit or loss: Held for trading P000's	Fair value through profit or loss: Fair value through profit / loss – default P000's	Amortised cost P000's	Non-financial assets / liabilities P000's	Total carrying amount P000's	Fair value P000's
Assets							
Cash and balances with the central bank*	23	-	-	1 466 490	-	1 466 490	1 466 490
Derivative assets	24.3	1 377	-	-	-	1 377	1 377
Trading assets	25	3 212	-	-	-	3 212	3 212
Financial assets	26.1	-	-	3 805 364	-	3 805 364	3 805 364
Loans and advances to banks	27.1	-	-	5 990 721	-	5 990 721	5 990 721
Loans and advances to customers	27.1	-	-	13 333 231	-	13 333 231	13 331 231
Other assets	28	-	-	43 504	90 603	134 107	213 733
		4 589	-	24 639 310	90 603	24 732 502	24 812 128
Liabilities							
Derivative liabilities	24.3	-	-	-	-	-	-
Deposits from banks	34	-	-	1 060 094	-	1 060 094	1 060 094
Deposits from customers	34	-	-	20 182 036	-	20 182 036	20 182 036
Debt securities in issue	36	-	-	1 016 440	-	1 016 440	1 016 440
Other liabilities	35	-	-	433 840	67 656	501 496	501 496
Trading portfolio liabilities	33	3 412	-	-	-	3 412	3 412
		3 412	-	22 692 410	67 656	22 763 478	22 763 478

*Classification of cash and balances with central bank was corrected in the current year with one classification chosen being amortised cost as opposed to the prior year where there was a split between FVTPL and AC. PY has been restated as well.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

38. Classification of assets and liabilities (continued)

38.1. Accounting classification and fair values (continued)

All financial assets and liabilities have been classified according to their measurement category per IFRS 9, with disclosure of fair values provided.

		Fair value through profit or loss					
Company 31 December 2022	**Note**	**Held for trading P000's**	**Fair value through profit / loss – default P000's**	**Amortised cost P000's**	**Non-financial assets / liabilities P000's**	**Total carrying amount P000's**	**Fair value P000's**
Assets							
Cash and balances with the central bank*	23	-	460 387	84 492	-	544 879	544 879
Derivative assets	24.3	12 163	-	-	-	12 163	12 163
Trading assets	25	-	-	-	-	-	-
Financial assets	26.1	-	-	3 018 080	-	3 018 080	3 018 080
Loans and advances to banks	27.1	-	-	6 790 157	-	6 790 157	6 790 157
Loans and advances to customers	27.1	-	-	13 264 932	-	13 264 932	13 293 552
Other assets	28	-	-	36 743	375 635	412 378	412 378
		12 163	460 387	23194 404	375 635	24 042 589	24 071 209
Liabilities							
Derivative liabilities	24.3	15 464	-	-	-	15 464	15 464
Deposits from banks	34	-	-	1 011 054	-	1 011 054	1 011 054
Deposits from customers	34	-	-	19 499 809	-	19 499 809	19 499 809
Debt securities in issue	36	-	-	990 440	-	990 440	990 440
Other liabilities	35	-	-	67 517	316 035	383 552	383 552
Trading portfolio liabilities	33	27 175	-	-	-	27 175	27 175
		42 639	-	21 568 820	316 035	21 297 494	21 297 494

*Classification of cash and balances with central bank was corrected in the current year with one classification chosen being amortised cost as opposed to the prior year where there was a split between FVTPL and AC. PY has been restated as well.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

38. Classification of assets and liabilities (continued)

38.2. Financial assets and liabilities measured at fair value - Fair value hierarchy

Group	Note	2023 Level 1 P000's	2023 Level 2 P000's	2023 Level 3 P000's	2023 Total P000's	2022 Level 1 P000's	2022 Level 2 P000's	2022 Level 3 P000's	2022 Total P000's
Assets									
Cash and balances with central bank*	23	-	-	-	-	-	-	-	-
Trading assets	25	**3 212**	-	-	**3 212**	-	-	-	-
Derivative assets	24.3	-	**1 377**	-	**1 377**	-	12 163	-	12 163
Total assets at fair value		**3 212**	**1 377**	-	**4 589**	-	12 163	-	12 163
Liabilities									
Derivative liabilities	24.3	-	-	-	-	-	15 464	-	15 464
Trading portfolio liabilities	33	**3 412**	-	-	**3 412**	27 175	-	-	27 175
Total liabilities at fair value		**3 412**	-	-	**3 412**	27 175	15 464	-	42 639

- The above table reflects all assets and liabilities measured at fair value.
- Recurring fair value measurements of assets or liabilities are those assets and liabilities that IFRS require or permit to be carried at fair value in the statement of financial position at the end of each reporting period.

  *Classification of cash and balances with central bank was corrected in the current year with one classification chosen being amortised cost as opposed to the prior year where there was a split between FVTPL and AC. PY has been restated as well.

Company	Note	2023 Level 1 P000's	2023 Level 2 P000's	2023 Level 3 P000's	2023 Total P000's	2022 Level 1 P000's	2022 Level 2 P000's	2022 Level 3 P000's	2022 Total P000's
Assets									
Cash and balances with central bank	23	-	-	-	-	-	-	-	-
Trading assets	25	**3 212**	-	-	**3 212**	-	-	-	-
Derivative assets	24.3	-	**1 377**	-	**1 377**	-	12 163	-	12 163
Total assets at fair value		**3 212**	**1 377**	-	**4 589**	-	12 163	-	12 163
Liabilities									
Derivative liabilities	24.3	-	-	-	-	-	15 464	-	15 464
Trading portfolio liabilities	33	**3 412**	-	-	**3 412**	27 175	-	-	27 175
Total liabilities at fair value		**3 412**	-	-	**3 412**	27 175	15 464	-	42 639

- The above table reflects all assets and liabilities measured at fair value.
- Recurring fair value measurements of assets or liabilities are those assets and liabilities that IFRS require or permit to be carried at fair value in the statement of financial position at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

38. Classification of assets and liabilities (continued)

38.3. Assets and liabilities not measured at fair value - Fair value hierarchy

		2023				2022			
Group	Note	**Level 1 P000's**	**Level 2 P000's**	**Level 3 P000's**	**Total P000's**	Level 1 P000's	Level 2 P000's	Level 3 P000's	Total P000's
Assets									
Cash balance***	23	**1 466 490**	**-**	**-**	**1 466 490**	544 879	-	-	544 879
Financial investment*	26.1	**608 908**	**3 196 456**	**-**	**3 805 364**	796 975	2 221 105	-	3 018 080
Loans and advances to banks	27.1	**-**	**-**	**5 990 721**	**5 990 721**	-	-	6 790 157	6 790 157
Loans and advances to customers	27.1	**-**	**-**	**13 331 554**	**13 331 554**	-	-	13 264 932	13 264 932
Other assets**	28	**-**	**-**	**133 977**	**133 977**	-	-	87 540	87 540
Total		**2 075 398**	**3 196 456**	**19 456 252**	**24 728 106**	1 341 854	2 221 105	20 142 629	23 793 128
Liabilities									
Deposits from banks	33	**-**	**1 060 094**	**-**	**1 060 094**	-	1 011 054	-	1 011 054
Deposits from customers	33	**-**	**20 182 036**	**-**	**20 182 036**	-	19 461 820	-	19 461 820
Debt securities in issue	35	**-**	**1 016 440**	**-**	**1 016 440**	-	990 440	-	990 440
Other liabilities	34	**-**	**-**	**500 609**	**500 609**	-	-	383 293	383 293
Total		**-**	**22 258 570**	**500 609**	**22 759 179**	-	21 463 314	383 293	21 846 607

All other assets and liabilities measured at amortised cost approximate their fair values
*The prior year fair value for Financial Investments has been changed to reflect the correct classification of treasury bills which were under level 1 now moved to level 2.
**The prior year fair value total for other assets has been changed to reflect the correct classification of financial assets only and exclude non-financial assets.
***Classification of cash balances was corrected in the current year with one classification chosen being amortised cost as opposed to the prior year where there was a split between FVTPL and AC. PY has been restated as well.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

38. Classification of assets and liabilities (continued)

38.3. Assets and liabilities not measured at fair value - Fair value hierarchy (continued)

Company	Note	2023 Level 1 P000's	2023 Level 2 P000's	2023 Level 3 P000's	2023 Total P000's	2022 Level 1 P000's	2022 Level 2 P000's	2022 Level 3 P000's	2022 Total P000's
Assets									
Cash balance***	23	**1 466 490**	**-**	**-**	**1 466 490**	84 492	-	-	84 492
Financial investment*	26.1	**608 908**	**3 196 456**	**-**	**3 805 364**	796 975	2 221 105	-	3 018 080
Loans and advances to banks	27.1	**-**	**-**	**5 990 721**	**5 990 721**	-	-	6 790 157	6 790 157
Loans and advances to customers	27.1	**-**	**-**	**13 331 554**	**13 331 554**	-	-	13 264 932	13 264 932
Other assets**	28	**-**	**-**	**134 107**	**134 107**	-	-	88 200	88 200
Total		**2 075 398**	**3 196 456**	**19 456 382**	**24 728 236**	881 467	2 221 105	20 143 289	23 672 104
Liabilities									
Deposits from banks	33	**-**	**1 060 094**	**-**	**1 060 094**	-	1 011 054	-	1 011 054
Deposits from customers	33	**-**	**20 182 036**	**-**	**20 182 036**	-	19 499 809	-	19 499 809
Debt securities in issue	35	**-**	**1 016 440**	**-**	**1 016 440**	-	990 440	-	990 440
Other liabilities	34	**-**	**-**	**501 496**	**501 496**	-	-	383 552	383 552
Total		**-**	**22 258 570**	**501 496**	**22 760 066**	-	21 501 303	383 552	21 814 855

All other assets and liabilities measured at amortised cost approximate their fair values
*The prior year fair value for Financial Investments has been changed to reflect the correct classification of treasury bills which were under level 1 now moved to level 2.
**The prior year fair value total for other assets has been changed to reflect the correct classification of financial assets only and exclude non-financial assets.
***Classification of cash balances was corrected in the current year with one classification chosen being amortised cost as opposed to the prior year where there was a split between FVTPL and AC. PY has been restated as well.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

39. Reconciliation of FVOCI reserve movements

39.1. Equity financial instruments

	Balance at the beginning of the year P000's	Revaluation (losses)/gains P000's	Balance at the end of the year P000's
2023			
Financial investments:			
Government bonds	-	-	-
Other	-	-	-
Total	-	-	-
2022			
Financial investments:			
Government bonds	240	(240)	-
Other	-	-	-
Total	240	(240)	-

Botswana Government equity investments are designated at FVOCI on initial recognition. No gains or losses were transferred to retained earnings during the year (2022: Pnil).

39.2. Total reconciliation of the FVOCI reserve

	Balance at the beginning of the year P000's	Net change in fair value P000's	Balance at the end of the year P000's
2023	-	-	-
Total	-	-	-
2022			
Total	240	(240)	-

40. Commitments and contingencies

40.1. Contingent liabilities

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Letters of credit	**15 775**	66 919	**15 775**	66 919
Guarantees	**970 861**	935 388	**970 861**	935 388
Irrevocable unutilised facilities	**1 221 246**	1 041 522	**1 221 246**	1 041 522
Revocable unutilised facilities	**372 160**	252 203	**372 160**	252 203
	2 580 041	2 296 032	**2 580 041**	2 296 032

Expected credit losses of P880 000 were recognised in respect of off-balance sheet items at the reporting date (2022: P826 000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

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40. Commitments and contingencies (continued)

40.1. Contingent liabilities (continued)

These are commitments for credit facilities which the bank would only be liable to settle upon satisfaction of certain requirements, however, if the requirements are deemed successful the bank would be liable to a total cost of P1 221 246 (2022: P1 254 510) which is fully collateralised. Management assessment of the financial in relation to the above-mentioned liabilities associated with the customers, indicates that it is highly unlikely that the bank would incur such a liability.

40.2. Capital commitments

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Capital expenditure authorised	**18 413**	9 600	**18 413**	9 600
	18 413	9 600	**18 413**	9 600

Capital expenditure will be funded from internal resources.

40.3. Lease liabilities

The Group has entered into various non-cancellable lease agreements in respect of rented premises. Leases are contracted up to periods of 5 years, some with renewal options. Rental charges under these contracts escalate at fixed percentages of 5.0% to 10.0% per annum and include minimum monthly payments.

40.4. Legal proceedings defended

In the ordinary course of business, the bank is involved as a defendant in litigation, lawsuits and other proceedings. Management recognises the inherent difficulty of predicting the outcome of defended legal proceedings. Nevertheless, based on management's knowledge from investigation, analysis and after consulting with legal counsel, management believes that there are no individual legal proceedings that are currently assessed as being 'likely to succeed and material' or 'unlikely to succeed but material should they succeed'. The bank is also the defendant in some legal cases for which the bank is fully indemnified by external third parties, none of which are individually material. Management is accordingly satisfied that the legal proceedings currently pending against the bank should not have a material adverse effect on the Group's financial position and the directors are satisfied that the bank has adequate insurance programmes and, where required in terms of IFRS for claims that are probable, provisions in place to meet claims that may succeed.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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41. Statements of cash flows information

41.1. Movement in income-earning and other assets

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Financial assets	**(829 902)**	(707 430)	**(829 902)**	(707 430)
Trading assets	**(3 212)**	421	**(3 212)**	421
Loans and advances	**588 162**	(2 161 270)	**588 162**	(2 161 270)
Net derivative assets/(liabilities)	**(4 678)**	3 261	**(4 678)**	3 261
Other assets	**(31 796)**	(5 841)	**(31 183)**	(9 780)
	(281 426)	(2 870 859)	**(280 813)**	(2 874 798)

41.2. Increase in deposits and other liabilities

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Customers' current, savings, other deposit accounts and deposits from banks	**724 780**	2 309 746	**731 267**	2 316 937
Trading liabilities	**(23 763)**	27 175	**(23 763)**	27 175
Other liabilities	**121 031**	(12 939)	**120 713**	(7 530)
	822 048	2 323 982	**828 217**	2 336 582

41.3. Direct taxation paid

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Current and deferred tax at beginning of the year	**(50 177)**	(64 683)	**(48 258)**	(63 847)
Income statement charge	**144 542**	125 059	**142 470**	122 462
Withholding tax receivable	**-**	-	**-**	-
Current tax adjustment	**(3 273)**	(1 247)	**(1 269)**	63
Less tax paid for the year	**(158 649)**	(109 306)	**(156 160)**	(106 936)
Current and deferred tax at end of the year	**(67 557)**	(50 177)	**(63 217)**	(48 258)

41.4. Reconciliation of unsubordinated debt

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Balance at beginning of the year	**990 440**	958 720	**990 440**	958 720
Unsubordinated debt issued	**150 000**	315 720	**150 000**	315 720
Unsubordinated debt redeemed	**(124 000)**	(284 000)	**(124 000)**	(284 000)
Balance at end of the year	**1 016 440**	990 440	**1 016 440**	990 440
Interest paid on unsubordinated debt	**18 781**	33 171	**18 781**	33 171

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

42. Third party funds under management

The Group provides discretionary and non-discretionary investment management services to institutional investors. Commissions and fees earned in respect of trust management activities performed are included in profit or loss.

Assets managed on behalf of third parties include:

	Group		Company	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Fund management				
• Unit trusts	**18 702 121**	15 498 485	**18 702 121**	15 498 485
	18 702 121	15 498 485	**18 702 121**	15 498 485
Geographical area				
• Domestic	**17 783 544**	14 639 827	**17 783 544**	14 639 827
• Foreign	**918 577**	858 658	**918 577**	858 658
	18 702 121	15 498 485	**18 702 121**	15 498 485

43. Related party transactions

43.1. Parent

Stanbic Bank Botswana Limited is a wholly owned subsidiary of Stanbic Africa Holdings Limited. The ultimate holding company is Standard Bank Group Limited.

43.2. Fellow subsidiaries

Details of effective interest and investments in subsidiaries are disclosed in note 29.
In addition, the following are also subsidiaries and fellow subsidiaries of the holding company:

- Standard Bank South Africa
  - Standard Lesotho Bank
  - Standard Bank Namibia
  - Standard Bank Swaziland
  - Standard Bank Properties
- Stanbic Africa Holdings
  - CFC Stanbic Holdings, Kenya
  - Stanbic Bank Ghana
  - Stanbic Bank Tanzania
  - Stanbic Bank Uganda
  - Stanbic Bank Zambia
  - Stanbic Bank Zimbabwe
  - Stanbic IBTC Bank, Nigeria
  - Standard Bank Malawi
  - Standard Bank Mauritius
  - Standard Bank Mozambique
  - Standard Bank RDC
- Standard International Holdings
  - Standard Bank plc
  - Standard Bank Group International
- Stanbic International Insurance, Isle of Man
  - Standard Bank Offshore Group
- Standard Bank Isle of Man

43.3. Subsidiaries of Stanbic Bank Botswana Limited

- Refer to note 29 for details of subsidiaries of Stanbic Bank Botswana Limited.

43.4. Entities under common control

- Liberty Holdings Botswana
- Liberty Life Botswana

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

43. Related party transactions (continued)

43.5. Related party transactions

	Group		Company	
	2023 P000's	2022 P000's	2023 P000's	2022 P000's
Interest income				
◦ Standard Bank Isle of Man	**213 469**	67 498	**213 469**	67 498
◦ Standard Bank South Africa	**17 539**	15 472	**17 539**	15 472
Management fee income				
◦ Stanbic Insurance Services *	**-**	-	**5 354**	5 127
◦ Stanbic Financial Services*	**-**	-	**1 510**	1 438
Preference dividend income				
◦ Liberty Holdings Botswana	**10 190**	11 291	**10 190**	11 291
Interest expense				
◦ Standard Bank South Africa	**420**	1 526	**420**	1 526
IT charges				
◦ Standard Bank South Africa - Africa Division	**56 310**	49 397	**56 310**	49 397
IC expenses				
◦ Standard Bank South Africa – Direct Cost	**7 173**	2 575	**7 173**	2 575
◦ Stanbic Financial Services *	**-**	-	**-**	2 518
Franchise fees				
◦ Standard Bank South Africa - Africa Division	**48 435**	41 373	**48 435**	41 373
Trading Revenue				
◦ Standard Bank South Africa	**8 781**	44	**8 781**	44
Fees and commission income				
◦ Standard Bank South Africa	**305**	573	**305**	573

The bank has relationships with the following entities:
- Liberty Holdings Botswana – the bank owns preference shares in Liberty Holdings Botswana through which a preference dividend is earned equivalent to a share in the profits of Liberty Life Botswana at the back of the bank's loan book that is underwritten by Liberty Life Botswana.

Interest is earned on nostro accounts and is priced at market rate. Management fees are charged at prevailing market rates per agreement, depending on the cost of service rendered to subsidiaries and the fees are payable monthly. Franchise fees are at 3% of net income and are payable on a quarterly basis. Other charges are based on the market rates depending on the type of service rendered.

*The intercompany transactions and balances relating to the subsidiaries of Stanbic Bank Botswana Limited have been removed as they have been eliminated as part of consolidation entries. The same correction has been applied on the prior period numbers.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

43. Related party transactions (continued)

43.6. Related party balances

	Group		Company	
	2023 P000's	2022 P000's	2023 P000's	2022 P000's
Derivative assets				
◦ Standard Bank South Africa	**3 411**	5 058	**3 411**	5058
◦ Standard Lesotho	**2**	-	**2**	-
Trading assets				
◦ Standard Bank South Africa	**-**	5	**-**	5
◦ Standard Bank Isle of Man	**9**	9	**9**	9
Loans and advances				
◦ Standard Bank South Africa	**547 912**	1056 331	**547 912**	1056 331
◦ Standard Bank Isle of Man	**4 265 828**	4214 428	**4 265 828**	4214 428
◦ Stanbic Bank Zambia	**242**	436	**242**	436
◦ Stanbic Bank Kenya	**394**	151	**394**	151
Deposits and current accounts				
◦ Standard Bank South Africa	**(399 549)**	(348855)	**(399 549)**	(348855)
◦ Stanbic Bank Zambia	**(2 252)**	(649)	**(2 252)**	(649)
◦ Stanbic Bank Zimbabwe	**(874)**	(1 092)	**(874)**	(1 092)
◦ Standard Lesotho Bank	**(29)**	(6 928)	**(29)**	(6 928)
◦ Standard Bank Namibia	**(61)**	(146)	**(61)**	(146)
◦ Standard Bank Eswatini	**(29)**	(30)	**(29)**	(30)
◦ Standard Bank Mauritius	**(524)**	(173)	**(524)**	(173)
Other receivables				
◦ Stanbic Insurance Services *	**-**	-	**1 366**	-
◦ Stanbic Bank Zambia	**-**	342	**-**	342
◦ Standard Bank Malawi	**336**	-	**336**	-
◦ Standard Bank South Africa	**12 481**	3 420	**12 481**	3 420
Preference dividends receivable				
◦ Liberty Holdings Botswana	**8 753**	4 702	**8 753**	4 702
Other liabilities				
◦ Standard Bank South Africa	**35 803**	28 704	**35 803**	28 623
◦ Stanbic Insurance Services*	**-**	-	**-**	4 410
Derivative liabilities				
◦ Standard Bank South Africa	**1 867**	5567	**1 867**	5567
◦ Standard Bank Lesotho	**-**	3	**-**	3
◦ Standard Bank Zambia	**(1)**	-	**(1)**	-

44. Key management personnel

Key management personnel for the Group and Company of Stanbic Bank Botswana Limited have been defined as the Board of Directors and the executive committee of Stanbic Bank Botswana Limited active for 2023 and 2022. The definition of key management includes the close members of family of key management personnel and any entity over which key management exercise control. Close members of family are those family members who may be expected to influence or be influenced by that individual in their dealings with Stanbic Bank Botswana Limited. They may include the individual's domestic partner and children, the children of the individual's domestic partner and dependents of the individual or the individual's domestic partner.

Interest rates charged on balances outstanding from key management are at 5.63% (2022: 3.25%-5.88%), 5.63% (2022: 5.88%-9.76%) and 5.63% (2022: 5.88%-25.50%) for mortgage loans, vehicle and asset finance and other loans respectively. The loans are repayable monthly over a maximum of 20 years, 72 months and 72 months for mortgage loans, vehicle and asset finance and other loans respectively. The mortgage loans and vehicle and asset finance loans are secured over property of the respective borrowers. Other loans are not secured.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

44. Key management personnel (continued)

44.1. Key management personnel transactions and balances

	2023 P000's	2022 P000's
Short-term employee benefits	**44 175**	33 611
Post-employment benefits	**2 781**	3 153
Salaries and other short-term benefits	**46 956**	36 764
Mortgage loans		
◦ Loans outstanding at beginning of year	**33 167**	31 551
◦ Loans granted during the year	**589**	1 289
◦ Loan repayments during the year	**(18 801)**	(1 519)
◦ Interest earned	**1 099**	1 846
Loans outstanding at the end of the year	**16 054**	33 167
Interest rate range for the year	**88% of prime rate**	3.25% - 5.88%
Mortgage loans are repayable monthly over a maximum of 20 years. These loans are secured by properties whose fair value is above the outstanding balances.		
Vehicle and asset finance		
◦ Loans outstanding at beginning of year	**1 135**	2 396
◦ Loans granted during the year	**-**	-
◦ Loan repayments during the year	**(517)**	(1 583)
◦ Interest earned	**54**	323
Loans outstanding at the end of the year	**672**	1 136
Interest rate range for the year	**5.63%**	5.88% - 9.76%
Other loans		
◦ Loans outstanding at beginning of year	**2 418**	1940
◦ Loans granted during the year	**-**	559
◦ Loan repayments during the year	**(1 591)**	(187)
◦ Interest earned	**84**	106
Loans outstanding at the end of the year	**911**	2 418
Interest rate range for the year	**5.63%**	5.88 - 25.50%
Interest income earned	**17 637**	36 721

The loans disclosed in this note are for management in their capacity as employees. No impairment has been recognised in respect of loans granted to key management (2022: Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

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45. Financial risk management

45.1. Strategy in using financial instruments

By their nature, the Group and Company's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers at both fixed and floating rates of interest and for various periods and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

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

Risk management is carried out by a central treasury department under policies approved by the Board. The Treasury and Capital Management department identifies, evaluates and hedges financial risk in close co-operation with the Group and Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

The Group and Company also seek to raise their interest margins by obtaining above-average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances; the Group and Company also enter into guarantees and other commitments such as letters of credit and performance, and other bonds.

The Group and Company also trade in financial instruments where they take positions in traded and over-the-counter instruments to take advantage of short-term market movements in equities and bonds and in currency, interest rate and commodity prices. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

Foreign exchange and interest rate exposures associated with derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

45.2. Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position are:

- To comply with the capital requirements set by the Bank of Botswana, Non-Bank Financial Institutions Regulatory Authority and all the applicable regulatory institutions for the businesses the Group operates;
- To safeguard the Group's ability to continue as a going concern so that it can continue to operate and to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.
- To maintain depositor and creditor confidence

The Group monitors the adequacy of its capital using ratios established by the Bank of Botswana, which ratios are broadly in line with those for the Bank for International Settlements (BIS). Risk-weighted assets (RWA) represent an aggregated measure of different risk factors affecting the evaluation of financial products and transactions in a bank. The aggregation considers credit, market and operational risk. These ratios measure capital adequacy by comparing the bank's eligible capital with its balance sheet assets, off-balance-sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk.

The market risk approach covers the general market risk and the risk of open positions in currencies and debt and equity securities. Assets are weighted according to broad categories of notional credit risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0 percent, 20 percent, 50 percent and 100 percent) are applied; for example, cash and Bank of Botswana Certificates have a zero-risk weighting which means no capital is required to support the holding of these assets. Property, plant and equipment carries a 100 percent risk weighting, meaning that it must be supported by capital equal to 15 percent of the carrying amount. Certain asset categories have intermediate weightings.

The Group is required at all times to maintain a core capital (Tier I) of not less than 6.25 percent (2022: 6.25 percent) of the total risk adjusted assets plus risk adjusted off balance sheet items and a total capital (Tier I + Tier II) of not less than 12.5 percent (2022: 12.5 percent) of its total risk adjusted assets plus risk adjusted off balance sheet items. There were no breaches of this requirement during the current or previous year.

Off-balance-sheet credit related commitments and forwards are taken into account by applying different categories of credit conversion factors, designed to convert these items into balance sheet equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as the balance sheet assets.

Tier I capital consists of shareholders' equity comprising paid up share capital, share premium and retained earnings less intangible assets and investments in financial companies, not consolidated. Tier II capital includes the bank's eligible long-term loans, mark-to-market adjustment on available for sale securities and general provisions. Subordinated term debt eligible for Tier II capital is limited to 50 percent of authorised core capital.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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45. Financial risk management (continued)

45.2. Capital management (continued)

Capital adequacy

	Company	
	2023 P000's	2022 P000's
Capital base:		
- Shareholders' equity	**2 172 146**	1 998 212
- Statutory credit risk reserve	**154 474**	154 474
- Intangibles	**-**	-
Tier I Capital	**2 326 620**	2 152 686
General provisions	**169 389**	167 742
Subordinated debt instrument	**515 720**	515 720
Tier II Capital	**685 109**	683 462
Sum of Tier I and Tier II capital (a)	**3 011 729**	2 836 148
Risk adjusted exposure:		
- Credit risk	**13 551 159**	13 419 397
- Operational risk	**1 409 820**	1 136 041
- Market risk	**157 337**	184 438
Total risk adjusted exposure (b)	**15 118 316**	14 739 876
Capital adequacy ratio (a/b x 100)	**19.92%**	19.24%
Bank of Botswana recommended ratio	**12.5%**	12.5%

NOTES TO THE FINANCIAL STATEMENTS (continued)

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45. Financial risk management (continued)

45.3. Credit risk

Definition
Credit risk is the risk of loss arising out of the failure of obligors to meet their financial or contractual obligations when due. It is composed of obligor risk (including borrowers and trading counterparties), concentration risk and country risk.

Approach to managing and measuring credit risk
The Group's credit risk is a function of its business model and arises from wholesale and retail loans and advances, underwriting and guarantee commitments, as well as from the counterparty credit risk arising from derivative and securities financing contracts entered into with our customers and trading counterparties. The management of credit risk is aligned to the Group's three lines of defence framework. The business functions own the credit risk assumed by the Group and, as the first line of defence, are primarily responsible for its management, control and optimisation in the course of business generation.

The Credit function acts as the second line of defence and is responsible for providing independent and objective approval and oversight for the credit risk-taking activities of business, to ensure the process of procuring revenue, while assuming risk, is undertaken with integrity. Further second-line oversight is provided by the Group risk function through independent credit risk assurance.

The third line of defence is provided by internal audit, under its mandate from the Board Audit Committee.

Credit risk is managed through:
- maintaining a culture of responsible lending and a robust risk policy and control framework;
- identifying, assessing and measuring credit risk across the Group, from an individual facility level through to an aggregate portfolio level;
- defining, implementing and continually re-evaluating risk appetite under actual and stressed conditions;
- monitoring the Group's credit risk exposure relative to approved limits;
- ensuring that there is expert scrutiny and approval of credit risk and its mitigation independently of the business functions.

A credit portfolio limit framework has been defined to monitor and control the credit risk profile within the Group's approved risk appetite. All primary lending credit limits are set and exposures measured on the basis of risk weighting in order to best estimate exposure at default (EAD). Pre-settlement counterparty credit risk (CCR) inherent in trading book exposures is measured on a potential future exposures (PFE) basis, modelled at a defined level of confidence, using approved methodologies and models, and controlled within explicit approved limits for the counterparties concerned.

Credit risk mitigation
Wherever warranted, the Group will attempt to mitigate credit risk, including CCR to any counterparty, transaction, sector, or geographic region, so as to achieve the optimal balance between risk, cost, capital utilisation and reward. Risk mitigation may include the use of collateral, the imposition of financial or behavioural covenants, the acceptance of guarantees from parents or third parties, the recognition of parental support, and the distribution of risk.

Collateral, parental guarantees, credit derivatives and on- and off-balance sheet netting are widely used to mitigate credit risk. Credit risk mitigation policies and procedures ensure that risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

In the case of collateral where the Group has an unassailable legal title, the Group's policy is such that collateral is required to meet certain criteria for recognition in loss given default (LGD) modelling, including that it:
- is readily marketable and liquid;
- is legally perfected and enforceable;
- has a low valuation volatility;
- is readily realisable at minimum expense;
- has no material correlation to the obligor credit quality;
- has an active secondary market for resale.

The main types of collateral obtained by the Group for its banking book exposures include:
- mortgage bonds over residential, commercial and industrial properties;
- cession of book debts;
- pledge and cession of financial assets;
- bonds over plant and equipment;
- the underlying movable assets financed under leases; and
- instalment sales.

There has not been change to this policy and was applied in the current financial period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
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45. Financial risk management (continued)
45.3. Credit risk (continued)
Credit risk mitigation (continued)

Reverse repurchase agreements and commodity leases to customers are collateralised by the underlying assets.

Guarantees and related legal contracts are often required, particularly in support of credit extension to Groups of companies and weaker obligors. Guarantors include banks, parent companies, shareholders and associated obligors. Creditworthiness is established for the guarantor as for other obligor credit approvals.

For trading and derivative transactions where collateral support is considered necessary, the Group typically uses internationally recognised and enforceable International Swaps and Derivatives Association (ISDA) agreements, with a credit support annexure (CSA).

Other credit protection terms may be stipulated, such as limitations on the amount of unsecured credit exposure acceptable, collateralisation if the mark-to-market credit exposure exceeds acceptable limits, and termination of the contract if certain credit events occur, for example, downgrade of the counterparty's public credit rating.

Wrong-way risk arises in transactions where the likelihood of default (i.e. the probability of default (PD) by a counterparty) and the size of credit exposure (as measured by EAD) to that counterparty tend to increase at the same time. This risk is managed both at an individual counterparty level and at an aggregate portfolio level by limiting exposure to such transactions, taking adverse correlation into account in the measurement and mitigation of credit exposure and increasing oversight and approval levels. The Group has no appetite for wrong-way risk arising where the correlation between EAD and PD is due to a legal, economic, strategic or similar relationship (i.e. specific wrong-way risk). General wrong-way risk, which arises when the correlation between EAD and PD for the counterparty, due mainly to macro factors, is closely managed within existing risk frameworks.

To manage actual or potential portfolio risk concentrations in areas of higher credit risk and credit portfolio growth, the Group implements hedging and other strategies from time-to-time. This is done at individual counterparty, sub-portfolio and portfolio levels through the use of syndication, distribution and sale of assets, asset and portfolio limit management, credit derivatives and credit protection.

Credit portfolio characteristics and metrics

Maximum exposure to credit risk
Debt financial assets at amortised cost as well as off-balance sheet exposure subject to an ECL are analysed and categorised based on credit quality using the Group's master rating scale. Exposures within Stage 1 and 2 are rated between 1 to 25 in terms of the Group's master rating scale. The Group uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes), as illustrated in the table below. These ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable PPB and BCB portfolios. The Group distinguishes between through-the-cycle PDs and point-in-time PDs, and utilises both measures in decision-making, managing credit risk exposures and measuring impairments against credit exposures. Exposures which are in default are not considered in the 1 to 25-point master rating scale.

Default
The Group's definition of default has been aligned to its internal credit risk management definitions and approaches. Whilst the specific determination of default varies according to the nature of the product, it is generally determined (aligned to the BASEL definition) as occurring at the earlier of:
- where, in the Group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

The Group did not rebut IFRS 9's 90 days past due rebuttable presumption.
A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or Groups of financial assets:
- significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower);
- a breach of contract, such as default or delinquency in interest and/or principal payments;
- disappearance of active market due to financial difficulties;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- where the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Group would not otherwise consider.

Exposures which are overdue for more than 90 days are also considered to be in default.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

45. Financial risk management (continued)

45.3. Credit risk (continued)

i) Maximum exposure to credit risk before collateral held or other credit enhancements 2023

Group and Company

IFRS: maximum exposure to credit risk by credit quality

	Total P000's	SB 1 - 12		SB 13 - 20		SB 21 - 25		Default						
		Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3	Total gross carrying amount of default exposures	Securities and expected recoveries on specifically impaired loans	Interest in suspense	Balance sheet expected credit loss	Gross Default coverage %	Non-performing loans %
	P 000's	P 000's	P 000's	P 000's	P 000's	P 000's	P 000's	P 000's	P 000's	P 000's	P 000's	P 000's	P 000's	P 000's
Loans and advances at amortised cost														
Personal&Business Banking	**10 454 084**	**-**	**-**	**9 467 010**	**-**	**-**	**482 066**	**505 008**	**505 008**	**221 857**	**16 898**	**266 462**		
Mortgage loans	2 628 775	-	-	2 119 869	-	-	193341	315 565	315 565	161 000	8 897	145 668	49%	12%
Vehicle and asset finance	1130 998	-	-	1 010 262	-	-	68 060	52 676	52 676	18,071	1 952	32 653	66%	5%
Card debtors	44 402	-	-	31 547	-	-	11 114	1 741	1 741	1 950	-	(209)	-12%	4%
Other loans and advances	**6 649 909**	**-**	**-**	**6 305 332**	**-**	**-**	**209 551**	**135 026**	**135 026**	**40 836**	**6 049**	**88 141**	**70%**	**2%**
Personal unsecured lending	5 779 552	-	-	5 553 271	-	-	152 565	73 716	73 716	2 620	1 474	69 622	96%	1%
Business and other lending	870 357	-	-	752 061	-	-	56 986	61 310	61 310	38 216	4 575	18 519	38%	7%
Corporate & Investment Banking	**9 351 188**	**6 570 702**	**-**	**2 424 760**	**253 680**	**53 456**	**48 591**	**-**	**-**	**(10)**	**10**	**-**	0%	0%
Corporate	2 842 218	592 674	-	1 934 038	213 460	53 456	48 591	-	-	(10)	10	-	0%	0%
Sovereign	530 942	-	-	490 722	40 220	-	-	-	-	-	-	-	0%	0%
Banking	5 978 028	5 978 028	-	-	-	-	-	-	-	-	-	-	0%	0%
Other services	-	-	-	-	-	-	-	-	-	-	-	-	0%	0%
Gross carrying amount of loans and advances at amortised cost	**19 805 272**	**6 570 702**	**-**	**11 891 770**	**253 680**	**53 456**	**530 657**	**505 008**	**505 008**	**221 847**	**16 908**	**266 462**		
Less: Total expected credit loss for loans and advances	(481 320)													
Net carrying amount of loans and advances at amortised cost	**19 323 952**													

Other loans and advances on the above table also represents exposure for overdrafts, medium terms loans and other instruments reflected under note 27.1 whereas corporate and sovereign which are internal naming for the CIB segment are included medium-term advances under note 27.1.

*The collateral/securities are in line with the applicable collateral polices which have not changed compared to the prior year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

45. Financial risk management (continued)

45.3. Credit risk (continued)

i) Maximum exposure to credit risk before collateral held or other credit enhancements 2023 (continued)

IFRS: maximum exposure to credit risk by credit quality (continued)

	Total P000's	SB 1 - 12		SB 13 - 20		SB 21 - 25		Default
		Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3
	P 000's	P 000's	P 000's	P 000's	P 000's	P 000's	P 000's	P 000's
Net carrying amount of loans and advances at amortised cost	**19 323 952**							
Financial assets at amortised cost								
Corporate	185 882	185 882						
Sovereign	3 619 525	3 619 525						
Gross carrying amount of financial assets	**3 805 407**							
Less: Total expected credit loss for financial assets	(43)							
Net carrying amount of financial assets	**3 805 364**							
Letters of credit and bankers' acceptances	15 775	15 775	-	-	-	-	-	
Guarantees	970 861	970 861	-	-	-	-	-	
Irrevocable and revocable unutilised facilities	1 593 406	1 593 406	-	-	-	-	-	
Total exposure to off-balance sheet credit risk	**2 580 042**	2 580 042	-	-	-	-	-	
Expected credit loss for off balance sheet exposures 1	(800)							
Net carrying amount of off-balance sheet	2 579 242							
Total exposure to credit risk on financial assets subject to an expected credit loss	25 708 558							
Exposures not subject to ECL:								
Cash and balances with Central Banks	1 466 490							
Derivative assets	1 377							
Trading assets	3 212							
Other financial assets	133 977							
Total exposure to credit risk	**27 313 614**							

** Management assessment has shown that there are no facilities which ECL has not been recognised at the back of collateral exceeding the exposure.The exposure not subject to ECL relate to items that are not recorded at amortised cost and in addition to address IFRS 7 disclosures, the above table does not include Information about financial instruments for which no ECL is recognised due to collateral as the policy of provisioning only calls for collateral upon default which is disclosed under note 45.3 Loans and advances individually impaired.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

45. Financial risk management (continued)

45.3. Credit risk (continued)

i) Maximum exposure to credit risk before collateral held or other credit enhancements 2022

IFRS: maximum exposure to credit risk by credit quality

		SB 1 - 12		SB 13 - 20		SB 21 - 25		Default						
		Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3	Total gross carrying amount of default exposures	Securities and expected recoveries on specifically impaired loans	Interest in suspense	Balance sheet iexpected credit loss	Gross Default coverage %	Non-performing loans %
	P'000's	P'000's	P'000's	P'000's	P'000's	P'000's	P'000's	P'000's	P'000's	P'000's	P'000's	P'000's	P'000's	P'000's
Loans and advances at amortised cost														
Personal&Business Banking	**10 419 194**	**-**	**-**	**8 848 669**	**22**	**-**	**523 666**	**348 166**	**348 166**	**166 829**	**9 960**	**171 377**	**-**	**-**
Mortgage loans	2 607 136	-	-	1 830 112	-	-	188 082	196 314	196 314	119 162	7 505	69 647	-	8%
Vehicle and asset finance	811 365	-	-	589 908	-	-	82 416	46 347	46 347	16 318	-	30 029	0%	5%
Card debtors	50 977	-	-	30 990	-	-	10 577	2 357	2 357	(2 133)	4 696	(206)	190%	5%
Other loans and advances	**6 949 716**	**-**	**-**	**6 397 659**	**22**	**-**	**242 591**	**103 148**	**103 148**	**33 482**	**(2 241)**	**71 907**	**68%**	**1%**
Personal unsecured lending	6 084 758	-	-	5 780 486	22	-	141 005	54 415	54 415	6 095	(2 241)	50 561	89%	1%
Business and other lending	864 958	-	-	617 173	-	-	101 586	48 733	48 733	27 387	-	21 346	44%	6%
Corporate & Investment Banking	**10 068 847**	**7 249 761**	**-**	**2 528 821**	**270 644**	**-**	**19 621**	**-**	**-**	**177**	**-**	**(177)**	-	-
Corporate	2 979 667	728 728	-	2 047 625	183 693	-	19 621	-	-	177	-	(177)	-	-
Sovereign	638 327	70 588	-	481 196	86 951	-	(408)	-	-	-	-	-	-	-
Banking	6 450 445	6 450 445	-	-	-	-	-	-	-	-	-	-	-	-
Other services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross carrying amount of loans and advances at amortised cost	**20 488 041**	**-**	**-**	**11 377 490**	**270 666**	**-**	**543 287**	**348 166**	**348 166**	**167 006**	**9 960**	**171 200**		
Less: Total expected credit loss for loans and advances	(432 951)													
Net carrying amount of loans and advances at amortised cost	**20 055 089**													

Other loans and advances on the above table also represents exposure for overdrafts, medium terms loans and other instruments reflected under note 27.1 whereas corporate and sovereign which are internal naming for the CIB segment are included medium - term advances under note 27.1.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

45. Financial risk management (continued)

45.3. Credit risk (continued)

i) Maximum exposure to credit risk before collateral held or other credit enhancements 2022 (continued)

IFRS: maximum exposure to credit risk by credit quality

		SB 1 - 12		SB 13 - 20		SB 21 - 25		Default
		Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3
	P'000's	P'000's	P'000's	P'000's	P'000's	P'000's	P'000's	P'000's
Net carrying amount of loans and advances at amortised cost	**20 055 089**							
Financial assets at amortised cost								
Corporate	185 742	185 742						
Sovereign	2 832 357	2 832 357						
Gross carrying amount of financial assets	**3 018 099**							
Less: Total expected credit loss for financial assets	(19)							
Net carrying amount of financial assets	**3 018 080**							
Letters of credit and bankers' acceptances	66 919	-	-	66 919	-	-	-	
Guarantees	935 388	560 519	-	47 383	2 743	324 336	407	
Irrevocable and revocable unutilised facilities	1 293 725	208 016	-	1 085 709	-	-	-	
Total exposure to off-balance sheet credit risk	**2 296 032**	768 535	-	1 200 011	2 743	324 336	407	
Expected credit loss for off balance Sheet exposures [1]	(826)							
Net carrying amount of off-balance sheet	2 295 206							
Total exposure to credit risk on financial assets subject to an expected credit loss	25 368 375							
Exposures not subject to ECL:								
Cash and balances with Central Banks	424 894							
Derivative assets	12 163							
Trading assets	-							
Other financial assets	24 847							
Total exposure to credit risk	**25 830 279**							

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

45. Financial risk management (continued)

45.3. Credit risk (continued)

i) Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

Group	Maximum exposure 2023 P000's	2022 P000's
Credit risk exposures relating to on-balance sheet assets excluding interest in suspense and Impairments are as follows:		
Loans and advances to banks	**5 994 997**	6 793 307
Financial investments		
- Other unlisted instruments	**423 026**	611 233
- Government bonds	**185 882**	185 742
- Bank of Botswana Certificates	**3 196 456**	2 221 105
Loans and advances to customers (gross)	**13 810 275**	13 694 734
Loans to individuals and SME's		
- Mortgage lending	**2 115 487**	2 437 291
Vehicle and asset financing	**1 440 429**	988 671
- Overdrafts and other demand lending	**618 850**	476 902
- Medium-term advances	**6 000 889**	6 472 808
- Revolving credit accounts and card debtors	**37 030**	43 924
Loans to corporate entities		
- Overdrafts and other demand lending	**474 160**	295 471
- Medium-term advances	**3 123 430**	2 979 667
Trading assets		
- Government bonds	**-**	-
Cash and balances with central banks	**1 466 490**	544 879
Other financial assets	**43 504**	24 847
Credit risk exposures relating to off-balance sheet assets are as follows:		
Financial guarantees	**970 861**	935 388
Letters of credit	**31 548**	66 919
Irrevocable unutilised facilities	**1 221 246**	1 041 522
Revocable unutilised facilities	**372 160**	252 203
As at 31 December	**27 716 445**	26 371 879

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

45.Financial risk management (continued)

45.3. Credit risk (continued)

i) Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

The above table represents a worst-case scenario of credit risk exposure to the bank as at 31 December 2023 and 2022, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.
As shown above, 78% of the total maximum exposure is derived from loans and advances to banks and customers (2022: 78%); 11% represents investments in Bank of Botswana securities (2022: 11%).
Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the bank resulting from both its loans and advances portfolio and debt securities based on the following:

- Mortgage loans, which are 18% (2022: 18%) of loans and advances to customers are backed by collateral;
- 98% of the loans and advances to customers portfolio are considered to be neither past due nor impaired (2022: 98%)

Description of collateral held as security and other credit enhancements, in respect of the exposure above is as follows:

	2023 P000's	2022 P000's
For loans and advances, the Group holds the following collateral:		
Property bonds and other collateral	**16 041**	12 060
	16 041	12 060

Description of collateral held as security and other credit enhancements, in respect of the exposure to off- balance sheet assets as per above table is as follows:

	2023 P000's	2022 P000's
Cash cover	**485 350**	285 350
Sundry securities (properties, government guarantees and others)	**816 305**	556 300
	1 301 655	841 650

The Group holds collateral against loans and advances to customers in the form of mortgage interest over property, other registered securities over assets and guarantees. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The main types of collateral are as follows:

- for securities lending and reverse repurchase transactions, cash or securities;
- for commercial lending, charges over real estate properties, inventory and trade receivables; and
- for retail lending, mortgages over residential properties.

Further information of the impairment allowance for loans and advances to banks and to customers is provided in Note 22.7.

The special mention category above in note 45.3 incorporates all the past due but not impaired financial assets. The assets within this category fall within the 30–90-day overdue period.

The balance of repossessed assets is as follows:

	2023 P000's	2022 P000's	2023 P000's	2022 P000's
	Loan balance outstanding		Forced sale value	
Property bonds and other collateral	**9 325**	12 537	**4 970**	6 499

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

45. Financial risk management (continued)

45.3. Credit risk (continued)

a. Loans and advances individually impaired

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group and Company using internal credit ratings. The table below shows the credit quality by class of financial asset for credit risk related items, based on the Group's credit rating system.

Credit quality	2023 Impaired P000's	2023 Security against impaired loans P000's	2023 Net impaired loans P000's	2022 Impaired P000's	2022 Security against impaired loans P000's	2022 Net impaired loans P000's
Loans and advances to customers	**505 008**	**221 857**	**266 253**	348 166	167 006	171 200
Personal and Business Banking	**505 008**	**221 857**	**266 253**	348 166	167 006	171 200
- Mortgage lending	**315 565**	**161 000**	**145 668**	196 314	119 162	67 192
- Vehicle and asset financing	**52 676**	**18 071**	**32 653**	46 347	16 318	30 029
- Card debtors	**1 741**	**1 950**	**(209)**	2 357	2 563	(206)
- Other loans and advances	**135 026**	**40 836**	**88 141**	103 148	28 963	74 185
Total recognised financial instruments	**505 008**	**221 857**	**266 253**	348 166	167 006	171 200

b. Loans and advances to banks

The total gross amount of individually impaired loans and advances to banks as at 31 December 2023 was Nil (2022: Nil). No collateral is held by the bank in respect of these balances.

c. Concentrations of risk of financial assets with credit risk exposure

The following table breaks down the Group and Company's main credit exposure at their carrying amounts, as categorised by the industry sectors of our counterparties:

2023	Financial institutions P000's	Manufacturing and agriculture P000's	Transport energy and mining P000's	Trade and business services P000's	Individuals P000's	Others P000's	Total P000's
Loans and advances to banks	**5 990 721**	-	-	-	-	-	**5 990 721**
Financial investments							
- Bank of Botswana Certificates	**3 196 498**	-	-	-	-	-	**3 196 498**
- Corporate bond	**185 737**	-	-	-	-	-	**185 737**
- Government bonds	**587 960**	-	-	-	-	-	**587 960**
Loans and advances to customers (Gross)	**5 709 408**	**245 027**	**651 655**	**651 554**	**5 883 995**	**668 636**	**13 810 275**
Trading assets							
- Bank of Botswana Certificates	**3 212**	-	-	-	-	-	**3 212**
Derivative assets	**1 377**	-	-	-	-	-	**1 377**
As at 31 December 2023	**15 674 913**	**245 027**	**651 655**	**651 554**	**5 883 995**	**668 636**	**23 775 780**
As at 31 December 2022	10 840 427	325 666	367 349	635 273	8 775 401	-	20 944 116

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

45. Financial risk management (continued)

45.3. Credit risk (continued)

c. Concentrations of risk of financial assets with credit risk exposure (continued)

2022	Financial institutions P000's	Manufacturing and agriculture P000's	Transport energy and mining P000's	Trade and business services P000's	Individuals P000's	Others P000's	Total P000's
Loans and advances to banks	6 793 307	-	-	-	-	-	6 793 307
Financial investments							
- Bank of Botswana Certificates	1 555 806	-	-	-	-	-	1 555 806
- Corporate bond	185 737	-	-	-	-	-	185 737
- Government bonds	587 960	-	-	-	-	-	587 960
Loans and advances to customers (Gross)	3 548 998	325 666	367 349	635 273	8 775 401	-	13 652 687
Trading assets							
- Bank of Botswana Certificates	-	-	-	-	-	-	-
Derivative assets	12 589	-	-	-	-	-	12 589
As at 31 December 2022	10 840 427	325 666	367 349	635 273	8 775 401	-	20 944 116
As at 31 December 2021	10 840 427	325 666	367 349	635 273	8 775 401	-	20 944 116

Segmental analysis - industry net of impairments and interest in suspense (IIS):	**Group**		**Company**	
	2023 P000's	2022 P000's	**2023 P000's**	2022 P000's
Agriculture	**245 027**	202 167	**245 027**	202 167
Construction	**84 528**	97 072	**84 528**	97 072
Electricity	**7 727**	10 157	**7 727**	10 157
Finance, real estate and other business services	**8 484 291**	9 489 413	**8 484 291**	9 489 413
Individuals	**8 384 596**	8 525 045	**8 384 596**	8 525 045
Manufacturing	**12 141**	14 613	**12 141**	14 613
Mining	**130 387**	167 488	**130 387**	167 488
Other	**-**	-	**-**	
Transport	**651 554**	343 791	**651 554**	343 791
Wholesale	**1 323 701**	1 205 343	**1 323 701**	1 205 343
	19 323 952	20 055 089	**19 323 952**	20 055 089

*Segmental analysis included In the current year and for comparative numbers which were not included in the prior year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

45. Financial risk management (continued)

45.4. Market risk

The Group and Company takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency, and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Interest rate risk

The Group and Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Asset and Liability Committee (ALCO) sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The table below summarises the Group and Company exposure to interest rate risks and effects to both P&L and equity as at the reporting date. Included in the table are the Group and Company assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Group and Company does not bear an interest rate risk on off balance sheet items.

Group **As at 31 December 2023**	**Up to 1 month** **P000's**	**1 – 6 months** **P000's**	**6 – 12 months** **P000's**	**Over 1 year** **P000's**	**Non-interest bearing** **P000's**	**Total** **P000's**
Assets						
Cash and balances with Central Bank	-	-	-	-	1 466 490	1 466 490
Derivative assets	-	-	-	-	1 377	1 377
Trading assets	-	-	-	-	3 212	3 212
Financial investments	3 196 456	-		608 908	-	3 805 364
Loans and advances to banks	3 413 958	1 795 230	781 533	-	-	5 990 721
Loans and advances to customers	1 374 736	907 718	555 527	10 495 250	-	13 333 231
Other assets	-	-	-	-	133 977	133 977
Total assets	**7 985 150**	**2 702 948**	**1 337 060**	**11 104 158**	**1 605 056**	**24 734 372**
Liabilities and shareholders' equity						
Derivative liabilities	-	-	-	-	-	-
Trading Liabilities	-				3 412	3 412
Deposits from banks	1 060 094	-	-	-	-	1 060 094
Deposits from customers	14 799 506	4 511 934	790 414	38 573	-	20 140 427
Other liabilities	-	-	-	-	500 610	500 610
Subordinated debt	-	-	-	1 016 440	-	1 016 440
Shareholders' equity	-	-	-	-	1 936 441	1 936 441
Total equity and liabilities	**15 859 600**	**4 511 934**	**790 414**	**1 055 013**	**2 440 463**	**24 657 424**
Total interest repricing gap	**(7 874 450)**	**(1 808 986)**	**546 646**	**10 049 145**	**(835 407)**	

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

45. Financial risk management (continued)

45.4. Market risk

Interest rate risk (continued)

Group As at 31 December 2022	Up to 1 month P000's	1 – 6 months P000's	6 – 12 months P000's	Over 1 year P000's	Non-interest bearing P000's	Total P000's
Assets						
Cash and balances with Central Bank	-	-	-	-	544 879	544 879
Derivative assets	-	-	-	-	12 163	12 163
Trading assets	-	-	-	-	-	-
Financial investments	849 884	561 350	146 746	1 460 100	-	3 018 080
Loans and advances to banks	6 790 157	-	-	-	-	6 790 157
Loans and advances to customers	13 264 932	-	-	-	-	13 264 932
Other assets	-	-	-	-	87 540	87 540
Total assets	20 904 973	561 350	146 746	1 460 100	644 582	23 717 751
Liabilities and shareholders' equity						
Derivative liabilities	-	-	-	-	15 464	15 464
Trading Liabilities	-				27 175	27 175
Deposits from banks	1 011 054	-	-	-	-	1 011 054
Deposits from customers	14 561 012	2 381 708	2 036 920	482 180	-	19 461 820
Other liabilities	-	-	-	-	383 293	383 293
Subordinated debt	-	-	-	990 440	-	990 440
Shareholders' equity	-	-	-	-	1 762 513	1 762 513
Total equity and liabilities	15 572 066	2 381 708	2 036 920	1 472 620	2 188 445	23 651 759
Total interest repricing gap	5 332 907	(1 820 358)	(1 890 174)	(12 520)	(1 515 688)	

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

45. Financial risk management (continued)

45.4. Market risk (continued)

Interest rate risk (continued)
The effective interest rates by major currency for monetary financial instruments not carried at fair value through profit or loss at 31 December 2023 and 31 December 2022 were in the following ranges:

2023	EUR	USD	GBP	ZAR	BWP
Assets					
Bank of Botswana Certificates	-	-	-	-	**4.44**
Financial investments – Corporate	-	-	-	-	**7.91**
Loans and advances to banks	-	**0.25**	**0.33**	**5.58**	**1.05**
Loans and advances to customers	**8.25**	**9.39**	-	**11.85**	**13.54**
Liabilities					
Deposits from banks	-	**1.34**	-	**4.25**	**8.05**
Deposits from customers	**0.10**	**0.07**	**0.18**	**1.72**	**7.60**
Subordinated unsecured capital notes	-	-	-	-	**5.60**
NCDs	-	-	-	-	**6.36**
2022					
Assets					
Bank of Botswana Certificates	-	-	-	-	1.65
Financial investments – Corporate	-	-	-	-	6.69
Loans and advances to banks	-	0.25	0.33	5.58	1.05
Loans and advances to customers	-	3.82	-	4.63	12.25
Liabilities					
Deposits from banks	-	1.34	-	3.50	0.08
Deposits from customers	0.10	0.07	0.18	1.72	7.60
Subordinated unsecured capital notes	-	-	-	-	6.93
NCDs	-	-	-	-	5.73

Interest rate sensitivity analysis
Interest rate sensitivity tests are performed on the Group's statements of financial position and reviewed by the ALCO. The table below presents the potential effects to both P&L and equity that could arise if interest rates rise or fall by 200 basis points at the reporting date.

	2023 P000's	2022 P000's
200 basis points parallel increase – gains	**82 514**	84 931
200 basis points parallel decrease – losses	**(120 255)**	(127 802)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

45. Financial risk management (continued)

45.4. Market risk (continued)

- **Interest rate benchmarks and reference interest rate reform:** The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets.

During the 2021 financial year, the London Interbank Offer Rate's (LIBOR's) administrator, the Intercontinental Exchange Benchmark Administration Limited (IBA), announced it would no longer publish EUR, CHF, JPY and GBP related LIBOR rates for all tenors after 31 December 2021. The IBA has adopted a two-stage approach for the cession of the USD LIBOR with the 1 week and 2-month USD LIBOR no longer being published after 31 December 2021 and the remaining being the overnight, 1 month, 3-month, 6-month and 12-month rates no longer being published after 30 June 2023. The LIBOR which the bank is exposed to will be replaced by Secured Overnight Financing Rate (SOFR), Sterling Overnight Index Average (SONIA), Euro Short Term Rate (ESTR), Tokyo Overnight Average (TONA) and Swiss Average Rate Overnight (SARON). In certain instances, other suitable rates are used, such as Central Bank Policy Rates.

During the 2022 financial year the SARB has indicated its intention to move away from JIBAR and has identified a potential successor in the South African Rand Overnight Index Average Rate (ZARONIA). The new ZARONIA rate was published for observation during 2022 and is expected to be endorsed as a successor rate in 2023.

There are no IBOR-linked contracts remaining, with transition having taken place predominantly in Q2 2023. Communications to clients are ongoing via multiple platforms along with one-on-one engagements to discuss transition where exposed to USD LIBOR rates that mature post cessation date.

Reference rate reform introduces a number of risks to the group including, but not limited to:
- Model risk – risk of the valuation models used within the group not being able to cater for the changes in the intended manner.
- Legal risk – risk of being non-compliant to the agreements previously agreed with clients.
- Operational risk – risk of the group's systems not being able to accommodate for the changes to the interest rates as agreed with the clients.
- Financial risk – risk of not appropriately pricing the deals which will result in a transfer of value between the group and clients.
- Compliance/regulatory risk – risk that the bank is exposed to regulatory sanctions due to failing to meet the regulatory expectations in relation to the transition.
- Reputational risk – the risk to the bank's reputation from failing to adequately prepare for the transition.
- Conduct risk – risk that arises when transitioning existing contracts linked to IBORs as value-transfer may occur, or clients may be transitioned to inferior rates or on unfair contractual terms, or in circumstances where they do not fully appreciate the impact of the transition or the alternatives available to them.

As at 31 December 2023 there are no financial instruments which are yet to transitioned.

	USD LIBOR 2022 P000's	* Other IBORs 2022 P000's
Total assets recognised on the balance sheet subject to IBOR reform	496 184	337 149
Loans and Advances [1]	496 184	337 149

[1] Gross carrying amount excluding allowances for expected credit losses.
*Other includes EUR, CHF, JPY, and GBP related LIBOR rates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

45. Financial risk management (continued)

45.4. Market risk (continued)

Foreign exchange risk

The Group and Company are exposed to foreign exchange movements. The Asset and Liability Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The Group had the following significant foreign currency exposure positions (all amounts expressed in thousands of Botswana Pula):

As at 31 December 2023	EUR P000's	USD P000's	ZAR P000's	Other P000's	Total P000's
Assets					
Cash and balances with Central Bank	**5 267**	**36 341**	**5 653**	**2 081**	**49 342**
Loans and advances	**296 157**	**4 987 793**	**442 749**	**177 660**	**5 904 359**
Loans and advances to banks	**296 157**	**4 206 029**	**194 563**	**177 660**	**4 874 409**
Loans and advances to customers	**-**	**781 764**	**248 186**	**-**	**1 029 950**
Other assets	**271**	**901 328**	**300 056**	**45**	**1 201 700**
Total assets	**301 695**	**5 925 462**	**748 458**	**179 786**	**7 155 401**
Liabilities					
Deposit and current accounts	**207 325**	**4 812 464**	**332 971**	**151 835**	**5 504 595**
Deposits from customers	**207 082**	**4 641 383**	**308 641**	**144 678**	**5 301 784**
Other liabilities	**243**	**171 081**	**24 330**	**7 157**	**202 811**
Net off-balance sheet financial position	**(55 858)**	**(288 577)**	**(350 588)**	**(5 270)**	**(700 293)**
Net on-balance sheet position	**10 975**	**581 310**	**242 309**	**21 079**	**855 673**
Overall net position	**(44 883)**	**292 733**	**(108 279)**	**15 809**	**155 380**

As at 31 December 2022	EUR P000's	USD P000's	ZAR P000's	Other P000's	Total P000's
Assets					
Cash and balances with Central Bank	4 679	45 591	6 004	3 231	59 505
Loans and advances	209 764	5797 586	731 266	270 595	7009 211
Loans and advances to banks	209 764	5583 900	498 614	270 543	6562 821
Loans and advances to customers	-	213 686	232 652	52	446 390
Other assets	615	290 929	500 340	130	792 014
Total assets	215 058	6134 106	1 237 610	273 956	7860730
Liabilities					
Deposit and current accounts	284 345	5162 082	251 476	162 995	5860 897
Deposits from customers	284 126	4401 633	244 202	156 147	5086 108
Other liabilities	219	760 449	7 274	6 848	774 789
Net off-balance sheet financial position	(63314)	(375 157)	(1016 534)	70 876	(1384 128)
Net on-balance sheet position	(66 364)	703 975	755 517	111 007	1504 135
Overall net position	(129679)	328 818	(261017)	181 884	120 006

Foreign currency risk sensitivity analysis

The table that follows reflects the expected financial impact, in rand equivalent, resulting from a 10% shock to foreign currency risk exposures, against BWP. The sensitivity analysis is based on net open foreign currency exposures arising from foreign-denominated financial assets and liabilities inclusive of derivative financial instruments, cash balances, and accruals, but excluding net assets in foreign operations. The sensitivity analysis reflects the sensitivity of profit or loss on the group's foreign denominated exposures.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

45. Financial risk management (continued)

45.4. Market risk (continued)

Foreign exchange risk (continued)

10% upward movement:

	2023 P000's	2022 P000's
USD (Sensitivity of the BWP depreciation)	**19 354**	14 582
ZAR (Sensitivity of BWP depreciation)	**2 186**	1 497
EUR (Sensitivity of BWP depreciation)	**23 333**	15 012
Total Movement	**44 873**	31 091

Foreign Risk Sensitivity analysis

10% downward movement

	2023 P000's	2022 P000's
USD (Sensitivity of the BWP depreciation)	**24 192**	17 822
ZAR (Sensitivity of BWP depreciation)	**1 789**	1 830
EUR (Sensitivity of BWP depreciation)	**19 091**	18 152
Total Movement	**45 072**	37 804

The above reflects impact on profit and loss and equity on the 10% movement of the BWP currency on equal opposite signs.

45.5 .Liquidity risk

Liquidity risk is the risk that the Group and Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are overdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The Asset and Liability Committee (ALCO) sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Group's liquidity management process, as carried out within the Group and monitored by a separate team in Treasury, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in global money markets to enable this to happen.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements.
- Managing the concentration and profile of debt maturities.
- Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management.
- The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Treasury also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability but can also increase the risk of losses.

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

The following table analyses assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. undiscounted basis based on the earliest date on which the group can be required to pay and will, therefore, not agree directly to the balances disclosed in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

45. Financial risk management (continued)

45.5. Liquidity risk (continued)

Group

As at 31 December 2023	Up to 1 month P000's	1 – 6 months P000's	6 – 12 months P000's	Over 1 year P000's	Undated P000's	Total P000's
Assets						
Cash and balances with Central Bank	1 466 490	-	-	-	-	1 466 490
Derivative assets	-	1 377	-	-	-	1 377
Trading assets	-	131	-	3 081	-	3 212
Financial investments	3 196 741	-	558 334	50 332	-	3 805 407
Loans and advances to banks	3 413 958	1 795 230	781 533	-	-	5 990 721
Loans and advances to customers	1 004 561	1 313 492	1 005 816	10 069 799	416 607	13 810 275
Other assets	-	-	-	-	134 107	134 107
Total financial assets	9 081 750	3 110 230	2 345 683	10 123 212	550 714	25 211 589
Liabilities						
Derivative liabilities	-	-	-	-	-	-
Deposits from banks	822 996	-	-	237 098	-	1 060 094
Deposits from customers	15 859 600	4 628 262	848 760	39 648	-	21 376 270
Debt securities in issue	-	-	-	1 384 018	-	1 384 018
Other liabilities	-	-	-	522 844	-	522 844
Total financial liabilities	16 682 596	4 628 262	848 760	2 183 608	-	24 343 226
Net liquidity gap	(7 600 846)	(1 518 032)	1 496 923	7 939 604	550 714	868 363

Managing liquidity risk

The bank manages liquidity in accordance with applicable regulations and within the bank's risk appetite framework. The liquidity risk management governance framework supports the measurement of liquidity across both the corporate and retail sectors to ensure that the payment obligations can be met at all times under both normal and stressed conditions. Further, liquidity risk management ensures that the bank has appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times.

As at 31 December 2022	Up to 1 month P000's	1 – 6 months P000's	6 – 12 months P000's	Over 1 year P000's	Undated P000's	Total P000's
Assets						
Cash and balances with Central Bank	544 879	-	-	-	-	544 879
Derivative assets	-	12 163	-	-	-	12 163
Trading assets	-	-	-	-	-	-
Financial investments	849 883	561 350	835 323	771 524	-	3 018 080
Loans and advances to banks	6 357 809	432 348	-	-	-	6 790 157
Loans and advances to customers	1 004 561	1 313 492	1 005 816	9 524 456	416 607	13 264 932
Other assets	-	-	-	-	87 540	87 540
Total financial assets	8 757 132	2 319 353	1 841 139	10 295 980	504 147	23 717 751
Liabilities						
Derivative liabilities	15 464	-	-	-	-	15 464
Deposits from banks	725 151	-	-	285 903	-	1 011 054
Deposits from customers	15 860 704	2 381 708	738 228	482 180	-	19 462 820
Debt securities in issue	-	-	-	990 440	-	990 440
Other liabilities	-	-	-	383 293	-	383 293
Total financial liabilities	16 601 319	2 381 708	738 228	2 141 816	-	21 863 071
Net liquidity gap	(7 844 187)	(62 355)	1 102 911	8 154 164	504 147	1 854 680

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

46. Subsidiaries

	Nature of operation	Stated capital P000's	Effective holding 2023 %	Effective holding 2022 %	Book value of shares 2023 P000's	Book value of shares 2022 P000's
Subsidiary						
Stanbic Insurance Services (Proprietary) Limited	Insurance agency	919	**100**	100	**919**	919
Registered Office	Plot 50672 Fairgrounds Office Park Gaborone					
Business Address	Plot 50672 Fairgrounds Office Park Gaborone					
Stanbic Nominees Botswana (Proprietary) Limited	Custodial services	3	**100**	100	**3**	3
Registered office	Plot 28892, Twin Towers, West Wing First Floor Fairgrounds, Gaborone					
Business Address	Plot 50672 Fairgrounds Office Park Gaborone					
Stanbic Financial Services (Proprietary) Limited	Market Maker	1 000	**100**	100	**1 000**	1 000
Registered office	Plot 28892, Twin Towers West Wing First Floor Fairgrounds, Gaborone					
Business Address	Plot 50672 Fairgrounds Office Park Gaborone					

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

47. Segment reporting

The bank continues to implement its evolving operating models and while aligning with the strategic priorities, during the year the bank renamed the Consumer and High Net Worth (CHNW) segment to Personal and Private Banking (PPB) as well, Business and Commercial Clients (BCC) to Business and Commercial Banking (BCB).

The client segments will be responsible for designing and executing the client value proposition strategy. Client segments will own the client relationship and create multi product customer experiences to address life events distributed through our client engagement platforms.

The principal business units for the Group are as follows:

Business units	Scope of operations
Corporate and Investment Banking (CIB)	The CIB segment serves large companies (multinational, regional and domestic), government, parastatals and institutional clients. Our clients leverage our in-depth sector and regional expertise, our specialist capabilities, and our access to global capital markets for advisory, transactional, trading and funding support.
Business and Commercial Banking (BCB)	The BCB segment provides broad based client solutions for a wide spectrum of small and medium sized businesses as well as large commercial enterprises. Our client coverage support extends across a wide range of industries, sectors and solutions that deliver the necessary advisory, networking and sustainability support required by our clients to enable their growth.
Personal and Private Banking (PPB)	The PPB segment offers tailored and comprehensive banking and beyond financial services solutions. We serve individual clients across Africa ranging from wealth and investment to private and personal banking markets by enabling their daily lives throughout their life journeys.
Corporate functions	These include our specialist technical functions to align to the bank's platform banking capabilities through: ◦ Technology and Operations The previous Transformation unit is now embedded within Technology and Operations, while Client Solutions is now embedded within the segments. These are supported by other technical functions being: ◦ Finance and Value Management ◦ Risk and Corporate Services ◦ Legal and Governance ◦ Compliance ◦ People and Culture ◦ Credit To ensure operational efficiencies, assurance function is carried out by: ◦ Internal Audit

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2023
In Pula (thousands)

47. Segment reporting (continued)

2023 Group	Corporate and Investment Banking P000's	Business and Commercial Banking P000's	Personal and Private Banking P000's	Corporate functions P000's	Total P000's
Net interest income	433 149	364 063	342 578	(28 396)	1 111 394
Non-interest income	267 494	147 754	173 734	(68 794)	520 188
Net fee and commission income	38 986	147 623	165 528	(76 793)	275 344
Net trading income	224 800	-	-	(115)	224 685
Other income	3 708	131	8 206	8 114	20 159
Total income	700 643	511 817	516 312	(97 190)	1 631 582
Credit impairment charges	(3 249)	(44 990)	(61 064)	-	(109 303)
Income after credit impairment charges	697 394	466 827	455 248	(97 190)	1 522 279
Total operating expenses	(348 758)	(298 976)	(306 423)	92 976	(861 181)
Staff costs	(63 931)	(44 663)	(137 196)	(182 121)	(427 911)
Other operating expenses	(284 827)	(254 313)	(169 227)	275 097	(433 270)
Net income before indirect tax	348 636	167 851	148 825	(4 214)	661 098
Indirect tax	(5 185)	(3 146)	(16 693)	(7 604)	(32 628)
Profit / (loss) before direct tax	343 451	164 705	132 132	(11 818)	628 470
Direct tax	(80 196)	(35 155)	(30 431)	1 240	(144 542)
Profit / (loss) after tax	263 255	129 550	101 701	(10 578)	483 928
Operating information					
Total assets	14 290 671	2 681 963	7 831 380	243 586	25 047 600
Total liabilities	13 440 055	2 367 394	7 047 803	(134 270)	22 720 982
Other information					
Depreciation and amortisation	3 192	3 556	56 798	5 719	69 265

2022 Group	Corporate and Investment Banking P000's	Business and Commercial Banking P000's	Personal and Private Banking P000's	Corporate functions P000's	Total P000's
Net interest income	304 398	238 098	323 280	(14 528)	851 248
Non-interest income	183 694	176 179	198 850	(12 402)	546 321
Net fee and commission income	(71 728)	173 603	170 866	(704)	272 037
Net trading income	252 673	-	-	(5 556)	247 117
Other income	2 749	2 576	27 984	(6 142)	27 167
Total income	488 092	414 277	522 130	(26 930)	1 397 569
Credit impairment charges	5 034	75 389	(68 532)	-	11 891
Income after credit impairment charges	493 126	489 666	453 598	(26 930)	1 409 460
Total operating expenses	(234 249)	(292 835)	(325 361)	37 091	(815 354)
Staff costs	(44 832)	(41 722)	(90 022)	(181 782)	(358 358)
Other operating expenses	(189 417)	(251 113)	(235 339)	218 873	(456 996)
Net income before indirect tax	258 877	196 831	128 237	10 161	594 106
Indirect tax	(2 085)	(2 971)	(6 385)	(13 758)	(25 199)
Profit / (loss) before direct tax	256 792	193 860	121 852	(3 597)	568 907
Direct tax	(60 979)	(39 433)	(20 926)	(3 721)	(125 059)
Profit / (loss) after tax	195 813	154 427	100 926	(7 318)	443 848
Operating information					
Total assets	13 347 163	1 689 665	8 692 825	312 284	24 041 936
Total liabilities	12 613 071	1 428 343	7 927 934	(79 102)	21 890 246
Other information					
Depreciation and amortisation	666	2 942	23 565	44 591	71 764

NOTES TO THE FINANCIAL STATEMENTS (continued)

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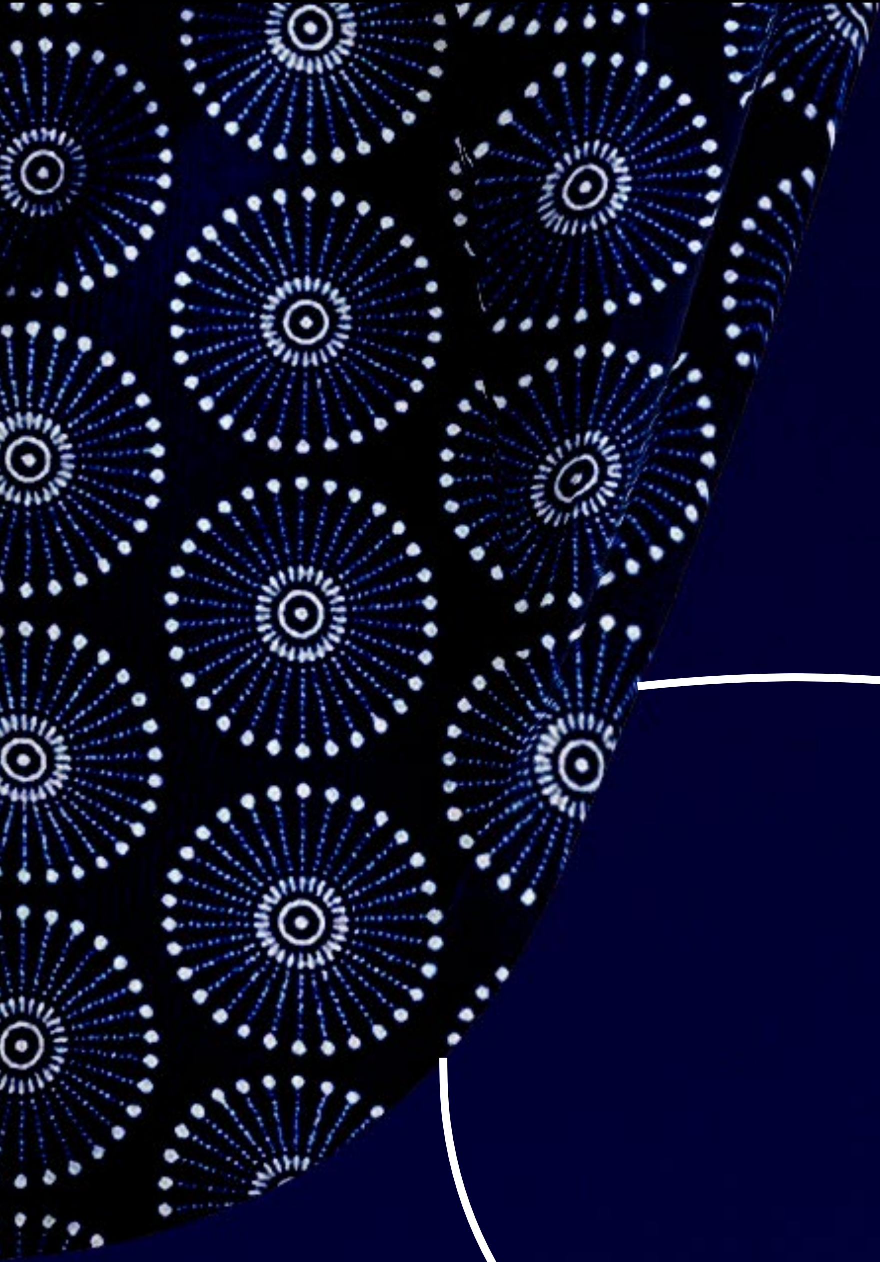
48. Going concern assessment

Growing geopolitical tensions given the Russia-Ukraine war and the recent Israeli-Palestine war present a risk especially to global food production and supply as well as international commodity prices. The tensions may escalate to neighbouring countries or allies which could potentially spreading into a wider scale and spiking inflation up and impacting global supply chains. The Israel-Hamas war is expected continue to reverberate throughout 2024 and fuel simmering resentment towards Israel and its Western allies. The outlook is bleak for Arab-Israeli relations, and Iran's proxies will be more disruptive after a period of relative calm.

The local and global economic outlook is a positive one and the bank's operations have been assessed with much optimism, having identified new areas of opportunities. As a result, management has concluded in its assessment that, with both qualitative and quantitative evaluations related to the current Geo-political risks, the bank's ability to continue as a going concern is not a risk. A replay of the stressed outlook at the back of the compressed or squeezed macroeconomic scenarios such as reduction in GDP, rising inflation and price sensitivities of Botswana minerals still shows that the bank will remain well capitalised and able to perform its key functionalities as well as service its clients adequately.

49. Post reporting date events

No other material events have been observed up to the date of approval of the financial statements.



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