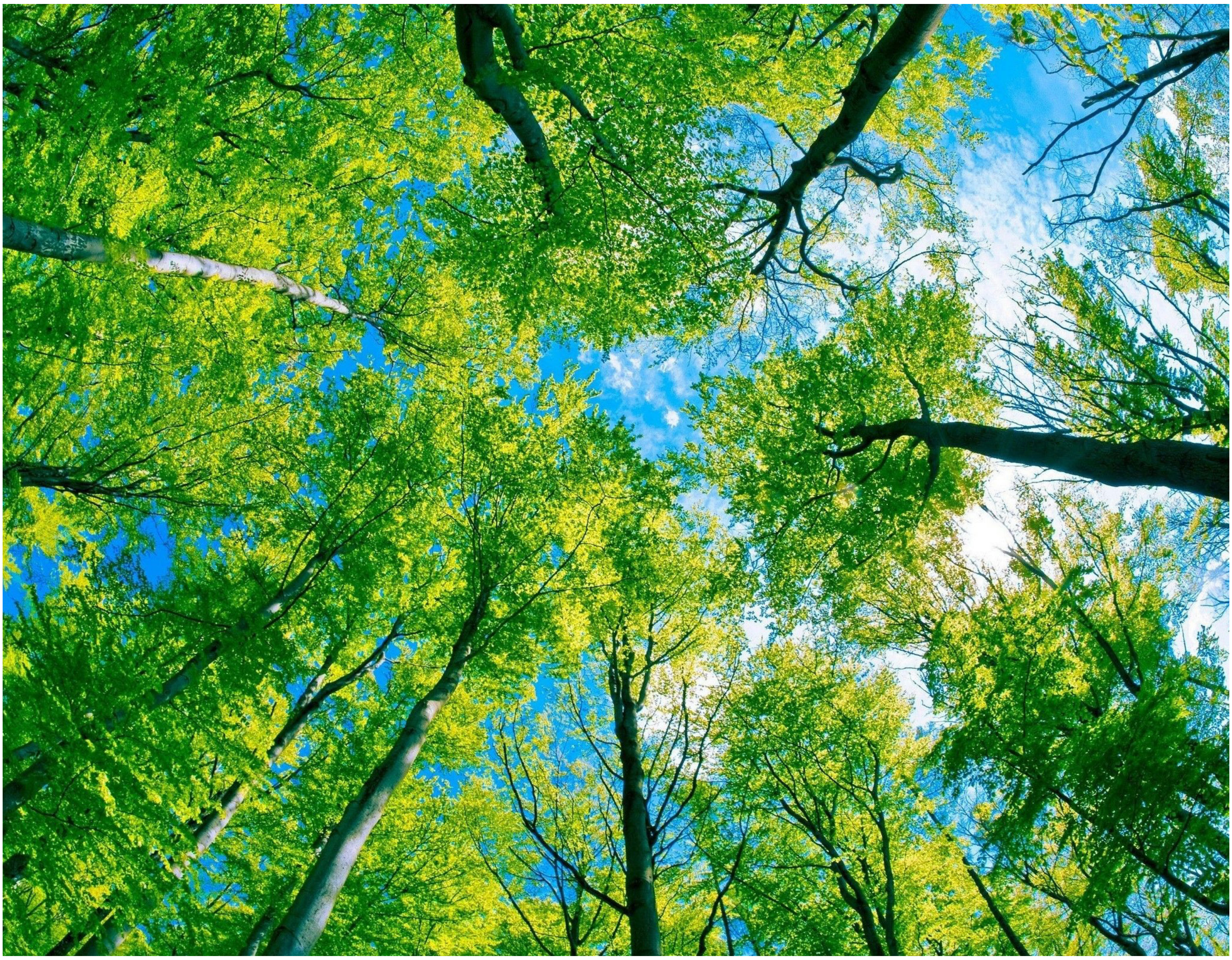
2024 Annual Report

Connecting Botswana to the world.



Connecting Botswana to the world

Content

About this Report

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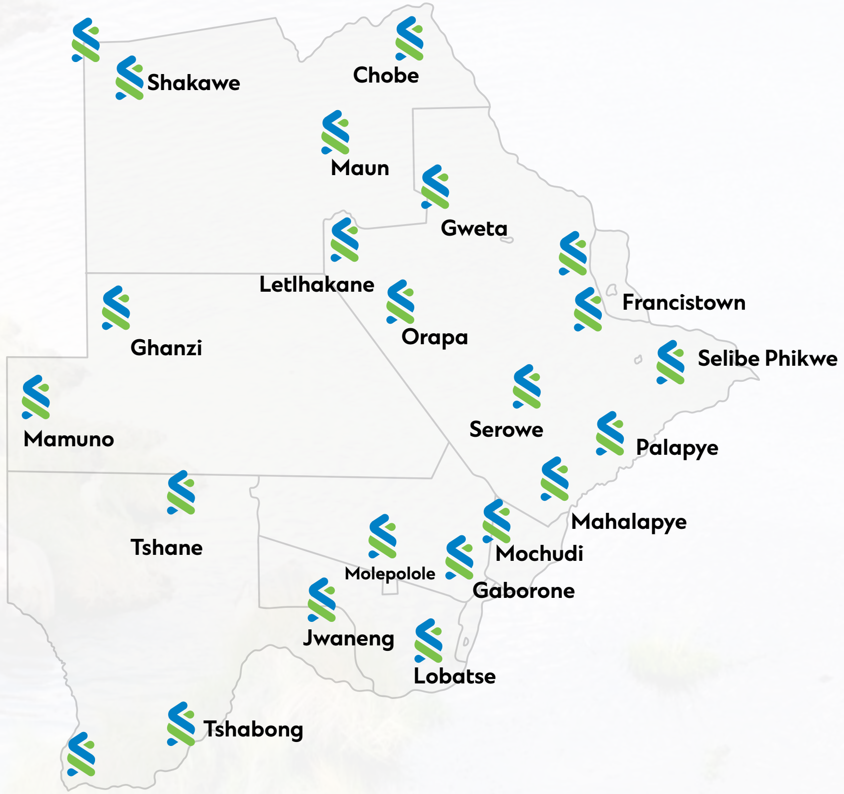
Our presence

Standard Chartered Bank Botswana first opened for business in Francistown in 1897, making it the country's first BankBank. In 1956, the office was given full branch status, and this was followed by the opening of branches in Lobatse (1958), Mahalapye (1963) and Gaborone (1964). We are the only fully international BankBank in Botswana.

We connect companies, institutions and individuals to some of the world's most dynamic markets. With our 128-year history, leveraging on our unique footprint, we have built a Bank like no other, with diverse capabilities and partnerships that set us apart and underpinned by our brand promise, here for good.

We are present in most parts of Botswana with a total of 10 branches and 4 express banking centres.

Our evolution to a digital-first model is well underway, through Eazy Pula we continue to expand our digital touch points; with 137 sites our aim is to deliver everyday banking solutions to our clients by integrating our services into their digital lives. Through our Corporate and Investment Banking segment, we are able to help corporates and institutions grow their business across borders in the world's most dynamic markets.



Ways to do banking

SC Mobile
Functionality: Customer can open different accounts on their mobile gadgets and access banking services wherever they are.
Key Features: Additional accounts can be opened and funded immediately.

Online Banking
Functionality: Manage your accounts and transactions anytime and anywhere.
Key Features: Offering more than 72 services including self-activation for all card types.

ATMs and CDMs
Functionality: Extensive physical presence 66 ATMs of which 21 are cash accepting.
Key Features: ZAR and USD dispensing ATMs at select sites.

Agency Banking
Functionality: Extending service point through 137 agent locations across the country.
Key Features: Deposit and withdrawal capability for Standard Chartered accounts.

ATM

Connecting Botswana to the world

Our culture, Our Stands

We're committed to promoting equality and inclusion, as it's our diversity – of people, cultures and networks – that sets us apart and helps us drive business growth.

We are guided by our valued behaviours, our stands and our brand promise, here for good. Through our ESG initiatives, we prioritize responsible banking practices, support community development projects, and uphold the highest standards of governance.

Our commitment to sustainability, not only strengthens our resilience to emerging risks but also enhances our reputation as a trusted and socially responsible financial institution.

Best consumer digital BankBank

SCBB won this award from global finance magazine seven years in a row.

Best Renminbi Bank

in 16 markets as announced by The Asset Triple A Treasurise Awards 2024

World's Best Custodian Bank

Global Finance 2024

Financial and Capital KPIs

Operating income	Profit before tax	Basic earnings per share (thebe)
BWP 1,065m	BWP 478m	106.42
(2023: BWP 1041m)	(2023: BWP 403m)	(2023: 93.65)

Return on capital employed	Capital Adequacy Ratio	Tier 1 capital ratio
26.6%	18.0%	11.2%
(2023: 24.7%)	(2023: 19.3%)	(2023: 11.8%)

Share price
701 thebe
(2023: 530 thebe)

NON-FINANCIAL MEASURES

Diversity and inclusion: women in senior roles	Employee engagement
46%	61%
(2023: 46%)	(2023: 28%)

A Message from Board Chairperson

2024 will be remembered as a tumultuous year that brought about a lot of global changes. Historic political changes were registered across the continent and beyond, with some countries posting unprecedented electoral outcomes. Our neighbour, South Africa, entered into a Government of National Unity (GNU) after a 30-year African National Congress (ANC) leadership. We experienced a historic change in our own Government, as the Umbrella for Democratic Change (UDC), rose to victory after a 58-year Botswana Democratic Party rule. Globally, we saw the Donald Trump administration winning over the United States of America's presidential office for the second term.

As the world was beginning to navigate through the effects arising from the Russia-Ukraine wars, the Trump administration heightened geo - political uncertainty by escalating USA and China trade tensions through border tariff policy reformations. The imposition of these tariffs on key trading partners such as China and Europe has led to volatility in global markets with less than desirable effects on commodity prices, supply chains and investor sentiments. As an integral part of the global trade network, these changes call for resilience as we manoeuvre through the risks, and at the same time leverage on the opportunities as they present themselves.

Economic Update

Botswana's economy continued to show resilience in the face of the challenging global economic environment. The economy registered a 2% contraction in 2024 from a 3.2% growth recorded in 2023, largely on the back of weakened diamond demand occasioned by competition from lab grown diamonds and economic uncertainty with its diamond key trade partner. The non-mining sector grew on average by 4.2% thus cushioning the domestic economy against what could have been a more significant contraction. The country has recorded a significant decline in foreign reserves, reflecting the subdued diamond sales performance, however we remain cautiously optimistic on the back of the expected diamond sales recovery and the Government's diversification strategy with specific focus on financial services and technology. As Standard Chartered Bank Botswana, we are committed to supporting the Government to achieve its goals and reduce dependency on traditional sectors such as mining. Inflation averaged 2.8% in 2024, from 5.2% recorded in 2023 and it is expected to remain within range into the medium term. The Monetary Policy Committee (MPC) maintained the MoPR at 1.90% and reduced the Primary Reserve Requirement (PRR) from 2.5% to 0%.

Performance

Our performance in 2024 is testament to the hard work and commitment to strategy by the Management team and employees of Standard Chartered Bank. We saw the Bank's operating income increase by 2% Year-on-Year, signifying our resilience as we responded to the challenging operating environment. The Bank reported a profit before tax of P478 million representing a 19% increase Year-on-Year from BWP403 million. Our continued focus on the implementation of our Digitisation strategy has yielded results as evidenced by the reduced operating expenses sitting at BWP612million representing an 8% decline Year-on-Year and Cost to Income Ratio of 57.5% from 63.8% recorded in the prior year. The share price performance speaks volumes to the effectiveness of our strategy as well as the stakeholders' confidence on our strategy. Our share price closed the period at BWP7.01 against BWP5.30 recorded in the same period prior year.

Board Changes

In 2024, we welcomed onboard an Executive Director Ms Tapiwa Butale and we bid farewell to Mr Thari Pheko who resigned from the Board effective 10th June 2024. The Board would like to thank Mr Pheko for his immeasurable and invaluable contribution to the Board.

People & Culture

Our employees remain our greatest asset hence our deliberate and targeted efforts towards professional development as well as ensuring that we create a conducive working environment for the employees. In line with our Fair Pay Charter, we continue reviewing our employees' salaries to ensure that we remain competitive in the market. Furthermore, we support our employees by creating flexible work life balance to accommodate their personal needs through the Work from Home programme and five months parental leave afforded all employees irrespective of their gender.

Corporate Social Responsibility

As a Bank, we pride ourselves in making a difference within the communities we operate in as we believe sustainable growth is linked to the wellbeing of the communities we serve. We have embarked on numerous initiatives such as employee volunteering programme and financial literacy to equip our communities with financial skills for the betterment of their future. Through our Futuremakers programme, we equip young people with entrepreneurial skills preparing them to be the employers of tomorrow.

Strategy

At Standard Chartered Bank Botswana, our focus remains on our customers, digital transformation and sustainable growth. We continue to leverage on technology to enhance our customer experience and streamline processes to simplify banking for our customers. In November 2024, we announced a shift in our strategy to focus on our cross-border capabilities, linking our clients to various markets, as well as growing the wealth of our affluent segment. We announced the exploration of the sale of the Wealth and Retail Banking business, a process that is still on-going and our intention is to ensure that it is delivered effectively, subject to the provisions of our laws and regulation and in the best interest of all stakeholders. As we progress the proposed transaction, we commit to ensuring transparency to the best of our capabilities and within the parameters of the law.

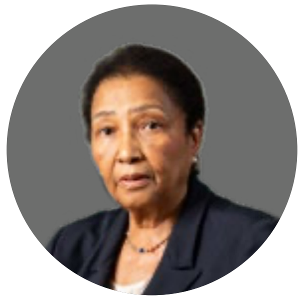
Outlook

As we look towards 2025, we will focus on our revised strategy, leveraging on our network to be a reliable, knowledgeable and progressive partner to Government, in the development of our economy. Together with the rest of the Board, Management and Staff, we remain committed to pivoting the business and connecting Botswana to the rest of the globe.

I wish to extend my appreciation to our dedicated employees, loyal clients, stakeholders and regulators for their continued support.

Doreen C. Khama
Board Chairperson

Board of Directors



Doreen Cilla Khama
Board Chairperson

Doreen Khama was appointed to the Board as an Independent Non-Executive Director in September 2018. She is the founder and senior partner of Doreen Khama Attorneys, a private law firm established in 1982 which provides legal advice to corporate and individual clients on commercial matters and general litigation. Ms Khama has over 2 decades of service in private practice and is also the honorary Counsel for Austria. She has sat on the boards of Botswana Savings Bank, ABC Holdings and Banc ABC Botswana where she served as a Non- Executive Director and a Chairperson.

Jerry Kweku Boi Bedu – Addo
Non-Executive Director

J. Kweku Bedu-Addo was appointed to the Board as a Non – Executive Director in January 2018. He was the Standard Chartered Bank's Regional CEO for Southern Africa based in Johannesburg, South Africa from 2017 to January 2025. Kweku's career has spanned Public Policy, International Development, and Banking & Finance. He worked in the Ministry of Finance in the 1990s during Ghana's Structural Adjustment reforms and joined Standard Chartered in 2000.

He held several senior Corporate & Institutional Banking roles in Ghana, West Africa, Zambia and Singapore and was appointed the first Ghanaian Chief Executive in the Bank's 125-year history in Ghana in 2010.

He is a past Chairman of the Ghana Stock Exchange. His mandate as Chairman of the International Banks Association in South Africa and a Board Member of Bankers Association, South Africa ended in January 2024.

Kweku is currently the Chairman of Standard Chartered Bank, Mauritius.

Kweku is the Publisher and Host of "It's Morning in Africa" Podcast series. He is an enthusiast of Astronomy and Creative Arts.

Mpho Masupe
Chief Executive Officer

Mpho Masupe, the Chief Executive Officer at Standard Chartered Bank Botswana, has held this role since 2017. Prior to becoming CEO, Masupe served as the Chief Financial Officer at Standard Chartered Bank Botswana and has held various positions in finance, banking and mining, demonstrating strong leadership and strategic acumen throughout his career.

Under Masupe's leadership, Standard Chartered Bank Botswana has focused on digital transformation, customer-centric services and sustainable growth. He has been instrumental in driving the turnaround and regrowth strategy of the Bank which hinged on innovation, ensuring that it remains competitive in the rapidly evolving financial landscape. Masupe is committed to corporate social responsibility, promoting initiatives that support economic development for all and community welfare in Botswana.

Over the years he has demonstrated extensive experience in financial oversight, budgeting and strategic financial planning. Masupe has strong leadership skills with a proven track record of managing teams and driving organizational success. Along with expertise in formulating and executing business strategies that align with the company's long-term goals, he advocates for leveraging technology to enhance banking services and improve customer experience.

Known for his forward-thinking approach and ability to adapt to changing market conditions, he is passionate about contributing to the development of Botswana and Batswana. Masupe's tenure as CEO has been marked by significant advancements in the Bank's operational efficiency, sustainable growth trajectory and market presence. His leadership continues to shape the future of Standard Chartered Bank Botswana, reinforcing its position as a leading financial institution.

Thari Gilbert Pheko
Independent Non-Executive Director*

Thari Gilbert Pheko was appointed to the Board as an Independent Non-Executive Director in February 2020. Mr Pheko is a Consultant at ZBL Investments (Pty) Limited, a company that provides consultancy services in broad spectrum of Information and Communication Technology (ICT). He has over 10 years experience in Executive Management positions of various organisations, he served as a Chief Executive for Botswana Telecommunications Authority and is a founding Chief Executive of Botswana Communications Regulatory Authority (BOCRA).

He holds a Master's in Management Information Systems, a Bachelors Degree in Business Finance and Economics from the University of East Anglia, Norwich, United Kingdom. He did Part One Bachelor's Degree of Arts from the University of Botswana and Swaziland majoring in Accounting and Public Administration.

Tapiwa Butale
Executive Director **

Tapiwa Butale joined Standard Chartered Botswana in 2005 as a Statutory Reporting Manager and rose through the ranks to become the Bank's Financial Controller, a position she held from April 2016 until April 2022 when she was appointed, the Chief Financial Officer; her current position at the Bank.

Ms Butale is a seasoned financial management professional with over 20 years of cumulative experience in Audit and Financial Management. She is a Chartered Accountant and a member in good standing of the Botswana Institute of Chartered Accountants (BICA) and the Association of Chartered Certified Accountants (ACCA). Tapiwa is also Association of Accounting Technicians (AAT) qualified.

Rodgers Majwabe Thusi
Independent Non-Executive Director

Rodgers Majwabe Thusi was appointed to the Board as an Independent Non-Executive Director in July 2019. Mr Thusi is the co – founder of Gidary Technical Solutions, a consultancy company which has undertaken a number of projects covering technical investigations, mineral resource evaluation including projects and operations management support at various mines.
He holds a Bachelors Degree of Science specialising in Mineral Processing from the University of Wales, a post Graduate Diploma in Management Studies from Management College of Southern Africa and Certificates in Advanced Operations Management as well as in Business Risk Management from the University of Cape Town.

He is a member of Botswana Institute of Engineers, a registered engineer by the Engineering Registration Board Botswana and a project management professional through the Project Management Institute.

Solomon Molebatsi Sekwakwa
Independent Non-Executive Director

Solomon Molebatsi Sekwakwa was appointed to the Board as an Independent Non-Executive Director of Standard Chartered Bank Botswana Limited in April 2022.

He is an economist by qualification with vast experience and expertise in Finance, strategy development and planning having worked mostly in senior positions for the various Government departments, including appointment as Permanent Secretary in the Ministries of Finance and Economic Development and Health and Wellness. He has played a key role on issues pertaining to national economic policy development, supervision and coordination in the preparation of the national budget and monitoring expenditure for various Government Ministries.

Throughout his service within the Government of Botswana, Mr Sekwakwa has served as a Board member for entities such as Botswana Development Corporation, University of Botswana, Debswana Diamond Mining Company and De Beers Group of companies.

He holds a Master of Arts Degree specialising in Development Economics, a Post Graduate Diploma in Economics from the University of Sussex in the United Kingdom and a Bachelor of Arts Degree in Economics and Sociology from the University of Botswana. He has further attained training and certificates in Project Management, Financial Programming and Policy and Corporate Governance Development Programme for Directors.

Rapelang Rabana
Independent Non-Executive Director

Rapelang Rabana was appointed to the Board as an Independent Non-Executive Director in December 2020.

Ms Rabana is an internationally lauded technology entrepreneur. Her areas of expertise include digital transformation, innovation, strategy and product development, operations and process engineering, communications and brand development. She has received numerous awards as recognition for her skills, experience and expertise such as being named one of the 15 Women Changing the World by the World Economic Forum in 2015, and Entrepreneur for the World by the World Entrepreneurship Forum in 2014. She currently serves as the Co-CEO of Imagine Worldwide, expanding edtech solutions across Africa. She is also the Founder of Rekindle Learning and a Partner at FFWD Innovation.

Ms Rabana holds a Bachelor of Business Science (Computer Science Honours), a Master of Science (Property Studies) both from the University of Cape Town (UCT), South Africa. In addition, she has completed the FAIS Regulatory Exams RE1 (Key Individuals), RE3 (Key Individuals), RE5 (Representatives), and the Venture Capital Intensive Course from Venture University in San Francisco, USA.

Mpho Judith Dimbungu
Independent Non-Executive Director

Mrs. Mpho Judith Dimbungu has amassed over 30 years of experience in financial management, primarily in the diamond mining sector. Holding senior positions at DTC Botswana, Debswana Mining Company, and De Beers Consolidated Mines. She served as Managing Director of Spring Crown Holdings (Pty) Ltd focusing on steel manufacturing for mining, water works, and construction industries until January 2025.

She excels in business management, financial planning for SMEs, and strategic development, displaying expertise in restructuring and process improvement during organizational transitions.

As a professional accountant, she holds titles like Fellow Chartered Accountant (FCA) and has earned an MBA from the University of Derby. Additionally, she's completed leadership development programs with Wits Business School and the London School of Business. Her influence extends to various boards and committees across industries such as financial services, Aviation, pension fund administration, and steel manufacturing.

Luzibo Benza
Company Secretary

Luzibo joined Standard Chartered Bank Botswana Limited in 2017 as Legal Counsel. She is an admitted Attorney with the Courts of Botswana and has gained experience in corporate commercial and banking law, general litigation and labour laws through working as a practising attorney and as an in-house counsel.

Luzibo holds a Master's Degree in Commercial Law from University of Cape Town, Bachelor of Laws Degree from the University of Botswana, a post graduate certificate in Enterprise Risk Management from Botswana Accountancy College and the law of banking and financial markets from the University of Witwatersrand, South Africa.

* Resigned from the Board effective 10th June 2024
** Appointed 24th May 2024

Chief Executive Officer's Report

Delivered strong, sustainable strategic growth

For 128years, Standard Chartered Bank has been defined by its financial strength and international network, which both remain our key enablers. The extensive experience accumulated over the years through various economic cycles and challenges has fortified the Bank's resilience and enhanced its ability to navigate the current global economic pressures.

Despite the challenges in the external environment, Standard Chartered delivered a robust set of results. We achieved an income growth of 2% over the previous year, surpassing BWP1 billion. Our unwavering focus on cost discipline led to operating expenses closing at BWP612 million, representing an 8% decline from the prior year. This culminated in a profit before tax of BWP478 million in 2024, compared to BWP403 million in 2023, marking a remarkable 19% growth.

This performance has enabled the Board of Directors to propose a final dividend pay-out of 105.527 thebe per ordinary share up by 2.5% from 2023. We continue to maintain a very strong balance sheet and are liquid, and well-capitalised with a Common Equity Tier 1 ('CET1') ratio of 5.8% and a capital adequacy ratio of 18.0%.

In 2023, we refreshed our strategy to concentrate on areas where we believed we could deliver the greatest value to our clients and shareholders. The Bank developed a comprehensive three-year plan aligned with the Group's strategic pillars: Affluent, Mass Retail, Network & Sustainability. This strategy was further supported by three key enablers: People & Culture, New Ways of Working, and Innovation & Technology. The three-year strategic plan has successfully been concluded in 2024, enabling the delivery of sustainable business growth and key notable achievements under the five priorities we had committed:

Optimized the Distribution Model

We introduced efficiencies such as Eazy Pula (Agent Banking) to expand our digital touch points, the Bank currently has 137 Agents serving a diverse profile of clients across Botswana.

Increase Brand Visibility

The Bank has sponsored key events over the years, supporting clients and organizations aligned to our values and focus areas. Furthermore, we hosted key events to appreciate clients and keep them informed on market dynamics and our product offering, such as the launch of International Banking, multiple Affluent events, the client appreciation events, and our annual Economic Outlook Breakfast. The Bank's association with Liverpool Football Club was also revitalised locally, with the return of the SC Cup – a client-focused five-a-side soccer tournament – which saw tournament winners, Debswana head to Liverpool in 2023 and the Liverpool supporter club in 2024.

The increased presence on digital media platforms and continuous media engagements resulted in a Public Relations Value of P3 million, against a baseline of P3.5 million from the previous year. In terms of brand consideration, the Bank scored 45% against a 24% market average.

Enhance Employee Experience

The employee value proposition has been enhanced in line with the fair pay charter; leave has been standardized for all colleagues to 30 days, car allowance was introduced and standardized for all colleagues and all staff regardless of gender, are eligible for 20 weeks of parental leave.

A new hybrid working model was introduced: Future Workplace Now, designed to give staff more flexibility around the way they work whilst enhancing productivity and increasing work life balance. 60% of our staff signed up for this initiative.

Delivered Client-centric solution

Personal Loan Turn Around Time as a proxy measure for good service has improved over the years, as the Bank introduced efficiencies and process enhancements. The TAT improved from 5.2days in 2022 to 3.5days in 2024.

Achieve 25% RoTe

Since 2023 the Bank has delivered an RoTE above 25% demonstrating the Banks efficiency in generating profit. The hard work and determination of our colleagues has enabled us to deliver value to our clients and shareholders.

Reshaping for Growth in 2025

We are a global Bank connecting corporate, institutional, and affluent clients to a network that offers unique access to sustainable growth opportunities across Asia, Africa and Middle East. Through this distinctive proposition, we help our clients navigate the dynamic macro-economic conditions and harness opportunities in various markets.

In recognition of this unique strength, we have sharpened our strategy to focus on our differentiated cross-border capabilities which will enable us to replicate the doubling of the Corporate and Investment Banking business. Our network is our unique competitive advantage, through it we connect companies, institutions and individuals to some of the world's fastest growing and most dynamic regions. With endless growth opportunities and plans for diversification by the new government, the Bank is well-positioned to act as a trusted, long-term partner to support continued growth of the economy. As the Bank continues to explore the sale of the Wealth and Retail Business, we will maintain the efficacy of the business by leveraging our strong local presence and comprehensive international network.

Our people remain the cornerstone of our success as we navigate significant organisational changes, our colleagues continue to demonstrate exceptional resilience, adaptability and commitment to the Bank's values and goals. The Bank will continue to invest in upskilling and internal mobility, to support and foster a culture of continuous learning. Clear communication, change management initiatives and employee well-being programs will play a critical role in maintaining staff morale and performance.

Finally, the Board and the Management Team would like to acknowledge the remarkable efforts of our colleagues again this year. Their notable dedication to our clients and the communities that we serve help to bring to life our brand promise of Here for good.

Mpho Masupe
Chief Executive Officer

Management Team

Mpho Masupe
Chief Executive Officer

Tapiwa Butale
Chief Financial Officer

Jared Obongo
Chief Risk Officer

Bame Moremong
Head, Corporate Affairs, Brand & Marketing

Moses Rutahigwa
Head, Wealth and Retail Banking

Asuquo Nkposong
Head, Corporate and Investment Banking

Shathani Molefe
Chief Compliance Officer

Molefe Petros
Chief Technology & Operations Officer

Kenneth Mbaiwa
Head, Human Resources

Modiri Modise
Head, Financial Markets & Financial Markets Sales

Neo Kwape
Head, Internal Audit

Charles Kamba
Head, Legal

Luzibo Benza
Company Secretary

Review of **Segments**

1. Wealth and Retail Banking
2. Corporate and Investment Banking

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Wealth and Retail Banking

In 2024, we renamed our Consumer, Private and Business Banking (CPBB) business to Wealth and Retail Banking (WRB).

This name is not only simpler but more importantly, it better reflects our decision to position the BankBank as a player in wealth creation by making wealth management solutions from our global network accessible to our clients in Botswana.

Our client strategy remains the same – serving the local and international banking needs of our clients across the full wealth continuum via Priority and Personal Banking, as well as Small and Medium Enterprises via SME Banking.

We are pleased to report a strong WRB financial performance for the year 2024. This success reflects the progress of our strategic pivot toward the affluent client segment, underpinned by a stable deposit base and the growing demand for lending and wealth solutions.

To achieve this ambition, we have made bold choices to focus on segments that are aligned to our strengths and present the business with greater opportunities for growth. We have invested in product offerings, platforms, and developed talent to support this ambition.

Key Strategic Highlights

- We launched international banking, enabling cross-border access to banking solutions through our international hubs of Jersey, UAE, Singapore and Hongkong. Early adoption is ahead of schedule and reflects Batswana's need to tap into these global opportunities to grow and protect their wealth.
- We continue to be a digital 1st BankBank and have made over 73 services available on our app and internet banking. As a result of this, we are now processing 95 % of client transactions through non-branch channels. Additionally, we have increased our physical presence by leveraging on our agent banking partnerships and currently have 137 agent outlets covering all the districts across the country.
- Lending remains to be a significant contributor to our business. We have automated the back end of the credit decisioning system for personal loans and credit cards which further simplifies and enhances client experience through improved Turn-Around-Time. Through our partnerships, we continue to strengthen our asset engine and have done this whilst remaining vigilant in managing risk.
- Leveraging on our international network and ability to offer global advisory-led solutions, wealth assets under management have grown 3 times in the same period. This is driven by a growing uptake of both local and foreign investment asset classes such as mutual funds and fixed income instruments.
- Client experience is at the heart of our strategy, to better serve our clients' personal, wealth and corporate needs, our clients continued to rate us highly on our wealth proposition and our client-friendly digital platforms. To stay ahead of the market in offering exceptional customer service, we have enhanced our service charter in pursuit of driving better collaboration between SME Banking, Affluent and CIB, thereby becoming the brand of choice.

Performance Summary

11% YoY
Income grew 11% year-on-year with return on tangible equity growing to 21% from 7% in 2023 and reaching the highest ever position.

900bps
Good cost efficiency with cost to income ratio improving by 900bps.

52%
Business profits were up 52% continuing the positive trajectory over the last 4 years.

2%
Customer deposits grew by 2% while assets were relatively flat year-on-year.

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the world

Moses Rutahigwa
Head, Wealth and Retail Banking

Corporate and Investment Banking

Our Corporate and Investment Banking segment (renamed from our erstwhile Corporate, Commercial and Institutional Banking) reflects our strategy to pivot the business to focus on deploying differentiated banking services to a niche client segment.

This strategy aligns with our unique product offerings as one of the largest global international banks with a historic presence in the Botswana market. These client segments include: Banks and Non-bank financial institutions, Government and Government Related Enterprises, Global Subsidiaries, Development Organisations, Investors and Intermediaries.

Key Strategic Highlights

- We are introducing a range of investment banking services in addition to our traditional offerings in lending, trade finance, cash management, securities services, financial markets, risk management, debt capital markets and corporate finance. These include: Metals & Mining advisory services targeted at supporting the mining sector, sustainable financing, Development Agency Financing (eg: Export Credit Agency financing), commodity trading, capital structuring and ratings advisory as we position key clients to tap the Eurobond and international debt capital markets.
- Our coverage model allows us to offer our clients world class service experience and deliver efficiencies, leveraging on our state-of-heart banking system and network capabilities.
- We have implemented key initiatives to enhance our worldclass banking platform:
  - **Security Services**: We have migrated to full digital banking services and continue to migrate more services onto our platform. Booking of money market investments and proxy voting are now performed via our platform.
  - **Security:** Introduction of Two Factor Authentication digital tokens, alphanumeric PINs on mobile, hard token decommissioning, and enhanced security for integration into our corporate online banking platform.
  - **Self-help Utilities:** Chatbot, Trade Track-it.
  - **S2B Mobile:** Payment approval, self-administration, account drilldown.

Performance Highlights

- Income growth and portfolio quality are on an upward trajectory despite challenging macroeconomic conditions. We have continued to penetrate the wallets of our existing clients and convert key prospects within our market niche, specifically in manufacturing and mining.
- Continued discipline on costs, with total segment costs down year on year.
- Resilient performance driven by a diversified product suite and expanded client solutions.

Performance Summary

P318m

Total income for the year closed at P318m up 4% above the same period in 2023.

P118m

The financial year 2024 was another growth year for the CIB business* recording an operating profit of P184m, a 4% growth over the prior period.

*CIB business excluding shared services (other banking).

Asuquo Nkposong
Head, Corporate and Investment Banking

People and Culture

Our People, Our Strength

Diversity differentiates us. Delivering our purpose rests on how we continue to invest in our people, enhance the employee experience and strengthen the culture.

Innovative. Collaborative. Here for good. A BankBank like no other. Standard Chartered connects markets, clients and ideas. It's where over 404 people come together with ambition and a strong sense of accountability to act and make good things happen for each other, its clients and its communities.

When you work with Standard Chartered you can expect to be challenged and supported, while helping to build the new economies in trade, innovation and sustainability that will change the world for good.

Invested in your growth & wellbeing

- We build for the long term. Whether it's through innovative learning solutions, exploring different opportunities through our Talent Marketplace or taking advantage of cross-border experiences and exposure to different markets and cultures across Europe, Americas, Africa, Middle East and Asia, we'll satisfy your desire to learn and progress and help you build skills and confidence that will stay with you for life.

- We want you to be able to bring your best self to work. We offer a range of flexible working practices to help you manage the balance between your personal and professional responsibilities. 60% colleagues on hybrid working arrangements.

- We'll reward you fairly for your achievements, with a fixed and performance-related pay structure, and provide benefits and resources that support your mental, physical, and social wellbeing. Increase in bonus and annual salary reviews.

- 4 Male colleagues have benefited from our new Parental entitlement of 20 weeks leave in 2024.

Prosperity through diversity

- We're inclusive, collaborative, and innovative. We never settle for just good enough and ask that you bring your curiosity, ideas and ambition to help us test and learn, innovate, unlock commercial value, and deliver solutions for our clients, communities and markets.

- We are better together; over 400 of us! Our unique diversity – of people, footprint, clients and products – is our superpower. It's the force behind our innovation, helping us drive commerce and prosperity.

- Your voice will be heard and you'll be empowered to take action and accountability to drive positive change.

Here for Good

- Be part of something special – together we can create a future, we can all be proud of.

- Being here for good isn't just about how we're growing sustainably and advancing our social and economic priorities. Doing the right thing underpins everything we do and how we do it, from how we finance projects and support small businesses and individuals, through to how we treat each other and engage with communities. We hold each other accountable to the highest standards, we treat each other with respect, and we share honest feedback. We trust each other to call it out when something isn't right, and we celebrate colleagues who embody our valued behaviours.

- 3 days leave entitlement for all colleagues to volunteer in their committees and make an impact. 90% of our employees have volunteered in various schools to drive early childhood development.

Kenneth Mbaiwa
Head, Human Resources

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Top Executive Remuneration

Item	Amount
Fixed Compensation	14,006,092.00
Variable Compensation	5,526,158.00
Allowances	2,360,313.80

Key People Metrics

404
Total number of colleagues

100%
Permanent and pensionable colleagues

30 days for all
Annual leave

20 weeks for all
Parental Leave

60% participation
Flexible working

65 annually
Learning Hours

2.7 million against **2.9million**
Learning Hours

0% disengaged and **61%** engaged**, 39%** partially engaged.
Employee Engagement Score

79%
Intent to stay

Chief Risk Officer's Review

Managing Risk

The Bank takes measured risks to meet its strategic priorities within Board of Directors approved risk appetite limits, management action triggers, and reasonable risk profile.

The global, regional, and local economies witnessed substantial slowdown in Real Gross Domestic Product in 2024 compared to 2023. The operating environment remained challenging. The impact of increasing interest rates, inflated cost of living, geo-political uncertainty, Russia-Ukraine war, Israel-Hamas war, brent oil price increase, reduced price & demand of copper & diamond, and supply chain disruptions posed challenges to the credit portfolios and other principal risks.

Specifically:

- Few corporate clients were put on early alerts monitoring on purely precautionary basis due to volatility of price and demand of diamond.
- Low level of non-funded income contribution in 2024 exposed the Bank to interest sensitive assets/ instruments.
- Botswana Household credit degrown at 3.9% in 2024 compared to 5.0% in 2023 while business credit degrown at 9.1% against 11.5% in the same period.

Corporate and Investment Banking (CIB)

Our CIB credit portfolio remained resilient with overall good asset quality, as evidenced largely by our investment grade corporate portfolio of 83% at 31 December 2024 (2023: 71%).

We actively tracked geopolitical risks to enable us to act should the need materialize. We closely monitored vulnerable sectors and identified clients that may face difficulties on account of increased interest rates, foreign exchange movements, commodity volatility or increased prices of essential goods.

Wealth and Retail Banking (WRB)

The WRB credit portfolio remained alert to the risks of the uncertain economic outlook but continued to demonstrate resilience.

Overall, delinquencies have improved, 30+% delinquency recorded 0.88% as at Dec 2024 compared to 1.05% same period in 2023. Our delinquency volume has improved a lot mainly due to improved collections coverage and resolution rates.

For both our secured and unsecured consumer credit portfolios, we continued to monitor customer affordability across our key sectors and dynamically adjusted origination criteria, portfolio management and collections strategies, as appropriate.

Treasury Risk

Our liquidity and capital risks are managed to ensure a strong and resilient balance sheet that supports sustainable growth. We continued to enhance our Treasury Risk framework to incorporate the lessons from recent market events as well as horizon risks.

Liquidity remained resilient across the Bank. Capital ratios remained above the Risk Appetite floor and regulatory limits with Common Equity Tier (CET)1 closing at 5.8% against regulatory limit of 4.5% and Tier 1 at 11.2% against regulatory limit of 7.5%. Capital Adequacy Ratio (CAR) ended at 18% against temporary CAR relief of 12.5%.

The improved performance on CAR was on the back of the robust performance during the year and the Risk Weighted Asset efficiency measures. Statutory liquidity remained at adequate levels; Liquid Asset Ratio (LAR) closed the quarter at 17% against regulatory limit of 10%.

The Bank continues to drive investment in long tenor securities to enhance the yield on the investment portfolio. We maintained a resilient liquidity position throughout the period.

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

Risk Performance Summary

Asset quality is resilient. The percentage of investment-grade corporate net exposure remained high at 83% (31 December 2023: 71%).

However, the Bank remained vigilant of persistent challenging conditions in key sectors of the economy. In 2024, we saw a $51m decrease in Early Alerts exposure (31 December 2024: $46m, 31 December 2023: $97m), driven by outflow of one corporate client being removed from Early Alert.

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

An update on our risk management approach

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

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

Principal Risk Types

PRTs are risks inherent in our strategy and business model. These are formally defined in our ERMF, which provides a structure for monitoring and controlling these risks through the Risk Appetite Statement.

We will not compromise compliance with our Risk Appetite in order to pursue revenue growth or higher returns.

Jared Obongo
Chief Risk Officer

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the world

Chief Risk Officer's Review

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

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

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

Topical and Emerging Risks (TERs)

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

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

The TER list is not exhaustive and there may be additional risks which could have an adverse effect on the Bank. There are some horizon risks that, although not highly likely at present, could evolve into a threat in the future and we are therefore monitoring them. These include future pandemics and the world's preparedness for them, and other potential cross-border conflicts. Our mitigation approach for these risks may not eliminate them but demonstrates the Bank's awareness and attempt to reduce or manage the risks. As certain risks develop and materialize over time, management will take appropriate steps to mitigate them based on their materiality on the Bank.

Macroeconomic and geopolitical considerations

There is interconnectedness between risks due to the importance of US Dollar financing conditions for global markets, the global or concentrated nature of key supply chains for energy, food, semi-conductors and rare metals, and the direct influence of geopolitics on geoeconomics.

The Bank is exposed to these risks directly through investments, infrastructure, and staff, and indirectly through its clients. Whilst the main impacts are financial, other ramifications may exist such as reputational, compliance or operational considerations.

Expanding array of global tensions and new geopolitical order

Global power dynamics have shifted, with different political and economic alliances beginning to create a multipolar power system. This has been accelerated by the war in Ukraine and conflicts in the Middle East. Whilst the Bank has limited direct exposure to Russia, Ukraine, or Israel, it may be impacted by second order effects on its clients and markets for agricultural commodities, oil, or gas.

The positioning of 'middle powers' is complex and evolving and could tip the geopolitical scales. The negotiating power of exporters of energy and other natural resources has expanded and can shape global markets, as they can use global divisions to raise their own profile. One such example is the envisaged expansion of BRICS to seek a counterweight to Western power axes.

US-China tensions remain, with protectionist measures imposed by both sides. Tariffs, embargos, sanctions, new taxes such as that on carbon, and restrictions on technology exports and investments, are being used to achieve goals beyond just economic. Further economic or political actions could escalate distrust and accelerate the decoupling of trade links, leading to increasingly inefficient production and inflation pressures.

Despite attempts to become more pragmatic, several potential flashpoints remain. A push by China to increase RMB trade and establish RMB as a secondary global reserve currency presents new business opportunities but also potential disruption to the balance of power.

With many elections due across the world including Botswana in the next twelve months, there is uncertainty over the political direction of domestic and foreign policy. There is a risk of short-term political expediency taking precedence over long-term strategic decision making.

There is an ongoing threat of terrorism, with unpredictability exacerbated by the wider range of ideologies at play. Cyber warfare by state related actors could also be used to disrupt infrastructure or institutions in rival countries.

A more complex and less integrated global political and economic landscape has the potential to challenge cross border business models, but also provides new business opportunities.

Economic slowdown in China

Given China's importance to global trade and in particular main consumer of our diamond, a slowdown would have wider implications across the supply chain, especially for its trading partners, as well as to countries which rely on it for investment, such as those in Africa. However, opportunities arise from the diversification of intra-Asia trade and other global trade routes, and growth acceleration in South Asia, especially India.

How these risks are mitigated/next steps

- We remain vigilant in monitoring risk and assessing impacts from geopolitical and macroeconomic risks to portfolio concentrations.
- We conduct thematic stress tests and portfolio reviews at the Bank, and business level, with regular reviews on vulnerable sectors, and undertake any necessary mitigating actions.
- We maintain a diversified portfolio across products and geographies, with specific risk appetite metrics to monitor concentrations.
- Increased scrutiny is applied when onboarding clients and in ensuring compliance with sanctions.
- Collateral and credit insurance are used to manage concentrations.

Chief Financial Officer's Review

Business Performance

The Bank delivered on its key financial objectives for 2024, achieving 31% Return on Tangible Equity (RoTE), ahead of target to reach 25% by 2025. 2024 Operating income is up 2% on prior year, with strong performance on net interest income (NII) which recorded a year-on-year growth of 7%. Performance in NII is backed by improved margins on asset products, due to a lower cost of funding especially in the first half when compared to prior year (2023).

Focus on market insights and low-cost deposit mobilisation yielded positive results allowing Standard Chartered Bank Botswana (SCBB) to end the year with reduced holding of expensive volatile term deposits.

The continued cost containment efforts resulted in 8% decline year on year on operating expenses, closing the year at 57% Cost to Income Ratio (CIR) from the 64% reported in 2023. The drop on operating expenses was achieved despite the increases in staff costs as the Bank continues to invest on employee value proposition to make it a great place to work. The Bank's strategic intent to maintain a resilient balance sheet remains in focus. Customer deposits up 5% year on year primarily driven by increased holding on core deposits.

Net Interest Income and margin

	2024 P'000	2023 P'000
Net Interest Income	866,223	805,794
Average Interest-earning Assets	11,064,124	12,010,311
Average Interest-bearing Liabilities	11,475,350	12,822,330
Gross Yield (%)	10.0	9.5
Rate Paid (%)	2.1	3.2
Net Yield	7.9	6.3
Net Margin (%)	7.8	6.1

Net Interest Income (NII) increased by 7% year on year to BWP866m largely driven by the reduction in interest expense. Average interest earning assets reduced by 8% due to decline in Corporate loans. The reduction in interest expense resulted in improved net margin of 170 basis points annually.

Credit Quality

	2024 P'000	2023 P'000
Gross loans and Advances to customers	**8,337,356**	**8,771,762**
Of which Stage 1 and 2	8,112,202	8,599,385
Of which Stage 3	225,154	172,377
Expected Credit loss provisions	**182,992**	**211,962**
Of which Stage 1 and 2	24,588	93,398
Of which Stage 3	158,404	118,564
Net loans and Advances to customers	**8,154,364**	**8,559,800**
Of which Stage 1 and 2	8,087,644	8,442,200
Of which Stage 3	66,720	117,600
Collateral	**1,463,659**	**1,653,256**
Stage 1 and stage 2 exposures	687,632	1,598,479
Stage 3 exposures	776,027	54,777

Stage 1 and 2 ECL provisions decreased by 74% year on year, further reflecting the quality of the loan book. Stage 3 impaired exposures increased by 34% due to specific clients, which the Bank continues to work closely with.

Balance Sheet and Liquidity

	2024 P'000	2023 P'000
Assets		
Loans and advances to banks	791	6,906
Loans and advances to customers	8,154,364	8,559,800
Other Assets	10,214,189	9,389,585
Total assets	**18,369,344**	**17,956,291**
Liabilities		
Deposits from other banks	1,095,708	330,885
Deposits from customers	13,792,379	13,081,354
Other Liabilities	2,223,203	3,301,426
Total liabilities	**17,111,290**	**16,713,665**
Equity	**1,258,054**	**1,242,626**
Advances-to-deposits Ratio (%)	59.1	65.4
Liquid Assets Ratio (%)	19.2	19.5

Total loans and advances to customers decreased by 5% to BWP8.1b, driven by the settlement of a significant short term trade facility. Household assets remained resilient and relatively flat year on year. The strategic funding plan remains robust, underpinned by core deposits opportunities in the CIB segment.

Risk Weighted Assets (RWA)

	2024 P'000	2023 P'000
Credit	6,691,982	6,454,363
Market	21,903	21,159
Operational	801,249	762,077
Total RWAs	**7,515,134**	**7,237,599**

Capital Base and ratios

	2024 P'000	2023 P'000
CET1 Capital	**439,154**	**483,551**
Additional Tier 1 Capital (AT1)	400,000	400,000
Tier 1 Capital	**839,154**	**883,551**
Tier 2 Capital	507,955	554,270
Total Capital	**1,347,110**	**1,437,821**
Capital adequacy ratio (%)	18.0	19.3
Regulatory Threshold (%)	12.5	12.5

Capital ratios remain within regulatory limits with Capital Adequacy Ratio (CAR) ending the year at 18.0%.

The BankBank continuously embarks on initiatives to optimize deployment of capital for maximum return to shareholders.

Tapiwa Butale
Chief Financial Officer

Sustainability Review

Environmental

Accelerating Net Zero in our Operations and Connecting Botswana to the World.

In today's interconnected global economy, sustainability serves as a vital bridge connecting Botswana to the world. As we expand our global footprint and relationships, the pursuit of economic, social, and environmental sustainability remains one of the defining challenges of our era and continues to be a core priority for our Group.

Climate change represents one of the most pressing global challenges, with particular relevance to the regions where we maintain operations—spanning Asia, the Middle East, and Africa. At Standard Chartered, we've moved beyond merely acknowledging these realities; we are actively defining sustainability within our context and translating these principles into concrete investments and actions throughout our global network.

Our corporate purpose—driving commerce and prosperity through our unique diversity—forms the foundation of our sustainability commitment. Guided by our values of never settling, being better together, and doing the right thing, we strive to authentically embody our brand promise: to be here for good.

We aim not only to contribute to a cleaner and safer world but also to facilitate a just transition that meets climate objectives while supporting the continued growth and prosperity of emerging markets like Botswana.

Global Standards, Local Action

Since 2016, our commitment to sustainable and responsible business practices has been expressed through our Group Sustainability Aspirations.

These aspirations outline how we promote social and economic development, aligning with our commitment to the UN Sustainable Development Goals (UN SDGs).

We diligently measure progress against these targets, with key goals integrated into our Group Scorecard for consistent tracking, widespread awareness, and robust implementation support. To effectively monitor progress, we've established quantifiable short- to medium-term targets with annual disclosure of our performance data.

Recognizing the environmental impact of our physical presence, we remain committed to reducing our branches' and offices' ecological footprint. We've measured and managed our greenhouse gas (GHG) emissions since 2008, strengthening our commitment in 2018 by targeting reductions in Scope 1 and 2 emissions in line with a well-below two degrees Celsius scenario.

In 2021, we enhanced this commitment by setting out our ambition to achieve net zero in our Scope 1 and Scope 2 emissions by 2025.

Connecting Sustainable Practices Across Borders

Our approach is methodical and comprehensive, connecting global best practices with local implementation. We optimize our office and branch network by retiring underutilized spaces while adapting to modern requirements for hybrid working solutions. In partnership with strategic real estate collaborators like JLL, we maximize efficiency while incorporating clean and renewable energy solutions where feasible. Our participation in global initiatives such as RE100 underscores our commitment to corporate renewable energy adoption.

Our efforts follow a four-tier hierarchy:

1. Reduce occupied space
2. Optimize the remaining portfolio for energy efficiency
3. Procure clean, renewable energy
4. Offset where enhancements aren't feasible

Botswana's Progress: A Global Sustainability Ambassador

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

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

1. Complete transition to efficient LED lighting across all branches
2. Installation of inverter-type efficient air conditioning systems
3. Implementation of Solar PV projects
4. Strategic operational adjustments to Mechanical, Electrical, and Plumbing systems

Sustainability

Carbon Performance

Employee Volunteering

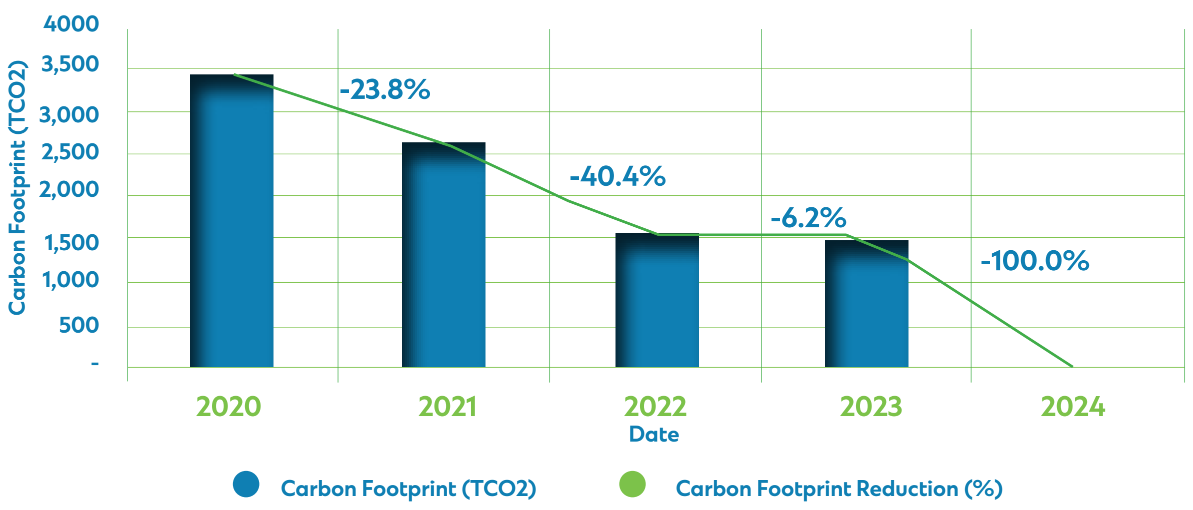
Connecting
Botswana to
the world

" Recognizing the environmental impact of our physical presence, we remain committed to reducing our branches' and offices' ecological footprint."

Sustainability Review

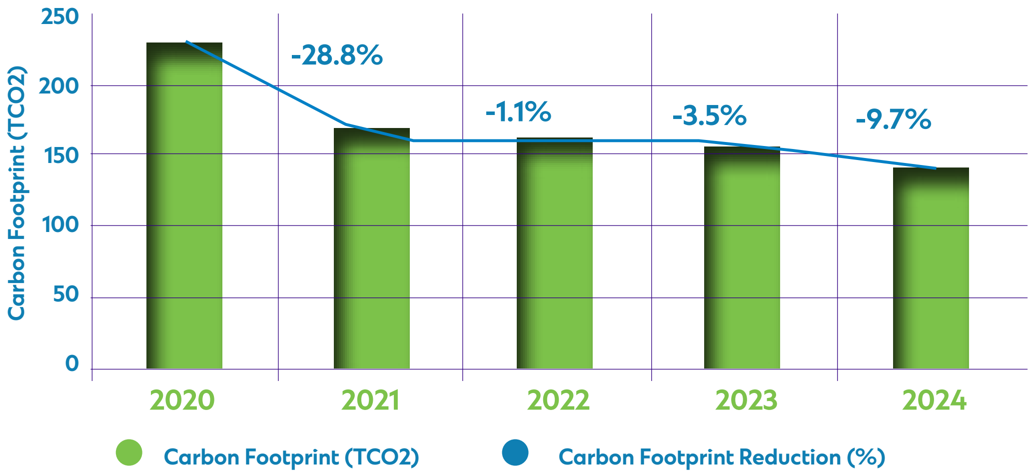
Strategic operational adjustments to MEP systems

SCB Botswana - Carbon Footprint (TCO2)



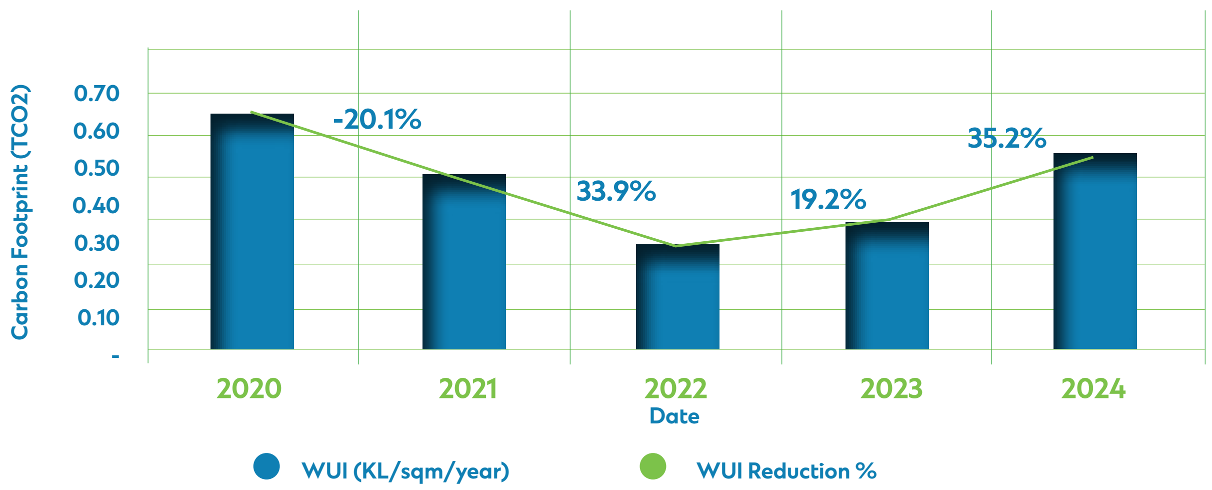
Through these energy conservation measures, we have reduced our Energy Usage Intensity (EUI) by 39% from our 2020 baseline, positioning our Botswana operations as leaders in our global sustainability network.

SCB Botswana - EUI (Kwh/sqm/year)



Water conservation remains crucial in connecting Botswana's sustainability efforts to global water management standards. Despite a small increase in 2024, we've achieved a remarkable Water Usage Intensity (WUI) reduction of 15% from our 2020 baseline.

SCB Botswana - WUI (KL/sqm/year)



Building Sustainable Connections for Tomorrow
Looking forward, we're intensifying our sustainability focus in Botswana. We plan to expand our solar PV projects, including at our headquarters, targeting an additional 15% reduction in our carbon footprint.

We'll also implement motion sensor technology to enhance control over lighting systems, further increasing energy efficiency. These initiatives highlight our ongoing commitment to sustainable practices that connect Botswana's operations to our global environmental goals.

Waste Management: Connecting to the Circular Economy
In 2024, we recycled 10 percent of our waste, totalling approximately 328 kg. As we strengthen Botswana's connections to global sustainability standards, we're implementing plans to increase our recycling percentage through comprehensive awareness campaigns and enhanced employee engagement initiatives that promote global best practices in waste reduction and management.

Measurement and Verification:

Connecting Data to Action
Our carbon metrics focus on Scope 1 and Scope 2 emissions from our operations.

Data is collected monthly and consolidated into a central database for accurate tracking of carbon emissions, water usage, and waste management.

This approach connects our local operations to global sustainability standards through transparent reporting. All data undergoes thorough verification at both group and country levels by Global Documentation Ltd, independent assessors who ensure our reporting meets international standards.

As we continue connecting Botswana to the world through enhanced trade relationships and financial services, our sustainability practices demonstrate how local action contributes to global environmental goals.

Supplier Diversity & Inclusion at Standard Chartered Bank

Building our inclusive culture
Our strongly inclusive culture and our valued behaviours are essential building blocks for driving commerce and prosperity. We strive to be a great place to work and a great place to BankBank, while also supporting the communities where we operate.

Supplier diversity and inclusion
At Standard Chartered, supplier diversity refers to a supply chain that incorporates businesses owned by under-represented individuals or groups – such as women and ethnic minorities, as well as micro and small businesses – and corporations who have strong diversity and inclusion profile, aligning to the principles set out in our Supplier Diversity and Inclusion standard.

Our aim is to create mutually beneficial relationships with suppliers reflecting the diverse communities and cultures where we work (to avoid repetition from the first line).

Our increased focus on supplier diversity is because we recognise the critical role our suppliers play in serving our clients and creating wide reaching positive impacts across the community.

The intrinsic relationships between the Bank, our suppliers, our clients and our communities is more and more important, so our overall purpose has to apply to our partners as well as us.

Working with diverse suppliers generates prosperity for local suppliers, driving positive economic and social impacts for communities and customers

Sustainability Review

Principles set out in our standard

1. Diverse Supplier Definitions

There are many different types of diverse suppliers. The most common include (but are not limited to):

- **Women Owned:** A business that is 51% women owned, operated and controlled
- **Ethnic Minority Owned:** A business that is 51% ethnic minority owned, operated and controlled. Definitions of ethnic minority groups vary by location
- **Small, Medium, Micro (SMEs):** Standard Chartered's Global definition of Small and Medium-sized enterprises is based on guidelines issued by the Organisation for Economic Co-operation and Development (OECD) as detailed below:
    - Turnover of medium-sized enterprises (50-249 employees) should not exceed USD 50 million
    - Turnover of small-sized enterprises (10-49 employees) should not exceed USD 10 million
    - Turnover of micro-sized enterprises (less than 10) should not exceed USD 2 million
- **Disabled Owned:** A business that is 51% disabled owned, operated and controlled
- **LGBT+ Owned:** A business that is 51% lesbian, gay, bisexual or transgender owned, operated and controlled
- **Social Enterprises:** Locally accredited organisations that work to address a social need, where profits are primarily reinvested into the community or back into the business

2. Approach to Selecting Suppliers

The franchise selects all our suppliers fairly, based on factors such as quality, cost, service, innovation, value, risk and sustainability standards. In addition, we are committed to evolving our supply chain to include suppliers who are either:

- Diverse owned, or;
- Non-diverse owned but adopting at least an equivalent (if not stronger) approach to D&I as Standard Chartered Bank.

3. Guiding Principles

The Guiding Principles we are following to help establish and develop greater supplier diversity are:

- Commitment to inclusion of diverse suppliers in the procurement process
- Commitment to applying our Valued Behaviours and the principles of this Standard to supplier D&I practice
- Complying to any required D&I legislation, regulations or local laws
- Commitment to continuous improvement of supplier D&I practice (with a focus on embedding leading practice)
- Providing diverse supplier support & development
- Commitment to measurement and sharing of progress

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Social Review

Our Community Impact

Women in Tech by Standard Chartered

Women in Tech by Standard Chartered Bank Botswana is a 3-month incubation programme which was launched in August 2024, with a view to build on the momentum of the Futuremakers Programme established in 2019.

Women in Tech is one of the Bank's key global initiatives within Futuremakers that is focused more clearly on resourcing businesses to scale and on female empowerment by addressing the gender disparity in the tech industry.

The Botswana version widened the scope to include female-led businesses that were impact and innovation-focused.

The programme incubated 20 female-led and driven businesses from a variety of industries such as agriculture, health and beauty care, manufacturing and fintech.

The women underwent business coaching and mentorship that included activities that could make their businesses more digitally-enabled and also allow them to use technology to bring greater operational efficiencies.

Select participants would be awarded up to $50,000 equity-free, seed funding to further grow their businesses after completion of the programme.

The recipients of the $50,000 equity-free seed funding were awarded across 6 categories:

1. Sustainability and Growth – $15,000
Recognising enterprises that have demonstrated significant growth in revenue, staffing, market access, or compliance over the past six months, showcasing sustainability and a readiness for further expansion.
Winner: Matlhogonolo Seadimo, Founder of Mattie's Success; a hair manufacturing company based in Maun, that produces synthetic fiber from recycled plastics.

2. Innovation and Technology awards – $10,000 each
Awarded to two businesses that have embraced innovation or enhanced their technological capabilities in the past six months.
Winner (Most Innovative Award): Keitumetse Ketlhoilwe (Innovation), Founder of farm, Yummy Farms.
Winner (Most Tech-Enabled Award): Lebogang G Solomon, Founder of LGS International; a software development company that launched Ikatise in 2024 – an app tailored for learners seeking their Class B Driver's license.

3. Best Pitch – $5,000
Celebrating the entrepreneur with the most compelling and impactful pitch presentation.
Winner: Ontifile Gaokgorwe, Founder of The Bees Hive Academy; a business that provides early childhood education, offering personalised learning for children with diverse needs.

4. Pay-it-forward Award – $5,000
In the spirit of "Botho" this is awarded to a female entrepreneur who has taken the initiative to empower the next generation of female founders between the ages of 12 and 19 through mentorship, knowledge and skills transfer.
Winner: Kealeboga Merafhe Siwawa, Founder of Nthoppa; a data-driven empowerment platform that leverages existing and new financial digital technological solutions which bridge the gap between financial services and underserved populations, ensuring that they can partake in the benefits of modern financial systems, education, healthcare, and market opportunities.

5. Most Impactful Enterprise Award – $5,000
In the context of social change, this award recognises an enterprise that has demonstrated a measurable & positive impact in their community or society, essentially signifying the degree to which the enterprise contributes to improving people's lives and addressing social challenges.
Winner: Heather Monare, Founder of Hatherleigh Co.; A high-quality and affordable branding and digital marketing services provider that helps empower SMEs to scale by enhancing their market visibility.

Employee Volunteering:

The Bank's continued commitment to serving our communities was greatly elevated through our Employee Volunteering efforts in 2024. All staff are granted 3 days a year towards volunteering efforts.

Recognising the specific academic gaps within the public school system, the Bank decided to create and deepen its relationship with schools through our Adopt A School initiative. Driven by the country leadership, a total of 23 schools were adopted by departments across the Bank that allowed staff to motivate students by encouraging academic excellence and dedication to school work. The Bank also offered support to the wider school community by bringing in social welfare experts that dealt with a number of social and cultural issues such as substance abuse.

In addition to schools that departments adopted, the Bank spread its impact to 41 schools, where 14,494 books were donated, as well as household goods, school uniforms and computers.

Staff participated in a wide range of other activities such as tree planting, working with city councils offering financial literacy support and promoting health & wellness in various communities.

We closed the year with a total of 2,943.5 hours to Employee Volunteering, demonstrating our dedication to establishing a long lasting impact in the communities we engage with.

" Women in Tech is one of the Bank's key global initiatives within Futuremakers that is focused more clearly on resourcing businesses to scale and on female empowerment by addressing the gender disparity in the tech industry."

Corporate Governance Statement

The Board of Directors ("the Board") of Standard Chartered Bank Botswana Limited ("the Company") is committed to conducting business in an ethical manner adhering to the highest standards of corporate governance to ensure sustainable growth, regulatory compliance and value creation for all stakeholders. The company has an integrated approach to governance which achieves prudent management of the company in line with an approved strategy and with regard to the regulatory requirements as well as accepted international best practise.

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

The Board

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

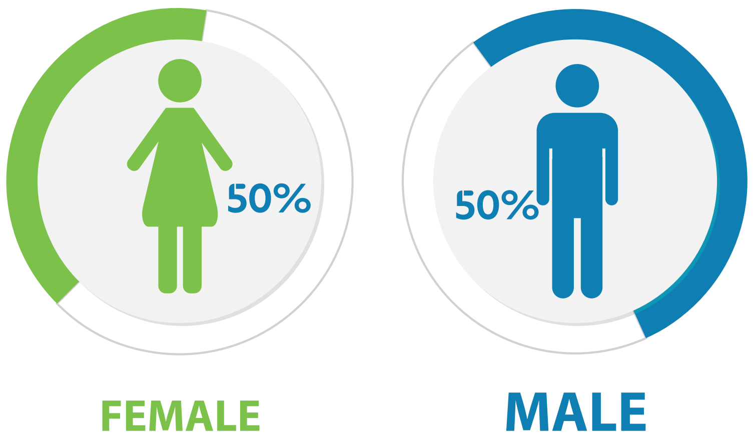
Diversity and mix of skills

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

DIRECTOR	AREA OF EXPERTISE	GENDER	APPOINTMENT DATE
Doreen Cilla Khama	Law	Female	September 26, 2018
Rodgers Majwabe Thusi	Operations, Technology and Risk Management	Male	July 19, 2019
Thari Gilbert Pheko*	Information Technology	Male	February 20, 2020
Solomon Molebatsi Sekwakwa	Economist	Male	April 28, 2022
Rapelang Rabana	Digital Transformation, Innovation and Strategy Development	Female	February 1, 2021
Mpho Judith Dimbungu	Chartered Accountant	Female	13th April 2023
Kweku Bedu - Addo	Banking and Economics	Male	January 9, 2018
Mpho Calvin Masupe	Banking and Financial Management	Male	September 20, 2017
Tapiwa Butale	Chartered Accountant	Female	24 May 2024

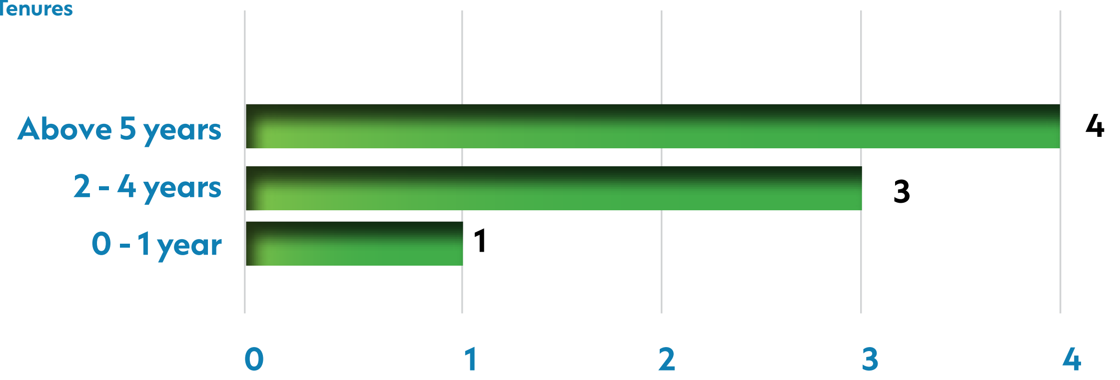
* **Resigned 10th June 2024**

2024 Gender Representation



Corporate Governance Statement

Directors' Tenures



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

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

Independent Non-Executive Directors

The majority of the Directors are independent and free of any interest, association and or relationship which when judged from the perspective of a reasonable and informed third party, would likely cause undue influence in their decision making. In determining independence of a non-executive Director, the Board considers an individual against the criteria set out in the King Report on Governance for South Africa (King IV Report), the Companies Act, Bank of Botswana guidelines on corporate governance including the manner in which they conduct themselves at Board meetings.

The Directors are required to declare any interest that may give rise to a potential or perceived conflict of interest on an ongoing basis including at each Board meeting.

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

Board selection and appointment principles

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

- The Board should have an appropriate balance of skill, knowledge, diversity and experience relevant to the company. The Board should further exercise an independence mindset to challenge the executives where relevant.
- At least one third of the Board members must be independent non-executive Directors.
- Prospective independent non - executive Directors are interviewed by the Board Chairperson, Committee Chairperson, the Africa Chief Executive Officer and the Non-Executive Director with a view to assess their suitability for the roles and whether their values are aligned to those of the company.
- Candidates earmarked for Committee chairperson positions are subjected to an interview with the respective Group Committee Chairperson
- Due diligence and screening checks are conducted prior to the appointment of any independent Director to ensure the company is not exposed to risks associated with integrity, financial soundness, conflict of interest and related party relationships.
- All Directors should have capacity to devote sufficient time and commitment to attend all Board and committee meetings including engaging in relevant company events.
- The Board maintains a robust succession plan to ensure sound planning, a balance of knowledge, skill and appropriate continuity. The succession plan is reviewed annually by the Board Chairperson, the Chief Executive Officer with the assistance of the Company Secretary.
- A list of prospective independent Directors is maintained by the Company Secretary and reviewed annually
- Directors are subjected to an induction training upon joining the Board, and on a regular basis, the BankBank updates the Directors' skills and knowledge through continuous training

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

Director Induction

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

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

The Directors' induction programme entails;

Constitution and the governance structure

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

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

Directors' duties

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

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

Essential information on the business

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

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

Directors ongoing development

The company has a development programme which is needs based and designed to upskill the Directors.

On an annual basis, the Directors are expected to secure at least twelve (12) hours for development on relevant areas of disciplines crucial to execution of their roles and obligations, this includes training on relevant areas/disciplines having considered developments in the market.

Further and pursuant the annual Board evaluation exercise, areas that require further training are identified and these are addressed annually through trainings.

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

In the year 2024, the Directors received mandatory training and learning on the below:

- Sustainability Strategy and Transition strategy
- Geopolitical and Macroeconomic Update
- Sustainability Governance
- Regulatory Landscape
- Geopolitical and Macroeconomic Update
- GDPR and Data Protection Act
- Information and Cyber Security
- Artificial Intelligence & Machine learning
- Technological Developments

Board Effectiveness

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

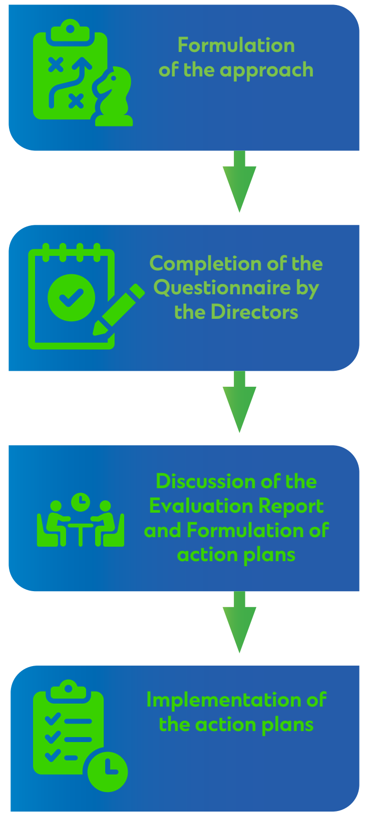
Board evaluation

A Board evaluation process is conducted annually through a process facilitated by external parties with the support, to the extent necessary, of the company secretary.

The evaluation entails a peer evaluation of each Director, Board committees and the overall Board interactions, conduct of business meetings and scope of control exercised by the Directors.

Following the evaluation, the Directors identify areas that require further consideration, which may include training, and these are addressed appropriately to the satisfaction of the Board.

The Board evaluation process entails;



Role of the Board Chairperson and the Chief Executive Officer

The Board Chairperson and the Chief Executive Office are clearly defined in the Board charter which is reviewed and approved by Board on an annual basis, the roles are distinct and held by two separate individuals.

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

Corporate Governance Statement

Succession Planning

The company has a succession plan for the Directors which is reviewed regularly with a view to maintain a balance of critical skills within the Board.

Access to information

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

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

Board Activities

To enable the Board to use its time efficiently, the Board with the support of the company secretary, maintains a scheduled programme of meetings and a rolling agenda. Despite the scheduled programme, the Board is at liberty to exert sufficient flexibility to the programme to ensure that key matters are afforded the appropriate time and attention.

The Board also schedules informal sessions and interactions which allow members to discuss areas of business, strategy and external environment with the management team and external advisers.

Board meetings and Attendance

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

In the year 2024, Board meetings were convened in a hybrid manner and all the Directors attained a one hundred percentage (100%) attendance of the Board meetings. The below table shows the number of meetings held and the attendance by each Director;

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

Board Committees

The Board has four primary Committees with identified delegated authorities, these are the Board Risk Committee, Board Credit Committee, Board Audit Committee and the Board Remuneration, Nomination and Evaluation Committee.

To foster objectivity within delegated structures of the Board, all Committees are chaired by an independent non- executive Director and majority of the Committee members are Independent Non- Executive Directors. The respective Committee chairpersons report to the Board at each scheduled Board meeting.

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

Details on the Committees' mandates and membership are set out below:-

Board Audit Committee
Committee Composition

Members	
S. Sekwakwa*	Member
M. Dimbungu	Member
R. Rabana**	Member

Note:
*Committee Chairperson
**Ceased to be a member of the Committee effective 14th August 2024

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

Role and functions

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

Key responsibilities of the Committee include:

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

Oversight over Internal Controls
The Committee regularly reviews and reports to the Board on the effectiveness of the Company's internal controls. The Committee discusses issues of concern raised by Head of Internal Audit and reviews Management's responses and remedial actions until they are resolved to its satisfaction.

The Committee further receives regular reports from Head of Internal Audit on internal audits, compliance and legal risks and on the assurance framework. The Chief Compliance Officer submits reports on regulatory compliance and conduct issues.

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

Highlights for 2024

In 2024, the Board Audit Committee discharged its mandate in accordance with the law and as set out in its Terms of Reference, the Committee;

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

Appropriateness of the expertise and experience of the Chief Financial Officer

In line with the Botswana Stock Exchange Listing Requirement the committee considered the appropriateness, expertise and experience of the Chief Financial Officer.

The Committee having considered the detailed Curriculum Vitae and performance assessment outcome of Tapiwa Butale was satisfied that she had the relevant experience, and expertise to continue in the role.

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

Committee Meeting attendance in 2024

Member	Scheduled Meeting	Percentage (%)
S. Sekwakwa	4/4	100
M. Dimbungu	4/4	100
R. Rabana	2/2	100

Board Risk Committee
Committee Composition

Members	
T. Pheko*	Chairperson
K. Bedu – Addo	Member
R. Thusi*	Member

Note:
* The Committee chairperson Director Thari Gilbert Pheko resigned from the Board effective 10th June 2024 and was succeeded by Director Rodgers Majwabe Thusi

Role and functions

The Committees is responsible for exercising oversight of and reviewing prudential risk. It periodically reviews the company's overall Risk Appetite Statement and makes recommendations to the Board.

Its responsibilities include reviewing the appropriateness and effectiveness of the company's risk management systems, reviewing reports on principal risks to the business and ensuring effective due diligence on material acquisitions and disposals.

The Chief Risk Officer presents a report to the Committee at every scheduled meeting and the Committee discusses major risks faced by the Company.

The Committee is responsible for ensuring that there are written policies, procedures and processes for identifying and managing risks within the company.

Highlights for 2024

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

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

Committee Meeting Attendance

Member	Attendance	Percentage (%)
T. Pheko	2/2	100
K. Bedu – Addo	4/4	100
R. Thusi	4/4	100

Board Credit Committee
Committee Composition

Members	
T. Pheko*	Member
D. Khama	Member
M. Masupe	Member
R. Rabana*	Member

Note
*The Committee Chairperson Thari Pheko resigned effective 10th June 2024 and was succeeded by Director Rapelang Rabana

Role and Functions

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

Corporate Governance Statement

Highlights for 2024

Review and provide oversight of the overall lending policy of a BankBank.

Delegate and review lending limits set for the respective senior management officials of a BankBank.

Ensuring that senior management, as well as individuals responsible for credit risk management, possess sound expertise, knowledge, and appropriate certifications to accomplish the risk management function.

Review of the appropriateness of the Delegated Credit Authority Matrix at least annually and if required, recommend revised limits for approval to the Board.

Committee Meeting Attendance

Member	Attendance	Percentage (%)
T. Pheko*	2/2	100
D. Khama	4/4	100
M. Masupe	4/4	100
R. Rabana*	1/2	50

Notes

* Director Thari Gilbert Pheko resigned as the Chairperson effective 10th June 2024, he was succeeded by Director Rabana as the Committee Chairperson

Board Remuneration, Nomination and Evaluations Committee

Committee Composition

Members	
T. Pheko*	Member
R. Thusi	Member
M. Masupe**	Member
K. Bedu – Addo	Member
R. Rabana*	Member

Note:

*Director Pheko resigned from the Board effective 10th June 2024, he was succeeded by Director Rabana.
**Director Masupe ceased to be a member of the Committee effective 14th August 2024

Roles and Functions

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

Highlights for 2024

Oversee the implementation of the People strategy, ensure that Fair Pay principles and gender balance are adhered to, and oversee any changes to the People strategy as applicable.

Oversee the design and operation of the rewards and compensation system. Exercise competent and independent judgment on rewards and compensation policies, processes and practises and the incentives created for managing risk, capital and liquidity.

Review and approve the compensation of senior management and other key personnel.

Committee Meeting Attendance

Member	Attendance	Percentage (%)
T. Pheko*	2/2	100
R. Thusi	4/4	100
M. Masupe	2/2	100
R. Rabana*	2/2	100
K. Bedu - Addo	2/2	100

Corporate Governance Policies

Board Charter

The Board Charter outlines specific roles and responsibilities of the Board which are separate from those of management. The charter also provides for the composition of the Board and its Committees together with their respective terms of reference.

It further sets out provisions on areas such as Board structure, effectiveness, diversity and internal control. The charter is accessible to the public on the company's website.

Internal Controls

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

The company's business is conducted within a developed control framework underpinned by policy statements, written procedures and control manuals.

This ensures that there are written policies and procedures to identify and manage risk including operational risk, country risk, liquidity risk, regulatory risk, legal risk, reputational risk, market risk and credit risk.

The Board has established a management framework that clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated.

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

The compliance department ensures that the various business units have implemented controls to ensure compliance with the various laws and regulations.Internal Audit function monitors compliance with policies and standards and the effectiveness of the internal control structures.

The function is focused on areas of greatest risk as determined by a risk-based assessment methodology. The Internal Audit function reports to the Board Audit Committee.

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

Conflict of Interest

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

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

Code of Conduct

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

Whistle Blowing Policy

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

Anti-Bribery and Corruption

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

Related Party Transactions Standard

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

Insider Trading

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

Going Concern

The Board has assessed the Company's ability to continue as a going concern. The assessment considered among other things the impact of Covid 19 and micro economic headwinds. Based on the assessment, the Board confirms that it is satisfied that the company has adequate resources to continue in business for a period of 12 months from the date of approval of the financial statements.

Relations with Shareholders

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

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

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

Competence, Qualifications and Experience of the Company Secretary

As required by the Botswana Stock Exchange Listing Rules, the Board has considered, and it is satisfied that the Company Secretary, Ms. Luzibo Benza is competent, adequately qualified and experienced to continue serving in office and supporting the Board.

Directors Remuneration

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

The Board received shareholders' authorisation to fix the Directors remuneration by a resolution passed at the Annual General Meeting held on the 26th June 2024.

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

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

Corporate Governance Statement

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

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

Service Contracts for Independent Non-Executive Directors

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

Executive Directors' remuneration policy

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

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

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

Service contracts for executive Directors

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

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

The company has over the years always committed to aligning and adopting the recommendations of the King IV report on governance for South Africa 2009. Having adopted the Code, the Board developed a programme for implementation of its principles in the company's business environment. As at 31st December 2024, most of the principles were being applied as set out below;

Connecting Botswana to the world

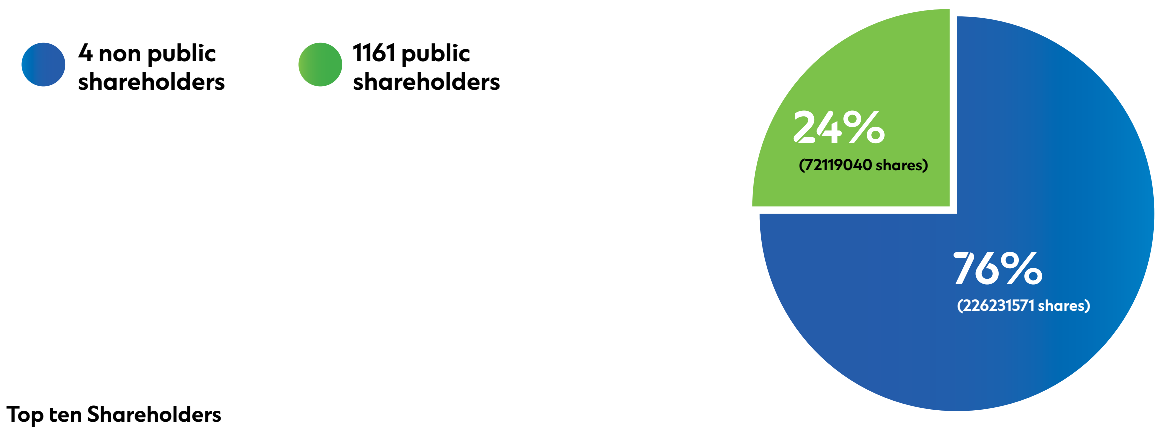
King IV Principle	Status	Explanation
Principle 1: The governing body should lead ethically and effectively	**Complied**	The Bank has adopted a code of conduct. The Board and all employees are subject to the Code of Conduct.
Principle 2: The governing body should govern the ethics of the organization in a way that supports the establishment of an ethical culture	**Complied**	The Code of conduct sets out minimum standards in terms of what is expected from employees including Board on a day-to-day basis. The Board and employees are governed by the Code of Conduct
Principle 3: The governing body should ensure that the organization is and is seen to be a responsible corporate citizen	**Complied**	The Bank has established a Trust whose main purpose is to deliver the corporate social responsibility mandate. Future -makers by Standard Chartered is a global initiative which supports disadvantaged young people, especially girls and people with visual impairments, to learn new skills and improve their chances of getting a job or starting their own business. Further, The Bank's Employee Volunteering programme encourages staff to seek opportunities to impact their communities in various ways.
Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	**Complied**	The Board receives updates on a regular basis on the Bank's strategy, risks, opportunities and performance. There is oversight exercised by the Board to ensure delivery of the strategy.
Principle 5: The governing body should ensure that reports issued by the organization enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects.	**Complied**	The Bank conducts regular engagements with stakeholders supported by detailed reports on the strategy of the Bank.
Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.	**Complied**	The Board has approved King IV Code on corporate governance and exercises oversight to ensure alignment with provisions of the Code.
Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	**Complied**	The Board is made up of diverse and appropriate skills and experience as set out in the report. The Company has in place a policy on Board appointments which emphasises on diverse mix of appropriate skills within the Board.

Corporate Governance Statement

King IV Principle	Status	Explanation
Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with the balance of power and the effective discharge of its duties.	**Complied**	The Company has adopted a delegation of authority policy. The Board delegates responsibilities to various structures and exercises oversight to ensure proper execution of the responsibilities.
Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members support continued improvement in its performance and effectiveness.	**Complied**	The Board is evaluated annually to determine its effectiveness, proposed areas of improvement are tracked until they are satisfactorily closed.
Principle 10: The governing body should ensure that the appointment of, and delegation to, management contribute to the role clarity and the effective exercise of authority and responsibilities.	**Complied**	The Board has adopted a delegations of authority policy, there is oversight by Board to ensure effective exercise of the responsibilities.
Principle 11: The governing body should govern risk in a way that supports the organization in setting and achieving its strategic objectives.	**Complied**	All material risk issues are reported to the Board. Further, the Board approves all risk policies.
Principle 12: The governing body should govern technology and information in a way that supports the organization in setting and achieving its strategic objectives.	**Complied**	The Board exercises oversight over technology and Information, the Board receives regular updates on ICS issues and approves ICS policies.
Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organization being ethical and a good corporate citizen.	**Complied**	Compliance with applicable laws is a key area of focus for the BankBank. The Board receives regular reports on regulatory changes, any misalignment with law is addressed appropriately to close gaps.
Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	**Complied**	The Board has adopted a fair pay charter and benefits standards aimed at ensuring fair and transparent reward to employees.
Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision making and external reporting purposes.	**Complied**	The Bank has an Internal Audit function which is independent and reports to the Board Audit Committee and ultimately to Board.

King IV Principle	Status	Explanation
Principle 16: In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organization over time.	**Complied**	The Board has adopted a shareholder inclusive approach in terms of engagements through regular meetings
Principle 17: The governing body of an institutional investor should ensure responsible investment.	**Not Applicable**	

Shareholder Spread
The company has a total of 1173 shareholders with 298 350 611 issued shares. A detailed information relating to shareholding is as set out below;



Top ten Shareholders

Name	Total shares held
STANDARD CHARTERED HOLDINGS (AFRICA) B.V	221,246,286
STANBIC NOMINEES BOTSWANA RE MORULA DPF	12,297,881
FNB BOTSWANA NOMINEES RE: BIFM - BPOPF ACT MEM & DP EQ	8,895,169
STANBIC NOMINEES BOTSWANA RE BPOPF WT PRO PORT MCP	6,561,568
STANBIC NOMINEES BOTSWANA RE BPOPF NON PROFIT-MCP	6,397,492
FNBBN (PTY) LTD RE: BPOPF MORULA ACT MEM DEP EQ	5,797,361
FNBB NOMINEES RE: VUNANI BPOPF	4,419,666
SCBN (PTY) LTD RE: BPOPF LEA PORTFOLIO CO AG	2,786,904
STANBIC NOMS BW RE 5TH QUARTER BPOPF LOCAL EQUITIES INCUBAT	2,671,898
STANDARD CHARTERED BOTSWANA EDUCATION TRUST	2,506,145
Top 10 SCBB shareholders	**273,580,370**
Other SCBB shareholders	**24,770,241**
Total shares in issue	**298,350,611**

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

Connecting
Botswana to
the world

Consolidated and Separate Annual Financial Statements for the year ended **31 December 2024**

Directors' Report
For the year ended 31 December 2024

The Directors have pleasure in submitting to the members their report and the consolidated and separate annual financial statements for the year ended 31 December 2024.

Activities

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

The Group results are disclosed in the statements of profit and loss and other comprehensive income on page 59 and 60 and reflect the following:

P478 million

Profit before taxation **(2023: P403 million)**

P347 million

Profit after taxation **(2023: P307 million)**

Dividends

During the year, dividends of P305 million were declared by the group and paid (2023: P202 million) gross of withholding tax.

Stated capital

There was no additional capital issued during the year.

Additional Tier 1 Capital

There was no Additional Tier 1 capital injection during the year (2023: Nil).

Events after reporting date

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

Going Concern

The financial statements were approved by the Board of Directors on the 13th of March 2025. The Directors have made a comprehensive assessment of the Bank's ability to continue as a going concern.

In particular, the review entailed:

- A re-assessment of the Bank's strategy, and the revised corporate plan for 5 years to 2029 (profitability, capital adequacy, liquidity and cashflows, with special emphasis in the next 12 months).
- A detailed analysis of capital adequacy and its makeup, liquidity profile and diversification of sources, current and forecast performance against prudential ratio thresholds and the ICAAP (a summary of the BankBank's capital and risk assessment processes, assesses its capital requirements and the adequacy of resources to meet them).

Directors' Report
For the year ended 31 December 2024 cont.

- An assessment of current performance in terms of profitability against budgets, liquidity and funding against Risk Appetite thresholds, loan book quality and impairments, regulatory compliance and any impeding legal matters.
- A consideration of the BankBank's performance under an ICAAP stress scenario.
- The liability and asset maturity profile, the liquid assets profile, outstanding debts and the BankBank's overall solvency and leverage.
- The emerging trends on average run rates for sales of primary products, banks prospects on raising client deposits at requisite levels and issuance of medium-term debt instruments.

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

Holding company

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

Directors

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

Doreen Cilla Khama	**(Board Chairperson)**
Mpho Masupe	**(Executive)**
Tapiwa Butale	**(Executive - Appointed on 24th May 2024)**
Jerry Kweku Boi Bedu -Addo	**(Non-Executive)**
Rodgers Majwabe Thusi	**(Non-Executive)**
Thari Gilbert Pheko	**(Non-Executive - Resigned on 10th June 2024)**
Rapelang Rabana	**(Non-Executive)**
Solomon Molebatsi Sekwakwa	**(Non-Executive)**
Mpho Judith Dimbungu	**(Non-Executive)**

Company Secretary:

Luzibo Benza

Auditors

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

By order of the Board

Luzibo Benza
Secretary

Statement of Directors' responsibilities

The Directors are responsible for the preparation of the consolidated and separate annual financial statements of Standard Chartered Bank Botswana Limited that give a true and fair view, which comprise the statements of financial position as at 31 December 2024, the statements of profit or loss, statements of other comprehensive income, the statements of changes in equity, statements of cash flows for the year then ended and the notes to the financial statements which include a summary of accounting policies, in accordance with IFRS Accounting Standards as Issued by the International Accounting Standards Board and the requirements of the Banking Act (Cap 46:04).

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

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

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

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

Approval of the consolidated and separate annual financial statements:

The consolidated and separate annual financial statements of Standard Chartered Bank Botswana Limited, were approved by the Board of Directors on the 13th of March 2025 and are signed by:

Doreen Cilla Khama
Board Chairperson

Mpho Masupe
Chief Executive Officer

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Partnership registered In Botswana
Registration No: 10829
VAT No: P03625401112
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Independent Auditor's Report
To the Shareholders of Standard Chartered Bank Botswana Limited
Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Standard Chartered Bank Botswana Limited and its subsidiaries ("the Group") and Company set out on pages 59 to 200 which comprise the consolidated and separate statements of financial position as at 31 December 2024, and the consolidated and separate statements of profit or loss, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of material accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Standard Chartered Bank Botswana Limited as at 31 December 2024, and of its consolidated and separate financial performance and of its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act (CAP 42:01) and the Banking Act (CAP 46:04).

Basis for Opinion

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

Key Audit Matters

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

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

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

[illegible]
Independent member of Ernst & Young Global Limited.

Key Audit Matter	How the matter was addressed in the audit
Credit impairment (Consolidated and separate financial statements) At 31 December 2024 the Group and Company reported total expected credit loss provision of P183 million (2023: P212 million) on gross loans and advances to customers of P8.3 billion (2023: P8.8 billion), as disclosed in note 16 to the financial statements. Management's judgements and estimates are highly subjective as a result of the significant uncertainty associated with the estimation of expected future credit losses. Assumptions with increased complexity in respect of the timing and measurement of expected credit losses (ECL) include: • **Staging** - the determination of what constitutes significant increase in credit risk and consequent timely allocation of qualifying assets to the appropriate stage in accordance with IFRS 9; • **Model output and adjustments** - Accounting interpretations, modelling assumptions and data used to develop, monitor and run the models that calculate the ECL, including the appropriateness, completeness and valuation of post-model adjustments applied to model output to address identified model deficiencies or risks not fully captured by the models; • **Economic scenarios** - Significant judgements involved in the determination of the appropriateness of economic variables, the future forecasting of these variables and the parameters used in both the base case forecast and the ECL models. The assessment of non-linearity produced by the ECL models, the benchmarking of the output to backstop discrete scenarios and the evaluation of the need for any Post Model adjustments; • **Individually assessed ECL allowances** - Measurement of individual provisions including the assessment of probability weighted recovery scenarios, exit strategies, collateral valuations, expected future cashflows and the timing of these cashflows. In 2024, the most material factors impacting the ECL were in relation to the geopolitical uncertainty and slow economic growth.	We evaluated the design of controls relevant to the Group and Company's systems and processes over material ECL balances, involving EY specialists to assist us in performing our procedures where relevant. Based on our evaluation we selected the controls upon which we intended to rely and tested those for operating effectiveness. We performed an overall stand-back assessment of the ECL allowance in total and by stage to determine if the ECL was reasonable. We considered the overall credit quality of the Group and Company's portfolios and risk profile. **Staging** - We evaluated the criteria used to determine significant increase in credit risk including quantitative backstops with the resultant allocation of financial assets to stage 1, 2 or 3 in accordance with IFRS 9. We reperformed the staging distribution for a sample of financial assets and assessed the reasonableness of staging downgrades applied by management. We assessed the appropriateness of changes to the staging criteria. To test the completeness of the identification of significant increase in credit risk, we challenged the credit risk ratings (including appropriate operation of quantitative backstops) for a sample of performing accounts and other accounts exhibiting risk characteristics such as financial difficulty, deferment of payment, late payment and heightened risk accounts appearing on the watchlist. **Modelled output and adjustments** - With the support of our EY credit risk modelling specialists, we performed a risk assessment on models involved in the ECL calculation using EY independently determined quantitative and qualitative criteria and used this risk rating as a basis to select a sample of models to test. Based on this risk assessment, we evaluated a sample of ECL models by assessing the reasonableness of underpinning assumptions, inputs and formulae used. This included a combination of assessing the appropriateness of model design, model implementation and validation, sensitivity testing and recalculating the Probability of Default, Loss Given Default and Exposure at Default parameters. Together with our modelling specialists, we also assessed material post-model adjustments that were applied as a response to risks not fully captured by the
Overall, in line with the prior year the level of judgement and estimation remains elevated as a result of the factors above and consequently the risk of a material misstatement to the ECL remained consistent with that of the prior year. The disclosure associated with credit impairment of loans and advances is set out in the financial statements in the following notes: ▸ Note 1 - Accounting policies ▸ Note 3 - Financial risk management and capital review ▸ Note 9 - Credit impairment ▸ Note 16 - Loans and advances to banks and customers	models or for known model deficiencies. This included the completeness and appropriateness of these adjustments. We did not rely on controls over model monitoring and therefore adopted a substantive approach comprising reperformance of model monitoring procedures for models classified as significant or higher risk in accordance with our EY independent risk assessment. In response to the Bank's model simplification program that resulted in a number of low risk or immaterial models moving to a loss rate approach, we challenged whether there was a need for an overlay as a result of the models no longer including a forward looking element as required by IFRS 9. To evaluate data quality, we performed sample testing over the completeness and accuracy of key data elements assessed to be material to the modelled ECL output, back to source evidence. **Economic scenarios** - In collaboration with our economists, we challenged the completeness and appropriateness of the macroeconomic variables used as inputs to the ECL models. Additionally, we involved our economic specialists to assist us in evaluating the reasonableness of the base forecast for a sample of macroeconomic variables most relevant for the Group and Company's ECL calculation. Procedures performed included benchmarking the forecast for a sample of macroeconomic variables to peers, historical data and a variety of global external sources. We assessed the reasonableness of the non-linearity impact on ECL allowances. We engaged our economists, to assess and challenge the Group and Company's choice of discrete scenarios to benchmark the output from the ECL model and determine the sensitivity analysis of the ECL. This challenge included the choice of narrative scenarios and the weights applied to each scenario. We also performed a stand-back assessment by benchmarking the uplift and overall ECL charge and provision coverage to peers. **Individually assessed ECL allowances** - We selected a sample of individually assessed provisions to recalculate. Our recalculation procedures included challenging management's forward looking economic assumptions of the recovery outcomes identified, cashflow profiles and timings and the individual

	probability weightings used for each scenario. We also engaged our valuation specialists to test the value of the collateral used in management's calculations on a sample basis. We assessed the appropriateness of the accounting policies, loan impairment methodologies applied and the adequacy of the disclosures by comparing these to the requirements of *IFRS 9- Financial Instruments*.

Other Information

Other information consists of the information included in the 132-page document titled "Standard Chartered Bank Botswana Limited Consolidated and Separate Audited Financial Statements for the year ended 31 December 2024", which includes the Statement of Directors' Responsibilities and the Directors' Report as required by the Companies Act (CAP42:01) which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated or the separate financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act (CAP 42:01) and the Banking Act (CAP 46:04) and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group and Company audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young
Firm of Certified Auditors
Practicing Member: Thomas Chitambo (CAP 0011 2025)
Gaborone

28 March 2025

Statements of profit or loss for the year ended 31 December 2024

	Notes	Group 2024 P '000	Group 2023 P '000	Company 2024 P '000	Company 2023 P '000
Interest income		1,107,842	1,138,110	1,107,842	1,138,110
Interest expense		(241,619)	(332,316)	(241,619)	(332,316)
Net interest income	4	**866,223**	**805,794**	**866,223**	**805,794**
Fees and commission income		254,141	256,903	230,173	230,908
Fees and commission expense		(64,960)	(32,256)	(64,960)	(32,256)
Net fee and commission income	5	**189,181**	**224,647**	**165,213**	**198,652**
Net trading income	6	9,630	10,848	9,630	10,848
Other operating income	7	425	–	425	–
Operating income		**1,065,459**	**1,041,289**	**1,041,491**	**1,015,294**
Staff costs		(258,175)	(254,404)	(258,134)	(254,404)
Premises costs		(1,627)	(909)	(1,627)	(909)
General administrative expenses		(314,373)	(371,007)	(302,316)	(357,887)
Depreciation and amortisation		(38,169)	(37,584)	(38,169)	(37,584)
Operating expenses	8	**(612,344)**	**(663,904)**	**(600,246)**	**(650,784)**
Operating profit before impairment losses and taxation		**453,115**	**377,385**	**441,245**	**364,510**
Credit impairment	9	35,031	25,329	35,031	25,329
Other impairment	10	(10,464)	–	(10,464)	–
Profit before taxation		**477,682**	**402,714**	**465,812**	**389,839**
Taxation	11	(131,178)	(95,344)	(124,575)	(92,481)
Profit for the year		**346,504**	**307,370**	**341,237**	**297,358**
Basic and diluted earnings per ordinary share (Thebe per share)	13	106.42	93.65		

The notes on pages 66 to 200 from an integral part of these financial statements.

Statements of comprehensive income for the year ended 31 December 2024

		Group		Company	
	Notes	2024 P '000	2023 P '000	2024 P '000	2023 P '000
Profit for the year		346,504	307,370	341,237	297,358
Other comprehensive income					
Items that may be reclassified subsequently to income statement:	**14**	**5,635**	**11,814**	**5,635**	**11,814**
Change in fair value of property held at revalued amount					
Net gains taken to equity		5,628	–	5,628	–
Change in fair value of financial instruments at fair value through other comprehensive income					
Net gains taken to equity		1,245	15,313	1,245	15,313
Taxation relating to components of other comprehensive income	11	(1,238)	(3,499)	(1,238)	(3,499)
Other comprehensive income for the year, net of taxation		5,635	11,814	5,635	11,814
Total comprehensive income for the year		**352,139**	**319,184**	**346,872**	**309,172**

Statements of financial position for the year ended 31 December 2024

		Group		Company	
	Notes	2024 P '000	2023 P '000	2024 P '000	2023 P '000
Assets					
Cash and balances at central banks	29	1,132,308	854,469	1,127,120	851,591
Derivative financial instruments	14,15	40,172	16,144	40,172	16,144
Loans and advances to banks	16	791	6,906	791	6,906
Loans and advances to customers	16	8,154,364	8,559,800	8,154,364	8,559,800
Investment securities	14	3,718,747	4,274,968	3,718,747	4,274,968
Other assets	19	14,579	171,805	14,519	171,743
Due from related parties	30,14	4,903,383	3,632,041	4,811,097	3,558,096
Current tax assets	11	–	7,651	–	7,035
Prepayments and accrued income	36	262,940	269,393	262,940	269,393
Investments in subsidiary undertakings	34	–	–	30	30
Goodwill and intangible assets	17	60,934	63,366	60,934	63,366
Property, plant and equipment	18	80,211	81,223	80,211	81,223
Deferred tax assets	11	915	18,525	–	16,232
Total assets		**18,369,344**	**17,956,291**	**18,270,925**	**17,876,527**
Liabilities					
Deposits by banks	14	1,095,708	330,885	1,095,708	330,885
Customer accounts	14	13,792,379	13,081,354	13,792,379	13,081,354
Derivative financial instruments	14,15	19,706	23,163	19,706	23,163
Debt securities in issue	14,20	323,566	323,566	323,566	323,566
Other liabilities	21	404,213	1,447,427	380,652	1,434,976
Due to related parties	30,14	985,499	994,597	985,499	994,597
Current tax liabilities	11	4,495	–	3,945	–
Accruals and deferred income	37	90,968	122,614	90,968	122,575
Subordinated liabilities and other borrowed funds	14,25	389,000	389,000	389,000	389,000
Deferred tax liabilities	11	–	–	556	–
Provisions for liabilities and charges	22	5,756	1,059	5,756	1,059
Total liabilities		**17,111,290**	**16,713,665**	**17,087,735**	**16,701,175**
Equity					
Stated capital	26	179,273	179,273	179,273	179,273
Retained earnings and other reserves		650,568	635,140	575,704	567,866
Total parent company shareholders' equity		**829,841**	**814,413**	**754,977**	**747,139**
Capital contribution	26	428,213	428,213	428,213	428,213
Total equity		**1,258,054**	**1,242,626**	**1,183,190**	**1,175,352**
Total equity and liabilities		**18,369,344**	**17,956,291**	**18,270,925**	**17,876,527**

The notes on pages 66 to 200 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 13th March 2025 and signed on its behalf by:

Chairperson

Chief Executive Officer

Chief Financial Officer

Consolidated and Separate Annual Financial Statements for the year ended **31 December 2024**
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Statements of changes in equity for the year ended 31 December 2024

Group	Stated capital P '000	Revaluation reserve P '000	Statutory credit risk reserve P '000	Treasury share reserve P '000	Fair value reserve P '000	Retained earnings P '000	Parent company shareholders' equity P '000	Capital contibution P '000	Total P '000
As at 01 January 2023	179,273	29,397	19,152	(31,566)	(10,852)	543,043	728,447	428,213	1,156,660
Profit for the period	–	–	–	–	–	307,370	307,370	–	307,370
Other comprehensive income/(loss)	–	–	–	–	11,814	–	11,814	–	11,814
Distributions	–	–	–	–	–	(30,300)	(30,300)	–	(30,300)
Dividends on ordinary shares	–	–	–	–	–	(201,996)	(201,996)	–	(201,996)
Other movements *	–	–	–	–	–	(922)	(922)	–	(922)
As at 31 December 2023	179,273	29,397	19,152	(31,566)	962	617,195	814,413	428,213	1,242,626
Profit for the period	–	–	–	–	–	346,504	346,504	–	346,504
Other comprehensive income	–	4,390	–	–	1,245	–	5,635	–	5,635
Distributions	–	–	–	–	–	(31,664)	(31,664)	–	(31,664)
Dividends on ordinary shares	–	–	–	–	–	(305,047)	(305,047)	–	(305,047)
As at 31 December 2024	**179,273**	**33,787**	**19,152**	**(31,566)**	**2,207**	**626,988**	**829,841**	**428,213**	**1,258,054**

Note 26 includes a description of each reserve
Note 12 details dividends
*Other movements relate to an adjustment to Standard Chartered Bank Botswana Insurance Agency retained earnings balance
The notes on pages 66 to 200 form an integral part of these financial statements.

Company	Stated capital P '000	Revaluation reserve P '000	Statutory credit risk reserve P '000	Fair value reserve P '000	Retained earnings P '000	Parent company shareholders' equity P '000	Capital contribution P '000	Total P '000
As at 01 January 2023	179,273	29,397	19,152	(10,852)	454,607	671,577	428,213	1,099,790
Profit for the period	–	–	–	–	297,363	297,363	–	297,363
Other comprehensive income	–	(50)	–	11,814	–	11,764	–	11,764
Distributions to holders of subordinated capital securities	–	–	–	–	(30,300)	(30,300)	–	(30,300)
Dividends to equity holders of ordinary shares (Note 12)	–	–	–	–	(203,535)	(203,535)	–	(203,535)
Other movements *	–	–	–	–	270	270	–	270
As at 31 December 2023	179,273	29,347	19,152	962	518,405	747,139	428,213	1,175,352
Profit for the period	–	–	–	–	341,237	341,237	–	341,237
Other comprehensive income	–	4,390	–	1,245	–	5,635	–	5,635
Distributions to holders of subordinated capital securities	–	–	–	–	(31,664)	(31,664)	–	(31,664)
Dividends to equity holders of ordinary shares (Note 12)	–	–	–	–	(307,370)	(307,370)	–	(307,370)
As at 31 December 2024	**179,273**	**33,737**	**19,152**	**2,207**	**520,608**	**754,977**	**428,213**	**1,183,190**

Note 26 includes a description of each reserve.
*Other movements relate to an adjustment to Standard Chartered Bank Botswana retained earnings balance
The notes on pages 66 to 200 form an integral part of these financial statements.

Statements of cash flows for the year ended 31 December 2024

	Notes	Group 2024 P '000	Group 2023 P '000	Company 2024 P '000	Company 2023 P '000
Cashflow from operating activities					
Profit for the year		346,504	307,370	341,237	297,358
Adjustments for:					
Interest income	4	(1,107,842)	(1,138,110)	(1,107,842)	(1,138,110)
Interest expense	5	241,619	332,316	241,619	332,316
Taxation	11	131,178	95,344	124,575	92,481
Depreciation	8	23,073	25,245	23,073	25,245
Amortisation on intangibles	8	15,096	12,339	15,096	12,339
Net impairment loss on loans and advances		(28,970)	(23,696)	(28,970)	(23,696)
Unrealised foreign exchange losses		3,761	9,016	3,761	9,016
Modification loss		175	–	175	–
Other impairment	10	10,464	–	10,464	–
Profit on sale of assets		(601)	–	(601)	–
Movements before changes in working capital		**(365,543)**	**(380,176)**	**(377,413)**	**(393,051)**
Change in derivative financial instruments assets	14,15	(36,805)	(44,424)	(36,805)	(44,424)
Change in investment securities	14	(504,609)	(464,002)	(504,609)	(464,002)
Change in loans and advances to customers	14,16	444,494	(758,106)	444,494	(758,106)
Change in other assets	19	157,226	(131,630)	157,224	(155,538)
Change in prepayments and accrued income	35	4,082	3,633	4,082	3,633
Change in deposits from other banks	14,16	764,823	(529,354)	764,823	(529,354)
Change in customer deposits	14	711,025	56,464	711,025	56,464
Change in other liabilities	21	18,414	(11,055)	6,481	(49,697)
Change in derivative financial instruments liabilities	14,15	(3,457)	22,694	(3,457)	22,694
Change in due to related parties	14	(9,098)	616,847	(9,098)	616,847
Change in accruals and deferred income	36	(13,691)	20,949	(13,652)	20,910
Change in provisions for liabilities and charges	22	4,697	(1,386)	4,697	(1,386)
		1,171,558	(1,599,546)	1,147,792	(1,675,010)
Taxation paid	11	(103,729)	(112,704)	(98,291)	(109,647)
Interest received		1,100,125	1,028,818	1,100,125	1,028,818
Interest paid		(208,635)	(308,045)	(208,635)	(308,045)
Net cash flows from operating activities		**1,959,319**	**(991,477)**	**1,940,991**	**(1,063,884)**
Cash flow from investing activities					
Acquisition of property and equipment	18	(5,612)	(10,203)	(5,612)	(10,203)
Acquisition of intangibles	17	(21,305)	(12,555)	(21,305)	(12,555)
Proceeds from sale of property equipment		1,388	–	1,388	–
Net cash used in investing activities		**(25,529)**	**(22,758)**	**(25,529)**	**(22,758)**
Cash flow from financing activities					
Interest paid on subordinated liabilities	28	(25,689)	(26,548)	(25,689)	(26,548)
Interest paid on debt securities	28	(25,250)	(25,424)	(25,250)	(25,424)
Lease liability capital payments	21	(16,197)	(17,336)	(16,197)	(17,336)
Lease liability interest payment	21	(1,601)	(2,236)	(1,601)	(2,236)
Dividends paid	12	(305,048)	(201,996)	(307,371)	(203,535)
Distribution payment to holders of subordinated capital securities		(31,664)	(30,300)	(31,664)	(30,300)
Net cash used in financing activities		**(405,449)**	**(303,840)**	**(407,772)**	**(305,379)**
(Decrease)/increase in cash and cash equivalents		**1,528,341**	**(1,318,075)**	**1,507,690**	**(1,392,021)**
Cash and cash equivalents at 1 January		**4,493,416**	**5,802,965**	**4,416,593**	**5,800,088**
Net foreign exchange differences		**14,725**	**8,526**	**14,725**	**8,526**
Cash and cash equivalents as 31 December	**29**	**6,036,482**	**4,493,416**	**5,939,008**	**4,416,593**

Refer to Note 29 for breakdown of Cash and cash equivalents.

1. Accounting policies

Reporting entity

Standard Chartered Bank Botswana Limited ("the Bank" or the "Company") was incorporated in Botswana as a Bank with limited liability under the Botswana Companies Act and is licensed to operate as a commercial BankBank under Section 6 of the Banking Act, 1995 (Chapter 46:04). The Company's registered address is Standard Chartered Bank Botswana Limited, Standard House, Plot 1124-30 Queens Road, Main Mall, Gaborone, Botswana. The Company is listed on the Botswana Stock Exchange (BSE Code: STANCHART). The consolidated financial statements for the year ended 31 December 2024 comprise the Company and its controlled entities (together referred to as the "Group"). The Company has four subsidiaries, namely Standard Chartered Bank Insurance Agency (Proprietary) Limited, Standard Chartered Investment Services (Proprietary) Limited, Standard Chartered Botswana Nominees (Proprietary) Limited and Standard Chartered Botswana Educational Trust. The immediate parent for the Company is Standard Chartered Holdings (Africa) B.V, an entity incorporated in the Netherlands. Standard Chartered Bank PLC, incorporated in United Kingdom is the ultimate parent. These financial statements represent the Group's and Bank's statutory financial statements.

Statement of compliance

These financial statements have been prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board and in the manner required by the Banking Act (Cap 46:04).

These financial statements were approved by the Board of Directors on 13th March 2025.

Basis of preparation

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

Materiality assessment

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

Functional and presentation currency

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

Basis of consolidation

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

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

Investment in subsidiaries

Investment in subsidiaries are held at cost less impairment.

Transactions eliminated on consolidation

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

Segmental reporting

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

Significant accounting estimates and judgements

In preparing these consolidated and separate annual financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies of the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision of estimates are recognised prospectively.

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

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

Changes in accounting policies

The Group has adopted relevant new standards, including any consequential amendments to other standards, which were effective for the financial year beginning on 1 January 2024 which have been disclosed within these notes. The accounting standards had no significant impact on the financials statements of the Group. Refer to the section 'New standards and interpretations' for a detailed disclosure on the new standards that were effective for the financial year beginning 1 January 2024.

Foreign currency transactions

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

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

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

Loans and advances

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

Financial instruments

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

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

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

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

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

Expected credit losses

Expected credit losses are determined for all financial debt instruments that are classified at amortised cost or fair value through other comprehensive income, undrawn commitments and financial guarantees.

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

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

For material portfolios, the estimate of expected cash shortfalls is determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD). There may be multiple default events over the lifetime of an instrument. For less material Retail Banking loan portfolios, the Group has adopted a simplified approach based on historical roll rates or loss rates.

Forward-looking economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they influence credit risk, such as GDP growth rates, interest rates, house price indices and commodity prices among others.

Financial instruments continued

These assumptions are incorporated using the Group's most likely forecast for a range of macroeconomic assumptions. These forecasts are determined using all reasonable and supportable information, which includes both internally developed forecasts and those available externally, and are consistent' with those used for budgeting, forecasting and capital planning.

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

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

	2024 Base forecast	2025 Base forecast	2026 Base forecast
GDP growth (real % Average)	0.6	5.14	3.98
CPI (% annual average)	3.37	4.01	3.37
Interest rate (yr avg, %)	2.35	1.74	1.96
USD –BWP	13.69	14	14.1

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

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

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

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

Cash shortfalls are discounted using the effective interest rate on the financial instrument as calculated at initial recognition or if the instrument has a variable interest rate, the current effective interest rate determined under the contract.

Instrument	Location of expected credit loss
Financial assets held at amortised cost	Loss provisions: netted against gross carrying value
Financial assets held at FVOCI-Debt instruments	Other comprehensive income (FVOCI expected credit loss Reserve) 1
Loan commitments	Provisions for liabilities and charges 2
Financial guarantees	Provisions for liabilities and charges 2

Financial instruments continued

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

2. Expected credit loss on loan commitments and financial guarantees is recognised as a liability provision. Where a financial instrument includes both a loan (i.e. financial asset component) and an undrawn commitment (i.e. loan commitment component), and it is not possible to separately identify the expected credit loss on these components, expected credit loss amounts on the loan commitment are recognised together with expected credit loss amounts on the financial asset. To the extent the combined expected credit loss exceeds the gross carrying amount of the financial asset, the expected credit losses are recognised as a liability provision.

Recognition

12 months expected credit losses (Stage 1)

Expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the lifetime cash shortfalls arising from possible default events up to 12 months into the future from the reporting date. Expected credit losses continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit impaired. If an instrument is no longer considered to exhibit a significant increase in credit risk, expected credit losses will revert to being determined on a 12-month basis.

Significant increase in credit risk (Stage 2)

If a financial asset experiences a Significant Increase in Credit Risk (SICR) since initial recognition, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset. Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Significant does not mean statistically significant nor is it assessed in the context of changes in expected credit loss. Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors, the weight of which depends on the type of product and counterparty. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk. For less material portfolios where a loss rate or roll rate approach is applied to compute expected credit loss, significant increase in credit risk is primarily based on 30 days past due.

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

Qualitative factors assessed include those linked to current credit risk management processes, such as lending placed on non-purely precautionary early alert (and subject to closer monitoring).

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

Financial instruments continued

Credit impaired (or defaulted) exposures (Stage 3)

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

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

- Significant financial difficulty of the issuer or borrower;
- Breach of contract such as default or a past due event;

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

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

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

Expert credit judgment

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

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

Modified financial instruments

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

Expected credit loss for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk. These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification. Although loans may be modified for non-credit reasons, a significant increase in credit risk may occur. In addition to the recognition of modification gains and losses, the revised carrying value of modified financial assets will impact the calculation of expected credit losses, with any increase or decrease in expected credit loss recognised within impairment.

Financial instruments continued

Forborne loans

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

Forbearance may include debt restructuring such as new repayment schedules, payment deferrals, tenor extensions, interest only payments, lower interest rates, forgiveness of principal, interest or fees, or relaxation of loan covenants. Forborne loans that have been modified (and not derecognised) on terms that are not consistent with those readily available in the market and/or where the Group has granted a concession compared to the original terms of the loans are considered credit impaired if there is a detrimental impact on cash flows. The modification loss is recognised in profit or loss within credit impairment and the gross carrying value of the loan reduced by the same amount. Loans that have been subject to a forbearance modification, but which are not considered credit impaired (not classified as CG13 or CG14), are disclosed as 'Forborne – not credit impaired'. This may include amendments to covenants within the contractual terms.

Write-offs of credit impaired instruments and reversal of impairment

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

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

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

Improvement in credit risk/curing

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

For financial assets within stage 2, these can only be transferred to stage 1 when they are no longer considered to have experienced a significant increase in credit risk. Where significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to stage 1 when the original PD based transfer criteria are no longer met.

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

Consolidated and Separate Annual Financial Statements for the year ended **31 December 2024**

Notes to the financial statements

Connecting Botswana to the world

Financial instruments continued

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

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

Subsequent to the criteria above, a further two-year probation period has to be fulfilled, whereby regular payments are made by the customer and none of the exposures to the customer are more than 30 days past due.

Fair value of financial instruments

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

All financial instruments are initially recognised at fair value, which is normally the transaction price. In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market inputs.

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

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

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

IFRS 9 methodology

Approach for determining expected credit losses

Credit loss terminology

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

Financial instruments continued

IFRS 9 methodology

Component	Definition
Exposure at Default (EAD)	The expected balance sheet exposure at the time of default, taking into account expected changes over the lifetime of the exposure. This incorporates the impact of drawdowns of facilities with limits, repayments of principal and interest, amortisation and prepayments

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

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

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

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

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

Application of lifetime

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

Post model adjustments

As at 31 December 2024, there were no material PMA related ECLs on the book (2023: Nil).

Key assumptions and judgements in determining expected credit loss

Financial instruments continued

Incorporation of forward-looking information

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

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

Significant increase in credit risk

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

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

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

Global economy

The global scenario embodies a significant rise in inflation across advanced economies accompanied by a sharp tightening in global financial conditions. Energy supply issues, including increased geopolitical tensions in the Middle East, combined with supply chain disruptions in other markets help keep inflation persistently elevated and central banks raise interest rates rapidly. Policy rates are reduced later on, although the scope to do so is limited by persistently high inflation.

The effects of rising costs fall unevenly across households and businesses. Sectors with a greater reliance on imports, as well as those more exposed to energy and food prices, are particularly affected.

Over time, businesses pass these higher costs through to prices, putting further pressure on households' real incomes. And lower-income households, for whom essential spending represents a greater share of their income, are disproportionately affected.

A fall in income, lower confidence and tighter financial conditions result in marked downturn in key SCB markets. China GDP contracts by 1.6 percent in year 1 and Hong Kong by more than five percent. Higher advanced-economy interest rates contribute to capital outflows and particular stress in some emerging markets. The significant slowdown will also increase sovereign risk particularly for countries with already weakened public finances and dependency on foreign capital inflows.

Financial instruments continued

Domestic economy

- As the scenario unfolds, Botswana economy faces significant challenges with Real GDP hitting -0.7% in year 1 of stress.
- FX rate depreciates by 33% from 13.7 (Year 0) to 18.2 which has a bearing on country's capacity to service external debt.
- Inflation accelerates during the stress projections, averaging 11.1% during 1st two year of stress (Year 0 at 3.4%).
- Botswana's trade balance experiences shift with the contraction in annual imports at -17.9% in year.
- Slowed tourism growth also adds to financing needs of the government.

Macroeconomic Indicator Base	2024 Baseline	2025F	2026F	2027F	2028F	2029F
Real GDP growth rate (%)	0.60	5.14	3.98	2.97	3.02	2.72
Inflation, CPI (%)	3.37	4.01	3.37	2.95	4.12	4.64
Interest rate (yr avg, %)	2.35	1.74	1.96	2.46	2.65	2.65
FX rate (per USD 1.00)	13.69	14.00	14.10	14.30	14.46	14.67
Unemployment rate	23.25	23.12	22.92	22.66	22.37	22.09
Exports (value of)	-27.05	14.80	14.84	6.97	6.68	6.82
Imports (value of)	13.18	2.77	9.89	7.26	6.64	6.57
Oil - Brent (USD/bbl)	82.80	77.90	77.40	77.00	76.80	77.00
Stress Severity		2	2	3	3	3
Macroeconomic Indicator Stress	**2024 Baseline**	**2025F**	**2026F**	**2027F**	**2028F**	**2029F**
Real GDP growth rate (%)	0.60	-0.72	0.69	2.41	2.41	2.35
Inflation, CPI (%)	3.37	10.56	11.67	4.81	4.64	4.28
Interest rate (yr avg, %)	2.35	4.41	5.47	5.78	5.30	4.37
FX rate (per USD 1.00)	13.69	18.20	15.22	15.16	15.09	15.11
Unemployment rate	23.25	23.66	25.24	25.48	23.93	23.18
Exports (value of)(YoY%)	-27.05	-19.98	22.82	17.19	9.10	9.12
Imports (value of) (YoY%)	13.18	-17.93	14.83	13.78	8.08	7.09
Oil - Brent (USD/bbl)	82.80	123.80	116.00	103.20	91.00	80.90
Stress Severity		11	6	3	3	3

Source: SCB Global Research and Corporate Plan

Employee benefits

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

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

Accruals relating to short term employee benefits are included in other liabilities.

Financial instruments continued

Other staff costs

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

New standards and interpretations that became effective in the current year

A number of new standards, amendments to standards and interpretations that are effective for the first time for the year ended 31 December 2024 have been applied with no material effect on the Group's financial statements.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (effective 01 January 2024):
These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IFRS 16 – Lease Liability in Sale and Leaseback (effective 01 January 2024):
These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Amendments to IAS 7 and IFRS 7 – Disclosures: Supplier Finance Arrangements (effective 01 January 2024):
These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

The group has considered these amendments and applied them when preparing these financial statements.

Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations that are not yet effective for the year ended 31 December 2024 have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory.

The group has only considered the below new standards and interpretations relevant to the Group. The following accounting standards not yet effective and these are not expected to have a significant impact on the financial statements of the Group.

Amendments to IAS 21 - Lack of exchangeability (effective 01 January 2025):
An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

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

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

- Clarifies that a financial liability is derecognised on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. It also introduces an accounting policy option to derecognise financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met

Standards issued but not yet effective continued

- Clarified how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features.
- Clarifies the treatment of non-recourse assets and contractually linked instruments
- Requires additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income

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

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

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

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

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

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

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

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

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

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

2. Segmental information

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

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

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

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

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

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

2. Segmental information continued

	Wealth & Retail Banking	Corporate & Investment Banking	Total
2023			
Profit or Loss			
Interest Income	775,985	362,125	1,138,110
Interest Expenses	(349,290)	16,974	(332,316)
Net interest revenue calculated using the effective interest method	**426,695**	**379,099**	**805,794**
Net fee and commission income	191,263	33,384	224,647
Net trading income and other operating income	28,348	(17,500)	10,848
Net operating income	**646,306**	**394,983**	**1,041,289**
Depreciation and amortisation	(26,536)	(11,048)	(37,584)
Other operating expenses	(442,217)	(184,103)	(626,320)
Operating profit before impairment losses and taxation	**177,553**	**199,832**	**377,385**
Credit impairment	4,860	20,469	25,329
Segment profit before taxation	182,413	220,301	402,714
Taxation			(95,344)
Profit for the year			**307,370**
Assets and liabilities			
Investment Securities	–	4,274,968	4,274,968
Loans and advances to customers	7,231,592	1,328,208	8,559,800
Other assets for reportable segments	179,522	4,942,001	5,121,523
Total assets for reportable segments	**7,411,114**	**10,545,177**	**17,956,291**
Deposits from non BankBank customers	4,236,013	8,845,341	13,081,354
Other liabilities for reportable segments	(153,956)	3,786,267	3,632,311
Total liabilities for reportable segments	**4,082,057**	**12,631,608**	**16,713,665**

Segment balances excludes total equity which cannot be allocated to the segments. Prior year amounts of depreciation and amortisation are presented to enable comparability to current year.

3. Financial Risk Management and Capital Review

Risk Review

Risk update

Key highlights 2024

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

Our portfolio quality

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

Our risk profile in 2024

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

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

Basis of preparation

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

Credit risk overview

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

Impairment model

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

Staging of financial instruments

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

3. Financial Risk Management and Capital Review continued

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

STAGE 1	STAGE 2	STAGE 3
• 12 month ECL • Performing	• Lifetime expected credit loss • Performing but has exhibited significant increase in Credit risk (SICR)	• Credit-impaired • Non-performing

IFRS 9 expected credit loss principles and approaches

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

Title	Description	Supplementary Information
Approach to determining expected credit losses	For material loan portfolios, the Group has adopted a statistical modelling approach for determining expected credit losses that makes extensive use of credit modelling. These models leveraged existing advanced Internal Ratings Based (IRB) models, where these were available. Where model performance breaches model monitoring thresholds or validation standards, a post-model adjustment may be required to correct for identified model issues, which will be removed once those issues have been remedied.	IFRS 9 methodology Determining lifetime expected credit loss for revolving products Post-model adjustments
Incorporation of forward-looking information	The determination of expected credit loss includes various assumptions and judgements in respect of forward-looking macroeconomic information. Refer to page [58] for incorporation of forward-looking information, forecast of key macroeconomic variables underlying the expected credit loss calculation and the impact on non-linearity and sensitivity of expected credit loss calculation to macroeconomic variables. Management overlays may also be used to capture risks not identified in the models.	Incorporation of forward-looking information and impact of non-linearity Forecast of key macroeconomic variables underlying the expected credit loss calculation Management overlay and sensitivity to macroeconomic variables
Significant increase in Credit risk (SICR)	Expected credit loss for financial assets will transfer from a 12-month basis (stage 1) to a lifetime basis (stage 2) when there is a significant increase in Credit risk (SICR) relative to that which was expected at the time of origination, or when the asset becomes credit-impaired. On transfer to a lifetime basis, the expected credit loss for those assets will reflect the impact of a default event expected to occur over the remaining lifetime of the instrument rather than just over the 12 months from the reporting date. SICR is assessed by comparing the risk of default of an exposure at the reporting date with the risk of default at origination (after considering the passage of time). 'Significant' does not mean statistically significant nor is it reflective of the extent of the impact on the Bank's financial statements. Whether a change in the risk of default is significant or not is assessed using quantitative and qualitative criteria, the weight of which will depend on the type of product and counterparty.	Quantitative criteria Significant increase in credit risk thresholds Specific qualitative and quantitative criteria per segment: Corporate & Investment Banking clients Consumer Banking clients Private Banking clients Investment securities

3. Financial Risk Management and Capital Review continued

Title	Description	Supplementary Information
Assessment of credit-impaired financial assets	Credit-impaired (stage 3) financial assets comprise those assets that have experienced an observed credit event and are in default. Default represents those assets that are at least 90 days past due in respect of principal and interest payments and/or where the assets are otherwise considered unlikely to pay. This definition is consistent with internal credit risk management and the regulatory definition of default. Unlikely to pay factors include objective conditions such as bankruptcy, debt restructuring, fraud or death. It also includes credit-related modifications of contractual cash flows due to significant financial difficulty (forbearance) where the Bank has granted concessions that it would not ordinarily consider. Interest income for stage 3 assets is recognised by applying the original effective interest rate to the net asset amount (that is, net of credit impairment provisions). When financial assets are transferred from stage 3 to stage 2, any contractual interest recovered in excess of the interest income recognised while the asset was in stage 3 is reported within the credit impairment line.	Consumer Banking clients Corporate & Investment Banking and Private Banking clients
Transfers between stages	Assets will transfer from stage 3 to stage 2 when they are no longer considered to be credit-impaired. Assets will not be considered credit-impaired only if the customer makes payments such that they are paid to current in line with the original contractual terms. Assets may transfer to stage 1 if they are no longer considered to have experienced a significant increase in credit risk. This will be immediate when the original PD based transfer criteria are no longer met (and as long as none of the other transfer criteria apply). Where assets were transferred using other measures, the assets will only transfer back to stage 1 when the condition that caused the significant increase in credit risk no longer applies (and as long as none of the other transfer criteria apply).	Movement in loan exposures and expected credit losses
Modified financial assets	Where the contractual terms of a financial instrument have been modified, and this does not result in the instrument being derecognised, a modification gain or loss is recognised in the income statement representing the difference between the original cashflows and the modified cash flows, discounted at the effective interest rate. The modification gain/loss is directly applied to the gross carrying amount of the instrument. If the modification is credit related, such as forbearance or where the Bank has granted concessions that it would not ordinarily consider, then it will be considered credit-impaired. Modifications that are not credit related will be subject to an assessment of whether the asset's credit risk has increased significantly since origination by comparing the remaining lifetime PD based on the modified terms to the remaining lifetime PD based on the original contractual terms.	Forbearance and other modified loans
Governance and application of expert credit judgement in respect of expected credit losses	The models used in determining ECL are reviewed and approved by the Group Credit Model Assessment Committee and have been validated by Group model validation, which is independent of the business. A quarterly model monitoring process is in place that uses recent data to compare the differences between model predictions and actual outcomes against approved thresholds. Where a model's performance breaches the monitoring thresholds then an assessment of whether an ECL adjustment is required to correct for the identified model issue is completed. The determination of expected credit losses requires a significant degree of management judgement which had an impact on governance processes, with the output of the expected credit models assessed by the IFRS 9 Impairment Committee.	Group Credit Model Assessment Committee IFRS 9 Impairment Committee

3. Financial Risk Management and Capital Review continued

Maximum exposure to Credit risk

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

Group	2024			2023		
	Credit risk management			Credit risk management		
	Maximum exposure	Collateral	Net exposure	Maximum exposure	Collateral	Net exposure
	P '000	P '000	P '000	P '000	P '000	P '000
On-balance sheet						
Cash and balances at central banks[1]	873,040	–	873,040	560,492	–	560,492
Loans and advances to banks	791	–	791	6,906	–	6,906
Loans and advances to customers	8,154,364	1,463,659	6,690,705	8,559,800	3,072,008	5,487,792
Investment securities and other eligible bills[2]	3,718,747	–	3,718,747	4,274,968	–	4,274,968
Derivative financial instruments	40,172	–	40,1721	6,144	–	16,144
Accrued income	262,940	–	262,940	269,393	–	269,393
Due from related parties	4,903,383	–	4,903,383	3,632,041	–	3,632,041
Other assets	14,579	–	14,579	171,805	–	171,805
Total balance sheet	**17,968,016**	**1,463,659**	**16,504,357**	**17,491,549**	**3,072,008**	**14,419,541**
Off-balance sheet						
Undrawn Commitments	5,495,144	6,014	5,489,130	6,311,841	10,899	6,300,942
Financial Guarantees and other equivalents	231,816	7,018	224,798	359,810	570	359,240
Total off-balance sheet	**5,726,960**	**13,032**	**5,713,928**	**6,671,651**	**11,469**	**6,660,182**
Total	**23,694,976**	**1,476,691**	**22,218,285**	**24,163,200**	**3,083,477**	**21,079,723**

1. The prior year amount of cash and balances at central banks has been updated to exclude cash in hand and cash held in ATMs (P294 million) for comparability with current year amount.

3. Financial Risk Management and Capital Review continued

Company	2024			2023		
	Credit risk management			Credit risk management		
	Maximum exposure	Collateral	Net exposure	Maximum exposure	Collateral	Net exposure
	P '000	P '000	P '000	P '000	P '000	P '000
On-balance sheet						
Cash and balances at central banks[1]	867,852	–	867,852	557,614	–	557,614
Loans and advances to banks	791	–	791	6,906	–	6,906
Loans and advances to customers	8,154,364	1,463,659	6,690,705	8,559,800	3,072,008	5,487,792
Investment securities and other eligible bills[2]	3,718,747	–	3,718,747	4,274,968	–	4,274,968
Derivative financial instruments	40,172	–	40,172	16,144	–	16,144
Accrued income	262,940	–	262,940	269,393	–	269,393
Due from related parties	4,811,097	–	4,811,097	3,558,086	–	3,558,086
Other assets	14,519	–	14,519	171,743	–	171,743
Total balance sheet	**17,870,482**	**1,463,659**	**16,406,823**	**17,414,654**	**3,072,008**	**14,342,646**
Off-balance sheet						
Undrawn Commitments	5,495,144	6,014	5,489,130	5,696,087	10,899	5,685,188
Financial Guarantees and other equivalents	231,816	7,018	224,798	359,810	570	359,240
Total off-balance sheet	**5,726,960**	**13,032**	**5,713,928**	**6,055,897**	**11,469**	**6,044,428**
Total	**23,597,442**	**1,476,691**	**22,120,751**	**23,470,551**	**3,083,477**	**20,387,074**

1. The prior year amount of cash and balances at central banks has been updated to exclude cash in hand and cash held in ATMs (P294 million) for comparability with current year amount.

3. Financial Risk Management and Capital Review continued

Analysis of financial instrument by stage

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

Group

2024

	Stage 1			Stage 2			Stage 3			Total		
	Gross balance P '000	**Total credit impairment P '000**	**Net carrying value P '000**	**Gross balance P '000**	**Total credit impairment P '000**	**Net carrying impairment P '000**	**Gross balance P '000**	**Total credit impairment P '000**	**Net carrying value P '000**	**Gross balance P '000**	**Total credit impairment P '000**	**Net carrying value P '000**
Cash and balances at central banks	1,132,308	–	1,132,308	–	–	–	–	–	–	1,132,308	–	1,132,308
Loans and advances to banks (amortised cost)	791	–	791	–	–	–	–	–	–	791	–	791
Due from related parties	4,903,383	–	4,903,383	–	–	–	–	–	–	4,903,383	–	4,903,383
Loans and advances to customers (amortised cost)	7,429,389	(22,553)	7,406,836	682,843	(2,035)	680,808	225,124	(158,404)	66,720	8,337,356	(182,992)	8,154,364
Derivate financial instruments	40,172	–	40,172	–	–	–	–	–	–	40,172	–	40,172
Investment securities and other eligible bills	3,718,747	(398)	3,718,349	–	–	–	–	3,718,747	(398)	3,718,349		
FVOCI[2]	3,718,747	(398)	3,718,349	–	–	–	–	3,718,747	(398)	3,718,349		
Accrued income (amortised cost)	212,833	212,833	–		–	212,833	–	212,833				
Other assets	14,579	–	14,579	–	–	–	–	–	–	14,579	–	14,579
Undrawn commitments[3]	5,468,224	(168)	–	26,920	(12)	–	–	5,495,144	(180)	–		
Financial guarantees, trade credits and irrevocable letter of credits[3]	226,051	(75)	–	5,675	(422)	90	–	231,816	(497)	–		
Total	**23,146,476**	**(23,194)**	**17,429,251**	**715,438**	**(2,469)**	**680,808**	**225,214**	**(158,404)**	**66,720**	**24,087,128**	**(184,067)**	**18,176,779**

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

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3. Financial Risk Management and Capital Review continued

Analysis of financial instrument by stage

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

Group

2023

	Stage 1			Stage 2			Stage 3			Total		
	Gross balance P '000	Total credit impairment P '000	Net carrying value P '000	Gross balance P '000	Total credit impairment P '000	Net carrying impairment P '000	Gross balance P '000	Total credit impairment P '000	Net carrying value P '000	Gross balance P '000	Total credit impairment P '000	Net carrying value P '000
Cash and balances at central banks	854,469	–	854,469	–	–	–	–	–	–	854,469	–	854,469
Loans and advances to banks (amortised cost)	6,907	(1)	6,906	–	–	–	–	–	–	6,907	(1)	6,906
Due from related parties	3,632,041	–	3,632,041	–	–	–	–	–	–	3,632,041	–	3,632,041
Loans and advances to customers (amortised cost)	8,538,226	(58,434)	8,479,792	61,159	(35,928)	25,231	172,377	(117,600)	54,777	8,771,762	(211,962)	8,559,800
Derivate financial instruments	16,144	–	16,144	–	–	–	–	–	–	16,144	–	16,144
Investment securities and other eligible bills	4,274,968	(294)	4,274,674	–	–	–	–	–	–	4,274,968	(294)	4,274,674
FVOCI[2]	4,274,968	(294)	4,274,674	–	–	–	–	4,274,968	(294)			
Accrued income (amortised cost)[4]	205,116	–	205,116	–	–	–	–	–	–	205,116	–	205,116
Other assets	171,805	–	171,805	–	–	–	–	–	–1	71,805	–	171,805
Undrawn commitments[3]	6,257,200	(69)	–	54,641	(60)	–	–	–	6,311,841	(129)	–	
Financial guarantees, trade credits and irrevocable letter of credits[3]	353,996	(15)	–	5,704	(491)	110	–	–359,810	(506)	–		
Total	**24,310,872**	**(58,813)**	**17,640,947**	**121,504**	**(36,479)**	**25,231**	**172,487**	**(117,600)**	**54,777**	**24,604,863**	**(212,892)**	**17,720,955**

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4. The prior year amount of accrued income has been updated to exclude prepayments and deferred expenses (P64 million).

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3. Financial Risk Management and Capital Review continued

Analysis of financial instrument by stage

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

Company

2024

	Stage 1			Stage 2			Stage 3			Total		
	Gross balance P '000	Total credit impairment P '000	Net carrying value P '000	Gross balance P '000	Total credit impairment P '000	Net carrying impairment P '000	Gross balance P '000	Total credit impairment P '000	Net carrying value P '000	Gross balance P '000	Total credit impairment P '000	Net carrying value P '000
Cash and balances at central banks	1,127,120	–	1,127,120	–	–	–	–	–	–	1,127,120	–	1,127,120
Loans and advances to banks (amortised cost)	791	–	791	–	–	–	–	–	–	791	–	791
Due from related parties	4,811,097	–	4,811,097	–	–	–	–	–	–	4,811,097	–	4,811,097
Loans and advances to customers (amortised cost)	7,429,389	(22,553)	7,406,836	682,843	(2,035)	680,808	225,124	(158,404)	66,720	8,337,356	(182,992)	8,154,364
Derivate financial instruments	40,172	–	40,172	–	–	–	–	–	–	40,172	–	40,172
Investment securities and other eligible bills	3,718,747	(398)	3,718,349	–	–	–	–	3,718,747	(398)	3,718,349	-	-
FVOCI[2]	3,718,747	(398)	3,718,349	–	–	–	–	3,718,747	(398)	3,718,349	-	-
Accrued income (amortised cost)	212,833	212,833	–	–	212,833	–	212,833					
Other assets	14,519	–	14,519	–	–	–	–	–	–	14,519	–	14,519
Undrawn commitments[3]	5,468,224	(168)	–	26,920	(12)	–	–	–	–	5,495,144	(180)	–
Financial guarantees, trade credits and irrevocable letter of credits[3]	226,051	(75)	–	5,675	(422)	–	90	–	–	231,816	(497)	–
Total	**23,048,942**	**(23,194)**	**17,331,717**	**715,438**	**(2,469)**	**680,808**	**225,214**	**(158,404)**	**66,720**	**23,989,594**	**(184,067)**	**18,079,245**

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Connecting Botswana to the world

3. Financial Risk Management and Capital Review continued

Analysis of financial instrument by stage

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

Company

2023

	Stage 1			Stage 2			Stage 3			Total		
	Gross balance P '000	Total credit impairment P '000	Net carrying value P '000	Gross balance P '000	Total credit impairment P '000	Net carrying impairment P '000	Gross balance P '000	Total credit impairment P '000	Net carrying value P '000	Gross balance P '000	Total credit impairment P '000	Net carrying value P '000
Cash and balances at central banks	851,591	–	851,591	–	–	–	–	–	–	851,591	–	851,591
Loans and advances to banks (amortised cost)	6,907	(1)	6,906	–	–	–	–	–	–	6,907	(1)	6,906
Due from related parties	3,558,096	–	3,558,096	–	–	–	–	–	–	3,558,096	–	3,558,096
Loans and advances to customers (amortised cost)	8,538,226	(58,434)	8,479,792	61,159	(35,928)	25,231	172,377	(117,600)	54,777	8,771,762	(211,962)	8,559,800
Derivate financial instruments	16,144	–	16,144	–	–	–	–	–	–	16,144	–	16,144
Investment securities and other eligible bills	4,274,968	(294)	4,274,674	–	–	–	–	–	–	4,274,968	(294)	4,274,674
FVOCI[2]	4,274,968	(294)	4,274,674	–	–	–	–	4,274,968	(294)	-	-	-
Accrued income (amortised cost)[4]	205,116	–	205,116	–	–	–	–	–	–	205,116	–	205,116
Other assets	171,743	–	171,743	–	–	–	–	–	–	171,743	–	171,743
Undrawn commitments[3]	6,257,200	(69)	–	54,641	(60)	–	–	–	–	6,311,841	(129)	–
Financial guarantees, trade credits and irrevocable letter of credits[3]	353,995	–	–	5,704	–	–	110	–	–	359,809	–	–
Total	**24,233,986**	**(58,798)**	**17,564,062**	**121,504**	**(35,988)**	**25,231**	**172,487**	**(117,600)**	**54,777**	**24,527,977**	**(212,386)**	**17,644,070**

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   ECL allowances on off -balance sheet instruments are held as liability provisions to the extent that the drawn and undrawn components of loan exposures can be separately identified. Otherwise, they will be reported against the drawn component.
4. The prior year amount of accrued income has been updated to exclude prepayments and deferred expenses (P64 million).

3. Financial Risk Management and Capital Review continued

Credit quality analysis

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

Mapping of credit quality

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

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

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

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

For financial assets which are not individually significant, such as the Retail Banking portfolio or small business loans, which comprise a large number of homogenous loans that share similar characteristics, statistical estimates and techniques are used, as well as credit scoring analysis.

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

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

3. Financial Risk Management and Capital Review continued

Expert credit judgment is also applied to determine whether any post-model adjustments are required for credit risk elements which are not captured by the models.

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

Stage 1:

Stage 1 gross loans and advances to customers decreased by P1.2 billion compared with 31 December 2023 and represent a decrease of 14 percent. Stage 1 gross balances represent 89.04 percent of loans and advances to customers (2023: 97.4 percent). The stage 1 coverage ratio is at 3 percent compared with 4 percent in 31 December 2023.

Stage 2:

Stage 2 loans and advances to customers increased by P621 million compared with 31 December 2023,. The proportion of stage 2 loans also increased to 8 percent from 0.7 percent percent due to changes in exposures.

Stage 3:

Stage 3 loans and advances to customers increased by 30 percent to P225 million compared with 31 December 2023 of P172 million.

In Corporate & Investment Banking, gross stage 3 loans increased by P36 million compared with 31 December 2023. In Wealth & Retail Banking (WRB), stage 3 loans increased by P16 million.

3. Financial Risk Management and Capital Review continued

Loans and advances by client segment.

Group & Company	**2024 Customers**					
	Banks	**Corporate & Investment Banking**	**Wealth & Retail Banking**	**Customer Total**	**Undrawn Commit-ments**	**Financial Guarantees**
Amortised cost	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**
Stage 1	**791**	**283,505**	**7,145,884**	**7,429,389**	**5,468,224**	**226,051**
- Strong	741	247,632	7,145,884	7,393,516	5,317,708	91,266
- Satisfactory	50	35,873	–	35,873	150,516	134,785
Stage 2	**–**	**637,041**	**45,802**	**682,843**	**26,920**	**5,675**
- Strong	–	–	45,802	45,802	26,920	–
- Satisfactory	–	637,041	–	637,041	–	200
- Higher risk	–	–	–	–	–	5,475
Stage 3, credit-impaired financial assets	–	149,902	75,222	225,124	–	90
Gross balance	**791**	**1,070,448**	**7,266,908**	**8,337,356**	**5,495,144**	**231,816**
Stage 1	–	(80)	(22,473)	(22,553)	(168)	(75)
- Strong	–	(69)	(22,473)	(22,542)	(91)	(19)
- Satisfactory	–	(11)	–	(11)	(77)	(56)
Stage 2	–	(1,731)	(304)	(2,035)	(12)	(422)
- Strong	–	–	(304)	(304)	(12)	–
- Satisfactory	–	(1,731)	–	(1,731)	–	(2)
- Higher risk	–	–	–	–	–	(420)
Stage 3, credit-impaired financial assets	–	(98,372)	(60,032)	(158,404)	–	–
Total credit impairment	**–**	**(100,183)**	**(82,809)**	**(182,992)**	**(180)**	**(497)**
Net carrying value	**791**	**970,265**	**7,184,099**	**8,154,364**	**-**	**-**
Stage 1	0.00%	0.03%	0.31%	0.30%	0.00%	0.03%
- Strong	0.00%	0.03%	0.31%	0.30%	0.00%	0.02%
- Satisfactory	0.00%	0.03%	0.00%	0.03%	0.05%	0.04%
Stage 2	0.00%	0.27%	0.66%	0.30%	0.04%	7.44%
- Strong	0.00%	0.00%	0.66%	0.66%	0.04%	0.00%
- Satisfactory	0.00%	0.27%	0.00%	0.27%	0.00%1	.00%
- Higher risk	0.00%	0.00%	0.00%	0.00%	0.00%	7.67%
Stage 3, credit-impaired financial assets (S3)	0.00%	65.62%	79.81%	70.36%	0.00%	0.00%
Cover ratio	**0.00%**	**9.36%**	**1.14%**	**2.19%**	**0.00%**	**0.21%**
Net carrying value (incl FVTPL)	**791**	**970,265**	**7,184,099**	**8,154,364**	**–**	**–**

3. Financial Risk Management and Capital Review continued

Loans and advances by client segment.

Group & Company	**2023 Customers**					
	Banks	**Corporate & Investment Banking**	**Wealth & Retail Banking**	**Customer Total**	**Undrawn Commit-ments**	**Financial Guarantees**
Amortised cost	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**
Stage 1	**6,907**	**1,317,822**	**7,220,404**	**8,538,226**	**6,257,200**	**353,996**
- Strong	6,857	9,365	7,220,404	7,229,769	6,221,383	297,030
- Satisfactory	50	1,308,457	–	1,308,457	35,817	56,966
Stage 2	**–**	**9,274**	**51,885**	**61,159**	**54,641**	**5,704**
- Strong	–	3,762	51,885	55,647	24,641	20
- Satisfactory	–	–	–	–	–	200
- Higher risk	–	5,512	–	5,512	30,000	5,484
Stage 3, credit-impaired financial assets	–	113,319	59,058	172,377	–	110
Gross balance	**6,907**	**1,440,415**	**7,331,347**	**8,771,762**	**6,311,841**	**359,810**
Stage 1	(1)	(22,277)	(36,157)	(58,434)	(69)	(15)
- Strong	(1)	(86)	(36,157)	(36,243)	(44)	(6)
- Satisfactory	–	(22,191)	–	(22,191)	(25)	(9)
Stage 2	–	(229)	(35,699)	(35,928)	(60)	(491)
- Strong	–	(3)	(35,699)	(35,702)	(11)	–
- Satisfactory	–	–	–	–	–	(2)
- Higher risk	–	(226)	–	(226)	(49)	(489)
Stage 3, credit-impaired financial assets	–	(89,701)	(27,899)	(117,600)	–	–
Total credit impairment	**(1)**	**(112,207)**	**(99,755)**	**(211,962)**	**(129)**	**(506)**
Net carrying value	**6,906**	**1,328,208**	**7,231,592**	**8,559,800**	**–**	**–**
Stage 1	0.0%	1.7%	0.5%	0.7%	0.0%	0%
- Strong	0.0%	0.9%	0.5%	0.5%	0.0%	0%
- Satisfactory	0.0%	1.7%	0.0%	1.7%	0.1%	0%
Stage 2	0.0%	2.5%	68.8%	58.7%	0.1%	9%
- Strong	0.0%	0.1%	68.8%	64.2%	0.0%	0%
- Satisfactory	0.0%	0.0%	0.0%	0.0%	0.0%	1%
- Higher risk	0.0%	4.1%	0.0%	4.1%	0.2%	9%
Stage 3, credit-impaired financial assets (S3)	0.0%	79.2%	47.2%	68.2%	0.0%	0%
Cover ratio	**0.0%**	**7.8%**	**1.4%**	**2.4%**	**0.0%**	**0%**
Net carrying value (incl FVTPL)	**6,906**	**1,328,208**	**7,231,592**	**8,559,800**	**6,311,712**	**359,304**

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3. Financial Risk Management and Capital Review continued

Group and Company

Loans and advances by client segment credit quality analysis

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

Group and Company

Loans and advances by client segment credit quality analysis

			2023 Corporate & Investment Banking							
			Gross				Credit impairment			
Credit grade	**Regulatory 1 year PD range (%)**	**S&P external ratings equivalent**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Strong			65,675	3,762	–	69,437	(86)	(3)	–	(89)
4B-5B	0.111 - 0.425	BBB+ to BBB-/BB+	65,675	3,762	–	69,437	(86)	(3)	–	(89)
Satisfactory			1,308,457	–	–	1,308,457	(22,192)	–	–	(22,192)
6A-7B	0.426 - 1.350	BB+/BB to BB	21,250	–	–	21,250	(32)	–	–	(32)
8A-9B	1.351 - 4.000	BB-/B+ to B+/B	1,287,207	–	–	1,287,207	(22,160)	–	–	(22,160)
Higher risk			–	5,512	–	5,512	–	(226)	–	(226)
12	15.751 - 99.999	CCC/C	–	5,512	–	5,512	–	(226)	–	(226)
Defaulted			–	–	113,318	113,318	–	–	(89,701)	(89,701)
13-14	100	Defaulted	–	–	113,318	113,318	–	–	(89,701)	(89,701)
Total			1,374,132	9,274	113,318	1,496,724	(22,278)	(229)	(89,701)	(112,208)

3. Financial Risk Management and Capital Review continued

Wealth & Retail Banking 2024

Group and Company		Gross			Credit Impairment			
Credit grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Strong	7,145,884	45,802	–	7,191,686	(22,473)	(304)	–	(22,777)
Secured	1,086,081	23,731	–	1,109,812	(2,083)	(177)	–	(2,260)
Unsecured	6,059,803	22,071	–	6,081,874	(20,390)	(127)	–	(20,517)
Defaulted	–	–	75,222	75,222	–	–	(60,032)	(60,032)
Secured			37,334	37,334			(22,896)	(22,896)
Unsecured	–	–	37,888	37,888	–	–	(37,136)	(37,136)
Total	**7,145,884**	**45,802**	**75,222**	**7,266,908**	**(22,473)**	**(304)**	**(60,032)**	**(82,809)**

Wealth & Retail Banking 2023

Group and Company		Gross			Credit Impairment			
Credit grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Strong	7,164,096	51,885	–	7,215,981	(36,157)	(35,699)	–	(71,856)
Secured	1,039,904	28,315	–	1,068,219	(10,516)	(14,345)	–	(24,861)
Unsecured	6,124,192	23,570	–	6,147,762	(25,641)	(21,354)	–	(46,995)
Defaulted	–	–	59,058	59,058	–	–	(27,899)	(27,899)
Secured			48,356	48,356			(18,188)	(18,188)
Unsecured	–	–	10,702	10,702	–	–	(9,711)	(9,711)
Total	**7,164,096**	**51,885**	**59,058**	**7,275,039**	**(36,157)**	**(35,699)**	**(27,899)**	**(99,755)**

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

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

Methodology

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

3. Financial Risk Management and Capital Review continued

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

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

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

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

3. Financial Risk Management and Capital Review continued

Group and Company (All segments)

Amortised cost and FVOCI	Stage 1 Gross balance[3] P '000	Stage 1 Total credit impairment P '000	Stage 1 Net P '000	Stage 2 Gross balance[3] P '000	Stage 2 Total credit impairment P '000	Stage 2 Net P '000
As at 01 January 2024	**16,830,382**	**(58,798)**	**16,771,584**	**(322,760)**	**31,541**	**(291,219)**
Transfers to stage 1	90,978	8,094	99,072	(90,978)	(8,094)	(99,072)
Transfers to stage 2	(2,038,712)	(1,984)	(2,040,696)	2,053,804	4,044	2,057,848
Transfers to stage 3	–	–	–	(68,177)	(7,940)	(76,117)
Net change in exposures	(2,588,213)	9,645	(2,578,568)	(856,771)	772	(855,999)
Net remeasurement from stage changes	–	(295)	(295)	–	910	910
Changes in risk parameters	–	27,357	27,357	–	(23,709)	(23,709)
Write-offs	–	–	–	–	–	–
Interest due but unpaid	–	–	–	–	–	–
Exchange translation differences and other movements	1,238	(7,213)	(5,975)	320	7	327
As at 31 December 2024	**12,295,673**	**(23,194)**	**12,272,479**	**715,438**	**(2,469)**	**712,969**
Income statement ECL (charge)/release	**-**	**36,707**	**-**	**-**	**(22,027)**	**-**
Total credit impairment (charge) /release	**-**	**36,707**	**-**	**-**	**(22,027)**	**-**

Amortised cost and FVOCI	Stage 3[5] Gross balance[3] P '000	Stage 3[5] Total credit impairment P '000	Stage 3[5] Net P '000	Total Gross balance[3] P '000	Total Total credit impairment P '000	Total Net P '000
As at 01 January 2024	**108,116**	**(199,208)**	**(91,092)**	**16,615,738**	**(226,465)**	**16,389,273**
Transfers to stage 1	–	–	–	–	–	–
Transfers to stage 2	(15,092)	(2,060)	(17,152)	–	–	–
Transfers to stage 3	68,177	7,940	76,117	–	–	–
Net change in exposures	117,680	(115,889)	1,791	(3,327,304)	(105,472)	(3,432,776)
Net remeasurement from stage changes	–	9	9	–	624	624
Changes in risk parameters	–	136,231	136,231	–	139,879	139,879
Write-offs	(54,030)	–	(54,030)	(54,030)	–	(54,030)
Interest due but unpaid	–	(81)	(81)	–	(81)	(81)
Exchange translation differences and other movements	363	14,654	15,017	1,921	7,448	9,369
As at 31 December 2024	**225,214**	**(158,404)**	**66,810**	**13,236,325**	**(184,067)**	**13,052,258**
Income statement ECL (charge)/release	**-**	**20,351**	**-**	**-**	**35,031**	
Total credit impairment (charge) /release	**-**	**20,351**	**-**	**-**	**35,031**	**-**

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Connecting Botswana to the world

3. Financial Risk Management and Capital Review continued

Of which – movement of investment securities and other eligible bills

	Stage 1			Stage 2		
	Gross balance	Total credit impairment	Net	Gross balance	Total credit impairment	Net
Amortised cost and FVOCI	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**
As at 01 January 2023	**2,444,488**	**(920)**	**2,443,568**	**–**	**–**	**–**
Net change in exposures	1,776,861	(6,920)	1,769,941	–	–	–
Changes in risk parameters	–	7,515	7,515	–	–	–
Exchange translation differences and other movements	53,619	32	53,651	–	–	–
As at 31 December 2023	**4,274,968**	**(293)**	**4,274,675**	**–**	**–**	**–**
Income statement ECL (charge)/ release		595		–	–	-
Total credit impairment (charge)/ release		**595**		**–**	**–**	**-**
As at 01 January 2024	**4,274,968**	**(294)**	**4,274,674**	**–**	**–**	**–**
Net change in exposures	(586,578)	(803)	(587,381)	–	–	–
Changes in risk parameters	–	698	698	–	–	–
Exchange translation differences and other movements	30,357		30,358	–	–	–
As at 31 December 2024	**3,718,747**	**(398)**	**3,718,349**	**–**	**–**	**–**
Income statement ECL (charge)/release	–	(105)	–	–	–	–
Total credit impairment (charge)/release	**–**	**(105)**	**–**	**–**	**–**	**–**

	Stage 3			Total		
	Gross balance	Total credit impairment	Net	Gross balance	Total credit impairment	Net
Amortised cost and FVOCI	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**
As at 01 January 2023	**–**	**–**	**–**	**2,444,488**	**(920)**	**2,443,568**
Net change in exposures	–	–	–	1,776,861	(6,920)	1,769,941
Changes in risk parameters	–	–	–	–	7,515	7,515
Exchange translation differences and other movements	–	–	–	53,619	32	53,651
As at 31 December 2023	–	–	–	4,274,968	(293)	4,274,675
Income statement ECL (charge)/ release	-	-	-	-	595	-
Total credit impairment (charge)/ release	**-**	**-**	**-**	**-**	**595**	**-**
As at 01 January 2024	–	–	–	4,274,968	(294)	4,274,674
Net change in exposures	–	–	–	(586,578)	(803)	(587,381)
Changes in risk parameters	–	–	–	–	698	698
Exchange translation differences and other movements	–	–	–	30,357	1	30,358
As at 31 December 2024	–	–	–	3,718,747	(398)	3,718,349
Income statement ECL (charge)/release	–	–	–	–	(105)	–
Total credit impairment (charge)/release	**–**	**–**	**–**	**–**	**(105)**	**–**

Problem credit management and provisioning

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

Gross stage 3 loans for the Bank is P225 million (2023: P 173 million). The increase in loans was driven by similar increases in both the Corporate & Investment Banking debt sales as well as the Wealth & Retail Banking.
Gross stage 3 loans in Wealth & Retail Banking increased to P75m from P59m prior year.

3. Financial Risk Management and Capital Review continued

Stage 3 cover ratio

The stage 3 cover ratio measures the proportion of stage 3 impairment provisions to gross stage 3 loans, and is a metric commonly used in considering impairment trends. This metric does not allow for variations in the composition of stage 3 loans and should be used in conjunction with other Credit risk information provided, including the level of collateral cover. The balance of stage 3 loans not covered by stage 3 impairment provisions represents the adjusted value of collateral held and the net outcome of any workout or recovery strategies. Collateral provides risk mitigation to some degree in all client segments and supports the credit quality and cover ratio assessments post impairment provisions. Further information on collateral is provided in the Credit risk mitigation section. Corporate & Investment Banking cover ratio decreased to 66% compared to 79% in the previous reporting period.

Wealth & Retail Banking cover ratio is 80 % (2023: 47 %) due to new accounts with a higher cover ratio and impact of revaluations on existing loans.

Group & Company

	2024			2023		
	Corporate & Investment Banking	Wealth & Retail Banking	Total	Corporate & Investment Banking	Wealth & Retail Banking	Total
Amortised cost	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**
Gross credit-impaired	149,902	75,222	225,124	113,318	59,059	172,377
Credit impairment provisions	(98,372)	(60,032)	(158,404)	(89,701)	(27,899)	(117,600)
Net credit-impaired	**51,530**	**15,190**	**66,720**	**23,617**	**31,160**	**54,777**
Cover ratio	**66%**	**80%**	**70%**	**79%**	**47%**	**68%**
Collateral (P '000)	749,613	26,414	776,027	23,618	31,159	54,777
Cover ratio (after collateral)	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Credit risk mitigation

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

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

Collateral

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

Collateral and other credit enhancements possessed or called upon

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

The collateral values in the table below (which covers loans and advances to banks and customers, excluding those held at fair value through profit or loss) are adjusted where appropriate in accordance with our risk mitigation policy and for the effect of over-collateralisation. The extent of over-collateralisation has been determined with reference to both the drawn and undrawn components of exposure as this best reflects the effect of collateral and other credit enhancements on the amounts arising from expected credit losses.

3. Financial Risk Management and Capital Review continued

The value of collateral reflects management's best estimate and is back-tested against our prior experience. On average, across all types of non-cash collateral, the value ascribed is approximately half of its current market value.

In the Wealth & Retail Banking segment, a secured loan is one where the borrower pledges an asset as collateral of which the Bank is able to take possession in the event that the borrower defaults. Total collateral for Wealth & Retail Banking has decreased to P15 million (2023: P31 million) due to a decrease in Mortgages and Secured wealth products.

Collateral held on loans and advances

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

Group & Company

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

	2023								
	Net amount outstanding			Collateral			Net exposure		
	Total	Stage 2 financial assets	Credit impaired financial assets (S3)	Total[2]	Stage 2 financial assets	Credit impaired financial assets (S3)	Total	Stage 2 financial assets	Credit impaired financial assets (S3)
Amortised cost	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**
Corporate & Investment Banking [1]	1,384,516	9,045	23,618	539,887	–	23,618	844,629	9,045	–
Wealth & Retail Banking	7,175,284	16,186	31,159	1,113,369	19,083	31,159	6,061,915	(2,897)	–
Total	**8,559,800**	**25,231**	**54,777**	**1,653,256**	**19,083**	**54,777**	**6,906,544**	**6,148**	**–**

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

Credit quality by industry

Loans and advances

This section provides an analysis of the Bank's amortised cost portfolio by industry on a gross, total credit impairment and net basis. From an industry perspective, gross loans and advances decreased by P490.7 million to P8.281 billion as compared to 31 December 2023.

Stage 1 loans decreased by P1.16 million to P7.37 billion.

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3. Financial Risk Management and Capital Review continued

Group and Company
Credit quality by industry

	2024											
	Stage 1			**Stage 2**			**Stage 3**			**Total**		
	Gross balance	**Total credit impairment**	**Net carrying amount**	**Gross balance**	**Total credit impairment**	**Net carrying amount**	**Gross balance**	**Total credit impairment**	**Net carrying amount**	**Gross balance**	**Total credit impairment**	**Net carrying amount**
Amortised cost	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**
Industry:												
Energy	136,939	-	136,939	-	-	-	2,550	-	2,550	139,490	-	139,490
Manufacturing	3,352	-	3,352	-	-	-	9,072	(7,457)	1,616	12,424	(7,457)	4,968
Financing, insurance and non-banking	0	-	0	0	-	0	20,108	(49)	20,059	20,109	(49)	20,059
Transport, telecom and utilities	16,250	(19)	16,231	-	-	-	5,074	(4,735)	339	21,324	(4,754)	16,570
Food and household products	-	-	-	-	-	-	33,902	(20,329)	13,573	33,902	(20,329)	13,573
Commercial real estate	-	-	-	-	-	-	23,589	(11,047)	12,542	23,589	(11,047)	12,542
Mining and quarrying	-	-	-	-	-	-	52	-	52	52	-	52
Consumer durables	-	-	-	-	-	-	34	-	34	34	-	34
Construction	-	-	-	-	-	-	45,511	(45,511)	-	45,511	(45,511)	-
Government	24,438	(61)	24,376	637,041	(1,731)	635,310	-	-	-	661,479	(1,793)	659,686
Other	-	-	-	-	-	-	10,010	(9,244)	765	10,010	(9,244)	765
Retail Products:												
Mortgage	1,068,145	(2,063)	1,066,081	23,725	(177)	23,548	25,301	(13,464)	11,838	1,117,172	(15,704)	1,101,467
Credit Cards	113,858	(785)	113,073	1,914	(13)	1,901	30,065	(29,313)	752	145,837	(30,111)	115,726
Personal loans and other unsecured lending	6,048,471	(19,605)	6,028,866	20,157	(114)	20,044	7,823	(7,823)	0	6,076,451	(27,541)	6,048,910
Auto	7,331	(8)	7,323	-	-	-	-	-	-	7,331	(8)	7,323
Secured wealth products	10,605	(12)	10,593	6	(0)	6	2,601	-	2,601	13,211	(12)	13,199
Other	-	-	-	-	-	-	9,432	(9,432)	-	9,432	(9,432)	-
Net carrying value (customers)	**7,429,389**	**(22,553)**	**7,406,836**	**682,843**	**(2,035)**	**680,808**	**225,124**	**(158,404)**	**66,720**	**8,337,356**	**(182,992)**	**8,154,364**

3. Financial Risk Management and Capital Review continued

Group and Company
Credit quality by industry

	2023											
	Stage 1			Stage 2			Stage 3			Total		
	Gross balance	Total credit impairment	Net carrying amount	Gross balance	Total credit impairment	Net carrying amount	Gross balance	Total credit impairment	Net carrying amount	Gross balance	Total credit impairment	Net carrying amount
Amortised cost	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**
Industry:												
Energy	273	(252)	21	–	–	–	2,207	(1,622)	585	2,480	(1,874)	606
Manufacturing	–	–	–	–	–	–	7,914	(6,357)	1,557	7,914	(6,357)	1,557
Financing, insurance and non-banking	93,750	(674)	93,076	–	–	–	–	–	–	93,750	(674)	93,076
Transport, telecom and utilities	21,250	(26)	21,224	–	–	–	4,175	(3,365)	810	25,425	(3,391)	22,034
Food and household products	–	–	–	–	–	–	24,616	(19,976)	4,640	24,616	(19,976)	4,640
Commercial real estate	–	–	–	9,273	(229)	9,044	16,600	(15,842)	758	25,873	(16,071)	9,802
Mining and quarrying	–	–	–	–	–	–	–	–	–	–	–	–
Consumer durables	–	–	–	–	–	–	29	–	29	29	–	29
Construction	–	–	–	–	–	–	30,573	(29,223)	1,350	30,573	(29,223)	1,350
Government	1,258,858	(21,325)	1,237,533	–	–	–	16,914	(5,600)	11,314	1,275,772	(26,925)	1,248,847
Other	–	–	–	–	–	–	10,291	(7,716)	2,575	10,291	(7,716)	2,575
Retail Products:												
Mortgage	1,074,405	(10,383)	1,064,022	25,469	(12,521)	12,948	31,990	(11,862)	20,128	1,131,864	(34,766)	1,097,098
Credit Cards	117,542	(1,449)	116,093	2,248	(31)	2,217	1,002	(11)	991	120,792	(1,491)	119,301
Personal loans and other unsecured lending	5,950,343	(24,193)	5,926,150	21,322	(21,322)	–	9,700	(9,700)	–	5,981,365	(55,215)	5,926,150
Auto	12,485	(121)	12,364	–	–	–	–	–	–	12,485	(121)	12,364
Secured wealth products	9,090	(11)	9,079	388	(1)	387	2,359	–2,359	11,837	(12)	11,825	
Other	230	–	230	2,459	(1,824)	635	14,007	(6,326)	7,681	16,696	(8,150)	8,546
Net carrying value (customers)	**8,538,226**	**(58,434)**	**8,479,792**	**61,159**	**(35,928)**	**25,231**	**172,377**	**(117,600)**	**54,777**	**8,771,762**	**(211,962)**	**8,559,800**

3. Financial Risk Management and Capital Review continued

Investment securities and other eligible bills

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

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

Total gross investment securities and other eligible bills decreased by P0.56 billion to P3.72 billion. Of the total decrease, 100 % is in stage 1.

Group and company

	2024			2023
Amortised cost and FVOCI	**Gross P '000**	**ECL P '000**	**Net P '000**	**Gross P '000**
Stage 1	3,718,747	(398)	3,718,349	4,275,261
BBB- to BBB+	3,718,747	(398)	3,718,349	4,275,261
Gross balance	**3,718,747**	**(398)**	**3,718,349**	**4,275,261**

IFRS 9 expected credit loss methodology

Approach for determining expected credit losses

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

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

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

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

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

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

3. Financial Risk Management and Capital Review continued

Application of lifetime

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

Stage 3 assets

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

Sensitivity of expected credit loss calculation to macroeconomic variables

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

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

The Group faces downside risks in the operating environment related to the uncertainties surrounding the macroeconomic outlook. To explore this, a sensitivity analysis of ECL was undertaken to explore the effect of slower economic recoveries across the Group's footprint markets. Two downside scenarios were considered. In the first scenario the current supply chain disruptions prove more persistent than expected. Labour and material shortages persist throughout 2022 and higher commodity and other input prices add to inflationary pressure. The global recovery in investment and consumption disappoints and financial markets weaken. The impact on the global economy is temporary, however. Supply chain disruptions ease significantly from 2023. In the second scenario, new COVID-19 virus variants are assumed to lead to a new infection wave in emerging markets and developing economies, resulting in the re-introduction of severe lockdown measures. Travel restrictions significantly impact the aviation and hotels & tourism sectors.

The total reported stage 1 and 2 ECL provisions (including both on and off-balance sheet instruments) would be approximately P110 million higher under the Supply Chain Disruption scenario and P545 million higher under the New Covid-19 Variant scenario than the baseline ECL provisions (which excluded the impact of multiple economic scenarios and management overlays which may already capture some of the risks in these scenarios). The proportion of stage 2 assets would increase from 4.2 % to 4.6 % and 7.7 % respectively under the Supply Chain Disruption and New Covid-19 Variant scenarios. This includes the impact of exposures transferring to stage 2 from stage 1 but does not consider an increase in stage 3 defaults.

There was no material change in modelled stage 3 provisions as these primarily relate to unsecured Retail Banking exposures for which the LGD is not sensitive to changes in the macroeconomic forecasts. There is also no material change for non-modelled stage 3 exposures as these are more sensitive to client specific factors than to alternative macroeconomic scenarios.

The actual outcome of any scenario may be materially different due to, amongst other factors, the effect of management actions to mitigate potential increases in risk and changes in the underlying portfolio.

3. Financial Risk Management and Capital Review continued

Significant increase in Credit risk (SICR)

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

Assets are considered to have experienced SICR if they have breached both relative and absolute thresholds for the change in the average annualised lifetime probability of default over the residual term of the exposure.

The absolute measure of increase in credit risk is used to capture instances where the PDs on exposures are relatively low at initial recognition as these may increase by several multiples without representing a significant increase in credit risk. Where PDs are relatively high at initial recognition, a relative measure is more appropriate in assessing whether there is a significant increase in credit risk, as the PDs increase more quickly.

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

- Stability – The thresholds are set to achieve a stable stage 2 population at a portfolio level, trying to minimise the number of accounts moving back and forth between stage 1 and stage 2 in a short period of time
- Accuracy – The thresholds are set such that there is a materially higher propensity for stage 2 exposures to eventually default than is the case for stage 1 exposures

Dependency from backstops – The thresholds are stringent enough such that a high proportion of accounts transfer to stage 2 due to movements in forward-looking PDs rather than relying on backward-looking backstops such as arrears

- Relationship with business and product risk profiles – The thresholds reflect the relative risk differences between different products, and are aligned to business processes for Corporate & Investment Banking clients, the relative threshold is a 100 % increase in PD and the absolute change in PD is between 50 and 100 bps.

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

Private Banking clients are assessed qualitatively, based on a delinquency measure relating to collateral top-ups or sell-downs.

Investment securities originated before 1 January 2018 with an internal credit rating mapped to an investment grade equivalent are allocated to stage 1 and all other investment securities to stage 2. Investment securities originated after 1 January 2018 apply the same approach and thresholds as for Corporate & Investment Banking clients.

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

Backstop

Across all portfolios, accounts that are 30 or more days past due (DPD) on contractual payments of principal and/or interest that have not been captured by the criteria above are considered to have experienced a significant increase in credit risk.

3. Financial Risk Management and Capital Review continued

Significant increase in Credit risk (SICR) continued

Expert credit judgement may be applied in assessing significant increase in credit risk to the extent that certain risks may not have been captured by the models or through the above criteria. Such instances are expected to be rare, for example due to events and material uncertainties arising close to the reporting date.

Corporate & Investment Banking clients

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

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

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

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

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

Wealth & Retail Banking clients

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

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

3. Financial Risk Management and Capital Review continued

Significant increase in Credit risk (SICR) continued

Qualitative criteria

For all Private Banking classes, in line with risk management practice, an increase in credit risk is deemed to have occurred where margining or loan-to-value covenants have been breached. For Class I assets (lending against diversified liquid collateral), if these margining requirements have not been met within 30 days of a trigger, a significant increase in credit risk is assumed to have occurred. For Class I and Class III assets (real-estate lending), a significant increase in credit risk is assumed to have occurred where the BankBank is unable to 'sell down' the applicable assets to meet revised collateral requirements within five days of a trigger. Class II assets are typically unsecured or partially secured or secured against illiquid collateral such as shares in private companies. Significant credit deterioration of these assets is deemed to have occurred when any Early Alert trigger has been breached.

Investment Securities

Quantitative criteria

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

Qualitative criteria

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

Assessment of credit-impaired financial assets

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

Corporate & Investment Banking, and Private Banking clients

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

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

3. Financial Risk Management and Capital Review continued

Significant increase in Credit risk (SICR) continued

Qualitative criteria

For all Private Banking classes, in line with risk management practice, an increase in credit risk is deemed to have occurred where margining or loan-to-value covenants have been breached. For Class I assets (lending against diversified liquid collateral), if these margining requirements have not been met within 30 days of a trigger, a significant increase in credit risk is assumed to have occurred. For Class I and Class III assets (real-estate lending), a significant increase in credit risk is assumed to have occurred where the BankBank is unable to 'sell down' the applicable assets to meet revised collateral requirements within five days of a trigger. Class II assets are typically unsecured or partially secured or secured against illiquid collateral such as shares in private companies. Significant credit deterioration of these assets is deemed to have occurred when any Early Alert trigger has been breached.

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

Qualitative criteria

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

Assessment of credit-impaired financial assets

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

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

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

Write-offs

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

3. Financial Risk Management and Capital Review continued

Significant increase in Credit risk (SICR) continued

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

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

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

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

Key inputs into the calculation and resulting expected credit loss provisions are subject to review and approval by the IFRS 9 Impairment Committee (IIC) which is appointed by the Group Risk Committee. The IIC consists of senior representatives from Risk, Finance, and Group Economic Research. It meets at least twice every quarter, once before the models are run to approve key inputs into the calculation, and once after the models are run to approve the expected credit loss provisions and any judgemental overrides that may be necessary.

The IFRS 9 Impairment Committee:

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

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

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

3. Financial Risk Management and Capital Review continued

The IFRS 9 Impairment Committee continued

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

Liquidity and Funding Risk

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

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

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

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

Primary sources of funding

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

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

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

Liquidity and Funding Risk metrics

We monitor key liquidity metrics regularly.

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

Stressed coverage

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

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

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

The Bank's internal liquidity stress testing framework covers the following stress scenarios:

3. Financial Risk Management and Capital Review continued

Standard Chartered-specific – This scenario captures the liquidity impact from an idiosyncratic event affecting Standard Chartered only i.e. the rest of the market is assumed to operate normally.

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

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

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

Stress testing results show that a positive surplus was maintained under all scenarios at 31 December 2024. The results take into account currency convertibility and portability constraints while calculating the liquidity surplus.

External wholesale borrowing

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

Advances-to-deposits ratio

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

The Bank's Advances-to-Deposit Ratio has reduced by 6.7 % to 58.7 %, driven by growth in customer deposits, most of which came from corporate customers.

Group/Company

	2024 P '000	2023 P '000
Total loans and advances to customers	8,154,364	8,559,800
Total customer accounts	13,792,379	13,081,354
Advances-to-deposits ratio	59.1%	65.4%

3. Financial Risk Management and Capital Review continued

Liquidity analysis of the Bank's balance sheet

Contractual maturity of assets and liabilities

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

Within the tables below, cash and balances with central banks, interbank placements (placements with other banks) and investment securities that are fair value through other comprehensive income are used by the Bank principally for liquidity management purposes.

As at the reporting date, assets remain predominantly short-dated.

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Connecting
Botswana to
the world

3. Financial Risk Management and Capital Review continued

Group

	2024								
	One month or less	**Between one month and three months**	**Between three months and six months**	**Between six months and nine months**	**Between nine months and one year**	**Between one year and two years**	**Between two years and five years**	**More than five years and undated**	**Total**
	P '000	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**
Assets									
Cash and balances at central banks	1,132,308	–	–	–	–	–	–	–	1,132,308
Derivative financial instruments	8,948	4,879	–	20,748	5,597	–	–	–	40,172
Loans and advances to banks	766	–	–	–	–	25	–	–	791
Loans and advances to customers	76,761	741,493	14,749	62,337	44,546	303,344	4,698,537	6,131,630	12,073,397
Investment securities	1,990,637	478,006	645,160	153,083	173,167	18,875	322,441	25,735	3,807,104
Other assets	–	–	14,579	–	–	–	–	–	14,579
Due from related parties	4,903,383	–	–	–	–	–	–	–	4,903,383
Total assets	**8,112,803**	**1,224,378**	**674,488**	**236,168**	**223,310**	**322,244**	**5,020,978**	**6,157,365**	**21,971,734**
Liabilities									
Deposits by banks	432,085	117,000	113,578	194,924	143,121	95,000	–	–	1,095,708
Customer accounts	6,493,394	750,223	254,123	1,351,363	299,201	3,667,901	1,135,872	7,790	13,959,867
Derivative financial instruments	8,586	4,821	–	1,369	4,930	–	–	–	19,706
Debt securities in issue	1,975	3,950	5,925	5,925	99,528	17,615	282,808	–	417,726
Lease liabilities	920	1,861	5,628	2,693	5,090	10,447	667	–	27,306
Accruals and deferred income	51,306								51,306
Due to related parties	985,499	–	–	–	–	–	–	–	985,499
Other liabilities	323,999	80,214	–	–	–	–	–	–	404,213
Subordinated liabilities and other borrowed funds	1,949	3,773	5,659	390,824	–	–	–	–	402,205
Total liabilities	**8,300,633**	**963,703**	**390,542**	**1,949,791**	**556,959**	**3,801,409**	**1,420,014**	**7,790**	**17,390,841**
Net liquidity gap	**(187,830)**	**260,675**	**283,946**	**(1,713,623)**	**(333,649)**	**(3,479,165)**	**3,600,964**	**6,149,575**	**4,580,893**

Included in loans and advances to customers, is accrued interest receivable relating to loans secured by mortgage on residential properties and other loans, advances and bills held as per note 35. The liquidity gaps disclosed above are within the predefined Group's limits and remains in compliance with the regulatory requirements. Refer to page 95 for more details on how the Group manages its liquidity risk.

Consolidated and Separate Annual Financial Statements for the year ended 31 December 2024

Notes to the financial statements

Connecting Botswana to the world

3. Financial Risk Management and Capital Review continued

Group

	2023								
	One month or less	**Between one month and three months**	**Between three months and six months**	**Between six months and nine months**	**Between nine months and one year**	**Between one year and two years**	**Between two years and five years**	**More than five years and undated**	**Total**
	P '000	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**
Assets									
Cash and balances at central banks	854,469	–	–	–	–	–	–	–	854,469
Derivative financial instruments	2,827	2,938	–	5,686	4,692	–	–	–	16,143
Loans and advances to banks	6,881	–	–	–	–	25	–	–	6,906
Loans and advances to customers	26,604	1,342,099	11,984	27,288	33,223	152,671	5,042,443	6,024,600	12,660,912
Investment securities	2,151,254	151,153	238,844	–	27,680	236,697	162,688	1,376,664	4,344,980
Other assets	–	171,805	–	–	–	–	–	–	171,805
Due from related parties	3,632,041	–	–	–	–	–	–	–	3,632,041
Total assets	**6,674,076**	**1,667,995**	**250,828**	**32,974**	**65,595**	**389,393**	**5,205,131**	**7,401,264**	**21,687,256**
Liabilities									
Deposits by banks	210,908	25,600	49,650	20,000	24,679	48	–	–	330,885
Customer accounts	5,690,678	2,404,498	858,040	395,574	124,028	2,662,298	1,085,322	7,649	13,228,087
Derivative financial instruments	2,641	10,004	100	5,726	4,692	–	–	–	23,163
Debt securities in issue	2,059	4,119	6,178	6,178	6,178	118,314	285,844	–	428,870
Lease liabilities	844	2,092	5,636	2,483	4,997	18,591	1,722	–	36,365
Accruals and deferred income	83,447	–	–	–	–	–	–	–	83,447
Due to related parties	994,597	–	–	–	–	–	–	–	994,597
Other liabilities	1,364,690	48,786	–	–	–	–	–	–	1,413,476
Subordinated liabilities and other borrowed funds	3,879	–	3,879	3,879	3,922	400,638	–	–	416,197
Total liabilities	**8,353,743**	**2,495,099**	**923,483**	**433,840**	**168,496**	**3,199,889**	**1,372,888**	**7,649**	**16,955,087**
Net liquidity gap	**(1,679,667)**	**(827,104)**	**(672,655)**	**(400,866)**	**(102,901)**	**(2,810,496)**	**3,832,243**	**7,393,615**	**4,732,169**

Included in loans and advances to customers, is accrued interest receivable relating to loans secured by mortgage on residential properties and other loans, advances and bills held as per note 35. The liquidity gaps disclosed above are within the predefined Group's limits and remains in compliance with the regulatory requirements. Refer to page 95 for more details on how the Group manages its liquidity risk.

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Connecting Botswana to the world

3. Financial Risk Management and Capital Review continued

Company

	2024								
	One month or less	**Between one month and three months**	**Between three months and six months**	**Between six months and nine months**	**Between nine months and one year**	**Between one year and two years**	**Between two years and five years**	**More than five years and undated**	**Total**
	P '000	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**
Assets									
Cash and balances at central banks	1,127,120	–	–	–	–	–	–	–	1,127,120
Derivative financial instruments	8,948	4,879	–	20,748	5,597	–	–	–	40,172
Loans and advances to banks	766	–	–	–	–	25	–	–	791
Loans and advances to customers	76,761	741,493	14,749	62,337	44,546	303,344	4,698,537	6,131,630	12,073,397
Investment securities	1,990,637	478,006	645,160	153,083	173,167	18,875	322,441	25,735	3,807,104
Other assets	–	–	14,519	–	–	–	–	–	14,519
Due from related parties	4,811,097	–	–	–	–	–	–	–	4,811,097
Total assets	**8,015,329**	**1,224,378**	**674,428**	**236,168**	**223,310**	**322,244**	**5,020,978**	**6,157,365**	**21,874,200**
Liabilities									
Deposits by banks	432,085	117,000	113,578	194,924	143,121	95,000	–	–	1,095,708
Customer accounts	6,493,394	750,223	254,123	1,351,363	299,201	3,667,901	1,135,872	7,790	13,959,867
Derivative financial instruments	8,586	4,821	–	1,369	4,930	–	–	–	19,706
Debt securities in issue	1,975	3,950	5,925	5,925	99,528	17,615	282,808	–	417,726
Lease liabilities	920	1,861	5,628	2,693	5,090	10,447	667	–	27,306
Accruals and deferred income	51,306	–	–	–	–	–	–	–	51,306
Due to related parties	985,499	–	–	–	–	–	–	–	985,499
Other liabilities	323,279	57,231	–	–	–	–	–	142	380,652
Subordinated liabilities and other borrowed funds	1,949	3,773	5,659	390,824	–	–	–	–	402,205
Total liabilities	**8,299,913**	**940,720**	**390,542**	**1,949,791**	**556,959**	**3,801,409**	**1,420,014**	**7,932**	**17,367,280**
Net liquidity gap	**(284,584)**	**283,658**	**283,886**	**(1,713,623)**	**(333,649)**	**(3,479,165)**	**3,600,964**	**6,149,433**	**4,506,920**

Included in loans and advances to customers, is accrued interest receivable relating to loans secured by mortgage on residential properties and other loans, advances and bills held as per note 35. The liquidity gaps disclosed above are within the predefined Banks's limits and remains in compliance with the regulatory requirements. Refer to page 95 for more details on how the Bank manages its liquidity risk.

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3. Financial Risk Management and Capital Review continued

Company

2023	One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
Assets									
Cash and balances at central banks	851,591	–	–	–	–	–	–	–	851,591
Derivative financial instruments	2,827	2,938	–	5,686	4,692	–	–	–	16,143
Loans and advances to banks	6,881	–	–	–	–	25	–	–	6,906
Loans and advances to customers	26,604	1,342,099	11,984	27,288	33,223	208,978	5,042,443	5,968,292	12,660,911
Investment securities	2,151,254	151,153	238,844	–	27,680	236,697	162,688	1,376,664	4,344,980
Other assets	–	171,744	–	–	–	–	–	–	171,744
Due from related parties	3,558,096	–	–	–	–	–	–	–	3,558,096
Total assets	**6,597,253**	**1,667,934**	**250,828**	**32,974**	**65,595**	**445,700**	**5,205,131**	**7,344,956**	**21,610,371**
Liabilities									
Deposits by banks	210,908	25,600	49,650	20,000	24,679	48	–	–	330,885
Customer accounts	5,690,678	2,404,498	858,040	395,574	124,028	2,662,298	1,085,322	7,649	13,228,087
Derivative financial instruments	2,641	10,004	100	5,726	4,692	–	–	–	23,163
Debt securities in issue	1,619	4,856	9,711	14,567	19,422	132,447	269,977	–	452,599
Lease liabilities	844	2,092	5,636	2,483	4,997	18,591	1,722	–	36,365
Accruals and deferred income	83,408	–	–	–	–	–	–	–	83,408
Due to related parties	994,597	–	–	–	–	–	–	–	994,597
Other liabilities	1,364,690	36,335	–	–	–	–	–	–	1,401,025
Subordinated liabilities and other borrowed funds	3,879	–	3,879	3,879	3,992	400,638	–	–	416,267
Total liabilities	**8,353,264**	**2,483,385**	**927,016**	**442,229**	**181,810**	**3,214,022**	**1,357,021**	**7,649**	**16,966,396**
Net liquidity gap	**(1,756,011)**	**(815,451)**	**(676,188)**	**(409,255)**	**(116,215)**	**(2,768,322)**	**3,848,110**	**7,337,307**	**4,643,975**

Included in loans and advances to customers, is accrued interest receivable relating to loans secured by mortgage on residential properties and other loans, advances and bills held as per note 35. The liquidity gaps disclosed above are within the predefined Banks's limits and remains in compliance with the regulatory requirements. Refer to page 95 for more details on how the Bank manages its liquidity risk.

3. Financial Risk Management and Capital Review continued

Behavioural maturity of financial assets and liabilities

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

Maturity of Assets and Liabilities
The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled.

Group	2024 One year	2024 More than one year	2024 Total	2023 One year	2023 More than one year	2023 Total
	P '000	P '000	P '000	P '000	P '000	P '000
Assets						
Cash and balances at central banks	1,132,308	–	1,132,308	854,469	–	854,469
Derivative financial instruments	40,172	–	40,172	16,144	–	16,144
Loans and advances to banks	766	25	791	6,881	25	6,906
Loans and advances to customers	885,697	7,268,667	8,154,364	1,425,549	7,134,251	8,559,800
Investment securities	3,387,272	331,475	3,718,747	3,877,402	397,566	4,274,968
Other assets	14,579	–	14,579	171,805	–	171,805
Current tax assets	–	–	–	7,651	–	7,651
Prepayments and accrued income	262,940	–	262,940	220,788	48,605	269,393
Goodwill and intangible assets	–	60,934	60,934	–	63,366	63,366
Property, plant and equipment	–	80,211	80,211	–	81,223	81,223
Deferred tax assets	–	915	915	–	18,525	18,525
Due from related parties	4,903,383	–	4,903,383	3,632,041	–	3,632,041
Total assets	**10,627,117**	**7,742,227**	**18,369,344**	**10,212,730**	**7,743,561**	**17,956,291**
Liabilities						
Deposits by banks	1,000,708	95,000	1,095,708	330,837	48	330,885
Customer deposits	9,043,290	4,749,089	13,792,379	9,406,064	3,675,290	13,081,354
Derivative financial instruments	19,706	–	19,706	23,163	–	23,163
Debt securities in issue	–	323,566	323,566	–	323,566	323,566
Accruals and deferred income	90,968	–	90,968	122,614	–	122,614
Due to related parties	985,499	–	985,499	994,597	–	994,597
Other liabilities	404,213	–	404,213	1,447,427	–	1,447,427
Current tax liabilities	4,495	–	4,495	–	–	–
Provisions for liabilities and charges	5,756	–	5,756	1,059	–	1,059
Subordinated liabilities and other borrowed funds	–	389,000	389,000	–	389,000	389,000
Total liabilities	**11,554,635**	**5,556,655**	**17,111,290**	**12,325,761**	**4,387,904**	**16,713,665**

3. Financial Risk Management and Capital Review continued

Company	2024 One year	2024 More than one year	2024 Total	2023 One year	2023 More than one year	2023 Total
	P '000	P '000	P '000	P '000	P '000	P '000
Assets						
Cash and balances at central banks	1,127,120	–	1,127,120	851,591	–	851,591
Derivative financial instruments	40,172	–	40,172	16,144	–	16,144
Loans and advances to banks	766	25	791	6,881	25	6,906
Loans and advances to customers	885,697	7,268,667	8,154,364	1,425,550	7,134,250	8,559,800
Investment securities	3,387,272	331,475	3,718,747	3,877,402	397,566	4,274,968
Investment in subsidiary undertaking	–	30	30	–	30	30
Other assets	14,519	–	14,519	171,743	–	171,743
Current tax assets	–	–	–	7,035	–	7,035
Prepayments and accrued income	262,940	–	262,940	220,788	48,605	269,393
Goodwill and intangible assets	–	60,934	60,934	–	63,366	63,366
Property, plant and equipment	–	80,211	80,211	–	81,223	81,223
Deferred tax assets	–	–	–	–	16,232	16,232
Due from related parties	4,811,097	–	4,811,097	3,558,096	–	3,558,096
Total assets	**10,529,583**	**7,741,341**	**18,270,925**	**10,135,230**	**7,741,297**	**17,876,527**
Liabilities						
Deposits by banks	1,000,708	95,000	1,095,708	330,837	48	330,885
Customer deposits	9,043,290	4,749,089	13,792,379	9,406,064	3,675,290	13,081,354
Derivative financial instruments	19,706	–	19,706	23,163	–	23,163
Debt securities in issue	–	323,566	323,566	–	323,566	323,566
Accruals and deferred income	90,968	–	90,968	122,575	–	122,575
Due to related parties	985,499	–	985,499	994,597	–	994,597
Other liabilities	380,510	142	380,652	1,434,976	–	1,434,976
Current tax liabilities	3,945	–	3,945	–	–	–
Deferred tax liabilities	–	556	556	–	–	–
Provisions for liabilities and charges	5,756	–	5,756	1,059	–	1,059
Subordinated liabilities and other borrowed funds	–	389,000	389,000	–	389,000	389,000
Total liabilities	**11,530,382**	**5,557,353**	**17,087,735**	**12,313,271**	**4,387,904**	**16,701,175**

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

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

3. Financial Risk Management and Capital Review continued

Market Risk continued

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

Exposure to market risks

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

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

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

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

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

	At 31 Dec	Average	Maximum	Minimum
	P'000	P'000	P'000	P'000
2024				
Foreign currency risk	33	135	437	105
Interest rate risk	593	666	1,713	234
Overall	**626**	**801**	**2,150**	**339**
2023				
Foreign currency risk	16	57	276	2
Interest rate risk	1,558	1,291	2,444	626
Overall	**1,574**	**1,348**	**2,720**	**628**

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

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

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3. Financial Risk Management and Capital Review continued

Market Risk continued

Exposure to interest rate risk in the banking book

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

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

Interest sensitivity gap - Floating rate bucket	
Impact of decrease in interest rates in profit and equity	**(Increase)/ Decrease**
50 basis points	11,850
100 basis points	23,700

3. Financial Risk Management and Capital Review continued

Market Risk continued

Group - 31 December 2023	Zero rate	Floating rate			Fixed rate instruments				
		0-1 month	1-6 months	6-12 months	0-1 month	1-6 months	6-12 months	1-5 years	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Total Assets	2,696,809	825,000	2,383,500	5,407,500	4,718,000	1,229,000	–	696,482	17,956,291
Total Liabilities	(3,878,809)	(4,870,455)	(2,303,412)	(2,499,133)	(1,833,000)	(1,761,000)	(540,000)	(270,482)	(17,956,291)
Net Mismatch	**(1,182,000)**	**(4,045,455)**	**80,088**	**2,908,367**	**2,885,000**	**(532,000)**	**(540,000)**	**426,000**	**–**

Interest sensitivity gap - Floating rate bucket	
Impact of decrease in interest rates in profit and equity	**(Increase)/ Decrease**
50 basis points	5,285
100 basis points	10,570

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3. Financial Risk Management and Capital Review continued

Market Risk continued

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

Interest sensitivity gap - Floating rate bucket	
Impact of decrease in interest rates in profit and equity	**(Increase)/ Decrease**
50 basis points	11,850
100 basis points	23,700

3. Financial Risk Management and Capital Review continued

Market Risk continued

Company - 31 December 2023

	Zero rate	Floating rate			Fixed rate instruments				
		0-1 month	1-6 months	6-12 months	0-1 month	1-6 months	6-12 months	1-5 years	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Total Assets	2,616,532	825,000	2,383,500	5,407,500	4,718,000	1,229,000	–	696,99	17,876,527
Total Liabilities	(3,798,502)	(4,870,455)	(2,303,412)	(2,499,133)	(1,833,000)	(1,761,000)	(540,000)	(271,025)	(17,876,527)
Net Mismatch	**(1,181,970)**	**(4,045,455)**	**80,088**	**2,908,367**	**2,885,000**	**(532,000)**	**(540,000)**	**425,970**	**–**

Interest sensitivity gap - Floating rate bucket

Impact of decrease in interest rates in profit and equity	**(Increase)/ Decrease**
50 basis points	5,285
100 basis points	10,570

Sensitivity analysis (PV01)

PV01 (price value per basis point) is a measure of sensitivity to a 1bp (basis point) change in interest rates. It can be shown for a set of assets or liabilities, and also the difference between the two which is known as active PV01. The outcomes may be positive or negative reflecting the change in value for say a rise or fall in interest rates. A positive P V01 implies a -ve net balance sheet gap in a particular tenor (More liabilities than assets), while a negative PV01 implies +ve balance sheet gap (More assets than liabilities).

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

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3. Financial Risk Management and Capital Review continued

Market Risk continued

Sensitivity analysis (PV01) continued

Group

Fair Value PV01 Sensitivity analysis (BWP "000")

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

2023	**0-1 month**	**1-6 months**	**6-12 months**	**1 to 5 years**	**Over 5 years**
Marketable Securities	3,383,000	298,000	231,000	374,000	20,000
Sensitivity (PV01_1bps change in interest rate)	(8)	(11)	(26)	(49)	(9)

Company

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

2023	**0-1 month**	**1-6 months**	**6-12 months**	**1 to 5 years**	**Over 5 years**
Marketable Securities	3,383,000	298,000	231,000	374,000	20,000
Sensitivity (PV01_1bps change in interest rate)	(8)	(11)	(26)	(49)	(9)

Foreign exchange rate risk management

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

The foreign exchange positions arise from the following activities:

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

3. Financial Risk Management and Capital Review continued

The Group's Financial Markets division is responsible for:

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

The ERC regularly monitors the controls put in place by the Group Financial Markets division, which are approved and reviewed by the Board from time to time. The table below sets out principal structural foreign exchange exposures of the Group for only major currencies at 31 December 2024 and 2023.

Group and company

	2024			2023		
	Assets /(liabilities)	Sensitivity*		Assets /(liabilities)	Sensitivity*	
	P '000	1%	5%	P '000	1%	5%
American Dollar	5,864	(59)	(293)	5,687	(57)	(284)
British Pound	258	(3)	(13)	119	(1)	(6)
Euro	(175)	2	9	192	(2)	(10)
South African Rand	(1,516)	15	76	198	(2)	(10)

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

Operational risk and Technology risk

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

Operational and Technology risk profile

In 2024, the Group and Company have taken steps for further embedding of the enhanced framework to augment the management of operational risk with the aim of ensuring that risk is managed within Risk Appetite and we continue to deliver services to our clients.

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

Operational Risk events and losses

Operational losses are one indicator of the effectiveness and robustness of the non-financial risk control environment. As at 31 December 2024, recorded impact from operational losses for the year is lower than 2023.

The Bank's profile of operational loss events in 2024 and 2023 is summarised in the table below. It shows the percentage distribution of gross operational losses by Basel business line.

3. Financial Risk Management and Capital Review continued

Foreign exchange rate risk management continued

Group and Company (Operational loss summary)

Distribution of Operational Losses by Basel business line	2024	2023
Agency services	0.0%	0.0%
Commercial Banking	0.0%	0.0%
Corporate Items	12.1%	0.0%
Payment and Settlements	0.0%	0.0%
Retail Banking	18.7%	96.0%
Retail Brokerage	0.0%	0.0%
Trading and Sales	69.5%	4.0%
Distribution of Operational Losses by Basel event type	**2024**	**2023**
Business disruption and system failures	7.7%	0.0%
Clients, Products & Business Practices	11.5%	2.0%
Damage to physical assets	0.0%	0.0%
Employment practices and workplace safety	0.0%	0.0%
Execution, Delivery & Process Management	23.1%	0.0%
External fraud	57.7%	98.0%
Internal fraud	0.0%	0.0%

Other principal risks

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

Capital review

The Capital review provides an analysis of the Group's capital and leverage position, and requirements.

Capital summary

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

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

3. Financial Risk Management and Capital Review continued

	2024	2023
CET1 capital	5.8%	6.3%
Tier 1 capital	11.2%	11.8%
Capital adequacy ratio	18.0%	19.3%
Risk-weighted assets (RWA) P '000	7,515,134	7,237,599

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

	2024 P '000	2023 P '000
CET1 capital instruments and reserves		
Stated capital	179,273	179,273
Other revenue reserves	631,416	617,194
Capital contribution	28,213	28,213
Statutory credit risk reserve	19,152	19,152
Less regulatory adjustments	(67,342)	(81,891)
CET1 capital	**790,712**	**761,941**
Additional Tier 1 Capital (AT1)	**400,000**	**400,000**
Tier 1 capital	**1,190,712**	**1,161,941**
Non-specific impairment	83,650	80,680
*Subordinated debt	77,800	155,600
Tier 2 capital	**161,450**	**236,280**
Credit	6,691,982	6,454,363
Market	21,903	21,159
Operational	801,249	762,077
Total risk-weighted assets	**7,515,134**	**7,237,599**

During the year, dividends amounting to P307million were declared and paid (2023: P203million).

A distribution of P31million was paid to holders of subordinated undated AT1 capital securities during the year (2023: P30.3million).

*Subordinated debt instrument is now within 5 years of maturity and has been amortised on a straight line basis at 20% in line with the regulatory requirements from July 2020.

4. Net interest income

Accounting policy

Interest

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

Interest income and expense presented in the statement of profit or loss include:

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

Interest in suspense

If there are any recoveries on stage 3 loans, any contractual interest earned while the asset was in stage 3 is recognised in the credit impairment line. Interest that was previously suspended worth 22m (2023: 17m) was released to income statement due to stage 3 accounts that cured during the year.

	Group and Company					
	Corporate & Investment Banking		Wealth & Retail Banking		Total	
	2024 P '000	2023 P '000	2024 P '000	2023 P '000	2024 P '000	2023 P '000
Loans and advances to banks	3,501	1,842	–	–	3,501	1,842
Loans and advances to customers	49,811	82,732	757,482	775,985	807,293	858,717
Investment securities*	32,554	31,573	–	–	32,554	31,573
Other eligible bills*	55,751	62,772	–	–	55,751	62,772
Due from related parties	208,743	183,206	–	–	208,743	183,206
Interest income	**350,360**	**362,125**	**757,482**	**775,985**	**1,107,842**	**1,138,110**
			–	–		
Deposits by banks	27,950	26,309	–	–	27,950	26,309
Customer accounts	(85,423)	(96,849)	250,435	349,290	165,012	252,441
Debt securities in issue	24,645	28,292	–	–	24,645	28,292
Subordinated liabilities and other borrowed funds	15,824	23,038	6,586	–	22,410	23,038
Interest expense on IFRS 16 lease liabilities	1,602	2,236	–	–	1,602	2,236
Interest expense	**(15,402)**	**(16,974)**	**257,021**	**349,290**	**241,619**	**332,316**
Net interest income	**365,762**	**379,099**	**500,461**	**426,695**	**866,223**	**805,794**

* Investment securities and other eligible bills are at fair value through other comprehensive income and all other interest is at amortised cost using the effective interest rate method.

5. Net fees and commission

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

Fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are rendered.

The determination of the services performed for the customer, the transaction price, and when the services are completed depends on the nature of the product with the customer. The main considerations on income recognition by product are as follows:

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

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

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

Consolidated and Separate Annual Financial Statements for the year ended **31 December 2024**

Notes to the financial statements

Connecting Botswana to the world

5. Net fees and commission continued

	Corporate & Investment Banking		Wealth & Retail Banking		Total	
Group	**2024 P '000**	**2023 P '000**	**2024 P '000**	**2023 P '000**	**2024 P '000**	**2023 P '000**
Fee income earned from services that are provided over time:						
Corporate Finance	2,132	9,319	1,136	240	3,268	9,559
Lending and Portfolio Management	16	14	21	27	37	41
	2,148	9,333	1,157	267	3,305	9,600
Fee income from providing financial services at a point in time						
Fiduciary Activities	14,083	16,727	–	–	14,083	16,727
Financial Markets	(5,812)	(1,713)	11,058	12,578	5,246	10,865
Transaction banking	8,131	8,681	1,904	2,046	10,035	10,727
Retail Products	–	–	197,504	182,989	197,504	182,989
Insurance brokerage	–	–	23,968	25,995	23,968	25,995
	16,402	**23,695**	**234,434**	**223,608**	**250,836**	**247,303**
Fees and commission income	**18,550**	**33,028**	**235,591**	**223,875**	**254,141**	**256,903**
			–			
Fees and commission expenses			–			
Transaction banking	(17,128)	356	(223)	–	(17,351)	356
Card expenses	–	–	(38,253)	(25,157)	(38,253)	(25,157)
Sales commission	–	–	(9,356)	(7,455)	(9,356)	(7,455)
Total	**(17,128)**	**356**	**(47,832)**	**(32,612)**	**(64,960)**	**(32,256)**
Net fees and commission	**1,422**	**33,384**	**187,759**	**191,263**	**189,181**	**224,647**

5. Net fees and commission continued

Company	Corporate & Investment Banking 2024 P '000	Corporate & Investment Banking 2023 P '000	Wealth & Retail Banking 2024 P '000	Wealth & Retail Banking 2023 P '000	Total 2024 P '000	Total 2023 P '000
Fee income earned from services that are provided over time:						
Corporate Finance	2,132	9,319	1,136	240	3,268	9,559
Lending and Portfolio Management	16	14	21	27	37	41
	2,148	**9,333**	**1,157**	**267**	**3,305**	**9,600**
Fee income from providing financial services at a point in time						
Fiduciary Activities	14,083	16,727	–	–	14,083	16,727
Financial Markets	(26,588)	1,878	31,834	8,987	5,246	10,865
Transaction banking	8,131	8,681	1,904	2,046	10,035	10,727
Retail Products	–	–	197,503	182,989	197,503	182,989
	(4,374)	**27,286**	**231,241**	**194,022**	**226,867**	**221,308**
Fees and commission income	**(2,226)**	**36,619**	**232,398**	**194,289**	**230,172**	**230,908**
Fees and commission expenses						
Transaction banking	(17,128)	356	(223)	–	(17,351)	356
Card expenses	–	–	(38,253)	(25,157)	(38,253)	(25,157)
Sales commission	–	–	(9,356)	(7,455)	(9,356)	(7,455)
Total	**(17,128)**	**356**	**(47,832)**	**(32,612)**	**(64,960)**	**(32,256)**
Net fees and commission	**(19,354)**	**36,975**	**184,566**	**161,677**	**165,212**	**198,652**

6. Net trading income

Accounting policy

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

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

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

	Group 2024 P '000	Group 2023 P '000	Company 2024 P '000	Company 2023 P '000
Net trading income	9,630	10,848	9,630	10,848
Significant items within net trading income include:				
Net gains on instruments held for trading	11,567	5,358	11,567	5,358
Gains on financial assets designated at fair value through profit or loss	–	5,490	–	5,490
Losses on financial liabilities designated at fair value through profit or loss	(1,937)	–	(1,937)	–

7. Other operating income

Accounting policy

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and are recognised net within other income in profit or loss.

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

	2024 P '000	2023 P '000
Other operating income includes:		
Profit on disposal of assets and loss on lease modifications	425	–
	425	–

8. Operating expenses

Accounting policy

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

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

	Group		Company	
	2024 P '000	2023 P '000	2024 P '000	2023 P '000
Staff costs				
Salaries and wages	223,044	219,877	223,003	219,877
Contributions to defined contribution pension plan	19,478	19,340	19,478	19,340
Other staff costs	10,559	10,702	10,559	10,702
Restructuring	5,094	4,485	5,094	4,485
Total staff costs	**258,175**	**254,404**	**258,134**	**254,404**
General administrative expenses				
Audit fees	2,783	2,742	2,783	2,742
Consultancy costs	8,267	11,308	8,267	11,308
Directors Fees	2,792	2,623	2,659	2,491
Repairs and maintenance	9,081	15,263	9,069	15,263
Communication costs	8,624	14,219	8,623	14,211
Group recharges	179,393	208,252	179,393	208,252
Advertising and sponsorship	1,060	15,368	620	15,368
Technical support	4,754	9,762	4,754	9,762
Printing and stationery	2,223	1,592	2,223	1,592
Security	4,107	17,767	4,107	17,767
Irrecoverable VAT and WHT	36,270	31,975	36,270	31,975
Other expenses*	55,019	40,136	43,548	27,156
Total general administrative expenses	**314,373**	**371,007**	**302,316**	**357,887**

* Other expenses include insurance, travel, corporate subscriptions and outsourcing costs.
Details of Directors' pay benefits, pensions and benefits and interests in shares are disclosed in Note 30.

8. Operating expenses continued

	Group		Company	
	2024 P '000	2023 P '000	2024 P '000	2023 P '000
Staff costs	258,175	254,404	258,134	254,404
Premises and equipment expenses:				
Rental of premises	1,627	909	1,627	909
	1,627	909	1,627	909
General administrative expenses:				
Other general administrative expenses	314,373	371,007	302,316	357,887
	314,373	371,007	302,316	357,887
Depreciation and amortisation:				
Property, plant and equipment:				
Premises	18,328	18,186	18,328	18,186
Equipment, furniture and fittings	4,745	7,059	4,745	7,059
	23,073	25,245	23,073	25,245
Intangibles:				
Software	15,096	12,339	15,096	12,339
	38,169	**37,584**	**38,169**	**37,584**
Total operating expenses	**612,344**	**663,904**	**600,246**	**650,784**

9. Credit impairment

Accounting policy

Significant accounting estimates and judgements

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

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

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

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

9. Credit impairment continued

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

	Group		Company	
	2024 P '000	**2023 P '000**	**2024 P '000**	**2023 P '000**
Expected credit loss on financial assets				
Expected credit losses	2,5391	3,375	2,539	13,375
Recoveries	(37,570)	(38,704)	(37,570)	(38,704)
Credit impairment	**(35,031)**	**(25,329)**	**(35,031)**	**(25,329)**

10. Goodwill, fixed asset and other impairment

Accounting policy

Refer to notes 17 and 18 for the relevant accounting policies. The relevant assets were reviewed for impairment during the current and prior year, and a total of P10.5 million (2023: Nil) is recorded within impairment to reflect the results of the assessment.

11. Taxation

Accounting policy

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

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

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

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

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

11. Taxation continued

Significant accounting estimates and judgements

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

	Group		Company	
	2024 P '000	**2023 P '000**	**2024 P '000**	**2023 P '000**
Taxation:				
Profit before tax	**477,682**	**402,714**	**465,812**	**389,839**
Taxation at Statutory rate (22%)	105,090	88,597	102,479	85,765
Non-deductible	3,058	1,216	2,926	1,185
Non-taxable	–	–	–	–
Prior year deferred tax adjustments	18,162	2,071	18,162	2,071
Prior year current tax adjustments	4,868	3,460	1,008	3,460
	131,178	**95,344**	**124,575**	**92,481**
Tax rate reconciliation				
Tax rate	22.0%	22.0%	22.0%	22.0%
Non-deductible	0.6%	0.3%	0.6%	0.3%
Non-taxable	0.0%	0.0%	0.0%	0.0%
Prior year deferred tax adjustments	3.8%	0.5%	3.9%	0.5%
Prior year current tax adjustments	1.0%	0.9%	0.2%	0.9%
Effective tax rate	**27.5%**	**23.7%**	**26.7%**	**23.7%**

	Group		Company	
	2024 P '000	**2023 P '000**	**2024 P '000**	**2023 P '000**
The charge for taxation based upon the profit for the year comprises:				
Current tax:				
Botswana tax at 22 % (2023: 22 %):				
Current tax charge on income for the year	111,007	87,756	108,263	85,717
Adjustments in respect of prior years	4,868	2,071	1,008	2,071
	115,875	89,827	109,271	87,788
Deferred tax:				
Origination/reversal of temporary differences	(2,859)	6,637	(2,858)	6,634
Adjustments in respect of prior years	18,162	(1,120)	18,162	(1,941)
	15,303	5,517	15,304	4,693
Tax on profits on ordinary activities	**131,178**	**95,344**	**124,575**	**92,481**
Effective tax rate	**27.5%**	**23.7%**	**26.7%**	**23.7%**

11. Taxation continued

Tax recognised in other comprehensive income	2024 Current tax P '000	2024 Deferred tax P '000	2024 Total P '000	2023 Current tax P '000	2023 Deferred tax P '000	2023 Total P '000
Items that may be reclassed subsequently to income statement	–	(1,238)	(1,238)	–	3,369	3,369
Debt instruments at fair value through other comprehensive income	–	–	–	–	3,369	3,369
Fair value movements on revaluation of property	–	(1,238)	(1,238)	–	–	–
Total tax credit/(charge) recognised in equity	–	(1,238)	(1,238)	–	3,369	3,369

Current tax: The following are the movements in current tax during the year:

	Group 2024 P '000	Group 2023 P '000	Company 2024 P '000	Company 2023 P '000
Current tax comprises:				
Current tax assets	7,651	–	7,035	–
Current tax liabilities	–	(20,634)	–	(18,749)
Net current tax opening balance	7,651	(20,634)	7,035	(18,749)
Movements in income statement	(111,007)	(87,756)	(108,263)	(85,717)
Movements in other comprehensive income	–	–	–	–
Taxes paid	103,729	112,704	98,291	109,647
Prior year under provision	(4,868)	3,337	(1,008)	1,854
Net current tax balance as at 31 December	**(4,495)**	**7,651**	**(3,945)**	**7,035**
Current tax assets	–	7,651	–	7,035
Current tax liabilities	4,495	–	3,945	–
Total	**4,495**	**7,651**	**3,945**	**7,035**

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

Group	At 01 January 2024 P '000	Exchange & other adjustments P '000	(Change) / credit to profit P '000	(Change) / credit to equity P '000	At 31 December 2024 P '000
Deferred tax comprises:					
Accelerated tax depreciation	(7,317)	–	(692)	–	(8,009)
Impairment provisions on loans and advances	16,801	–	(16,801)	–	–
Tax losses carried forward	–	–	–	–	–
Fair value through other comprehensive income	(387)	–	–	246	(141)
Premises revaluation	(6,499)	–	–	(1,238)	(7,737)
Cash flow hedges	–	–	–	–	–
Own credit adjustment	–	–	–	–	–
Retirement benefit obligations	696	–	(696)	–	–
Share-based payments	68	–	18	–	86
Other temporary differences	15,163	–	1,553	–	16,716
Net deferred tax assets	**18,525**	**–**	**(16,618)**	**(992)**	**915**

Other temporary differences are made up of mainly cross border recharges P2,186, leave P2,540 and bonus provision P6,076. * Impairment provision relates to day one impact on implementation of IFRS 9.

11. Taxation continued

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

Group	At 01 January 2023 P '000	Exchange & other adjustments P '000	(Change) / credit to profit P '000	(Change) / credit to equity P '000	At 31 December 2023 P '000
Deferred tax comprises:					
Accelerated tax depreciation	(6,926)	–	(391)	–	(7,317)
Impairment provisions on loans and advances	16,801	–	–	–	16,801
Tax losses carried forward	–	–	–	–	–
Fair value through other comprehensive income	2,982	–	–	(3,369)	(387)
Premises revaluation	(6,499)	–	–	–	(6,499)
Cash flow hedges	–	–	–	–	–
Own credit adjustment	–	–	–	–	–
Retirement benefit obligations	482	–	214	–	696
Share-based payments	47	–	21	–	68
Other temporary differences	23,239	–	(8,076)	–	15,163
Net deferred tax assets	**30,126**	**–**	**(8,232)**	**(3,369)**	**18,525**

Other temporary differences are made up of mainly Cross border recharges (P14,375).

Company	At 01 January 2024 P '000	Exchange & other adjustments P '000	(Change) / credit to profit P '000	(Change) / credit to equity P '000	At 31 December 2024 P '000
Deferred tax comprises:					
Deferred tax comprises:					
Accelerated tax depreciation	(6,536)	–	(692)	–	(7,228)
Impairment provisions on loans and advances	16,801	–	(16,801)	–	–
Tax losses carried forward	–	–	–	–	–
Fair value through other comprehensive income	(387)	–	–	(246)	(633)
Premises revaluation	(6,499)	–	–	(1,238)	(7,737)
Cash flow hedges	–	–	–	–	–
Own credit adjustment	–	–	–	–	–
Retirement benefit obligations	696	–	(696)	–	–
Share-based payments	69	–	18	–	87
Other temporary differences	12,088	–	2,867	–	14,955
Net deferred tax assets	**16,232**	**–**	**(15,304)**	**(1,484)**	**(556)**

Other temporary differences are made up of mainly Cross border recharges P2,186, leave P2,540 and bonus provision P6,076. *Impairment provision relates to day one impact on implementation of IFRS 9.

11. Taxation continued

Company	At 01 January 2023 P '000	Exchange & other adjustments P '000	(Change) / credit to profit P '000	(Change) / credit to equity P '000	At 31 December 2023 P '000
Deferred tax comprises:					
Accelerated tax depreciation	(6,927)	–	391	–	(6,536)
Impairment provisions on loans and advances	16,801	–	–	–	16,801
Tax losses carried forward	–	–	–	–	–
Fair value through other comprehensive income	2,982	–	–	(3,369)	(387)
Premises revaluation	(6,499)	–	–	–	(6,499)
Cash flow hedges	–	–	–	–	–
Own credit adjustment	–	–	–	–	–
Retirement benefit obligations	482	–	214	–	696
Share-based payments	48	–	21	–	69
Other temporary differences	21,090	–	(9,002)	–	12,088
Net deferred tax assets	**27,977**	**–**	**(8,376)**	**(3,369)**	**16,232**

Other temporary differences are made up of mainly Cross border recharges (P14,375).
* Impairment provision relates to day one impact on implementation of IFRS 9.

12. Dividends

Accounting policy

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

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

Ordinary equity shares

	Group		Company	
	2024 P '000	2023 P '000	2024 P '000	2023 P '000
Final dividend (Gross of WHT) declared and paid during the year	305,048	201,996	307,371	203,535
Dividend per share (thebe)	103.00	68.2	103.00	68.2

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

13. Earnings per ordinary share

Accounting policy

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

The table below provides the basis of underlying earnings.

	2024 P '000	2023 P '000
Profit for the period attributable to equity holders	346,505	307,370
Distributions to holders of subordinated capital securities	(31,664)	(30,300)
Profit for the period attributable to ordinary shareholders	**314,841**	**277,070**
Basic - Weighted average number of shares (thousands)	295,844	295,844
Treasury shares (thousands)	2,506	2,506
Total weighted average number of ordinary shares (thousands)	298,350	298,350
Basic earnings per ordinary share (thebe)	106.42	93.65

There were no dilutive potential shares during 2024 and 2023 and as such, diluted earnings per share is equal to basic earnings per share.

14. Financial instruments

Classification and measurement

Accounting policy

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

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

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

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

14. Financial instruments continued

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

Whether financial assets are held at amortised cost or at FVOCI depend on the objectives of the business models under which the assets are held. A business model refers to how the Group manages financial assets to generate cash flows. The Group makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines depending on the way the business is managed, and information is provided to management. Factors considered include:

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

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cash flows ("hold to collect") are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("hold to collect and sell") are classified as held at FVOCI.

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

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

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14. Financial instruments continued

The Group's business model assessment is as follows:

Business model	Business objective	Characteristics	Businesses	Products
Hold to collect	Intent is to originate financial assets and hold them to maturity, collecting the contractual cash flows over the term of the instrument	• Providing financing and originating assets to earn interest income as primary income stream • Performing credit risk management activities • Costs include funding costs, transaction costs and impairment losses	• Corporate Lending • Financial Markets • Transaction Banking • Retail Lending • Treasury Markets (Loans and Borrowings)	• Loans and advances
Hold to collect and sell	Business objective met through both hold to collect and by selling financial assets	• Portfolios held for liquidity needs; or where a certain interest yield profile is maintained; or that are normally rebalanced to achieve matching of duration of assets and liabilities • Income streams come from interest income, fair value changes, and impairment losses	• Treasury Markets	• Debt securities
Fair value through profit or loss	All other business objectives, including trading and managing financial assets on a fair value basis	• Assets held for trading • Assets that are originated, purchased, and sold for profit taking or underwriting activity • Performance of the portfolio is evaluated on a fair value basis • Income streams are from fair value changes or trading gains or losses	• Financial Markets • All other business lines	• Derivatives • Trading portfolios • Financial Markets reverse repos • Financial Markets (FM Bond and Loan Syndication)

14. Financial instruments continued

Equity instruments designated as held at FVOCI

Non-trading equity instruments acquired for strategic purposes rather than capital gain may be irrevocably designated at initial recognition as held at FVOCI on an instrument-by-instrument basis. Dividends received are recognised in profit or loss. Gains and losses arising from changes in the fair value of these instruments, including foreign exchange gains and losses, are recognised directly in equity and are never reclassified to profit or loss even on derecognition.

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

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

Designated at fair value through profit or loss

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

Financial liabilities held at amortised cost

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

Modified financial instruments

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

Where derecognition of financial assets is appropriate, the newly recognised residual loans are assessed to determine whether the assets should be classified as Purchased or Originated Credit Impaired assets (POCI).

Where derecognition is not appropriate, the gross carrying amount of the applicable instruments is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets). The difference between the recalculated values and the pre-modified gross carrying values of the instruments are recorded as a modification gain or loss in the profit or loss.

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

14. Financial instruments continued

Financial guarantee contracts and loan commitments

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

Debt investment securities

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

Fair value of financial assets and liabilities

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

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

Mandatorily classified at fair value through profit or loss

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

Trading, including:

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

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

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

14. Financial instruments continued

Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and debt securities classified as financial assets held at fair value through other comprehensive income are initially recognised on the trade-date (the date on which the Group commits to purchase or sell the asset). Loans and advances and other financial assets held at amortised cost are recognised on the settlement date (the date on which cash is advanced to the borrowers). All financial instruments are initially recognised at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets which are not subsequently measured at fair value through profit or loss.

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

Subsequent measurement

Financial assets and financial liabilities held at amortised cost

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

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

Financial assets held at FVOCI

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

Equity investments designated at FVOCI are subsequently carried at fair value with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. On derecognition, the cumulative reserve is transferred to retained earnings and is not recycled to profit or loss.

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

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

Derecognition of financial instruments

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

14. Financial instruments continued

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

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

Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires and this is evaluated both qualitatively and quantitatively. However, where a financial liability has been modified, it is derecognised if the difference between the modified cash flows and the original cash flows is more than 10 %, or if less than 10 %, the Group will perform a qualitative assessment to determine whether the terms of the two instruments are substantially different.

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

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

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

Reclassifications

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

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

Reclassified from amortised cost

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

14. Financial instruments continued

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

Reclassified from fair value through other comprehensive income

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

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

Reclassified from fair value through profit or loss

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

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14. Financial instruments continued

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

Group

		Assets at fair value						
		Trading mandatorily at fair value through profit or loss	Non-trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	Fair value through other comprehensive income	Total financial assets at fair value	Assets held at amortised cost	Total
Assets	**Notes**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**
Cash and balances at central banks						–	1,132,308	1,132,308
Accrued interest on loans and advances to customers	36						212,833	212,833
Derivative financial instruments	14	40,172	–	–	–	40,172	–	40,172
Loans and advances to banks[1]	16					–	791	791
Loans and advances to customers[1]	16					–	8,154,364	8,154,364
Investment securities					3,718,747	3,718,747	–	3,718,747
Accrued interest on investment securities					8,721	8,721		
Other assets	19				–	–	14,579	14,579
Due from related parties							4,903,383	4,903,383
Total at 31 December 2024		**40,172**	**–**	**–**	**3,727,468**	**3,767,640**	**14,418,258**	**18,185,898**

14. Financial instruments continued

Group

Assets	Notes	Assets at fair value: Trading mandatorily at fair value through profit or loss	Non-trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	Fair value through other comprehensive income	Total financial assets at fair value	Assets held at amortised cost	Total
		P '000	P '000	P '000	P '000	P '000	P '000	P '000
Cash and balances at central banks						–	854,469	854,469
Accrued interest on loans and advances to customers	36	–	–	–	–	–	205,117	205,117
Derivative financial instruments	14	16,144	–	–	–	16,144	–	16,144
Loans and advances to banks[1]	15					–	6,906	6,906
Loans and advances to customers[1]	15					–	8,559,800	8,559,800
Investment securities					4,274,968	4,274,968	–	4,274,968
Accrued interest on investment securities					7,339	7,339		7,339
Other assets	19				–	–	171,805	171,805
Due from related parties							3,632,041	3,632,041
Total at 31 December 2023		**16,144**	**–**	**–**	**4,282,307**	**4,298,451**	**13,430,138**	**17,728,589**

14. Financial instruments continued

Liabilities	Notes	Liabilities at fair value: Trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	Total financial liabilities at fair value	Amortised cost	Total
		P '000	P '000	P '000	P '000	P '000
Derivative financial instruments	14	19,706	–	19,706	–	19,706
Deposits by banks		–	–	–	1,095,708	1,095,708
Customer accounts		–	–	–	13,792,379	13,792,379
Debt securities in issue	20	–	–	–	323,566	323,566
Other liabilities	21	–	–	–	404,213	404,213
Accruals and deferred income	37				90,968	90,968
Subordinated liabilities and other borrowed funds	25	–	–	–	389,000	389,000
Due to related parties					985,499	985,499
Total at 31 December 2024		**19,706**	**–**	**19,706**	**17,081,333**	**17,101,039**

Liabilities	Notes	Liabilities at fair value: Trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	Total financial liabilities at fair value	Amortised cost	Total
		P '000	P '000	P '000	P '000	P '000
Derivative financial instruments	14	23,163	–	23,163	–	23,163
Deposits by banks		–	–	–	330,885	330,885
Customer accounts		–	–	–	13,081,354	13,081,354
Debt securities in issue	20	–	–	–	323,566	323,566
Accruals and deferred income	36				83,447	83,447
Other liabilities	21	–	–	–	1,447,427	1,447,427
Subordinated liabilities and other borrowed funds	24	–	–	–	389,000	389,000
Due to related parties	30				994,597	994,597
Total at 31 December 2023		**23,163**	**–**	**23,163**	**16,650,276**	**16,673,439**

14. Financial instruments continued

Company

Assets	Notes	Assets at fair value: Trading mandatorily at fair value through profit or loss	Non-trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	Fair value through other comprehensive income	Total financial assets at fair value	Assets held at amortised cost	Total
		P '000	P '000	P '000	P '000	P '000	P '000	P '000
Cash and balances at central banks						–	1,127,120	1,127,120
Accrued interest on loans and advances to customers	36						212,833	212,833
Derivative financial instruments	14	40,172	–	–	–	40,172	–	40,172
Loans and advances to banks[1]	16					–	791	791
Loans and advances to customers[1]	16					–	8,154,364	8,154,364
Investment securities					3,718,747	3,718,747	–	3,718,747
Accrued interest on investment securities					8,721	8,721		
Other assets	19				–	–	14,519	14,519
Due from related parties							4,811,097	4,811,097
Total at 31 December 2024		**40,172**	**–**	**–**	**3,727,468**	**3,767,640**	**14,320,724**	**18,301,197**

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14. Financial instruments continued

Company

Assets	Notes	Assets at fair value: Trading mandatorily at fair value through profit or loss	Non-trading mandatorily at fair value through profit or loss	Designated at fair value through profit or loss	Fair value through other comprehensive income	Total financial assets at fair value	Assets held at amortised cost	Total
		P '000	P '000	P '000	P '000	P '000	P '000	P '000
Cash and balances at central banks						–	851,591	851,591
Accrued interest on loans and advances to customers	36	–	–	–	–	–	205,117	205,117
Derivative financial instruments	14	16,144	–	–	–	16,144	–	16,144
Loans and advances to banks[1]	15					–	6,906	6,906
Loans and advances to customers[1]	15	-	-	-	-	–	8,559,800	8,559,800
Investment securities								
Debt securities, alternative tier one and other eligible bills		-	-	-	4,274,968	4,274,968	–	4,274,968
Accrued interest on investment securities		-	-	-	7,339	7,339	-	-
Other assets	19	-	-	-	–	–	171,744	171,744
Due from related parties		-	-	-	-	-	3,558,096	3,558,096
Total at 31 December 2023		**16,144**	**–**	**–**	**4,282,307**	**4,298,451**	**13,353,254**	**17,651,705**

14. Financial instruments continued

Liabilities	Notes	Liabilities at fair value: Trading P '000	Liabilities at fair value: Designated at fair value through profit or loss P '000	Liabilities at fair value: Total financial liabilities at fair value P '000	Amortised cost P '000	Total P '000
Derivative financial instruments	14	23,163	–	23,163	–	23,163
Deposits by banks		–	–	–	330,885	330,885
Customer accounts		–	–	–	13,081,354	13,081,354
Debt securities in issue	22	–	–	–	323,566	323,566
Other liabilities	23	–	–	–	1,447,427	1,447,427
Accruals and deferred income					83,447	83,447
Subordinated liabilities and other borrowed funds	27	–	–	–	389,000	389,000
Due to related parties					994,597	994,597
Total at 31 December 2023		**23,163**	**–**	**23,163**	**16,650,276**	**16,673,439**

Valuation of financial instruments

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments held by the Group. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non market observable inputs. Valuation techniques used include discounted cash flow analysis and pricing models and, where appropriate, comparison with instruments that have characteristics similar to those of the instruments held by the Group

The Valuation Methodology function is responsible for independent price verification, oversight of fair value and appropriate value adjustments and escalation of valuation issues. Independent price verification is the process of determining that the valuations incorporated into the financial statements are validated independent of the business area responsible for the product. The Valuation Methodology function has oversight of the fair value adjustments to ensure the financial instruments are priced to exit. These are key controls in ensuring the material accuracy of the valuations incorporated in the financial statements. The market data used for price verification (PV) may include data sourced from recent trade data involving external counterparties or third parties such as Bloomberg, Reuters, brokers and consensus pricing providers. Valuation Methodology perform an ongoing review of the market data sources that are used as part of the PV and fair value processes which are formally documented on a semi-annual basis detailing the suitability of the market data used for price testing. Price verification uses independently sourced data that is deemed most representative of the market the instruments trade in. To determine the quality of the market data inputs, factors such as independence, relevance, reliability, availability of multiple data sources and methodology employed by the pricing provider are taken into consideration.

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

14. Financial instruments continued

Significant accounting estimates and judgements

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

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

Valuation techniques

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

- Financial instruments held at fair value

  - Debt securities – asset-backed securities: Asset-backed securities are valued based on external prices obtained from consensus pricing providers, broker quotes, recent trades, arrangers' quotes, etc. Where an observable price is available for a given security, it is classified as Level 2. In instances where third-party prices are not available or reliable, the security is classified as Level 3. The fair value of Level 3 securities is estimated using market standard cash flow models with input parameter assumptions which include prepayment speeds, default rates, discount margins derived from comparable securities with similar vintage, collateral type, and credit ratings

  - Debt securities in issue: These debt securities relate to structured notes issued by the Group. Where independent market data is available through pricing vendors and broker sources these positions are classified as Level 2. Where such liquid external prices are not available, valuations of these debt securities are implied using input parameters such as bond spreads and credit spreads and are classified as Level 3. These input parameters are determined with reference to the same issuer (if available) or proxies from comparable issuers or assets

  - Derivatives: Derivative products are classified as Level 2 if the valuation of the product is based upon input parameters which are observable from independent and reliable market data sources. Derivative products are classified as Level 3 if there are significant valuation input parameters which are unobservable in the market, such as products where the performance is linked to more than one underlying variable. Examples are foreign exchange basket options, equity options based on the performance of two or more underlying indices and interest rate products with quanto payouts. In most cases these unobservable correlation parameters cannot be implied from the market, and methods such as historical analysis and comparison with historical levels or other benchmark data must be employed

14. Financial instruments continued

Valuation of financial instruments continued

Valuation techniques continued

- Equity shares - private equity: The majority of private equity unlisted investments are valued based on earnings multiples - Price-to-Earnings (P/E) or enterprise value to earnings before income tax, depreciation and amortisation (EV/EBITDA) ratios - of comparable listed companies. The two primary inputs for the valuation of these investments are the actual or forecast earnings of the investee companies and earnings multiples for the comparable listed companies. To ensure comparability between these unquoted investments and the comparable listed companies, appropriate adjustments are also applied (for example, liquidity and size) in the valuation. In circumstances where an investment does not have direct comparable or where the multiples for the comparable companies cannot be sourced from reliable external sources, alternative valuation techniques (for example, discounted cash flow models), which use predominantly unobservable inputs or Level 3 inputs, may be applied. Even though earnings multiples for the comparable listed companies can be sourced from third-party sources (for example, Bloomberg), and those inputs can be deemed Level 2 inputs, all unlisted investments (excluding those where observable inputs are available, for example, Over-the-counter (OTC) prices) are classified as Level 3 on the basis that the valuation methods involve judgements ranging from determining comparable companies to discount rates where the discounted cash flow method is applied

- Loans and advances: These primarily include loans in the FM Bond and Loan Syndication business which were not syndicated as of the balance sheet date and other financing transactions within Financial Markets and loans and advances including reverse repurchase agreements that do not have SPPI cash flows or are managed on a fair value basis. These loans are generally bilateral in nature and, where available, their valuation is based on observable clean sales transactions prices or market observable spreads. If observable credit spreads are not available, proxy spreads based on comparable loans with similar credit grade, sector and region, are used. Where observable credit spreads and market standard proxy methods are available, these loans are classified as Level 2. Where there are no recent transactions or comparable loans, these loans are classified as Level 3

- Other debt securities: These debt securities include convertible bonds, corporate bonds, credit and structured notes. Where quoted prices are available through pricing vendors, brokers or observable trading activities from liquid markets, these are classified as Level 2 and valued using such quotes. Where there are significant valuation inputs which are unobservable in the market, due to illiquid trading or the complexity of the product, these are classified as Level 3. The valuations of these debt securities are implied using input parameters such as bond spreads and credit spreads. These input parameters are determined with reference to the same issuer (if available) or proxied from comparable issuers or assets.

Financial instruments held at amortised cost

The following sets out the Group's basis for establishing fair values of amortised cost financial instruments and their classification between Levels 1, 2 and 3. As certain categories of financial instruments are not actively traded, there is a significant level of management judgement involved in calculating the fair values:

- Cash and balances at central banks: The fair value of cash and balances at central banks is their carrying amounts
- Debt securities in issue, subordinated liabilities: The aggregate fair values are calculated based on quoted market prices. For those notes were quoted market prices are not available, a discounted cash flow model is used based on a current market related yield curve appropriate for the remaining term to maturity
- Deposits and borrowings: The estimated fair value of deposits with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without quoted market prices is based on discounted cash flows using the prevailing market rates for debts with a similar Credit Risk and remaining maturity

14. Financial instruments continued

- Investment securities: For investment securities that do not have directly observable market values, the Group utilises a number of valuation techniques to determine fair value. Where available, securities are valued using input proxies from the same or closely related underlying (for example, bond spreads from the same or closely related issuer) or input proxies from a different underlying (for example, a similar bond but using spreads for a particular sector and rating). Certain instruments cannot be proxies as set out above, and in such cases the positions are valued using non-market observable inputs. This includes those instruments held at amortised cost and predominantly relates to asset-backed securities. The fair value for such instruments is usually proxies from internal assessments of the underlying cash flows
- Loans and advances to banks and customers: For loans and advances to banks, the fair value of floating rate placements and overnight deposits is their carrying amounts. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using the prevailing money market rates for debts with a similar Credit Risk and remaining maturity. The Group's loans and advances to customers' portfolio is well diversified by geography and industry. Approximately a quarter of the portfolio re-prices within one month, and approximately half re-prices within 12 months. Loans and advances are presented net of provisions for impairment. The fair value of loans and advances to customers with a residual maturity of less than one year generally approximates the carrying value. The estimated fair value of loans and advances with a residual maturity of more than one year represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates and Credit Risk. Expected cash flows are discounted at current market rates to determine fair value.
- Other assets: Other assets comprise primarily of cash collateral and trades pending settlement. The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are either short-term in nature or re-price to current market rates frequently

Fair value adjustments

When establishing the exit price of a financial instrument using a valuation technique, the Group considers adjustments to the modelled price which market participants would make when pricing that instrument. The main valuation adjustments (described further below) in determining fair value for financial assets and financial liabilities are as follows:

- Bid-offer valuation adjustment: Generally, market parameters are marked on a mid-market basis in the revaluation systems, and a bid-offer valuation adjustment is required to quantify the expected cost of neutralising the business' positions through dealing away in the market, thereby bringing long positions to bid and short positions to offer. The methodology to calculate the bid-offer adjustment for a derivative portfolio involves netting between long and short positions and the grouping of risk by strike and tenor based on the hedging strategy where long positions are marked to bid and short positions marked to offer in the systems
- Credit valuation adjustment (CVA): The Group accounts for CVA against the fair value of derivative products. CVA is an adjustment to the fair value of the transactions to reflect the possibility that our counterparties may default and we may not receive the full market value of the outstanding transactions. It represents an estimate of the adjustment a market participant would include when deriving a purchase price to acquire our exposures. CVA is calculated for each subsidiary, and within each entity for each counterparty to which the entity has exposure and takes account of any collateral we may hold. The Group calculates the CVA by using estimates of future positive exposure, market-implied probability of default (PD) and recovery rates. Where market-implied data is not readily available, we use market-based proxies to estimate the PD. Wrong-way risk occurs when the exposure to a counterparty is adversely correlated with the credit quality of that counterparty, and the Group has implemented a model to capture this impact for key wrong-way exposures. The Group also captures the uncertainties associated with wrong-way risk in the Group's Prudential Valuation Adjustments framework
- Debit valuation adjustment (DVA): The Group calculates DVA adjustments on its derivative liabilities to reflect changes in its own credit standing. The Group's DVA adjustments will increase if its credit standing worsens and conversely, decrease if its credit standing improves. For derivative liabilities, a DVA adjustment is determined by applying the Group's probability of default to the Group's negative expected exposure against the counterparty. The Group's probability of default and loss expected in the event of default is derived based on bond and CDS spreads associated with the Group's issuances and market standard recovery levels. The expected exposure is modelled based on the simulation of the underlying risk factors over the expected life of the deal. This simulation methodology incorporates the collateral posted by the Group and the effects of master netting agreements

14. Financial instruments continued

- Model valuation adjustment: Valuation models may have pricing deficiencies or limitations that require a valuation adjustment. These pricing deficiencies or limitations arise due to the choice, implementation and calibration of the pricing model
- Funding valuation adjustment (FVA): The Group makes FVA adjustments against derivative products. FVA reflects an estimate of the adjustment to its fair value that a market participant would make to incorporate funding costs or benefits that could arise in relation to the exposure. FVA is calculated by determining the net expected exposure at a counterparty level and then applying a funding rate to those exposures that reflect the market cost of funding. The FVA for uncollateralised (including partially collateralised) derivatives incorporates the estimated present value of the market funding cost or benefit associated with funding these transactions

Other fair value adjustments: The Group calculates the fair value on the interest rate callable products by calibrating to a set of market prices with differing maturity, expiry and strike of the trades

- Day one and other deferrals: In certain circumstances the initial fair value is based on a valuation technique which differs to the transaction price at the time of initial recognition. However, these gains can only be recognised when the valuation technique used is based primarily on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in the income statement. The difference is amortised to the income statement until the inputs become observable, or the transaction matures or is terminated. Other deferrals primarily represent adjustments taken to reflect the specific terms and conditions of certain derivative contracts which affect the termination value at the measurement date

In addition, the Group calculates own credit adjustment (OCA) on its issued debt designated at fair value, including structured notes, in order to reflect changes in its own credit standing. Own issued note liabilities are discounted utilising spreads as at the measurement date. These spreads consist of a market level of funding component and an idiosyncratic own credit component. Under IFRS 9 the change in the own credit component (OCA) is reported under other comprehensive income. The Group's OCA reserve will increase if its credit standing worsens and conversely, decrease if its credit standing improves. The Group's OCA reserve will reverse over time as its liabilities mature.

Fair value hierarchy – financial instruments held at fair value

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Group recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

- Level 1: Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2: Fair value measurements are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable
- Level 3: Fair value measurements are those where inputs which could have a significant effect on the instrument's valuation are not based on observable market data

The following tables show the classification of financial instruments held at fair value into the valuation hierarchy:

14. Financial instruments continued

Group and company

Assets	**Level 1 P '000**	**Level 2 P '000**	**Level 3 P '000**	**Total P '000**
Financial instruments held at fair value through profit or loss				
Derivative financial instruments	5,993	33,559	620	40,172
Of which:				
Foreign exchange	5,993	33,559	620	40,172
Investment securities				
Debt securities and other eligible bills	1,254,583	2,464,164	–	3,718,747
Of which:				
Issued by Central Banks & Governments	1,254,583	2,464,164	–	3,718,747
Total financial instruments at 31 December 2024[1]	**1,260,576**	**2,497,723**	**620**	**3,758,919**
Liabilities				
Financial instruments held at fair value through profit or loss				
Derivative financial instruments	5,752	13,334	620	19,706
Of which:				
Foreign exchange	5,752	13,334	620	19,706
Total financial instruments at 31 December 2024[1]	**5,752**	**13,334**	**620**	**19,706**

Level 2 fair values of investments have been generally derived using the market approach.
Investment securities are made of Government Bonds and Treasury Bills. Included in the investment securities balances are assets worth P433 million (2023: P398 million) pledged as security for the use of credit facility with Bank of Botswana.

Instruments	Applicable to level	Valuation Technique	Significant observable inputs	Significant unobservable inputs	Range of unobservable inputs
Investment Securities	2	Bonds: Fair value through market rate from a quoted market Treasury Bills: Fair value through market rate	Market rates from quoted market	Not applicable	Not applicable

14. Financial instruments continued

Assets	Level 1 P '000	Level 2 P '000	Level 3 P '000	Total P '000
Financial instruments held at fair value through profit or loss				
Derivative financial instrument	299	15,845	–	16,144
Of which:				
Foreign exchange	299	15,845	–	16,144
Investment securities				
Debt securities and other eligible bills	–	4,274,968	–	4,274,968
Of which:				
Issued by Central Banks & Governments	–	4,274,968	–	4,274,968
Total financial instruments at 31 December 2023[1]	**299**	**4,290,813**	**–**	**4,291,112**
Liabilities				
Financial instruments held at fair value through profit or loss				
Derivative financial instruments	430	22,733	–	23,163
Of which:				
Foreign exchange	430	22,733	–	23,163
Total financial instruments at 31 December 2023[1]	**430**	**22,733**	**–**	**23,163**

Fair value hierarchy - financial instruments measured at amortised cost

The following table shows the carrying amounts and incorporates the Group's estimate of fair values of those financial assets and liabilities not presented on the Group's balance sheet at fair value. These fair values may be different from the actual amount that will be received or paid on the settlement or maturity of the financial instrument. For certain instruments, the fair value may be determined using assumptions for which no observable prices are available.

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Connecting Botswana to the world

14. Financial instruments continued

Group	Carrying value	Fair value Level 1	Level 2	Level 3	Total
	P '000	P '000	P '000	P '000	P '000
Assets					
Cash and balances at central banks[1]	1,132,308	–	1,132,308	–	1,132,308
Loans and advances to banks	791	–	791	–	791
Loans and advances to customers	8,154,364	–	24,376	8,129,988	8,154,364
Accrued interest on loans and advances to customers	–	–	–	204,076	204,076
Other assets[1]	14,579	–	14,579	–	14,579
Due from related parties	4,903,383	–	4,903,383	–	4,903,383
At 31 December 2024	14,205,425	–	6,075,437	8,334,064	14,409,501
Liabilities					
Deposits by banks	1,095,708	–	1,095,708	–	1,095,708
Customer accounts	13,792,379	–	13,792,379	–	13,792,379
Debt securities in issue	323,566	–	323,566	–	323,566
Accruals and deferred income	90,968	–	90,968	–	90,968
Subordinated liabilities and other borrowed funds	389,000	–	389,000	–	389,000
Other liabilities[1]	404,213	–	404,213	–	404,213
Due to related parties	985,499	–	985,499	–	985,499
At 31 December 2024	17,081,333	–	17,081,333	–	17,081,333

[1] The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are short-term in nature or reprice to current market rates frequently. Disclosure has been included in the current year to provide more information to the users.

Group	Carrying value	Fair value Level 1	Level 2	Level 3	Total
	P '000	P '000	P '000	P '000	P '000
Assets					
Cash and balances at central banks[1]	854,469	–	854,469	–	854,469
Loans and advances to banks	6,906	–	6,906	–	6,906
Loans and advances to customers	8,559,800	–	–	8,559,800	8,559,800
Accrued interest on loans and advances to customers	–	–	–	197,778	197,778
Other assets[1]	171,805	–	171,805	–	171,805
Due from related parties	3,632,041	–	3,632,041	–	3,632,041
At 31 December 2023	13,225,021	–	4,665,221	8,757,578	13,422,799
Liabilities					
Deposits by banks	330,885	–	330,885	–	330,885
Customer accounts	13,081,354	–	13,081,354	–	13,081,354
Debt securities in issue	323,566	–	323,566	–	323,566
Accruals and deferred income	83,447	–	83,447	–	83,447
Subordinated liabilities and other borrowed funds	389,000	–	389,000	–	389,000
Other liabilities[1]	1,447,427	–	1,447,427	–	1,447,427
Due to related parties	994,597	–	994,597	–	994,597
At 31 December 2023	16,650,276	–	16,650,276	–	16,650,276

[1] The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are short-term in nature or reprice to current market rates frequently. Disclosure has been included in the current year to provide more information to the users.

14. Financial instruments continued

Company	Carrying value	Fair value Level 1	Level 2	Level 3	Total
	P '000	P '000	P '000	P '000	P '000
Assets					
Cash and balances at central banks[1]	1,127,120	–	1,127,120	–	1,127,120
Loans and advances to banks	791	–	791	–	791
Loans and advances to customers	8,154,364	–	24,376	8,129,988	8,154,364
Accrued interest on loans and advances to customers	–	–	–	204,076	204,076
Other assets[1]	14,519	–	14,519	–	14,519
Due from related parties	4,811,097	–	4,811,097	–	4,811,097
At 31 December 2024	14,107,891	–	5,977,903	8,334,064	14,311,967
Liabilities					
Deposits by banks	1,095,708	–	1,095,708	–	1,095,708
Customer accounts	13,792,379	–	13,792,379	–	13,792,379
Debt securities in issue	323,566	–	323,566	–	323,566
Accruals and deferred income	90,968	–	90,968	–	–
Subordinated liabilities and other borrowed funds	389,000	–	389,000	–	389,000
Other liabilities[1]	380,652	–	380,652	–	380,652
Due to related parties	985,499	–	985,499	–	985,499
At 31 December 2024	17,057,772	–	17,057,772	–	16,966,804

[1] The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are short-term in nature or reprice to current market rates frequently. Disclosure has been included in the current year to provide more information to the users.

Company	Carrying value	Fair value Level 1	Level 2	Level 3	Total
	P '000	P '000	P '000	P '000	P '000
Assets					
Cash and balances at central banks[1]	851,591	–	851,591	–	851,591
Loans and advances to banks	6,906	–	6,906	–	6,906
Loans and advances to customers	8,559,800	–	–	8,559,800	8,559,800
Accrued interest on loans and advances to customers	197,778	–	–	197,778	197,778
Other assets[1]	171,744	–	171,744	–	171,744
Due from related parties	3,632,041	–	3,632,041	–	3,632,041
At 31 December 2023	13,419,860	–	4,662,282	8,757,578	13,419,860
Liabilities					
Deposits by banks	330,885	–	330,885	–	330,885
Customer accounts	13,081,354	–	13,081,354	–	13,081,354
Debt securities in issue	323,566	–	323,566	–	323,566
Accruals and deferred income	83,408	–	83,408	–	83,408
Subordinated liabilities and other borrowed funds	389,000	–	389,000	–	389,000
Other liabilities[1]	1,434,976	–	1,434,976	–	1,434,976
Due to related parties	994,597	–	994,597	–	994,597
At 31 December 2023	16,637,786	–	16,637,786	–	16,637,786

[1] The carrying amount of these financial instruments is considered to be a reasonable approximation of fair value as they are short-term in nature or reprice to current market rates frequently. Disclosure has been included in the current year to provide more information to the users.

14. Financial instruments continued

Loans and advances to customers by client segment

	2024 Stage 3	Stage 1 and stage 2	Total	Stage 3	Stage 1 and stage 2	Total
	P '000	P '000	P '000	P '000	P '000	P '000
Corporate & Investment Banking	51,530	918,735	970,265	51,530	816,209	867,739
Wealth & Retail Banking	15,190	7,168,909	7,184,099	15,190	7,271,435	7,286,625
At 31 December 2024	**66,720**	**8,087,644**	**8,154,364**	**66,720**	**8,087,644**	**8,154,364**

	2023 Stage 3	Stage 1 and stage 2	Total	Stage 3	Stage 1 and stage 2	Total
	P '000	P '000	P '000	P '000	P '000	P '000
Corporate & Investment Banking	23,618	1,304,590	1,328,208	23,618	1,360,898	1,384,516
Wealth & Retail Banking	31,159	7,200,433	7,231,592	31,159	7,144,125	7,175,284
At 31 December 2023	**54,777**	**8,505,023**	**8,559,800**	**54,777**	**8,505,023**	**8,559,800**

15. Derivative financial instruments

Accounting policy

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorised as trading unless they are designated as hedging instruments.

Derivatives are initially recognised and subsequently measured at fair value, with revaluation gains recognised in profit or loss (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognised within other comprehensive income).

Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs which are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

15. Derivative financial instruments continued

Loans and advances to customers by client segment

	2024			2023		
	National principal amounts	Assets	Liabilities	National principal amounts	Assets	Liabilities
Derivatives	P '000	P '000	P '000	P '000	P '000	P '000
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	4,562,432	38,720	6,981	1,075,439	10,456	9,891
Currency swaps and options	120,805	1,232	12,725	888,733	5,819	13,273
	4,683,237	39,952	19,706	1,964,172	16,275	23,164
Interest rate derivative contracts:						
Forward rate agreements and options	839,161	220	–	1,340,483	(131)	(1)
Gross total derivatives	**5,522,398**	**40,172**	**19,706**	**3,304,655**	**16,144**	**23,163**
Offset	–	–	–	–	–	–
Total derivatives	**5,522,398**	**40,172**	**19,706**	**3,304,655**	**16,144**	**23,163**

The Group limits exposure to credit losses in the event of default by entering into master netting agreements with certain market counterparties. As required by IAS 32, exposures are only presented net in these accounts where they are subject to legal right of offset and intended to be settled net in the ordinary course of business.

The Group applies balance sheet offsetting only in the instance where we are able to demonstrate legal enforceability of the right to offset (e.g. via legal opinion) and the ability and intention to settle on a net basis (e.g. via operational practice).

The notional principal amounts disclosed above indicate the volume of transactions outstanding at the year end and are not indicative of either the market or credit risk.

16. Loans and advances to banks and customers

Accounting policy

Refer to Note 14 Financial instruments for the relevant accounting policy.

Group and Company

	2024 P '000	2023 P '000
Loans and advances to banks	791	6,907
Expected credit loss	–	(1)
	791	6,906
Loans and advances to customers	8,337,356	8,771,762
Expected credit loss	(182,992)	(211,962)
	8,154,364	8,559,800
Total loans and advances to banks and customers	**8,155,155**	**8,566,706**

Analysis of loans and advances to customers by client segment together with their related impairment provisions are set out within the Risk review and Capital review Note 3.

17. Goodwill and intangible assets

Accounting policy

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in Investments in associates. Goodwill included in intangible assets is assessed at each balance sheet date for impairment and carried at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Detailed calculations are performed based on discounting expected cash flows of the relevant cash generating units (CGU) and discounting these at an appropriate discount rate, the determination of which requires the exercise of judgement. Goodwill is allocated to CGUs for the purpose of impairment testing. CGU represent the lowest level within the Group which generate separate cash inflows and at which the goodwill is monitored for internal management purposes. The CGU was taken to be a sub-segment of Corporate and Investment Banking (CIB); the Custody business. This was made by considering the value add that accrued to CIB as a result of acquisition of the custody business. The key assumptions used in the estimation of the recoverable amount are set out below;

In percent	2024	2023	2022	2021
Discount rate (weighted average cost of capital) %	8.1	7.6	7.8	6.4
GDP growth rates %	3.2	3.9	6.7	4.7
Effective tax rate %	22	22	22	22

The recoverable amount of the CGU, P1,237 million as at 31 December 2024 (2023: P1,578 million), has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The carrying amount of the CGU as at 31 December was a negative P620 million (2023: P447 million). As a result of the analysis, there is headroom of P1,857 million (2023: P2,024 million), and management did not identify an impairment for the CGU.

Significant accounting estimates and judgements
The carrying amount of goodwill is based on the application of judgements including the basis of goodwill impairment calculation assumptions. Judgement is also applied in determination of cash generating units.

Estimates include forecasts used for determining cash flows for CGUs, the appropriate long-term growth rates to use and discount rates which factor in country risk-free rates and applicable risk premiums. The Group undertakes an annual assessment to evaluate whether the carrying value of goodwill is impaired. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgement and is subject to potential change over time.

Acquired intangibles
Acquired intangibles comprise of customer relationships, capitalised software and work in progress. At the date of acquisition of a subsidiary or associate, intangible assets which are deemed separable and that arise from contractual or other legal rights are capitalised and included within the net identifiable assets acquired. These intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the entity and are amortised on the basis of their expected useful lives (4 to 16 years). At each balance sheet date, these assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Computer software
Acquired computer software licences are capitalised if the principles of development are met on the basis of the costs incurred to acquire and bring to use the specific software.

17. Goodwill and intangible assets continued

Computer software continued

Internally generated software represents substantially all of the total software capitalised. Direct costs of the development of separately identifiable internally generated software are capitalised where it is probable that future economic benefits attributable to the asset will flow from its use (internally generated software). These costs include salaries and wages, materials, service providers and contractors, and directly attributable overheads. Costs incurred in the ongoing maintenance of software are expensed immediately when incurred. Internally generated software is amortised over each asset's useful life to a maximum of a 10 year time period. On an annual basis software assets' residual values and useful lives are reviewed, including assessing for indicators of impairment. Indicators of impairment include loss of business relevance, obsolescence of asset, exit of the business to which the software relates, technological changes, change in use of the asset, reduction in useful life, plans to reduce usage or scope.

For capitalised software, judgement is required to determine which costs relate to research (and therefore expensed) and which costs relate to development (capitalised). Further judgement is required to determine the technical feasibility of completing the software such that it will be available for use. Estimates are used to determine how the software will generate probable future economic benefits, these estimates include; cost savings, income increases, balance sheet improvements, improved functionality or improved asset safeguarding.

Amortisation

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss over the estimated useful lives of intangible assets, other than goodwill, from the month that they are available for use. The estimated useful life of software is 8 years and 10 years for customer relationships.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash generating units. Goodwill arising from business combination is allocated to cash generating units or groups of cash generating units that are expected to benefit from synergies of the combination.

17. Goodwill and intangible assets continued

Impairment of non-financial assets continued

The 'recoverable amount' of an asset or cash generating unit is assessed as the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are used by more than one cash generating unit. Corporate assets are allocated to cash generating units on a reasonable and consistent basis and tested for impairment as part of the testing of the cash generating unit to the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating units, and then to reduce the carrying amounts of the other assets in the cash generating units on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

	Goodwill	Acquired intang-ible	Computer software	Total	Goodwill	Acquired intang-ible	Computer software	Total
	P '000	P '000	P '000	P '000	P '000	P '000	P '000	P '000
Cost								
At 1 January	29,880	94,684	153,114	277,678	29,880	94,684	140,799	265,363
Additions	–	–	21,305	21,305	–	–	12,555	12,555
Amounts written off	–	–	–	–	–	–	(240)	(240)
At 31 December	**29,880**	**94,684**	**174,419**	**298,983**	**29,880**	**94,684**	**153,114**	**277,678**
Amortisation								
At 1 January	18,621	94,684	101,007	214,312	18,621	94,684	88,908	202,213
Amortisation for the year	–	–	15,096	15,096	–	–	12,339	12,339
Amounts written off	–	–	(203)	(203)	–	–	(240)	(240)
Impairment charge	–	–	8,844	8,844	–	–	–	–
At 31 December	**18,621**	**94,684**	**124,744**	**238,049**	**18,621**	**94,684**	**101,007**	**214,312**
Net book value	**11,259**	**–**	**49,675**	**60,934**	**11,259**	**–**	**52,107**	**63,366**

At 31 December 2024, accumulated goodwill impairment losses incurred from 1 January 2005 amounted to P 18 million (31 December 2023: P 18 million), of which P Nil was recognised in 2024 (31 December 2023: P Nil million).

During 2024, the Group and Company performed its annual review of computer software intangibles to determine instances when the Group and Company is no longer using certain applications in its ongoing business and impaired P8.8 million (2023: Nil). The recoverable amount of the impaired assets, P22.5 million (2023: P34.2 million), was determined based on value in use, calculated using estimated future cash flows, discounted to their present value using 8.1% as the discount rate.

18. Property, plant and equipment

Accounting policy

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Buildings are measured at revalued amount less related accumulated depreciation and impairment losses. Land is measured at revalued amount. Revaluations are carried out periodically by the Directors using independent valuers on the open market basis. The Directors consider the fair value of land and buildings every three years. Surpluses and deficits arising on the revaluation of land and buildings are transferred to or from the revaluation reserve through other comprehensive income and accumulated in equity. The reserve is released to retained earnings on the sale of the asset.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and are recognised net within other income in profit or loss.

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

Subsequent cost

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

Depreciation

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

Land (owned)	Land is not depreciated
Leasehold properties	Shorter of useful life / period of lease
Buildings	50 years
Equipment	3 - 5 years
Furniture, fixtures and fittings	7 – 10 years

Capital work in progress comprises expenses incurred in constructing plant and equipment that are directly attributable to the construction of the asset. These items are not yet available for use and therefore not depreciated. Assets remain in capital work in progress until they have been put into use or commissioned, whichever is the earlier date. At that time they are transferred to the appropriate class of property, plant and equipment as additions and depreciated.

Leasehold properties comprise of office buildings and ATMs.

18. Property, plant and equipment continued

Repairs and maintenance

Repairs and maintenance costs are recognised in profit or loss during the financial period in which these costs are incurred. The cost of a major renovation is included in the carrying amount of the related asset when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing asset will flow to the company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset or until the next major renovations, whichever period is shorter.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. IFRS 16 introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value which has been determined as less than P50,000 for the Group. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

18. Property, plant and equipment continued

Group and Company — **2024**

	Land & building	Lease hold	Equipment	Furniture & fixtures	WIP	Buildings (Right-of-use assets)	ATMs (Right-of-use assets)	Total
	P'000	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Cost or valuation								
At 1 January	41,738	16,503	106,750	22,473	8,729	56,801	9,652	262,647
Additions	–	–	4,619	2,471	3,638	3,455	4,644	18,827
Revaluation of property	5,628	–	–	–	–	–	–	5,628
Disposals / transfers	(1,054)	–	–	–	(5,116)	–	(645)	(6,815)
Impairment	–	–	–	–	(1,620)	–	–	(1,620)
Other movements*	5,819	–	(673)	5	–	–	–	5,151
As at 31 December	**52,131**	**16,503**	**110,696**	**24,949**	**5,631**	**60,256**	**13,651**	**283,818**
Accumulated Depreciation								
Accumulated at 1 January	(12,817)	(11,746)	(101,778)	(21,332)	–	(24,872)	(8,878)	(181,424)
Depreciation	(2,420)	(473)	(3,393)	(1,352)	–	(12,831)	(2,604)	(23,073)
Disposals	267	–	–	–	–	–	–	267
Other movements	623	–	–	–	–	–	–	623
Accumulated at 31 December	**(14,347)**	**(12,219)**	**(105,171)**	**(22,684)**	**–**	**(37,703)**	**(11,482)**	**(203,607)**
Net book amount at 31 December	**37,784**	**4,284**	**5,526**	**2,264**	**5,631**	**22,553**	**2,169**	**80,211**

Land and buildings comprise of commercial and residential properties. Land and buildings are disclosed at revalued amount less accumulated depreciation and impairment. During the year, P5.6 million (2023: Nil) relating to gain on revaluation of buildings was recognised in other comprehensive income. The carrying amount that would have been recognised for land and buildings if they have been carried under the cost model is P22.1 million (2023: 25.2 million). Right of use assets comprising of buildings and ATMs are disclosed at costs less accumulated depreciation.

The transfer of capital work in progress has been included as part of additions. A register containing the details of each property is available for inspection at the registered office.

Property, equipment comprises of some assets with original cost BWP 23million (2023: BWP 181million) which are fully depreciated and still in use.

Group and Company impaired a total of P1.6 million (2023: Nil) relating to assets classified under work in progress (WIP).
*Other movements relate to capitalised dilapidation costs.

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Connecting Botswana to the world

18. Property, plant and equipment continued

Group and Company — **2023**

	Land & building	Lease hold	Equipment	Furniture & fixtures	WIP	Buildings (Right-of-use assets)	ATMs (Right-of-use assets)	Total
	P'000	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Cost or valuation								
At 1 January	41,738	16,503	109,500	27,537	4,807	58,770	8,443	267,298
Additions	–	–	2,407	–	7,796	–	1,209	11,412
Transfers	–	–	–	–	(3,874)	–	–	(3,874)
Disposals	–	–	(5,156)	(5,064)	–	(1,969)	–	(12,189)
As at 31 December	**41,738**	**16,503**	**106,750**	**22,473**	**8,729**	**56,801**	**9,652**	**262,647**
Accumulated Depreciation								
Accumulated at 1 January	(12,122)	(11,273)	(101,126)	(24,445)	–	(8,290)	(8,443)	(165,699)
Depreciation	(695)	(473)	(5,808)	(1,251)	–	(16,582)	(435)	(25,245)
Disposals	–	–	5,156	4,364	–	–	–	9,520
Accumulated at 31 December	**(12,817)**	**(11,746)**	**(101,778)**	**(21,332)**	**–**	**(24,872)**	**(8,878)**	**(181,424)**
Net book amount at 31 December	**28,921**	**4,757**	**4,973**	**1,140**	**8,729**	**31,929**	**774**	**81,223**

Fair value hierarchy
The fair value of the land and buildings was determined by an external independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The valuation was performed on 25 November 2024 using the investment method. The model considers the present value of property rentals taking into account rental growth rates. The net cash-flows are discounted using risk adjusted discount rates of 8%. The valuer provides the fair value of the Group's land and buildings at least every three years; however, the Directors consider the fair value of land and buildings at each reporting date.

The fair value measurement of land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

The Directors have assessed assumptions and estimates in the fair value calculation in determining the fair value of land and buildings. The table below shows the significant unobservable inputs for the related valuation technique. None are considered to have significantly high sensitivity and thus sensitivity analysis is not disclosed.

18. Property, plant and equipment continued

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cashflows; Comparable method for residential properties and Investment method for commercial properties	• Market yield of between 10 - 14% • Prime rentals of office space between P80-160/sq.m	The estimated fair value would increase/(decrease) if: • Higher/lower market yields • Increase/decrease in rental per sqm

19. Other assets

Accounting policy

Refer to Note 14 Financial instruments for the relevant accounting policy.

Financial assets represent physical holdings where the Group has title and exposure to the Market Risk associated with the holding.

Commodities are fair valued with the fair value derived from observable spot or short-term futures prices from relevant exchanges.

	Group		Company	
Other assets include:	**2024**	**2023**	**2024**	**2023**
	P '000	P '000	P '000	P '000
Financial assets held at amortised cost (Note 13):				
Unsettled trades and other financial assets	14,579	171,805	14,489	171,743
	14,579	171,805	14,489	171,743
Non-financial assets:				
Other assets	–	–	–	–
	14,579	**171,805**	**14,489**	**171,743**

20. Debt securities in issue

Accounting policy

Refer to Note 14 Financial instruments for the relevant accounting policy.

	Group and Company	
Other assets include:	**2024**	**2023**
Securities	**P '000**	**P '000**
P 93 603 million fixed of 6.5% rate senior notes due 2025	93,603	93,603
P229 963 million fixed and floating rate of 5.76% senior notes due 2028	229,963	229,963
Total Senior Notes issued	**323,566**	**323,566**

	Interest rate	Maturity	2024	2023
			P '000	P '000
Senior Unsecured debt was issued on 28 June 2021.Interest is payable semi-annually. Claims in respect of the loan capital and interest thereon are subordinate to the claims of other creditors and depositors	Fixed interest rate of 6.50% per annum	28 December 2025	93,603	93,603
Senior Unsecured debt was issued on 28 June 2021. Interest is payable semi-annually. Claims in respect of the loan capital and interest thereon are subordinate to the claims of other creditors and depositors	Fixed & floating interest rate of 5.76% per annum	28 December 2028	229,963	229,963

1 Issued by Standard Chartered Bank Botswana
2 In the balance sheet Senior Unsecured debt is presented as Debt Security in issue.

21. Other liabilities

Accounting policy

Refer to Note 14 Financial instruments for the relevant accounting policy for financial liabilities and 'Leases' under the Property and equipment policies on pages 181-184 for the accounting policy for leases.

	Group		Company	
Other assets include:	**2024**	**2023**	**2024**	**2023**
	P '000	**P '000**	**P '000**	**P '000**
Financial liabilities held at amortised cost (Note 13)				
Property leases	25,729	33,951	25,729	33,951
Unsettled trades and other balances on suspense accounts	378,484	1,413,476	354,923	1,401,025
	404,213	1,447,427	380,652	1,434,976
Non-financial liabilities				
Other liabilities	–	–	–	–
	404,213	**1,447,427**	**380,652**	**1,434,976**

*Unsettled trades relate to treasury bills placed with the central BankBank of which their settlement had not cleared by the reporting date

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term discounted using the incremental borrowing rate applicable in the economic environment of the lease. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Group and Company

	2024	**2023**
	P '000	**P '000**
Lease liabilities		
Interest on lease payments	1,602	2,236
Expenses relating to property leases	1,627	909
Amounts recognised in statement of cashflows		
Lease liability payments	17,798	19,572
Interest	1,601	2,236
Principal	16,197	17,336
The Group's commitments under non-cancellable leases expiring:		
Within 1 year	16,193	16,052
After 1 year but less than 5 years	11,113	20,312
After 5 years	–	–

22. Provisions for liabilities and charges

Accounting policy

The Group recognises a provision for a present legal or constructive obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably. Where a liability arises based on participation in a market at a specified date, the obligation is recognised in the financial statements on that date and is not accrued over the period.

Significant accounting estimates and judgements

The recognition and measurement of provisions for liabilities and charges requires significant judgement and the use of estimates about uncertain future conditions or events.

Estimates include the best estimate of the probability of outflow of economic resources, cost of settling a provision and timing of settlement. Judgements are required for inherently uncertain areas such as legal decisions (including external advice obtained), and outcome of regulator reviews.

Group and Company

	2024			2023		
	Provision for credit commit-ment	**Other provisions**	**Total**	**Provision for credit commit-ment**	**Other provisions**	**Total**
	P '000	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**
At 1 January	**635**	**424**	**1,059**	**1,379**	**1,066**	**2,445**
Exchange translation differences	6	–	6	(41)	–	(41)
Charge against profit	36	4,742	4,778	(703)	3,085	2,382
Provisions utilised	–	(87)	(87)	–	(3,727)	(3,727)
At 31 December	**677**	**5,079**	**5,756**	**635**	**424**	**1,059**

Provision for credit commitment comprises those undrawn contractually committed facilities where there is doubt as to the borrowers' ability to meet their repayment obligations. Other provisions comprises of long aged uncleared suspense account items which management are working to clear.

23. Contingent liabilities and commitments

Accounting policy

Financial guarantee contracts and loan commitments

The Group issues financial guarantee contracts and loan commitments in return for fees. Financial guarantee contracts and any loan commitments issued at below-market interest rates are initially recognised at their fair value as a financial liability, and subsequently measured at the higher of the initial value less the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers and their expected credit loss provision. Loan commitments may be designated at fair value through profit or loss where that is the business model under which such contracts are held. Notional values of financial guarantee contracts and loan commitments are disclosed in the table below.

Capital commitments are contractual commitments the Group has entered into to purchase non-financial assets.

The table below shows the contract or underlying principal amounts of unmatured off-balance sheet transactions at the balance sheet date. The contract or underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

23. Contingent liabilities and commitments continued

Accounting policy

Refer to Note 14 Financial instruments for the relevant accounting policy for financial liabilities and 'Leases' under the Property and equipment policies on pages 181-184 for the accounting policy for leases.

	Group and Company	
	2024	**2023**
	P '000	**P '000**
Financial guarantees and trade credits		
Financial guarantees, trade and irrevocable letters of credit	231,816	359,810
Expected credit loss (Note 3)	(497)	(506)
	231,319	359,304
Commitments		
Loan commitments	5,495,144	6,311,841
Expected credit loss (Note 3)	(180)	(129)
	5,494,964	6,311,712
Total contingent liabilities and commitments	**5,726,283**	**6,671,016**

There were no capital commitments at 31 December 2024 (2023: Nil)

The Group has contingent liabilities in respect of certain legal and regulatory matters for which it is not practicable to estimate the financial impact as there are many factors that may affect the range of possible outcomes.

The table below shows the contractual expiry by maturity of the Group's financial guarantees and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 31 December 2024	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**
Financial guarantees	576	2,254	89,729	139,251	6	231,816
Other undrawn commitments to lend	3,076,923	1,686,124	131,119	175,000	–	5,069,166
Other commitments and guarantees	–	–	200,842	225,136	–	425,978
Total commitments and guarantees	**3,077,499**	**1,688,378**	**421,690**	**539,387**	**6**	**5,726,960**

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 31 December 2023	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**	**P '000**
Financial guarantees	–	63,915	80,053	212,899	2,943	359,810
Other undrawn commitments to lend	3,033,479	2,376,663	202,306	201,072	–	5,813,520
Other commitments and guarantees	–	–	168,729	231,772	97,820	498,321
Total commitments and guarantees	**3,033,479**	**2,440,578**	**451,088**	**645,743**	**100,763**	**6,671,651**

24. Legal and regulatory matters

Standard Chartered Bank Botswana Limited together with African Banking Corporation Botswana, African Banking Corporation Zambia and Standard Chartered Bank Johannesburg Branch (Lenders) are defendants in a dispute before the Gauteng High Court, instituted by Mapula Solutions (Proprietary) L "Mapula". Mapula is claiming damages, to the sum of BWP527 million, for an alleged breach of contract in respect of a Debt Rescheduling Agreement "DRA". The DRA was signed between the Lenders and Blue Financial Services Limited. Blue breached the terms of the DRA and the Lenders cancelled the DRA, this cancellation was confirmed by the Johannesburg High Court. Mapula assumed rights by cession from a Related Party of Blue, based on that cession of rights Mapula instituted action against the Lenders. Mapula in claiming that the Lenders had no right to cancel the DRA. The matter is going through the litigation process at the Johannesburg High Court; accordingly, this has been disclosed as a contingent liability and no provision has been recognised.

25. Subordinated liabilities

Accounting policy

Subordinated liabilities are classified as financial instruments. Refer to Note 14 Financial instruments for the accounting policy.

All subordinated liabilities are unsecured, unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Group has the right to settle these debt instruments in certain circumstances as set out in the contractual agreements. Where a debt instrument is callable, the issuer has the right to call.

	Interest rate	Maturity	2024	2023
			P '000	**P '000**
Subordinated debt issued for capital injection	4% above the 91 day BOBC rate	29 July 2025	389,000	389,000

MoPR was adopted for Subordinated debt due to unavailability of the 91 day BoBC

26. Stated capital, other equity instruments and reserves

Accounting policy

Financial instruments issued are classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue available number of own equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company or other members of the consolidated Group purchase the Company's equity share capital, the consideration paid is deducted from the total shareholders' equity of the Group and/or of the Company as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity of the Group and/or the Company.

	Stated capital	Capital contribution
	P '000	**P '000**
At 1 January 2023	179,273	428,213
At 31 December 2023	179,273	428,213
At 31 December 2024	**179,273**	**428,213**

26. Stated capital, other equity instruments and reserves continued

Stated capital

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

Authorised ordinary shares

The Company's stated capital consists of 400 000 000 ordinary shares of no par value (2023: 400 000 000).

Issued Ordinary shares
298 350 611 ordinary shares of no par value (2023: 298 350 611). All issued shares are fully paid.

Unissued ordinary shares

As at 31 December 2024, unissued shares totalled 101 619 389 (2023: 101 619 389).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the entity. All shares rank equally with regard to the Bank's residual assets.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have all complied with externally imposed capital requirements throughout the period.

Reserves

The constituents of the reserves are summarised as follows:

Revaluation reserve

The revaluation reserve comprises the net cumulative increase in the fair value of property.

Statutory credit risk reserve

This reserve represents a statutory reserve required under the Banking Act, 1995 which was based on a threshold percentage of the credit risk weighted assets prior to the implementation of IFRS 9, Financial Instruments. Post implementation, the requirement to determine the reserve amount annually became no longer applicable and the regulator advised that the balance be maintained as is. The Group treats the reserve as non-distributable reserve (NDR).

Capital contribution

This represents the part of the consideration for the acquisition of the custody business (P28m) paid by Standard Chartered PLC, the ultimate parent company of Standard Chartered Bank Botswana Limited. The Group classifies capital contributions as equity or financial liabilities, in accordance with the substance of the contractual terms of the instruments, there is no contractual obligation to deliver cash and at any event that would require the Bank to deliver cash is at its option. The Group's capital securities are redeemable at the option of the issuer and are therefore classified as equity. The contribution is a non - distributable capital with no diluting effect on ordinary shareholders. The other amount of P400m is made up of the subordinated undated capital securities.

Consolidated and Separate Annual Financial Statements for the year ended **31 December 2024**

Notes to the financial statements

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26. Stated capital, other equity instruments and reserves continued

Fair value reserve

This represents the cumulative movement on debt instruments measured at fair value through other comprehensive income until the instrument is derecognised or impaired, in which case the cumulative amount recognised in other comprehensive income is released to profit or loss.

Retained earnings

Retained earnings represent the cumulative net profit or loss realised by the Group after deducting dividends to shareholders and other utilisation of the reserve.

Treasury share reserve

The reserve for the company's treasury shares comprises the cost of the Bank's shares held by the Group. As at the reporting date, the Group held 0.84% of the Company's shares (2023: 0.84%) as treasury shares.

27. Retirement benefit obligations

Accounting policy

The Group operates a defined contribution pension plan. Contributions by the Group to the plan are recognised in profit or loss. The plan is externally administered, therefore there is no liability to the Group apart from the monthly contributions. There are no post-retirement medical funding obligations.

Retirement benefit charge for both group and company comprises:

	2024 P '000	2023 P '000
Defined contribution plans	21,576	19,340
Charge against profit	21,576	19,340

28. Cash flow statement

Adjustment for non -cash and other adjustments included within income statement

	Group		Company	
	2024 P '000	2023 P '000	2024 P '000	2023 P '000
Taxation	131,178	95,344	124,575	92,481
Depreciation	23,073	25,245	23,073	25,245
Amortisation on intangibles	15,095	12,339	15,095	12,339
Net impairment loss on loans and advances	(28,970)	(23,696)	(28,970)	(23,696)
Unrealised foreign exchange (gains)/losses	3,761	9,016	3,761	9,016
Profit on sale of asset	**601**	**–**	**601**	**–**

Disclosures

	Group		Company	
	2024 P '000	2023 P '000	2024 P '000	2023 P '000
Subordinated debt (including accrued interest):				
Opening balance	389,000	389,000	389,000	389,000
Interest paid-Cash flow item	(25,689)	(26,548)	(25,689)	(26,548)
Accrued Interest-Non-Cash flow item	25,689	26,548	25,689	26,548
Closing balance	**389,000**	**389,000**	**389,000**	**389,000**

28. Cash flow statement continued

	Group		Company	
	2024	2023	2024	2023
	P '000	P '000	P '000	P '000
Debt Security (including accrued interest):				
Opening balance	323,566	323,566	323,566	323,566
Interest paid-Cash flow item	(25,250)	(25,424)	(25,250)	(25,424)
Accrued Interest-Non-Cash flow item	25,250	25,424	25,250	25,424
Closing balance	**323,566**	**323,566**	**323,566**	**323,566**

29. Cash and cash equivalents

Accounting policy

For the purposes of the cash flow statement, cash and cash equivalents comprise cash, on demand and overnight balances with central banks (unless restricted) and balances with less than three months' maturity from the date of acquisition, including treasury bills and other eligible bills, loans and advances to banks, and short-term government securities.

The following balances with less than three months' maturity from the date of acquisition have been identified by the Group as being cash and cash equivalents.

The Cash and cash equivalents balances include an unrestricted primary reserve requirement of Nil (2023: P261 million).

	Group		Company	
	2024	2023	2024	2023
	P '000	P '000	P '000	P '000
Cash and balances at central banks	1,132,308	854,469	1,127,120	851,591
Loans and advances to banks	791	6,906	791	6,906
Amounts due from related parties	4,903,383	3,632,041	4,811,097	3,558,096
Total	**6,036,482**	**4,493,416**	**5,939,008**	**4,416,593**

30. Related party transactions

Directors and officers

Details of Directors' remuneration and interests in shares are disclosed in the Directors' remuneration report. IAS 24 Related party disclosures requires the following additional information for key management compensation. Key management comprises non-executive Directors, executive Directors of Standard Chartered Botswana, the Directors of Standard Chartered Bank and the persons discharging managerial responsibilities (PDMR) of Standard Chartered Botswana.

Key management personnel and non-executive Directors' balances:

Balances and transactions with Directors and key management personnel

30. Related party transactions continued

(i) Directors and key personnel compensation

The aggregate value of transactions, compensation and outstanding balances related to key management personnel for both Group and Company were as follows

	2024	2023
	P '000	P '000
Directors' fees - short term employee benefits	2,792	2,623
Directors and key management personnel compensation - short term employee benefits	32,974	30,204
Directors and key management personnel compensation – long term employment benefits	1,933	1,980
Directors' holding in Company shares (No.of shares)	–	538

Compensation of the Group's key management personnel includes short term employee benefits and non-cash benefits.

(ii) Key management personnel and non-executive Directors' balances: Group and Company

	Assets		Liabilities	
	P '000	P '000	P '000	P '000
Auto, mortgages and personal	14,607	13,813	–	–
Deposits	-	–	379	2,424

Expected credit losses on auto, mortgages and personal loan relating to key management personnel and non-executive Directors are included in the ECL balance (Refer to Note 16).

Group and Company

A number of banking transactions are entered into with related parties in the normal course of business. These transactions are carried out under mutually agreed terms and conditions. These include loans, deposits and foreign currency transactions with the group and purchase of software. In line with a formalised agreement between SCBBL and SCB PLC, recharges are capped at 40% of direct costs

Standard Chartered Bank PLC is the ultimate parent, Standard Chartered Holdings (Africa) B.V is the immediate parent, and all other entities shown on the below tables are fellow subsidiaries except for the Bank's subsidiaries as listed on note 34.

30. Related party transactions continued

Details of related party at year end are as follows:

	Group 2024	Group 2023	Company 2024	Company 2023
	P '000	P '000	P '000	P '000
Balances due from:				
Standard Chartered Bank PLC	1,334,991	2,010,893	1,334,991	2,010,893
Standard Chartered Bank New York	2,462,006	851,895	2,462,006	851,895
Standard Chartered Bank Johannesburg	828,816	–	828,816	–
Standard Chartered Bank China	6,770	29,618	6,770	29,618
Standard Chartered Bank Mauritius	–	702,771	–	702,771
Other group companies	154,625	36,864	62,339	27,692
Standard Chartered Hong Kong	116,175	–	186,885	
Standard Chartered Insurance Agency	–	–	(70,710)	(64,773)
	4,903,383	**3,632,041**	**4,811,097**	**3,558,096**
Balances due to:				
Standard Chartered Bank PLC	389,000	433,140	389,000	433,140
Standard Chartered Bank New York	–	713,908	–	713,908
Standard Chartered Bank Johannesburg	–	50,553	–	50,553
Other group companies	974,751	185,996	974,751	185,996
Standard Chartered Bank Mauritius	10,748	–	10,748	–
	1,374,499	**1,383,597**	**1,374,499**	**1,383,597**

Balances due to related parties include subordinated liabilities and other borrowed funds.

Balances due to related companies are unsecured, carry variable interest rates, and are short term in nature. Related party balances due from related parties form part of cash and cash equivalents for cashflow purposes.

There were no expenses recognised during the period in respect of bad or doubtful debts due from related parties (2023: Nil).

30. Related party transactions continued

	Interest income	Interest expense	Group recharges and other expenses	Group share scheme expenses	Dividends paid	Distributions to holders of subordinated capital securities	Net trading income	Net Fees and commission expenses
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Group - 2024								
Standard Chartered Bank PLC	29,257	20,890	134,865	–	–	31,664	6,752	990
SCB Singapore DBU	29,340	2	–	–	–	–	(10)	185
SCB Mauritius	10,582	6	–	–	–	–	45	–
SCB Kenya	–	1	–	–	–	–	–	–
SCB New York	53,096	(195)	–	–	–	–	–	54
SCB Johannesburg	44,677	629	–	–	–	–	(358)	675
SCB Poland	–	–	547	–	–	–	–	–
SCB Hong Kong	41,924	8	–	–	–	–	1	–
MESA Regional Office	–	–	–	–	–	–	–	
SCB India	–	–	37,570	–	–	–	61	–
SCB Malaysia	–	31	2,088	–	–	–	–	7
SCB Germany	–	(37)	–	–	–	–	–	–
SCB China	–	1	607	–	–	–	–	–
Standard Chartered Holdings (Africa) B.V	–	–	–	–	230,437	–	–	–
SCB others	–	–	3,716	–	–	–	–	17,305
	208,876	**21,336**	**179,393**	**–**	**230,437**	**31,664**	**6,491**	**19,216**
Group - 2023								
Standard Chartered Bank PLC	83,941	27,454	152,741	184	–	30,300	–	–
SCB Singapore DBU	–	7	–	–	–	–	–	–
SCB Mauritius	32,623	–	354	–	–	–	–	–
SCB Japan	–	5	–	–	–	–	–	–
SCB Kenya	–	6	–	–	–	–	–	–
SCB New York	60,989	–	–	–	–	–	–	–
SCB Johannesburg	5,654	770	358	–	–	–	–	–
SCB Poland	–	–	280	–	–	–	–	–
SCB Hong Kong	–	50	–	–	–	–	–	–
SCB India	–	–	39,261	–	–	–	–	–
SCB Malaysia	–	–	2,456	–	–	–	–	–
Standard Chartered Holdings (Africa) B.V			152,625	–				
SCB others	–	–	12,802	–	–	–	–	–
	183,207	**28,292**	**208,252**	**184**	**152,625**	**30,300**	**–**	**–**

30. Related party transactions continued

	Interest income	Interest expense	Group recharges and other expenses	Group share scheme expenses	Dividends paid	Distributions to holders of subordinated capital securities	Net trading income	Net Fees and commission expenses
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Company - 2024								
Standard Chartered Bank PLC	29,257	20,890	134,865	–	–	31,664	6,752	990
SCB Singapore DBU	29,340	–	–	–	–	–	(10)	185
SCB Mauritius	10,582	–	–	–	–	–	45	–
SCB Japan	–	–	–	–	–	–	–	–
SCB Kenya	–	–	–	–	–	–	–	–
SCB New York	53,096	–	–	–	–	–	–	54
SCB Johannesburg	44,677	–	–	–	–	–	(358)	675
SCB Poland	–	–	–	–	–	–	–	–
SCB Hong Kong	41,924	–	–	–	–	–	1	–
SCB India	–	–	–	–	–	–	–	–
SCB Malaysia	–	–	–	–	–	–	–	7
SCB Germany	–	–	–	–	–	–	–	–
SCB China	–	–	–	–	–	–	–	–
Standard Chartered Holdings (Africa) B.V	–				230,437	–	182	17,305
SCB others	–	–	(7,781)	–	2,553	–	6,673	19,216
	208,876	**20,890**	**127,084**	**–**	**232,990**	**31,664**	**13,345**	**38,432**
Company - 2023								
Standard Chartered Bank PLC	83,941	27,454	152,741	184	–	30,300	–	–
SCB Singapore DBU	–	7	–	–	–	–	–	–
SCB Mauritius	32,623	–	354	–	–	–	–	–
SCB Japan	–	5	–	–	–	–	–	–
SCB Kenya	–	6	–	–	–	–	–	–
SCB New York	60,989	–	–	–	–	–	–	–
SCB Johannesburg	5,654	770	358	–	–	–	–	–
SCB Poland	–	–	280	–	–	–	–	–
SCB Hong Kong	–	50	–	–	–	–	–	–
MESA Regional Office	–	–	–	–	–	–	–	–
SCB India	–	–	39,261	–	–	–	–	–
SCB Malaysia	–	–	2,456	–	–	–	–	–
SCB Germany	–	–	–	–	–	–	–	–
SCB China	–	–	–	–	–	–	–	–
Standard Chartered Holdings (Africa) B.V	–	–	–	–	152,625	–	–	–
SCB others	–	–	(178)	–	1,710	–	–	–
	183,207	**28,292**	**195,272**	**184**	**154,335**	**30,300**	**–**	**–**

Transaction with other entities in the Standard Chartered Group are in the ordinary course of business on mutually agreed terms and conditions.

Connecting Botswana to the world

31. Sale of Wealth and Retail Banking (WRB) business

In November 2024 the Bank announced its intention to exit the Wealth & Retail Banking (WRB) business and shift focus solely to CIB. This was part of the plan to ensure we accelerate our strategy to deliver efficiencies, reduce complexity, and drive scale whilst redirecting resources areas with the greatest scale and growth potential, allowing us to make the most impact and better support our clients.

The Bank is committed to a plan to sell and the business is available for immediate sale. Although to complete the transaction, the sale is subject to relevant regulatory approvals. The process is still at infancy stage therefore the sale is not highly probable as the sale is not likely to be completed in the next 12 months. The sale will be via an auction process, and so no sale price has been determined as yet. The sale is expected to be completed in the next 18-24 months.

Below are financial assets and liabilities for WRB which includes customer assets (loans and advances) and customer accounts (deposits) as at 31 December 2024 and the income statement for the year ended 31 December 2024.

Group and Company

	2024 P '000	2023 P '000
Financial assets and liabilities		
Loans and advances to customers	7,184,099	7,231,592
Customer accounts	4,401,405	4,236,013

	2024 P '000	2023 P '000
Interest income	757,482	775,985
Interest expense	(257,021)	(349,290)
Net interest income	**500,461**	**426,695**
Net fee and commission income	**187,759**	**191,263**
Net trading income	30,539	28,348
Operating income	**718,759**	**646,306**
Operating expenses	**(428,227)**	**(467,571)**
Operating profit before impairment losses and taxation	**290,532**	**178,735**
Credit impairment	3,645	4,860
Other impairment	(616)	–
Profit before taxation	**293,561**	**183,595**

32. Post balance sheet events

Dividend declared.

There have been no events, facts or circumstances of a material nature that have occurred subsequent to the reporting date which necessitate an adjustment to the disclosure in these Annual Financial Statements or the notes thereto. The Directors have resolved to award a final dividend of P315m (2023; P307m) gross of withholding tax.

33. Auditor's remuneration

Auditor's remuneration is included within other general administration expenses. The amounts paid by the Group to their principal auditor, Ernst & Young Botswana, are set out below. All services are approved by the Board of Directors and are subject to controls to ensure the external auditor's independence is unaffected by the provision of other services.

	2024 P '000	2023 P '000
Audit of Standard Chartered Bank Botswana Ltd (Current year)	2,473	2,397
Audit of Standard Chartered Bank Botswana Ltd (Prior year under provision)	310	345
Total audit fees	**2,783**	**2,742**

The disclosure has been added to provide more useful information to the users

The following is a description of the type of services included within the categories listed above:

- Audit fees for the Group statutory audit are in respect of fees payable to Ernst & Young for the statutory audit of the Bank and Group consolidation
- Other assurance services include agreed-upon-procedures in relation to statutory and regulatory filings

Financial markets transaction services are fees payable to Ernst & Young for issuing comfort letters

Expenses for costs incurred and disbursements made in respect of their role as auditor, were reimbursed to EY. Such expenses did not exceed 1% of total fees charged above.

34. Subsidiaries and other structured entities

As at 31 December 2024, the Group's interests in related undertakings are disclosed below. Unless otherwise stated, the stated capital disclosed comprises ordinary or common shares which are held by subsidiaries of the Group. Standard Chartered Bank Insurance Agency (Proprietary) Limited, Standard Chartered Investment Services (Proprietary) Limited, Standard Chartered Botswana Education Trust, Standard Chartered Botswana Nominees (Proprietary) Limited are directly held subsidiaries.

The Group has not provided any financial support or issued guarantees in favour of the subsidiaries. Standard Chartered Botswana Nominees (Proprietary) Limited is a dormant company. Standard Chartered Investment Services (Proprietary) Limited is an advisory-based business and acts as an agent that offers clients fixed income securities Standard Chartered. Standard Chartered Insurance Agency (Proprietary) Limited operates as an insurance agent for the Group and is managed from the Group's head office. The Agency collects premiums from clients on behalf of a Broker for a commission.

Subsidiaries are entities which the Bank controls. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The assessment of power is based on the Bank's practical ability to direct the relevant activities of the entity unilaterally for the Bank's own benefit and is subject to re-assessment if and when one or more of the elements of control change. Subsidiaries are fully consolidated from the date on which the Bank effectively obtains control. They are de-consolidated from the date that control ceases, and where any interest in the subsidiary remains, this is re-measured to its fair value and the change in carrying amount is recognised in the income statement. The Group does not have significant restrictions on its ability to access or use assets, and settle liabilities of the group.

In the Bank's financial statements, investments in subsidiaries are held at cost less impairment. Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in the Group accounts.

34. Subsidiaries and other structured entities continued

The list below provides details of the subsidiaries of the group.

Subsidiary Undertakings

Subsidiary Name	Country of incorporation	Stated capital P	Ownership Interest 2024	2023
Standard Chartered Bank Insurance Agency (Proprietary) Limited	Botswana	30,100	100%	100%
Standard Chartered Investment Services (Proprietary) Limited	Botswana	100	100%	100%
Standard Chartered Botswana Education Trust	Botswana	-	100%	100%
Standard Chartered Botswana Nominees (Proprietary) Limited	Botswana	100	100%	100%

The amounts for stated capital are presented in Pula and are not rounded.

Standard Chartered Botswana Education Trust is a structured entity that was set up to promote educational activities. Standard Chartered Botswana Education Trust acquired 0.84% shareholding in Standard Chartered Bank Botswana Limited. Standard Chartered Bank Botswana directs and influences both the financial and operating activities of Standard Chartered Botswana Education Trust, demonstrating power over the entity. The Bank has no contractual obligation to provide financial support to the Trust. No financial support has been extended to the Trust.

	2024	2023
As at 1 January	30	30
Additions	–	–
As at 31 December	30	30

35. Fiduciary activities

In the normal course of business, the Group is a party to financial investments with off-balance sheet risk to meet the financing needs of customers. These instruments involve, to varying degrees, elements of credit risk which are not reflected in the statement of financial position. The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amount of those instruments. A large majority of these expire without being drawn upon, and as a result the contracted nominal principal amounts are not representative of the actual future credit exposure or liquidity requirements of the Group. Expected credit loss for contingent liabilities and commitments of P0.68m (2023; P0.6m) was recognised under IFRS 9 at the current reporting date.

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group. These instruments are held in trust on behalf of customers and are therefore not treated as assets of the Bank and accordingly, have not been included in these financial statements.

	Group 2024 P '000	Group 2023 P '000	Company 2024 P '000	Company 2023 P '000
Assets held in custody	33,545,889	32,400,405	33,545,889	32,400,405

36. Prepayments and accrued income

	Group		Company	
	2024 P '000	**2023 P '000**	**2024 P '000**	**2023 P '000**
Prepayments and deferred expenses	50,107	64,276	50,107	64,276
Accrued interest receivable:				
Central Banks and Central Governments	8,757	7,339	8,757	7,339
Loans secured by mortgage on residential properties	13,262	13,157	13,262	13,157
Other loans, advances and bills held	190,814	184,621	190,814	184,621
Total Accrued interest receivable	**212,833**	**205,117**	**212,833**	**205,117**
Total	**262,940**	**269,393**	**262,940**	**269,393**

37. Accruals and deferred income

	Group		Company	
	2024 P '000	**2023 P '000**	**2024 P '000**	**2023 P '000**
Accrued interest payable*	40,942	58,897	40,942	58,897
Holiday Pay accrual	8,395	11,548	8,395	11,548
Bonus Accrual	31,267	27,619	31,267	27,619
Sundry accruals and deferred income	10,364	24,550	10,364	24,511
Total	**90,968**	**122,614**	**90,968**	**122,575**

*Accrued interest payable includes amounts payable of interest on debt securities, customer deposit accounts and subordinated liabilities and other borrowed funds.

Annual General Meeting Notice
For the year ended at 31st December 2024

Notice is hereby given that the 50th Annual General Meeting of the members of Standard Chartered Bank Botswana Limited will be held on Thursday 26th June 2025 at Plot 1124-30, Queens Road, 5th Floor, Standard Chartered House, Main Mall, Gaborone at 15:00 hours for the following purposes:

1. To consider and adopt minutes of the meeting held on the 26th June 2024.
2. To receive, consider and approve the Annual Financial Statements for the year ended 31st December 2024, together with the Auditor's reports therein.
3. To confirm and ratify the declaration of a final dividend of 105.527 thebe per ordinary share paid to the shareholders on the 20th May 2025.
4. To re- elect the following Directors who retire by rotation and in accordance with Section 66 of the Constitution, and who being eligible, offer themselves for re-election. The Directors' profiles are set out at page 7 of the report.
   4.1 Solomon Molebatsi Sekwakwa
   4.2 Rapelang Rabana
5 To confirm and ratify the appointment of Director Tapiwa Butale as an Executive Director effective 24th May 2024. Ms Tapiwa Butale's profile is set out on page 6 of the report.
6 To confirm and ratify the Directors remuneration report and the remuneration paid to the directors for the year ending 31st December 2024 and to authorise the Board to fix the Directors remuneration for the ensuing year.
7. To confirm and ratify the remuneration of the auditors, Ernst & Young Botswana for the year ended 31st December 2024.
8. To confirm and ratify the appointment of the auditors Ernst & Young Botswana and to authorise the Board to determine the external auditor's remuneration `for the ensuing year.
9. To receive and consider questions and or comments from the shareholders.

Notes:

Any member entitled to attend and vote, is entitled to appoint a proxy to attend and speak and, on a poll, vote in his or her stand. The person so appointed needs not be a member. The instrument appointing such a proxy should be forwarded to reach the Secretary, at Standard Chartered Bank Botswana Limited, Head Office, Plot 1124-30, Queens Road, 5th Floor, Standard Chartered House, The Mall, P O Box 496, Gaborone, alternatively via e-mail at **bwinvestorrelations@sc.com** not less than 48 hours before the meeting.

A copy of the Annual Report is available for download at **www.sc.com/bw.**

By order of the Board

Luzibo Benza
Company Secretary

Proxy Form

Please complete in block letters

I/WE____

Being a shareholder of Standard Chartered Bank Botswana Limited, hereby appoint:

____________________________________or failing him or her

____________________________________or failing him or her

____________________________________or failing him or her

as my proxy to vote on my behalf at the annual general meeting of the company to be held on the 26th June 2025 and at any adjournment of the meeting thereof as follows;

Resolution	For	Against	Abstain
To receive, consider and approve the Annual Financial Statements for the year ended 31st December 2024, together with the Auditor's reports therein.			
To confirm and ratify the declaration of a final dividend of 105.527 thebe per ordinary share paid to the shareholders on the 20th May 2025.			
To re- elect as a Director Solomon Molebatsi Sekwakwa who retire by rotation and in accordance with Section 66 of the Constitution, and who being eligible, offers himself for re-election			
To re- elect as a Director Rapelang Rabana who retire by rotation and in accordance with Section 66 of the Constitution, and who being eligible, offers herself for re-election			
To confirm and ratify the appointment of Tapiwa Butale as an Executive Director effective 24th May 2024			
To confirm and ratify the Directors remuneration report and the remuneration paid to the Directors for the year ending 31st December 2024 and to authorise the Board to fix the Directors remuneration for the ensuing year.			
To confirm and ratify the remuneration of the auditors, Ernst & Young Botswana for the year ended 31st December 2024.			
To confirm and ratify the appointment of the auditors Ernst & Young Botswana and to authorise the Board to determine the external auditor's remuneration for the ensuing year.			

Unless otherwise indicated, my proxy may vote as he/she thinks fit.

Connecting
Botswana to
the world

Signature________________ Date ______________2025

Notes

1. Any alteration of this form must be initialled by the signatory

2. This form of proxy should be completed and returned so as to reach the Secretary of the Company on the 5th floor, Standard Chartered House, The Mall, P O Box 496, Gaborone, alternatively via e-mail at bwinvestorrelations@sc.com no later than Tuesday 24th June 2025 at 3pm.

Standard Chartered Bank (Botswana) Limited
Standard Chartered House
Main Mall Gaborone