STANBIC BANK BOTSWANA LIMITED

GROUP AND COMPANY ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

www.stanbicbank.co.bw

Stanbic Bank

A member of Standard Bank Group

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Chairman’s message

As we end 2022, we are secure in our conviction that Stanbic Bank Botswana Limited (hereafter referred to as “Stanbic Bank Botswana” or “the Bank” or “SBBL”) continues to respond effectively to internal and external challenges, and the results presented in this report attest to the success that comes with living through purpose. When we say that “Botswana is our home, we drive her growth” we mean exactly that. Our strong performance this year can be seen in both our financial and non-financial metrics. Importantly, the Bank has reinvented itself and embarked on a comprehensive strategy to improve its competitiveness and remain relevant for the long-term, while creating value for clients and communities in a sustainable way.

Operating Context

According to the World Bank’s latest Global Economic Prospects report, global growth will slow from 2.9% in 2022 to 1.7% in 2023. This pessimistic outlook has several downside risks, including the possibility of higher inflation, even tighter monetary policy, financial stress, and rising geopolitical tensions. A global recession is becoming a distinct possibility. Major economies are undergoing a period of pronounced weakness, and the impact will largely be felt by the emerging markets and developing economies (EMDEs).

The outlook for 2023 remains uncertain and volatile, with multiple scenarios possible while the geopolitical landscape, particularly in eastern Europe, remains fluid. The possibility of a prolonged period of global instability is a cause for concern and requires a cautious and agile approach.

The Botswana economy continues to show positive signs of recovery from COVID-19. GDP growth slowed down to 6.7% in Q4’22 from 7.1% in Q2’22, largely driven by reduced global diamond sales, and despite the varied rates of recovery amongst the sectors of the economy that were worst hit by the pandemic, overall, the trend is positive and a welcome development for us in the financial sector.

Performance Highlights

I am pleased to announce that Stanbic Bank Botswana’s profit before taxes grew by an impressive 111% year on year explained further under the Chief Executive report. This strong performance reaffirms the appropriateness of our strategic initiatives which are aimed at diversifying revenues, strengthening the areas where we need to build momentum and gain market share, and most importantly safeguarding shareholder value through the inculcation of a robust risk management culture. We are confident that these efforts will provide us with the resilience required to sustain our business.

Our pursuit of excellence requires significant investment in our people and infrastructure. The Future Ready Transformation (FRT) journey necessitated a review of our business model and associated structures as well as increased investment in technology which are expected to enhance the Bank’s execution, improve customer experience and grow shareholder value. Our cost-to-income ratio closed the year slightly higher than where we had hoped to be, but understandable given the current context.

The banking and financial services industry is one of the most dynamic. Customers’ expectations are constantly evolving, and with emerging segmentations like the millennials and GenZ’s who bring diverse perspectives and are unapologetic on the how they want to engage with service providers, it is no longer enough to rely solely on having the best-in-class products. The Board’s view and their challenge to Stanbic is that the differentiator comes from staying very close to clients and offering the best value for their time (convenience); understanding their needs intimately and not boxing them into a group characterised by predefined criteria (personalisation); having a high caliber of staff who align with the Bank culture, execute their roles diligently and are highly adaptive to change (highly skilled workforce) and lastly to be bold and agile in our market presence (speed to market).

The new strategy commencing in 2023 has these ideals richly embedded into it. With the execution roadmap in place, we will be monitoring closely to ensure that the short, medium, and long-term goals are achieved.

Chairman's message (continued)

Governance and Risk (continued)

Despite the challenging operating environment that the Bank and the wider economy were navigating, the Board was able to fulfil its mandatory obligations. The Board approved the next 3-year strategic plan, finalised and ratified the executive management succession plans, and approved roll-out of the future-ready structure.

The Board is honored to have been joined by the following directors who were appointed during the period under review: Butler Phirie, Mark Haskins, Larona L.B. Somolekae, Lungisa Fuzile and most recently, Batsho Dambe-Groth. These individuals not only boost the Board's diversity and specialist skillsets, but they bring with them a wealth of knowledge and experience. We look forward to working with them to implement our strategic plan and to drive our purpose to serve Botswana.

I am satisfied that the Board is appropriately balanced and has the skills required to ensure the highest standards of corporate governance, and that the interests of all our stakeholders being the shareholders, regulators, our customers, our employees, and the communities within which we operate benefit from our activities and the way in which we conduct our business.

We continue to look for opportunities to improve the Board's age balance and will seek out the skills required to be future-ready as well as refine our approach to environmental, social and governance (ESG) interventions.

Appreciation

In closing I would like to extend my sincere appreciation to my fellow directors for the steadfast guidance and direction they have provided during the year. I take this opportunity to thank our outgoing directors, Mythri Sambasivan-George who resigned in May 2022, Jennifer Marinelli and Orefitlhetse Masire who both resigned in June 2022. We are highly indebted to them for their invaluable contribution during their tenure.

My heartfelt thanks also go to the Chief Executive, his management team and the entire staff of Stanbic Bank Botswana. Without your dedication and hard work, we would not be able to attain the heights we have achieved, nor would be able to look to the future with confidence.

Finally, I would like to thank you, our esteemed clients, for your loyalty and the confidence you continue to show in us.

Craig Granville

Chairman

Chief Executive's report

The past year broadly marked the easing of effects of the COVID-19 pandemic, and was accompanied by optimism, albeit cautious, that the global economy was going to see an upturn. As a bank we anticipated that this would extend to the domestic economy and bring much needed recovery to industries that were hard hit, as well as revive activity within the Small, Medium and Micro Enterprises (SMME) sector which drives our Business and Commercial Clients (BCC) segment. Indeed, there have been some noticeable upticks to indicate that we are on the road to recovery, however there is still some way to go.

The Russia-Ukraine conflict has brought about a new set of challenges that have led to further weakening of the global economy, resulting in significant rises in commodity prices leading to inflationary hikes. The knock-on effects on our domestic economy have put strain on our clients' disposable income due to rising interest rates. In essence, this past year was a transition from one global crisis to the next, and the outlook remains uncertain. The Bank continues to carefully examine the trajectory of the market and to prepare for the potential rise in impairments and non-performing loans in the wake of job losses and business challenges amongst our client base, and we remain ready to adjust our risk management strategy accordingly.

Our Strategy

The 2019 - 2021 three-year strategic plan, **Legacy221**, which was scheduled to end in December 2021 was extended by an additional year to December 2022. This extension was an opportunity to settle into my tenure as Chief Executive and take time to reflect on the future of the Bank. The additional year has allowed us to course-correct and bridge the performance gaps resulting from muted market activity in the last 2 years.

Our one-year extension, dubbed **Legacy221+**, saw some changes to the existing strategic priority areas through the introduction of a 6th pillar named **Operational Excellence**. The pillar aims to 1.) bring visibility around our use of technology and data to better serve our clients 2.) Improve efficiencies while reducing costs, and 3.) provide an overall enabling environment to scale as we embark on our platform business journey.

The groundwork for our next strategic period **(2023-2025)** began in June 2022, where we presented our high-level thinking to our Board, followed by extensive engagements with other key stakeholders, notably our staff. Our firm belief is that achievement of our strategic ambitions requires a **cultural and mindset shift** which calls for both individual ownership and collective accountability as well as effective collaboration and teamwork.

Our strategy is anchored on our compelling **Purpose** and strong set of **Values**. We will never stop asking ourselves this question, "What do we stand for as an organisation?" Our long-term profitability depends on the well-being and sustainability of this country, and our Purpose, ***Botswana is Our Home, We Drive her Growth*** exemplifies our commitment to this goal. We have challenged ourselves to go back and look over our **8 Corporate Values**; not only to know them, not to have them as parallel literature, but to deeply understand them, and to live them.

Focus areas

Our strategic principle is a simple one, defined through an equation, **Transforming Client Experience** + **Executing with Excellence = Driving Sustainable Growth and Value.**

Transform Client Experience

By carefully monitoring customer satisfaction, we continue solutioning for client needs as dictated by the voice of the customer. Through our Personalisation team, whose role is to listen to clients and fully understand their needs, we are able to offer them bespoke solutions that are relevant to them. This client focused approach involves the use of data, and our team of trained Data Scientists continue to apply their specialist skills to build models that accurately capture our client's universe, which for this financial period have enabled monetisation of insights to the value of P40 million.

Chief Executive's report (continued)

Focus areas (continued)

Transform Client Experience (continued)

Our recent operating model changes under the Future Ready Transformation (FRT) agenda included a transition from a traditional call centre to a Voice Branch. The model enables us to assist our customers more holistically and add value beyond just query resolution. The future vision is for the Voice Branch to become as extension of our physical branches as more and more customers migrate to digital platforms.

Implementation of our flagship Customer Relationship Management (CRM) tool Salesforce is intended to further augment efforts around delivering maximum value to our clients. The Salesforce project will be delivered over multiple releases aligned with the Bank strategy, with some functionality already enabled.

Execute with Excellence

In an era where a lot of services are consumed online, our clients have a legitimate expectation that our channels and banking platforms should always be available to them when they need them. In response to this, the Bank underwent an extensive process to revamp and replace aged technology infrastructure to ensure that our systems are stable, in turn reducing our overall cost to serve. This has yielded positive results, with fewer incidents and quicker turnaround time on system restoration. The Bank is committed to ensuring continued reinforcement in this area as we are cognisant that the future of banking and financial services will be fully digital.

From a Risk & Conduct perspective, additional focus has been placed on tightening our controls and putting in place crucial interventions aimed at strengthening the Bank's resilience and safeguarding the trust and confidence of our clients. A proactive risk-culture built around personal accountability and strict adherence to processes and procedures has been embedded as a way of working.

Drive Sustainable Growth and Value

A deep dive into our business, backed by market insights and spurred by the increased use of digital platforms, has seen an improvement in the Bank's financial performance, posting a P594 million profit before taxes, driven by growth in revenue derived largely from improved efficiencies and use of data. Our risk approach has seen us reducing operational losses, improving the quality of our asset book, and further boosted by the clawing back of P98million from a credit loss in 2021. Costs grew by 23% largely driven by the technology investments made in response to our changing operating landscape in readiness for our platform journey. Shareholder Value has continued to increase, with Return on Equity (ROE) closing at 23%, a 10.6% y-o-y growth. We anticipate that the Bank's revenue trajectory will rise significantly in the medium to long term as the new strategy gains momentum, driven primarily by Non-Interest Revenue (NIR) coming from '*beyond banking'* services.

Our People

Our people remain the mainstay of the organisation. Every effort is made to enhance and maintain employee satisfaction because as the adage goes, engaged employees make for happy customers. Having just come out of the difficult period of the COVID-19 pandemic, the Bank has continued to extend psychosocial support to staff. A vaccination program was also availed for those who opted to participate.

To demonstrate that the Bank recognises the holistic lifecycle of an employee, the People & Culture team successfully executed the bi-annual ***Don't Retire, Rewire*** program for the 40+ cohort which saw retirees recognised for their illustrious service to the Bank and empowered with tools to continue leading a dignified life beyond their formal employment.

Chief Executive’s report (continued)

Focus areas (continued)

Our People (continued)

At Stanbic Bank Botswana we consider ourselves a learning Organisation. One of our 8 Bank values speaks to growing our people, and we pride ourselves in having a robust future skills development program and will strive to retain and nurture those who align themselves with the Stanbic culture and philosophy. Employee turnover has remained stable below the 5% threshold, which is testament to our strong employee value proposition and staff’s continued loyalty to the Stanbic Bank Botswana brand.

SEE / ESG

Our impact on the community and the planet is core to our strategy. The world in general is moving towards heightened social consciousness, where people are not only interested in what you have to offer, but also how you conduct your business. As a financial services provider we understand that our reputation goes beyond the strength of our balance sheet or our position in the market, but includes an additional parameter, and that is how serious we are in taking our responsibility to address broader economic and societal challenges. This commitment is articulated clearly in our Vision statement that underscores that we will create value not only for our clients, but also for the ***communities*** we serve, and most importantly to do so in a ***sustainable*** way. Put simply, we will balance commercial gains with long-term sustainability. Our Social, Economic and Environmental (SEE) strategy has been modelled on the UN Sustainability Development Goals (SDG’s) and our narrowed focus is on the impact areas of Job Creation and Enterprise Development; Education; Health; Financial Inclusion and Climate Change. In the year under review, responding to the Government’s national priorities to provide access to affordable financial products and services to the unbanked and underbanked members of society, the Bank continued to scale UNAYO and to date have added local authorities to our list of clients to facilitate payment of Ipelegeng and other welfare programs. In commemoration of the Bank’s 30th anniversary, an Employee Community Initiative (ECI) program was rolled out with staff leading various initiatives across 12 schools and 4 Health centers country wide, to a total value of P500 000. Further details of our achievements in each of the above can be found on the SEE section of this report.

Ambition 2025 - A Platform Services Business

The Bank is currently on a transition journey to becoming a platform services organisation, a marketplace that will provide a wide range of complementary services beyond traditional banking products. We recognise that in the current climate of rapid innovation and technological evolution, services are converging quickly, and our clients have an amplified appetite for “beyond” banking services. This ‘bank of the future’ will be achieved through partnerships with relevant service providers and collaborating with strategic stakeholders, enabled through Application Programming Interface (API) technologies. We envisage a one-stop shop where the Bank’s customers will be able to request services ranging from information on the best schools to making travel bookings, making us truly a partner for the future.

Acknowledgements

Standard Bank Group celebrated 160 years having been established in 1862. Research into this elite ‘Century Club’ is that their longevity is founded on having deeply shared values with their customers, stakeholders, employees and communities. With our own 30 years existence in Botswana, our intention is to emulate these ideals and tap into the strength of our parent company to ensure our own existence as a leading financial institution for many more decades to come.

I unequivocally express my gratitude to the Board who saw it fit to entrust me with the honor and responsibility to lead this organisation. I would also like to thank our clients, without whom we would not have a business, and whose continued loyalty make us the organisation we are today.

Lastly, the blue ‘**changemakers**’, I cannot thank my colleagues enough for the dedication and commitment they continue to display every single day to service our clients. The support they extended during this transition has been phenomenal and I look forward to us achieving great success together in our next period. *Letsema le bolotse*

Chose Modise

Chief Executive

Chief Finance & Value Management Officer's report

Economic Climate

Global economy
The year 2022 marked the restoration of optimism in the post COVID-19 era as most economies relaxed their pandemic restrictions due to emergence of less dangerous COVID-19 variants. However, the Russia-Ukraine conflict quickly disrupted the recovery journey, impacting international trade, leading to a quick rise in inflation in most markets as fuel and commodity prices frequently increased. In addition, prolonged COVID-19 restrictions in China further exacerbated the tension in the movement of goods across the globe. As a result, global economic GDP expected to slow down in 2022 at 3.6% from a recovery growth of 6.1% last year. As inflation grew across the markets it was met by mitigation from central banks through increase in interest rates to slow down demand and bring down prices. Though still showing growth, global economy is expected to moderate at 3.6% in 2023, at the back of anticipated recessionary impacts as most economies struggle to rebound.

Local economy
Like most economies, Botswana was hugely impacted by the Russia-Ukraine conflict as well as the prolonged China COVID-19 restrictions, which resulted in an increase in inflation to 12.4% in December 2022, driven by a rise in fuel and commodity prices. GDP growth has been revised up to 6.7% in Q4 2022 from a projected 4.2%, supported by the continued pickup in economic activity and diamond trading, a successful COVID-19 vaccine rollout, and full implementation of the Government's Economic Recovery and Transformation Plan (ERTP). Rough diamonds demand gained traction with relaxation of COVID-19 travel restrictions which had impeded the sight holder calendar.

A rebound in economic activity is being realised with January 2023 posting a GDP growth of 9.3% owing to a slowdown in contribution in transport, although reservations continue at the back of anticipated recessions as well as the grey listing of South Africa by the Financial Action Task Force (FATF) in February 2023. Due to inflation remaining above the Bank of Botswana (BOB) objective range of 3-6% throughout 2022, the Central Bank Monetary Policy Committee increased the policy rate by a cumulative 151 basis points in 2022. With inflation expected to fall within BOB objective range in Q3 of 2024, tighter monetary policy is expected to continue in order to curb the impact.

Financial Performance of the Bank
The Bank's financial performance continues to demonstrate resilience and its activities and client focus are testament to the Bank's continued improvements in efficient activities. The Bank's focus on supporting its clients and their businesses especially following a difficult business environment post COVID-19 restrictions, show a positive recovery story. Our client engagements, employee focus, risk management practices as well as focus on our control environment have improved efficiencies in the business and have strengthened the Bank's financial performance. The Bank's focus on developing our employees as well as the support extended to customers have ensured a satisfactory Bank/Client relationship, echoing our "**Happy employee = Happy client**" commitment.

To support the people behind the relationships, the Bank further continues to address gaps and needs in the technology infrastructure, enhance its processes, as well as train our people. The increase in the client's need for convenient banking has seen the Bank carry out the much-needed enhancements to its self-service platforms as well as an investment in enhancing the technology and people in its Voice Branch to allow our clients to be able to transact anytime, anywhere for their personal and business needs. The growing changes in the business landscape accelerated by COVID-19 have prompted the Bank to structure its activities and technologies to ensure its clients' growth strategies are supported effectively.

To respond to its clients' needs, the Bank has also had to reposition itself and how it structures itself to be able to serve the stakeholders with the changes accelerated by the COVID-19 pandemic. This has meant the Bank has had to look at how it deploys its balance sheet and other resources to ensure sustainable delivery and profitability, with new and enhanced technologies taking a priority.

The Bank's financial performance is evidence of these changes and continued agility by the Bank to respond timely to economic and market needs.

Chief Finance & Value Management Officer's report *(continued)*

Balance sheet

The result of all these investments and efforts are seen in the Bank's financial performance for 2022, which saw the balance sheet grow by 13.3% largely driven by the growth in loans and advances, specifically placement with other banks. Advances to customers were muted, growing by only 1.6%, a deliberate move by the Bank to optimise the loan book as well as to deploy funds in platform enhancements in response to customer needs for more capabilities to grow their businesses.

Profitability

The Bank's profit before taxes also grew by 111%, from P281 million to P594 million, at the back of technological advances as well as use of data insights. Also adding to the growth is an insurance claim recovery of P98 million at the back of an impairment provision raised in 2021 of P94 million.

Revenue

The rebound in economic activity has seen an impressive recovery in the Bank's revenue activities, seeing net interest income (NII) growing by 20.7% driven by the Bank's focus on balance sheet optimisation. The Central Bank's monetary policy response to inflation by increasing interest rates has also had an impact on the growth in NII. The balance sheet optimisation efforts have seen an impressive growth in NII despite a 1.6% growth in customer loans. This is a strong demonstration on the Bank's focus which continues to yield positively despite the market liquidity challenges in 2022. Customers changing needs have also meant that the balance sheet demands have been muted as the focus was largely on platform banking requirements. This saw a demand largely in the Corporate and Investment Banking (CIB) book posting a growth of over 20% compared to a flat growth in the Consumer and High Net Worth (CHNW) book.

The changing business needs are evident in the growth of non-interest revenue (NIR) wherein platform banking has been a focus area. This, coupled with the Bank's growing use of data have seen an improvement in NIR of 22.4%. The rebound in economic activity has also contributed to the growth in trading revenue by 34.4% as the Bank continues to support its clients trade, both regional and international. This is achieved through the Global Markets business as well as the Africa China trade partnership led by the Business and Commercial Clients (BCC) segment. Improvement in client engagements, which have been led by data insights allowing the Bank to engage through predictive analytics have seen an uplift in revenue by P40 million in 2022 alone.

Credit impairment charges

The Bank invested a lot of resources in training its people on risk management policies and practices to improve the risk management strategies, as well as supported by enhancing its technologies in the risk management functions. Coupled with predictive data analytics, which improve the ability to identify potential distress in clients' behaviour, the Bank saw an improvement in its customers' credit profiles, as well as being able to manage impairments ahead of events. The Bank also enhanced the quality of processes and staffing in its Rehabilitation and Recoveries (R&R) unit. These efforts saw well managed impairments in 2022. The Bank has also through its R&R unit, been able to claw back P98 million through its insurance indemnity cover for an impairment raised in 2021. As a result, the Bank posted a net credit recovery of P12 million compared to an expense of P209 million in the prior year. The prior year impairment charge included a once off incident of P94 million. The impairments across the segments have also shown resilience in the balance sheet management practices, especially in the CHNW portfolio which improved by 23.4%, BCC remaining flat and a slight increase in CIB from P4 million in 2021 to P5 million in 2022.

Operating expenses

Through listening to our clients, we undertook a lot of restructuring of our technologies, processes and platforms in 2022. A noticeable change in our client behaviours identified through the use of data, client engagements and feedback sessions, compelled us to take an agile stance, and move with the data and evolving market trends. This saw us upgrading our technologies, training our people and consolidating processes and functions as well as investing in automating processes. This, supported by our previous investments in realigning our direction to our future ready structures. The realignment resulted in a growth in our expenses by 22.9% in 2022 and a cost to income ratio of 58.3% ahead of prior year's 57.5%. This position is expected to improve in the medium as investments in the platform banking slowdown. The benefits of these investments have been seen largely in the growth in trading income and the improvement in credit

Chief Finance & Value Management Officer's report *(continued)*

Financial Performance of the Bank(continued)

Operating expenses (continued)

impairments, where focus was directed in 2022, as well as the balance sheet optimisation resulting in the improved yields in our loan book. More benefits are anticipated in 2023 and beyond.

The impact of inflation in 2022 has also been a significant contributor to the increase in our operating costs, especially in the procurement of services as most vendors aligned their pricing to the inflationary impact during COVID-19, as well as the 2022 hyperinflation. Localisation of services, as well as smart procurement are focus areas to manage these costs going forward.

Capital and liquidity management

The Bank continues to periodically review its balance sheet and capital management practices to ensure optimal capital consumption. The balance sheet has proven resilient during the year as well as through the COVID-19 pandemic, and into 2022, with the Bank continuing to be adequately capitalised. The Bank closed the year with a strong capital base, recording a Capital Adequacy Ratio (CAR) of 19.24% compared to 17.34% in 2021, well above the minimum statutory requirement of 12.5%. The 2022 financial performance also improved the capital position, driven by the growth in profit. In June 2022 the Bank had a redemption of P200 million in tier II capital and replaced it with a P215 million issuance in July 2022 to maintain a good capital base.

The Bank's balance sheet management focus is preceded largely by liquidity management to ensure the Bank is able to meet its operational demands, as well as to meet prudential requirements, especially now in a constrained market. We continue to maintain a healthy internal risk appetite which has enabled the Bank to maintain resilience in a volatile environment. The Bank also continues to approach product development in a very innovative manner to ensure we are able to grow our liquidity base as well as optimise our consumption in an effective and optimal manner. The Bank has met all prudential requirements and employs strict monitoring practices, as well as the use of data to be able to predict liquidity flows, coupling this with close client relationship management to be able to manage customer behaviours. Economic activities are also closely monitored to be able to anticipate shocks and prepare adequately for such.

Outlook

The operating landscape as well as global economic activity are expected to continue to be stressed in the short to medium term, at the back of the anticipated global recession as well as the recent grey listing of South Africa by the FATF. Engagements with counterparts and regulators are closely managed with regards to the grey listing and an impact analysis has been done for the Bank, with immediate risks closely monitored and mitigating actions adequately documented.

Botswana GDP growth for 2023 is expected at 4.2%, a slowdown from the revised 2022 growth of 6.7%. The slow-down in 2023 is at the back of the expected reduction in diamond trade owing to reduced demand resulting in a 1% and 7% contraction in production and trade respectively. The contraction is expected as a result of a decline in consumer spending and reduced demand for diamond jewelry owing to pressure on real income. However, demand for other minerals is expected to offset the impact of the demand for diamonds, evidenced by plans to ramp-up production by copper and coal mines at the back of increased demand.

On the Bank's front, there is much optimism in opportunities for the Bank at the back of the Government's plans as presented by the Minister of Finance at the budget speech for the financial year 2023/24. The Bank is engaging clients and other stakeholders to position itself to be able to participate in economic activities, especially to respond to its commitment of financial inclusion in Botswana, as we partner with state and private sector alike to grow this economy, in alignment with our purpose "Botswana is our home, we drive her growth".

Realeboga Phoi

Chief Finance & Value Management Officer

Corporate governance report

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 compliment of 604 (2021: 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 2022 is 31 936 205 (2021: 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 P444 million (2021: P206 million) and P435 million (2021: P198 million) for the Group and Company respectively.

Dividends

No dividend was paid to the shareholder, Stanbic Africa Holdings Limited during the year ended 31 December 2022 (2021: P110 million).

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.

Corporate governance report *(continued)*

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 P7.3 million (2021: P6.9 million).

Stanbic Nominees Botswana (Pty) Ltd
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 NBFIRA in July 2021. The entity commenced operating in the current financial year and reported a profit after tax of 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 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 monitors 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 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

There is a formal and transparent Board-approved director nomination and appointment policy. When considering candidates for nomination, the Board considers skills matrix, need for diversity, the Bank's strategy, and feedback from Board evaluations.

Corporate governance report *(continued)*

The Stanbic Bank Botswana Board (continued)

1. Appointments and resignations (continued)

The following changes in directorate have taken place during the 2022 financial year:

Appointments			
Butler Phirie	Independent Non-Executive Director	11 March	2022
Mark Haskins	Independent Non-Executive Director	11 March	2022
Larona L.B. Somolekae	Independent Non-Executive Director	11 March	2022
Lungisa Fuzile	Non-Executive Director	27 June	2022
Batsho Dambe-Groth	Independent Non-Executive Director	02 December	2022

Resignations			
Mythri Sambasivan-George	Independent Non-Executive Director	23 May	2022
Jennifer M Marinelli	Independent Non-Executive Director	06 June	2022
Orefitlhetse C Masire	Independent Non-Executive Director	06 June	2022

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.

3. Directors' profiles

Legend: Board Committees:

BRMC	Board Risk Management Committee
BCC	Board Credit Committee
BITC	Board Information Technology Committee
BHC	Board Human Capital Committee
BAC	Board Audit Committee
	Committee Chairperson
*	Invitee

Corporate governance report *(continued)*

3. Directors' profiles *(continued)*

BRMC BCC BITC

Craig Anthony Granville
BCompt (UNISA), FCA (Botswana), FCA (Zimbabwe)
Non-Executive Director (Independent) – Board Chairman

First appointed to the Board in 2007, appointed Board Chairman in 2015 and reappointed as Chairman in 2020.

Craig Granville is a non-executive Director and Chairman of the Board of Directors. Mr Granville holds a Bcompt Degree from the University of South Africa. He is a qualified Chartered Accountant and Fellow of the Botswana Institute of Chartered Accountants. He was previously a Partner at PricewaterhouseCoopers and is currently the Managing Director of AccPro Accountants Proprietary Limited.

Chose Modise
Chartered Accountant; Member of Botswana Institute of Chartered Accountants (BICA); Fellow member of the Association of Chartered Certified Accountants (ACCA)
Executive Director - Chief Executive

Appointed 2022
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.

Corporate governance report *(continued)*

3. Directors' profiles *(continued)*

BRMC BAC*

Antonio Caroto Coutinho
B.Com (Accounting), University of Pretoria, South Africa, Management, Henley Management College, United Kingdom
Non-Executive Director - Regional Chief Executive, South and Central

Appointed 2021
Antonio Coutinho was appointed to the Stanbic Bank Botswana Board on 15 July 2021, following his appointment as the Regional Chief Executive by Standard Bank Group looking after Stanbic Bank Botswana. Mr Coutinho has held various positions in the banking industry including Chief Executive Officer of Standard Bank Angola and Standard Bank Mozambique. He also provided strategy, direction and execution as Executive Director for start-up of Standard Bank Angola and was later appointed as the Chief Executive Officer in 2015. He is currently a Board member of Standard Bank Eswatini, Stanbic Bank Zambia, Standard Lesotho Bank, Standard Bank de Angola and Stanbic Bank Mozambique.

BHCC BAC

Rudie De Wet
B. Arch, University of Pretoria
Non-Executive Director (Independent) – Chairperson, Board Human Capital Committee

Appointed 2015

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.

Corporate governance report *(continued)*

3. Directors' profiles *(continued)*

BCC BHCC

Mohamed Ismail
Non-Executive Director (Independent) – Chairperson, Board Credit Committee

Appointed 2015
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.

BRMC BCC

Dr Tebogo TK Matome
Doctor of Philosophy, Master of Social Sciences, Bachelor of Commerce
Non-Executive Director (Independent) – Chairperson, Board Risk Management Committee

Appointed 2017
Dr 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 Matome held various Board appointments including being Chairman of Bokamoso Private Hospital, Maruapula School Governing Council, Vice Chairman of the Non-Bank Financial Institutions Regulatory Authority, and ordinary member at BTA (now BOCCRA), CEDA and BCL among others. Dr Matome has also published several articles in international and overseas refereed journals. Dr Matome has returned to the University of Botswana as a lecturer in Finance, under the Accounting and Finance Department.

Corporate governance report *(continued)*

3. Directors' profiles *(continued)*

BITC BRMC

Mthabisi Bokete
B Eng. (Hons) Mechatronics
Non-Executive Director (Independent) – Chairperson, Board Information and Technology Committee

Appointed 2020
Mthabisi Bokete, is one of the leading dynamic and visionary leaders in the tech industry. He brings a wealth of technical expertise to his role as a Non-Executive Director (Independent) on the board of the Bank. He was appointed to this position in 2020 and holds the distinction of being the youngest serving Board Member in the Bank and Groups' history.

As the founder and CEO of the multi-award-winning software company, Digital Natives, Mthabisi has established a reputation for innovative solutions in software design and development. His financial identification (KYC) application, Digital Diamond, won the Regional SADC Innovation Investment competition, and he was named a candidate for Forbes 30U30 in 2023. Mthabisi's achievements in the tech industry include winning the 2019 Total Startupper competition and being named Huawei's Most Innovative App in 2017. He was also nominated for the Africa Forbes 30 Under 30 in 2020. His passion for technology and commitment to innovation will continue to drive the Bank's success in this digital age.

BAC BITC

Butler Phirie
Bachelor of Commerce Degree (Bcomm); Fellow Chartered Certified Accountants (FCCA) and Fellow Chartered Accountant (Botswana Institute of Chartered Accountants) (FCA Bots)
Non-Executive Director (Independent) – Chairperson, Board Audit Committee

Corporate governance report *(continued)*

3. Directors' profiles *(continued)*

Appointed 2022
Butler Phirie has amassed over 33 years' experience in advisory, external audit, accounting, taxation, internal audit and financial management. He retired from PriceWaterhouseCoopers (PwC), one of the leading top professional services firms in the country, in 2021 after serving for over 20 years as Partner. Mr Phirie held the role of Country Senior Partner at PwC when he retired. Prior to that he had worked at Botswana Development Corporation (BDC) from 1992 to 2001 and Coopers & Lybrand from 1984 to 1991. His experience spans across different sections of the Botswana economy in both private and public sector industries, assisting with regulatory compliance obligations, strategic positioning, providing operational direction and project management obtained through various roles he held at PwC, BDC and Coopers & Lybrand.

Mr Phirie has also distinguished himself by holding senior leadership positions in the accounting and commerce profession - he is a former President of the Botswana Institute of Accountants and former President of East, Central and Southern African Federation of Accountants (ECSAFA) - as well in business in the form of Business Botswana.

BITC BHCC

Mark Haskins
Certificate in Management Principles; Certificate in MBA Essentials
Non-Executive Director (Independent)

Appointed 2022
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.

Corporate governance report *(continued)*

3. Directors' profiles *(continued)*

BCC BAC

Larona L. B. Somolekae
Master of Science in Law and Finance (MSc) (Oxford); Master of Laws (LLM) (Harvard); Bachelor of Laws with distinction (LLB) (Wits)
Non-Executive Director (Independent)

Appointed 2022
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.

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.

BRMC

Lungisa Fuzile
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)
Non-Executive Director

Corporate governance report *(continued)*

3. Directors' profiles *(continued)*

Appointed 2022
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.

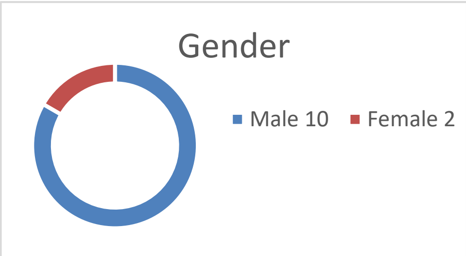
Batsho Dambe-Groth
BSC (Hons) Occupational Psychology (University of Wales Institute of Science and Technology); Fellow of the USA Fulbright Humphrey Programme (Fulbright USA); Certified Global Remuneration Professional (World at Work)
Non-Executive Director (Independent)

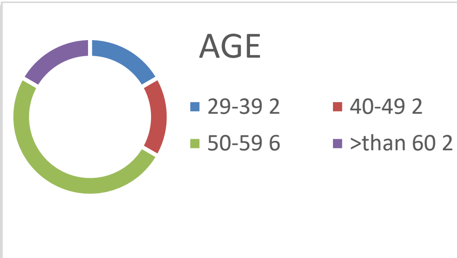
Appointed 2022
Mrs Groth is a renowned and well established professional with over thirty years' experience in the human resources field spanning various sectors having worked in the mining, parastatal, insurance and financial services sectors. She has also served as a director in large corporations in the insurance and petroleum sectors. She served on the BIHL board of directors for 13 years, 11 of which were as the Chairperson of the board and retired on 31st December 2021. She was also a director at Legal Guard from 2008 to 2019 and Botswana Oil from 2015 to 2021. At both BIHL and Botswana Oil she served as the Chairperson of the Human Resources Committee. She is currently the Managing Director of Dambe-Groth Proprietary (Pty) Ltd t/a Resource Logic, a company that specialises in Human Resources and business solutions consultancy and is an entrepreneur as a Director of Botswana Craft Marketing.

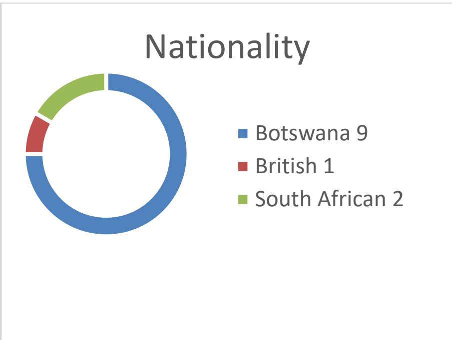
Corporate governance report *(continued)*

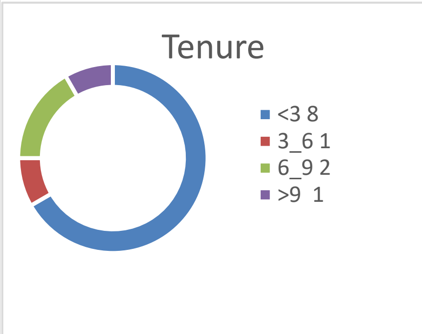
4. Board composition

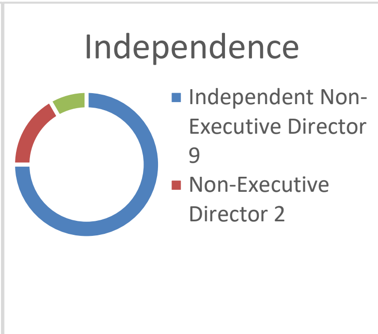
The Board is currently composed of twelve (12) directors; nine (9) independent non-executive directors, two (2) non-executive directors and one (1) executive director.











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 nine (9) 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 2022 included: client centricity and agility, people issues and future skills and issues relating to technology, operational effectiveness, cyber security and the cloud.

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.

Corporate governance report *(continued)*

6. Board meetings (*continued)*

In 2022, attendance by Directors at the meetings of the Board was as follows:

Board Member	Special Meeting 31/01/2022	Quarter 1 17/03/2022	Quarter 2 03/06/2022	Special Meeting-AGM 06/06/2022	Special meeting 07/07/2022	Quarter 3 01/09/2022	Strategy Session 06/10/2022	Board Training 20/10/2022	Quarter 4 30/11/2022
C Granville (Chair)	√	√	√	√	√	√	√	√	√
J Marinelli *	√	√	√	√	n/a	n/a	n/a	n/a	n/a
O Masire **	√	√	√	√	n/a	n/a	n/a	n/a	n/a
M Ismail	√	√	√	–	√	√	√	√	√
P R De Wet	√	√	–	–	√	√	√	√	√
T T K Matome	√	√	√	–	√	√	√	√	√
M Sambasivan-George ***	√	√	n/a	n/a	n/a	n/a	n/a	n/a	n/a
M Bokete	√	√	√	–	√	√	–	√	√
A Coutinho	√	√	√	√	√	√	√	–	√
L Fuzile ****	n/a	n/a	n/a	n/a	√	–	√	√	√
M Haskins *****	n/a	√	√	–	√	√	√	√	√
B Phirie *****	n/a	√	√	–	√	√	√	√	√
L Somolekae *****	n/a	√	√	√	√	√	√	√	√
B Groth ******	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

* J Marinelli resigned from the committee on 06 June 2022.

** O Masire resigned from the committee on 06 June 2022.

*** M Sambasiva-George resigned from the committee on 23 May 2022.

**** L Fuzile was appointed to the committee on 27 June 2022.

***** M Haskins, B Phirie and L Somolekae were appointed to the committee on 11 March 2022.

****** B Groth was appointed to the committee on 02 Dec 2022.

\- absent

n/a – not a member of the committee

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 function. 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.

Corporate governance report *(continued)*

7 Board Committees *(continued*)

7.1 Board Risk Management Committee (BRMC) *(continued)*

Board Member	Quarter 1 16/03/2022	Quarter 2 02/06/2022	Quarter 3 31/08/2022	Quarter 4 28/11/2022
J Marinelli (Chair) *	√	√	n/a	n/a
P R De Wet *	√	–	n/a	n/a
C Granville *	√	√	√*	n/a
A Coutinho	√	√	–	√
B Phirie **	√	n/a	n/a	n/a
T Matome (Chair) ***	n/a	√*	√	√
M Bokete ****	n/a	√*	√	√
L Fuzile *****	n/a	n/a	–	√

* J Marinelli, R De wet and C Granville resigned from the committee on 06 June 2022.
** B Phirie resigned from the committee on 25 May 2022.
*** T Matome was appointed chairperson of the committee on 06 June 2022.
**** M Bokete was appointed to the committee on 06 June 2022.
***** L Fuzile was appointed to the committee on 27 June 2022.
√* Invitee to the committee
- absent
n/a – not a member of the committee

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 impact of COVID-19 and management of impairments, taking into account market changes necessitated by amongst others COVID-19.

Board Member	Special BCC 15/02/2022	Quarter 1 15/03/2022	Quarter 2 31/05/2022	Quarter 3 31/08/2022	Quarter 4 28/11/2022	Special BCC 16/06/2022	Special BCC 10/11/2022
M Ismail (Chair)	√	√	√	√	√	√	√
P R De Wet *	√	√	–	n/a	n/a	n/a	n/a
J Marinelli **	√	√	n/a	n/a	n/a	n/a	n/a
M Sambasivan-George **	√	√	n/a	n/a	n/a	n/a	n/a
C Granville	√	√	√	√	√	√	–
L Somolekae ***	n/a	√	√	√	√	√	√
B Phirie ****	√	√	√	n/a	n/a	n/a	n/a
T Matome *****	n/a	n/a	n/a	√	√	–	√

Corporate governance report *(continued)*

7 Board Committees *(continued)*

7.2 Board Credit Committee (BCC) *(continued)*

* R De wet resigned from the committee on 06 June 2022.

* J Marinelli and M Sambasiva-George resigned from the committee on 23 May 2022.

*** L Somolekae was appointed to the committee on 11 March 2022.

**** B Phirie resigned from the committee on 06 June 2022.

*** T Matome was appointed to the committee on 06 June 2022.

- absent

n/a – not a member of the committee

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 Member	Quarter 1 16/03/2022	Quarter 2 01/06/2022	Quarter 3 31/08/2022	Quarter 4 29/11/2022
M Sambasivan-George(Chair)	√	n/a	n/a	n/a
O Masire	√	√	n/a	n/a
T T K Matome	√	√	n/a	n/a
L Somolekae	√	√	√	√
C Coutinho*	√	√	√	√
B Phirie(Chair)	n/a	√	√	√
R De Wet	n/a	n/a	√	√

*M Sambasivan-George resigned as Chairperson of the Committee on 23 May 2022.

** O Masire and T Matome resigned from the committee on 06 June 2022.

*** L Somolekae was appointed to the committee on 11 March 2022.

**** B Phirie was appointed to the committee on 23 May 2022.

***** R De Wet was appointed to the committee 06 June 2022.

√* Invitee to the committee

n/a – not a member of the committee

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 2021, 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.

Corporate governance report *(continued)*

7 Board Committees *(continued)*

7.4 Board Information and Technology Committee (BITC) (continued)

Board Member	Quarter 1 14/03/2022	Quarter 2 30/05/2022	Quarter 3 29/08/2022	Quarter 4 25/11/2022
T T K Matome (Chair) *	√	√	n/a	n/a
J Marinelli *	√	√	n/a	n/a
M Bokete(Chair) **	√	√	√	√
C Granville ***	n/a	√*	√	√
M Haskins ****	√	√	√	√
B Phirie ***	n/a	n/a	√	√

*T Matome and J Marinelli resigned from the committee on 06 June 2022.

** M Bokete was appointed chairperson of the committee on 06 June 2022

*** C Granville and B Phirie were appointed to the committee on 06 June 2022.

**** M Haskins was appointed to the committee on 11 March 2022.

√*:-Invitee to the committee

n/a – not a member of the committee

7.5 Board Human Capital Committee (BHCC)

The Board has delegated the BHCC 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 Member	Quarter 1 15/03/2022	Quarter 2 31/05/2022	Quarter 3 30/08/2022	Quarter 4 29/11/2022
O Masire (Chair)	√	√	n/a	n/a
M Ismail	√	√	√	√
T T K Matome	√	√	n/a	n/a
M Bokete	√	√	n/a	n/a
M Haskins	√	√	√	√
C Granville	n/a	√*	√	√
R De Wet(Chair)	n/a	n/a	√	√

* O Masire resigned from the committee and R De Wet appointed as the new Chairperson on 06 June 2022.

** T Matome and M Bokete resigned from the committee on 06 June 2022.

*** C Granville was appointed to the committee on 06 June 2022.

√*:-Invitee to the committee

n/a – not a member of the committee

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 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 2022:

Corporate governance report *(continued)*

9. Directors Remuneration (*continued)*

Board Fees	Designation	2022 BOARD FEES
Main Board Retainers	Board Chairman	187 030
	Board Members	93 515
Main Board Sitting fee	Board Chairman	46 756
	Board Members	31 172
Committee Retainers	Committee Chairman	62 343
	Committee Members	47 381
Committee Sitting fees	Committee Chairman	23 379
	Committee Members	15 586

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 on 06 October 2022. 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 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.

Corporate governance report *(continued)*

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. Craig Granville has served for a period longer than nine years. And is serving his term up to the AGM whereat he will retire .

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:

- Disaster Recovery Governance & Operating Procedures
- Information Technology Control Environment
- Cyber Risk
- Data Privacy
- Anti-Money Laundering (AML)
- ICAAP
- Risk Management (Risk Control Metrics to Measure risks)
- Related Party Lending
- The Credit Delegated Authority Framework
- Environment, Social and Governance (ESG)
- Product Training: Shyft

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 chairman in one-on-one discussion with individual directors. The performance of the Chairman 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.

Corporate governance report *(continued)*

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

Introduction

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 is detailed below.

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, 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 at through 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 BAC. The Head of Internal Audit reports and provides independent assurance to the BAC and has unrestricted access to the Chief Executive and the BAC Chairperson.

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 management and control (*continued)*

Risk appetite and risk tolerance *(continued)*
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 BRMC, BAC, BCC, BITC and BHCC, 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 BAC. Internal Audit’s primary objective is to provide 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. It 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. 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 fall due contractually.

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.

Risk management and control (*continued*)

Risk management in banking activities *(continued)*

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.

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.

Consumer and High-Net Worth (CHNW) and Business and Commercial Clients (BCC)

The nature of the product and strength of historical data is a fundamental dependence under credit risk management for the CHNW and BCC 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, withdraw or do not roll over that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

The Group manages liquidity in accordance with applicable regulations and within the Group's risk appetite framework. The Group'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 by the Group's legal entities, under both normal and stressed conditions. Liquidity risk management ensures that the Group has the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times. The Group manages liquidity risk as three interrelated pillars, which are aligned to the Basel III liquidity requirements.

Risk management and control *(continued)*
Risk management in banking activities *(continued)*
Approach to managing liquidity risk *(continued)*

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 minimum regulatory requirements throughout 2022. 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 Group liquidity standards ensured that, despite volatile and constrained liquidity at the onset and during the COVID-19 pandemic, 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 was carefully monitored. At the same time, consideration has been provided to the adequacy of contingent funding, ensuring sufficiency to accommodate unexpected liquidity demands. The Group 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 cost of funding is kept 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

Risk management and control (*continued*)
Risk management in banking activities *(continued)*

Market risk (continued)

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.

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.

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.

Risk management and control (*continued*)

Risk management in banking activities *(continued)*

Interest Rate Risk in the Banking Book (IRRBB)

IRRBB 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 (Group Treasury) under approved policies.

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.

Risk management and control (*continued*)
Risk management in banking activities *(continued)*

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.

Human Capital Risk
The Human Capital 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 BHCC to which it reports on a quarterly basis.

Risk management and control (*continued*)
Risk management in banking activities *(continued)*

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 Chairman 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*)

Risk management in banking activities *(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'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.

Risk management and control (*continued*)
Risk management in banking activities *(continued)*

Reputational risk (continued)
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 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.

Risk management and control (*continued*)

Risk management in banking activities *(continued)*

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 (2021: 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.

Corporate social investment report

Stanbic Bank Botswana is committed to driving sustainable and inclusive economic growth to ensure that our business activities create net positive **social**, **economic**, **and environmental (SEE)** impacts. By adopting SEE as a value driver that underpins our commercial strategy, we have made it clear that we take a long-term view, and that every decision we make needs to be based on an assessment of the positive and negative impacts not just for the Bank, but for the societies in which we operate. We make conscious and deliberate trade-offs to ensure we generate a net positive impact.

This is articulated in the Corporate Social Investment (CSI) policy of the Bank and presented within this Social Economic & Environmental impact report for the year under review. As articulated in our purpose, **"Botswana is our home; we drive her growth,"** and growth means more than just a business' bottom line. Inclusive growth for the Bank forms an integral part of Stanbic Bank Botswana business philosophy and practice. We are committed to forging a sustainable growth path that benefits both current and future generations. We have embedded the consideration of social, economic and environmental impacts into our business strategy and decision-making processes. As per policy 1% of Profit After Tax is dedicated towards SEE impact initiatives.

Impact Areas

The strategic impact focus areas of the Bank as anchored on **Social**, **Economic** and **Environmental (SEE)** pillars include though not limited to Job creation, Enterprise Development, Entrepreneurship, Education. Health, financial Inclusion and Green Technology.

Strategic value driver that also double as the 3 strategic social investment levers. The impact areas that were focused on by the Bank's CSI programme were on **Job Creation and Enterprise Development, Education, Health, Financial Inclusion and Climate Change and Green Technology.**

SOCIAL IMPACT

Financial inclusion supports economic and human development and reduces inequality. Stanbic Bank Botswana endeavors to enable individuals, entrepreneurs and small enterprises to access relevant and affordable financial products and services, including payments, savings, credit and insurance, enabling them to transact conveniently and cost-effectively, save and plan for the future. Some of the initiatives through which we try to address inclusion are highlighted below:

- **MATSHELO ACCOUNT**: By working with our clients and developing solutions that align to their needs and ways of life we are able offer solutions that are fit for purpose. The Matshelo account enables our clients to continue with the old age tradition of Batswana of engaging in collective undertakings, savings culture, collective investing done in groups and this product encourages asset growth and wealth creation for the betterment of our clients' livelihoods.

- **BANKING THE UNBANKED AND UNDERSERVED THROUGH UNAYO:** The service provision of the Unayo mobile application continues to play a pivotal role in serving the unbanked and underserved clients. As a service platform Unayo has had marked growth from 18,513 (eighteen thousand five hundred and thirteen users) previous year to the current 125,000 (one hundred and twenty-five thousand) users as at end 2022. Its most important use and validation in the market has been its adoption by the Francistown City Council (FCC) for payment of their casual and temporary employees who are around 4000 by quantity.

- **INSTANT MONEY**: Accessible and affordable mobile phone-based solutions plays a pivotal role in enabling our customers to transact efficiently, safely and conveniently but most importantly brings inclusion and dignity to those without bank accounts. Our Instant Money application lowers barriers to financial services for the financially excluded providing them a secure way for them to redeem their vouchers and receive payments at zero cost. This money transfer service enables customers to send cash to anyone in the Country with a cell phone number most importantly providing a dignified channel of paying and allowing recipients to save their earning on the platform.

Corporate social investment report (*continued*)

SOCIAL IMPACT (continued)

- **EDUCATION:** Focus and investment in education is critical for Botswana growth hence the Bank's alignment to this endeavour and this aligns to our purpose of driving the Country's development focus areas. Around 55% of Botswana's population is youth and the need to invest in this segment of the population is glaring. Our focus is to drive skills development amongst the youth and influence them particularly towards skills of the future, interest them in disciplines such as mathematics, science and engineering. During 2022 the Bank has invested BWP 547, 646 (five hundred and forty-seven thousand, nine hundred and forty six thebe) across different schools to assist them on their different education needs.

- **INCLUSIVITY:** Our belief is that a just and fair working environment that gives opportunity to all is necessary for the sustainability of any organization. Our gender parity and giving of opportunity with inclusion and diversity in mind plays a critical role in making sure that we have a well-balanced organisation that represents and reflects all in terms of i.e. gender, age etc.

ECONOMIC IMPACT

- **ACCELERATE:** As a flagship and strategic driver for the Bank deliverables on entrepreneurship and enterprise development, **ACCELERATE** plays a critical role in supporting entrepreneurs to attain their quest for business and entrepreneurship success on a daily basis by providing a place of operation to various start-ups that use the facility for its service offering. Through providing funding and other intervention services the Centre is integral to developing entrepreneurship for the Country and pivots both the Country and the Bank's mandate on enabling entrepreneurship to thrive.

- **ACCELERATE EMPOWERMENT PROCUREMENT:** During the year we launched a programme that targets the empowerment of citizens owned entities with specific focus on youth and women. The targeted expenditure was BWP 6 million and we closed the year at BWP 6.8 million. Through the same initiative we brought on board female led firms to offer service to the Bank as legal advisors and serve on our legal panel of service providers.

- **ENTREPRENEURSHIP DEVELOPMENT**: The central focus within job creation and enterprise development was to ensure investing into youth employability and entrepreneurship. This entailed a collaboration with the following organisations: Creative Business Cup and the Neo Hub training and development programme. Notable projects in the year under review are as follows:

  CREATIVE BUSINESS CUP: Our sponsorship and support of **Creative Business Cup** which is an annual global competition, enrolling participants from more than 80 countries from all over the world. The competition is for creative and innovative startups and is shaped by a shared goal of all the National Partners in Creative Business Network, of connecting and empowering the cultural and creative industries worldwide. Each year, all the national competitions culminate into Creative Business Cup Global Finals with more than 80 creative supernovas to which we have always ensured Botswana representation and participation. The initiative provides opportunity for entrepreneurs to meet-up with brilliant keynote speakers, judges and investors, to focus on promoting innovation and creativ**e** business efforts. Winners receive dedicated training via a customized Creative Business Academy to help them refine and develop their ideas and concepts into sustainable businesses, and along with a variety of prizes, the forum serves great opportunities for everyone to grow their network and be inspired by all the creative and highly skilled professionals attending, as well as a unique opportunity for global exposure.

  PROJECT 124: Through ACCELERATE, the Bank supports Project 124 (a business magazine empowerment online platform) which enjoys a significant following in excess of 14,000 (fourteen thousand) keen subscribers to disseminate information on business through masterclasses, guests lectures and other entrepreneurship empowerment interventions. For more information; ***https://www.facebook.com/project124international/.***

Corporate social investment report (*continued*)

ECONOMIC IMPACT (continued)

DEEP DIVE SESSIONS: Another initiative supported through ACCELERATE is the Deep Dive Sessions which provides entrepreneurs with an opportunity to share their journeys map, insights and leanings with other upcoming aspirants.

ACCELERATE EMPOWERMENT PROCUREMENT: During the year we launched a programme that targets the empowerment of citizens owned entities with specific focus on youth and women. The targeted expenditure was BWP 6 (six million Pula) and we close the year at BWP 6.8 (six million, eight hundred thousand Pula). Through the same initiative we brought on board female led firms to offer service to the Bank as legal advisors and serve on our legal panel of service providers.

BANKING THE UNBANKED AND UNDERSERVED THROUGH UNAYO: The service provision of the Unayo mobile application continues to play a pivotal role in serving the unbanked and underserved clients. As a service platform Unayo has marked growth from 18,513 (eighteen thousand users) to the current 125,000 (one hundred and twenty-five thousand) users as at end 2022.

ENVIRONMENTAL IMPACT

- Solar Project: In line with pursuing reliable, sustainable, and modern energy the Bank installed a solar photovoltaic energy system to its energy mix that can generate 100 kilowatts (KW) daily. The energy generated is sufficient to meet all of Head Office operations energy requirements as well as the Data Centre during daytime. This goes in line with ensuring that the Bank reaches its goal of carbon neutral operations status by 2030. Moreover, this aligns to Botswana's national target of attaining energy security and low carbon portfolio to which Botswana has Botswana has committed to an overall Greenhouse Gas (GHG) emission reduction of 15 per cent (from 2010 emissions level) by 2030. The system further enables cost efficiency and optimization of circa 51% energy consumption.

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 2022 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 International Financial Reporting Standards (IFRS) 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 24 March 2023 and are signed on their behalf by:

C. Modise	**C. A. Granville**
Director	**Director**

KPMG, Chartered Accountants
Audit
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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 51 to 175, which comprise the statements of financial position at 31 December 2022, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, 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 2022, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by 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 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.

KPMG

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

<table>
<tr><td colspan="2">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 accounting policy 6 on financial assets, note 21.1 relating to key management assumptions over credit impairment losses on loans and advances, note 22.7 on credit impairment charges on loans and advances, note 27 on loans and advances and, note 45.3 on credit risk.</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>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 P429 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</td><td>Our procedures included;

• We evaluated the professional qualifications, experience and objectivity of the experts engaged by management for the valuation of the collateral.

• 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.

• Assessed the appropriateness of the</td></tr>
</table>

<table>
<tr><td colspan="2">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 accounting policy 6 on financial assets, note 21.1 relating to key management assumptions over credit impairment losses on loans and advances, note 22.7 on credit impairment charges on loans and advances, note 27 on loans and advances and, note 45.3 on credit risk.</td></tr>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>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 as a result of COVID-19 and Russia/Ukraine conflict;

• 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.</td><td>accounting policies and loan impairment methodologies applied in accordance with IFRS 9, Financial Instruments.

• With the assistance of our credit risk specialists we:

o assessed the ability of the ECL models to reflect the impact of inflation as a result of COVID-19 and Russia/Ukraine conflict through appropriate calibration.

o 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 and forward looking information including the data inputs used by:

o comparing inputs to the economic scenarios to those provided by the Bank of Botswana and those approved by the Asset and Liability Committee.

o recalculating the present value and timing of cashflows for a sample of</td></tr>
</table>

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

Key audit matter	**How the matter was addressed in our audit**
	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.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's message, Chief Executive's report, Chief Financial 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 International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS 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.

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.

KPMG

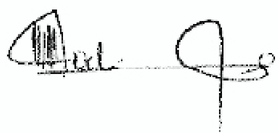
KPMG
Firm of Certified Auditors
Practicing member: Gosego Motsamai (CAP 035 2023)

05 April 2023
Gaborone

Statements of profit or loss and other comprehensive income

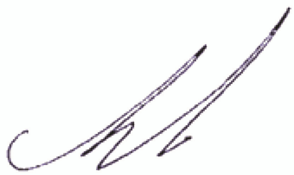
For the year ended 31 December 2022

		Group		Company	
	Note	**2022 P000's**	2021 P000's	**2022 P000's**	2021 P000's
Interest income	22.1	**1 370 282**	1 067 739	**1 370 282**	1 067 739
Interest expense	22.2	**(519 034)**	(362 343)	**(519 047)**	(362 354)
Net interest income		**851 248**	705 396	**851 235**	705 385
Fee and commission income	22.3	**374 614**	330 578	**359 865**	316 791
Fee and commission expense	22.4	**(102 577)**	(78 238)	**(102 577)**	(78 238)
Net fee and commission income		**272 037**	252 340	**257 288**	238 553
Net trading income	22.5	**247 357**	184 085	**247 357**	184 085
Other income	22.6	**26 927**	13 653	**33 497**	16 789
Non-interest income		**546 321**	450 078	**538 142**	439 427
Total income		**1 397 569**	1 155 474	**1 389 377**	1 144 812
Credit impairment charges	22.7	**11 891**	(208 542)	**11 891**	(208 542)
Net income		**1 409 460**	946 932	**1 401 268**	936 270
Staff costs	22. 8	**(358 358)**	(293 785)	**(358 358)**	(293 785)
Other operating expenses	22. 9	**(456 996)**	(371 175)	**(459 857)**	(371 100)
Total operating expenses		**(815 354)**	(664 960)	**(818 215)**	(664 885)
Profit before indirect tax		**594 106**	281 972	**583 053**	271 385
Indirect tax	22.11	**(25 199)**	(19 371)	**(25 173)**	(19 165)
Profit before direct tax		**568 907**	262 601	**557 880**	252 220
Direct tax	22.11	**(125 059)**	(56 462)	**(122 462)**	(54 516)
Profit for the year		**443 848**	206 139	**435 418**	197 704
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	**(240)**	240
Total comprehensive income for the year		**443 608**	206 379	**435 178**	197 944



C. Modise

Director



C. A. Granville

Director

Statements of financial position

At 31 December 2022

	Note	Group 2022 P000's	Group 2021 P000's	Company 2022 P000's	Company 2021 P000's
Assets					
Cash and balances with the Central Bank	23	**544 879**	431 487	**544 879**	431 487
Derivative assets	24.3	**12 163**	12 589	**12 163**	12 589
Trading portfolio assets	25	**-**	421	**-**	421
Financial investments	26.1	**3 018 080**	2 329 503	**3 018 080**	2 329 503
Loans and advances	27.1	**20 055 089**	18 005 300	**20 055 089**	18 005 300
Loans and advances to banks	27.1	**6 790 157**	4 948 916	**6 790 157**	4 948 916
Loans and advances to customers	27.1	**13 264 932**	13 056 384	**13 264 932**	13 056 384
Other assets	28	**87 540**	73 865	**88 200**	70 585
Current tax asset	32	**29 631**	49 451	**27 712**	48 615
Investment in subsidiaries	29	**-**	-	**1 922**	1 922
Intangible assets	30	**123 359**	147 715	**123 359**	147 715
Property, equipment and right of use assets	31.1	**150 649**	152 719	**150 649**	152 719
Deferred tax asset	32	**20 546**	15 232	**20 546**	15 232
Total assets		**24 041 936**	21 218 282	**24 042 599**	21 216 088
Liabilities and equity					
Derivative liabilities	24.3	**15 464**	12 629	**15 464**	12 629
Trading portfolio Liabilities	33	**27 175**	-	**27 175**	-
Deposits	34	**20 472 874**	18 164 128	**20 510 863**	18 193 926
Deposits from banks	34	**1 011 054**	1 126 827	**1 011 054**	1 126 827
Deposits from customer accounts	34	**19 461 820**	17 037 301	**19 499 809**	17 067 099
Accruals, deferred income and other liabilities	35	**383 293**	373 723	**383 552**	370 886
Debt securities in issue	36	**990 440**	958 720	**990 440**	958 720
Total Liabilities		**21 889 246**	19 509 200	**21 927 494**	19 536 161
Equity					
Stated capital	37.1	**390 177**	390 177	**390 177**	390 177
Reserves	37.3	**1 762 513**	1 318 905	**1 724 928**	1 289 750
Equity - attributable to ordinary shareholders		**2 152 690**	1 709 082	**2 115 105**	1 679 927
Total liabilities and equity		**24 041 936**	21 218 282	**24 042 599**	21 216 088

C. Modise
Director

C. A. Granville
Director

Statements of changes in equity

For the year ended 31 December 2022

	Note	Stated capital	Statutory credit reserve	Fair value through OCI reserve [1]	Retained earnings	Total equity
Group		P000's	P000's	P000's	P000's	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.

Statements of changes in equity *(continued)*

For the year ended 31 December 2021

	Note	Stated capital	Statutory credit reserve	Fair value through OCI reserve [1]	Retained earnings	Total equity
Group		P000's	P000's	P000's	P000's	P000's
Balance at 1 January 2021		390 177	139 270	-	1 083 256	1 612 703
Total comprehensive income for the year		-	-	240	206 139	206 379
Profit for the year		-	-	-	206 139	206 139
Other comprehensive income after taxation		-	-	240	-	240
Increase in statutory credit reserve	**37.2**	-	15 204	-	(15 204)	-
Dividends paid		-	-	-	(110 000)	(110 000)
Balance at 31 December 2021		390 177	154 474	240	1 164 191	1 709 082

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

Statements of changes in equity (*continued*)

For the year ended 31 December 2022

	Note	Stated capital	Statutory credit reserve	Fair value through OCI reserve [1]	Retained earnings	Total equity
Company		P000's	P000's	P000's	P000's	P000's
Balance at 1 January 2022		390 177	154 474	240	1 135 036	1 679 927
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 changes in equity *(continued)*

For the year ended 31 December 2021

	Note	Stated capital	Statutory credit reserve	Fair value through OCI reserve[1]	Retained earnings	Total equity
Company		P000's	P000's	P000's	P000's	P000's
Balance at 1 January 2021		390 177	139 270	-	1 062 536	1 591 983
Total comprehensive income for the year		-	-	240	197 704	197 944
Profit for the year		-	-	-	197 704	197 704
Other comprehensive income for the year		-	-	240	-	240
Increase in statutory credit reserve	**37.2**	-	15 204	-	(15 204)	-
Dividends paid		-	-		(110 000)	(110 000)
Balance at 31 December 2021		390 177	154 474	240	1 135 036	1 679 927

[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 2022
In Pula (thousands)

		Group		Company	
	Note	**2022 P000's**	2021 P000's	**2022 P000's**	2021 P000's
Profit before indirect tax		**594 106**	281 972	**583 053**	271 385
Adjusted for:					
Amortisation and impairment of intangible assets	30	**24 356**	24 022	**24 356**	24 022
Credit impairment charges	22.7	**111 481**	238 178	**111 481**	238 178
Depreciation - property and equipment	31.2	**31 676**	35 612	**31 671**	35 612
Depreciation – right of use assets	31.2	**15 737**	15 241	**15 737**	15 241
Interest expense on lease liabilities	22.2	**1 529**	785	**1 529**	785
Profit on sale of property and equipment	22.9	**(352)**	(434)	**(352)**	(434)
Increase in income-earning and other assets	41.1	**(2 870 859)**	(2 679 034)	**(2 874 798)**	(2 663 876)
Increase in deposits and other liabilities	41.2	**2 311 444**	2 273 262	**2 324 045**	2 266 715
Preference dividend income-Liberty Holdings	43.5	**(11 291)**	(5 055)	**(11 291)**	(5 055)
Interest income	22.1	**(1 370 282)**	(1 067 739)	**(1 370 282)**	(1 067 739)
Interest expense	22.2	**519 034**	362 343	**519 047**	362 354
Cash flows utilised in operations		**(643 421)**	(520 847)	**(645 804)**	(522 812)
Interest received		**1 346 504**	1 053 910	**1 346 504**	1 053 910
Interest paid		**(474 952)**	(334 681)	**(474 965)**	(334 691)
Indirect tax paid	22.11	**(25 199)**	(19 371)	**(25 173)**	(19 165)
Direct tax paid	41.3	**(109 306)**	(38 050)	**(106 936)**	(36 281)
Net cash flows from operating activities		**93 626**	140 961	**93 626**	140 961
Net cash flows in investing activities		**(11 954)**	(19 340)	**(11 954)**	(19 340)
Capital expenditure on:					
- property (freehold and leasehold)	31.2, 31.4	**(667)**	(2 668)	**(667)**	(2 668)
- equipment	31.2, 31.4	**(17 886)**	(16 615)	**(17 886)**	(16 615)
- intangible asset	30	**-**	(5 546)	**-**	(5 546)
-motor vehicle and furniture	31.2	**(5 471)**	-	**(5 471)**	-
Proceeds from disposal of equipment		**779**	434	**779**	434
Preference dividend income-Liberty Holdings	43.5	**11 291**	5 055	**11 291**	5 055
Net cash flows in financing activities		**31 720**	(110 000)	**31 720**	(110 000)
Unsubordinated debt redeemed	41.4	**(284 000)**	-	**(284 000)**	-
Unsubordinated debt issued	41.4	**315 720**	-	**315 720**	-
Dividends paid to shareholder		**-**	(110 000)	**-**	(110 000)
Net movement in cash and cash equivalents		**113 392**	11 621	**113 392**	11 621
Cash and cash equivalents at beginning of the year		**431 487**	419 866	**431 487**	419 866
Cash and cash equivalents at end of the year	**23**	**544 879**	431 487	**544 879**	431 487

Accounting Policies

For the year ended 31 December 2022

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 2022 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 24 March 2023.

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 International Financial Reporting Standards (IFRS) 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 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 associates and joint ventures are initially measured at cost and subsequently accounted for using the equity method in the separate financial statements (accounting policy 2)
- derivatives are initially recognised at fair value (accounting policy 6)
- trading portfolio assets 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.

Accounting Policies (continued)

1. Basis of preparation *(continued)*
Changes in accounting policies

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 37 (amendment)** The changes specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

- **IAS 16 (amendment),** the standard prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss

- **IFRS 3 (amendment)**

  - update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
  - add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC
    21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
  - add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

- **IFRS 9 (amendment)** The amendment clarifies that for the purpose of performing the ''10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf

The adoption of the above new and amended standards on 1 January 2022 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.

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.

Accounting Policies (continued)

2. Basis of consolidation *(continued)*

Consolidated financial statements (continued)

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.

3. Foreign currency translations

Transactions and balances

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.

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).

Accounting Policies (continued)

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:

Accounting Policies (continued)

6. Financial instruments (continued)

Initial measurement - financial instruments (continued)

Financial assets (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.

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.

Accounting Policies (continued)

6. Financial instruments (continued)

Impairment (continued)

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.

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.
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.

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.

Financial liabilities

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.

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.	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.	

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.

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised 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.

Accounting Policies (continued)

6. Financial instruments *(continued)*

Foreign currency risk (continued)

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.

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>5 years

10 years

13 years</td></tr>
<tr><td>Motor vehicles</td><td></td><td>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></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>

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.

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.

Accounting Policies (continued)

8. Provisions, contingent assets and contingent liabilities (*continued*)

- **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.

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.

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

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.

Accounting Policies (continued)

11. Fair value *(continued)*

Inputs and valuation techniques *(continued)*

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 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:

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.	

Accounting Policies (continued)

11. Fair value *(continued)*
Inputs and valuation techniques *(continued)*

ITEM AND DESCRIPTION	VALUATION TECHNIQUE	MAIN INPUTS AND ASSUMPTIONS
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*

∗ 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.

Accounting Policies (continued)

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. 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 settled in cash are accounted for as liabilities at fair value until settled. The liability is recognised over the vesting period and is revalued at every reporting date and on settlement. Any changes in the liability are recognised in profit or loss.

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.

Accounting Policies (continued)

14. Leases *(continued)*

Lessee accounting policies *(continued)*

Type	Statement of financial position	Income Statement
IFRS 16 – lessee accounting policies (continued)		
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.
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.
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.
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.	

Accounting Policies (continued)

14. Leases *(continued)*

Finance leases – lessor

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

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.

Accounting Policies (continued)

15. Revenue and expenditure *(continued)*

Net fee and commission income

Fee and commission income, including transactional fees, account servicing fees, investment management fees, sales commission, 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.

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.

Other revenue

Other revenue includes 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.

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.

Dividend income

Dividends are recognised in profit or loss when the right to receive them is established.

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.

Accounting Policies (continued)

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.

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 2022 and have not been applied in preparing these financial statements.

Pronouncement	Title	Effective date
IAS 1	**IAS 1 *Presentation of Financial Statements (amendments)*** 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. Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period However, these clarifications could result in reclassification of some liabilities from current to non-current, and vice versa. The amendment will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined, however not expected to have a significant impact on the Group and Company's financial statements.	1 January 2024
IAS 12	**IAS 12 Income Taxes** 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.	1 January 2023
IAS 8	**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.	1 January 2023
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.	1 January 2023
IFRS 16	**IFRS 16 Leases** 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.	1 January 2024
IAS 1	**Presentation of financial Statements** 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 complyi.ng 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.	1 January 2024

Notes to the financial statements

For the year ended 31 December 2022

21. Key management assumptions

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. COVID-19 placed considerable strain on our operations specifically retail, business and corporate clients, however, the Group and Company's risk appetite remained unchanged. As such the below significant increase in credit risk (SICR) and default assumptions, thresholds and/or triggers were not amended.

For the purpose of determining the ECL:

- The Consumer and High Net Worth (CHNW) and Business and Commercial Clients (BCC) 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

CHNW and BCC

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.

Notes to the financial statements (continued)

For the year ended 31 December 2022
In Pula (thousands)

21. Key management assumptions *(continued)*

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

Significant increase in credit risk (SICR) and low credit risk *(continued)*
CHNW and BCC *(continued)*

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. A bank shall closely monitor loans that are subject to moratorium. Where the credit quality of the loan clearly changes for reasons not related to COVID-19 pandemic, such loan quality deterioration should not be misclassified as COVID-19 related. 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.

CIB (including certain BCC 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.

Notes to the financial statements (continued)

For the year ended 31 December 2022
In Pula (thousands)

21. Key management assumptions *(continued)*

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

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

COVID-19 impact on SICR and low credit risk

The Bank continued to support customers negatively affected by Covid -19 with temporary relief measures in the form of capital and /or interest moratorium during 2022. The assessment for further relief was on a case-by-case basis, where there were signs of possible recovery. The value of accounts with expired moratorium was sitting at a total of P 2.50 million (2021: P 87.269 million), with most clients being able to meet their instalments. The moratorium book that has transferred to Non-Performing Status during the year was P 1.636 million (2021: was P 8.492 million). As at 31 December 2022 there were no active moratoriums.

Incorporation of forward-looking information in ECL measurement

For CHNW and BCC 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.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

21. Key management assumptions *(continued)*

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

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.

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 CHNW and BCC 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.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

21. Key management assumptions *(continued)*

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

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 2022, for inclusion in the Group's forward-looking process and ECL calculation.

Economic expectation

- Due to the economy's high reliance on diamonds, a luxury commodity, during a global downturn this may imply lesser GDP growth in 2023.

- The high base effect and inadequate fiscal stimulus to support the household, this means expected slower growth for 2023 of 2.3% y/y before rising to 5.2% in 2024 due to copper, coal and diamond production.

- Bank of Botswana have maintained the basket in which BWP is pegged at 45% ZAR and 55% SDR and adjusted the downward rate of crawl to 1.51% in 2022.

- Current account surplus is expected to narrow to 0.5% of GDP in 2023, from an estimated 1.5% of GDP in 2022. Global demand is expected to slow down while Botswana's import demand is likely to remain strong in the medium term.

- Inflation is expected to remain above the 3.0% y/y – 6.0% y/y objective range in the short to medium term and falling with the range in Q: 2024.

- Bank of Botswana hiked rates by 1.51% in 2022 and is expected to hike further in the coming months. However, should the MPC assess an economy still below full capacity in the medium term, it may keep the rate unchanged.

- As the National Development plan comes to a close, the authorities have deferred the implementation of National Development Plan 12 to April 2025 and in the interim a Transitional National Development Plan will be implemented. Should the government make the decision to take a restrictive stance, as over the past half-decade, this may negatively affect growth.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)
21. Key management assumptions *(continued)*
21.1. Credit impairment losses on loans and advances *(continued)*

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]	
2022	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.
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	Base scenario		Bearish scenario		Bullish scenario	
2021	Next 12 months (%)	Remaining forecast period (%)	Next 12 months (%)	Remaining forecast period (%)	Next 12 months (%)	Remaining forecast period (%)
Inflation	3.86	4.29	3.21	3.64	4.11	4.54
Real GDP	4.89	4.02	2.67	3.43	6.27	4.18
6 months T-bill	1.74	2.22	1.31	2.22	2.69	2.22
Bank rate	4.00	4.00	3.75	3.75	4.25	4.25
Exchange rate (USD/BWP)	11.18	11.62	12.18	11.62	10.59	11.62

[1] Revised as at 31 December 2021.
[2] The remaining forecast period is 2022 to 2024.
3 The scenario weighting is: Base at 55.0%, Bull at 30.0% and Bear at 15.0%.
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 CHNW and BCC 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 2022 based on the probability weightings of the above three scenarios resulting from recalculating each of the scenarios using a 100% (2021: 100%) weighting of the above factors.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)
21. Key management assumptions *(continued)*

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

Sensitivity analysis of CHNW and BCC forward looking impact on IFRS 9 provision (continued)

	Allowances for credit losses (P000's)	
Forward looking impact on IFRS 9 provision		
Scenarios	**2022**	2021
100% Bear	**525 145**	452 649
100% Base	**417 743**	175 783
100% Bull	**335 166**	194 623

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 Financial 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 2022
In Pula (thousands)
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.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)
21. Key management assumptions *(continued)*

21.3. Valuation process (continued)

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 Consolidation of entities

The Group controls and consolidates an entity where the Group has power over the entity's relevant activities; is exposed to variable returns from its involvement with the investee; and has the ability to affect the returns through its power over the entity, including structured entities (SEs). Determining whether the Group controls another entity requires judgement by identifying an entity's relevant activities, being those activities that significantly affect the investee's returns, and whether the Group controls those relevant activities by considering the rights attached to both current and potential voting rights, de facto control and other contractual rights, including whether such rights are substantive. Interests in unconsolidated SEs that are not considered to be a typical customer-supplier relationship are required to be identified and disclosed. The Group regards an interest to be a typical customer-supplier relationship where the level of risk inherent in that interest in the SE exposes the Group to a similar risk profile to that found in standard market-related transactions. The Group sponsors an SE where it provides financial support to the SE when not contractually required to do so. Financial support may be provided by the Group to an SE for events such as litigation, tax and operational difficulties.

21.5 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.

21.6 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.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)
21. Key management assumptions *(continued)*

21.6 Computer software intangible asset (continued)

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.

21.7 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 2022
In Pula (thousands)

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

22.1 Interest income

	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Interest on loans and advances	**1 292 012**	1 004 697	**1 292 012**	1 004 697
Interest on financial investments	**78 270**	63 042	**78 270**	63 042
	1 370 282	1 067 739	**1 370 282**	1 067 739

22.2 Interest expense

	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Interest on deposits - current and savings accounts	**7 469**	6 353	**7 482**	6 364
Interest on deposits - call, term and debt securities in issue	**501 159**	348 282	**501 159**	348 282
Interest on lease liabilities	**1 529**	785	**1 529**	785
Interest on deposits with banks	**8 877**	6 923	**8 877**	6 923
	519 034	362 343	**519 047**	362 354

22.3 Fee and commission income

	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Documentation and admin fees	**77 238**	66 440	**77 238**	66 440
Electronic banking transaction fees	**24 836**	27 747	**24 836**	27 747
Point of presentation transaction fees	**10 296**	9 598	**10 296**	9 598
Guarantee fees	**10 141**	11 069	**10 141**	11 069
Insurance commissions	**14 749**	13 787	**-**	-
Card based commission	**154 029**	130 502	**154 029**	130 502
Foreign currency service fees	**26 788**	18 927	**26 788**	18 927
Service and penalty fees on current accounts	**17 915**	16 305	**17 915**	16 305
ATM fees	**10 297**	9 676	**10 297**	9 676
Script and security fees	**14 274**	11 467	**14 274**	11 467
Other fees	**14 051**	15 060	**14 051**	15 060
	374 614	330 578	**359 865**	316 791

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

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 including guarantee fees	This relates to fee and commission income related to the loans and advances to customers.	Revenue from commitment fees is 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 fees, point of presentation fees, ATM fees and script and security fees and other fees	Transaction-based fees such as electronic banking fees, point of presentation fees, ATM fees, script and, are charged to the customer's account when the transaction takes place.	Revenue related to transactions 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 and card based activities such renewals	The fees are recognised as the services are performed and received.

22.4 Fee and commission expense

	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Card based expenses	**102 004**	77 538	**102 004**	77 538
Other fees	**573**	700	**573**	700
Fee and commission expense	**102 577**	78 238	**102 577**	78 238

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

22.5 Net trading income

	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Gain on foreign exchange dealings	**252 535**	186 338	**252 535**	186 338
Net loss on financial instruments held for trading	**(5 178)**	(2 253)	**(5 178)**	(2 253)
	247 357	184 085	**247 357**	184 085

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

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

22.6 Other income

	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Preference dividend (43.5)	**11 291**	5 055	**11 291**	5 055
Sundry income	**15 636**	8 598	**15 642**	7 150
Management fees	**-**	-	**6 564**	4 584
	26 927	13 653	**33 497**	16 789

22.7 Credit impairment charges

	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Net expected credit loss raised and released	**111 481**	238 178	**111 481**	238 178
Financial investments (note 26.5)	**(17)**	(1 877)	**(17)**	(1 877)
Loans and advances	**110 829**	241 255	**110 829**	241 255
Letters of credit, guarantees and commitments	**669**	(1 200)	**669**	(1 200)
Recoveries on loans and advances previously written off*	**(123 372)**	(29 636)	**(123 372)**	(29 636)
	(11 891)	208 542	**(11 891)**	208 542

* During the current reporting period, the bank made an insurance cover indemnity claim on one of its major clients under the Business and Commercial clients (BCC) 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 current year. The net expected credit loss raised and released also reduced by over 100% in the current year due to a once off impairment loss raised in 2021 of P94 million. The movement of credit impairment excluding the once-off relatively remained within normal impairment ranges.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

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

22.8 Staff costs

	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Salaries and allowances	**328 390**	267 132	**328 390**	267 132
Retirement benefit costs	**29 968**	26 653	**29 968**	26 653
	358 358	293 785	**358 358**	293 785

22.9 Other operating expenses

	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Amortisation – intangible assets (note 30)	**24 356**	24 022	**24 356**	24 022
Auditor's remuneration	**4 259**	3 125	**4 259**	3 125
- Audit fees (current year)	**3 556**	3 125	**3 556**	3 125
- Audit fees (prior year under provision)	**703**	-	**703**	-
Depreciation property plant and equipment (note 31.2)	**47 413**	50 853	**47 413**	50 853
- Property - Freehold	**3 158**	1 212	**3 158**	1 212
- Property - Leasehold	**1 911**	3 164	**1 911**	3 164
- Equipment – Computers and office equipment	**21 561**	26 352	**21 561**	26 352
- Equipment – Motor vehicles	**1 424**	1 484	**1 424**	1 484
- Equipment – Furniture and fittings	**3 622**	3 400	**3 622**	3 400
- Right of use of assets	**15 737**	15 241	**15 737**	15 241
- Leases of low value assets and short-term leases	**118**	2 631	**118**	2 631
-Expenses relating to leases of low-value items	**118**	2 631	**118**	2 631
Information technology *	**148 259**	98 994	**148 259**	98 994
Communication, marketing and advertising	**46 678**	34 000	**46 678**	34 000
Repairs and maintenance	**11 847**	10 734	**11 847**	10 734
Professional fees	**24 052**	24 328	**24 052**	24 328
Head office franchise fee	**50 281**	34 243	**50 281**	34 243
Profit on sale of plant and equipment	**(352)**	(434)	**(352)**	(434)
Travel and entertainment	**10 090**	4 887	**10 090**	4 887
Training expenses	**1 598**	1 873	**1 598**	1 873
Administration and general expenses	**88 397**	81 919	**91 258**	81 844
	456 996	371 175	**459 857**	371 100

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 (2021: P3.751 million).
* Increase is due to investment to enhance technology infrastructure, security enhancements in response to heightened cyber risk, enhancements to improve customer experience on digital channels and also improvements towards a platform banking organisation aligned to the Bank strategy.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

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

22.10 Directors' emoluments

Remuneration report

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

	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Short term benefits	**6 370**	5 183	**6 380**	5 183
Non-Executive Directors				
Craig Anthony Granville	**1 012**	726	**1 012**	726
Dr Tebogo TK Matome	**678**	660	**678**	660
Jennifer Mary Marinelli	**404**	661	**404**	661
Dale Ter Haar	**-**	471	**-**	471
Orefitlhetse Masire	**334**	572	**334**	572
Mohamed Ismail	**653**	559	**653**	559
Rudie De Wet	**552**	497	**552**	497
Mthabisi Bokete	**568**	512	**568**	512
Mythri Sambasivan-George	**212**	525	**212**	525
Larona Somolekae	**531**	-	**531**	-
Mark Haskins	**500**	-	**500**	-
Butler Phirie	**535**	-	**535**	-
Antonio Cautinho	**211**	-	**211**	-
Lungisa Fuzile	**180**	-	**180**	-
Yvette Mogatusi	**10**	-	**-**	-
	6 380	5 183	**6 370**	5 183

Refer to Note 44 for remuneration received by executive management.

22.11 Taxation

(a) Amounts recognised in profit or loss

	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Indirect taxation				
- Value added tax	**25 199**	19 371	**25 173**	19 165
Direct taxation				
Total direct taxation	**125 059**	56 462	**122 462**	54 516
- Current year	**125 059**	56 462	**122 462**	54 516
- current tax	**130 828**	43 525	**128 231**	41 579
- deferred tax	**(5 769)**	12 937	**(5 769)**	12 937

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

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

22.11. Taxation *(continued)*

(b) Botswana tax rate reconciliation (%)

	Group		Company	
	2022	2021	**2022**	2021
	%	%	**%**	%
Direct taxation charge for the year as a percentage of profit after indirect tax:	**22**	22	**22**	22
Statutory tax rate	**22**	22	**22**	22

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

23. Cash and balances with the Central Bank

	Group		Company	
	2022 P000's	2021 P000's	**2022 P000's**	2021 P000's
Coins and bank notes	**119 985**	113 427	**119 985**	113 427
Balances with the Central Bank	**424 894**	318 060	**424 894**	318 060
	544 879	431 487	**544 879**	431 487

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 P340 million (2021: P296 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						
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)	1 581 197
- Forwards and swaps	(3 301)	-	-	(3 301)	12 163	(15 464)	1 581 197
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)	1 581 197

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

24. Derivative financial instruments (continued)

24.3. Derivative assets and liabilities *(continued)*

	Maturity analysis of net fair value						
2021 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	(40)	-	-	(40)	12 589	(12 629)	1 583 650
- Forwards and swaps	(40)	-	-	(40)	12 589	(12 629)	1 583 650
2021 Company							
Derivatives held for trading							
Foreign exchange derivatives	(40)	-	-	(40)	12 589	(12 629)	1 583 650
- Forwards and swaps	(40)	-	-	(40)	12 589	(12 629)	1 583 650

[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.

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.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

25. Trading portfolio assets

	Group		Company	
	2022 P000's	2021 P000's	**2022 P000's**	2021 P000's
Listed – Government bonds	**-**	421	**-**	421
	-	421	**-**	421
Comprising:				
Government bonds	**-**	421	**-**	421
	-	421	**-**	421
Maturity analysis:				
Maturing within 1 month	**-**	-	**-**	-
Maturing after 1 month but within 6 months	**-**	-	**-**	-
Maturing after 6 months but within 12 months	**-**	-	**-**	-
Maturing after 12 months	**-**	421	**-**	421
Undated	**-**	-	**-**	-
	-	421	**-**	421

a. Redemption value

Dated trading assets had a redemption value as at 31 December 2022 of PNil million (2021: P0.421 million) for the Group and Company.

26. Financial investments

26.1. Classification

	Group		Company	
	2022 P000's	2021 P000's	**2022 P000's**	2021 P000's
Listed – Government bonds	**796 975**	587 960	**796 975**	587 960
Unlisted – Other	**2 221 105**	1 741 543	**2 221 105**	1 741 543
	3 018 080	2 329 503	**3 018 080**	2 329 503
Comprising:				
Government bonds	**611 233**	587 960	**611 233**	587 960
Corporate bonds	**185 742**	185 737	**185 742**	185 737
Bank of Botswana Certificates	**2 221 105**	1 555 806	**2 221 105**	1 555 806
	3 018 080	2 329 503	**3 018 080**	2 329 503

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

26. Financial investments

26.1. Classification *(continued)*

Maturity analysis

	Group		Company	
	2022 P000's	2021 P000's	**2022 P000's**	2021 P000's
The maturities represent periods to contractual redemption of the investment securities recorded.				
Maturing within 1 month	**1 629 625**	849 883	**629 625**	849 883
Maturing after 1 month but within 6 months	**768 179**	561 350	**768 179**	561 350
Maturing after 6 months but within 12 months	**-**	146 746	**-**	146 746
Maturing after 12 months	**620 276**	771 524	**620 276**	771 524
	3 018 080	2 329 503	**3 018 080**	2 329 503

Net financial investments measured at amortised cost	**3 018 080**	2 329 503	**3 018 080**	2 329 503
Gross financial investments measured at amortised cost	**3 018 099**	2 329 539	**3 018 099**	2 329 539
Less: Expected credit loss for financial investments measured at amortised cost	**(19)**	(36)	**(19)**	(36)
	3 018 080	2 329 503	**3 018 080**	2 329 503

26.2. Redemption value

Dated investment securities had a redemption value at 31 December 2022 of P3.018 billion (2021 P2.329 billion) for the Group and for the Company. Included in these amounts are dated pledged assets with a redemption value at 31 December 2022 of P598.1 million (2021: P533.1 million) for the Group and Company (refer to note 26.6 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 2022 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 2022
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 2022 P000's	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 2022 P000's
Corporate	(1)	-	-	-	1	-	-
Stage 1	(1)	-	-		1	-	-
Stage 2	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-
Sovereign	33	-	(15)	(2)	-	(17)	15
Stage 1	33	-	(15)	(2)	-	(17)	15
Stage 2	-	-	-	-	-	-	-
Stage 3	-	-		-	-	-	-
Bank	4	-	(2)	2	-	-	4
Stage 1	4	-	(2)		-	-	4
Stage 2	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-
Total	36	-	(17)	-	1	(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). There has been a downward trend of more than 100% on ECL raised due to the optimistic, good credit ratings of the sovereign positions post the Covid 19 error and improvement of the economy.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

26. Financial investments *(continued)*

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

Group and Company	Opening ECL 1 January 2021 P000's	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 2021 P000's
Corporate	(1)	-	-	-	-	-	(1)
Stage 1	(1)	-	-	-	-	-	(1)
Stage 2	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-
Sovereign	1 911	-	-	(1 878)	-	(1 878)	33
Stage 1	1 911	-	-	(1 878)	-	(1 878)	33
Stage 2	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-
Bank	4	-	-	-	-	-	4
Stage 1	4	-	-	-	-	-	4
Stage 2	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-
Total	1 914	-	-	(1 878)	-	(1 878)	36

[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 2022
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	
	2022 P000's	2021 P000's	**2022 P000's**	2021 P000's
Fair value of trading assets pledged as security	**598 095**	533 100	**598 095**	533 100

Maturity analysis

	Group		Company	
	2022 P000's	2021 P000's	**2022 P000's**	2021 P000's
Maturing within 1 month	**598 095**	533 100	**598 095**	533 100
	598 095	533 100	**598 095**	533 100

The carrying amount of total financial assets that have been pledged as collateral for liabilities (including amounts reflected above) at 31 December 2022 is P598 million (2021: P533 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 2022
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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	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Loans and advances to banks*	**6 790 157**	4 948 306	**6 790 157**	4 948 306
- Balances with banks	**6 793 307**	4 948 916	**6 793 307**	4 948 916
- Expected credit loss for unimpaired loans	**(3 150)**	(610)	**(3 150)**	(610)
Net loans and advances to banks	**6 790 157**	4 948 306	**6 790 157**	4 948 306
Loans and advances to customers	**13 264 932**	13 056 994	**13 264 932**	13 056 994
Gross loans and advances to customer	**13 694 734**	13 627 733	**13 694 734**	13 627 733
- Mortgage lending	**2 437 291**	1 847 741	**2 437 291**	1 847 741
- Vehicle asset lending	**1 002 098**	1 036 050	**1 002 098**	1 036 050
- Overdrafts and other demand lending	**476 902**	547 874	**476 902**	547 874
- Medium-term advances	**9 219 107**	9 635 194	**9 219 107**	9 635 194
- Card debtors	**43 924**	45 411	**43 924**	45 411
Other instruments	**515 412**	515 463	**515 412**	515 463
Credit impairments for loans and advances to customers	**(429 802)**	(570 739)	**(429 802)**	(570 739)
Net loans and advances	**20 055 089**	18 005 300	**20 055 089**	18 005 300
Comprising:				
Gross loans and advances	**20 488 041**	18 576 649	**20 488 041**	18 576 649
Less: credit impairments (note 27.3)	**(432 952)**	(571 349)	**(432 952)**	(571 349)
Net loans and advances	**20 055 089**	18 005 300	**20 055 089**	18 005 300

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

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

27. Loans and advances (*continued*)

27.1. Loans and advances net of impairment and interest in suspense (*continued*)

	Group		Company	
	2022 P000's	2021 P000's	**2022 P000's**	2021 P000's
Maturity analysis:				
The maturities represent periods to contractual redemption of the loans and advances recorded.				
Redeemable on demand	**2 257 267**	2 350 763	**2 257 267**	2 350 763
Maturing within 1 month	**187 269**	3 371	**187 269**	3 371
Maturing after 1 month but within 6 months	**797 718**	282 413	**797 718**	282 413
Maturing after 6 months but within 12 months	**455 527**	792 289	**455 527**	792 289
Maturing after 12 months	**16 357 308**	14 576 464	**16 357 308**	14 576 464
	20 055 089	18 005 300	**20 055 089**	18 005 300

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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 Stage 1	From/(To) Stage 2	From/(To) Stage 3	Total Transfer between stages P000's Stage3	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
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**	**(9 375)**	**-**	**-**	**(640)**
Stage 1	9 100	-	-	1	1	(2 207)	-	18	9	(9 180)	-	-	(79)
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**	**(94 484)**	**233 685**	**-**	**(195 142)**
Stage 1	(90 892)	-	4 829	4 702	9 531	(46 116)	-	47 506	26	7 808	-	-	(73 553)
Stage 2	(39 837)	(4 829)	-	11 641	6 812	(7 781)	-	1 224	-	(6 257)	-	-	(39 282)
Stage 3	(203 614)	(4 702)	(11 641)	-	(16 343)	(13 910)	-	(82 125)	-	(96 035)	233 685	-	(82 307)
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 2022
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27. Loans and advances (*continued*)

27.2 Credit impairments for loans and advances (*continued*)

Reconciliation of expected credit losses for loans and advances measured at amortised cost *(continued)*

A reconciliation of the expected credit loss for loans and advances, by class:

Group and Company	Opening ECL 1 January 2021 P000's	(To)/From Stage 1	From/(To) Stage 2	From/(To) Stage 3	Total Transfer between stages P000's Stage3	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 2021 P000's
Mortgages	**(107 011)**	**12 535**	**(12 325)**	**(210)**	-	**(11 602)**	-	**(32 198)**	-	-	**29 322**	-	**(121 489)**
Stage 1	(8 595)	-	(10 181)	(2 354)	(12 535)	(3 052)	-	10 915	-	-		-	(25 802)
Stage 2	(24 001)	10 181	-	2 144	12 325	(7 621)	-	(13 910)	-	-	-	-	(20 882)
Stage 3	(74 415)	2 354	(2 144)	-	210	(929)	-	(29 203)	-	-	29 322	-	(74 805)
Vehicle and Asset Finance	**(44 215)**	**5 686**	**(9 184)**	**3 498**	-	**(10 210)**	-	**(36 174)**	-	-	**8 517**	-	**(82 082)**
Stage 1	(5 119)	-	(5 742)	56	(5 686)	(692)	-	4 769	-	-		-	(12 414)
Stage 2	(17 371)	5 742	-	3 442	9 184	(9 518)	-	(25 512)	-	-	-	-	(34 033)
Stage 3	(21 725)	(56)	(3 442)	-	(3 498)	-	-	(15 431)	-	-	8 517	-	(35 635)
Card Debtors	**(12 644)**	**1 797**	**(1 267)**	**(530)**	-	**(1 233)**	-	**(4 827)**	-	-	**6 176**	-	**(12 528)**
Stage 1	(1 870)	-	(1 356)	(441)	(1 797)	(163)	-	1 833	-	-	-	-	(3 794)
Stage 2	(9 189)	1 356	-	(89)	1 267	(810)	-	(1 134)	-	-	-	-	(8 599)
Stage 3	(1 585)	441	89	-	530	(260)	-	(5 526)	-	-	6 176	-	(135)
Corporate	**(23 402)**	**(781)**	**781**	-	-	**(19 264)**	-	**394**	**13 240**	-	-	-	**(29 032)**
Stage 1	(10 746)	-	781	-	781	(12 149)	-	450	21	-	-	-	(20 862)
Stage 2	(12 656)	(781)	-	-	(781)	(7 115)	-	(56)	13 219	-	-	-	(8 170)
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-	-
Sovereign	**(267)**	-	-	-	-	**(172)**	-	**25**	**9 160**	-	-	**(11)**	**8 735**
Stage 1	(27)	-	-	-	-	(22)	-	-	9 160	-	-	(11)	9 100
Stage 2	(240)	-	-	-	-	(150)	-	25	-	-	-	-	(365)
Stage 3	-	-	-	-	-	-	-	-	-	-	-	-	-
Other instruments	**(253 071)**	**20 212**	**(30 608)**	**10 396**	-	**(106 210)**	-	**(53 091)**	**25**	-	**78 004**	-	**(334 343)**
Stage 1	(84 370)	-	(19 909)	(303)	(20 212)	(54 659)	-	88 536	25	-		-	(90 892)
Stage 2	(79 323)	19 909	-	10 699	30 608	(48 229)	-	26 499	-	-		-	(39 837)
Stage 3	(89 378)	303	(10 699)	-	(10 396)	(3 322)	-	(168 126)	-	-	78 004	-	(203 614)
TOTAL	**(440 610)**	**39 449**	**(52 603)**	**13 154**	-	**(148 691)**	-	**(125 871)**	**22 425**	-	**122 019**	**(11)**	**(570 739)**

[1] Net impairments raised/(released) less recoveries of amounts written off in previous years equals income statement impairment charge (refer note 22.7 on credit impairment charges note).
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 2022
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27. Loans and advances (*continued*)

27.3 Credit impairments for loans and advances (*continued*)

Industry Segmental Analysis

Group and Company

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**

2021	Stage 1 P000's	Stage 2 P000's	Stage 3 P000's	Total P000's
Agriculture	3 675	13 036	9 296	26 007
Construction	635	13 823	20 568	35 026
Finance, real estate and other business services	13 818	15 576	115 737	145 131
Individuals	82 712	109 397	145 147	337 256
Manufacturing	4 986	12 658	10 285	27 929
	105 826	164 490	301 033	571 349

28. Other assets

	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Items in the course of collection	**52 395**	40 429	**53 055**	37 149
Prepayments and other debtors	**35 145**	33 436	**35 145**	33 436
	87 540	73 865	**88 200**	70 585

Maturity analysis	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Receivable within 12 months	**87 540**	73 865	**88 200**	70 585
	87 540	73 865	**88 200**	70 585

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

29. Investment in subsidiaries

	Company	
	2022	2021
	P000's	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

30. Intangible assets

	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Computer software				
Cost at beginning of year	**281 010**	275 464	**281 010**	275 464
Additions/Transfers	**-**	5 546	**-**	5 546
Cost at end of the year	**281 010**	281 010	**281 010**	281 010
Accumulated amortisation at beginning of the year	**(133 295)**	(109 273)	**(133 295)**	(109 273)
Amortisation	**(24 356)**	(24 022)	**(24 356)**	(24 022)
Accumulated amortisation at end of the year	**(157 651)**	(133 295)	**(157 651)**	(133 295)
Balance at end of the year	**123 359**	147 715	**123 359**	147 715

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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31. Property, equipment and right of use assets

31.1 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
	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

During September 2022 Board approved the disposal of two of its residential properties. The assets were not impaired as at 31 December 2022 and the net carrying value amounted to P4.068 million.

31.2 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

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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31. Property, equipment and right of use assets *(continued)*

31.3 Summary 2021

Group and Company	2021 Cost P000's	2021 Accumulated depreciation P000's	2021 Net book value P000's	2020 Cost P000's	2020 Accumulated depreciation P000's	2020 Net book value P000's
Property						
Freehold	51 280	(10 838)	40 442	49 519	(9 626)	39 893
Leasehold	32 904	(26 951)	5 953	31 997	(23 787)	8 210
Right of use of assets	58 056	(42 235)	15 821	47 609	(26 994)	20 615
Total property, equipment and right of use assets	142 240	(80 024)	62 216	129 125	(60 407)	68 718
Equipment						
Computer and office equipment	208 107	(144 999)	63 108	191 492	(118 648)	72 844
Motor vehicles	9 607	(6 896)	2 711	11 350	(7 155)	4 195
Furniture and fittings	51 677	(26 993)	24 684	52 829	(23 594)	29235
	269 391	(178 888)	90 503	255 671	(149 397)	106 274
Total property, equipment and right of use assets	411 631	(258 912)	152 719	384 796	(209 804)	174 992

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

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

31.4 Movement 2021

Group and Company	Net book value 2020 P000's	Additions/ Transfers 2021 P000's	Net book value of disposals 2021 P000's	Depreciation 2021 P000's	Net book value 2021 P000's
Property					
Freehold	39 893	1 761	-	(1 212)	40 442
Leasehold	8 210	907	-	(3 164)	5 953
Right of use of assets	20 615	10 447	-	(15 241)	15 821
	68 718	13 115	-	(19 617)	62 216
Equipment					
Computer and office equipment	72 844	16 615	-	(26 351)	63 108
Motor vehicles	4 195	-	-	(1 484)	2 711
Furniture and fittings	29 235	(1 150)	-	(3 401)	24 684
	106 274	15 465	-	(31 236)	90 503
Total property, equipment and right of use assets	174 992	28 580	-	(50 853)	152 719

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 2022
In Pula (thousands)

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**	**Total**
	P000's	**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**

Group and Company	Land and buildings	Total
	P000's	P000's
Balance at 1 January 2021	20 615	20 615
Depreciation charge for the year	(15 241)	(15 241)
Additions to the right of use assets	10 447	10 447
Balance 31 December 2021	15 821	15 821

b) Amounts recognised in profit or loss

Group and Company Land and buildings

	2022	2021
	P000's	P000's
Leases		
Interest on lease liabilities	**(1 529)**	(785)
Expenses relating to short term leases	**-**	(356)
Expenses relating to low value assets, excluding short term leases of low value assets	**(495)**	(2 275)
Total expenses	**(2 024)**	(3 416)

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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

	2022 P000's	2021 P000's
Total cash outflow for leases	**(14 067)**	(17 898)

32. Deferred and Current tax

Deferred tax analysis

	Group 2022 P000's	Group 2021 P000's	Company 2022 P000's	Company 2021 P000's
Property and equipment timing differences	**(15 257)**	(12 580)	**(15 257)**	(12 580)
Fair value adjustments of financial instruments	**(12)**	(1 080)	**(12)**	(1 080)
Investment securities at OCI	**-**	(68)	**-**	(68)
Deferred income	**6 739**	7 559	**6 739**	7 559
Royalties accrued	**5 069**	3 767	**5 069**	3 767
Bonuses accrued	**12 856**	798	**12 856**	798
IFRS 9 transition adjustment: Remaining temporary differences	**11 875**	18 247	**11 875**	18 247
Right of use of asset	**712**	297	**712**	297
Other differences	**(1 436)**	(1 708)	**(1 436)**	(1 708)
Deferred tax asset	**20 546**	15 232	**20 546**	15 232

	2022 P000's	2022 P000's	2022 P000's	2021 P000's
Deferred tax balance at beginning of the year	**15 232**	32 148	**15 232**	32 148
Various categories of (reversing) / originating temporary differences for the year:	**5 314**	(16 916)	**5 314**	(16 916)
- Depreciation	**(2 677)**	(328)	**(2 677)**	(328)
- Unwinding of IFRS Day 1 tax asset	**(6 372)**	(2 045)	**(6 372)**	(2 045)
- Fair value adjustments of financial instruments	**1 068**	(2 390)	**1 068**	(2 390)
- Investment securities at OCI	**68**	(68)	**68**	(68)
- Deferred Income [1]	**(820)**	(3 144)	**(820)**	(3 144)
- Other differences	**14 047**	(8 941)	**14 047**	(8 941)
Deferred tax balance at end of the year	**20 546**	15 232	**20 546**	15 232

[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 2022
In Pula (thousands)

32. Deferred and Current tax *(continued)*

Current tax analysis

		Group		Company	
		2022 P000's	2021 P000's	**2022 P000's**	2021 P000's
Opening balance- refundable		**49 451**	49 994	**48 615**	49 629
Current charge	22.11	**(131 206)**	(43 525)	**(128 231)**	(41 579)
Tax paid for the year	41.3	**109 306**	38 050	**106 936**	36 281
Other adjustments		**2 080**	4 932	**392**	4 284
Closing balance		**29 631**	49 451	**27 712**	48 15

33. Trading portfolio liabilities

	Group		Company	
	2022 P000's	2021 P000's	**2022 P000's**	2021 P000's
Listed – Government bonds	**1 146**	-	**1 146**	-
Unlisted – Other	**26 029**	-	**26 029**	-
	27 175	-	**27 175**	-
Comprising:				
Government bonds	**1 146**	-	**1 146**	-
Unlisted – Other	**26 029**	-	**26 029**	-
	27 175	-	**27 175**	-
Maturity analysis:				
Maturing within 1 month	**25 930**	-	**25 930**	-
Maturing after 6 months but within 12 months	**1 245**	-	**1 245**	-
	27 175	-	**27 175**	-

a. Redemption value

Dated trading assets had a redemption value as at 31 December 2022 of P1.143 million (2021: P0.421 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 2022. Refer to note 38.2 for the fair value hierarchy.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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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	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Deposits from banks	**1 011 054**	1 126 827	**1 011 054**	1 126 827
Deposits from customers	**19 462 820**	17 037 301	**19 499 809**	17 067 099
- Current and savings accounts	**3 613 256**	3 206 822	**3 650 245**	3 236 620
- Call, term and negotiable certificates of deposits	**15 849 564**	13 830 479	**15 849 564**	13 830 479
Customer and bank deposits	**20 473 874**	18 164 128	**20 510 863**	18 193 926

	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Maturity analysis:				
The maturity analysis is based on the remaining periods to contractual maturity from year end.				
Redeemable on demand	**14 491 186**	12 102 749	**14 528 175**	12 132 548
Maturing within 1 month	**1 515 272**	1 832 311	**1 515 272**	1 832 311
Maturing after 1 month but within 6 months	**3 054 897**	2 936 415	**3 054 897**	2 936 415
Maturing after 6 months but within 12 months	**1 379 557**	831 976	**1 379 557**	831 976
Maturing after 12 months	**32 962**	460 677	**32 962**	460 676
	20 473 874	18 164 128	**20 510 863**	18 193 926

35. Accruals, deferred income and other liabilities

	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Items in process of clearing	**205 484**	232 428	**205 753**	229 591
Provisions [1]	**12 604**	7 779	**12 604**	7 779
Expected credit loss for off-balance sheet exposures	**826**	166	**826**	166
Deferred income	**30 631**	34 359	**30 631**	34 359
Other liabilities	**87 210**	64 697	**84 330**	64 697
Accruals	**20 162**	17 125	**23 032**	65 905
Lease liability	**26 376**	17 169	**26 376**	17 169
	383 293	373 723	**383 552**	370 886

Included in provisions are amounts payable to suppliers and legal provisions at P11.222 million and P1.382 million, respectively (2021: P6.497 million and P1.282 million, respectively). Legal provisions herein relate to legal matters that involve litigation, lawsuits and other proceedings. At 31 December 2022 P11.222 million represents the outstanding third party obligations in respect of IT projects targeted at driving the bank digital transformation which were yet to be settled. In addition, P1.382 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.

'The "other liabilities and accruals" line in prior year has been disaggregated in the current and prior year.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

35. Accruals, deferred income and other liabilities *(continued)*

Maturity analysis	Group		Company	
	2022 P000's	2021 P000's	**2022 P000's**	2021 P000's
Payable within 1 year	**279 783**	356 554	**280 042**	353 717
Payable after 1 year but before 5 years	**103 510**	17 169	**103 510**	17 169
Payable after 5 years	**-**	-	**-**	-
	383 293	373 723	**383 552**	370 886

Provisions

The following table sets out a reconciliation of provisions

	Group		Company	
	2022 P000's	2021 P000's	**2022 P000's**	2021 P000's
Balance at beginning of the year	**7 779**	6 966	**7 779**	6 966
Provisions made during the year	**6 274**	6 053	**6 274**	6 053
Provisions used during the year	**(1 449)**	(5 240)	**(1 449)**	(5 240)
Balance at end of the year	**12 604**	7 779	**12 604**	7 779

Reconciliation of expected credit losses for off-balance sheet exposures

GROUP AND COMPANY	Opening balance P000's	Net ECL released/ (raised)	Exchange and other movement	Closing balance P000's
Letters of credit, bank acceptances and				
2022				
Stage 1	**(133)**	**(657)**	**-**	**(790)**
Stage 2	**(3)**	**(3)**	**-**	**(6)**
Stage 3	**(30)**	**-**	**-**	**(30)**
Total	**(166)**	**(660)**	**-**	**(826)**
2021				
Stage 1	(408)	275	-	(133)
Stage 2	(801)	798	-	(3)
Stage 3	(30)	-	-	(30)
Total	(1 239)	1 073	-	(166)

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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 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.

	Balance at 1 January 2021 P000's	Additions/modification P000's	Terminations/modifications and/or cancellations	Interest expense[1] P000's	Payments[2] P000's	Exchange and other movements P000's	Balance at 31 December 2021 P000's
GROUP							
Buildings	23 835	10 447	-	785	(17 898)	-	17 169
Total	23 835	10 447	-	785	(17 898)	-	17 169
COMPANY							
Buildings	23 835	10 447	-	785	(17 989)	-	17 169
Total	32 153	4 825	(553)	1 351	(13 941)	-	17 169

[1] As at 31 December 2021, P1.4 million of this interest expense was included in income from banking activities
[2] These amounts relate to the principal lease payments as disclosed in the cash flow statement.

Maturity analysis: Discounted	**Group**		**Company**	
	2022 P000's	2021 P000's	**2022 P000's**	2021 P000's
Within 1 year	**8 638**	4 027	**8 638**	4 027
More than 1 year but less than 5 years	**17 738**	13 142	**17 738**	13 142
Total lease liabilities	**26 376**	17 169	**26 376**	17 169

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

35. Accruals, deferred income and other liabilities *(continued)*

Maturity analysis: Un-Discounted	Group		Company	
	2022 P000's	2021 P000's	**2022 P000's**	2021 P000's
Within 1 year	**13 030**	7 336	**13 030**	**7 336**
More than 1 year but less than 5 years	**19 510**	13 803	**19 510**	**13 803**
Total lease liabilities	**32 540**	21 139	**32 540**	**21 139**

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 2022 P000's	Group 2021 P000's	Company 2022 P000's	Company 2021 P000's
SBBL 066	**15-Jun-27**	**15-Jun-17**	**-**	140 000	**-**	140 000
SBBL 067	**15-Jun-27**	**15-May-17**	**-**	60 000	**-**	60 000
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**	-
SBBL 073	**07-Jul-32**	**07-Jul-22**	**110 000**	-	**110 000**	-
Total subordinated debt			**515 720**	500 000	**515 720**	500 000

	Redeemable Date	Start date	Group 2022 P000's	Group 2021 P000's	Company 2022 P000's	Company 2021 P000's
SBBL 059	**12-Dec-22**	**12-Dec-12**	**-**	84 000	**-**	84 000
SBBL 060	**12-Mar-23**	**12-Mar-13**	**24 000**	24 000	**24 000**	24 000
SBBL 061	**11-Mar-23**	**11-Mar-13**	**100 000**	100 000	**100 000**	100 000
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**	-
SBBL 075	**29-Jul-27**	**29-Jul-22**	**50 000**	-	**50 000**	-
Total unsubordinated debt			**474 720**	489 500	**474 720**	588 100
Total debt			**990 440**	958 720	**990 440**	958 720

Bonds SBBL 066 and 067 with a value of P140 million and P60 million respectively were early redeemed on 16 June 2022.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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36. Debt securities in issue *(continued)*

Subordinated liabilities

	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
More than 1 year but less than 5 years	**-**	-	**-**	-
More than 5 years	**515 720**	500 000	**515 720**	500 000
Total subordinated debt	**515 720**	500 000	**515 720**	500 000

Unsubordinated liabilities

	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Within 1 year	**124 000**	-	**124 000**	-
More than 1 year but less than 5 years	**250 720**	458 720	**250 720**	458 720
More than 5 years	**100 000**	-	**100 000**	-
Total unsubordinated debt	**474 720**	458 720	**474 720**	458 720

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 2022
In Pula (thousands)

37. Stated capital and other reserves

37.1 Stated capital

	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
31 936 205 (2021: 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 (2021: 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 with regard to 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	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Opening balance	**154 474**	139 270	**154 474**	139 270
Movement	**-**	15 204	**-**	15 204
Closing balance	**154 474**	154 474	**154 474**	154 474

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

37. Stated capital and other reserves (*continued*)

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 2022
In Pula (thousands)

37. Stated capital and other reserves *(continued)*

37.3. Share-based payment reserve (*continued*)

	Option price range (Rands)	Number of options	
Group Share Incentive Scheme	**2022**	**2022**	2021
Options outstanding at the beginning of the year	**-**	5 304	-
Net Transfers	**137.77**	17 488	5 304
Exercised	**-**	(4 698)	-
Lapsed	**-**	-	-
Options outstanding at the end of the year		18 094	5 304

The weighted average share price for the year was R127.22 (2021: R131.30). The BWP/ZAR exchange rate used is 1.3285 at 13 December 2022.

The weighted average share price for the year was P95.76.

The following options granted to employees, including executive directors, had not been exercised as at 31 December 2022:

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 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 2022:

Number of ordinary shares	Option price range (Rands)	Weighted average price (Rands)	Option expiry period
-	135.77	135.77	Year to 31 December 2022

	Average price range (Rands)	Number	
Group Equity Growth Scheme	**2022**	**2022**	2021
Rights outstanding at the beginning of the year	**-**	**-**	**-**
Net Transfers	**135.77**	**2 526**	**2 526**
Exercised[1]	**-**	**-**	**-**
Rights outstanding at the end of the year [2]		**2 526**	**2 526**

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

37. Stated capital and other reserves *(continued)*

37.3. Share-based payment reserve (*continued*)

Notes:

[1]During the year, Standard Bank Group shares (SBG) Nil (2021: Nil) were issued to settle the appreciated rights value.

[2]At the end of the year the Group would need to issue Nil (2021: 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 2022:

Number of rights	Award price range (Rands)	Weighted average price (Rands)	Rights expiry period
2 526	135.77	135.77	Year to 31 December 2023
2 526			

There were no rights granted to employees as at 31 December 2021:

Summary total reserves

	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Statutory credit risk reserve	**154 474**	154 474	**154 474**	154 474
Retained earnings	**1 608 039**	1 164 191	**1 570 454**	1 135 036
Fair value through OCI reserve	**-**	240	**-**	240
Closing total reserves	**1 762 513**	1 318 905	**1 724 928**	1 289 750

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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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 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 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		-	-	36 743	375 972	412 715	412 715
		12 163	460 387	23 194 404	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		-	-	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 2022
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 2021	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	-	409 493	21 994	-	431 487	431 487
Derivative assets	24.3	12 589	-	-	-	12 589	12 589
Trading portfolio assets	25	421	-	-	-	421	421
Financial investments	26.1	-	-	2 329 503	-	2 329 503	2 329 503
Loans and advances to banks	27.1	-	-	4 948 916	-	4 948 916	4 948 916
Loans and advances to customers	27.1	-	-	13 056 384	-	13 056 384	13 056 384
Other assets		-	-	33 609	405 372	438 981	514 329
		13 010	409 493	20 390 243	405 372	21 218 281	21 293 629
Liabilities							
Derivative liabilities	24.3	12 629	-	-	-	12 629	12 629
Deposits from banks	34	-	-	1 126 827	-	1 126 827	1 126 827
Deposits from customers	34	-	-	17 037 301	-	17 037 301	17 037 301
Debt securities in issue	36	-	-	958 720	-	958 720	1 027 812
Other liabilities		-	-	64 329	309 394	373 723	373 723
		12 629	-	19 187 177	309 231	19 509 200	18 578 292

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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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	23 194 404	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	-	1 126 827	1 126 827
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	22 043 267	22 043 267

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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 2021	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	-	409 493	21 994	-	431 487	431 487
Derivative assets	24.3	12 589	-	-	-	12 589	12 589
Trading assets	25	421	-	-	-	421	421
Financial assets	26.1	-	-	2 329 503	-	2 329 503	2 329 503
Loans and advances to banks	27.1	-	-	4 948 916	-	4 948 916	4 948 916
Loans and advances to customers	27.1	-	-	13 056 384	-	13 056 384	11 745 148
Other assets	28	-	-	33 609	401 257	434 866	510 214
		13 010	409 493	20 390 406	401 257	21 214 166	19 978 278
Liabilities							
Derivative liabilities	24.3	12 629	-	-	-	12 629	12 629
Deposits from banks	34	-	-	1 126 827	-	1 126 827	1 126 827
Deposits from customers	34	-	-	17 067 099	-	17 067 099	17 067 099
Debt securities in issue	36	-	-	958 720	-	958 720	1 027 812
Other liabilities	35	-	-	64 328	306 558	370 886	370 886
		12 629	-	19 216 974	306 558	19 536 161	19 605 253

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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38. Classification of assets and liabilities (*continued*)

38.2. Financial assets and liabilities measured at fair value - Fair value hierarchy

Group		2022				2021			
	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 and balances with central bank	23	**460 387**	**-**	**-**	**460 387**	409 493	-	-	409 493
Trading assets	25	**-**	**-**	**-**	**-**	421	-	-	421
Derivative assets	24.3	**-**	**12 163**	**-**	**12 163**	-	12 589	-	12 589
Total assets at fair value		**460 387**	**12 163**	**-**	**472 550**	409 914	12 589	-	422 503
Liabilities									
Derivative liabilities	24.3	**-**	**15 464**	**-**	**15 464**	-	12 629	-	12 629
Trading portfolio assets	33	**27 175**	**27 175**	**-**	**27 175**	-	-		-
Total liabilities at fair value		**27 175**	**15 464**	**-**	**42 639**	-	12 629	-	12 629

- 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 2022
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38. Classification of assets and liabilities (*continued*)

38.2. Financial assets and liabilities measured at fair value - Fair value hierarchy (*continued*)

Company		2022				2021			
	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 and balances with central bank	23	460 387	-	-	460 387	409 493	-	-	409 493
Trading assets	25	-	-	-	-	421	-	-	421
Derivative assets	24.3	-	12 163	-	12 163	-	12 589	-	12 589
Total assets at fair value		460 387	12 163	-	472 550	409 914	12 589	-	422 503
Liabilities									
Derivative liabilities	24.3	-	15 464	-	15 464	-	12 629	-	12 629
Trading portfolio liabilities	33	-	27 175	-	27 175	-	-		-
Total liabilities at fair value		-	42 639	-	42 639	-	12 629	-	12 629

- 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 2022
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38. Classification of assets and liabilities (*continued*)

38.3. Assets and liabilities not measured at fair value - Fair value hierarchy

Group	Note	2022 Level 1 P000's	2022 Level 2 P000's	2022 Level 3 P000's	2022 Total P000's	2021 Level 1 P000's	2021 Level 2 P000's	2021 Level 3 P000's	2021 Total P000's
Assets									
Cash balance	23	**84 492**	**-**	**-**	**84 492**	21 994	-	-	21 994
Financial assets	26.1	**3 018 080**	**-**	**-**	**3 018 080**	2 329 503	-	-	2 329 503
Loans and advances to banks	27.1	**-**	**-**	**6 790 157**	**6 790 157**	-	-	4 948 916	4 948 916
Loans and advances to customers	27.1	**-**	**-**	**13 264 932**	**13 264 932**	-	-	13 056 384	13 056 384
Other assets	28	**-**	**-**	**514 780**	**514 780**	-	-	514 329	514 329
Total		**3 102 572**	**-**	**20 569 869**	**23 672 441**	2 351 497	-	18 519 629	20 871 126
Liabilities									
Deposits from banks	33	**-**	**1 011 054**	**-**	**1 011 054**	-	1 126 827	-	1 126 827
Deposits from customers	33	**-**	**19 461 820**	**-**	**19 461 820**	-	17 037 301	-	17 037 301
Debt securities in issue	35	**-**	**990 440**	**-**	**990 440**	-	958 720	-	958 720
Other liabilities	34	**-**	**-**	**383 293**	**383 293**	-	-	373 723	373 723
Total		**-**	**21 463 314**	**383 293**	**21 846 607**	-	19 122 848	373 723	19 496 571

- All other assets and liabilities measured at amortised cost approximate their fair values.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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		2022				2021			
	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	84 492	-	-	84 492	21 994	-	-	21 994
Financial assets	26.1	3 018 080	-	-	3 018 080	2 329 503	-	-	2 329 503
Loans and advances to banks	27.1	-	-	6 790 157	6 790 157	-	-	4 948 916	4 948 916
Loans and advances to customers	27.1	-	-	13 264 932	13 264 932	-	-	13 056 384	13 056 384
Other assets	28	-	-	514 443	514 443	-	-	510 214	510 214
Total		3 102 572	-	20 569 532	23 672 104	2 351 497	-	18 515 514	20 867 011
Liabilities									
Deposits from banks	33	-	1 011 054	-	1 011 054	-	1 126 827	-	1 126 827
Deposits from customers	33	-	19 499 809	-	19 499 809	-	17 067 099	-	17 067 099
Debt securities in issue	35	-	990 440	-	990 440	-	958 720	-	958 720
Other liabilities	34	-	-	383 552	383 552	-	-	370 886	370 886
Total		-	21 501 303	383 552	21 814 855	-	19 152 646	370 886	19 523 532

- All other assets and liabilities measured at amortised cost approximate their fair values

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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
2022			
Financial investments:			
Government bonds	240	(240)	-
Other	-	-	-
Total	240	**(240)**	**-**
2021			
Financial investments:	-	240	240
Government bonds	-	-	-
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 (2021: 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
2022			
Total	**240**	**(240)**	**-**
2021			
Total	-	240	240

40. Commitments and contingencies

40.1 Contingent liabilities

	Group		Company	
	2022 P000's	2021 P000's	**2022 P000's**	2021 P000's
Letters of credit	**66 919**	136 080	**66 919**	136 080
Guarantees	**935 388**	1 096 029	**935 388**	1 096 029
Irrevocable unutilised facilities	**1 041 522**	913 051	**1 041 522**	913 051
Revocable unutilised facilities	**252 203**	255 990	**252 203**	255 990
	2 296 032	2 401 150	**2 296 032**	2 401 150

Expected credit losses of P826 000 were recognised in respect of off-balance sheet items at the reporting date (2021: P166 000).

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

40. Commitments and contingencies

40.1 Contingent liabilities *(continued)*

These are commitments 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 254 510 (2021: P1 488 099) 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	
	2022 P000's	2021 P000's	**2022 P000's**	2021 P000's
Capital expenditure authorised	**9 600**	8 607	**9 600**	8 607
	9 600	8 607	**9 600**	8 607

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 2022
In Pula (thousands)

41. Statements of cash flows information

41.1. Movement in income-earning and other assets

	Group		Company	
	2022 P000's	2021 P000's	**2022 P000's**	2021 P000's
Financial assets	**(707 430)**	196 431	**(707 430)**	196 431
Trading assets	**421**	3 559	**421**	3 559
Loans and advances	**(2 161 270)**	(2 979 763)	**(2 161 270)**	(2 979 763)
Net derivative assets/(liabilities)	**3 261**	(7 570)	**3 261**	(7 570)
Other assets	**(5 841)**	108 309	**(9 780)**	123 467
	(2 870 859)	(2 679 034)	**(2 874 798)**	(2 663 876)

41.2. Increase in deposits and other liabilities

	Group		Company	
	2022 P000's	2021 P000's	**2022 P000's**	2021 P000's
Customers' current, savings, other deposit accounts and deposits from banks	**2 309 746**	2 308 648	**2 316 937**	2 301 126
Trading liabilities	**27 175**	-	**27 175**	-
Other liabilities	**(25 477)**	(35 386)	**(20 067)**	(34 411)
	2 311 444	2 273 262	**2 324 045**	2 266 715

41.3. Direct taxation paid

	Group		Company	
	2022 P000's	2021 P000's	**2022 P000's**	2021 P000's
Current and deferred tax at beginning of the year	**(64 683)**	(82 142)	**(63 847)**	(81 777)
Income statement charge	**125 059**	56 462	**122 462**	54 516
Withholding tax receivable	**-**	(953)	**-**	(305)
Current tax adjustment	**(1 247)**	-	**63**	-
Less tax paid for the year	**(109 306)**	(38 050)	**(106 936)**	(36 281)
Current and deferred tax at end of the year	**(50 177)**	(64 683)	**(48 258)**	(63 847)

41.4. Reconciliation of unsubordinated debt

	Group		Company	
	2022 P000's	2021 P000's	**2022 P000's**	2021 P000's
Balance at beginning of the year	**958 720**	958 720	**958 720**	958 720
Unsubordinated debt issued	**315 720**	-	**315 720**	-
Unsubordinated debt redeemed	**(284 000)**	-	**(284 000)**	-
Balance at end of the year	**990 440**	958 720	**990 440**	958 720
Interest on unsubordinated debt	**33 171**	33 446	**33 171**	33 446

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Fund management				
- Unit trusts	**15 498 485**	12 628 924	**15 498 485**	12 628 924
	15 498 485	12 628 924	**15 498 485**	12 628 924
Geographical area				
- Domestic	**14 639 827**	11 784 967	**14 639 827**	11 784 967
- Foreign	**858 658**	843 957	**858 658**	843 957
	15 498 485	12 628 924	**15 498 485**	12 628 924

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 Botswana Ghana
  - Stanbic Bank Botswana Tanzania
  - Stanbic Bank Botswana Uganda
  - Stanbic Bank Botswana Zambia
  - Stanbic Bank Botswana Zimbabwe
  - Stanbic IBTC Bank, Nigeria
  - Standard Bank Malawi
  - Standard Bank Mauritius
  - Standard Bank Mozambique
  - Standard Bank RDC
- Standard International Holdings
  - Standard Bank plc

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

43. Related party transactions (*continued*)

43.2. Fellow subsidiaries (*continued*)

- 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

- Refer to note 29 for details of subsidiaries of Stanbic Bank Botswana Limited.

43.4. Entities under common control

- Liberty Holdings Botswana
- Liberty General Insurance
- Liberty Life Botswana

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

43. Related party transactions *(continued)*

43.5. Related party transactions

	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Interest income				
- Standard Bank Isle of Man	**67 498**	3 076	**67 498**	3 076
- Standard Bank South Africa	**15 472**	5 566	**15 472**	5 566
Management fee income				
- Stanbic Insurance Services	**5 127**	4 670	**5 127**	4 670
- Stanbic Financial Services	**1 438**	-	**1 438**	-
Preference dividend income				
- Liberty Holdings Botswana	**11 291**	5 055	**11 291**	5 055
Interest expense				
- Standard Bank South Africa	**1 526**	565	**1 526**	565
IT charges				
- Standard Bank South Africa - Africa Division	**49 397**	43 866	**49 397**	43 866ss
IC expenses				
- Standard Bank South Africa	**2 575**	3 557	**2 575**	3 557
- Stanbic Financial Services	**2 518**	-	**2 518**	-
- Stanbic Bank Botswana Zambia Ltd				
Travel and Training				
- Standard Bank South Africa	**-**	403	**-**	403
Franchise fees				
- Standard Bank South Africa - Africa Division	**41 373**	34 243	**41 373**	34 243
Trading Revenue				
- Standard Bank South Africa	**44**	-	**44**	-
Fees and commission income				
- Standard Bank South Africa	**573**	-	**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.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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43. Related party transactions (*continued*)

43.6. Related party balances

	Group		Company	
	2022	2021	**2022**	2021
	P000's	P000's	**P000's**	P000's
Derivative assets				
- Standard Bank South Africa	**5 058**	7 587	**5 058**	7 587
Trading assets				
- Standard Bank South Africa	**5**	-	**5**	-
- Standard Bank Isle of Man	**9**	8	**9**	8
Loans and advances				
- Standard Bank South Africa	**1 056 331**	509 916	**1 056 331**	509 916
- Standard Bank Isle of Man	**4 214 428**	3 087 309	**4 214 428**	3 087 309
- Stanbic Bank Botswana Zambia	**436**	320	**436**	320
- Stanbic Bank Botswana Zimbabwe	**-**	12 656	**-**	12 656
- Standard Bank Malawi	**-**	-	**-**	-
- Standard Bank Swaziland	**-**	-	**-**	-
- Standard Bank Namibia	**-**	-	**-**	-
- Stanbic Bank Botswana Kenya	**151**	207	**151**	207
Deposits and current accounts				
- Standard Bank South Africa	**(348 855)**	-	**(348 855)**	-
- Stanbic Bank Botswana Zambia	**(649)**	(284)	**(649)**	(284)
- Stanbic Bank Botswana Zimbabwe	**(1 092)**	(1 920)	**(1 092)**	(1 920)
- Stanbic Bank Botswana Kenya	**-**	-	**-**	-
- Standard Lesotho Bank	**(6 928)**	(24)	**(6 928)**	(24)
- Standard Bank Namibia	**(146)**	(1 039)	**(146)**	(1 039)
- Stanbic Insurance Services	**-**	-	**-**	-
- Standard Bank Swaziland	**(30)**	(4)	**(30)**	(4)
- Standard Bank Mauritius	**(173)**	(419)	**(173)**	(419)
- Standard Bank Malawi	**-**	-	**-**	-
Other receivables				
- Stanbic Insurance Services	**-**	-	**-**	-
- Stanbic Bank Botswana Zambia	**342**	434	**342**	434
- Standard Bank Swaziland	**-**	-	**-**	-
- Standard Bank South Africa	**-**	-	**-**	-
- Stanbic Insurance Services	**-**	-	**-**	-
- Stanbic Financial Services	**-**	-	**-**	-
- Standard Bank South Africa	**3 420**	17	**3 420**	17
- Stanbic Bank Botswana Kenya	**-**	1	**-**	1
- Standard Bank Eswatini	**-**	168	**-**	168
Preference dividends receivable				
- Liberty Holdings Botswana	**4 702**	4 702	**4 702**	4 702

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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43. Related party transactions (*continued*)

43.6. Related party balances (continued)

	Group		Company	
	2022 P000's	2021 P000's	**2022 P000's**	2021 P000's
Other liabilities				
- Standard Bank South Africa	**28 704**	22 623	**28 623**	22 623
- Stanbic Bank Botswana Ghana Limited	**-**	-	**-**	-
- Standard Bank Eswatini	**-**	168	**-**	168
- Stanbic Bank Botswana Zambia	**-**	-	**-**	-
- Stanbic Insurance Services	**4 410**	-	**4 410**	4 461
- Stanbic Bank Botswana Uganda	**-**	1	**-**	1
- Stanbic IBTC Holdings	**-**	12	**-**	12
Derivative liabilities				
- Standard Bank South Africa	**5 567**	7 587	**5 567**	7 587
- Standard Bank Lesotho	**3**	-	**3**	-
Dividend receivable				
- Stanbic Insurance Services	**-**	-	**-**	-

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 2022 and 2021. 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 3.25%-5.88% (2021: 3.25%-8.25%), 5.88%-9.76% (2021: 4.37%-7.00%) and 5.88%-25.50% (2021: 4.37%-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 2022
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44. Key management personnel (continued)

44.1 Key management personnel transactions and balances

	2022	2021
	P000's	P000's
Short-term employee benefits	**33 611**	36 954
Post-employment benefits	**3 153**	2 507
Salaries and other short-term benefits	**36 764**	39 461
Mortgage loans		
- Loans outstanding at beginning of year	**31 551**	25 643
- Loans granted during the year	**1 289**	7 215
- Loan repayments during the year	**(1 519)**	(2 831)
- Interest earned	**1 846**	1 524
Loans outstanding at the end of the year	**33 167**	31 551
Interest rate range for the year		**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	**2 396**	1 883
- Loans granted during the year	**-**	643
- Loan repayments during the year	**(1 583)**	(260)
- Interest earned	**323**	130
Loans outstanding at the end of the year	**1 136**	2 396
Interest rate range for the year		**5.88% - 9.76%**
Other loans		
- Loans outstanding at beginning of year	**1 940**	1 462
- Loans granted during the year	**559**	1 423
- Loan repayments during the year	**(187)**	(1 138)
- Interest earned	**106**	194
Loans outstanding at the end of the year	**2 418**	1 941
Interest rate range for the year		**5.88 - 25.50%**
Interest income earned	**2 275**	1 849

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 (2021: 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.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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45. Financial risk management (*continued*)

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.

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 (2021: 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 (2021: 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)*

For the year ended 31 December 2022
In Pula (thousands)

45. Financial risk management (*continued*)

45.2. Capital management (*continued*)

Capital adequacy

	Company	
	2022	2021
	P000's	P000's
Capital base:		
- Shareholders' equity	**1 998 212**	1 569 571
- Statutory credit risk reserve	**154 474**	139 270
- Intangibles	**-**	(27 000)
Tier I Capital	**2 152 686**	1 681 841
General provisions	**167 742**	154 431
Subordinated debt instrument	**515 720**	500 000
Tier II Capital	**683 462**	654 431
Sum of Tier I and Tier II capital (a)	**2 836 148**	2 336 272
Risk adjusted exposure:		
- Credit risk	**13 419 397**	12 355 654
- Operational risk	**1 136 041**	1 078 836
- Market risk	**184 438**	54 950
Total risk adjusted exposure (b)	**14 739 876**	13 489 440
Capital adequacy ratio (a/b x 100)	**19.24%**	17.32%
Bank of Botswana recommended ratio	**12.5%**	12.5%

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

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.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

45. Financial risk management (*continued*)

45.3. Credit risk *(continued)*

Credit risk mitigation (continued)

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.

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.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

45. Financial risk management (*continued*)

45.3. Credit risk *(continued)*

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 CHNW and BCC 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 2022
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

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	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Loans and advances at amortised cost														
Personal&Business Banking	10 419 602	-	-	9 547 748	22	-	523 666	348 166	348 166	166 829	9 960	171 377		
Mortgage loans	2 437 291	-	-	2 052 895	-	-	188 082	196 314	196 314	119 162	7 505	69 647	-	8%
Vehicle and asset finance	988 671	-	-	859 908	-	-	82 416	46 347	46 347	16 318	-	30 029	65%	5%
Card debtors	43 924	-	-	30 990	-	-	10 577	2 357	2 357	(2 133)	4 696	(206)	190%	5%
		-												
Other loans and advances	**6 949 716**	**-**	**-**	**6 603 955**	**22**	**-**	**242 591**	**103 148**	**103 148**	**33 482**	**(2 241)**	**71 907**	**68%**	**1%**
Personal unsecured lending	6 084 758	-	-	5 889 316	22	-	141 005	54 415	54 415	6 095	(2 241)	50 561	89%	1%
Business and other lending	864 958	-	-	714 639	-	-	101 586	48 733	48 733	27 387	-	21 346	44%	6%
Corporate & Investment Banking	**10 068 439**	**7 249 761**	**-**	**2 528 821**	**270 644**	**-**	**19 213**	**-**	**-**	**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**	**7 249 761**	**-**	**12 076 569**	**270 666**	**-**	**542 879**	**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	**20 055 090**													

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 2022
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 (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	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Net carrying amount of loans and advances at amortised cost	**20 055 090**							
Financial assets at amortised cost								
Corporate	185 742	185 742						
Sovereign	2 832 257	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	169 462	157 838	-	11 624	-	-	-	
Guarantees	611 052	560 519	-	47 383	2 743	-	407	
Irrevocable and revocable unutilised facilities	208 016	208 016	-	-	-	-	-	
Total exposure to off-balance sheet credit risk	**988 530**	926 373	-	59 007	2 743	-	407	
Expected credit loss for off balance sheet exposures 1	(826)							
Net carrying amount of off-balance sheet	987 704							
Total exposure to credit risk on financial assets subject to an expected credit loss	24 060 874							
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	**24 522 778**							

The exposure not subject to ECL relate to items that are not recorded at amotised 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 2022
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 2021

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	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Loans and advances at amortised cost														
Personal&Business Banking	**10 778 763**	**162 887**	**-**	**9 574 438**	**52 088**	**-**	**492 899**	**496 451**	**496 451**	**171 260**	**24 157**	**301 034**		
Mortgage loans	2 213 512	-	-	1 889 021	-	-	151 154	173 337	173 337	90 125	8 197	75 015	48%	8%
Vehicle and asset finance	970 139	-	-	782 127	-	-	139 972	48 040	48 040	15 903	-	32 137	67%	5%
Card debtors	45 411	-	-	31 364	-	-	11 254	2 793	2 793	2 128	-	665	24%	6%
Other loans and advances	**7 549 701**	**162 887**	**-**	**6 871 926**	**52 088**	**-**	**190 519**	**272 281**	**272 281**	**63 104**	**15 960**	**193 217**	**77%**	**4%**
Personal unsecured lending	6 598 119	2 092	-	6 357 773	-	-	138 822	99 432	99 432	36 288	1 966	61 178	64%	2%
Business and other lending	951 582	160 795	-	514 153	52 088	-	51 697	172 849	172 849	26 816	13 994	132 039	84%	18%
Corporate & Investment Banking	**7 797 886**	**5 067 010**	**-**	**2 324 634**	**359 251**	**29 377**	**17 614**	**-**	**-**	**-**	**-**	**-**	0%	0%
Corporate	2 725 696	461 329	-	1 959 506	257 870	29 377	17 614	-	-	-	-	-	0%	0%
Sovereign	145 684	-	-	79 336	66 348	-	-	-	-	-	-	-	0%	0%
Banking	4 926 506	4 605 681	-	285 792	35 033	-	-	-	-	-	-	-	0%	0%
Other services	-	-	-	-	-	-	-	-	-	-	-	-	0%	0%
Gross carrying amount of loans and advances at amortised cost	**18 576 649**	**5 229 897**	**0**	**11 899 072**	**411 339**	**29 377**	**510 513**	**496 451**	**496 451**	**171 260**	**24 157**	**301 034**		
Less: Total expected credit loss for loans and advances	(571 349)													
Net carrying amount of loans and advances at amortised cost	**18 005 300**													

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 2022
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45. Financial risk management (*continued*)

45.3 Credit risk (*continued)*

i) Maximum exposure to credit risk before collateral held or other credit enhancements 2021 *(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	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Net carrying amount of loans and advances at amortised cost	**18 005 300**							
Financial assets at amortised cost								
Corporate	185 742	185 742						
Sovereign	2 143 797	2 143 797						
Gross carrying amount of financial assets	**2 329 539**							
Less: Total expected credit loss for financial assets	(36)							
Net carrying amount of financial assets	**2 329 503**							
Letters of credit and bankers' acceptances	122 462	120 768	-	1 694	-	-	-	
Guarantees	598 032	540 005	-	50 998	6 899	-	130	
Irrevocable and revocable unutilised facilities	423 401	261 743	-	116 356	45 294	-	8	
Total exposure to off-balance sheet credit risk	**1 143 895**	922 516	-	169 048	52 193	-	138	
Expected credit loss for off balance sheet exposures [1]	(166)							
Net carrying amount of off-balance sheet	1 143 729							
Total exposure to credit risk on financial assets subject to an expected credit loss	21 478 532							
Exposures not subject to ECL:								
Cash and balances with Central Banks	296 066							
Derivative assets	12 589							
Trading assets	421							
Other financial assets	36 992							
Total exposure to credit risk	**21 824 600**							

The exposure not subject to ECL relate to items that are not recorded at armotised 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 2022
In Pula (thousands)

46. Financial risk management (*continued*)

45.3 Credit risk (*continued)*

i) Maximum exposure to credit risk before collateral held or other credit enhancements *(continued)*

	Maximum exposure	
Group	**2022**	2021
	P000's	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	**6 793 307**	4 948 306
Financial investments		
- Other unlisted instruments	**611 233**	587 960
- Government bonds	**185 742**	185 738
- Bank of Botswana Certificates	**2 221 105**	1 555 806
Loans and advances to customers (gross)	**13 694 734**	13 652 687
Loans to individuals and SME's		
- Mortgage lending	**2 437 291**	2 213 513
Vehicle and asset financing	**988 671**	970 139
- Overdrafts and other demand lending	**476 902**	35 368
- Medium-term advances	**6 472 808**	6 555 886
- Revolving credit accounts and card debtors	**43 924**	45 411
Loans to corporate entities		
- Mortgage lending	**-**	714 799
Vehicle and asset financing	**-**	246 191
- Overdrafts and other demand lending	**295 471**	145 684
- Medium-term advances	**2 979 667**	2 725 696
Trading assets		
- Government bonds	**-**	421
Cash and balances with central banks	**544 879**	431 487
Other financial assets	**24 847**	71 875
Credit risk exposures relating to off-balance sheet assets are as follows:		
Financial guarantees	**935 388**	1 096 029
Letters of credit	**66 919**	136 080
Irrevocable unutilised facilities	**1 041 522**	913 051
Revocable unutilised facilities	**252 203**	255 990
As at 31 December	**26 371 879**	23 835 430

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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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 at 31 December 2022 and 2021, 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 (2021: 78%); 11% represents investments in Bank of Botswana securities (2021: 10%).

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% (2021: 16%) 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 (2021: 91%)

Description of collateral held as security and other credit enhancements, in respect of the exposure above is as follows:

	2022 P000's	2021 P000's
For loans and advances, the Group holds the following collateral:		
Property bonds and other collateral	**12 060**	10 944
	12 060	10 944

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:

	2022 P000's	2021 P000's
Cash cover	**285 350**	275 600
Sundry securities (properties, government guarantees and others)	**556 300**	566 200
	841 650	841 800

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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45. Financial risk management (*continued*)

45.3 Credit risk (*continued*)

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:

	2022 P000's	2021 P000's	**2022 P000's**	2021 P000's
	Loan balance outstanding		Forced sale value	
Property bonds and other collateral	**12 537**	1 154	**6 499**	923

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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.

		2022			**2021**	
Credit quality	**Impaired P000's**	**Security against impaired loans P000's**	**Net impaired loans P000's**	Impaired P000's	Security against impaired loans P000's	Net impaired loans P000's
Loans and advances to customers	**348 166**	**167 006**	**171 200**	496 451	171 260	301 034
Personal and Business Banking	**348 166**	**167 006**	**171 200**	496 451	171 260	301 034
- Mortgage lending	**196 314**	**119 162**	**67 192**	173 337	90 125	55 601
- Vehicle and asset financing	**46 347**	**16 318**	**30 029**	48 040	15 903	30 839
- Card debtors	**2 357**	**2 563**	**(206)**	2 793	2 128	1 618
- Other loans and advances	**103 148**	**28 963**	**74 185**	272 281	63 104	212 976
Total recognised financial instruments	**348 166**	**167 006**	**171 200**	496 451	171 260	301 034

b) Loans and advances to banks

The total gross amount of individually impaired loans and advances to banks as at 31 December 2022 was Nil (2021: Nil). No collateral is held by the Bank in respect of these balances.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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45. Financial risk management (*continued*)

45.3. Credit risk (*continued*)

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:

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

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

46. Financial risk management (*continued*)

45.3. Credit risk (*continued*)

c) Concentrations of risk of financial assets with credit risk exposure *(continued)*

2021	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	4 948 916	-	-	-	-	-	4 948 916
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	421	-	-	-	-	-	421
Derivative assets	12 589	-	-	-	-	-	12 589
As at 31 December 2021	10 840 427	325 666	367 349	635 273	8 775 401	-	20 944 116
As at 31 December 2020	8 760 678	360 488	158 488	1 078 285	7 679 520	256 757	18 294 168

Segmental analysis - industry net of impairments and interest in suspense (IIS):	**Group 2022 P000's**	Group 2021 P000's	**Company 2022 P000's**	Company 2021 P000's
Agriculture	**202 167**	313 006	**202 167**	313 006
Construction	**97 072**	135 249	**97 072**	135 249
Electricity	**10 157**	265 881	**10 157**	265 881
Finance, real estate and other business services	**9 489 413**	7 926 378	**9 489 413**	7 926 378
Individuals	**8 525 045**	8 750 634	**8 525 045**	8 750 634
Manufacturing	**14 613**	12 660	**14 613**	12 660
Mining	**167 488**	86 108	**167 488**	86 108
Transport	**343 791**	15 360	**343 791**	15 360
Wholesale	**1 205 343**	500 024	**1 205 343**	500 024
	20 055 089	18 005 300	**20 055 089**	18 005 300

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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 2022	Up to 1 month	1 – 6 months	6 – 12 months	Over 1 year	Non-interest bearing	Total
	P000's	P000's	P000's	P000's	P000's	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 2022
In Pula (thousands)

45. Financial risk management (*continued*)

45.4. Market risk (*continued*)

Interest rate risk (*continued*)

Group As at 31 December 2021	Up to 1 month	1 – 6 months	6 – 12 months	Over 1 year	Non-Interest bearing	Total
	P000's	P000's	P000's	P000's	P000's	P000's
Assets						
Cash and balances with Central Bank	-	-	-	-	431 487	431 487
Derivative assets	-	-	-	-	12 589	12 589
Trading assets	421	-	-	-	-	421
Financial investments	849 884	561 350	146 746	771 523	-	2 329 503
Loans and advances to banks	4 948 916	-	-	-	-	4 948 916
Loans and advances to customers	13 056 384	-	-	-	-	13 056 384
Other assets	-	-	-	-	71 875	71 875
Total assets	18 855 605	561 350	146 746	771 523	515 951	20 851 175
Liabilities and shareholders' equity						
Derivative liabilities	-	-	-	-	12 629	12 629
Deposits from banks	1 126 827	-	-	-	-	1 126 827
Deposits from customers	14 562 012	2 381 708	738 228	482 180	-	18 164 128
Other liabilities	-	-	-	-	373 333	373 333
Subordinated debt	-	-	-	958 720	-	958 720
Shareholders' equity	-	-	-	-	1 706 975	1 706 975
Total equity and liabilities	15 688 839	2 381 708	738 228	1 440 900	2 092 937	22 342 612
Total interest repricing gap	3 166 766	(1 820 358)	(591 482)	(669 377)	(1 576 986)	

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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 2022 and 31 December 2021 were in the following ranges:

2022	**EUR**	**USD**	**GBP**	**ZAR**	**BWP**
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**
2021					
Assets					
Bank of Botswana Certificates	-	-	-	-	1.10
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	12.28
Liabilities					
Deposits from banks	-	1.34	-	3.50	0.08
Deposits from customers	0.10	0.07	0.18	1.72	0.91
Subordinated unsecured capital notes	-	-	-	-	6.77
NCDs	-	-	-	-	2.62

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

	2022 P000's	2021 P000's
200 basis points parallel increase – gains	**84 931**	103 113
200 basis points parallel decrease – losses	**(127 802)**	(80 339

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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). Whilst there are plans to replace Johannesburg Interbank Average Rate (JIBAR) locally, there is currently no indication of when the designated successor rate will be made available.

  In the 2022 financial year pos the prior year development the Bank is yet to transition to the reference interest rate reform. 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.

  The group's established steering committee and working group within treasury and capital management (TCM) continue to monitor the progression of the remaining USD LIBOR-linked contracts (1-, 3-, 6- and 12-month tenor rates) to manage the transition to appropriate ARR ahead of cessation on 30 June 2023. The steering committee tracks updates and best market practice recommendations emanating from official sector working groups established to catalyse transition in the relevant jurisdiction. 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.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

45. Financial risk management (*continued*)

45.4. Market risk (*continued*)

The above introduces a few 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.

Financial instruments impacted by the reform which are yet to transition

	USD LIBOR	* Other IBORs
	2022 P000's	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.

	USD LIBOR	* Other IBORs
	2021 P000's	2021 P000's
Total assets recognised on the balance sheet subject to IBOR reform	575 868	-
Loans and Advances [1]	575 868	-

[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 2022
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 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	5 797 586	731 266	270 595	7 009 211
Loans and advances to banks	209 764	5 583 900	498 614	270 543	6 562 821
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	6 134 106	1 237 610	273 956	7 860 730
Liabilities					
Deposit and current accounts	284 345	5 162 082	251 476	162 995	5 860 897
Deposits from customers	284 126	4 401 633	244 202	156 147	5 086 108
Other liabilities	219	760 449	7 274	6 848	774 789
Net off-balance sheet financial position	(63 314)	(375 157)	(1 016 534)	70 876	(1 384 128)
Net on-balance sheet position	(66 364)	703 975	755 517	111 007	1 504 135
Overall net position	(129 679)	328 818	(261 017)	181 884	120 006

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

45. Financial risk management (*continued*)

45.4. Market risk (*continued*)

Foreign exchange risk (*continued*)

As at 31 December 2021	EUR P000's	USD P000's	ZAR P000's	Other P000's	Total P000's
Assets					
Cash and balances with Central Bank	2 782	47 399	4 749	4 349	59 279
Loans and advances	312 080	4 086 865	536 038	158 283	5 093 266
Loans and advances to banks	312 080	3 797 606	385 105	158 283	4 653 074
Loans and advances to customers	-	289 259	150 933	-	440 192
Other assets	53 796	723 486	486 998	171	1 264 451
Total assets	368 658	4 857 750	1 027 785	162 803	6 416 996
Liabilities					
Deposit and current accounts	309 108	4 377 054	330 767	146 129	5 163 058
Deposits from customers	309 096	3 449 813	330 204	142 468	4 231 581
Other liabilities	12	927 241	563	3 661	931 477
Net off-balance sheet financial position	10 698	(165 961)	(415 027)	(116 267)	(686 557)
Net on-balance sheet position	11 685	228 835	428 454	16 673	685 647
Overall net position	22 383	62 874	13 427	(99 594)	(910)

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 2022
In Pula (thousands)

45. Financial risk management (*continued*)

45.4. Market risk (*continued*)

Foreign exchange risk (*continued*)

10% upward movement:

	2022 P000's	2021 P000's
USD (Sensitivity of the BWP depreciation)	**14 582**	17 840
ZAR (Sensitivity of BWP depreciation)	**1 497**	8 024
EUR (Sensitivity of BWP depreciation)	**15 012**	20 864
Total Movement	**31 091**	46 728

Foreign Risk Sensitivity analysis

10% downward movement

	2022 P000's	2021 P000's
USD (Sensitivity of the BWP depreciation)	**17 822**	21 805
ZAR (Sensitivity of BWP depreciation)	**1 830**	9 808
EUR (Sensitivity of BWP depreciation)	**18 152**	30 013
Total Movement	**37 804**	61 926

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.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

45. Financial risk management (*continued*)

45.5. Liquidity risk (*continued*)

- 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.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

45. Financial risk management (*continued*)

45.5. Liquidity 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	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

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.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

45. Financial risk management (*continued*)

45.5. Liquidity risk (*continued*)

As at 31 December 2021	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
Cash and balances with Central Bank	431 487	-	-	-	-	431 487
Derivative assets	-	12 589	-	-	-	12 589
Trading assets	-	-	-	421	-	421
Financial assets	849 883	561 350	146 746	771 524	-	2 329 503
Loans and advances to banks	4 516 568	432 348	-	-	-	4 948 916
Loans and advances to customers	1 004 561	1 313 492	1 005 816	9 315 908	416 607	13 056 384
Other assets	-	-	-	-	71 875	71 875
Deferred and current tax asset						
Intangible assets						
Property and equipment						
Total financial assets	6 802 499	2 319 779	1 152 562	10 087 853	488 482	20 851 175
Liabilities						
Derivative liabilities	12 629	-	-	-	-	12 629
Deposits from banks	725 151	-	-	401 676	-	1 126 827
Deposits from customers	13 435 185	2 381 708	738 228	482 180	-	17 037 301
Debt securities in issue	-	-	-	958 720	-	958 720
Other liabilities	-	-	-	373 723	-	373 723
Total financial liabilities	14 172 965	2 381 708	738 228	2 216 299	-	19 509 200
Net liquidity gap	(7 370 466)	(61 929)	414 334	7 871 554	488 482	1 341 975

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
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46. Subsidiaries

	Nature of operation	Stated capital P000's	Effective holding 2022 %	Effective holding 2021 %	Book value of shares 2022 P000's	Book value of shares 2021 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 2022
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47. Segment reporting

During the year, the Bank re-aligned the business to be future ready and client centric. Our reporting has changed to align to this principle. The client segments will be responsible 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 & 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 & Commercial Clients (BCC)	The BCC 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.
Consumer and High Net Worth (CHNW)	The CHNW segment is responsible for the end-to-end life cycle of our clients. It services individual clients across the country. We enable our clients' daily lives by providing relevant solutions 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 • Client Solutions • Transformation 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 2022
In Pula (thousands)

47. Segment reporting *(continued)*

2022 Group	Corporate and Investment Banking P000's	Business and Commercial Clients P000's	Consumer and High Net Worth 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)*

For the year ended 31 December 2022
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47. Segment reporting (*continued*)

2021 Group	Corporate and Investment Banking P000's	Business and Commercial Clients P000's	Consumer and High Net Worth P000's	Corporate functions P000's	Total P000's
Net interest income	215 531	183 542	320 835	(14 512)	705 396
Non-interest income	149 804	150 578	156 206	(6 510)	450 078
Net fee and commission income	43 406	88 669	120 244	21	252 340
Net trading income	105 797	60 942	19 245	(1 899)	184 085
Other income	601	967	16 717	(4 632)	13 653
Total income	365 335	334 120	477 041	(21 022)	1 155 474
Credit impairment charges	3 687	(122 752)	(89 477)	-	(208 542)
Income after credit impairment charges	369 022	211 368	387 564	(21 022)	946 932
Total operating expenses	(162 832)	(258 893)	(269 367)	26 132	(664 960)
Staff costs	(27 937)	(47 968)	(53 693)	(164 187)	(293 785)
Other operating expenses	(134 895)	(210 925)	(215 674)	190 319	(371 175)
Net income before indirect tax	206 190	(47 525)	118 197	5 110	281 972
Indirect tax	(2 612)	(2 931)	(5 622)	(8 206)	(19 371)
Profit / (loss) before direct tax	203 578	(50 456)	112 575	(3 096)	262 601
Direct tax	(43 966)	11 625	(24 814)	693	(56 462)
Profit / (loss) after tax	159 612	(38 831)	87 761	(2 403)	206 139
Operating information					
Total assets	10 807 544	1 797 181	8 756 292	(142 735)	21 218 282
Total liabilities	6 835 093	1 491 229	7 965 412	3 217 466	19 509 200
Other information					
Depreciation and amortisation	276	6 830	19 321	48 448	74 875

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

48. Going concern assessment

With the entire world now reverting back to business post the COVID-19 pandemic, the risks associated with COVID-19 have now been significantly reduced with reduced monitoring as well as reduced restrictions. Global trading has resumed, and Botswana is back to full operations with regional and global trading in full swing. Economic recovery has also been noted at the back of the return to normalcy. However, the Russia-Ukraine conflict has significantly affected trade with global supplies being impacted, resulting in an increase in inflation across most markets. However, the risks have been assessed and disruption to business has been noted, however, this is not expected to have a detrimental impact on the ability to continue doing business. An assessment of the economic forecasts has been performed and though slowing down, GDP is expected to continue growing as a result, the impact on diamond production and trade has been noted though not expected to bring the economy to a standstill, other minerals are seeing increased demand and are expected to bridge the gap.

An assessment was also made of the impact of South Africa's Grey Listing by the Financial Action Task Force (FATF) and the impact has been assessed to be minimal on the Bank's operations. However, risks though minimal, have been identified and documented. The Bank will continually monitor the impact on South Africa as the situation evolves and is prepared to place necessary action as required should there be increased risk in its exposures to South African counterparts.

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.

Notes to the financial statements *(continued)*

For the year ended 31 December 2022
In Pula (thousands)

49. Post reporting date events

On 10th January 2023 a dividend of P110 million was declared to the shareholder, Stanbic Africa Holdings Limited, for the year ended 31 December 2022. A solvency assessment was performed, and the Directors are satisfied that the Bank will remain solvent post settlement of the dividend.

On 24 February 2023, the Financial Action Task Force (FATF) placed South Africa on 'grey list'. South Africa will be subject to increased monitoring by the FATF and are required to actively work to address identified deficiencies in its national legislation and regulations to counter money laundering, terrorist financing and proliferation financing. The Bank has performed an impact assessment of the grey list on its operations and financial statements and expects no material impact. The Bank will continue to monitor developments as the situation evolves and will employ increased screening during onboarding of transactions of South African origin.

No other material events have been observed up to the date of approval of the financial statements.