

23/ 24 ANNUAL REPORT



**INNOVATION – DRIVER OF GROWTH &
INCLUSIVITY, GUIDED BY LESEDI 2025**

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ABOUT US



HOW WE OPERATE

REGISTERED OFFICE
 Botswana Savings Bank
 Tlokweng House
 101 Lerothodi Street, Plot 11
 Broadhurst Mall
 PO Box 308 Gaborone

DIRECTORS
 Boiso M. Mphahlele
 Mphahlele Boiso Mphahlele Limited
 Mphahlele Boiso Mphahlele Limited
 Mphahlele Boiso Mphahlele Limited
 Mphahlele Boiso Mphahlele Limited
 Mphahlele Boiso Mphahlele Limited
 Mphahlele Boiso Mphahlele Limited

AUDITOR
 Deloitte & Touche
 Deloitte House
 Plot 64515
 Fairgrounds, Gaborone
 Botswana

CORPORATE INFORMATION

OUR BUSINESS

Botswana Savings Bank was established by an Act of Parliament and commenced operations in 1995. The Bank is a member of the Botswana Financial Services Board (BSFB) and is regulated by the Botswana Financial Services Board (BSFB). The Bank is a member of the Botswana Financial Services Board (BSFB) and is regulated by the Botswana Financial Services Board (BSFB). The Bank is a member of the Botswana Financial Services Board (BSFB) and is regulated by the Botswana Financial Services Board (BSFB).

VISION
 To be the leading Botswana bank providing financial services to all.

MISSION
 We create value through providing innovative financial services to our customers.

COMPANY VALUES

- Integrity
- Responsiveness
- Customer Focus
- Teamwork

WHAT WE ARE ABOUT

Welcome to SINSA

WHAT WE VALUE

- OUR SUCCESS CAPITALS**
1. Financial Capital
 The Bank's financial capital is the foundation of its operations and is essential for its growth and expansion.
 2. Intellectual Capital
 The Bank's intellectual capital is the knowledge, skills, and experience of its employees, which is essential for its innovation and growth.
 3. Human Capital
 The Bank's human capital is the talent and skills of its employees, which is essential for its growth and expansion.
 4. Social and Relationship Capital
 The Bank's social and relationship capital is the trust and loyalty of its customers, which is essential for its growth and expansion.
 5. Manufactured Capital
 The Bank's manufactured capital is the physical assets and infrastructure that support its operations, which is essential for its growth and expansion.
 6. Natural Capital
 The Bank's natural capital is the environmental resources that support its operations, which is essential for its growth and expansion.



Welcome

We are proud to present the Botswana Savings Bank's 2023-2024 Annual Report, a reflection of our ongoing commitment to operational excellence, innovation, and financial inclusion. This report provides an in-depth view of our performance, governance, and strategic direction, as well as the risks and opportunities that we face as we continue our journey under the transformative Lesedi 2025 strategy.

We acknowledge that there are always areas for improvement and remain committed to continuously enhancing the quality of our reporting and transparency. This Annual Report demonstrates our efforts to align with global best practices and international standards, ensuring comprehensive disclosures on our performance, governance, risk management, and the value we create for our stakeholders.

Audience and Scope

This report is intended for all of BSB's stakeholders, including our valued staff, customers, funders, strategic partners, Government, regulators, and the communities we serve. It offers a holistic overview of our financial and operational performance during the fiscal year from 1 April 2023 to 31 March 2024, with particular emphasis on how Lesedi 2025 is driving our transformation as a digital and customer-focused financial institution.

We remain mindful of the diverse needs of our stakeholders and have worked diligently to ensure this report provides relevant insights into our strategic progress and the impact of our actions on the people and communities of Botswana.

Strategic Focus: Innovation and Financial Inclusion

Guided by Lesedi 2025, our overarching focus this year has been on leveraging innovation to drive financial inclusion, expand digital banking services, and optimize operational efficiencies. This report highlights the successful rollout of our core banking system, the expansion of our digital and agency banking models, and our continued efforts to serve even the most remote communities in Botswana.

The achievements documented in this report are underpinned by our unwavering commitment to ensuring that every Motswana has access to essential financial services. Our strategic efforts reflect the core values of inclusivity, sustainability, and innovation that are central to Lesedi 2025.

Reporting Standards and Frameworks

Our Annual Report adheres to globally recognized frameworks and reporting principles, ensuring that our disclosures are transparent, relevant, and reliable. In line with our dedication to maintaining high standards of governance, we follow these key frameworks:

- International Financial Reporting Standards (IFRS)
- Banking Act of 1995 (Cap 46:04)
- Non-Bank Financial Institutions Regulatory Authority (NBFIRA)
- Financial Intelligence Act, 2022

This report reflects our ongoing commitment to integrated thinking and good governance, ensuring that the information presented provides a clear view of how we manage risks, capitalize on opportunities, and deliver value to our stakeholders.

Materiality and Assurance

We continue to place emphasis on material issues that could significantly impact our ability to create sustainable value over the long term. The materiality assessments conducted under Lesedi 2025 ensure that we are focused on key risks, opportunities, and stakeholder expectations, all of which are integral to

our business strategy.

In alignment with our risk-based approach, we have strengthened our internal operational controls and compliance frameworks. This is supported by regular internal audits, independent assessments, and external assurance services. The Bank's financial statements for the period have been audited by Deloitte & Touche, further ensuring the accuracy and integrity of the information provided.

Forward-looking Statements

This report also includes forward-looking statements regarding BSB's anticipated future performance and strategic direction. While these reflect our current expectations and ambitions, they are subject to uncertainties and risks beyond our control. As such, while we remain confident in the potential outcomes of our strategy, we caution against placing undue reliance on these forecasts.

Approval of the Annual Report

The Board of Directors is responsible for ensuring the integrity of this Annual Report, and we are confident that it provides a fair, balanced, and comprehensive account of our business performance, strategy, and future prospects. The Board approved this report on June 09, 2024, reflecting our shared commitment to upholding the values of transparency, accountability, and excellence.

We thank our staff, customers, and partners for their continued support and trust as we work together toward the successful execution of Lesedi 2025 and the ongoing transformation of BSB into a leading, digitally driven, and inclusive financial institution.

Signed on behalf of the Board:

Goitsewang Morekisi
Chairperson

Nixon Marumoloo
Chief Executive Officer



OUR LEADERSHIP REFLECTIONS





CHAIRPERSON'S STATEMENT

It is my pleasure to present to you our performance for the year ended March 2024.

External Environment

The 2023-2024 financial year presented significant challenges for Botswana Savings Bank (BSB) amid a complex global economic landscape. Geopolitical tensions, persistent inflation, and rising interest rates, particularly due to a strong US dollar, created volatility that impacted many economies, including Botswana. In

Southern Africa, energy shortages in our key trading partner South Africa added further complexity, increasing the cost of doing business in the region.

Domestically, Botswana faced inflationary pressures and rising fuel costs, straining household incomes and savings. Despite these difficulties, Botswana's stable financial system and sound economic policies allowed BSB to navigate the turbulence effectively. The resilience of our banking sector, coupled with the guidance of the Lesedi 2025 strategy, helped us continue providing essential financial services to Botswana during these challenging times.

Lesedi 2025 – A Strategic Framework

The Lesedi 2025 strategy has been pivotal in shaping BSB's transformation from a traditional savings bank into a "No-Frills" commercial bank. It is a three-year roadmap designed to position BSB as a digitally driven, customer-focused financial institution. At its core, Lesedi 2025 emphasizes financial inclusion, operational efficiency, and digital transformation, all while maintaining our core values of growth and inclusivity.

Key elements of this strategy include the successful rollout of our new core banking system and the expansion of digital and agency banking channels, ensuring that even the most remote communities in Botswana have access to financial services.

By adopting a digital-first approach, we have been able to optimize customer experiences, simplify access to banking services, and foster financial inclusivity across the nation.

Performance

Despite the challenging operating environment, BSB delivered a robust financial performance in 2023-2024. Guided by Lesedi 2025, we embraced innovation through our digital transformation agenda, particularly in mobile and online banking platforms. This allowed us to expand access to banking services, especially in underserved rural areas. Our digital transactions grew by 28%, reflecting our commitment to leveraging technology as a tool for financial inclusion.

We recorded a 7% growth in total assets and 258% increase in net profit. This was achieved through disciplined cost management, operational efficiency, and risk mitigation. We streamlined processes across our branch network, improved productivity by 15%, and enhanced customer satisfaction through strategic investments in AI-powered customer support and advanced credit scoring tools. This growth underscores the success of Lesedi 2025, which prioritizes digital innovation and customer-centric solutions.

7%

Growth in total assets

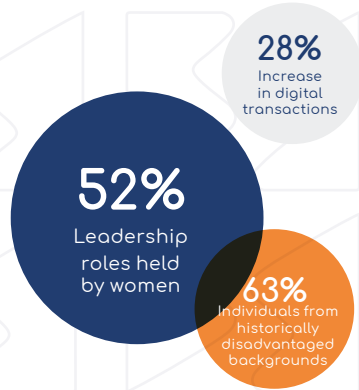
15%

Productivity improved

258%

Increase in net profit

CHAIRPERSON'S STATEMENT [continued]



Our retail banking operations performed particularly well, with new business and product innovations catering to the evolving needs of our customers. By deploying technology and leveraging data analytics, we provided tailored financial solutions to individuals and businesses, further strengthening our role as a driver of financial empowerment.

Governance & ESG

Our commitment to rigorous governance and social responsibility remains unwavering. Throughout the year, the Board played an active role in overseeing the execution of Lesedi 2025, ensuring that BSB maintained the highest standards of accountability and transparency.

Environmental, Social, and Governance (ESG) principles are central to our strategy. In 2023-

2024, we expanded our green banking initiatives, reducing our carbon footprint through energy-efficient practices and rolling out paperless banking solutions. These initiatives align with our goal of achieving carbon neutrality by 2025. Additionally, our financial inclusion programs reached more Batswana, particularly in rural and underserved areas, empowering them to achieve financial independence.

We have also made notable progress in diversity and inclusion. Currently, 52% of our leadership roles are held by women, and 63% are filled by individuals from historically disadvantaged backgrounds. These efforts reflect BSB's commitment to fostering a diverse and inclusive workplace that mirrors the communities we serve.

Looking Ahead

Looking forward to 2024, Lesedi 2025 will continue to guide our strategic priorities, which include expanding our digital banking footprint, enhancing customer experiences through AI and data analytics, and deepening our commitment to sustainability. As we navigate the unpredictable external environment, BSB is well-positioned to adapt, innovate, and continue leading the way in financial inclusion.

Our goals remain clear: to deliver innovative, accessible, and world-class banking solutions to all Batswana while maintaining a strong balance sheet and operational efficiency. By aligning

our efforts with the pillars of Lesedi 2025, we will ensure that BSB remains a trusted financial partner in Botswana, driving both economic growth and social progress.

Conclusion

In an evolving financial landscape, BSB has adapted and emerged stronger, with innovation as the cornerstone of our strategy. The Lesedi 2025 framework has enabled us to invest in digital transformation, broaden access to banking services, and create a more inclusive financial ecosystem for all Batswana. Our achievements this year—strong financial growth, operational efficiency, and enhanced customer engagement—are a testament to the success of this strategy.

As we move forward, BSB's role as a trusted financial partner will only deepen, driving both growth and inclusivity for Botswana. I extend my deepest gratitude to our Board, management, staff, and customers for their continued trust and dedication. Together, we are building a future where innovation and inclusivity go hand in hand, empowered by Lesedi 2025.

Goitsewang Morekisi
Chairperson



Goitse mang Morekisi

Non-Executive Director and Board chairperson

Appointed:
July 2022

Qualifications:
BA Social Sciences (Economics)
University of Botswana
MA-Economics
University of Sussex



Esther Tuelo Lemo

Non-Executive Director and Deputy Chairperson

Appointed:
July 2018

Qualifications:
ADP (Banking)
Institute of Bankers



Cornelius Ramatlhakwane

Non-Executive Director

Appointed:
July 2018

Qualifications:
MSc Strategic Management
University of Derby



Sarah Mootle Molale

Non-Executive Director

Appointed:
July 2018

Qualifications:
Bachelors Degree in Commerce
University of Botswana
Masters Degree in Finance
University of Botswana



Matilda Basinyi

Non-Executive Director

Appointed:
July 2017

Qualifications:
B Com
University of Botswana
M Com (Accounting and Finance)
University of Botswana



Neo Maruapula

(Non-Executive Director)
Board Member

Appointed:
Dec 2021

Qualifications:
BSc (Computer Information Systems)
Saginaw State University
MBA (Finance)
University of North West



Khumiso Tshepe

(Non-Executive Director)
Board Member

Appointed:
Sep 2021

Qualifications:
B Law
University of Botswana



Nixon Marumoloo
Ex-Officio Executive Director

Appointed:
April 2018

Qualifications:
B A Social Sciences
University of Botswana

OUR LEADERSHIP



Goitsewang Morekisi

(Non-Executive Director)
Board Chairperson
 Appointed: July 2022

Mrs Morekisi is currently a Board Chairperson of Botswana Savings Bank and was appointed in July 2022. She is a versatile, innovative and highly creative professional with over 27 years of experience serving the Government of Botswana in Policy Analysis, economics, governance and signature service delivery. She is recognized for unparalleled work ethics, pioneering of domestic and international multi-lateral agreements in the Government.

Mrs Morekisi is working as the Permanent Secretary at the Ministry for State President, she facilitates the political leadership in explaining and defending government policies, strategies and programmes and also coordinates Management of Multi-lateral agreements and reporting on Local, Regional and International obligations.

Mrs Morekisi has a Master of Arts in Development Economics and Post Graduate Diploma in Economics from the University of Sussex (United Kingdom) and also holds a Bachelor of Arts in Economics from the University of Botswana.



Matilda Ontlametse Basinyi

Non-Executive Director
Chairperson, Human Capital Committee
 Appointed: November 2017

Ms. Matilda Basinyi has over 20 years of experience in finance, with a strong background in development planning, taxation, procurement, and investment within the public sector. Currently the Director of Procurement Oversight at the Ministry of Labour and Home Affairs, she has played a critical role in ensuring compliance with public procurement legislation. Since joining the BSB Board, Ms. Basinyi has contributed significantly through her leadership roles on various committees, including the Board Tender Committee and Finance and Audit Committee. She holds a Master of Science in Logistics and Supply Chain Management, a Master of Commerce in Accounting & Finance, and a Bachelor of Commerce in Accounting.



Sarah Mootle Molale

Non-Executive Director
Chairperson: Risk and Compliance Committee
Member: Human Capital Committee
 Appointed: July 2018

Sarah is a board member of the BSB board of directors and was appointed in July 2018. She sits as Chairperson of the Risk Compliance Committee, and she is a member of the Staff, Rewards and Remuneration Committee. Sarah is a Deputy Secretary of Finance Administration (LA) at the Ministry of Finance. She holds a Masters Degree in Finance, Post Graduate Diploma in Financial Management and Bachelor of Commerce (Accountancy).



Neo Maruapula

Non-Executive Director
Chairperson: Finance and Audit Committee
 Appointed: December 2021

Mrs. Neo Maruapula has a Bachelor of Science – Computer Information Systems, Master of Business Administration – Finance holder with a flair for business, finance and entrepreneurial development. Mrs. Maruapula has vast tertiary education industry experience imbedded in an out-going personality, mostly acquired from cumulatively serving for 20 years as a Trainer, Consultant and Assessor at the Botswana Institute of Administration and Commerce, the Institute of Development Management, as well as regularly evaluating stalls and consistently being Chief Judge at national and international exhibitions. Her major strengths are operations, computers, business management and finance. She is EBAT Consultant's Finance & Operations Director, directly supervising daily business engagements. Neo is a former Government of Botswana employee, who has a very good understanding of, and respect for, the Government system. She is a Certified and Accredited trainer, Assessor and Mentor. She is involved in community development empowerment activities, including giving motivational talks on various aspects of life. Gender Affairs Department has recognized Mrs. Maruapula as a trainer and motivational guest speaker for their Women Entrepreneurs Expo where she had the opportunity to interact with women entrepreneurs. Her major strengths are operations, computers, business management and finance. She has also offered part-time assistance to the University of Botswana's Francistown Campus. She is EBAT's Finance & Operations Director, directly supervising daily business engagements.

She was appointed as a board member on the 1 November 2021. She sits as Chairperson of the Finance and Audit Committee.



Esther Tuelo Lemo

Non-Executive Director
Member: Risk and Compliance Committee
 Appointed: July 2018

Mrs Esther Lemo is a retired banker, she has been a board member since July 2018. She sits in the Risk Compliance committee as well as the Board Tender Committee. Mrs Lemo holds a 1991 Associate Diploma in Banking from The Institute of Bankers in Southern Africa in Johannesburg, Licentiate Diploma in Banking, Certificate in Banking and a 2001 Senior Certificate in Preaching EMMU Methodist Church of Southern Africa Pretoria.

She is also a director at Maiteko Enterprises Pty Ltd – Family Property Investments Company, A. J. Lemo Investments (Pty) Ltd Family Investments Company, Mosokelatsebeng Cellular (Pty) Ltd – one of the citizen owned investment companies in the mobile telecoms business.



Khumiso Tshephe

Non-Executive Director
Member: Risk and Audit Committee
 Appointed: September 2021

Ms. Khumiso Tshephe is an attorney in Botswana and holds an LLB from the University of Botswana and is also a member of the Law Society of Botswana. She sits as Chairperson of the Board Tender Committee and is a member of the Risk Compliance Committee. Her career in law spans over a period of 11 years with particular interest in corporate and commercial law, property law, debt recoveries, foreclosures, labour law as well as family law.

She has also drafted many commercial contracts for local businesses and has been instrumental in many successful partnerships and joint ventures locally and in the region. Ms. Tshephe is the Founding and Managing Partner of Tshephe Legal Firm and is admitted as an Attorney, Notary Public and Conveyancer.



Nixon Mpho Marumoloo

Executive Director, Ex-Officio Member
Member: Human Capital Committee, Risk and Compliance Committee, Finance and Audit Committee
Appointed: April 2018

Mr. Nixon Marumoloo, as Chief Executive Officer of BSB, leads the Bank in executing its mandate and advancing its corporate strategy. With over 20 years of experience in the financial services sector, he has expertise across corporate banking, SME banking, trade finance, and development finance. His leadership background includes roles at prominent institutions such as Standard Chartered Bank, First National Bank, and CEDA. Mr. Marumoloo holds a Bachelor of Arts in Economics & Administration and has completed executive programs at leading business schools in South Africa. His strategic leadership is central to BSB's ongoing transformation under the Lesedi 2025 strategy.



Cornelius Ramathlakwane

Non-Executive Director
Member: Finance and Audit Committee
Appointed: July 2018

Cornelius has been a board member since July 2018. He is a Finance and Audit Committee member. He holds an MSc – Strategic Management (Derbyshire University) and a Certificate – Management Studies (MANCOSA) Executive Development Program (Stellenbosch University). Mr Ramathlakwane is also a board member at Wipix Holdings (Pty) Ltd.

BOARD MEMBERS APPOINTMENT, TERM AND REMUNERATION

Retention Allowance Board Chair: BWP 12,500
 Retention Allowance Member: BWP 11,000
 Sitting Fee Board Chair: BWP 9,500
 Sitting Fee Board Member: BWP 8,500

Name	Position	First Appointed	Expiry date
Mrs Goitsewang Morekisi	Chairperson	01-07-2022	30-06-2026
Mrs Khumiso Tshephe	Member	24-09-2021	23-09-2025
Mr Mpho Nixon Kgosi Marumoloo	Chief Executive Officer	01-04-2018	On conclusion of contract. *
Mr Cornelius Ramathlakwane	Member	01-07-2018	On conclusion of his contract with Botswana Post. *
Mrs Sarah Molale	Member	01-07-2018	30-06-2026
Mrs Esther Tuelo Lemo	Member	01-07-2018	30-06-2025
Mrs Neo Maruapula	Member	01-11-2021	31-10-2025

- * Mr Marumoloo is the CEO and his membership on the Board will carry for the duration of his tenure.
- * Mr Ramathlakwane is the CEO of Botswana Post and his membership on the BSB board is for so long as he holds this position or the BSB Act is amended.

OUR LEADERSHIP

BOARD COMPOSITION

75%
female

**Board
Gender
Composition**

4.86
Years

**Tenure
of Directors**

Lesedi Advocates for Leadership Diversity

One of the key successes of Botswana Savings Bank's (BSB) transformation under the Lesedi 2025 strategy has been the significant strides made in promoting gender diversity within its leadership. As of 2023-2024, BSB has achieved notable gender balance across both its Board and management teams.

Board Representation: 75% of leadership positions at the Board level are now held by women. This achievement reflects BSB's commitment to gender equity and aligns with the goals set forth in Lesedi 2025 to enhance diversity and inclusion within the institution.

By ensuring that women are well-represented in decision-making roles, BSB has created a more balanced and inclusive governance structure that reflects the diverse communities it serves.

Management Team: The representation of women in senior management positions has also seen significant improvement. Women now hold 38% of senior leadership roles, up from previous years of less than 25%, positioning BSB as a leader in gender diversity within Botswana's financial sector.

This increased representation of women in leadership aligns with Lesedi 2025's objective to cultivate a diverse workforce that fosters innovation, inclusivity, and operational excellence.

MANAGEMENT COMPOSITION

13%

increase in
female
participation

Management
Gender
Composition



BOARD OF DIRECTORS

Board of Directors	Workplace Address and Position Held	Date of First Appointment	Professional/Academic Qualifications	Other Institutions in which he/she is a Director	Board Committees Membership	Percentage Shareholding of Directors in the Bank
Mrs Goitsewang Morekisi (R) Non -Executive Director and Board Chairperson	Project Coordinator (ESP) & Permanent Secretary Ministry for State President	July 1, 2022	<ul style="list-style-type: none"> BA Social Sciences (Economics) MA-Economics 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> None 	Nil
Mrs Esther Tuelo Lemo (NR) Non-Executive Director and Deputy Chairperson	Retired Bank Manager	July 1, 2018	<ul style="list-style-type: none"> Associate Diploma in Banking Licentiate Diploma in Banking The Certificate in Banking Certificate in Communication Senior Certificate in Preaching (Methodist Church of Southern Africa) 	<ul style="list-style-type: none"> Maiteko Enterprises (Pty) Ltd Mosokelatsebeng Cellular (Pty) Ltd 	<ul style="list-style-type: none"> Risk and Compliance Committee 	Nil
Mrs Sarah Moatle Molale (R) Non-Executive Director	Deputy Secretary, Finance Administration Ministry of Finance	July 1, 2018	<ul style="list-style-type: none"> Masters Degree in Finance Bachelors Degree in Commerce Post Graduate Diploma in Financial Management 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Human Capital Committee Risk and Compliance Committee 	Nil
Ms Matilda Ontlametse Basinyi (R) Non-Executive Director	Director, Procurement Oversight	November 1, 2017	<ul style="list-style-type: none"> Master of Commerce (Accounting and Finance) Bachelor of Commerce Master of science in logistics and supply chain management Chartered member of the institute of logistics and transport (CMILT) Accounting Technician 	<ul style="list-style-type: none"> Oretshidise Investment S.T.S Trading (Pty) Ltd 	<ul style="list-style-type: none"> Human Capital Committee 	Nil

BOARD OF DIRECTORS [Continued]

Board of Directors	Workplace Address and Position Held	Date of First Appointment	Professional/Academic Qualifications	Other Institutions in which he/she is a Director	Board Committees Membership	Percentage Shareholding of Directors in the Bank
Ms Neo Maruapula (NR) Non-Executive Director Board Member	Finance & Operations Director EBAT Consultants (Pty) Ltd	December 14, 2021	<ul style="list-style-type: none"> MBA (Finance) BSc (Computer Information Systems) Associate Degree in Accounting & Management 	<ul style="list-style-type: none"> EBAT Consultant (Pty) Ltd 	<ul style="list-style-type: none"> Finance and Audit Committee 	Nil
Mrs Khumiso Tshephe (NR) Non-Executive Director Board Member	Managing Partner Tshephe Legal Firm	September 24, 2021	<ul style="list-style-type: none"> Bachelor of Laws 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Risk and Compliance Committee Human Capital Committee 	Nil
Mr Mpho Nixon Marumoloo (R) Executive Director Chief Executive Officer	Chief Executive Officer	April 9, 2018	<ul style="list-style-type: none"> Bachelor of Arts (Social Sciences) Certificate of Proficiency MBA (Banking), (ongoing studies) 	<ul style="list-style-type: none"> Botswana Institution of Banking and Finance Kaylane (Pty) Ltd BSB Insurance Agency (Pty) Ltd 	Ex-officio member of <ul style="list-style-type: none"> Human Capital Committee Risk and Compliance Committee Finance & Audit Committee 	
Mr Cornelius Ramathlakwane (R) Non-Executive Director	Chief Executive Officer	July 1, 2018	<ul style="list-style-type: none"> MSc Strategic Management Certificate – Management Studies AAT Membership 	<ul style="list-style-type: none"> Wipix Holding (Pty) Ltd Southern African Postal Operators Association (SAPOA) Botswana Postal Services 	<ul style="list-style-type: none"> Finance and Audit Committee 	Nil



welcome to
smooth
Banking





Nixon Marumoloo

CHIEF EXECUTIVE OFFICER'S STATEMENT

External Environment

The 2023-2024 financial year brought with it substantial global and regional challenges. On a macroeconomic level, Botswana Savings Bank (BSB) faced significant external pressures stemming from global inflationary trends, rising interest rates, and fluctuating exchange rates. Geopolitical tensions, particularly the conflict in Ukraine, exacerbated supply chain disruptions, and locally, South Africa's energy shortages affected business operations across the Southern African region.

Within Botswana, we contended with rising inflation and increased fuel prices, which strained the spending power of our customers and put pressure on household savings.

Despite these external pressures, BSB has demonstrated remarkable resilience, guided by our transformative **Lesedi 2025** strategy. This strategy, initiated at the beginning of the fiscal year, focuses on driving digital innovation, deepening financial inclusion, and strengthening operational efficiencies. Our success in navigating these macroeconomic challenges is a testament to the strength of **Lesedi 2025** and the dedication of our team.

Lesedi 2025 – Strategic Transformation

Lesedi 2025 is not just a strategic roadmap; it is the foundation of our transformation into a digitally driven, customer-focused financial institution. Its core tenets—digital transformation, financial inclusion, and operational resilience—guide every decision we make. As part of this strategy, BSB is evolving from a traditional savings bank to a “No-Frills” commercial bank, aiming to provide easy, accessible financial services to all Batswana.

One of the most significant achievements under **Lesedi 2025** has been the successful implementation of our new core banking system, which has enhanced our ability to provide real-time, seamless banking experiences. This system now powers our mobile and online banking platforms, enabling us to expand our reach across Botswana, particularly in rural areas. By leveraging digital channels, we have brought financial services to previously underserved communities, ensuring that even the most remote areas can access basic banking services.

Additionally, we launched our Agency Banking model, a key element of **Lesedi 2025** that has enabled us to further extend our banking services through a network of agents. This model allows customers to conduct essential banking transactions at local agents, bringing financial inclusion to areas where setting up physical branches is not feasible. The combination of agency banking and digital services is helping BSB to fulfill its mandate of financial inclusion while reducing the reliance on traditional branch networks.

Performance and Financial Growth

Our commitment to innovation and inclusion, as laid out in **Lesedi 2025**, has translated into strong financial performance. BSB recorded a 7% growth in total assets and 258% increase in net profit. This growth is largely attributed to the expansion of our digital and mobile banking services, which saw a 28% increase in digital transactions. The adoption of digital services has enabled us to reach more customers while also improving the efficiency of our operations.

We have also made great strides in product innovation, launching AI-powered customer support and advanced credit scoring tools to enhance customer service and better assess borrower risk. These tools have not only improved customer experience but have also allowed us to manage credit risk more effectively, contributing to the sustainability of our loan portfolio.

In terms of operational efficiency, we achieved a 15% improvement across our branch network and digital platforms. This was driven

CHIEF EXECUTIVE OFFICER'S STATEMENT [CONTINUED]

by our continued focus on streamlining processes, automating routine tasks, and leveraging data analytics for more informed decision-making. The increase in efficiency has allowed us to reduce costs while simultaneously improving service delivery, aligning perfectly with the goals of Lesedi 2025.

Capital Management and Solvency

A key aspect of Lesedi 2025 is maintaining strong financial discipline. We took a prudent approach to capital management, securing a P192 million bond in the financial markets to support our strategic initiatives, including the rollout of our core banking system and the expansion of our digital services. This capital injection has provided us with the financial flexibility needed to continue growing while ensuring our liquidity and solvency ratios remain robust.

Our focus on disciplined financial management has kept operating expenses under control, despite the heavy investments in technology and infrastructure required to execute Lesedi 2025. We have maintained a strong balance sheet, with capital adequacy ratios comfortably exceeding regulatory requirements. This strong financial position allows us to pursue new growth opportunities while managing risk effectively.

Customer-Centric Innovation

At the heart of Lesedi 2025 is our dedication to

creating customer-centric banking solutions. Our digital transformation efforts are designed to make banking more accessible, convenient, and personalized for every customer. Over 80% of our new customers are now onboarded through digital channels, reflecting the shift toward mobile and online banking. This transformation has enabled us to serve a broader demographic, including those in rural areas who previously lacked access to formal banking services.

Our investments in AI and machine learning will allow us to develop personalized financial products tailored to the needs of our customers. These innovations will enable us to offer more flexible credit options, manage risk more effectively, and improve customer engagement, furthering our goal of financial inclusion across Botswana.

Governance and Sustainability

Good governance and sustainability are critical components of Lesedi 2025. Throughout the year, the Board has been actively involved in overseeing the strategy's execution, ensuring that BSB adheres to the highest standards of accountability, transparency, and ethical banking practices.

On the sustainability front, we continue to prioritize Environmental, Social, and Governance (ESG) initiatives. In 2023-2024, we expanded our green banking practices, introducing energy-efficient operations and paperless banking solutions to reduce our carbon footprint.

Our goal of achieving carbon neutrality by 2025 is fully aligned with Lesedi 2025 and reflects our commitment to sustainable banking. We also remain deeply committed to our corporate

social responsibility (CSR) initiatives, particularly in promoting financial literacy and inclusion. Our financial literacy programs, which reached more than 10,000 individuals in rural and underserved communities this year, are empowering Batswana to take control of their financial futures. Furthermore, we have made significant progress in diversity and inclusion, with women now holding 52% of leadership positions and 63% of leadership roles being filled by individuals from historically underrepresented backgrounds.

Looking Ahead

As we look forward to 2024, our focus will remain on executing the final stages of Lesedi 2025. This includes deepening our digital capabilities, enhancing customer experience through AI and data analytics, and expanding our agency banking model to further promote financial inclusion. We will also continue to prioritize sustainability and governance as we strive to position BSB as a leader in both innovation and social responsibility.

The external environment will remain unpredictable, but with Lesedi 2025 as our guide, we are confident in our ability to adapt and thrive. By staying true to the principles of innovation, inclusivity, and operational excellence, BSB will continue to be a trusted financial partner for all Batswana, contributing to both economic growth

and social progress.

Conclusion

The achievements of 2023-2024 are a testament to the strength of Lesedi 2025 and the collective efforts of our employees, customers, and stakeholders. BSB's digital transformation, customer-centric innovations, and commitment to financial inclusion are driving growth, even in the face of global challenges. As we move into the next phase of our journey, Lesedi 2025 will remain our North Star, guiding us toward a future where innovation and inclusivity are at the forefront of everything we do.

I extend my gratitude to our Board, management, and staff for their dedication, and to our customers for their continued trust in BSB. Together, we are building a future where financial services are accessible to all, powered by technology and driven by our shared vision of inclusivity and growth.



Nixon Marumoloa
Chief Executive Officer

Come lets talk or contact us now

BSB TSHOMARELO HUSE, BROADHURST MALL, GABORONE:
TEL: 367 0059 • 367 0011 • 391 2555 | FAX: 395 2608
FRANCISTOWN BRANCH:
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OUR MANAGEMENT



1. Nixon Mpho Marumoloo
Group Chief Executive Officer
Joined: April 2018

2. Mike Dube
Group Chief Financial Officer
Joined: November 2020

3. Lorato Modimabe
Head of Procurement Oversight Unit
Joined: January 2024

4. Wabo Kagiso Moswate
Chief Operations Officer
Joined: December 2023

5. Baone Semumu
Financial Controller
Joined: February 2016

6. Bomolemo Selaledi
Head, Marketing & Public Relations
Joined: June 2018

7. Golebaone Polelo
Acting Director, ICT & MIS
Joined: January 2013

8. Lorato Rammirwana
Director Risk
Joined: August 2023

9. Mooketsi Nkai
Head Internal Audit
Joined: December 2018

10. Tshepang Mokhurutshe
Head Legal and Board Secretary
Joined: October 2019

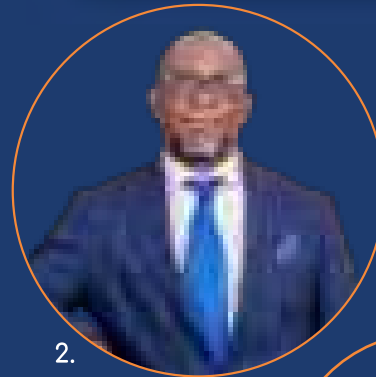
11. James Koobake
Head Bancassurance
Joined: March 2022

12. Obusitswe Keabaitse
Head Retail Banking & Sales
Joined: December 2012

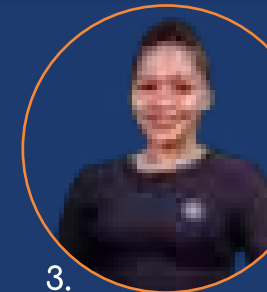
13. Beauty Bareki
Head Banking Operations
Joined: January 2007

14. Tshepo Mothoeng
Head Strategy & Customer Excellence
Joined: November 2015

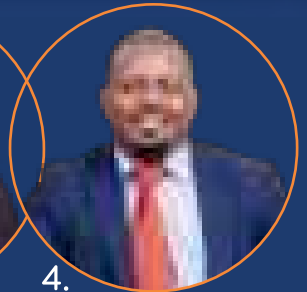
15. Pako Tsimanyano
Director Human Capital
Joined: April 2023



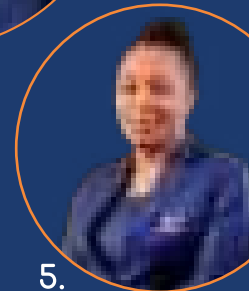
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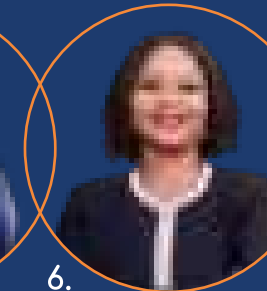
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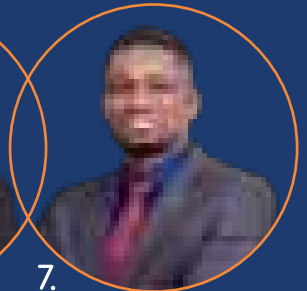
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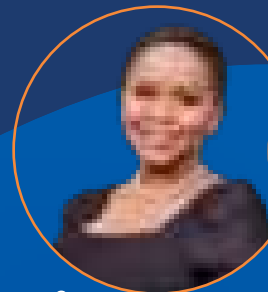
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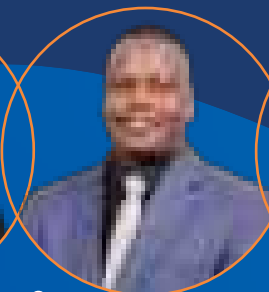
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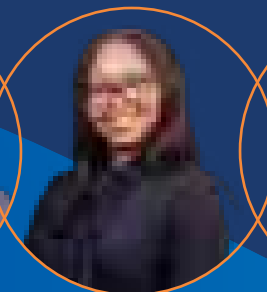
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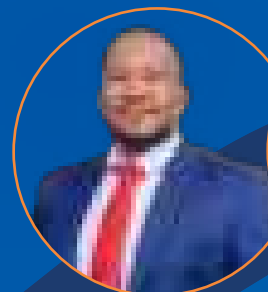
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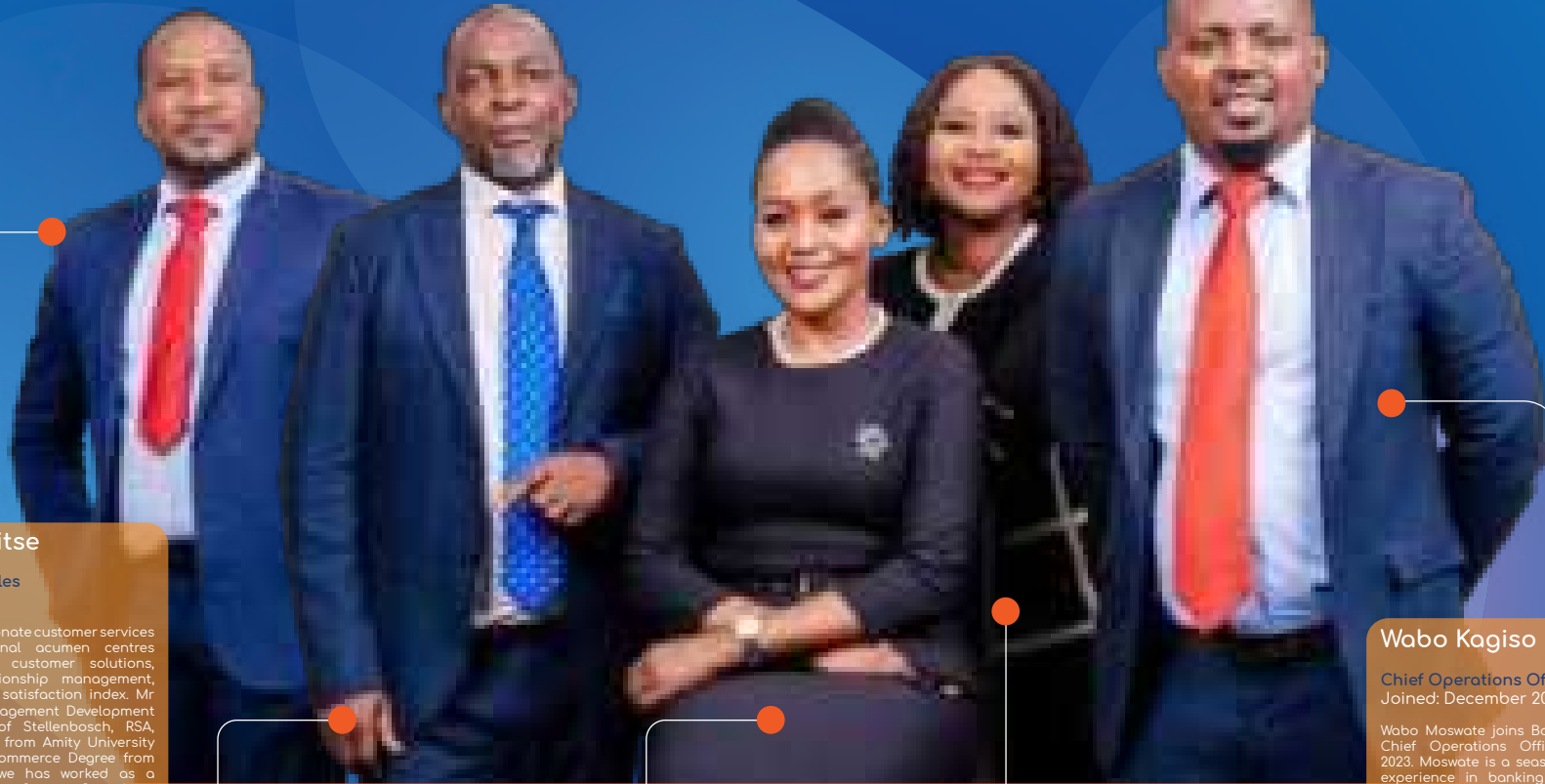
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15.



Obusitswe Keabaitse

Head, Retail Banking & Sales
Joined: December 2012

Obusitswe is a strong and passionate customer services practitioner whose professional acumen centres around providing innovative customer solutions, service delivery, Client relationship management, Cash Management and client satisfaction index. Mr Keabaitse holds a Senior Management Development Programme from University of Stellenbosch, RSA, MBA in International Business from Amity University in India and a Bachelor of Commerce Degree from Wits University, RSA. Obusitswe has worked as a Branch Manager and Customer Service Consultant supervising Tellers and Vault management at Botswana Building Society and then worked at Botswana Savings Bank as a Branch Manager before being the Head of Client Services.

Mike Dube

Chief Finance Officer
Joined: November 2020

Mike Dube is an experienced accounting and finance professional with a proven track record in leadership and transformation. He has overall responsibility for a full financial function of the bank and leadership of the Finance team. He oversees the Management accounting function, Financial Accounting, Treasury Management and Reconciliations of the whole bank. He holds a Bachelor of Commerce (Accounting and Management) from the University of Botswana and is also a fellow member of the Association of Chartered Certified Accountants (ACCA). Mike joins the BSB team having worked as a Chief Executive Officer, Chief Financial Officer, Finance Manager, General manager in various organisations like Bayport Financial Services, BIHL Insurance Company.

Lorato Madimabe

Head of Procurement Oversight Unit
Joined: January 2024

Lorato Madimabe, Procurement Specialist, pr excellence with over a decade of experience in procurement and supply chain management across various sectors, including education, telecommunications, healthcare, and mining. She holds a Master of Science in Supply Chain Management and is a member of the Chartered Institute of Purchasing & Supply (CIPS). Her expertise spans tender administration, contract management, inventory management, and optimizing procurement processes to achieve cost savings and operational efficiency. Lorato has successfully implemented procurement policies, streamlined processes, and delivered strategic initiatives, such as Covid-19 procurement response strategies and citizen empowerment programs. Her leadership has consistently driven compliance, cost avoidance, and clean audits.

Bomolemo Selaedi

Head, Marketing & Public Affairs
Joined: June 2018

Bomolemo Selaedi is an experienced Marketing and Communication Specialist who holds a UK High National Diploma in TESL (teaching of English to speakers of other languages) from the University of Manchester and also a Bachelor of Arts and Post graduate diploma in Education from the University of Botswana. She develops, implements, and evaluate marketing strategies and plans that support revenue generation and improved profitability across the bank's product and service offerings, and Brand management.

Bomolemo has worked for 14 years with FNB where she held the following positions Director of Client Services, Director of Marketing and Communications and Strategic Marketing and Communications Manager. She has also worked for the Debswana Diamond Company as a Corporate Communications Officer.

Wabo Kagiso Moswate

Chief Operations Officer
Joined: December 2023

Wabo Moswate joins Botswana Savings Bank as the Chief Operations Officer effective 1st December 2023. Moswate is a seasoned banker with a wealth of experience in banking operations and innovation. Wabo has over the years held several leadership positions in the banking industry. Wabo joins BSB, where he was previously with Stanbic Bank Botswana Limited as the Head of Products, Personal and Private Banking. Over the years, Wabo has held various senior roles which include Head of Everyday Banking, Lending and Cash, Head Secured Lending, Head of Products (Personal and Business Banking Products) and Head Management Information, respectively.

Moswate holds an Executive Master of Business Administration from Quantic School of Business and Technology in the United States of America and a Bachelor of Information Systems from the University of Botswana. Wabo has also completed several executive education programmes such as the Executive Leadership Programme and Strategic Innovation Programme both from the University of Oxford, Digital Transformation Strategies from the University of Cambridge, and the Standard Bank Acceleration Programme through Henley Business School.



Baone Semumu

Financial Controller
Joined: February 2016

Baone is a focused Chartered Institute of Management Accountant "CIMA" holder with remarkable record of top performance and has the proven ability to apply practical skills to the theory of Banking and Finance. She combines Strategic Accounting, Tactical Finance and banking expertise with strong problem solving skills, sense of accountability and assertiveness. Baone has who has over twelve (12) years of invaluable experience in the accounting field. Her experience largely relates to Tax compliance, Business Ethics, Financial Reporting, Cost Cutting, Cash flow accounting, Product Costing, Financial Audits, Budgeting Forecasting, Fixed assets accounting, Accounting Reconciliation, Variance analysis Credit Control and Cash Management. She holds a professional membership of fellow chartered accountant of the Botswana Institute of Chartered Accountants (FCA), Senior Management Development Programme at University of Stellenbosch and Master of Business Administration.

Nixon Mpho Marumoloo

Chief Executive Officer
Joined: April 2018

Nixon Marumoloo has nearly 22 years of financial business leadership and experience. His previous positions include leadership roles at Barclays Bank as a Senior Corporate Manager, BancABC as a Relationship Manager, First National Bank as a Relationship Executive and Citizen Entrepreneurial Development Agency (CEDA) as a Head of Services and Regional Manager. In addition to this Mr Marumoloo serves as a Board Member in other trading companies like HRDC, SADC Development Finance Resource and Botswana Institute of Banking Finance.

Nixon holds a B.A. (Economics & Administration) from the University of Botswana, Insurance Qualifications from the Insurance Institute of South Africa and other trainings from (amongst others) Henley Business School, Gordon Institute of Business Science (University of Pretoria), Wits Business School, etc. He is currently studying for a Master's in Business Administration (MBA).

Pako Tsimanyana

Director- Human Capital
Joined: April 2023

Pako is a seasoned Human Capital practitioner with a broad knowledge of the entire strategic HR business operations with over twenty seven (27) years in the HR space. He has the overall strategic responsibility of BSB human capital framework and functions under his watch. HE oversees Talent Management processes, Industrial relations, Organisational development, records management, office administration and payroll management and facilities management of BSB. HE holds an Honors Degree in Human Resources and Industrial Relations from the University of Port Elizabeth, a Social Sciences Degree in Politics and Public Administration (University of Botswana) and Executive Management Development Programme from University of Stellenbosch and several other HR technical courses. In addition, Pako is a Board member in the Botswana National Labour Advisory Board.

Pako joins BSB having been at the helm of HR for different sectors including government, Local Enterprise Authority, Lobatse Clay Works, Komatsu Mining Botswana, Kromberg & Schubert Botswana and Botswana Agricultural Marketing Board.

Beauty Boreki

Head, Banking Operations
Joined: January 2007

Beauty Boreki is an experienced operations leader specializing in strategic planning, process optimization, and stakeholder engagement. As Head of Banking Operations at Botswana Savings Bank, she oversees critical functions including loan processing, transaction management, and regulatory compliance. With a career spanning various roles in credit products, branch management, and customer service, Beauty has driven efficiency through policy development, team leadership, and risk management. Her strategic mindset and focus on operational excellence have consistently improved performance, customer satisfaction, and organizational alignment with strategic goals.

Goleboone Polelo

Acting Director, ICT & MIS
Joined: January 2013

Goleboone is a seasoned IT professional and banker with over 17 years of experience in application development, implementation, and support, showcasing expertise in technologies like SQL, ETL, and SDLC. His career highlights include leadership roles at Botswana Savings Bank, where he managed multi-million BWP budgets, directed cross-functional teams, and spearheaded major projects such as the Finacle Core Banking System implementation and digital channel upgrades. Goleboone has been recognized for his innovative contributions, including receiving the CEO's Prestigious Award of Excellence. Currently pursuing an Executive MBA, he combines technical expertise with strategic acumen to drive business transformation and operational efficiency.



Mooketsi Nkau

Head Internal Audit
Joined: December 2018

Mooketsi is an ACCA (Association of Chartered Certified Accountants) and CIA (Certified Internal Audit) qualified Internal auditor proficient at providing assurance on organizational risk management, governance, and internal controls. Knowledgeable in risk-based auditing and oversight of the internal audit quality assurance and improvement program (QAIP). Mooketsi has been Acting since June 2020 for this post and he is responsible for developing, implementing and monitoring of internal Annual plan and also reporting Audit findings and recommendations directly to the bank's Audit Committee. Mooketsi has an audit background as he worked for PricewaterhouseCoopers Botswana as an Audit Associate in 2018.

Tshepo Mothoeng

Head, Strategy & Customer Excellence
Joined: November 2015

Mothoeng has been with BSB since 2015 having held the portfolio of Manager Strategy and Manager Human Resource respectively. Mothoeng is an accomplished Corporate Strategist and Industrial Psychologist with over 15 years of experience. Mothoeng has experience in Strategy and Project Management.

Lorato Rammirwana

Director, Risk
Joined: August 2023

Lorato Rammirwana is a seasoned Risk Professional with an impressive 16-year traceable track record in the financial services industry. Ms Rammirwana brings a wealth of experience and expertise to the BSB team, specialising in Risk Management Strategies that prioritise both external and internal clients. Rammirwana has a strong commitment to client-centric values, she will most importantly provide guidance that enables meeting BSB clients' interests and ensuring that they are at the forefront of every decision the business makes.

She has previously worked for First National Bank Botswana where she started her banking career and Standard Chartered Bank Botswana looking after the credit and risk processes and procedures for Commercial, Corporate and Institutional Clients across different industries, additionally, she sat on various governance forums within the bank that contributed to her corporate governance skills. Additionally, Ms Rammirwana is dedicated to fostering a collaborative and supportive team environment which underscores her commitment to nurturing talent and driving success. Ms Rammirwana's qualifications include: A Bachelor of Arts degree, a Post Graduate Diploma in Banking, a Post Graduate Certificate in Strategic Management, Executive Management Development Programme, and has gone through internal banking required certifications for core credit and financial institutions credit.

James Koobake

Head Bancassurance
Joined: March 2022

James Koobake is a highly experienced insurance professional with extensive expertise in bancassurance, underwriting, and insurance broking. Currently serving as the Principal Officer for BSB Insurance Services, he has successfully transitioned the agency into a brokerage and developed key partnerships with insurers. His career highlights include establishing and operationalizing BSB Insurance Agency, managing insurance portfolios at Bank Gaborone, and overseeing claims management at Sunshine Insurance. A Fellow of the Insurance Institute of South Africa (FIIISA), James combines strong technical skills in insurance operations with strategic leadership, stakeholder management, and product development to drive growth and compliance in the insurance sector.

Tshepang Mokhurutshe

Head, Legal and Board Secretary
Joined: October 2019

Ms Mokhurutshe earned her LLB (postgraduate) from Witwatersrand University. She also has a Bachelors of Arts in Political Science (with a concentration in International Relations) and a Bachelors of Arts in Human Rights, acquired from Trinity College, Hartford, CT (USA). She has also completed a Financial Services Certificate with the Chartered Institute for Securities and Investment.

Ms Mokhurutshe started her Legal career in 2017 at Armstrongs Attorneys where she worked exclusively with both banks and Non-Banking Financial Institutions, including insurance companies and pension funds. She is proficient at Company Law and has acted on behalf of Armstrongs, as company secretary to various local and international companies. Ms Mokhurutshe joined BSB in 2019 as Board Secretary.



Welcome to
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Mike Dube

CHIEF FINANCIAL OFFICER'S STATEMENT

Financial Performance

During the year 2023-2024 the Bank continued to improve its profitability, demonstrating the impact of our ambitious three-year Lesedi strategy (2022-2025). The Bank's strong performance for the year 2023/2024 was underpinned by an increase in the loan book performance. Profit for the year saw an increase of **258%**, P23.3m (2023: P6.5m). Despite the bank facing challenges from established competitors and a difficult operating environment as Botswana's economy was under pressure due to nonperformance of the diamond sector.

Capital Adequacy improved as the bank issued a bond of P150 million on a 10-year tenure prioritizing matching the funding to the asset base, the bank will continue to leverage domestic capital markets to support our expansion plans.

Income statement

Net Interest Income

Net interest income increased by **6%** to P173 million (2023: P164 million). The growth was due to the increase in the loan book, as the bank implemented its revised sales strategy which included expanding its Direct Sales and increasing the loan tenure to stimulate the loan demand. Interest expense saw an increase compared to the previous year due to higher cost of funding which included the cost of subordinated debt.



Non-Interest Income

Non-interest income up by **102%** to P50 million (2023: P24. million). The increase was due to the introduction of the BSB Insurance Services which enables clients to enjoy integrated offerings for both long-term and short-term insurance services at competitive pricing. The bank continues to offer diversified products to meet the needs of the BSB clientele.

Impairment of financial assets

Impairments increased by **420%** to a negative P1.7 million (2023: P5.7 million) year-on-year, driven by an increase

in stage 1 & 2 loans and advances. The increase in impairment was due to a decrease in collections year on year. The **420%** increase in impairments translated into an NPL coverage ratio of **3.3%**.

The administrative and general expenses increased by **22%** year-on-year to P71 million (2023: P58 million), the increase is mainly attributable to the increased bank charges due to increase in new loan disbursements and an increase in advertising costs to boost the bank's sales.

Balance Sheet

Loans and advances increased by **17%** to P2.7 billion (2023: P2.3 billion). The increase is due to the bank's revised sales strategy of increasing the loan tenure and expanding its Direct Sales team.

The above increase in the loan book was accompanied by an increase in the deposit book by **4%** to P2.5 billion (2023: P2.4 billion), to support the growing loan book.

The Advances to Deposit ratio increased to **107%**, reflecting an increase in customer loans and advances.

The Bank remained adequately funded with corporate fixed deposits continuing to contribute significantly to the deposit base, depicting stable behavior even as some depositors were redeeming their funds.



CHIEF FINANCIAL OFFICER'S STATEMENT [CONTINUED]

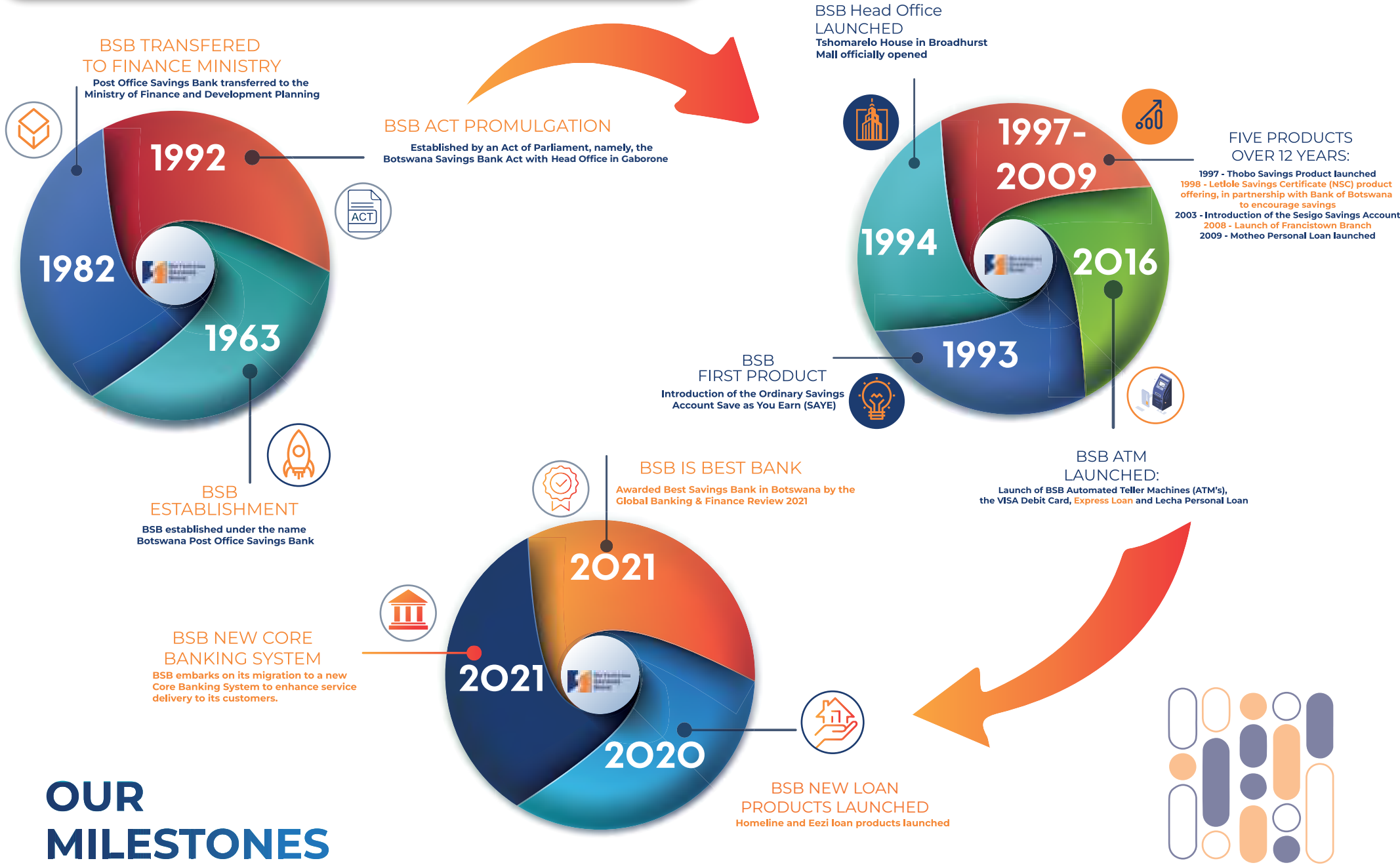
Capital Management

Capital adequacy at 21% (2022: 13.6%), this ratio was above the 12.5% minimum requirement. The ratio is attributed to the bond that was issued in December that contributed P150 million to the bank's funding base.

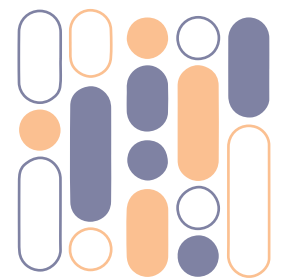
The bond that was issued was a subordinated debt, which had a direct impact on improving the capital adequacy of the bank further.

Liquidity Management

The Bank held liquid assets amounting to P503m in March 2024. Liquidity buffers are maintained through the active management of high-quality liquid assets that are available as protection against unexpected events brought on by a volatile liquidity market. The balance sheet remained stable in the year under review, with the Liquidity Asset Ratio at 20%, well above the minimum regulatory requirement of 10%.



OUR MILESTONES





Wabo Kagiso Moswate

CHIEF OPERATIONS OFFICER'S STATEMENT

Operational Context and Strategy

The 2023-2024 financial year marked a critical phase in Botswana Savings Bank's (BSB) operational transformation, driven by the strategic pillars of **Lesedi 2025**. This three-year roadmap emphasizes digital transformation, operational efficiency, and customer-centric innovation, all of which have been integral to BSB's success in navigating a challenging economic environment.

Despite the external pressures of rising

inflation, volatile exchange rates, and regional energy shortages, **Lesedi 2025** has provided a clear strategic direction for optimizing operations and expanding access to banking services. Our operational improvements have been centered on digital innovation, process optimization, and expanding our banking infrastructure, particularly in underserved areas.

Key Operational Achievements Under Lesedi 2025

1. Core Banking System Upgrade

One of the most significant milestones achieved under **Lesedi 2025** was the successful implementation of our new core banking system. This upgrade has revolutionized the way BSB delivers services by enabling real-time transaction processing, enhancing data accuracy, and providing greater operational scalability. The system has also allowed us to integrate digital platforms more effectively, supporting our broader goal of becoming a digitally driven institution.

The core banking system now serves as the backbone for BSB's mobile and online banking services, delivering faster, more reliable banking solutions. These enhancements have improved both operational efficiency and the customer experience, enabling us to process transactions more quickly and handle increased volumes with ease. This upgrade is a key component of our journey toward operational excellence, as outlined in **Lesedi 2025**.

2. Digital Transformation and Channel Expansion

A cornerstone of **Lesedi 2025** is expanding

digital access to banking services. In 2023-2024, we made significant strides in growing our digital footprint through the enhancement of mobile and online banking platforms. These platforms are now used by over 80% of our customers, reflecting a 28% increase in digital transactions during the year.

The rollout of our Agency Banking model has been particularly impactful. This model allows us to extend our services to remote areas through a network of agents, bringing essential banking services closer to communities that were previously underserved. Agency banking, combined with our digital services, has enabled us to reduce the operational burden on physical branches while expanding our reach. This aligns perfectly with our goal of financial inclusion under **Lesedi 2025**.

3. Operational Efficiency and Automation

Operational efficiency has been a major focus for BSB in 2023-2024. Under **Lesedi 2025**, we introduced automation across several key processes, including loan approvals, customer onboarding, and transaction processing. These efforts have resulted in a 15% improvement in operational productivity, contributing to significant cost savings and faster service delivery.

The automation of routine tasks has allowed our staff to focus on higher-value customer interactions, improving overall customer satisfaction. Additionally, we invested in AI-driven tools to enhance our operational decision-making, enabling more accurate risk assessments and better resource allocation. This focus on process optimization has been instrumental in

achieving the operational goals set out in **Lesedi 2025**.

4. Next-Generation ATMs and Branch Optimization

In line with our focus on delivering seamless customer experiences, BSB launched next-generation ATMs across select branches in 2023-2024. These ATMs offer advanced features, including contactless transactions, cardless withdrawals, and cash recycling, allowing customers to perform a broader range of banking tasks independently. These innovations have reduced queues in branches, improved the customer experience, and lowered operational costs.

Additionally, we introduced self-service kiosks and digital service points in high-traffic locations, which have further enhanced convenience for our customers. The introduction of these next-generation technologies is a direct reflection of **Lesedi 2025's** commitment to digital-first operations, allowing us to serve customers more efficiently while maintaining high service standards.

Process Optimization and Risk Management

1. Process Optimization

Under **Lesedi 2025**, process optimization has been a key area of focus. We streamlined our back-office operations through the implementation of robotic process automation (RPA) in functions such as customer service, data



management, and compliance checks. This has resulted in faster processing times, greater accuracy, and reduced manual workloads.

By leveraging technology, we have also improved our reporting capabilities, allowing for better tracking of performance metrics and operational risks. These enhancements have helped BSB achieve greater transparency and accountability in its operations, aligning with our goal of operational excellence under **Lesedi 2025**.

2. Enhanced Risk Management

As we continue to expand our digital platforms, managing operational and cybersecurity risks has become increasingly important. In 2023-2024, we implemented advanced cybersecurity protocols, including AI-driven threat detection and real-time monitoring systems, to safeguard both our digital infrastructure and customer data. This has ensured that our expanding digital footprint remains secure and compliant with regulatory standards.

Additionally, we strengthened our operational risk management framework by conducting regular audits and stress testing. These measures ensure that BSB remains resilient in the face of external risks, such as market volatility and economic uncertainty, while continuing to innovate and deliver seamless banking experiences.

Sustainability and Governance

Under **Lesedi 2025**, sustainability has been integrated into our operational strategy. In 2023-2024, we continued to focus on reducing our environmental footprint through energy-efficient initiatives and the promotion of paperless

banking. By transitioning to digital channels, we have significantly reduced our reliance on physical resources, aligning with our goal of achieving carbon neutrality by 2025.

On the governance front, we have enhanced compliance framework to ensure that all operational activities meet the highest standards of transparency and accountability. Our commitment to rigorous governance, coupled with a focus on sustainable growth, is a key driver of our long-term operational strategy.

Looking Ahead – Operational Focus for 2024

As we move into the final phase of **Lesedi 2025**, our operational focus will remain on expanding digital capabilities, optimizing processes, and enhancing customer service through technology. We plan to further roll out next-generation ATMs and self-service kiosks, ensuring that our customers can access convenient banking services at any time, anywhere.

We will also continue to expand our Agency Banking model, particularly in rural and remote areas, to deepen financial inclusion. Our goal is to ensure that all Batswana have access to world-class banking services, regardless of their location. Additionally, we will focus on enhancing operational resilience by further automating processes and improving cybersecurity measures.

With **Lesedi 2025** as our guiding framework, we are confident that BSB's operations will continue to evolve, delivering greater efficiency, customer satisfaction, and innovation in the years ahead.

Conclusion

The operational advancements we have made in 2023-

2024 reflect the success of the **Lesedi 2025** strategy. Through digital transformation, process optimization, and a focus on customer-centric innovation, BSB has positioned itself as a leader in operational excellence within Botswana's banking sector.

As we look forward to the coming year, I am confident that the initiatives outlined in **Lesedi 2025** will continue to drive BSB's success, ensuring that we remain agile, efficient, and committed to delivering inclusive financial services for all. I extend my deepest gratitude to our operations team for their hard work and dedication, and to our customers for their trust in BSB as their financial partner. Together, we are building a more innovative and inclusive banking future for Botswana.



PERFORMANCE REVIEW





James Koobake

BANCASSURANCE

Introduction to Bancassurance

As part of Botswana Savings Bank's (BSB) ongoing transformation under the **Lesedi 2025** strategy, bancassurance has emerged as a critical component of our growth and service diversification. The **Lesedi 2025** strategy aims to position BSB as a comprehensive financial services provider, and bancassurance plays a key role in fulfilling this goal by offering integrated insurance solutions alongside our traditional banking services.

In 2023-2024, we made significant strides in expanding our bancassurance offerings, allowing customers to conveniently access insurance products directly through BSB's various channels. This initiative aligns with our mission of financial inclusion by making insurance more accessible to all Botswana, including those in underserved communities.

Performance and Growth

1. Revenue Growth

Bancassurance contributed significantly to BSB's overall revenue growth in 2023-2024, with a year-on-year increase of 18%. This growth was largely driven by an increase in policy uptake, particularly among retail banking customers who benefited from the integration of insurance products with their banking services. Our product portfolio, which includes life insurance, funeral policies, and home insurance, has been well-received by customers, contributing to our diversified revenue streams.

2. Digital Transformation of Bancassurance

Leveraging the digital infrastructure laid out under **Lesedi 2025**, we expanded the accessibility of bancassurance products through our digital channels, including the BSB mobile banking app and online banking platform. This integration has streamlined the process of purchasing and managing insurance products, making it more convenient for customers. The ease of accessing bancassurance products digitally contributed to a 22% increase in customer penetration for insurance policies, further reinforcing our commitment to financial inclusion.

3. Cross-Selling Success

Bancassurance has also played a key role in BSB's cross-

selling strategy. More than 50% of new loans issued in 2023-2024 were bundled with credit life insurance, ensuring that both the bank and the borrower are protected. This cross-selling success has helped increase insurance penetration while enhancing customer satisfaction by offering comprehensive financial solutions in a single interaction.

Product Innovation Under Lesedi 2025

Lesedi 2025 emphasizes innovation in all aspects of our operations, and bancassurance is no exception. In 2023-2024, BSB introduced several innovative insurance products tailored to meet the diverse needs of our customers, particularly in underserved areas:

1. Microinsurance Products

To address the needs of low-income individuals and small businesses, we launched microinsurance products that offer affordable coverage options for life, property, and personal accidents. These products are designed to be accessible even to those with limited financial resources, furthering BSB's mission of financial inclusion. The introduction of microinsurance has enabled us to reach a broader segment of the population, ensuring that financial protection is available to everyone, regardless of income level.

2. Digital Insurance Solutions

In line with the digital-first approach of **Lesedi 2025**, we enhanced our digital insurance offerings by allowing customers to purchase and manage their insurance policies directly through BSB's digital platforms. This has significantly improved the customer experience by reducing the time and effort required to obtain insurance coverage. Our digital platforms also allow customers to file claims online, making the entire process more efficient and transparent.

3. Customized Insurance Plans

To better meet the evolving needs of our customers, BSB introduced personalized insurance plans that are tailored to the specific financial situations of individual clients. These plans are developed using data analytics, allowing us to offer customized coverage options and premiums based on customer

preferences and risk profiles. This level of personalization has increased customer satisfaction and strengthened loyalty, aligning with our strategic goals under Lesedi 2025.

Partnerships and Distribution Channels

1. Strategic Partnerships with Insurers

Our success in bancassurance has been bolstered by strong partnerships with leading insurance providers. These partnerships have allowed us to offer a broader range of insurance products while ensuring competitive pricing and efficient service delivery. Through these collaborations, BSB has been able to provide seamless end-to-end insurance services, from policy issuance to claims processing.

2. Expanding Distribution Channels

In addition to our digital channels, we expanded bancassurance distribution through our physical branches and Agency Banking model, ensuring that even customers in remote areas have access to insurance products. The Lesedi 2025 strategy emphasizes the importance of multi-channel accessibility, and this has been reflected in our bancassurance efforts, where customers can now access insurance services via mobile platforms, ATMs, and our network of banking agents.

Risk Management and Customer Education

1. Enhanced Underwriting and Risk Assessment

To ensure the sustainability of our bancassurance business, we have integrated advanced AI-driven underwriting tools to improve risk assessments and pricing accuracy. This technology allows us to better understand customer profiles and offer insurance products that are aligned with individual risk levels, reducing exposure to high-risk policies and improving profitability.

2. Customer Education and Engagement

One of the challenges in promoting bancassurance is the general lack of awareness and understanding of insurance products, particularly in rural areas. To address this, BSB rolled out targeted financial literacy

and insurance education programs as part of our CSR initiatives under Lesedi 2025. These programs aim to demystify insurance for Botswana, educating them on the importance of financial protection and how bancassurance can provide peace of mind. Our outreach efforts in local communities have resulted in a significant increase in first-time insurance buyers, contributing to the overall success of our bancassurance strategy.

Sustainability and Governance

In alignment with the sustainability goals of Lesedi 2025, BSB has made concerted efforts to integrate ESG (Environmental, Social, and Governance) considerations into our bancassurance offerings. We are exploring green insurance products that encourage environmentally responsible practices, such as providing coverage for renewable energy investments and eco-friendly building practices.

Additionally, we remain committed to maintaining high standards of governance in our bancassurance operations, ensuring that all products are transparent, fairly priced, and delivered with the utmost integrity.

Looking Ahead – Bancassurance Under Lesedi 2025

As we progress further into Lesedi 2025, BSB's focus will be on expanding our range of insurance products and deepening our integration of digital solutions. Key areas of development include:

- **Health and Pension Insurance:** We plan to introduce health insurance and pension products as part of our expanded bancassurance portfolio, providing more comprehensive financial protection to our customers.
- **Enhanced Digital Tools:** We will continue to enhance our digital platforms, ensuring that customers can easily purchase, manage, and file claims for their insurance products through mobile and online channels.
- **Increased Customer Awareness:** We will ramp up our customer education efforts, particularly in underserved areas, to ensure that more Botswana are aware of the benefits of insurance and how

bancassurance can support their financial well-being.

By leveraging the operational efficiencies and innovations driven by Lesedi 2025, we are confident that bancassurance will continue to be a key growth driver for BSB, contributing to both our financial performance and our goal of financial inclusion.

Conclusion

Bancassurance has been a critical part of BSB's journey toward becoming a full-service financial institution, in line with the objectives of Lesedi 2025. The success we have achieved in integrating insurance solutions with banking services reflects our commitment to providing comprehensive financial solutions that meet the diverse needs of our customers.

As we continue to innovate and expand our bancassurance offerings, we look forward to further strengthening our role as a trusted provider of both banking and insurance services in Botswana. I extend my gratitude to our insurance partners and customers for their trust and support, and to our dedicated team for driving the success of this important initiative. Together, we are building a future where financial security and inclusivity go hand in hand.

Apply for the quick & easy **BSB EXPRESS LOAN**

- Loan: Maximum amount up to BWP 100,000.00
- Low interest rates
- Repayment Period: up to 48 months
- Minimum turn-around time of 48hrs

**HURRY
& APPLY
TODAY!**



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Golebaone Polelo

ICT & MIS

In 2023-2024, Botswana Savings Bank (BSB) made significant strides in advancing its Information and Communication Technology (ICT) and Management Information Systems (MIS) as part of the broader **Lesedi 2025** strategy. This three-year roadmap aims to position BSB as a digitally driven and customer-focused financial institution by leveraging technology to improve operational efficiency, enhance customer experiences, and expand financial inclusion.

The successful implementation of **Lesedi 2025** has relied heavily on modernizing our ICT and MIS infrastructure

to support the bank's growth objectives. These upgrades have enabled us to deliver seamless, secure, and accessible banking services while optimizing internal processes and decision-making capabilities.

Key ICT & MIS Achievements Under Lesedi 2025

1. Core Banking System Upgrade

A cornerstone of our digital transformation under **Lesedi 2025** was the successful implementation of a new core banking system in 2023-2024. This system serves as the foundation for all digital services at BSB, providing real-time transaction processing, enhanced data management, and greater scalability to support the bank's future growth.

The core banking system now allows for faster and more accurate service delivery across both digital and physical channels, ensuring that our customers enjoy a seamless banking experience. It also integrates with our mobile and online banking platforms, offering improved functionality and accessibility, which has contributed to a 28% increase in digital transactions during the year. This system upgrade is a critical enabler of operational excellence and customer satisfaction, both key objectives of **Lesedi 2025**.

2. Cloud Adoption and Data Security

In line with **Lesedi 2025**, we expanded our use of cloud-based technologies to improve the scalability and resilience of our ICT infrastructure. Cloud adoption has allowed us to store data more securely, reduce costs related to physical data centers, and enhance disaster recovery capabilities.

As digital banking services grow, the importance of data security cannot be overstated. BSB has implemented robust data encryption, multi-factor authentication (MFA), and AI-driven cybersecurity tools to ensure the protection of customer information. These upgrades not only enhance security but also ensure compliance with local and international data protection regulations, positioning BSB as a trusted digital banking partner.

3. Digital Banking Enhancements

Under **Lesedi 2025**, BSB has prioritized the expansion and enhancement of its digital banking platforms. Our mobile banking app and online banking services were significantly

upgraded in 2023-2024 to include new features such as biometric authentication (fingerprint and facial recognition), faster transaction processing, and enhanced customer support through AI-powered chatbots. These features have been instrumental in improving the customer experience and expanding access to banking services, particularly in remote areas.

The growth in digital banking under **Lesedi 2025** is also reflected in the increased adoption of mobile and online services. Over 80% of new customers were onboarded through digital platforms in 2023-2024, a testament to the success of our digital transformation efforts.

4. Management Information Systems (MIS) - Data-Driven Decision Making

MIS has been a critical focus area for BSB as we enhance our ability to track performance metrics, manage risks, and support strategic decision-making. Under **Lesedi 2025**, we implemented real-time data analytics tools that provide comprehensive dashboards on customer behavior, transaction volumes, and operational performance across all branches and digital channels.

These tools allow management to make data-driven decisions with greater speed and accuracy. By integrating MIS with our core banking system, we have improved our ability to monitor key performance indicators (KPIs), identify inefficiencies, and respond to market changes swiftly. The result has been greater transparency, enhanced operational control, and improved resource allocation, all of which are vital to achieving the efficiency goals outlined in **Lesedi 2025**.

Automation and Process Optimization

1. Robotic Process Automation (RPA)

As part of our drive for operational excellence under **Lesedi 2025**, we introduced robotic



process automation (RPA) in several administrative and back-office functions. RPA has been particularly effective in automating routine tasks such as loan processing, document verification, and compliance checks. These automated processes have reduced human error, shortened turnaround times, and improved operational efficiency.

By automating these functions, BSB has been able to redirect human resources to higher-value tasks, such as customer service and risk management, further enhancing the customer experience. This automation aligns with **Lesedi 2025's** focus on optimizing internal processes while ensuring that our operations remain efficient, scalable, and responsive to customer needs.

2. Data Analytics and AI Integration

Under **Lesedi 2025**, we will integrate artificial intelligence (AI) and machine learning (ML) capabilities into our data analytics systems. These tools will be used to analyze customer behavior, predict transaction patterns, assess credit risk, and detect fraud in real-time. The AI-driven insights will enable BSB to personalize customer services, improve credit scoring models, and enhance fraud detection measures.

AI integration will also contribute to better decision-making by providing predictive analytics that allow us to anticipate market trends and customer demands. This data-driven approach will ensure that BSB remains competitive in an increasingly digital banking landscape.

Cybersecurity and Risk Management

With the rapid expansion of digital banking comes the need for heightened cybersecurity measures. In 2023-2024, BSB implemented advanced threat detection systems powered by AI to identify and mitigate potential cyber threats in real-time. These systems monitor network traffic, identify suspicious activity, and trigger immediate responses to protect both customer data and the bank's operational infrastructure. We also introduced regular

cybersecurity audits and penetration testing as part of our risk management framework under **Lesedi 2025**. These measures ensure that BSB remains compliant with global cybersecurity standards and is well-prepared to defend against emerging digital threats.

Customer Experience and Innovation

1. Self-Service Banking and ATMs

In line with our commitment to providing a seamless customer experience, BSB rolled out next-generation ATMs that offer features such as cardless withdrawals, contactless transactions, and cash recycling. These innovations have improved customer convenience while reducing operational pressure on our branches. Our ATMs are now equipped to handle a wider range of services, furthering the bank's goal of creating a hybrid banking model that combines digital efficiency with physical accessibility.

Additionally, we introduced self-service kiosks at select branches, allowing customers to perform tasks such as account updates, loan applications, and document submissions without the need for teller assistance. These developments have contributed to faster service delivery and improved customer satisfaction.

2. Customer-Centric Innovations

As part of **Lesedi 2025**, BSB has focused on leveraging technology to create personalized and customer-centric banking experiences. AI-driven customer support systems were introduced to provide 24/7 assistance via digital channels, enabling customers to resolve issues quickly and conveniently. We also introduced real-time notifications and alerts for transactions, improving transparency and keeping customers informed.

These innovations have significantly improved engagement with our customers and aligned with **Lesedi 2025's** goal of creating an inclusive and accessible banking environment.

Looking Ahead – ICT & MIS Focus for 2024

As we enter the final stages of **Lesedi 2025**, BSB's focus will be on further expanding its digital banking capabilities, optimizing ICT infrastructure, and deepening our

commitment to cybersecurity. Key areas of focus for 2024 include:

- **Blockchain Integration:** We will explore the integration of blockchain technology to further secure transaction processing and enhance transparency.
- **Advanced AI and Predictive Analytics:** We plan to deepen our use of AI and predictive analytics to better anticipate customer needs, optimize resource allocation, and identify emerging risks.
- **Further Cloud Expansion:** Expanding cloud infrastructure will remain a priority to ensure scalable and cost-efficient data management, disaster recovery, and system resilience.
- **Customer Experience:** We will continue to enhance the digital customer journey by introducing more self-service features and improving the usability of our mobile and online platforms.

With these advancements, BSB will continue to drive innovation and operational excellence, ensuring that we remain at the forefront of Botswana's digital banking sector.

Conclusion

The investments made in ICT and MIS during 2023-2024, guided by **Lesedi 2025**, have significantly strengthened BSB's operational capabilities and customer service delivery. Our core banking system upgrade, enhanced digital platforms, and focus on cybersecurity have positioned BSB to lead the banking industry in digital transformation.

As we move forward, the continued implementation of **Lesedi 2025** will drive further innovation, ensuring that BSB remains agile, secure, and customer-centric. I extend my deepest thanks to our ICT and MIS teams for their dedication, and to our customers for embracing the new digital era of banking. Together, we are building a future where technology and financial inclusion are at the heart of BSB's success.



YOUR CONVENIENCE MADE SMOOTH

GET ACCESS TO YOUR MONEY FROM OUR ATMS



Tshomarelo House (BSB HQ) • Rollport Branch
Kanye Branch • Molepolole Branch • Hukuntsi Branch
Gumare Branch • Maun Branch • Francistown Branch
Palapye Branch • Mankgale Branch • Serowe Branch



Letsibakeng, Gabone, Kong and Mogoditshane



FOR MORE INFO

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Lorato Rammirwana

RISK MANAGEMENT

At Botswana Savings Bank (BSB), risk management is a cornerstone of our operations, ensuring we remain resilient in an increasingly dynamic and digital financial landscape. Guided by the Lesedi 2025 strategy, BSB has integrated cutting-edge technologies, enhanced governance, and proactive risk culture into its Enterprise-wide Risk Management (ERM) Framework. This holistic approach allows us to not only manage risks effectively but also leverage them as opportunities to support our strategic goals

of innovation, financial inclusion, and operational excellence.

Our ERM framework is built on international best practices, primarily drawing from the ISO 31000 standard and the COSO ERM Framework, which provide structured guidance on managing risks across the organization. The alignment of risk management with our strategic objectives ensures that every decision we make, every service we offer, and every innovation we launch is supported by a robust risk governance structure.

Key Features of BSB's ERM Framework:

- **Risk Governance:** The Board of Directors, with the support of the Risk & Compliance Committee, oversees the Bank's risk management practices. These bodies meet quarterly to review risk profiles and ensure transparency and accountability in risk-related decisions.
- **Risk Ownership:** Responsibility for managing risks is embedded throughout the organization, ensuring accountability at all levels. This fosters a risk-aware culture, where staff across business units are actively involved in identifying, mitigating, and monitoring risks.
- **Integration with Strategy:** By linking risk management with our Lesedi 2025 strategy, the Bank ensures that risks are not only mitigated but also used as opportunities to drive growth and innovation. Whether addressing digital banking risks or navigating regulatory challenges, our risk framework supports the Bank's pursuit of its strategic goals.

Enterprise Risk Management Framework

The Lesedi 2025 strategy has played a crucial role in advancing BSB's ERM Framework, allowing the Bank to proactively manage emerging risks while aligning with its strategic vision of becoming a digital-first, customer-focused financial institution.

Core Elements of BSB's ERM Framework:

- **Risk Culture:** A strong, pervasive risk culture is at the

heart of BSB's operations. Every employee, from management to staff, is empowered to actively manage risks, ensuring that risk management becomes second nature to the way we conduct business.

- **Structured Risk Processes:** Our ERM Framework includes well-defined processes to assess, respond to, and monitor risks. This ensures that risk management is systematic, consistent, and aligned with the Bank's overall strategy, particularly as we implement the innovations outlined in Lesedi 2025.
- **Three Lines of Defense Model:** BSB employs a combined assurance model, which includes risk management functions, internal audit, and compliance teams, ensuring that risks are managed proactively across all business units.

Risk Appetite and Alignment with Lesedi 2025

In the context of Lesedi 2025, BSB's risk appetite is carefully defined to strike a balance between pursuing growth opportunities—particularly in digital banking and financial inclusion—while maintaining financial stability and operational integrity. Our risk appetite framework sets clear boundaries, guiding decision-making at all levels of the Bank.

Key Aspects of Our Risk Appetite:

- **Qualitative Risk Preferences:** BSB defines the types of risks it seeks to embrace to drive innovation, such as digital transformation risks, while maintaining a cautious approach to risks that could jeopardize the Bank's stability, such as excessive market risk or regulatory non-compliance.
- **Quantitative Risk Metrics:** The Bank uses various metrics to monitor its exposure to risks, including capital adequacy, earnings

volatility, and liquidity measures. These metrics ensure that the Bank operates within its risk tolerance while continuing to pursue the objectives of **Lesedi 2025**.

Through dynamic monitoring and regular adjustments to risk exposures, BSB ensures that its risk appetite remains aligned with evolving market conditions, customer expectations, and technological advancements.

Compliance with Laws and Regulations

BSB continues to uphold stringent compliance with Botswana's regulatory framework, adhering to laws such as the Banking Act (1995), Financial Intelligence Act (2022), and the Data Protection Act (2018). Under **Lesedi 2025**, we have reinforced our compliance functions to align with new regulatory requirements, especially those linked to digital banking and data protection.

To ensure compliance:

- Regular audits are conducted to review the Bank's adherence to legal requirements.
- BSB has strengthened its Anti-Money Laundering (AML) and Know Your Customer (KYC) protocols to detect and report suspicious transactions.
- We continue to engage closely with the Central Bank, ensuring that capital adequacy, liquidity management, and risk frameworks meet the highest standards.

Data Protection and Cybersecurity

Lesedi 2025 has prioritized data protection and cybersecurity as the Bank expands its digital footprint. In line with the Data Protection Act (2018), BSB has initiated a comprehensive overhaul of its data management systems to ensure that customer information is securely managed. These efforts include the appointment of a Data Protection Officer (DPO), implementing consent mechanisms for data processing, and staff training on data protection protocols.

Cybersecurity has also been a focal point under **Lesedi 2025**. As digital banking services grow, we have

implemented robust cybersecurity measures, including:

- Threat intelligence systems and advanced encryption protocols to protect the Bank's IT infrastructure.
- An Incident Response Plan (IRP) to mitigate and manage any cybersecurity breaches quickly and effectively.

These initiatives not only protect the Bank from external threats but also ensure that BSB's digital services remain secure, trustworthy, and resilient.

Financial Crimes and AML Compliance

To further enhance our financial crime prevention capabilities, BSB revised its AML, Countering the Financing of Terrorism (CFT), and Proliferation Financing (PF) policies to align with the Financial Intelligence Act and related regulations. Staff training in AML and CFT remains ongoing, reinforcing the Bank's vigilance in identifying and reporting suspicious activities.

KYC/AML Automation: BSB's KYC/AML system uses automated monitoring to detect unusual transaction patterns in real time, ensuring swift reporting to relevant authorities. This system also performs sanctions screening against international databases, ensuring compliance with global regulations.

System Transaction Monitoring and Sanctions Screening

To further strengthen its security and compliance framework, BSB has invested in advanced transaction monitoring systems. These systems flag suspicious activities based on predefined rules, including transaction size, frequency, and patterns. The Financial Crimes Unit investigates these alerts, ensuring that the Bank complies with both local and international sanctions regulations. By screening customer accounts and transactions against databases such as the United Nations Sanctions List, BSB ensures it does not engage in dealings with sanctioned individuals or entities.

Looking Forward

As BSB continues its journey under **Lesedi 2025**, risk management will remain a key enabler of the Bank's strategic ambitions. The focus will be on further integrating advanced technologies, improving real-time risk monitoring, and enhancing our cybersecurity and data protection frameworks to support BSB's growth as a digital-first, customer-centric institution. The commitment to effective risk management, robust governance, and proactive compliance ensures that BSB is well-positioned to navigate uncertainties, capitalize on emerging opportunities, and deliver sustainable value to all stakeholders.



Pako Tsimanyano

to the rapidly changing financial services landscape. These efforts are critical to ensuring that BSB is well-positioned to meet the needs of its customers while driving long-term growth and operational excellence.

Key HR Achievements Under Lesedi 2025

1. Talent Development and Skills Enhancement

A major focus under **Lesedi 2025** has been equipping our workforce with the skills needed to thrive in an increasingly digital banking environment. In 2023-2024, we introduced comprehensive training and development programs aimed at enhancing digital literacy, leadership capabilities, and customer service excellence across the organization.

- **Digital Literacy:** Over 80% of BSB's workforce participated in digital skills training programs, which included modules on data analytics, cybersecurity, and the use of our new core banking system. This initiative ensured that our employees are prepared to support the bank's digital transformation efforts, contributing to increased operational efficiency and improved customer service.
- **Leadership Development:** We continued to invest in leadership development programs to nurture the next generation of leaders within BSB. These programs focused on building skills in strategic thinking, decision-making, and team management, preparing high-potential employees to take on leadership roles in the future.

2. Diversity and Inclusion

Promoting diversity and inclusion has been a central pillar of **Lesedi 2025**. In 2023-2024, BSB made significant progress in enhancing diversity at all levels of the organization, ensuring that our workforce reflects the communities we serve.

- **Gender Diversity:** We achieved our target of having 52% of leadership positions held by women, a milestone that highlights our commitment to gender equity. We also implemented mentorship programs aimed at supporting the professional development of women in leadership roles, helping them navigate their careers and contribute to the bank's strategic objectives.
- **Inclusion of Historically Disadvantaged Groups:** BSB also improved its representation of historically

disadvantaged groups, with 63% of leadership positions now held by individuals from these backgrounds. This focus on inclusion not only strengthens our organizational culture but also enhances BSB's ability to deliver more inclusive financial services to the diverse communities of Botswana.

3. Employee Engagement and Wellbeing

At BSB, we recognize that employee engagement and wellbeing are key drivers of organizational success. Under **Lesedi 2025**, we launched several initiatives aimed at improving the overall employee experience, fostering a positive work environment, and promoting mental health and wellbeing.

- **Work-Life Balance:** To support our employees in achieving a healthy work-life balance, we introduced flexible working arrangements, including remote work options and staggered hours. This initiative was particularly important in addressing the needs of employees with family commitments, while also enhancing productivity.
- **Mental Health and Wellbeing:** In response to the growing importance of mental health in the workplace, we expanded our employee assistance programs (EAP), offering mental health resources, counseling services, and wellness workshops. Over 70% of employees participated in wellness initiatives during the year, contributing to a healthier, more engaged workforce.

4. Performance Management and Employee Recognition

Under **Lesedi 2025**, we revamped our performance management system to better align employee performance with the bank's strategic goals. This new system emphasizes continuous feedback, personal development, and measurable outcomes, ensuring

HUMAN CAPITAL

The 2023-2024 financial year was a pivotal period for Botswana Savings Bank (BSB) as we continued to implement the **Lesedi 2025** strategy, which places people and talent at the core of our operational and strategic success. A key objective of **Lesedi 2025** is to align BSB's human resources (HR) capabilities with our broader goals of digital transformation, financial inclusion, and innovation.

To achieve these goals, BSB focused on upskilling our workforce, fostering diversity and inclusion, and creating a high-performance culture that is agile and adaptable



that employees are held accountable for their performance while receiving the support they need to succeed.

- **Performance Reviews:** We introduced more frequent performance reviews to provide employees with regular feedback on their progress, helping them to achieve their professional development goals. This system also allows for real-time course corrections, ensuring that employees remain aligned with BSB's strategic objectives.
- **Employee Recognition Programs:** To recognize and reward high-performing employees, we introduced an employee recognition program that celebrates individuals and teams who demonstrate exceptional commitment to innovation, customer service, and operational excellence. These recognitions are tied to both financial and non-financial incentives, motivating employees to consistently deliver their best.

5. Digital HR Transformation

In line with BSB's broader digital transformation efforts under **Lesedi 2025**, we invested in digitalizing HR processes to improve efficiency and transparency across the organization. The implementation of a new Human Resources Information System (HRIS) allowed us to automate core HR functions, including recruitment, payroll management, and performance tracking.

- **Self-Service Tools:** The HRIS introduced self-service tools that enable employees to manage their personal information, access training resources, and view performance reviews, fostering greater transparency and empowerment. This system has streamlined HR operations and improved the overall employee experience, reducing administrative burdens while ensuring timely and accurate HR services.
- **Data-Driven Insights:** The HRIS also provides valuable data analytics that allows management to make informed decisions about workforce planning, employee engagement, and resource allocation. By leveraging these insights, BSB can better anticipate workforce needs and

adapt its strategies accordingly.

Workforce Challenges and Adaptations

Despite the successes of 2023-2024, BSB also faced several workforce challenges, particularly related to rising operational costs and inflation. To address these challenges, we implemented competitive salary adjustments to ensure that employees remain fairly compensated in the face of economic pressures. We also expanded non-financial benefits, such as health and wellness programs, flexible work arrangements, and enhanced training opportunities, to support employee retention and satisfaction.

Additionally, the rapid adoption of digital technologies required a focused effort to upskill employees who were less familiar with new systems. Through targeted training sessions and individualized coaching programs, we ensured that all employees were equipped to thrive in a digital-first environment.

Looking Ahead – HR Priorities for 2024

As we enter the final phase of **Lesedi 2025**, BSB's HR strategy will continue to focus on developing a high-performing, inclusive workforce that supports the bank's transformation goals. Key priorities for 2024 include:

1. **Further Talent Development:** We will continue to invest in upskilling our employees, particularly in areas related to digital banking, leadership, and risk management, to ensure that our workforce remains competitive and capable of driving BSB's growth.
2. **Fostering a Culture of Innovation:** We aim to cultivate a culture of innovation by encouraging cross-functional collaboration, employee-driven initiatives, and creativity. This will be supported by more formal innovation programs, where employees can contribute ideas that align with BSB's strategic objectives.
3. **Sustaining Workforce Diversity and Inclusion:** We will build on the progress made in diversity and inclusion by further promoting gender balance, representation of disadvantaged groups, and equal opportunities across all levels of the organization.
4. **Employee Engagement and Wellbeing:** We will continue to prioritize employee engagement by expanding

wellness programs, mental health support, and career development opportunities. Ensuring that employees feel valued and supported will remain a core focus as we pursue BSB's transformation under **Lesedi 2025**.

Conclusion

The 2023-2024 financial year has been a period of significant progress for BSB's human resources function, driven by the strategic goals of **Lesedi 2025**. By focusing on talent development, diversity and inclusion, employee wellbeing, and performance management, we have created a strong and agile workforce that is well-equipped to support BSB's growth and transformation.

As we move forward, BSB will continue to invest in its people, ensuring that our employees remain engaged, motivated, and empowered to drive the bank's long-term success. I would like to thank all BSB employees for their hard work and dedication, and I look forward to the continued achievements we will realize together as we complete the final stages of **Lesedi 2025**.

Our Impact - By Numbers



Employees



Jobs created



Business Units Managed



Deposit & Cash Out ATM



Branches Nationwide



Loans Disbursed



Spent on Salaries



Spent on Suppliers



Paid out in Dividends



Spent on CSR Initiatives



TRANSACTIONAL ACCOUNTS

Transactional Account

- Minimum opening balance is P100
- Maintenance Fee is P60/ Month
- Free Monthly statements
- SMS Notification for all transactions
- Withdraw (over the counter) P8.75

SME Transactional Account

- Minimum Balance P200.00
- Account Maintenance Fee P71.08
- Over the Counter Withdrawal P114
- Other Bank Local ATM Withdrawal P6.56
- International ATM Cash Withdrawal P22.94
- SMS Notification P0.27
- Balance Enquiry (BSB ATM) P0.88
- Balance Enquiry (Local Bank ATM) P2.86
- POS Other Banks P2.28
- ATM Cash Deposit 0.41%
- Over the Counter Cash Deposit 0.36%
- Card Replacement P62.02
- Intra-Transfer (BSB ATM) P5.88
- Interim statement per page P8.18

SAVINGS ACCOUNTS

Ordinary Savings

- Minimum opening balance is P50
- Interest rate earned is 1.75% annually
- Account Maintenance fee P12

Sesigo Savings

- Minimum opening balance is P200
- Interest rate is tiered
- 200-499,999 (1.75%)
- 500,000-999,999 (2.00%)
- 1,000,000-4,999,999 (2.25%)
- 5,000,000-10,000,000 (2.75%)
- Account Maintenance fee P10
- One Free Withdrawal a month
- Subsequent Withdrawals fee

Save As You Earn

- Monthly minimum contribution is P200
- 12 to 60 Months deduction
- Rates: 1-2 Years 1.25% p.a.
- 3-4 Years 1.50% p.a.
- 5 Years 2.00% p.a.
- Account attracts no charges
- Rollover is encouraged
- Termination attracts 50% reduction on interest earned

Fixed Deposit Account

- A minimum amount of P1 000 can be invested for periods ranging from 3 to 24 months
- For individuals or businesses that want to invest money for a fixed period at a set interest rate
- Attractive interest rates
- Interest + tax free



LOANS

Ipelegeng Personal Loan

- Loan range P1,000-P100,000 repayable over **48 Months**
- Interest: Prime rate +5%
- All savings as security

Lecha Personal Loan

- Loan range: P5,000-P750,000
- Interest ranges from Scheme (Prime 14%), Non-Scheme (Prime 18%)
- Repayment: Up to **120 Months**
- You do not need to be an existing BSB customer
- Gearing: Up to 60%
- Min Sal P1 800,00
- Turnaround time: 12 - 16 hrs.
- Free P10,000.00 Funeral Cover

Homeline Property Loan

- Residential loans interest rate: Prime to Prime plus 4.5 %
- Residential Property Loans are repayable in 30 years
- Free hold land repayable in 7 yrs. subject to development covenant
- Home Improvements, Equity Release, Refinancing, Loan Consolidation
- Urban Areas – up to **100% OVM** (Gabs, Phakalane, G/North, F/town, Notwane, Mmokolodi, Senthane) **plus 5%** for associated fees.
- Semi-Urban Areas – up to **90% OVM** (Tlokweng, Mogaditshane, Palapye, Maun, Kasane, Lethakane, Oodi, Modipane, Bokaa, Mmopane, Gabane, Metsimotshabe, Tsalamosese, Tati Siding)
- Allows Surety bond for married persons
- Banks own valuers and attorneys allowed

LOANS

Eezi Auto Loan

- Used Cars not more than 5 Years/100 000 Km mileage – Prime + 5.5%
- New cars @ Prime + 4.5%
- 100% financing, no deposit required
- Repayment Period for New cars is 6 Years & Used cars is 4 Years
- NB: All Fees Are VAT Inclusive Tax Free Interest

Express Loan

- Loan Amount up to P100 000
- Prime Plus 22%
- Repayment Period up to **48 Months**

Pensioners Personal Loan

- Min: P1,000 Max: P40,000
- Repayment Period: 4 years subject to the age of 65 years
- Pension income ONLY
- 100% secured loan against personal savings- all products in our books
- Interest on the loan is Prime + 3.0%
- Credit Life Compulsory through BSB or self-arranged.
- Cession with BSB as an assignee to be submitted before disbursement.

ACCOUNT OPENING REQUIREMENTS

Retail Account Opening Requirements

- Completed BSB Individual Application Form (Collected from BSB)
- Valid proof of birth certificate or passport for persons below 18 years of age.
- Omang/ ID and passport for citizens and foreigners respectively
- Proof of income (Payslip) and residential address (Utility Bill)
- Indemnity form (Collected from BSB)

Corporate Account Opening Requirements

- Completed BSB Corporate Application Form (Collected from BSB)
- Certificate of Incorporation & Company Extract (CIPA)
- KYC for signatories:
- Confirmation of Employment (Collected from BSB)
- Certified copies of identity documents for signatories; Omang (citizens), and passports, work and residence permits (non-citizens)
- Signing mandate (Collect)
- Indemnity form (Collected from BSB)
- Annual Financial Statements / Latest Management Accounts
- Confirmation Business Address (Latest Utility bill or Lease)



Bomolemo Seleledi

MARKETING AND PUBLIC RELATIONS

Marketing and Public Relations at Botswana Savings Bank (BSB) plays a pivotal role in shaping the Bank's public image, driving customer engagement, and communicating the Bank's strategic priorities under the **Lesedi 2025** framework. The focus extends beyond promoting BSB's products and services, ensuring that the Bank's values of financial inclusion, innovation, and customer-centricity are effectively communicated to all stakeholders.

Through innovative marketing strategies and clear communication, the function ensures that BSB's offerings reach every corner of Botswana, supporting the Bank's

mission to provide accessible and inclusive financial solutions. Marketing and Communications underpins Lesedi 2025, positioning BSB as a leading, digitally driven financial institution.

Core Functions

1. Strategic Marketing and Product Promotion

Marketing and Public Relations develops and executes strategies that align with BSB's strategic goals, particularly those set out in **Lesedi 2025**. This includes:

- **Promoting BSB's Products and Services:** Creating targeted campaigns for savings accounts, loans, digital banking services, and agency banking, ensuring customers are well-informed about the Bank's offerings.
- **Enhancing Brand Awareness:** Building and strengthening BSB's brand across multiple platforms, including digital media, traditional advertising, and community events, positioning the Bank as an innovative and customer-focused financial institution.

2. Digital Marketing and Innovation

In line with the **Lesedi 2025** goal of digital transformation, the focus on digital marketing ensures that BSB connects with a broader audience through various online platforms.

- **Expanding Digital Presence:** Utilizing social media, digital ads, and online engagement to reach tech-savvy customers, particularly younger demographics, who increasingly rely on digital banking solutions like the BSB Mobile Banking app and Next-Generation ATMs.
- **Data-Driven Marketing:** Using data analytics to tailor campaigns to specific customer segments, ensuring personalized messaging that drives customer engagement and product adoption.

Inclusive Communications for Financial Inclusion

A key aspect of **Lesedi 2025** is ensuring BSB's products and services are accessible to all Botswana, particularly in underserved and rural communities.

The function plays a central role in promoting:

Agency Banking and Community Outreach: Raising awareness of BSB's agency banking model, which extends essential banking services to rural areas, reinforcing the Bank's commitment to financial inclusion.

Financial Literacy Campaigns: Spearheading educational initiatives aimed at improving financial literacy across Botswana, empowering individuals to make informed financial decisions and supporting the Bank's broader goal of promoting financial independence.

Internal and External Communications

Ensuring clear, consistent, and transparent communication between BSB and its stakeholders is a core responsibility.

Internal Communications: Promoting employee engagement and alignment with BSB's strategic goals through newsletters, internal updates, and corporate events.

Media Relations and Public Relations: Managing the Bank's relationship with the media, ensuring that public communications reflect BSB's values, achievements, and strategic direction. This includes managing press releases, public statements, and corporate social responsibility (CSR) communications.

Reputation Management and Crisis Communication

Safeguarding BSB's reputation involves developing



and executing crisis communication plans to ensure consistent, transparent, and responsive messaging during times of public scrutiny or crisis.

Key Achievements under Lesedi 2025

Enhanced Digital Engagement: Marketing and Public Relations has successfully increased BSB's digital footprint, with more customers engaging with the Bank through social media platforms, online banking services, and mobile banking applications. This aligns with **Lesedi 2025's** digital transformation goals.

Expanded Rural Outreach: Strategic campaigns have supported the expansion of BSB's agency banking network, ensuring that banking services are accessible to remote and underserved communities across Botswana.

Financial Literacy Initiatives: Financial literacy campaigns have empowered thousands of individuals across Botswana to better manage their finances, contributing to BSB's goal of fostering financial inclusion and economic empowerment.

Effective Public Relations Management: Positive media relations and timely communications have strengthened BSB's reputation as a trusted financial partner for all Batswana.

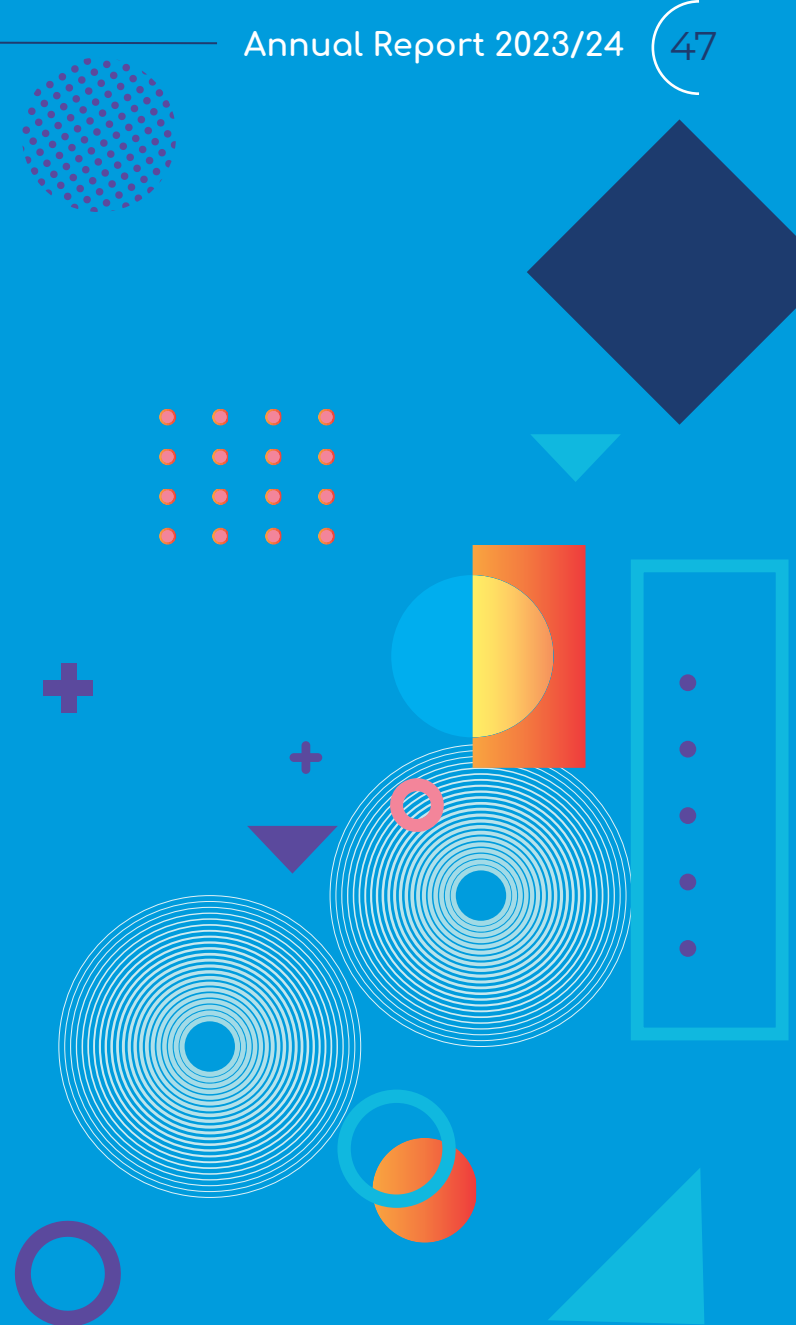
Looking Ahead

As BSB continues to execute the **Lesedi 2025** strategy, Marketing and Public Relations will focus on expanding the Bank's reach, enhancing customer engagement, and promoting financial literacy. Key future initiatives include:

Further Expanding Digital Channels: Leveraging digital platforms to engage with customers, promote new products, and enhance the overall customer experience.

Strengthening Financial Literacy Campaigns: Expanding financial literacy programs to reach more communities, ensuring that every Motswana has the knowledge and tools to achieve financial independence. **Broadening Community Outreach:** Continuing to promote agency banking and community-driven initiatives, reinforcing the Bank's mission to provide accessible financial services to all.

Marketing and Public Relations is a driving force behind BSB's growth and engagement with its customers, playing a crucial role in promoting the Bank's products and services and ensuring that the public remains informed about BSB's strategic objectives under **Lesedi 2025**. By focusing on digital innovation, financial inclusion, and transparent communication, the function ensures that BSB remains a trusted and accessible financial institution for all Batswana. The ongoing efforts to enhance customer engagement, promote financial literacy, and expand BSB's reach will be essential to the Bank's continued success in the years to come.





Tshepang Mokhurutshe

BOARD SECRETARY AND LEGAL

The Board Secretary and Legal Department (BSLD) plays a crucial role in supporting the governance structure and legal compliance of Botswana Savings Bank (BSB). As the Bank continues its transformation under the *Lesedi 2025* strategy, the BSLD ensures that all governance, legal, and compliance processes are aligned with the Bank's strategic goals. This department provides essential legal and secretarial services that uphold the Bank's commitment to good governance, transparency, and ethical conduct.

The BSLD is divided into two main functions:

- **Board Secretarial Function:** This function ensures efficient administration of the Board of Directors and its Committees, facilitating seamless governance processes and providing governance advice.
- **Legal and Governance Function:** This function oversees the Bank's legal compliance and provides guidance on legal matters related to the Bank's operations, ensuring adherence to both national and international laws.

Role of the Board Secretary and Legal Department in Governance

The BSLD ensures that the Bank's activities are conducted in line with its constitutive documents, policies, and legal frameworks. By offering legal advice and supporting governance processes, the BSLD ensures that the Board can focus on achieving BSB's strategic goals, including those outlined in *Lesedi 2025*, such as digital transformation, financial inclusion, and operational sustainability.

Key Responsibilities of the BSLD

- **Board Secretarial Services:** The BSLD organizes and manages Board and Committee meetings, ensuring that minutes are accurately recorded, decisions are documented, and governance processes are followed in accordance with the Bank's policies and statutory requirements. The department also provides advice on governance issues and supports the implementation of the Board's strategic objectives.
- **Legal Advisory Services:** The BSLD provides legal guidance on the Bank's operational, financial, and strategic matters. This includes ensuring that all operations comply with national laws, international banking norms, and best practices. It also plays a key role in risk management by identifying legal risks and offering mitigation strategies.

- **Governance and Compliance:** The BSLD ensures that BSB complies with all relevant laws, including the Banking Act, Financial Intelligence Act, and Data Protection Act. The department monitors regulatory changes and ensures that the Bank's internal policies and procedures are updated to reflect new requirements. The department also supports the Bank's alignment with international standards, such as those set by the King IV Corporate Governance Code.

Through these responsibilities, the BSLD ensures that BSB maintains high standards of governance and legal compliance, crucial to the success of *Lesedi 2025*.

Board Committees – Oversight and Governance

The governance framework at BSB is further strengthened by key Board Committees, each with specific oversight functions, ensuring that the Bank operates effectively, manages risks, and adheres to strategic objectives.

Finance and Audit Committee (FAC)

The FAC provides oversight of the Bank's financial controls, performance, and risk management processes. It ensures that BSB's financial operations are transparent, compliant, and aligned with the Bank's long-term strategy.

Key Responsibilities of the FAC:

- Endorsement of annual financial statements and internal audit plans.
- Approval of external audit plans and related fees.
- Monitoring of financial performance against approved budgets.
- Oversight of corporate performance and risk mitigation efforts.

The FAC also reviewed and ensured the

independence of the Bank’s external auditors, confirming their impartiality in the evaluation of BSB’s financial controls.

Human Capital Committee (HCC)

The HCC is responsible for overseeing the Bank’s human resources strategy, ensuring that BSB’s talent management aligns with its strategic objectives under Lesedi 2025. This includes overseeing recruitment, talent development, employee engagement, and succession planning.

Risk and Compliance Committee (RCC)

The RCC oversees the Bank’s risk management framework, ensuring effective control of operational, legal, and regulatory risks. The RCC ensures that risk management practices are aligned with the Bank’s strategic goals, particularly in areas such as digital transformation and regulatory compliance.

Board Meetings and Attendance

As mandated by the Board Charter, the BSB Board and its Committees are required to meet a minimum of four times per year. In 2023-2024, all Committees fulfilled this requirement, ensuring continuous oversight and governance. These meetings were critical in reviewing progress towards the Lesedi 2025 objectives, addressing governance and risk issues, and ensuring that the Bank remained on track in achieving its strategic goals.

Additionally, following the independent Board Assessment conducted in February 2024, the Board implemented key recommendations to strengthen its governance framework, further aligning with the Lesedi 2025 strategy.

Director’s Remuneration

Director’s remuneration follows the guidelines set by the Government of Botswana, ensuring

that compensation is transparent and in line with public service standards. This ensures alignment with governance best practices while maintaining the Board’s commitment to serving the Bank’s strategic needs.

Corporate Governance Review – King IV Implementation

During the year under review, BSB adopted the King IV Corporate Governance Code in 2023, demonstrating the Bank’s commitment to international best practices in governance. The Code’s implementation reflects BSB’s alignment with ethical leadership, stakeholder inclusivity, and good governance principles. BSB has already made significant progress in fulfilling many of the King IV requirements, with further interventions planned to ensure full compliance. This adoption strengthens the governance framework that supports the Lesedi 2025 strategy, ensuring that BSB remains a transparent, accountable, and ethical institution.

Board Member	Board	FAC	RCC	HCC
G. Morekisi (Chair)	6/7	n/a	n/a	n/a
E. Lemo	6/7	n/a	4/4	n/a
M. Basinyi	6/7	1/5	n/a	4/4
C. Ramatlhakwane	7/7	5/5	n/a	n/a
S. Molale	6/7	n/a	4/4	4/4
K. Tshephe	7/7	n/a	3/4	3/4
N. Maruapula	7/7	5/5	n/a	n/a
N. Marumoloo	7/7	5/5	4/4	4/4

Board accomplishments highlights;

- Board approved the budget,
- Board work plan
- Board oversaw the hiring of key executive positions
- Reviewed and approved the Board and Committee Charters
- Approved the Annual Financial Statements
- Approved the 2024 budget
- Implementation of the 2025 strategy and setting the 2024 focus areas

Delegation:

The Board Charter defines matters reserved for the Board’s determination and matters delegated to its Committees and management. The Board is satisfied that the delegation of authorities as specified in the Board Charter provides role clarity and the effective exercise of authority.

An assessment of the performance of the Board Secretary is undertaken biennially, sooner if needed, as part of the Board evaluation process. The assessment confirmed that the Company Secretary has fulfilled their duties as described in the Board Charter. The latest assessment was conducted in 2024.

Overall, the performance of the Board and its Committees is satisfactory.

An induction procedure for new directors and executive members is in place which focuses on the Bank’s current strategy and major departments. New directors receive documents and training on:

- General Board Governance, (which includes all Bank’s governing charters and policies)
- Financial information
- The Bank’s Code of Ethics and related policies
- Risk management, including the Risk Management Framework and regulatory risk.



KING IV

Summarized as it applies to Botswana Savings Bank

Why the need for King IV™?

King IV™ builds on King III™. It has been revised to bring it up to date with international governance codes and best practice; to align it to shifts in the approach to capitalism (towards inclusive, integrated thinking across the six capitals) and to take account of specific corporate governance developments in relation to effective governing bodies, increased compliance requirements, new governance structures (e.g. Social and Ethics Committee), emerging risks and opportunities from new technologies and new reporting and disclosure requirements e.g. Integrated Reporting.

What is the applicability of King IV™?

King IV™ is structured as a Report that includes a Code, with additional, separate sector supplements for SME's, NPO's, State-Owned Entities, and Retirement Funds. The King Code™ contains both principles and recommended practices aimed at achieving governance outcomes. Whilst King IV™ is voluntary it is envisaged that the Pula Code, once it is implemented, will be a part of statute and thus mandatory for all public interest entities. Implementing King IV™ places the Bank at an advantage to prepare it to comply with the Pula Code.

***Below is a summary of the King IV principles and the role the BSB Board (the governing body) should play in ensuring satisfactory compliance with all principles.

NB:

- 1) Principle 7 may be difficult to implement as Board appointments are done by the Ministry.
- 2) Some of the recommendations herein are not mandatory but for the Board to consider.
- 3) Management is working on including the stipulated disclosures into the Integrated Report.
- 4) Principle 17 has been excluded as it relates to Institutional Investors, which BSB is not.

01. LEADERSHIP

"The governing body should lead ethically and effectively."

The recommended practices that the governing body should perform, are summarized as:

- Cultivate and exhibit collectively and individually, characteristics of integrity, competence, responsibility, accountability, fairness, and transparency.
- Offer leadership that results in the achievement of strategy and outcomes over time.
- Disclose how they are being held to account for their leadership.

02. ORGANISATIONAL ETHICS

"Govern the ethics of the organisation in a way that supports the establishment of an ethical culture."

The recommended practices that the governing body should perform, are summarised as:

- Set the direction for ethics in the organisation.
- Approve codes of conduct and ethics policies as well as ensure that they include all stakeholders and key ethical risks.
- Ensure that there are ways for stakeholders to be made familiar with the codes of conduct and ethics policies.
- Delegate implementation of codes of conduct and ethics policies to management and provide ongoing oversight of this management, including results in such matters as recruitment, employee remuneration, supplier selection, breach management, whistleblowing and independent assessments.
- Disclose how ethics are being managed, focus areas, monitoring measures and how ethical outcomes are addressed.

03. RESPONSIBLE CORPORATE CITIZEN

"Ensure that the organisation is and is seen to be a responsible corporate citizen."

The recommended practices that the governing body should perform, are summarised as:

- Set the direction for good corporate citizenship, including compliance with the charters, acts/laws, standards and own policies and procedures, as well as congruence with the organisation's purpose, strategy, and conduct.
- Oversee and monitor (using agreed performance indicators and targets) the organisations status as a good corporate citizen in such areas as the workplace, economic behaviours and results, societal and environmental impacts.
- Disclose how corporate citizenship is managed, current and future focus areas, monitoring measures and how corporate citizenship outcomes are addressed.

04. STRATEGY AND PERFORMANCE

"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."

The recommended practices that the governing body should perform, are summarised as:

- Steer and set the direction, purpose and strategy of the organisation.
- Delegate to management the formulation and thereafter approval of strategy with due reference to timelines, risks and opportunities, resources and relationships, legitimate expectations of stakeholders, changes in the six capitals and the inter-connectedness and inter-dependencies of all these factors.

05. REPORTING

"The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects."

The recommended practices that the governing body should perform, are summarised as:

- Set the direction, approach and conduct for the organisation's reporting.
- Approve the reporting frameworks to be used.
- Oversee that the various reports are compliant with legal reporting requirements and meet the reasonable and legitimate needs of material stakeholders.
- Ensure that an annual integrated report is issued (either as a stand-alone report or as part of another report)
- Approve the bases for determining materiality for the purposes of including in reports.
- Ensure the integrity of external reports.
- Oversee publication and access by stakeholders of the King Code™ disclosure requirements, integrated reports, financial statements and other external reports on its website or other appropriate platform/media.

06. GOVERNING STRUCTURES AND DELEGATION

"The governing body should serve as the focal point and custodian of the corporate governance in the organisation."

The recommended practices that the governing body should perform, are summarised as:

- Exercise its leadership role; have a charter; approve a protocol for it, its committees and members to get professional advice; approve a protocol for non-executive members to get documentation and meetings with management.
- Disclose the number of its meetings and attendance thereof, whether it is satisfied that it has discharged its responsibilities in relation to its charter.

07. BOARD COMPOSITION

"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."

The recommended practices that the governing body should perform, are summarised as:

Composition of the governing body

- Direct and approve the processes for attaining an appropriate composition.
- Consider an appropriate size for itself, with reference to the optimal mix of knowledge, skills, experience, diversity, independence (i.e. executive, non-executive and independent non-executive members), sufficiency in numbers for its committees, quorum requirements, regulatory requirements and diversity targets.
- Comprise of a majority of non-executive members, most of whom should be

independent.

- Appoint as a minimum the CEO and one other executive to the governing body.
- Promote diversity in its membership (age, culture, race, gender and fields of expertise) and set targets for race and gender representation in its composition.
- Arrange for periodic and staggered rotation of its membership.
- Establish a succession plan for its membership.

Nomination, Election and Appointment of members to the governing body

- Approve nominations as a whole and ensure that the process for nomination, election and appointment is formal and transparent.
- Consider the collective attributes and diversity needed, as well as whether the candidate is 'fit and proper' prior to potential member nomination.
- Consider the past performance of a member prior to nomination for re-election, and for potential non-executive directors' request information of other commitments and whether he/she has sufficient time.
- Investigate and verify potential members backgrounds and qualifications.
- Disclose potential candidate's profile and commitments, as well as governing body's endorsement.
- After election of an incoming member, issue a letter of appointment, provide induction and for inexperienced members a mentor and training.
- Obtain ongoing professional development.

Independence and conflicts

- Obtain annually (or whenever there is significant change) from each member a declaration of all interests and related parties.
- Obtain declarations from each member prior to any meeting of the governing body



- and
- or its committees, any conflict of interest proactively manage them.
 - Categorise non-executive members as independent if when judged by a reasonable and informed third-party they would conclude that there are no factors which could cause undue influence or biased decision-making.
 - Assess independence of a member with reference to the person being a; - provider of funding or capital (or an employee, officer or a representative of the same).
 - Disclose satisfaction with composition of mix of governing body; gender and race targets and progress made; categorization of each director; member's qualifications, experience, age, period of service, other governing body and positions held and reasons for departing members.

Chair of the governing body

- Elect an independent member as chair and a lead independent non-executive member.
- Document the role, responsibilities and term of the chair and lead independent non-executive member.
- Not allow the CEO to be the chair, nor allow (until after 3 years) a retired CEO to become the chair.
- Determine with the chair the number of other outside professional appointments that he/she can hold.
- Generally; - Not allow the chair to be a member of the audit committee, chair of the remuneration committee or chair of social and ethics committee.
- Ensure succession planning for the chair.
- Disclose whether the chair is considered independent and the appointment of a lead non-executive and the respective role and responsibilities of the latter.

The recommended practices that the governing body should perform, are summarised as:

General

- Determine delegation to individual members, groups of members, standing or ad-hoc committees.
- Assume all the responsibilities itself if no delegations are made.
- Provide and approve formal terms of reference to committees, and record in writing details of delegation to a member or group of members.
- Ensure that composition, roles and responsibilities of committees are complimentary, not fragmented or duplicated and that there is no undue reliance or dominance by any individual member.
- Ensure that each committee has a minimum of three members and sufficient capability and capacity to function effectively.
- Allow any member to attend any committee meeting as an observer and allow management to attend by standing or ad-hoc invitation.
- Apply its mind to the information and results provided to it by its committees as delegation to a committee does not discharge the governing body of its accountability.
- Disclose for every committee its role and responsibilities, composition (with members qualifications and experience), advisors and attendees, areas of focus, number of and attendance at meetings, whether it is satisfied that it has fulfilled its responsibilities.

Audit Committee

- Must in terms of law (BOB) establish an audit committee that has as its role to provide independent oversight of the assurance functions and on the integrity of the annual financial statements and other external reports.
- May delegate other governance responsibilities such as approval of annual financial statements and risk governance (whilst

ensuring sufficient time for the latter) but remains accountable.

- Ensure that the audit committee oversees risks that may affect the integrity of external reports.
- Ensure that the audit committee as a whole has the necessary financial literacy, skills and experience, and that all members are independent non-executive members of the governing body.
- Appoint an independent non-executive chair.
- Ensure that the audit committee meets annually with external and internal auditors without management.
- Disclose (in addition to statutory disclosure requirements) all the above general matters relating to committees plus a statement on the independence and specific particulars thereof for the external auditor; significant annual financial statement matters and how addressed; views on quality of external audit, effectiveness of the chief audit executive and internal audit; effectiveness of the design and implementation of internal financial controls; effectiveness of the CFO and finance function and on combined assurance and the effectiveness thereof.

Committee responsible for risk governance

- Consider allocating oversight of risk governance to a dedicated committee or another appropriate committee.
- Consider one or more members to have joint membership if the audit and risk committees are separate (BOB has ruled that this cannot apply).
- Ensure that the risk committee has executive and non-executive members of the governing body with a majority being non-executive.
- Disclose the role and responsibilities, composition (with members qualifications and experience), advisors and attendees, areas of focus, number of and attendance at meetings, whether it is satisfied that the risk committee has fulfilled its responsibilities.



"The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties."

Committee responsible for remuneration

- Consider allocating oversight of remuneration governance to a dedicated committee or another appropriate committee.
- Ensure that the remuneration committee has non-executive members of the governing body with a majority being independent non-executive members and the chair being an independent non-executive member.
- Disclose the role and responsibilities, composition (with members qualifications and experience), advisors and attendees, areas of focus, number of and attendance at meetings, whether it is satisfied that the remuneration committee has fulfilled its responsibilities.

Social and ethics committee (function to be handed to RCC)

- Must consider establishing a social and ethics committee, to have oversight of and report on organisational ethics, corporate citizenship, sustainable development, and stakeholder relationships or add this to another appropriate committee.
- Ensure that the social and ethics responsibilities include any statutory duties plus any other it may be delegated by the governing body.
- Ensure that the social and ethics committee has executive and non-executive members with a majority being non-executive members of the governing body.
- Disclose the role and responsibilities, composition (with members qualifications and experience), advisors and attendees, areas of focus, number of and attendance at meetings, whether it is satisfied that the social and ethics committee has fulfilled its responsibilities.

09. BOARD EVALUATIONS

“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.”

The recommended practices that the governing body

should perform, are summarised as:

- Assume responsibility for performance evaluations of itself, its committees, its chair and individual members.
- Appoint a lead independent director if there is not one to lead the evaluation of the chair.
- Ensure that every two years an externally facilitated performance evaluation is conducted on itself, its committees, its chair and individual members; and every alternate year reflect on the performance of itself, its committee, its chair and its members as a whole.
- Disclose a description of the performance evaluations, scope, formality, whether or not externally facilitated an overview of results and remedial actions, whether it is satisfied that it is improving its performance and effectiveness.

10. APPOINTMENT AND DELEGATION TO MANAGEMENT

“The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.”

The recommended practices that the governing body should perform, are summarised as:

CEO appointment and role

- Appoint the CEO, who should be responsible to lead strategy implementation, report to the governing body and agree membership of other governing bodies.
- Satisfy itself on CEO succession planning.

Delegation

- Reserve certain powers and matters to itself and set those powers and matters to be delegated to management via the CEO.
- Approve a delegation of authority framework, including specifically authority to appoint ex-officio executive members and management.
- Oversee that key management functions

are led by a competent and appropriately authorized individual and are adequately resourced.

- Satisfy itself on succession planning for executive management and key positions.
- Disclose whether it is satisfied with the delegation of authority framework.

Professional corporate governance services to the governing body

- Ensure that it has access to professional and independent guidance on legal and corporate governance matters and for the functioning of it and its committees.
- Approve the appointment and removal of a company secretary.
- Ensure the company secretary has access to and reports to the governing body via the chair for statutory matters and governing body matters and to an appropriate executive on other matters.
- Evaluate the performance and independence of the company secretary.
- Disclose the access to professional corporate governance services and the view on effectiveness thereof.

11. RISK GOVERNANCE

“The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.”

The recommended practices that the governing body should perform, are summarised as:

- Set the approach for risk governance, including opportunities and risks when developing strategy and the potential positive and negative effects of the same risk on the achievement of objectives.
- Treat risk as integral part of decision-making and adherence to duties, approve risk policy, evaluate and agree the risks it is prepared to take (i.e risk appetite and risk tolerance levels).
- Delegate to management risk management



implementation.

- Oversee the risk management (including assessment of risks and opportunities) in relation to the triple context and use of 6 capitals, achievement of objectives, dependency on resources as well as the risk responses, business continuity and culture of the organization).
- Consider receiving periodic, independent assurance on the effectiveness of risk management.
- Disclose nature and extent of risks and opportunities; overview of the risk management system; areas of focus; key risks, unexpected risks, risks taken outside tolerance levels; and actions to monitor and address risk management.

12.



TECHNOLOGY AND INFORMATION GOVERNANCE

“The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.”

The recommended practices that the governing body should perform, are summarised as:

- Set the approach and approve the policy for technology and information governance (including adoption of appropriate frameworks and standards)
- Delegate to management effective technology and information implementation
- Oversee results of managements implementation (including integration, business resilience, monitoring for responsiveness to cyber security and social media risks, third-party and outsourced service provider risks, value delivered from technology investments and projects, disposal of obsolete technology and information, ethical and responsible use, and compliance with laws).
- Oversee management of information (including use, information architecture, protection of privacy and security)
- Oversee management of technology (including technology architecture, sourcing risks, developments, and disruptions)
- Consider receiving periodic, independent

assurance on the effectiveness of the technology and information, including outsourcing.

- Disclose overview of governance and management; areas of current and future focus; significant changes, acquisitions, incident management; monitoring and response thereof.

13.



COMPLIANCE GOVERNANCE

“The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen.”

The recommended practices that the governing body should perform, are summarised as:

- Direct the governance of compliance to laws, adopted non-binding rules, codes and standards.
- Approve policy that directs compliance.
- Delegate to management the responsibility for implementing compliance management.
- Oversee compliance management so that it is understood, relates holistically and is responsive to changes and developments following continuous monitoring of the regulatory environment.
- Disclose an overview of compliance management; areas of current and future focus; actions to monitor and address compliance management; material or repeated sanctions, fines and penalties on the organization, its officers and/ or members; environment regulator inspections and incidents of non-compliance and the consequences.

14.



REMUNERATION GOVERNANCE

“The governing body should ensure that the organisation remunerates fairly, responsibly and

transparently so as to promote the achievement of strategic objectives and positive outcomes in short, medium and long term.”

The recommended practices that the governing body should perform, are summarised as:

Remuneration policy

- Set the direction and approach for remuneration of the organization and approve remuneration policy that aspires to fairness, responsibility, and transparency.
- Design the remuneration policy to attract and retain human capital, promote achievement of strategic objectives, positive outcomes, an ethical culture, and responsible corporate citizenship.
- In the remuneration policy, address organization-wide remuneration and that of executive management such that it is fair and responsible, use appropriate measures and outline voting by shareholders.
- In the remuneration policy set out all elements of remuneration.
- Oversee implementation of the policy so as to ensure achievement of the policy objectives.

Remuneration report

- Disclose the remuneration report in three parts; - background statement, main policyprovisions and an implementation report of all remuneration to members and executive management.

Background statement

- In the remuneration background statement, provide information on context and decision making factors, results of voting on the policy and implementation report and responses thereto, current and future focus areas, key decisions and changes, use of remuneration



consultants and if the remuneration committee was satisfied with their independence and objectivity, and if they were satisfied as to whether the policy achieved its objectives.

Overview of remuneration policy

- In the remuneration policy, disclose an overview of the main policy provisions, remuneration principles and elements for executive management and at a high level for the organization, executive termination arrangements, the framework and performance measures including an illustration thereof, how the policy addresses fairness between executive pay and employee pay, benchmarks, basis for non-executive member fees and an electronic link to the policy for public access.

Implementation Policy

- In the implementation report disclose the remuneration of each executive member including vested and unvested award details, performance measures, targets and achievement thereto, termination payments and a statement on compliance to or deviation from the remuneration policy.

15.



ASSURANCE

"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 of the organisation's external reports."

The recommended practices that the governing body should perform, are summarised as:

Combined Assurance

- Direct assurance services and functions and delegate to the audit committee oversight to ensure an effective internal control environment, integrity of information

for management decision-making and external reporting.

- Ensure a combined assurance model is applied that covers the significant risks and material matters through a combination of the organisation's line functions, risk and compliance functions, internal auditors, fraud examiners, safety assessors, actuaries, external auditors, other assurance providers and regulatory inspectors.
- With its committees, assess output of the combined assurance and form their own opinion on integrity of information and reports and effectiveness of the control environment.

Assurance of external reports

- Direct how assurance of external reports should be done taking account of legal requirements as well as whether assurance is provided over the underlying data or the process of preparing and reporting or both, suitability of the assurance, specifications for evaluating the contents of the report.
- Satisfy itself as to the effectiveness of the combined assurance approach as a basis for making its statements on the integrity of external reports.
- Disclose in external reports the type of assurance applied including nature, scope and extent of assurance on the report, and a statement on the integrity of the report and basis for the statement.

Internal audit

- Direct internal audit and delegate oversight to the audit committee
- Approve an internal audit charter and ensure internal audit has sufficient and adequate skills, including supplementary specialists.
- Monitor that internal audit follows a risk-based plan, reviews the risk profile regularly and adapts the plan accordingly.
- Ensure internal audit makes an annual statement on the effectiveness of the

16.



STAKEHOLDERS

"In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time."

The recommended practices that the governing body should perform, are summarised as:

Stakeholder's relationships

- Direct the stakeholder approach and approve policies to this effect.
- Delegate to management effective stakeholder relationship management.
- Oversee the management of stakeholder relationships including methodology for identification, material stakeholders, management of stakeholder risk, formal mechanisms for engagement and communication, and measurement of quality of stakeholder engagement.
- Disclose an overview of stakeholder management, current and future focus areas and actions taken to monitor and address stakeholder engagement effectiveness.

BSB Corporate Social Responsibility (CSR) Contribution 2023-2024

Theme: Empowering Communities and Driving Inclusive Growth through Lesedi 2025

Introduction

At Botswana Savings Bank (BSB), corporate social responsibility (CSR) is a key aspect of our commitment to community development and economic empowerment. Through the lens of **Lesedi 2025**, BSB's CSR efforts go beyond philanthropy to support long-term, meaningful contributions that uplift communities across Botswana. These initiatives are integral to our strategy of promoting financial inclusion, innovation, and social impact, helping to foster resilience and growth within the communities we serve.

Our CSR policy is aligned with the broader objectives of **Lesedi 2025**, focusing on financial, social, and humanitarian support that not only addresses immediate needs but also contributes to sustainable development. By working with government bodies, non-profit organizations, and community groups, BSB aims to implement impactful initiatives that improve the lives of Botswana while reinforcing our position as a trusted partner in national development.

CSR Strategy under Lesedi 2025

Lesedi 2025 places CSR at the heart of BSB's community engagement strategy, ensuring that our contributions are aligned with our goals of inclusivity, innovation, and economic empowerment. BSB's CSR initiatives are carefully selected to align with national priorities, address community needs, and

support long-term development.

Key elements of our CSR approach include:

Employee-Led Initiatives: Engaging BSB employees to lead and participate in CSR projects, fostering a deeper connection between our workforce and the communities we serve.

Strategic Partnerships: Collaborating with government entities, educational institutions, and community organizations to maximize the reach and impact of our initiatives.

Sustainable Impact: Prioritizing projects that offer lasting benefits, particularly in education, sports, and social welfare, ensuring long-term contributions to community resilience and development.

CSR Contributions in 2023-2024

During the 2023-2024 financial year, BSB implemented several impactful CSR initiatives that targeted key areas such as education, sports, and community development. These initiatives, aligned with the principles of **Lesedi 2025**, focused on fostering inclusivity, promoting education, and empowering communities.

1. Government and National Initiatives

BSB supported several government-led initiatives aimed at improving governance, financial education, and community leadership:

- **Hatab Annual Conference:** Support for discussions on tourism development and its impact on Botswana's economy.
- **Botswana Local Government Symposium:** Sponsorship to enhance local governance and leadership.
- **Ministry of Finance Leadership Forum:** Donation to Bonewang Primary School, contributing to grassroots education.

National AML Conference: Contribution to the Financial Intelligence Agency's National Anti-Money Laundering Conference, reinforcing BSB's commitment to financial security and compliance.

2. Education Development

Education is a key pillar of our CSR strategy, reflecting our commitment to building a brighter future for Botswana's youth. BSB's contributions to educational institutions have provided essential resources and infrastructure support, helping to improve the quality of education for students across the country.

Motswedi Junior Secondary: Support for classroom construction to expand educational infrastructure.

Mphinyane Primary School and Mosiwa Primary School: Contributions to enhance learning environments and educational resources.

BOPRITU and Masilo Junior Secondary: Donation of photocopy machines, including maintenance contracts and toner supplies, to improve school operations.

Tlhale Primary School: Contribution to support school development.

Kweneng Region Excellence Awards: Sponsorship of trophies and cash prizes to encourage academic excellence among students.

University of Botswana (UB) Foundation: Support for the UB Foundation's efforts in promoting higher education and research in Botswana.

3. Sport Development Support

BSB recognizes the important role that sports play in community cohesion and the promotion of healthy lifestyles. Our investments in sports development align with our goal of fostering social inclusion and community well-being.



BTC Marathon: Sponsorship of Botswana's largest marathon, promoting health and fitness.

Desert Bush Walk: Support for this community event, which raises awareness about environmental conservation and physical activity.

Football Tournament for Gender-Based Violence Awareness: Sponsorship of a football tournament in the Kgalagadi District to raise awareness about gender-based violence and its impact on communities.

Aligning CSR with Lesedi 2025 Goals

The **Lesedi 2025** framework emphasizes the importance of creating sustainable, long-term impact, and our CSR initiatives are fully aligned with these objectives. Each project we undertake is designed to contribute to the broader goals of financial inclusion, innovation, and community development, ensuring that our contributions have a lasting positive effect on the communities we serve.

Education and Innovation: By investing in schools and educational infrastructure, BSB is helping to prepare the next generation for success in an increasingly digital and interconnected world. These efforts align with **Lesedi 2025's** focus on innovation and the future of work.

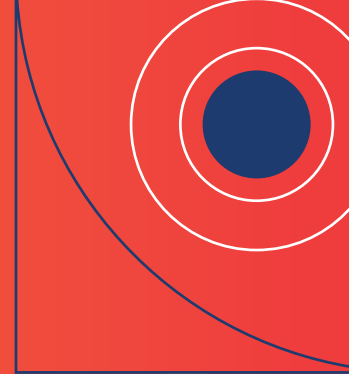
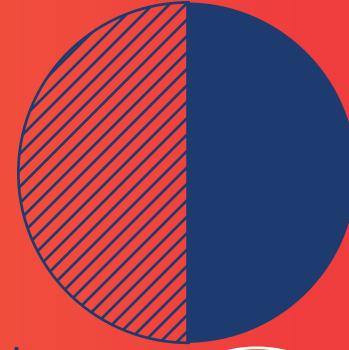
Financial Inclusion and Community Upliftment: Many of our CSR initiatives are directed toward underserved communities, reflecting BSB's commitment to expanding access to financial services and opportunities. Our contributions to education, sports, and social welfare create the foundation for stronger, more resilient communities across Botswana.

Sustainability and Social Impact: BSB prioritizes projects that deliver sustainable benefits. Whether it's supporting schools or raising awareness of social issues, our CSR efforts are designed to have a lasting impact, contributing to both community

resilience and the achievement of Botswana's national development goals.

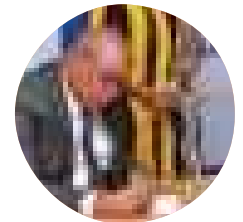
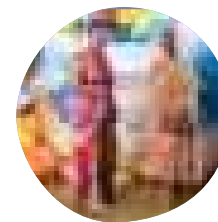
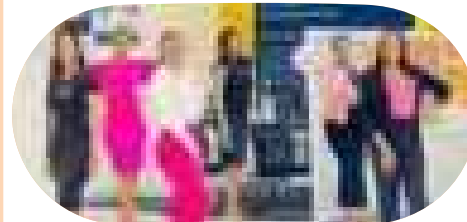
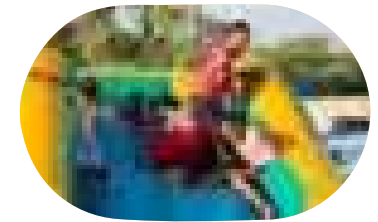
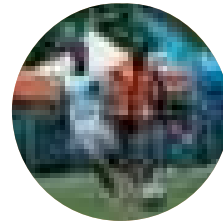
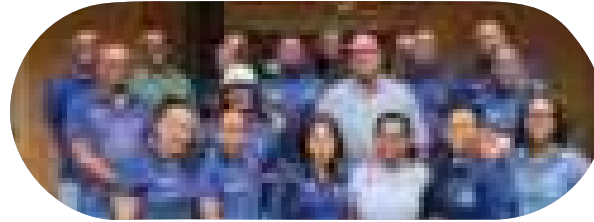
BSB's commitment to corporate social responsibility in 2023-2024, driven by the **Lesedi 2025** strategy, has resulted in a wide range of initiatives that have positively impacted communities across Botswana. By focusing on education, sports, and government partnerships, we have reinforced our role as a key contributor to national development, while upholding our core values of inclusivity, innovation, and sustainability.

As we move forward, BSB will continue to align its CSR efforts with the objectives of **Lesedi 2025**, ensuring that we remain a trusted partner in the growth and empowerment of Botswana's communities. Our commitment to creating meaningful, lasting change will guide our CSR strategy as we continue to build a brighter future for all Botswana.





A SNAPSHOT OF OUR MILESTONES



1963 - BSB established under the name Botswana Post Office Savings Bank

1982 - Post Office Savings Bank transferred to the Ministry of Finance and Development Planning

1992 - Established by an Act of Parliament, namely, the Botswana Savings Bank Act with Headquarters in Gaborone

1993 - Introduction of the Ordinary Savings Account , Introduction of Save as You Earn (SAYE)

1994 - Tshomarelo House in Broadhurst Mall officially opened and made the new BSB Headquarters

1997 - Thobo Savings Product launched

1998 - Letlole Savings Certificate (NSC) product offering, in partnership with Bank of Botswana to encourage savings

2003 - Introduction of the Sesigo Savings Account

2008 - Launch of Francistown Branch

2009 - Motheo Personal Loan launched

Government took a decision to embark on the merging of BSB, Botswana Post and Botswana Couriers, for all institutions to be housed under a holding Company (Botswana Postal Savings Group)

2016 - Launch of BSB Automated Teller Machines (ATM's), the VISA Debit Card, Express Loan and Lecha Personal Loan

- BSB launches first ATM at Tshomarelo House

2017 - BSB for the first time commemorates World Savingd Day in Masunga

2018 - Through the Bank's CSR Strategy and in heartfelt response to the Presidential Appeal, BSB builds a two-bedroom house for a member of the Sefhophe community

- BSB hosts national commemoration of World Savings Day in Hukuntsi and launches the community's first ATM

2019

- BSB commemorates World Savings Day in Rakops village in Boteti
- BSB opens a co-branded branch in Hukuntsi and an ATM in Kang village in Kgalagadi

2020

- Lecha Assembly built and handed to Mphinyane Primary School in Mphinyane Village
- Thobo Savings and Save As You Earn (SAYE) merged to improve product offering
- Homeline and Eezi loan products launched

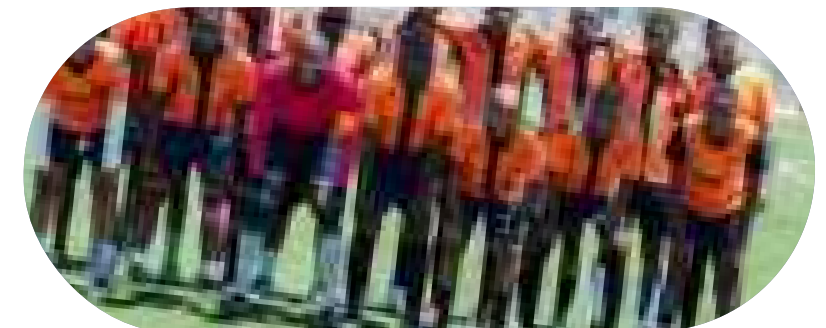
2021

- BSB embarks on its migration to a new Core Banking System to enhance service delivery to its customers

Awarded Best Savings Bank in Botswana by the Global Banking & Finance Review 2021. The award emphasised the role BSB played in driving impactful Banking throughout its 30-year journey in Botswana.

2022

- BSB Insurance Agency Launch
- BSB Launches Lesedi 2025 Strategy - the three year strategy





New Contact Centre Number

Our contact centre number has changed from 067 0001 to 367 0100

Available for call on  and 

067 0001



FOR MORE INFO

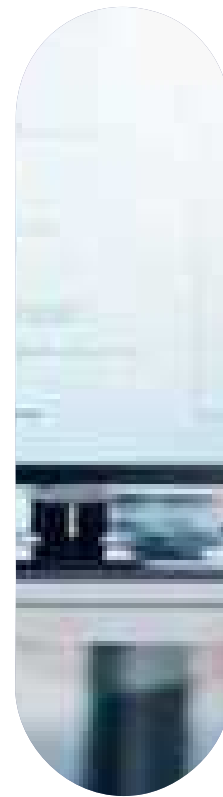
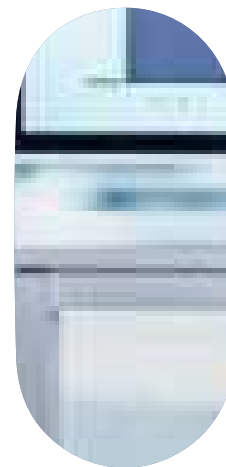
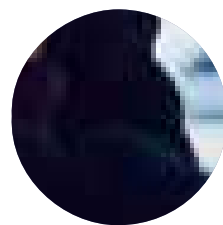
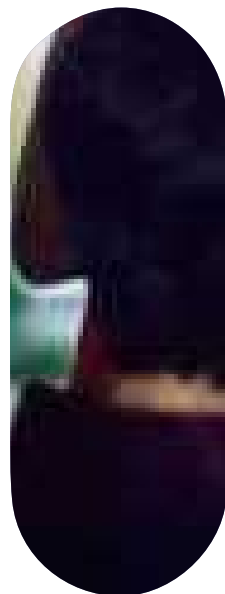
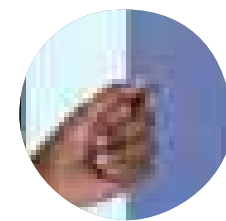
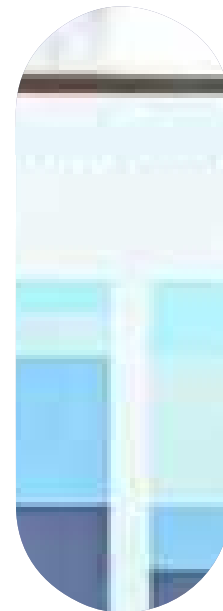
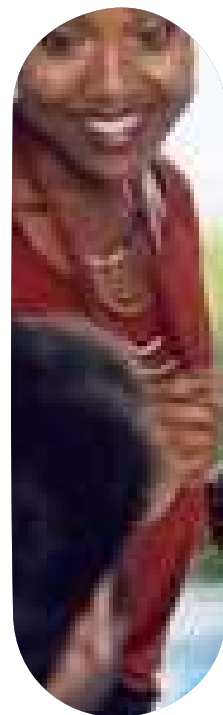
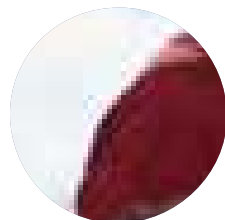
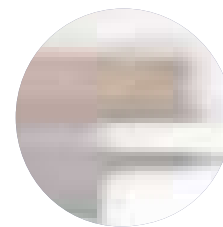
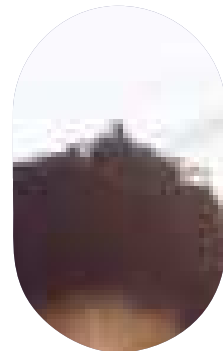
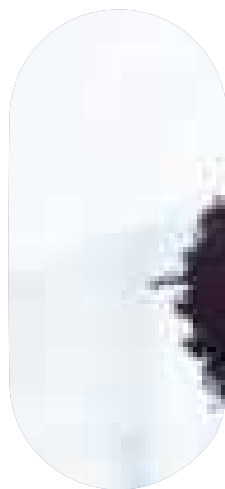
CONTACT: +267 367 0100
OR VISIT YOUR NEAREST BSB BRANCH
www.bsb.lw





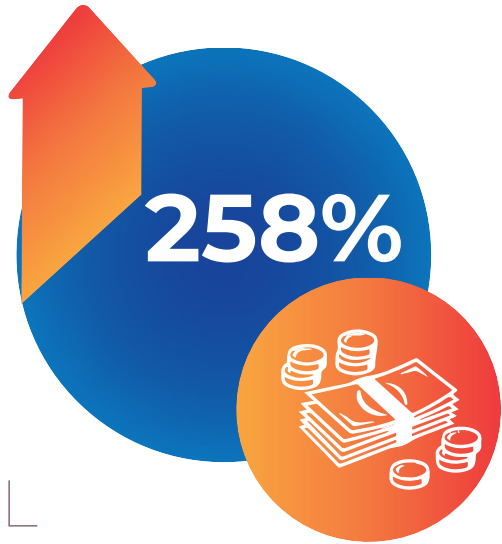
ANNUAL FINANCIAL STATEMENTS

For The Year Ended March 31 2024



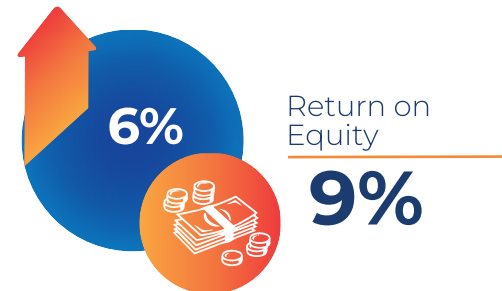
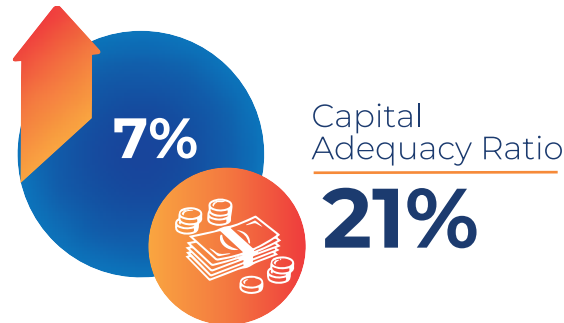
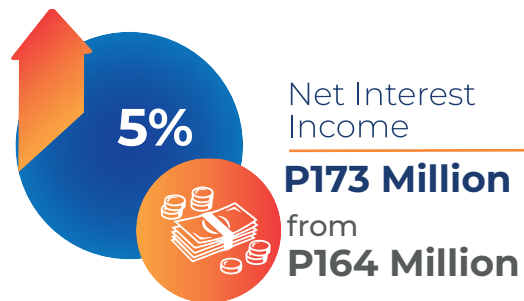
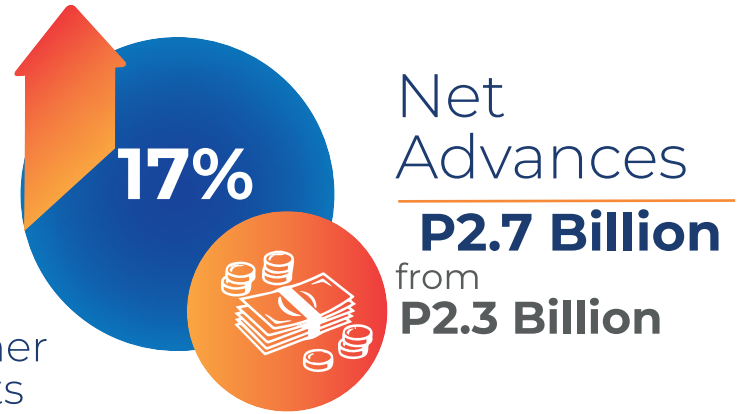


FINANCIAL REPORT



Profit after Tax
P23.3 Million
from **P6.5 Million**

FY 23/24 HIGHLIGHTS





FINANCIAL REPORT

UNDERSTANDING OUR FINANCIAL POSITION

The reports and statements set out below comprise the consolidated and separate financial statements presented to the shareholder:

General Information

Chairman's Report

Chief Executive Officer's Report

Director's Responsibility Statement

Independent Auditor's Report

Statements of Profit or Loss and Other Comprehensive Income

Statements of Financial Position

Statements of Changes in Equity

Statements of Cash Flows

Material Accounting Policies

Notes to the Consolidated and Separate Financial Statements

GENERAL INFORMATION

BUSINESS

Botswana Savings Bank was established by an Act of Parliament, the Botswana Savings Bank Act of 1992, as a wholly owned financial institution of the Botswana Government for the purpose of providing banking and financial services for all people in Botswana.

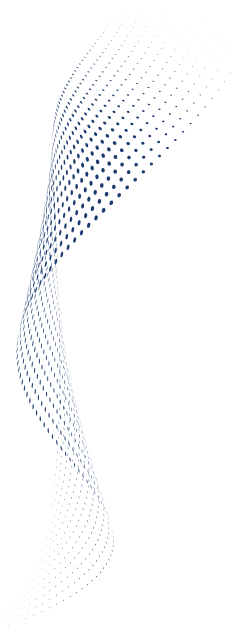
During the current year the assurance business started trading and was included in the Group results. No trading occurred in the prior year and hence no comparative information included at a Group level in the financial statements.

A Transition Act (The BSB Transition Act 2012) was passed by Parliament to allow BSB to convert to a public company named the "Botswana Savings Bank Limited". However, the decision to transform the bank from a statutory bank to a commercial bank has been deferred until further notice.

Directors	Name	Position
	Mrs G Morekisi	Chairperson
	Mrs K Tshephe	Member
	Mr N Marumoloo	Chief Executive Officer
	Ms O Basinyi	Member
	Mr C Ramatlhakwane	Member
	Mrs S M Molale	Member
Registered office	Mrs E T Lemo	Member
	Mrs N Maruapula	Member
	Botswana Savings Bank	
	Tshomarelo House	
	Cnr Letswai/Lekgarapa Rd	
	Broadhurst Mall	
	Gaborone	
Postal address	P.O Box 1150	
	Gaborone	
Bankers	Bank of Botswana	
	Bank Gaborone Limited	
	Stanbic Bank Botswana Limited	
	ABSA Bank Botswana	
	First Capital Bank Botswana Limited	
	Access Bank Botswana	
	First National Bank of Botswana Limited	
BBS Bank Limited		
Auditor	Deloitte & Touche	
	Firm of Certified Auditors	
	P.O Box 778	
	Gaborone, Botswana	



FINANCIAL REPORT



Introduction

2023-2024 has been an exceptional year for Botswana Savings Bank, marking significant achievements and underscoring the success of our strategic direction. The period under review reflects the second year of our ambitious three-year Lesedi Strategy (2022-2025), which continues to drive us towards transforming the bank into a commercially viable and technologically advanced institution. We are proud of the milestones reached and the improved financial performance that is testament to our strategic efforts and the dedication of our entire team.

CHAIRPERSON'S REPORT

Financial Performance

The financial year 2023-2024 has been characterised by robust growth across key financial metrics. Profit increased by an impressive 258%, reaching P23.3 million (2023: P6.5 million). This remarkable growth was primarily driven by the new subsidiary contributing P11.3 million and an enhanced loan book performance. The bank's focus on expanding its offerings and improving operational efficiencies has yielded tangible results.

The Net Interest Income grew by 5%, from P164 million in 2023 to P173 million in 2024. This increase was attributable to the bank's revised sales strategy, which included expanding the bank's direct sales agency network and revising the maximum loan amounts to stimulate demand. The bank's Net Advances grew by 17% year-on-year, reaching P2.7 billion (2023: P2.3 billion), demonstrating our ability to grow our asset base effectively.

Customer deposits increased modestly by 4%, standing at P2.5 billion (2023: P2.4 billion), which reflects our customer's continued trust and confidence in the bank. The Capital Adequacy Ratio (CAR) of the bank stood at 21%, comfortably above the regulatory requirement of 12.5%. This was supported by the P150 million Tier II Bond note issued in December 2023, reinforcing our capital structure, and positioning the bank for future growth.

The Liquidity Asset Ratio was maintained at 20%, exceeding the 10% regulatory threshold, highlighting our strong liquidity position. Furthermore, our Return on Equity (ROE) increased to 9%, a clear indicator of our improved profitability and efficient use of capital.

Economic Environment

The global economic outlook remains challenging, with the International Monetary Fund (IMF) projecting global growth of 3.2% in 2024 and 3.3% in 2025. Botswana's domestic economy has been affected by these global challenges, with real GDP growth slowing to 2.7% in 2023, down from 5.5% in 2022. This slowdown is due to deteriorating global economic conditions and geopolitical events, particularly the ongoing conflict in Ukraine, which has impacted demand for diamonds.

Despite these challenges, Botswana's economy is forecast to recover, with growth projected at 4.2% in 2024 and 5.4% in 2025. This optimism is underpinned by the government's economic transformation reforms and stimulative fiscal measures outlined in the 2024/25 Budget and the Transitional National Development Plan (TNDP).

Strategic Execution: Delivering on Lesedi 2025

The Lesedi 2025 strategy is pivotal in our transformation journey. Our vision is to shift from a traditional bank to a "No Frills" bank that is efficient, accessible, and ready to compete in the commercial banking space. We have set bold goals and are well on our way to achieving them.

The key deliverables of the strategy include:

- Enhancing customer access and outreach through the implementation of Digital Channels and Agency Banking, ensuring our services are accessible anywhere and anytime.
- Building internal efficiencies by fostering a High-Performance Culture and optimizing Business Processes, aimed at reducing bottlenecks and improving turnaround times.
- Growing the Deposit and Loan Book by targeting strategic market segments and introducing competitive products tailored to meet the needs of our customers.

We are confident that these strategic initiatives will continue to yield positive results, positioning Botswana Savings Bank as a leading player in the market. The transformation we are undergoing is not just about processes but also about improving our Employee Value Proposition (EVP), ensuring that we attract and retain the best talent to drive our business forward.

Corporate Governance

The governance framework at Botswana Savings Bank is robust, ensuring that we remain committed to our stakeholders' mission. The Board is responsible for overseeing the strategic direction of the bank and ensuring that management is aligned with these goals. We operate with the highest levels of transparency, integrity, and accountability.

To maintain effective governance, the Board undergoes biennial evaluations, or more frequently, if necessary, to ensure that we are functioning at the highest level. We continue to strengthen our

governance practices, which are critical to sustaining our growth and ensuring long-term value creation for our stakeholders.

Risk Management

Risk management is a cornerstone of our operations. The bank has maintained a strong Capital Adequacy Ratio of 21%, in line with regulatory and international standards. Our risk management framework, which adheres to ISO 31000 and COSO guidelines, ensures that we effectively manage risks while pursuing opportunities. The Board, through the Risk & Compliance Committee, oversees all risk management activities, ensuring that our processes are up-to-date and aligned with market conditions.

Key risks, including financial, strategic liquidity, credit, and operational risks, are continuously monitored. We have modernized our policies to address emerging risks, particularly in the areas of anti-money laundering and counterterrorism financing, ensuring that we protect our business and stakeholders.

Regulatory Compliance

Our commitment to regulatory compliance remains unwavering. As the regulatory landscape evolves, Botswana Savings Bank continues to adapt, ensuring that we remain compliant with all applicable laws and standards. Compliance is integral to our operational integrity and risk management framework. Our governance structures support a proactive approach to managing compliance risks, ensuring that we maintain our reputation as a trustworthy and reliable financial institution.

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is deeply embedded in our business strategy. We continue to invest in initiatives that promote education, arts and culture, sports and recreation, and social welfare development in Botswana. Our CSR activities reflect our commitment to creating shared value for all stakeholders and contributing positively to the communities we serve. We are proud of the impact we have made through

our CSR initiatives and remain dedicated to further enhancing our efforts in this area. The Board and Management team are committed to ensuring that our CSR activities align with our broader strategic objectives and deliver tangible benefits to society.

Looking Ahead: Strengthening Our Foundation

As we approach the final year of the Lesedi 2025 Strategy, we are focused on consolidating the gains we have made and addressing any remaining challenges. Our goal is to ensure that Botswana Savings Bank is fully prepared to compete effectively in the commercial banking space.

The financial sector is undergoing rapid changes, with digital banking services gaining popularity and Fintech adoption on the rise. We are closely monitoring these trends and are committed to staying ahead of the curve by leveraging technology to enhance our service offerings and improve operational efficiencies.

The Board will continue to work closely with management to ensure that the bank remains on track to achieve its strategic objectives. We are confident that the foundation we have laid will enable us to navigate the challenges ahead and capitalise on the opportunities that arise.

Acknowledgements

On behalf of the Board of Directors, I would like to extend our deepest gratitude to our shareholder, the Government of Botswana, our funders, customers, suppliers, and staff. Your trust and support have been instrumental in our success, and we remain committed to delivering on our strategic objectives.

To my fellow Board members, I thank you for your dedication and leadership. Together, we will continue to steer Botswana Savings Bank towards a future of sustained growth and profitability.



Goitsewang Morekisi
Chairperson
18 October 2024



FINANCIAL REPORT



Overview

This reporting year marks the end of the second year of Botswana Savings Bank's transformative three-year strategy, which is focused on digitizing services and shifting towards commercialization without abandoning our core mandate. Despite challenges, I am proud to report that our efforts are bearing fruit. The latter part of the third quarter showed a significant positive pivot in our performance, with revenue improvements as customers embraced our enhanced service offerings that delivered tangible value.

While the financial performance for the year was better than the previous year, it also set a strong foundation for sustained growth in the next financial period. Our entry into online and internet banking, transactional banking, and agency banking marked the beginning of our digital banking journey. Additionally, our recruitment of direct sales agents doubled our business and significantly boosted non-funded income, particularly through bancassurance.

These successes are a testament to the dedication and resilience of our management team and staff. Their energy and commitment to embracing change have been phenomenal. We also appreciate the pivotal role played by our treasury function and financial markets in supporting our growth.

Although we faced challenges such as rising costs and competition from established players, the risks we took to reposition the bank have been validated by our achievements. We remain confident that we are on track to meet most of our strategic targets by the end of this three-year period.

CHIEF EXECUTIVE OFFICER'S REPORT

Financial Performance

The bank admits that the targets achieved are modest by comparison to market leaders but remains proud of its achievement which surpasses the year before and is happy that it remains one of the few state-owned enterprises that have had to survive without government subvention funding since its formal establishment in 1992.

This could not have been achieved without the men and women who set as either Board of Directors of the bank and or employees of the bank over time.

Financial Highlights

- Net interest income increased by 5% to P173 million (2023: P164 million)
- Operating costs were up 22% year on year to P71 million (2023: P58 million)
- Profit after tax increased by 258% to P23.3 million (2023: P6.5 million)
- Net advances were up 17% at P2.7 billion (2023: P2.3 billion)
- Customer savings were up 4% to P2.5 billion (2023: P2.4 billion)
- Return on Equity was 9% (2023: 3%)

Bond Issuance

In December 2023, Botswana Savings Bank successfully issued a 10-year tier-two fixed-rate bond of P150 million which is redeemable in 5 years. This bond issuance, which surpassed our debut issuance the previous year, was a strategic move to improve our regulatory capital and enhance liquidity. The success of this issuance is a vote of confidence in the bank's stability and growth trajectory. We will continue to leverage domestic capital markets to support our expansion plans.

Risk Management

The bank continues to navigate risks prudently, ensuring alignment with strategic priorities while staying within risk appetite limits. Despite local, regional, and global challenges, the bank maintained a stable credit portfolio, managing impairments effectively to keep them within reasonable levels.

Our credit portfolio, while largely unsecured, is concentrated in sectors we perceive as stable. The current performance of our assets validates our management's sound judgment. However, the bank's size and limited ability to raise liquidity through equity issuance remain challenges. Nevertheless, we have cultivated strong relationships with financial markets and deposit holders, enabling us to maintain sufficient liquidity to support our growth.

We are proud of our record of full compliance with all mandatory regulatory ratios. Our risk function is actively engaged in embedding a strong risk culture across the bank, ensuring that governance requirements are met, and that risks are managed effectively.

Human Capital Strength

Over the past year, the bank has expanded its workforce and diversified skill sets to prepare for new market demands. Our Employee Engagement Initiatives have focused on wellness, work-life balance, and development. The wellness program prioritizes staff welfare and offers support for diverse challenges, while our coaching services help unlock employees' potential and boost productivity.

Strategic Thrust

Botswana Savings Bank remains committed to expanding its product offerings and enhancing non-funded income. A year ago, we established a bancassurance unit, and the positive financial results we have achieved this year validate this strategic decision.

Our expansion into agency banking is another key milestone. Although it is still early days, we are confident that this service will bring significant value to our brand, particularly given our deep roots in serving rural communities. Additionally, we have launched new service channels, including online banking, mobile banking, and point-of-sale machines across the country. While the impact

of these initiatives has been minimal this year, we believe these investments are critical as we pursue our transformation journey.

Looking Forward

The current financial year has been transformative for Botswana Savings Bank. We have seen a marked recovery in our loan book, which continues into the 2024/25 financial year. We expect to meet, if not surpass, our financial targets in the coming year.

Our ongoing digital transformation initiatives are anticipated to bring much-needed efficiencies, cost reductions, and revenue growth. Additionally, we continue to engage with the government regarding the privatization of the bank. While discussions are ongoing, our focus remains on commercializing the bank and preparing it for the market.

I would like to extend my sincerest gratitude to the Board for their continued support and guidance, and to the staff of the bank for their hard work and resilience in achieving these improved results. Together, we will deliver on our **Lesedi 2025 strategy** and achieve full commercialization within the next twelve months.



Nixon Marumoloa
Chief Executive Officer
18 October 2024



DIRECTOR'S RESPONSIBILITY STATEMENT

The Directors of Botswana Savings Bank (BSB) acknowledge their responsibility, under the Botswana Savings Bank Act of 1992, to ensure the integrity, accuracy, and transparency of the Bank's annual financial statements. These responsibilities extend beyond mere compliance, reflecting the strategic goals set under the **Lesedi 2025** framework, which emphasizes innovation, governance, and inclusivity in driving BSB's success.

Financial Reporting and Integrity

The Directors are committed to maintaining adequate accounting records and ensuring that the annual financial statements accurately reflect the Bank's financial position as of the financial year-end. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), ensuring that the Bank's performance and financial health are presented in a manner that is transparent and fair.

The independent external auditors have been engaged to review these financial statements, providing their impartial opinion as to whether the Bank's financial results present a true and fair view. Their report is presented on pages 9 to 12 of this document.

Internal Controls and Risk Management

The Directors recognize that a robust internal control environment is essential to maintaining BSB's operational integrity and achieving the strategic objectives of **Lesedi 2025**. As part of this responsibility, the Board has implemented a comprehensive system of internal controls designed to minimize risks, including operational, financial, and regulatory risks.

These internal controls include:

- **Clear Delegation of Responsibilities:** The Board has set clear lines of authority and accountability within the organization to ensure that responsibilities are delegated appropriately and effectively.
- **Effective Accounting Procedures:** The Bank follows standardized accounting procedures to ensure accuracy and reduce the risk of errors in financial reporting.
- **Risk-Based Internal Control Framework:** In alignment with **Lesedi 2025**, BSB's risk management strategy focuses on identifying, assessing, managing, and monitoring risks across all business units, including those associated with the Bank's digital transformation and financial inclusion initiatives.

These internal controls are continuously monitored to ensure that the Bank operates with the highest ethical standards, promoting a culture of integrity across all areas of the business. The focus on ethics and risk management is also aligned with the Bank's broader commitment to responsible corporate governance, as outlined in the King IV Corporate Governance Code, which BSB has adopted as part of its ongoing governance enhancements.

Going Concern and Sustainability

The Directors have made a careful assessment of the Bank's financial sustainability and have no reason to believe that BSB will not remain a going concern in the foreseeable future. The Bank's strategic focus under **Lesedi 2025**, particularly on digital innovation, risk management, and financial inclusion, has further strengthened its operational resilience and financial sustainability.

The ongoing execution of **Lesedi 2025** positions the Bank to navigate challenges while continuing to grow and innovate. The Board's regular review of risk management processes, internal controls, and financial sustainability ensures that BSB is well-prepared to meet its future obligations and strategic goals.

External Audit

The Bank's external auditors are responsible for conducting an independent audit of BSB's financial statements, ensuring that the financial reports provide a true and fair view in accordance with IFRS. The external auditors maintain independence throughout the auditing process, reporting directly to the Board's Finance and Audit Committee. Their role is crucial in reinforcing the transparency and reliability of BSB's financial disclosures.

Approval of the Annual Financial Statements

The annual financial statements of Botswana Savings Bank, were approved by the Board of Directors on June 30, 2024. The Board acknowledges that these financial statements fairly represent the financial position of the Bank as of the financial year ending and confirm their commitment to uphold the highest standards of governance and accountability in line with **Lesedi 2025**.

Signed on behalf of the Board:

Mrs G Morekisi
Chairperson

Mr N Marumoloo
Chief Executive Officer



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF BOTSWANA SAVINGS BANK GROUP

Opinion

We have audited the consolidated and separate financial statements ('the financial statements') of Botswana Savings Bank ('the Bank' or 'the Company'), and its subsidiary ('the Group'), set out on pages 14 to 84, which comprise the statement of consolidated and separate statements of financial position as at 31 March 2024, the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity, 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 accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and Company as at 31 March 2024, and their consolidated and separate financial

performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report.

We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Botswana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient

and appropriate to provide a basis for our opinion.

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.





INDEPENDENT AUDITOR'S REPORT [CONTINUED] TO THE SHAREHOLDER OF BOTSWANA SAVINGS BANK GROUP

Key Audit Matter	How the matter was addressed in the audit
<p>Expected credit losses ("ECL") on loans and advances (Group and Company)</p> <p>The Group and Company applies IFRS 9 - Financial Instruments ("IFRS 9"), which requires it to assess allowances for impairment of loans and advances on an expected loss basis. Accordingly, the Bank measures such allowances using its own impairment model to calculate ECLs.</p> <p>The impairment of loans and advances was considered to be a matter of significant importance to our current year audit due to the following:</p> <ul style="list-style-type: none"> Loans and advances are material to the consolidated and separate financial statements. The level of subjective judgement applied in determining the ECL on loans and advances; and Significant assumptions applied in the recognition and measurement of credit risk. <p>Key areas of significant management judgement and estimation applied in the measurement of ECL on loans and advances include:</p> <ul style="list-style-type: none"> The assessment of whether there has been a Significant Increase in Credit Risk ("SICR") since origination date of the exposure to the reporting date. Determination of relevant macroeconomic forecasts and forward-looking information. The determination of the recoverable collateral values of the credit impaired book. Input assumptions to estimate the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD"). More details of the input assumptions are disclosed in note 1.20 to the consolidated and separate financial statements. <p>Related disclosures in the consolidated and separate financial statements:</p> <ul style="list-style-type: none"> Note 1.9 - Financial instruments - Credit risk measurement. Note 1.20 - (a) Key sources of estimation uncertainty - Measurement of Expected credit losses (ECL). Note 6 - Net impairment expense/ (reversal) of financial assets. Note 14 - Loans and Advances to customers; and Note 31 - Financial risk management: credit risk section. 	<p>We assessed the ECL policies and judgements applied by management against the requirements of IFRS 9. We evaluated the design and implementation, of key controls over the loan and advances impairment process, focusing on the identification of the SICR, the management processes implemented for credit models and inputs into the ECL models and evaluated the design and implementation and tested the operating effectiveness of controls relating to the loan origination as part of our understanding of the Bank's credit risk.</p> <p>Making use of our credit risk specialists we reperformed and assessed the reasonableness of the ECL calculation by performing the following procedures:</p> <ul style="list-style-type: none"> Obtained an understanding of the methodologies and assumptions used by management in the various ECL model components (PD, EAD, LGD) and assessed these against the requirements of IFRS 9 and best practice. Assessed and challenged management on the data inputs and key assumptions into the ECL model, which includes the macroeconomic scenario estimates, stage classification of exposures and the estimated PDs, EADs and LGDs. Evaluated the ECL model and key assumptions applied in the calculation of the ECL and accuracy of the calculations in the model. Confirmed that the latest available and relevant probability weighted forward-looking information has been appropriately incorporated within the impairment model by comparing these to widely available market data. Tested on a sample basis the information with respect to loans and advances utilised in the model to underlying accounting records and other information such as loan agreements and collateral valuation reports maintained by the Bank. Evaluated the adequacy of the consolidated and separate financial statement disclosures including key assumptions, judgements, and sensitivities for compliance with IFRS Accounting Standards. <p>In conclusion, we determined that the impairment of loans and advances is not materially misstated, and the related disclosures are appropriate.</p>



INDEPENDENT AUDITOR'S REPORT [CONTINUED] TO THE SHAREHOLDER OF BOTSWANA SAVINGS BANK GROUP

Key Audit Matter	How the matter was addressed in the audit
Weak control environment over financial reporting and the impact on the financial statements (Group and Company)	
<p>International Accounting Standard ("IAS") 1: Presentation of Financial Statements, provides the requirements to be applied in preparing and presenting general purpose financial statements in accordance with IFRS Accounting Standards. Strong internal controls over the financial reporting process are key to ensuring that financial statements are reliable and fairly presented.</p> <p>Various balances on the consolidated and separate financial statements are calculated manually which is subject to human error and require significant input to be made by employees in the different business units. These calculations, assumptions and estimates are not subject to a level of detailed internal checking processes which are commensurate with a strong internal control environment.</p> <p>During the current year, the loss of staff members in the Finance Department further resulted in deficiencies in oversight and monitoring of internal controls which in turn heightened the risk of material misstatement in various financial statement areas.</p> <p>While certain mitigating actions have been taken to improve the internal control environment, it is our view that weaknesses in the overall internal control environment are still prevalent, specifically control deficiencies over reconciliation of financial reporting information, errors in information produced by the entity in particular the deficiencies around the preparation and review of financial statements, deficiencies in data management and record keeping and inadequate controls over the reconciliation of suspense and clearing accounts.</p> <p>Significant management effort was required to appropriately address the matters identified which delayed the audit process and the resultant reporting on the consolidated and separate financial statements.</p> <p>Due to the significance and pervasive impact the internal controls have on financial reporting and the overall efficiency, level of expertise and effort associated with the audit, we consider this to be a Key Audit Matter.</p>	<p>Our procedures to address the Key Audit Matter included the following:</p> <ul style="list-style-type: none"> • We adopted a largely substantive audit approach to the audit of the consolidated and separate financial statements. • We applied auditor judgement to consider the appropriateness of the nature, timing and extent of our audit procedures performed over financial statement account balances and classes of transactions and where appropriate altered them to address additional risks based on control deficiencies identified. • We increased our sample size selections to address the risk arising from the weak control environment and internal control deficiencies. • We checked the accuracy of inputs into spreadsheets, corroborated estimates with reference to external data wherever possible, checked the logic, mathematical accuracy, and integrity of formulas, evaluated the consistency in the application of assumptions with other data in the financial records and ensured the policies adopted are consistent with IFRS Accounting Standards. • We performed procedures on the key suspense and clearing account reconciliations to ensure that uncleared reconciling items were valid. • We increased the level of involvement by our senior audit team members to evaluate key judgements made in the consolidated and separate financial statements including checking the accuracy and completeness of disclosures. • We evaluated the sufficiency of audit evidence obtained by reassessing the results of audit procedures performed, including the appropriateness of the nature and extent of such evidence. • The audit process was delayed to allow management and the directors sufficient time to close out on the key reconciliations and drafting of the consolidated and separate financial statements. <p>Based on the audit procedures performed and the level of expertise and effort associated with the current year audit, we are satisfied that our audit procedures were sufficient to mitigate the audit risks arising from the weak control environment.</p>



INDEPENDENT AUDITOR'S REPORT [CONTINUED] TO THE SHAREHOLDER OF BOTSWANA SAVINGS BANK GROUP

Other Information

The directors are responsible for the other information. The other information comprises the General Information, Chairman's Report, Chief Executive Officer's Report and Directors' Responsibility Statement. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express 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 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 that we 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

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards and 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.

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

The directors are responsible for overseeing the Group's and Company's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



INDEPENDENT AUDITOR'S REPORT [CONTINUED] TO THE SHAREHOLDER OF BOTSWANA SAVINGS BANK GROUP

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

- 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's 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 or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Finance and Audit Committee 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 Finance and Audit Committee 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 Finance and Audit Committee, 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.

A stylized signature of "Deloitte & Touche" in a cursive font, positioned above a horizontal line.

Deloitte & Touche
Firm of Certified Auditors
Practicing Member: Magritha Juanita Wotherspoon (CAP 0032 2024)

22 October 2024
Gaborone



Botswana Savings Bank
Consolidated And Separate Financial Statements for the year ended March 31, 2024

Statements of Profit or Loss and Other Comprehensive Income

	Group	Company
	2024 P'000	2023 P'000
Interest income	363,399	337,418
Interest expense	(189,906)	(173,469)
Net interest income	173,493	163,949
Fee and commission income	34,540	10,426
Fee and commission expense	(9,269)	(9,196)
Net fee and commission income	25,271	1,230
Other income	9,248	3,530
Amortisation of government grant income	14,471	19,438
Total income	222,483	188,147
Net operating income	198,764	165,179
Net impairment (expense)/reversal of financial assets	(1,784)	5,709
Net income	220,699	193,856
Employee benefits	(97,157)	(101,594)
Depreciation and amortisation	(23,557)	(20,683)
Administrative and general expenses	(71,410)	(58,460)
Profit before taxation	28,575	13,119
Income tax expense	(5,270)	(6,668)
Profit for the year	23,305	6,451
Other comprehensive income for the year	-	-
Total comprehensive income for the year	23,305	6,451

Botswana Savings Bank
Consolidated And Separate Financial Statements for the year ended March 31, 2024

Statements of Financial Position as at March 31 2024

	Group	Company	
	2024 P'000	2023 Restated * P'000	2022 Restated * P'000
Assets			
Cash and cash equivalents*	340,236	241,143	150,356
Investment in financial assets*	162,525	403,485	259,350
Balances with related parties	-	-	50,443
Other assets	20,220	11,311	8,610
Loans and advances to customers	2,689,349	2,346,542	2,698,368
Investment in subsidiary	-	-	-
Current tax receivable	5,308	3,308	263
Deferred tax	17,797	19,732	27,444
Right-of-use assets	30,673	30,310	30,287
Intangible assets	51,975	58,323	37,196
Property, plant and equipment	56,439	51,504	77,101
Total Assets	3,374,522	3,165,658	3,339,418
Equity and Liabilities			
Liabilities			
Deposits due to customers	2,499,069	2,429,240	2,737,658
Current tax payable	3,335	-	-
Other liabilities	37,670	19,049	41,915
Borrowings	446,591	338,160	166,879
Dormancy account liability	26,730	27,144	29,108
Government grant	54,384	70,143	89,581
Lease liabilities	37,023	35,507	34,313
Total Liabilities	3,104,802	2,919,243	3,099,454
Equity			
Unrecalable capital	19,721	19,721	19,721
Statutory reserves	72,789	69,776	68,163
Retained earnings	177,210	156,918	152,080
Total Equity and Liabilities	3,374,522	3,165,658	3,339,418

*The Group and Company changed its classification and presentation of cash and cash equivalents by accounting for money market instruments and short term deposits as investments in financial assets where these do not meet the requirement of IAS 7 - Statement of Cash Flows. These money market instruments and short term deposits were previously classified as cash and cash equivalents in the previous year. Refer to Note 35 for details.



Botswana Savings Bank
Consolidated And Separate Financial Statements for the year ended March 31, 2024

Statements of Changes in Equity

	Unrecalable capital P'000	Statutory reserve P'000	Retained earnings P'000	Total equity P'000
Balance at 01 April, 2022	19,721	68,163	152,080	239,964
Total comprehensive income for the year	-	-	6,451	6,451
Transfer between reserves	-	1,613	(1,613)	-
Balance at 01 April, 2023	19,721	69,776	156,918	246,415
Total comprehensive income for the year	-	-	23,305	23,305
Transfer between reserves	-	3,013	(3,013)	-
Balance at 31 March 2024	19,721	72,789	177,210	269,720

Botswana Savings Bank
Consolidated And Separate Financial Statements for the year ended
March 31, 2024

Statements of Cash Flows

*The Group and Company changed its classification and presentation of cash and cash equivalents by accounting for money market instruments and short term deposits as investments in financial assets where these do not meet the requirement of IAS 7 - Statement of Cash Flows. These money market instruments and short term deposits were previously classified as cash and cash equivalents in the previous year. Refer to Note 35 for details.

	Group 2024 P'000	Company 2023 Restated* P'000
Cash flows from operating activities		
Interest receipts*	345,151	326,151
Interest payments	(180,453)	(116,135)
Fees and commission received	34,540	10,426
Fees and commission paid	(9,269)	(9,196)
Rent and other income received	9,073	3,530
Cash payments to employees and suppliers	(154,072)	(134,476)
Cash flows from operating activities before changes in operating assets and liabilities*	44,970	80,300
Changes in operating assets and liabilities		
Movement in loans and advances to customers	(344,615)	339,277
Movement in amounts due to customers	92,794	(348,448)
Movement in other assets	(8,909)	(2,702)
Movement in other liabilities	11,352	(22,873)
Movement in related party balances	-	52,337
Movement in dormancy account liability	(414)	(1,964)
Tax paid	(2,000)	(2,001)
Net cash (used in)/generated from operating activities*	(206,822)	93,926
Cash flows from/(to) investing activities		
Purchase of property, plant and equipment	(11,158)	(14,188)
Proceeds from disposal of property, plant and equipment	383	-
Proceeds from disposal of other intangible assets	-	(338)
Net cash paid on acquisition of subsidiary	-	-
Withdrawals from investment in financial assets*	943,054	785,967
Deposits in financial assets*	(698,323)	(927,588)
Net cash generated from/(used in) investing activities*	233,956	(156,147)
Cash flows from financing activities		
Repayment of Government Grant	(1,288)	-
Borrowings raised	150,050	192,050
Repayment of principal - long term borrowings	(45,067)	(23,695)
Repayment of interest - long term borrowings	(26,018)	(10,121)
Lease liability payments - principal	(2,766)	(2,673)
Lease liability payments - interest	(2,952)	(2,553)
Net cash generated from financing activities	71,959	153,008
Net movement in cash and cash equivalents for the year*	99,093	90,787
Cash and cash equivalents at the beginning of the year*	241,143	150,356
Total cash and cash equivalents*	340,236	241,143



ACCOUNTING POLICIES

Botswana Savings Bank

Consolidated And Separate Financial Statements for the year ended March 31, 2024

Corporate information

Botswana Savings Bank ("The Bank"), together with its subsidiary Botswana Savings Insurance Agency Proprietary Limited ("The Agency"), provides retail, corporate banking, and insurance agency services throughout the Country. Botswana Savings Bank is the ultimate parent of the group.

Botswana Savings Bank was established by an Act of Parliament, the Botswana Savings Bank Act of 1992, as a wholly owned financial institution of the Botswana Government for the purpose of providing Banking and financial services for all people in Botswana.

A Transition Act (The BSB Transition Act 2012) was passed by Parliament to allow BSB to convert to a public company named the "Botswana Savings Bank Limited". However, the decision to transform the Bank from a statutory Bank to a commercial Bank has been deferred until further notice.

The Bank has issued several bonds listed on the Botswana Stock Exchange.

These consolidated financial statements comprise the statutory financial statements of Botswana Savings Bank Limited and its subsidiary. (collectively referred to as the Group) The Group has prepared consolidated financial statements for the first time for the financial year ended March 31 2024, consequently no comparatives have been presented as the subsidiary only started trading in the current financial year.

1. Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with IFRS Accounting Standards, including IFRIC interpretations issued by the

International Accounting Standards Board(IASB) and the Botswana Savings Bank Act of 1992.

These consolidated and separate financial statements represent the Bank's statutory consolidated and separate financial statements and were approved for issue by the Board of Directors on 18 October 2024.

1.1 Basis of preparation

The consolidated and separate financial statements are presented in Botswana Pula, which is the Group functional currency and are rounded off to the nearest thousand pula, unless otherwise stated.

The consolidated and separate financial statements have been prepared on the historic cost basis, except where otherwise stated. The consolidated and separate financial statements incorporate the company and its subsidiary. A Subsidiary is an entity which is controlled by the Parent. The Parent entity ("The Bank") hold 100% ordinary shares of the subsidiary. The Parent measures investments in a subsidiary in its separate financial statements at cost less impairment.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Group and Company have prepared consolidated financial statements on the basis that they will continue to operate as a going concern and incorporates the following accounting policies which are consistent with those applied in the previous year except where otherwise stated.

1.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at March 31 2024. The Group consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, 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 investee.

When assessing whether it has power over an investee and therefore controls the variability of its returns, the Group considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Group can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights

Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns.

ACCOUNTING POLICIES

Botswana Savings Bank

Consolidated And Separate Financial Statements for the year ended March 31, 2024

The subsidiary was acquired on the date of incorporation and consequently no goodwill arose on the date of initial recognition.

When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between the Subsidiary and the Parent are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets, liabilities, Non-Controlling Interest (NCI) and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

1.3 Segmental reporting

The Group has reportable segments that comprise the structure used by the chief operating decision maker ("CODM") to make key operating decisions and assess performance. The group's reportable segments are operating segments that are differentiated by the industry in which they operate.

The Group evaluates the performance of its reportable segments based on earnings before interest and tax ("EBIT") as well as earnings before interest, tax, depreciation, amortisation and impairments ("adjusted EBITDA"). The group accounts for intersegment sales and transfers as if the sales and transfers were entered into under the same terms and conditions as would have been

entered into in a market-related transaction.

The financial information (including revenue, EBIT, adjusted EBITDA, total assets and total liabilities) of the group's reportable segments is reported to the CODM for purposes of making decisions about allocating resources to the segment and assessing its performance.

A number of segments are included in the "Other countries" segment as they individually don't meet the quantitative thresholds indicated in IFRS 8 Operating Segments.

1.4 Interest income and expense

Interest income and expense for all interest-bearing financial instruments is recognised on an accrual basis using the effective interest method on the original settlement amount. Interest income includes the amortisation of any discount or other differences between the initial carrying amount of an interest bearing instrument and its amount calculated on an effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group and Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

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

When a financial asset of the Group and Company has been written down as a result of an impairment loss, interest income is recognised using the rate of interest that discounts the future cash flows of the asset for the purpose of measuring the impairment loss.

Commitment fees for unutilised funds made available to customers in the past, are recognised as revenue over the period the facility remains unutilised. Commitment fees paid upfront for a future facility, where it is not probable that a specific lending arrangement will be entered into by the Group and Company, are recognised as revenue on a straight-line basis over the period for which the funds are committed.



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1.5 Revenue from contracts with customers

The Group and Company applies IFRS 15 Revenue from Contracts with Customers.

IFRS 15 contains a single model that establishes a five-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise Revenue when (or as) the entity satisfies a performance obligation.

The Group and Company recognises revenue when (or as) a performance obligation is transferred to the customer. Fees and commissions charged for services provided by the Group and Company are recognised as the services are provided, for example on completion of an underlying transaction.

The Group and Company applies IFRS 15 - Revenue from Contracts with Customers to the following sources of revenue:

- Fees and commissions income

Fees and commission income

Fees and commission income comprise of fees charged on customers accounts such as insufficient funds fees, overdraft charges, late fees, over-the-limit fees, wire transfer fees and monthly service charges. These fees are recognised over the period over which the underlying service is provided to the customer. Transactional fees such as cash withdrawal fees, deposit fees, etc. are

recognised at the point in time of transactions with customers and payment is received monthly.

Fees and commissions that form an integral part of the effective interest rate is excluded from fees and commissions from customers and are recognised in non-interest income.

Fee and commission income is earned by the Group and Company by providing customers with a range of services and products, consists of the following main categories:

- banking fee and commission income;
- knowledge-based fee and commission income;
- management, trust and fiduciary fees;
- fee and commission income from service providers; and
- other non-banking fees and commission income.

Fee and commission income which typically includes transactional banking fees, such as bank charges, interchange fees, point-of-sale fees, exchange commissions, cash deposit fees and knowledge-based fee and commission income, are recognised at a point in time when the performance obligation is fulfilled.

Where the distinct performance obligation is satisfied over a period of time, the fees are recognised as follows:

- fees for services rendered are recognised on an accrual basis as the service is rendered and the Group and Company's performance obligation is satisfied, e.g. annual card fees and asset management and related fees; and
- commission income on bills endorsed is credited to profit or loss over the life of the relevant instrument on a time apportionment basis.

ACCOUNTING POLICIES

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1.5 Revenue from contracts with customers (continued)

Commission revenue from the sale of insurance policies

The Group and Company generates revenue primarily through commissions from insurer ("Customer"). The promised service is the effective placement of insurance policies relating to life and property and casualty insurance. Commissions vary depending upon several factors, which may include the amount of premium, the type of insurance or coverage provided by the insurer. In addition, the transaction price might include an element of consideration that is variable or contingent on the outcome of future events, such as policy cancellations, lapses or renewals, volume of business, claims experience or performance bonuses.

At the completion of the insurance policy placement process once coverage is effective (i.e., performance obligation), the customer obtains control over the service promised by the Group and Company. Commissions may be invoiced near the effective date of the underlying policy or over the term of the arrangement in instalments during the policy period. The performance obligation is therefore discharged at a specific point in time.

The Group and Company allocates variable consideration to a single performance obligation because:

The variable payment relates to a specific performance obligation or outcome from satisfying that performance obligation.

Allocating the variable amount of the consideration entirely to the separate performance obligation is consistent with the amount of consideration to which the entity expects to be entitled for satisfying that performance obligation after considering all other performance obligations and payment terms in the contract.

The Group and Company has elected to apply the practical expedients to not disclose the revenue related to unsatisfied performance obligations if:

The contract has an original duration of 1 year or less,

The Group and Company has recognised revenue for the amount which it has the right to bill, and

The variable consideration is allocated entirely to an unsatisfied performance obligation which is recognised as a series of distinct goods or services that form a single performance obligation.

1.6 Other income

Other income comprises of income from:

- Rentals*,
- Rooftop satellite hosting fees* and
- Other non-operating revenue streams. These relates to fees earned from selling activities other than those related to banking operations. This include sales of tender documents and profit from fixed assets sales. Other non-operating revenue streams are recognised at the point in time when the transaction takes place.

* Refer to the Group and Company as lessor section under accounting policy 1.14 Leases.

1.7 Government grant income

Grant income is income relating to projects funded by the government grant. Grant income received is initially recognised as a liability. Subsequently, the grant income is released to the statement of profit or loss over the expected life of the asset at the same rate at which the related asset is depreciated.



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1.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Terminal benefits

Certain employees are entitled to terminal gratuities in accordance with their contracts of employment. An accrual is recognised for the estimated liability for such employees up to the reporting date. This accrual is based on undiscounted current wage and salary rates. However, all other employees are members of the Bank's pension scheme.

Pension obligations

The Group and Company operates a defined contribution pension scheme and its assets are managed by an independent fund under supervision of the board of trustees. The Group and Company pays 15% contributions on behalf of its employees and the employees contribute 5% of basic salary. Once

the contributions have been made, the Group and Company has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

1.9 Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised in the Bank's statement of financial position when the Group and Company becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would consider when pricing the asset or liability.

Classification and subsequent measurement of financial assets

Management determines the classification of its financial assets at initial recognition, based on:

- the Group business model for managing the financial assets; and
- the contractual cash flow characteristics of the

financial asset.

Business model

The Group and Company distinguishes three main business models for managing financial assets:

- holding financial assets to collect contractual cash flows;
- managing financial assets and liabilities on a fair value basis or selling financial assets; and
- a mixed business model of collecting contractual cash flows and selling financial assets.

The business model assessment is not performed on an instrument-by-instrument basis, but at a level that reflects how portfolios of financial assets are managed together to achieve a particular business objective.

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1.9 Financial instruments (continued)

In considering whether the business objective of holding a portfolio of financial assets is achieved primarily through collecting contractual cash flows, amongst other considerations, management monitors the frequency and significance of sales of financial assets out of these portfolios for purposes other than managing credit risk. For the purposes of performing the business model assessment, the Group and Company only considers a transaction a sale if the asset is derecognised for accounting purposes.

Cashflow characteristics

For a debt instrument to be measured at amortised cost, the cash flows on the asset have to be SPPI (Solely Payments of Principal and Interest), consistent with those of a basic lending agreement. The SPPI test is applied on a portfolio basis for retail advances, as the cash flow characteristics of these assets are standardised.

If the contract contains prepayment penalties, the amount of the prepayment penalty is compared to the present value of the margin that would be earned if the loan is not prepaid. If the amount of the prepayment penalty is lower than or equal to the margin lost due to prepayment, this is considered reasonable compensation and the loan passes the SPPI test.

Amortised cost

Financial assets are measured at amortised cost using the effective interest method, when they are held to collect contractual cash flows which are solely payments of principle and interest, and sales

of such assets are not significant or frequent. These comprise of the retail loans and advances, related party receivables, other assets, balances with other banks, cash and cash equivalents.

For purchased or originated credit-impaired financial assets, the Group and Company applies the credit-adjusted effective interest rate. This interest rate is determined based on the amortised cost and not the gross carrying amount of the financial asset and incorporates the impact of expected credit losses in the estimated future cashflows of the financial asset.

Cash and cash equivalents is comprised of coins and bank notes, money at call and short notice and balances with central banks. All balances included in cash and cash equivalents have a maturing date of less than three months from the date of acquisition. Money at call and short notice constitutes amounts withdrawable in 90 days or less. Retail loans and advances are held to collect contractual cash flows. The business model focus on growing advances within acceptable credit appetite limits and maintaining robust collection practices. The products included under this business models include:

- residential mortgages;
- vehicle finance; and
- personal loans.

The cash flows on retail loans and advances are solely payments of principal and interest. Interest charged to customers compensates the Group and Company for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.

Classification and subsequent measurement of financial liabilities

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

Financial liabilities measured at amortised cost

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

- deposits;
- lease liabilities; and
- borrowings.



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Botswana Savings Bank

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1.9 Financial instruments (continued)

Impairment of financial assets and off-balance sheet exposures subject to impairment.

This policy applies to financial assets, measured at amortised cost which includes:

- Loans and advances;
- Cash equivalents;
- Loan commitments;
- Lease receivables; and
- Related parties receivables.

IFRS 9 establishes a three-stage approach for the impairment of financial assets:

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Loans and advances

Significant increase in credit risk since initial recognition (SICR)

To determine whether loans and advances have experienced a significant increase in credit risk (SICR), the probability of default (PD) of the asset calculated at the origination date is compared to that calculated at the reporting date. The origination date is defined to be the most recent date at which the Group and Company

re-prices loans and advances/facility. A change in terms and conditions results in derecognition of the original loan and advance/facility and recognition of a new loan and advance/facility.

SICR test thresholds are re-assessed and, if necessary, updated, on at least an annual basis. Any, facility that is more than 30 days past due, or in the case of instalment-based products one instalment past due, is automatically considered to have experienced a significant increase in credit risk. In addition to the quantitative assessment based on PDs, qualitative considerations are applied when determining whether individual exposures have experienced a SICR. One such qualitative consideration is the appearance of retail client's facilities on a credit watchlist. Any up-to-date facility that has undergone a distressed restructure (i.e modification of contractual cash flows to prevent a client from going into arrears) will be considered to have experienced a significant increase in credit risk and will be disclosed within stage 2 at a minimum.

The credit risk on an exposure is no longer considered to be significantly higher than at origination if no qualitative indicators of a significant increase in credit risk are triggered, and if comparison of the reporting date PD to the origination date PD no longer indicates that a significant increase in credit risk has occurred. No minimum period for transition from stage 2 back to stage 1 is applied.

Low credit risk

The Group and Company applies the low credit risk assumption and classifies loans and advances meeting this criteria in stage 1.

Credit-impaired financial assets

Loan and advances are considered credit impaired if they meet the definition of default. The Group definition of default applied for calculating provisions under IFRS 9 is aligned to the definition applied for regulatory capital calculations across all portfolios, as well as those applied in operational management of credit and for internal risk management purposes. Exposures are in default when they are more than 90 days past due or, in the case of amortising products, have three or more unpaid instalments. In addition, an exposure is considered to have defaulted when there are qualitative indicators that the borrower is unlikely to pay their credit obligations in full without any recourse by the Group and Company to actions such as the realisation of security. Indicators of the unlikelihood to pay include examples such as the application for bankruptcy or obligor insolvency.

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1.9 Financial instruments (continued)

Any distressed restructures of accounts that have experienced a SICR since initial recognition are defined as default events. Loans and advances are considered to no longer be in default if they meet the stringent cure definition which has been determined at a portfolio level based on an analysis of re-defined rates.

Credit risk measurement

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Group and Company has developed statistical models to support the quantification of credit risk. These quantitative models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring the credit risk of loans and advances

at a counterparty level, the Group and Company considers three components, namely: (i) the 'probability of default' (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Group and Company derives the 'exposure at default' (EAD); and (iii) the expected loss on the defaulted obligations (the 'loss given default') (LGD).

These credit risk measurements, which reflect expected loss (the 'expected loss model'), are

required by the Basel Committee on banking regulations and the supervisory practices (the Basel Committee) and are embedded in the Group daily operational management.

(i) Probability of default (PD)

The probability of default is an indication of the probability that a given loan will default. Under Basel II and IFRS 9 the elements that make up a loss are defined as economic loss and will include direct and indirect costs associated with collecting on the exposure such as allocations of internal overheads and other non-cash costs.

(ii) Exposure at default (EAD)

The exposure at default under Basel II and IFRS 9 will take into account an expectation of future draw-downs until the default event has occurred by utilising loan run down for amortizing products and a credit conversion factor for non-amortizing products. For example, for a loan this is the face value at the default date. For a commitment, the Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

(iii) Loss given default (LGD)

Loss given default or loss severity represents the Group expectation of the extent of loss on a claim should default occur (1 - recovery rate). It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. The measurement of exposure at default and loss given default is based on the risk parameters standard under Basel II and IFRS 9.

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes on credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group and Company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. A description of how the Group and Company determines when a significant increase in credit risk has occurred is explained further below.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. A description of how the Group and Company defines credit-impaired and default is explained further below.



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1.9 Financial instruments (continued)

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. A description of inputs, assumptions and estimation techniques used in measuring the ECL is explained further below.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should carry forward-looking information. Note 31 includes an explanation of how the Bank has incorporated this in its ECL models. Further explanation is also provided on how the Bank determines appropriate groupings when ECL is measured on a collective basis (refer to note 31).

Measuring ECL-Explanation of inputs, assumptions and estimates on techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit has occurred since initial recognition or whether an asset is considered to be credit-impaired.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity

profile to the current 12 month PD. The maturity profile looks at how defaults develop on a portfolio from the point of observation throughout the remainder of the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio segment. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortisation products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Bank's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type. This is supported by historical analysis of recoveries per portfolio segment, including the discounting of the recoveries to the default date as well as the recovery costs accounted for.

The assumptions underlying the ECL calculation are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation

techniques or significant assumptions made during the reporting period.

Write-offs

Write-off must occur when it is not economical to pursue further recoveries i.e. there is no reasonable expectation of recovering the carrying amount of the asset (gross amount less specific impairments raised):

By implication loans and advances for secured as well as unsecured exposures, write-offs cannot occur if there is evidence of recent payment behaviour. Each credit portfolio has articulated a write-off policy that aligns with the principles of IFRS 9 while taking the business context of that portfolio into account.

Within the loans and advances portfolios, write-off definitions have been determined with reference to analysis of the materiality of post write-off recoveries. The result of this is that retail secured loans are written off on sale of collateral and retail unsecured loans are written off when observation of post-default payment behaviour indicates that further material recoveries are unlikely. Writeoff points within loans and advances unsecured portfolios are defined on a per-portfolio basis with reference to cumulative delinquency and/or payment recency, with write-offs typically occurring when 9 cumulative payments have been missed.

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1.9 Financial instruments (continued)

Other financial assets

Cash equivalents

Cash equivalents exposures are classified as stage 1 unless specific evidence of impairment exists. When evidence of specific impairments exists, then these assets will be immediately classified as stage 3 due to their nature.

Other assets

ECL for other assets and where applicable, are calculated using the simplified approach. This results in a lifetime ECL being recognised.

Transfers, modifications and derecognition

Financial instruments are derecognised when:

The contractual rights and obligations expire or are extinguished, discharged or cancelled, for example an outright sale or settlement;

- they are transferred and the derecognition criteria of IFRS 9 are met; or
- the contractual terms of the instrument are substantially modified and the derecognition criteria of IFRS 9 are met.

Financial assets are derecognised when the Group and Company has either transferred the contractual right to receive cash flows from the asset or it has assumed an obligation to pay over all the cash flows from the asset to another entity (i.e. a pass through arrangement under IFRS 9). If

the contractual cash flows of a financial asset measured at amortised cost are modified (changed or restructured, including distressed restructures), the Group and Company determines whether this is a substantial modification, following which, results in the derecognition of the existing asset, and the recognition of a new asset, or whether the change is simply a non-substantial modification of the existing terms which does not result in derecognition.

A modification of a financial asset is substantial and will thus result in derecognition of the original financial asset, where the modified contractual terms are priced to reflect current conditions on the date of modification, and are not merely an attempt to recover outstanding amounts. Where the modification does not result in an accounting derecognition the original asset continues to be recognised.

Derecognition of financial liabilities includes when there is a substantial modification to the terms and conditions of an existing financial liability. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent (based on management best estimate) different from the discounted present value of the remaining cash flows of the original financial liability. The following transactions are entered into by the Group and Company in the normal course of business in terms of which it transfers financial assets directly to third parties or structured entities, or modifies the contractual terms of the asset and either achieves derecognition or continues to recognise the asset:

Offsetting of financial instruments and collateral

Where the requirements of IFRS are met, the Group

and Company offsets financial assets and financial liabilities and presents the net amount. Financial assets and financial liabilities subject to master netting arrangements (MNA) or similar agreements are not offset, if the right of set-off under these agreements is only enforceable in the event of default, insolvency and bankruptcy.

1.10 Impairment of non-financial assets

The Group and Company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group and Company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.



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1.10 Impairment of non-financial assets (continued)

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.11 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

ACCOUNTING POLICIES

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1.12 Property, plant and equipment

Property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amounts of these items and are recognised in profit and loss.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognised in profit or loss during the financial period in which they are incurred. However, major renovations are capitalised and included in the carrying amount of the assets when it is probable that future economic benefits in excess of the originally assessed standard of performance of the assets will flow to the Group and Company. Major renovations are depreciated over the remaining useful life of the related asset or until the next planned major renovations, if this period is shorter. The carrying amount of the replaced part is derecognised.

Depreciation on property and equipment is calculated using the straight line method to allocate the depreciable carrying amounts of the assets over their estimated remaining useful and economic lives. The following are the estimated useful lives applied in depreciating the Bank's assets.

Item	Depreciation method	Average useful life
Buildings & leasehold improvements	Straight line	Shorter of 50 years or estimated life of period of the lease
Furniture and fixtures	Straight line	6 to 10 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 to 10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

In the current financial year an assessment was carried out to review the useful lives and residual values of the following asset classes:

- (a) Furniture and fixtures;
- (b) Motor vehicles;
- (c) Office equipment

As part of the assessment the useful life of furniture and fittings was changed from 6 years to 6-10 years, whilst office equipment was changed from 7 years to 5-10 years. There were no changes to the useful life of motor vehicles as management evaluated the current useful lives as appropriate. In addition, the assessment did not result in changes to residual values.

Impairment of property and equipment

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to the recoverable amount. The recoverable amount of assets is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Impairment losses are recognised in profit and loss.

Where an impairment loss subsequently reverses, the carrying amount of the assets (cash generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior periods. A reversal of an impairment loss is recognised in profit or loss as income immediately.



ACCOUNTING POLICIES

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1.13 Capital work-in-progress

Work-in-progress comprises costs of non-current assets acquired but not yet put into their intended use or projects under construction. Once management is satisfied that the asset is ready for its intended use, all costs associated with the asset are then transferred from the work-in-progress account to the respective assets account. No depreciation is charged on any work-in-progress balances.

1.14 Leases

The Group and Company assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Group and Company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Group and Company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Group and Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

Details of leasing arrangements where the Group and Company is a lessee are presented in note 18 Right of use asset and lease liabilities (Group and Company as lessee).

Company as a Lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

Although the risks associated with rights that the Company retains in underlying assets are not considered to be significant, the Company employs strategies to

further minimise these risks. For example, ensuring all contracts include clauses requiring the lessee to compensate the Company when a property has been subjected to excess wear-and tear during the lease term.

Lease receipts from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits from the use of the underlying asset are diminished. Operating lease income is included in other income (note 5).

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are expensed over the lease term on the same basis as the lease income.

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

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1.14 Leases (continued)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are to be made over the lease period. The lease payments include fixed payments (including in substance fixed payments) less any lease payments incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. In calculating the present value of lease payment, the Bank uses its incremental borrowing rate (IBR) at the lease commencement date. Subsequently, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, change in lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value leases

The Bank applies the short-term lease recognition exemption to its short-term leases of property (that is, those leases that have a lease term of 12 months or less from the commencement date). The Bank also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

Right-of-use assets

The Group and Company recognizes right of use assets at the commencement date of the lease (that is, 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 re-measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognized, 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 shorter of the lease term and the estimated useful lives of the assets as follows:

Item	Depreciation method	Average useful life
Leasehold property	Straight line	3 - 20 years

Group and Company as lessor

Leases for which the Group and Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

The Group and Company owns an office building that has vacant floors and now uses to earn rental income. The building is leased to a third party under an operating lease for fixed lease payments. The Group and Company has classified these lease as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Although the risks associated with rights that the Group

and Company retains in underlying assets are not considered to be significant, the Group and Company employs strategies to further minimise these risks. For example, ensuring all contracts include clauses requiring the lessee to compensate the Group and Company when a property has been subjected to excess wear-and tear during the lease term.

Lease receipts from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits from the use of the underlying asset are diminished. Operating lease income is included in other income (note 5).

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are expensed over the lease term on the same basis as the lease income.

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.



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1.15 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all

other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	5 years

1.16 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. Grant income related to income expenditure is initially recognised as deferred income in the statement of financial position and subsequently released to the statement of profit or loss when the intended expenditure is incurred by the Group and Company.

Grant income related to capital projects or physical assets is initially recognised as deferred income in the statement of financial position with a corresponding

asset recognised in property, plant and equipment. Subsequently, the deferred income is released to the statement of profit or loss over the expected useful life of the asset.

Grants related to income are presented as a credit in the profit or loss (separately).

1.17 Transactions with Botswana Postal Services

These comprised of the settlement of deposits and withdrawals transacted by customers at post offices. All amounts are stated at cost and settlement is made periodically net of agreed agency fees, which are payable to the Botswana Postal Services under the terms of the agency agreement. Outstanding balances payable to the Group and Company that are past due attract compound interest.

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1.18 Unrecallable capital

This represents equity contributed by the Government of Botswana and is recognised at the fair value of the consideration received.

1.19 Statutory reserve

At the end of every financial year, the Group and Company pays into the statutory reserve fund an amount not less than 25% of its net profits.

1.20 Key sources of estimation uncertainty

(a) Measurement of Expected credit losses (ECL)

Key inputs and assumptions

The Expected Credit Loss of the financial asset is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred. The total Expected Credit Loss is a discounted product of the Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD).

Impairment of Loans and Advances

Probability of Default (PD)

Retail parameters are determined on a product level basis. Where appropriate an analysis at a sector level within a product is performed. The monthly staging ratings determined under SICR are used to model historic default rates using a credit transition matrix model based on cohorts that the Group and Company believes reflect conditions that are likely to apply in the future. The statistical models generate periodic probabilities of default,

prepayment rates and recovery rates that reflect the average over the period of study, also called Through The Cycle (TTC). Lifetime default curves are developed from periodic TTC parameters to reflect increasing risk with time.

TTC parameters are converted to Point In Time (PIT) parameters that reflect forward looking information and are indicative of default, prepayment and recovery rates that will apply in the future.

Exposure At Default (EAD)

The loan level exposure at default is estimated at each point in time over the life of the facility taking into consideration loan commitments implicit prepayment rates, the outstanding loan balance, the remaining tenure, the effective interest, the current staging and implicit prepayment rate.

Loss Given Default (LGD)

Loss given default (LGD) rates are estimated at the product level for products that have uniform guarantee structures. The LGD considers factors such as changes in the credit quality of the collateral, the time to recovery of the collateral, costs of recovery, liquidity haircuts to market value and the appropriate discount rate for the collateral. For products that have heterogeneous collateral arrangements at loan level, LGD is computed at loan level reflecting specific characteristics of the collateral structure.



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1.20 Key sources of estimation uncertainty (continued)

Key credit risk metrics	Motor vehicle loans	Residential loans	Personal loans	Weighted average
Coverage				
31 March 2024	0.17 %	0.64 %	4.04 %	3.42 %
31 March 2023	0.73 %	0.50 %	4.54 %	3.58 %
31 March 2022	0.58 %	0.42 %	3.86 %	3.17 %
Loss Given Default (LGD)				
31 March 2024	29.13 %	17.21 %	85.96 %	75.69 %
31 March 2023	26.08 %	23.01 %	86.77 %	72.95 %
31 March 2022	26.08 %	22.69 %	91.81 %	77.91 %
Probability of Default (PD)				
31 March 2024	0.57 %	3.74 %	4.70 %	4.52 %
31 March 2023	2.79 %	2.18 %	5.23 %	5.00 %
31 March 2022	2.22 %	1.85 %	4.21 %	4.07 %

Forward-looking information

The Group and Company has considered the different scenarios and related probabilities in determining its forward-looking assumptions for purposes of measuring its Expected Credit Loss (ECL). The Group and Company considers the scenarios to represent reasonable and supportable forward-looking views as at its reporting date.

Approach to Incorporate Forward-Looking Indicators (FLI)

Forward-looking macro-economic indicators (FLI) has been used to modify the TTC PD's to PIT PD's by applying scalars to TTC lifetime credit curve. These scalars were obtained through a logistic regression of historical PD's to various macroeconomic factors which included GDP, interest rates, inflation rates, commodity price index, Botswanan Stock exchange equity index, exchange rates and banking sector liquidity. Macroeconomic

forecasts were obtained by using historical relations between variables obtained by multi-variable regression analysis, these were checked for economic rationality and judgment was used in their application.

Forward-looking information is used to adjust the parameters that drive the LGD such as time to recovery, liquidity haircuts and expected changes in credit quality.

Forward looking information applied in March 2024 ECL computation.

The FLIs applied in the current financial year modelling process are GDP, interest rates and inflation rates.

The Group and Company projects inflation to be under control at between 4-5.5% in spite of anticipated heightened local pressure from election driven spending in the fourth quarter of 2024 into 2025 and global uncertainties in oil and commodities prices. GDP

is forecast to grow by 4.0-5.5% over the forecast period on account of the full implementation of government infrastructure projects and fiscal driven policies meant to stimulate the local economy. Interest rates are forecast to marginally reduce as the central bank adopts an accommodative monetary policy that seeks to unwind the triple increase from 2024.

Overall the Group and Company projects that employment levels in the government and related sectors, that comprise over 90% of its exposure, will be maintained and minimal impact is expected of macro-economic variables on the expected credit loss estimate.

The following table shows the main macroeconomic factors used to estimate the allowances for credit losses on loans:

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1.20 Key sources of estimation uncertainty (continued)

Macroeconomic forecast

Projection period	Real GDP growth		Real interest rate		General inflation rate	
	2024	2023	2024	2023	2024	2023
First year	5.00 %	3.60 %	0.50 %	0.50 %	4.00 %	8.90 %
Second year	5.40 %	4.10 %	(0.25)%	0.30 %	5.40 %	6.60 %
Third year	4.70 %	3.50 %	0.50 %	(0.30)%	5.40 %	7.00 %

Macroeconomic scenarios driving FLI's

Period	Upside		Downside	
	Inflation	Change in RIR	Inflation	Change in RIR
2024	5.00 %	1.00 %	3.50 %	- %
2025	7.00 %	0.50 %	5.00 %	(0.50)%
2026	7.00 %	0.75 %	5.00 %	0.25 %

Impact of forward- looking information (FLI) on ECL - 31 March 2024

Loans and advances	Motor Vehicle advances	Residential property loans	Personal loans	Total
	P'000	P'000	P'000	P'000
ECL before FLI adjustments	19	3,217	87,675	90,911
Impact of FLI	-	-	657	657
ECL after FLI adjustments	19	3,217	88,332	91,568

Impact of forward- looking information (FLI) on ECL - 31 March 2023

Loans and advances	Motor Vehicle advances	Residential property loans	Personal loans	Total
	P'000	P'000	P'000	P'000
ECL before FLI adjustments	46	2,589	83,951	86,586
Impact of FLI	31	24	1,653	1,708
ECL after FLI adjustments	77	2,613	85,604	88,294



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1.20 Key sources of estimation uncertainty (continued)

Sensitivity of ECL for loans and advances - 31 March 2024	Change in variable				
	Base value	Inflation		Shift in real interest rate	
Change in variable		1.0% increase	1.0% decrease	1.0% increase	1.0% decrease
ECL (P'000) as at 31 March 2024	91,568	92,108	90,494	93,332	89,961
Change in ECL (P'000)	-	541	(1,074)	1,765	(1,607)
% change in ECL	-	0.59 %	(1.17)%	1.90 %	(1.80)%
Change in inflation rate	4.00 %	5.00 %	3.00 %	- %	- %
Change in real interest rate	(0.50)%	- %	- %	0.50 %	(1.50)%

Sensitivity of ECL for loans and advances - 31 March 2023	Change in variable				
	Base value	Inflation		Shift in real interest rate	
Change in variable		1.0% increase	1.0% decrease	1.0% increase	1.0% decrease
ECL (P'000) as at 31 March 2023	88,294	88,772	87,696	89,817	86,919
Change in ECL (P'000)	-	478	(598)	1,522	(1,376)
% change in ECL	-	0.50 %	(0.70)%	1.70 %	(1.60)%
Change in inflation rate	8.90 %	9.90 %	7.90 %	- %	- %
Change in real interest rate	0.25 %	- %	- %	1.25 %	(0.75)%

ACCOUNTING POLICIES

Botswana Savings Bank
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1.20 Key sources of estimation uncertainty (continued)

(i) Probability of default (PD)

The probability of default is an indication of the probability that a given related party will not meet its contractual obligation to the Group and Company. Due to heterogeneity in the data relating to related party's the probability of default (PD) is modelled using various structural models of assessing credit risk. The probabilities of default under the structural model take into consideration the volatility of the related party's assets, liabilities, and volatility of assets. The volatility is adjusted to include forward looking information that will apply during the period that the Group and Company has exposure to the related party.

(ii) Exposure at default (EAD)

The exposure at default considers an expectation of future drawdowns until the default event has occurred by utilizing loan run down for amortizing products and a credit conversion factor for non-amortizing products. For example, for a loan this is the face value at the default date. For a commitment, the Group and Company includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur. For receivables that are impaired the exposure at default includes the amount of interest, charges and penalties that will be accrued till the expected time to recovery.

(iii) Loss given default (LGD)

Loss given default or loss severity represents the Group and Company's expectation of the extent of loss on a claim should default occur (1 - recovery rate). It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. The measurement of exposure at default and loss

given default is based on the risk parameters standard under Basel II and IFRS 9. The recovery rate in liquidation (LRR) is estimated using the discrete asset valuation method (DAV). The DAV method considers the value of assets at the valuation date, the time to recovery of each asset class, the appropriate discount rate for each asset, a liquidity haircut, the costs of insolvency, taxes and the waterfall structure of the recovered amounts to the various creditors. The probability of liquidation is estimated using structural models, these models estimate the probability of being liquidated as a function of the assets, liabilities, and volatility of assets.

(b) Lessee's incremental borrowing rate

The Group and Company has adopted the incremental borrowing rate as the discount factor. The discount factor takes into account the interest rates on the existing facilities where applicable and commercial rates the Group and Company could be offered by their lenders if they were to source for funding. The Group and Company used incremental borrowing rates ranging from Prime plus 1.5% to prime plus 3.75% in recognizing the lease liabilities at the date of initial application.

(c) Discount factor

Under IFRS 16, Leases, discount rates are used to determine the present value of the lease payments used to measure a lessee's lease liability. Discount rates are also used to determine lease classification for a lessor and to measure a lessor's net investment in a lease. For lessees the lease payments are required to be discounted using either the interest rate implicit in the lease if readily determined or the lessee's incremental borrowing rate.

Leases - Determining the lease term of contracts with renewal and termination options

The Group and Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any

periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group and Company has several lease contracts that include extension and termination options. The Group and Company applies judgment in evaluating if it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

(d) Deferred Tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognised deferred tax assets are reassessed at each reporting date and are recognized to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

(e) Residual values and useful lives of intangible assets and property and equipment

The Group and Company depreciates its property and equipment on a straight-line basis by allocating the depreciable amount (original cost) equally over its estimated useful life. Useful lives are also reviewed annually and are adjusted when it is evident that the economic benefits initially anticipated will not flow from the asset over the same duration or to the same extent.



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2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group and Company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

International tax reform - Pillar two model rules - amendments to IAS 12

The amendments incorporate into IAS 12, taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. As an exception, deferred tax assets and liabilities shall not be recognised, nor information about them disclosed related to Pillar Two income taxes. Disclosures about applying this exception to deferred tax are required. Any current tax income or expense related to Pillar Two income taxes is required to be disclosed separately. In addition, where the legislation is enacted or substantively enacted, but not yet in effect, management are required to disclose known or reasonably estimable information of the entity's exposure to Pillar Two taxes arising from that legislation.

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

The Group and Company has adopted the amendment for the first time in the 2024 consolidated and separate financial statements.

The impact of the amendment is not material.

Initial application of IFRS 17 - Insurance Contracts and IFRS 9 - Financial Instruments - Comparative information

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

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

The Group and Company has adopted the amendment for the first time in the 2024 consolidated and separate financial statements.

The impact of the amendment is not material.

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

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

the transaction, at the time of the transaction must not give rise to equal taxable and deductible temporary differences.

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

The Group and Company has adopted the amendment for the first time in the 2024 consolidated and separate financial statements.

The impact of the amendment is not material.

Disclosure of accounting policies: Amendments to IAS 1- Making Material Judgements and IFRS Practice Statement 2 - Disclosure of Accounting Policies

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the consolidated and separate financial statements. The amendment did not result in any changes to measurement or recognition of financial statement items. Management has reviewed accounting policies to ensure that only material accounting policy information is disclosed.

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

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2. New Standards and Interpretations (continued)

The Group and Company has adopted the amendment for the first time in the 2024 consolidated and separate financial statements. The impact of the amendment is not material.

Definition of accounting estimates: Amendments to IAS 8

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

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

The Group and Company has adopted the amendment for the first time in the 2024 consolidated and separate financial statements.

The impact of the amendment is not material.

IFRS 17 Insurance Contracts

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

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

The Group and Company expects to adopt the standard for the first time in the 2024 consolidated and separate financial statements.

The impact of the standard is not material.

2.2 Standards and interpretations not yet effective

The Group and Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group and Company's accounting periods beginning on or after 01 April 2024 or later periods:

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

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

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

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 01 January 2024.

The Group and Company expects to adopt the amendment for the first time in the 2025 consolidated and separate financial statements.

It is unlikely that the amendment will have a material

impact on the Group and Company's consolidated and separate financial statements.

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

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

It is unlikely that the amendment will have a material impact on the Group and Company's consolidated and separate financial statements.



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2. New Standards and Interpretations (continued)

Amendments to IAS 21 - Lack of exchangeability

The amendments apply to currencies which are not exchangeable. The definition of exchangeable is provided as being when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. The amendments require an entity to estimate the spot exchange rate at measurement date when a currency is not exchangeable into another currency. Additional disclosures are also required to enable users of financial statements to understand the impact of the non-exchangeability on financial performance, financial position and cash flow.

The effective date of the amendment is for years beginning on or after 01 January 2025.

The Group and Company expects to adopt the amendment for the first time in the 2026 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the Group and Company's consolidated and separate financial statements.

Supplier finance arrangements - amendments to IAS 7-Statement of Cashflows and IFRS 7-Financial Instrument Disclosures

The amendment applies to circumstances where supplier finance arrangements exist. These are arrangements whereby finance providers pay the suppliers of the entity, thus providing the entity with extended payment terms or the suppliers with early payment terms. The

entity then pays the finance providers based on their specific terms and conditions. The amendment requires the disclosure of information about supplier finance arrangements that enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows as well as on the entity's exposure to liquidity risk.

The effective date of the amendment is for years beginning on or after 01 January 2024.

The Group and Company expects to adopt the amendment for the first time in the 2025 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the Group and Company's consolidated and separate financial statements.

Non-current liabilities with covenants - amendments to IAS 1-Presentation of Financial Statements

The amendment applies to the classification of liabilities with loan covenants as current or non-current. If an entity has the right to defer settlement of a liability for at least twelve months after the reporting period, but subject to conditions, then the timing of the required conditions impacts whether the entity has a right to defer settlement. If the conditions must be complied with at or before the reporting date, then they affect whether the rights to defer settlement exists at reporting date. However, if the entity is only required to comply with the conditions after the reporting period, then the conditions do not affect whether the right to defer settlement exists at reporting date. If an entity classifies a liability as non-current when the conditions are only required to be met after the reporting period, then additional disclosures are required to enable the users of financial statements to understand the risk

that the liabilities could become repayable within twelve months after the reporting period.

The effective date of the amendment is for years beginning on or after 01 January 2024.

The Group and Company expects to adopt the amendment for the first time in the 2025 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the Group and Company's consolidated and separate financial statements.

Lease liability in a sale and leaseback - Amendment to IFRS 16

The amendment requires that a seller-lessee in a sale and leaseback transaction, shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

The effective date of the amendment is for years beginning on or after 01 January 2024.

The Group and Company expects to adopt the amendment for the first time in the 2025 consolidated and separate financial statements.

The amendment is not expected to have a material impact on the Group and Company's consolidated and separate financial statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Botswana Savings Bank
Consolidated And Separate Financial Statements for the year ended March 31, 2024

2. New Standards and Interpretations (continued)

IFRS 18 - Presentation and Disclosure in Financial Statements

IFRS 18 aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows.

IFRS 18 aims to improve financial reporting by:

- requiring additional defined subtotals in the statement of profit or loss;
- requiring disclosures about management-defined performance measures; and
- adding new principles for grouping (aggregation and disaggregation) of information

The effective date of the amendment is for years beginning on or after January 1, 2027.

The Group and Company expects to adopt the amendment for the first time in the 2028 consolidated and separate financial statements.

The new standard is expected to impact the Group and Company's presentation of the statement of profit or loss.

IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S1 requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected

to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as 'sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects').

The effective date of the amendment is for years beginning on or after January 1, 2024.

The Group and Company expects to adopt the amendment for the first time in the 2025 consolidated and separate financial statements.

Management is assessing the likely impact of the amendment on the Group and Company's consolidated and separate financial statements.

IFRS S2 Climate-related Disclosures

IFRS S2 requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as 'climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects').

The effective date of the amendment is for years beginning on or after January 1, 2024.

The Group and Company expects to adopt the amendment for the first time in the 2025 consolidated and separate financial statements.

Management is assessing the likely impact of the amendment on the Group and Company's consolidated and separate financial statements.



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Botswana Savings Bank

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	Group	Company	
	2024 P'000	2024 P'000	2023 P'000
Net interest income			
Interest income			
Loans and advances to customers	305,525	305,525	295,832
Other fixed deposits	23,304	23,226	14,764
Call accounts with other financial institutions	24,885	24,885	13,300
Botswana Post interest charge	-	-	4,768
Unwinding of discounted staff loans	9,685	9,685	8,754
	363,399	363,321	337,418
Interest expense			
Ordinary savings	(3,850)	(3,850)	(2,230)
Sesigo savings	(3,547)	(3,547)	(4,151)
Save-As-You-Earn	(196)	(196)	(173)
Thobo savings	-	-	(7)
National savings certificates (NSC)	(44)	(44)	(517)
Corporate deposits	(127,135)	(127,135)	(132,711)
Fixed deposits	(21,570)	(21,570)	(16,289)
Borrowings	(30,505)	(30,505)	(14,751)
Transaction account	(107)	(107)	(87)
Lease liability interest	(2,952)	(2,952)	(2,553)
	(189,906)	(189,906)	(173,469)
Net interest income	173,493	173,415	163,949
Net fee and commission income			
Fee and commission income			
Account maintenance fees	11,344	11,344	5,600
Over-the-counter fees	3,588	3,588	2,237
Commission on loan repayments	3,174	3,174	2,497
Card transaction fees	198	198	92
Revenue - insurance commission	16,236	-	-
	34,540	18,304	10,426
Fee and commission expense			
Agency fees	-	-	(1,797)
Commissions	(5,891)	(5,891)	(4,530)
VISA expenses	(3,378)	(3,378)	(2,869)
	(9,269)	(9,269)	(9,196)
Net fee and commission income	25,271	9,035	1,230

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Botswana Savings Bank

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	Group 2024 P'000	Company 2024 P'000	2023 P'000
Other income			
Rental income	2,980	2,980	3,153
Rooftop hosting fees	883	1,130	374
Social benefits recoveries	4,414	4,414	-
Other income	796	67	3
Profit on disposal of property, plant and equipment	175	175	-
	9,248	8,766	3,530
Future minimum rental income under non-cancellable leases as at March 31 were, as follows:			
Within 1 year	-	-	2,248
After 1 year within 5 years	-	-	-
Net impairment expense/(reversal) of financial assets			
Specific impairment - stage 3	4,798	4,798	13,753
Related party impairment	-	-	(1,894)
Portfolio (reversal)/impairment - (stage 1 & 2)	(1,524)	(1,524)	(15,286)
Recoveries	(1,490)	(1,490)	(2,282)
Net impairment expense/(reversal) on financial assets	1,784	1,784	(5,709)
Movement on specific impairments (Stage 3)			
Balance at the beginning of the year	62,343	62,343	48,590
Charge for the year	4,798	4,798	13,753
Balance at the end of the year	67,141	67,141	62,343
Movement on portfolio impairments (Stage 1 & 2)			
Balance at the beginning of the year	25,951	25,951	41,237
Current year reversal	(1,524)	(1,524)	(15,286)
Balance at the end of the year	24,427	24,427	25,951
Balance specific and portfolio impairments at the end of the year	91,568	91,568	88,294
Related party impairment			
Balance at the beginning of the year	-	-	1,894
Impairment reversal	-	-	(1,894)
Balance at the end of the year	-	-	-

The related party loan was fully settled and the impairment allowance was reversed to the statement of profit and loss and other comprehensive income in the prior year.



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Botswana Savings Bank

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	Group 2024 P'000	Company 2024 P'000	2023 P'000
Employee Benefits			
Salaries, wages and allowances	64,030	62,895	60,085
Pension and medical aid contributions	11,154	11,093	9,742
staff loan benefits	14,501	14,501	25,119
Training and recruitment costs	3,175	3,162	3,705
Staff welfare	4,297	4,297	2,896
Organisational restructuring	-	-	47
	97,157	95,948	101,594

The average number of persons employed by the Group and Company during the year was 238 (2023: 211).

Pension and medical aid contributions comprise pension contribution for the Group of P6.1 million (2023: P - million) and for the Company of P6.1 million (2023: P 5.4 million) and medical aid contributions for the Group of P5.0 million (2023: P -million) and for the Company of P5.0 million (2023: P 4.0 million)

Depreciation and amortisation

Depreciation of property, plant and equipment
Amortisation of intangible assets
Amortisation of right-of-use asset

	7,699	7,672	7,344
	11,939	11,939	9,495
	3,919	3,919	3,844
	23,557	23,530	20,683

Administrative and general expenses

Audit fees*
Consulting and professional fees
Debt recovery
Non-executive directors fees
Insurance premiums
Sales expenses
Setup costs - projects
Other operating expenses
Cash security expenses
Subscription fees
Motor vehicle expenses
Exchange losses
Passbook conversion expenses
Bank and other charges
Tax interest and penalty
Office expenses
Property management and security fees
Advertising and publicity
Repairs and maintenance
Software licencing and IT costs
Stationery, utilities and postage

	3,069	2,899	2,132
	5,997	5,901	4,069
	384	384	1,034
	519	519	383
	3,354	3,341	1,041
	1,198	1,197	344
	6,181	6,181	4,662
	1,557	1,556	1,001
	1,943	1,943	1,828
	1,082	1,078	723
	736	727	623
	223	223	278
	2,548	2,542	2,244
	635	632	464
	607	-	-
	211	172	122
	7,917	7,917	5,729
	6,931	6,928	5,695
	5,034	5,034	6,036
	16,139	16,132	14,216
	5,145	5,131	5,836
	71,410	70,437	58,460

*The audit fees for the consolidated and separate financial statements comprise of the following:

Audit fees - current year
Audit fees - prior year under provision
Regulatory related services
Other non-audit services

	2,281	2,151	1,772
	678	653	360
	15	-	-
	95	95	-
	3,069	2,899	2,132

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	Group 2024 P'000	Company 2024 P'000	2023 P'000
Income tax expense			
Current			
Local income tax - current year	3,335	-	-
Local income tax - prior year (over) under provision	-	-	(1,044)
Other income	3,335	-	(1,044)
Deferred			
Deferred tax (current year)	4,244	4,246	6,531
Deferred tax - prior year (over)/under provision	(2,309)	(2,309)	1,181
	1,935	1,937	7,712
Income tax expense	5,270	1,937	6,668
Numerical reconciliation of income tax expense to prima facie tax payable			
Reconciliation between accounting profit and tax expense.			
Profit before taxation	28,575	13,988	13,119
Tax at the applicable tax rate of 22% (2023: 22%)	6,287	3,077	2,886
Tax effect of adjustments on taxable income			
Disallowed expenses	1,292	1,169	3,645
Adjustment in respect to prior years	(2,309)	(2,309)	137
Income tax expense	5,270	1,937	6,668
Cash and cash equivalents*			
Cash and cash equivalents consist of:			Restated*
Cash on hand	16,246	16,246	14,727
Bank of Botswana	13,219	99	865
Aluwani money market fund	11,020	10,966	-
Stanbic Bank Botswana Limited	136,972	136,972	9,967
First National Bank of Botswana Limited	54,325	53,206	20,475
First Capital Bank Botswana Limited	126	126	30,724
ABSA Bank Botswana Limited	3,296	3,296	859
Access Bank Limited	3,841	3,841	160,063
Bank Gaborone Limited	1,191	1,191	3,463
BBS Bank Limited	100,000	100,000	-
	340,236	325,943	241,143

*The Group and Company changed its classification and presentation of cash and cash equivalents by accounting for money market instruments and short term deposits as investments in financial assets where these do not meet the requirement of IAS 7 - Statement of Cash Flows. These money market instruments and short term deposits were previously classified as cash and cash equivalents in the previous year. Refer to Note 35 for details. Cash and cash equivalents comprises cash on hand and investments in financial assets and money markets funds that are highly liquid instruments. The balances held with BBS Bank includes amounts relating to dormancy balances of P 26.7 million (2023: P -million). The 2023 balances of P27.1 million were included in the balances held with First Capital Bank.

Management has assessed the expected credit loss on cash and cash equivalents and noted no impairment as there is no history of default.



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Botswana Savings Bank

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	Group 2024 P'000	Company 2024 P'000	2023 P'000
Cash and cash equivalents* (continued)			
Fair value of cash and cash equivalents approximates carrying amount due to their short term tenure.			
Investment in financial assets*			Restated*
Stanbic Bank Botswana Limited	-	-	101,408
Vunani Botswana Money Market Fund	2,188	2,188	15,936
Bank Gaborone Limited	18,437	18,437	35,871
BBS Bank Limited	85,060	85,060	-
Access Bank Limited	8,249	8,249	109,026
Morula Capital Partners	11,128	11,128	141,244
Kgori Capital Unit Trust	10,561	10,561	-
IPRO Money Money Market Fund	5,269	5,269	-
Botswana Insurance Fund Manager Money Market Fund	21,633	21,633	-
	162,525	162,525	403,485

*The Group and Company changed its classification and presentation of cash and cash equivalents by accounting for money market instruments and short term deposits as investments in financial assets where these do not meet the requirement of IAS 7 - Statement of Cash Flows. These money market instruments and short term deposits were previously classified as cash and cash equivalents in the previous year. Refer to Note 35 for details.

Movement in investments - Restated

Opening balance	403,485	403,485	259,350
Additions	698,323	698,323	927,588
Disposals	(943,054)	(943,054)	(785,967)
Prior year accrued interest received	(3,277)	(3,277)	(763)
Accrued interest	7,048	7,048	3,277
	162,525	162,525	403,485

Fixed deposits with banks generally have a term of either 3 months, 6 months, 12 months and 24 months, however other maturities are negotiable or can be tailored to customer requirements. At year end the investments maturity periods were all 12 months or less. Interest rates are negotiable on a deal by deal basis. The interest rates ranged between 3.9% to 9.0% (2023 4% to 9.35%) during the current year. Fixed deposits at or below 3 months are classified as cash and cash equivalents.

The current year balance includes cash collateral for VISA transactions of P3.4 million (2023: P 6.6 million) held with Access Bank Limited. Balances with other banks and funds placed with Fund Managers are considered to be low credit risk and have not been impaired as these placements are made to banks and fund Managers that have high credit standing. Fair value of balances due from other banks and placements with Fund Managers approximate carrying amount due to their short term tenure.

Analysis by period

Within 1 year	162,525	162,525	403,485
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Botswana Savings Bank

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	Group 2024 P'000	Company 2024 P'000	2023 P'000
Other assets			
Other receivables	12,418	12,418	3,385
Prepayments	5,312	5,312	4,525
Stock of stationery	2,490	2,490	3,401
	20,220	20,220	11,311
Analysis of other assets			
Financial instruments	12,418	12,418	3,385
Non-financial instruments 7,802	7,802	7,802	7,926
	20,220	20,220	11,311
Other receivables comprise of tenant debtor balances, security deposits, amounts outstanding from VISA and staff advances. Other assets are considered to be low credit risk and have not been impaired.			
Fair value of other assets approximates carrying amount due to their short term tenure.			
Loans and advances to customers			
Motor vehicles advances	13,996	13,996	10,493
Residential property loans	503,793	503,793	526,310
Personal loans	2,263,128	2,263,128	1,898,033
	2,780,917	2,780,917	2,434,836
Less impairment provision	(91,568)	(91,568)	(88,294)
	2,689,349	2,689,349	2,346,542
Analysis by period			
Within 1 year	60,492	60,492	49,262
After 1 year within 5 years	1,164,225	1,164,225	1,086,698
After 5 years	1,556,200	1,556,200	1,298,876
	2,780,917	2,780,917	2,434,836
Sectorial analysis:			
Central Government employees	2,454,875	2,454,875	2,139,675
Parastatal employees	75,150	75,150	65,849
Local government employees and other customers	149,190	149,190	130,726
Staff loans	101,702	101,702	98,586
	2,780,917	2,780,917	2,434,836
Analysis of impairment losses on loans and advances			
Opening balance	88,294	88,294	89,827
Impairment expense/(reversal)	3,274	3,274	(1,533)
	91,568	91,568	88,294

The Bank has a credit facility with Access Bank Limited for the equivalent of P70 million (2023: P 70 million). The loan is interest bearing on commercial market related terms. As security for the facility, there is a deed of hypothecation in place in favour of Access Bank Limited to the value of 120% of the outstanding balance of the credit facility. For March 2024, the security is equivalent to P62 million (2023: P 85 million).



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Group	Company	
2024	2024	2023
P'000	P'000	P'000

Loans and advances to customers (continued)

Motor vehicle and residential loans to employees of the Government of Botswana have a 70% (previously 80%) guarantee issued by the employer. Motheo Personal Loan was introduced in November 2007. Two additional personal loan products, Lecha Personal loan and Express Loan were introduced in November 2015. Lecha has identical features to those of Motheo but has a higher loan amount - up to P750 thousand repayable over 120 months (compared to P200 thousand with repayment up to 5 years for Motheo). Express is a short term loan for up to 48 months with loan amount up to gross salary of each respective customer. No security is required for these loans as the deduction is made from source by the employer. All loans and advances are recognised when cash is disbursed to borrowers.

Management considers that the carrying amounts of loans and advances are a reasonable approximation of their fair value on account of being issued at market related interest rates.

Investment in subsidiary

The following table lists the entities which are controlled directly by the Company, and the carrying amount of the investment in the Company's separate financial statements. Refer to accounting policy note 1.2 for the basis of consolidation.

Name of entity	Held by	% voting power 2024	% voting power 2023	% holding 2024	% holding 2023	Carrying amount 2024	Carrying amount 2023
BSB Insurance Agency Proprietary Limited	Botswana Savings Bank	100.00 %	- %	100.00 %	- %	911	-

Current tax receivable

Opening Balance	(3,308)	(3,308)	(263)
Charge for the year	3,335	-	(1,044)
Tax paid during the year	(2,000)	(2,000)	(2,001)
Closing balance	(1,973)	(5,308)	(3,308)
Current tax payable	3,335	-	-
Current tax receivable	(5,308)	(5,308)	(3,308)
	(1,973)	(5,308)	(3,308)

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	Group	Company	
	2024 P'000	2024 P'000	2023 P'000
Deferred tax			
Deferred tax asset			
At beginning of year	19,732	19,732	27,444
Charge for the year	(4,244)	(4,246)	(6,531)
Prior year over/(under) provision	2,309	2,309	(1,181)
Closing Balance	17,797	17,795	19,732
The balance comprises temporary differences attributable to:			
Property, plant and equipment	(1,981)	(1,983)	(880)
Right of use assets	(6,748)	(6,748)	(6,668)
Intangible assets	(4,310)	(4,310)	(3,797)
Lease liability	8,145	8,145	7,812
Impairment of loans and advances	5,376	5,376	5,709
Unamortised Government grant	12,210	12,210	15,432
Unamortised Arrangement fees	2,744	2,744	-
Unamortised DSA fees	(3,487)	(3,487)	-
Deductible loss	5,848	5,848	2,124
Total deferred tax asset	17,797	17,795	19,732

Management expects to recover deferred tax assets when the deductible temporary differences reverse in the future.

Deductible tax analysis

Tax year	Tax loss P'000	Loss written off P'000	Loss c/fwd P'000	Tax year loss expires
2023	(9,657)	-	(9,657)	2028
2024	(16,923)	-	(16,923)	2029

The Botswana Tax Act allows companies to claim tax losses against future profits over the next five years after which the tax loss is no longer recoverable. Botswana Savings Bank reviewed the future earnings prospects over the next 3 years and concluded that the future taxable profits would increase. The amount of future taxable profits will enable Botswana Savings Bank to utilise the deferred tax asset. Botswana Savings Bank does not envisage significant capex and profits are expected to increase through a growing loan book and non-funded income by the use of agents and automation. Restructuring of the group is being considered, that is creation of a holding company for both the bank and Agency to enable utilisation of tax losses or alternatively liquidating of Botswana Savings Bank Insurance Agency and offering the insurance services as part of the bank's services.



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Right of use asset and lease liabilities

Group	2024		
	Cost or revaluation P'000	Cost or revaluation P'000	Carrying value P'000
Right-of-use assets	46,779	(16,106)	30,673

Reconciliation of carrying amounts, right-of-use assets - Group - 2024

	Opening balance P'000	Additions P'000	Disposals P'000	Modifications P'000	Depreciation P'000	Closing balance P'000
Buildings	30,310	177	(137)	4,242	(3,919)	30,673

Company

BSB Insurance Agency Proprietary Limited	2024			2023		
	Cost P'000	Accumulated depreciation P'000	Carrying value P'000	Cost P'000	Accumulated depreciation P'000	Carrying value P'000
Right of use assets	46,779	(16,106)	30,673	42,479	(12,169)	30,310

Reconciliation of carrying amounts, right-of-use assets - Company - 2024

	Opening balance P'000	Additions P'000	Disposals P'000	Modifications P'000	Depreciation P'000	Closing balance P'000
Buildings	30,310	177	(137)	4,242	(3,919)	30,673

Reconciliation of carrying amounts, right-of-use assets - Company - 2023

	Opening balance P'000	Additions P'000	Disposals P'000	Modifications P'000	Depreciation P'000	Closing balance P'000
Buildings	30,287	423	(308)	3,752	(3,844)	30,310

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	Group		Company	
	2024 P'000	2024 P'000	2024 P'000	2023 P'000
Right of use asset and lease liabilities (continued)				
Lease liabilities				
Lease liability - Opening balance	35,507	35,507	35,507	34,313
Repayments - principal & interest	(5,718)	(5,718)	(5,718)	(2,673)
Additions during the year	177	177	177	423
Remeasurement of right-of-use asset	4,242	4,242	4,242	3,752
Disposal of right-of-use asset	(137)	(137)	(137)	(308)
Lease interest	2,952	2,952	2,952	-
Lease liability - Closing balance	37,023	37,023	37,023	35,507
The maturity analysis of lease liabilities is as follows:				
Within one year	2,843	2,843	2,843	3,230
After 1 year, within 5 years	20,059	20,059	20,059	16,557
More than five years	14,121	14,121	14,121	15,720
	37,023	37,023	37,023	35,507

The Bank has entered into commercial leases for premises. The leases have an average life of between 3 and 5 years. Details of the leasing arrangements are presented above. Refer to note 8 for details relating to depreciation for right-of-use-assets and note 3 for interest charged on lease liabilities.

The table below shows the total cash outflows for leases.

Lease liability payments - Principal	(2,766)	(2,766)	(2,766)
Lease liability payments - Interest	(2,952)	(2,952)	(2,553)
Total cash outflows - leases	(5,718)	(5,718)	(5,226)

Intangible assets

Group

Computer software
Capital work in progress
Total

	2024		
	Cost	Accumulated amortisation	Carrying value
	P'000	P'000	P'000
Computer software	87,446	42,746	44,700
Capital work in progress	7,275	-	7,275
Total	94,721	(42,746)	51,975

Company

Computer software
Capital work in progress
Total

	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	P'000	P'000	P'000	P'000	P'000	P'000
Computer software	87,446	(42,746)	44,700	72,681	(30,807)	41,874
Capital work in progress	7,275	-	7,275	16,449	-	16,449
Total	94,721	(42,746)	51,975	89,130	(30,807)	58,323



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	Group		Company		2023 P'000	
	2024 P'000	2024 P'000	2024 P'000	2024 P'000		
Intangible assets (continued)						
Reconciliation of intangible assets - Group - 2024						
	Opening balance P'000	Additions P'000	Transfers P'000	Transfer to Property and equipment P'000	Amortisation P'000	Closing balance P'000
Computer software	41,874	-	14,765	-	(11,939)	44,700
Capital work in progress	16,449	7,275	(14,765)	(1,684)	-	7,275
	<u>58,323</u>	<u>7,275</u>	<u>-</u>	<u>(1,684)</u>	<u>(11,939)</u>	<u>51,975</u>
Reconciliation of carrying amounts, intangible assets - Company - 2024						
	Opening balance P'000	Additions P'000	Transfers P'000	Transfer to Property and equipment P'000	Amortisation P'000	Closing balance P'000
Computer software	41,874	-	14,765	-	(11,939)	44,700
Capital work in progress	16,449	7,275	(14,765)	(1,684)	-	7,275
	<u>58,323</u>	<u>7,275</u>	<u>-</u>	<u>(1,684)</u>	<u>(11,939)</u>	<u>51,975</u>
Reconciliation of carrying amounts, intangible assets - Company - 2023						
	Opening balance P'000	Additions P'000	Transfers P'000	Amortisation P'000	Closing balance P'000	
	37,196	338	13,835	(9,495)	41,874	
	-	-	16,449	-	16,449	
	<u>37,196</u>	<u>338</u>	<u>30,284</u>	<u>(9,495)</u>	<u>58,323</u>	

Intangible assets comprise of the Bank's core banking software, cyber security software and other miscellaneous software. As at year end, there were no commitments on Capital work in progress. Additions to Capital work in progress includes an amount of P7.3 million worth of assets that were not paid for at year end and have therefore been treated as non-cash flow additions. *An amount of P1.7 million relating to work-in-progress for property and equipment was erroneously classified as work-in-progress intangible assets. The error was prospectively corrected in the current year..

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	Group		Company			
	2024	2023	2024	2023		
	P'000		P'000			
Property, plant and equipment						
Group						
			2024			
	Cost or revaluation	Accumulated depreciation	Carrying value			
	P'000	P'000	P'000			
Buildings & leasehold improvements	40,080	(17,843)	22,237			
Furniture and fixtures	9,476	(5,555)	2,812			
Motor vehicles	14,121	14,121	3,921			
Office equipment	62,903	(35,741)	27,162			
Capital - Work in progress	307	-	307			
Total	125,832	(69,393)	56,439			
Company						
	2024		2023			
	Cost	Accumulated depreciation	Cost	Accumulated depreciation	Carrying value	
	P'000	P'000	P'000	P'000	P'000	
Buildings & leasehold improvements	39,967	(17,832)	22,135	39,967	(16,257)	23,710
Furniture and fixtures	12,926	(10,241)	2,685	12,531	(9,639)	2,892
Motor vehicles	9,476	(5,555)	3,921	8,275	(5,192)	3,083
Office equipment	62,819	(35,738)	27,081	52,947	(31,435)	21,512
Capital - Work in progress	307	-	307	307	-	307
Total	125,495	(69,366)	56,129	114,027	(62,523)	51,504

Reconciliation of property, plant and equipment - Group - 2024

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
	P'000	P'000	P'000	P'000	P'000	P'000
Buildings & leasehold improvements	23,710	112	-	-	(1,585)	22,237
Furniture and fixtures	2,892	534	-	-	(614)	2,812
Motor vehicles	3,083	2,240	(208)	-	(1,194)	3,921
Office equipment	21,512	8,272	-	1,684	(4,306)	27,162
Capital - Work in progress	307	-	-	-	-	307
Total	51,504	11,158	(208)	1,684	(7,699)	56,439



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	Group		Company			
	2024 P'000	2024 P'000	2024 P'000	2023 P'000		
Property, plant and equipment (continued)						
Reconciliation of carrying amounts of property, plant and equipment - Company - 2024						
	Opening balance P'000	Additions P'000	Disposals P'000	Transfers P'000	Depreciation P'000	Total P'000
Buildings & leasehold improvements	23,710	-	-	-	(1,575)	22,135
Furniture and fixtures	2,892	394	-	-	(601)	2,685
Motor vehicles	3,083	2,240	(208)	-	(1,194)	3,921
Office equipment	21,512	8,187	-	1,684	(4,302)	27,081
Capital - Work in progress	307	-	-	-	-	307
	<u>51,504</u>	<u>10,821</u>	<u>(208)</u>	<u>1,684</u>	<u>(7,672)</u>	<u>56,129</u>

Reconciliation of carrying amounts of property, plant and equipment - Company - 2023

	Opening balance P'000	Additions P'000	Transfers P'000	Other changes, movements P'000	Depreciation P'000	Total P'000
Buildings & leasehold improvements	25,467	-	-	-	(1,757)	23,710
Furniture and fixtures	2,229	833	293	-	(463)	2,892
Motor vehicles	4,273	-	-	-	(1,190)	3,083
Office equipment	20,510	5,328	-	(392)	(3,934)	21,512
Capital - Work in progress*	24,622	8,027	(30,578)	(1,764)	-	307
	<u>77,101</u>	<u>14,188</u>	<u>(30,285)</u>	<u>(2,156)</u>	<u>(7,344)</u>	<u>51,504</u>

The Capital - work in progress of P307 thousand (2023: P 307 thousand) comprises of hardware for the Point-of-sale project. As at year end, there were no commitments on Capital work in progress.

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	Group	Company	
	2024	2024	2023
	P'000	P'000	P'000

Property, plant and equipment (continued)

*The transfer of P1.7 million in the current year relates to work in progress classified in intangible assets being prospectively corrected in the current year.

Deposits due to customers

Ordinary savings	306,810	306,810	120,724
Save-As-You-Earn	19,193	19,193	24,929
Sesigo savings	187,311	187,342	195,115
Thobo savings	443	443	422
Transactional account	38,743	38,743	40,350
National savings certificates (NSC)	1,796	1,796	6,221
Corporate fixed deposits	1,555,798	1,555,798	1,674,079
Corporate savings	11,612	11,612	17,306
Retail fixed deposits	376,584	376,584	347,957
Special savings account	779	779	2,137
	2,499,069	2,499,100	2,429,240

Maturity and Interest Rates

	Maturity	Interest Rate	
		2024	2023
Ordinary savings	- On demand	1.75%	1.75%
Save-As-You-Earn	- 24 months	1.25%	1.25% - 2.00%
Sesigo savings	- On demand	1.75% - 2.75%	1.75% - 2.75%
Thobo savings	- 12 months	1.75%	1.75%
Transactional account	- On demand	0.3%	1.75%
National savings certificates (NSC)	- 60 months	3.75% - 4.5%	3.75% - 4.5%
Corporate fixed deposits	- 1 month to 3 years	Negotiable	Negotiable
Corporate savings	- On demand	Negotiable	Negotiable
Retail fixed deposits	- 3 months to over 24 months	Negotiable	0.54% - 1.52%
Special savings account	- 3 months to over 24 months	Negotiable	Negotiable

Management considers that the carrying amount of deposits due to customers is a reasonable approximation of their fair value.

Maturity analysis for deposits due to customers is presented below;

Due within 12 months	1,804,892	1,804,923	2,064,582
Due after 12 months	694,177	694,177	364,658
	2,499,069	2,499,100	2,429,240



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	Group 2024 P'000	Company 2024 P'000	2023 P'000
Other liabilities			
Trade payables	9,658	9,200	4,519
Other creditors*	1,779	1,919	509
Clearing accounts	4,553	4,553	2,319
Accrued audit fees	1,712	1,542	2,000
Other accrued expenses	667	-	-
Unclaimed balances	5,322	5,322	1,635
Insurance premium payable	5,381	8,714	1,767
Payroll expenses	7,318	7,065	5,987
Pay as you earn	219	219	313
Value added tax	1,061	-	-
	37,670	38,534	19,049
Analysis of other liabilities			
Financial instruments	29,072	31,250	12,749
Non-financial instruments	8,598	7,284	6,300
	37,670	38,534	19,049
*Other creditors comprise of Visa P1.5 million (2023: P208 thousand).			
Borrowings			
Principal amount outstanding at the beginning of the year	338,160	338,160	166,879
Proceeds from long term borrowings	150,050	150,050	192,050
Repayment of principal - long term borrowings	(45,067)	(45,067)	(23,695)
Repayment of interest - long term borrowings	(26,018)	(26,018)	(10,121)
Accrued Interest	29,466	29,466	13,047
	446,591	446,591	338,160

Botswana Government subordinated loan

A total of P105 million was advanced by the Government of Botswana for a period of twenty (20) years from July 2015. This period is inclusive of an initial grace period of two (2) years during which interest will be payable with the principal repayable over the remaining eighteen (18) years. The loan was initially obtained for purposes of facilitating the submission of an application for a banking licence to Bank of Botswana which is required for the commercialisation of Botswana Savings Bank.

As the bank's application for a banking licence had not yet been submitted, the bank was in violation of specific loan covenants and the loan had become callable at notice. The bank renegotiated the loan agreement with the lender and the breach was remedied. The loan is repaid annually and interest accrues at 5% per annum on the amount outstanding and is fixed over the loan term.

The loan was converted to a subordinated unsecured facility during the year ended March 2022. Unsecured long term – bonds The Bank has six unsecured bonds listed on the Botswana Stock Exchange Limited of which one bond matured during the year. An additional bond was also issued in the current year increasing the amount to P 328.8 million (2023: P 195.2 million).

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	Group 2024 P'000	Company 2024 P'000	2023 P'000
Borrowings (continued)			
Five year bonds			
The BSB-CRB-1227-03 bond, which amounts to P60 million, commenced on 9 December 2022 with a floating rate of 9.01%. Interest is determined at the beginning of the period as the Monetary Policy rate (MoPR) plus 6.36% as published by Bank of Botswana. The interest payment dates are 9th December and 9th June every year. The bond matures on 9 December 2027.			
The BSB-CRB-1227-03 bond, which amounts to P82 million, commenced on 9 January 2023 with a floating rate of 9.01%. Interest is determined at the beginning of the period as the Monetary Policy rate (MoPR) plus 6.36% as published by Bank of Botswana. The interest payments dates are 9th July and 9th January every year. The bond matures on 9 January 2028.			
The BSB-CRB-1227-03 bond, which amounts to P60 million, commenced on 9 December 2022 with a floating rate of 9.01%. Interest is determined at the beginning of the period as the Monetary Policy rate (MoPR) plus 6.36% as published by Bank of Botswana. The interest payment dates are 9th December and 9th June every year. The bond matures on 9 December 2027.			
BSB-CRB-1233-05 bond commenced on the 11 December 2023 with a fixed rate of 10.50% and a principle amount of P150.1 million. The interest paid twice a year December and June. The bond matures on 11 December 2033 but redeemable after 5 years.			
Two year bond			
BSB-CRB-1224-02 commenced on 9 December 2022 with a fixed rate of 9.25% and a principal amount of P30 million. The interest is paid twice a year, December and June. The bond matures on 9 December 2024.			
One year bond			
BSB-CRB-1223-01 commenced on 9 December 2022 with a fixed rate of 9.00% and a principal amount of P20.1 million. The bond matured on the 9 December 2023 and was fully settled.			
Access Bank Limited loan			
The Bank has a loan facility with Access Bank Limited of P100 million, meant to support the Bank's growth strategy of the retail book. The facility matures on 29 July 2026, is repaid monthly and bears interest at prime plus 1.5%.			
The loan has the following covenants;			
The Bank shall maintain a minimum Liquidity Asset Ratio(LAR) of 10%;			
The Bank will not exceed non-performing loans ratio of 8%, with early trigger/terms re-negotiation at 7%;			
The bank shall not pledge any assets that would jeopardise the lender's security,;			
The Bank shall maintain a minimum net interest margin of 3%; and			
Up to 120% of the outstanding balance of the loan will be secured by the Bank's loans and advances.			
Management considers that the carrying amount of borrowings are a reasonable approximation of their fair value.			
The analysis of closing balances for borrowings is presented below.			
Botswana government subordinated loan	66,383	66,383	72,416
Access Bank Limited loan	51,381	51,381	70,565
Unsecured subordinated long-term bonds	154,841	154,841	-
Unsecured long-term bonds	173,986	173,986	195,179
	446,591	446,591	338,160



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	Group 2024 P'000	Company 2024 P'000	2023 P'000
Borrowings (continued)			
The maturity analysis for borrowings is presented below.			
Within 1 year	65,667	65,667	52,517
After 1 year within 5 years	345,924	345,924	244,999
After 5 years	35,000	35,000	40,644
	446,591	446,591	338,160
Dormancy account liability			
Balance at the beginning of the year	27,144	27,144	29,108
Movement for the year	(414)	(414)	(1,964)
Balance at the end of year	26,730	26,730	27,144

A customer's savings account becomes dormant if after five consecutive years the customer does not transact in that account. Section 18 of the Botswana Savings Bank Act requires the Bank to transfer dormant accounts to a separate liability account. The dormancy liability is transferred to a separate bank account with another bank as per section 18(2) of the BSB act.

A transfer can only be made twelve months following the publication in the Government Gazette of dormant customer accounts so identified. The amount transferred from customer accounts is reported separately from deposits with customers under the dormancy account liability. In the event that a customer who was identified as dormant comes forward, their respective balance will be transferred to them from the dormancy liability account, either as a cash payment or transferred into their savings accounts.

Government grant

Opening balance	70,143	70,143	89,581
Grant refunded	(1,288)	(1,288)	-
Current year movement	(14,471)	(14,471)	(19,438)
	54,384	54,384	70,143

Current year movement comprise of capital grant amortisation amount of P14 million (2023: P 12 million) and expenditure on capital projects amounting to P- million (2023: P 7 million). In 2020 a total of P141 million was secured from the Government of Botswana as a grant to fund specific BSB projects. The Bank completed new branches in Palapye, Molepolole, Gumare and Kanye, while a new cyber security system has been procured. The grant relating to new branches was limited to P22 million, while the cyber security software was limited to P14 million. Grants used for acquisition of assets are amortised over the useful lives of the respective assets acquired to match with the depreciation and amortisation costs for the acquired assets.

Unrecallable capital

Subscribed			
Subscribed share capital	5,000	5,000	5,000
Unrecallable capital	14,721	14,721	14,721
	19,721	19,721	19,721

Section 3 (6) of the Botswana Savings Bank 1992 provides that the Bank's authorised share capital shall be P20 million of which the first P5 million shall constitute the fully subscribed share capital. The fully subscribed share capital represents the Government's contribution towards the construction of Tshomarelo House and other set up costs.

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	Group	Company	
	2024 P'000	2024 P'000	2023 P'000
Statutory reserve			
Balance at the beginning of the year	69,776	69,776	68,163
Movement for the year	3,013	3,013	1,613
Balance at the end of year	72,789	72,789	69,776

The statutory reserve has been established in terms of Section 3(e) of the Botswana Savings Bank Act, 1992. The section requires the Bank to transfer the equivalent of 25% of the comprehensive income for the year to a statutory reserve. The Bank may utilise this reserve against any remaining loss after such loss has been applied against retained earnings.

Contingent liabilities and commitments

These represents the commitments incurred on the issuance of residential property loans which, by virtue of long construction periods over several stages, results on some of the authorised amounts outstanding as at period end.

Loan commitments	1,908	1,908	3,679
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Pension fund

The Bank operates a defined contribution pension fund for its eligible employees. The Bank contributes 15% of the employees' basic pay and employees contribute 5% of their basic pay. See note 7.

Financial assets and liabilities by category

The disclosed fair value of these financial assets and liabilities measured at amortised cost approximate their carrying value because of their short-term nature except for loans, advances and leases which are at variable interest rates. Management considers that the carrying amounts of loans and advances and all other assets and liabilities are a reasonable approximation of their fair value.

Assets and liabilities category - Group - 2024

	Financial assets at amortised cost P'000	Financial liabilities at amortised cost P'000	Equity and non financial assets and liabilities P'000	Total P'000	Fair value P'000
Assets					
Loans and advances to customers	2,689,349	-	-	2,689,349	2,689,349
Investment in financial assets	162,525	-	-	162,525	162,525
Other assets	12,418	-	7,802	20,220	20,220
Cash and cash equivalents	340,236	-	-	340,236	340,236
Total Assets	3,204,528	-	7,802	3,212,330	3,212,330
Liabilities					
Deposits due to customers	-	2,499,069	-	2,499,069	2,499,069
Borrowings	-	446,591	-	446,591	446,591
Dormancy account liability	-	26,730	-	26,730	26,730
Lease liabilities	-	37,023	-	37,023	37,023
Other liabilities	-	29,072	8,598	37,670	37,670
Total Liabilities	-	3,038,485	8,598	3,047,083	3,047,083



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Assets and liabilities category - Company - 2024	Financial assets at amortised cost P'000	Financial liabilities at amortised cost P'000	Equity and non financial assets and liabilities P'000	Total P'000	Fair value P'000
Assets					
Investment in subsidiary	-	-	911	911	911
Loans and advances to customers	2,689,349	-	-	2,689,349	2,689,349
Investment in financial assets	162,525	-	-	162,525	162,525
Other assets	12,418	-	7,802	20,220	20,220
Cash and cash equivalents	325,943	-	-	325,943	325,943
Total Assets	3,190,235	-	8,713	3,198,948	3,198,948
Liabilities					
Deposits due to customers	-	2,499,100	-	2,499,100	2,499,100
Borrowings	-	446,591	-	446,591	446,591
Dormancy account liability	-	26,730	-	26,730	26,730
Lease liabilities	-	37,023	-	37,023	37,023
Other liabilities	-	31,250	7,284	38,534	38,534
Total Liabilities	-	3,040,694	7,284	3,047,978	3,047,978
Assets and liabilities category - Company - 2023 - Restated*					
Assets					
Loans and advances to customers	2,346,542	-	-	2,346,542	2,346,542
Investment in financial assets*	403,485	-	-	403,485	403,485
Other assets	3,385	-	-	3,385	3,385
Cash and cash equivalents*	241,143	-	-	241,143	241,143
Total Assets	2,994,555	-	-	2,994,555	2,994,555
Liabilities					
Deposits due to customers	-	2,429,240	-	2,429,240	2,429,240
Lease liabilities	-	35,507	-	35,507	35,507
Borrowings	-	338,160	-	338,160	338,160
Dormancy account liability	-	27,144	-	27,144	27,144
Other liabilities	-	12,748	-	12,748	12,748
Total Liabilities	-	2,842,799	-	2,842,799	2,842,799

*The Group and Company changed its classification and presentation of cash and cash equivalents by accounting for money market instruments and short term deposits as investments in financial assets where these do not meet the requirement of IAS 7 - Statement of Cash Flows. These money market instruments and short term deposits were previously classified as cash and cash equivalents in the previous year. Refer to Note 35 for details.

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Financial risk management

The Bank's activities expose it to a variety of risks. Taking measured risks is core to the financial business sector and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and retain and minimise potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices. Risk management is carried out by the Bank under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as exchange risk, interest rate risk and credit risk. In addition, Internal Audit is responsible for the independent review of risk management process and the control environment.

The activities of the Bank to a large extent make use of financial instruments. The Bank accepts deposits from its customers at fixed rates, and for varying periods, and therefore, would seek to earn interest margins by investing in high quality assets.

The Bank also mitigates its lending risks by giving out loans that are either guaranteed or have been granted against collateral or are based on employer direct deductions from payroll. The Bank is exposed to the following risks arising from its use of financial instruments:

- a) Market risk
- b) Credit risk
- c) Liquidity risk
- d) Capital risk

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Bank's income or the value of its holding of financial instruments.

Foreign exchange rate risk

The responsibilities of the finance 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 Bank incurring financial loss on settlement of foreign exchange positions taken in the banking books. The foreign exchange positions arise from the Bank holding foreign currency position in its books (e.g., bank balances).

The finance department is responsible for:

- Ensuring that effective risk management systems and internal controls are in place.
- Monitoring significant foreign exchange exposure.
- Reviewing the policies, procedures, and currency limits regularly in line with changes in the economic environment.

The ALCO (Assets and Liability Committee) regularly monitors the controls put in place by the finance department.

The Bank's foreign exchange exposures in Botswana Pula at the reporting date were less than P5,000.

Interest rate risk

The Bank is exposed to interest rate risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position (fair value interest rate risk) and cash flows (cash flow interest rate risk). Loans and advances to customers are variable rate based on the bank rate. The Bank's loan arrangements with customers reserves the right to change the rate at any times the Bank rate changes as set out by the central bank. The Bank also reserves the right to change the interest rates on deposits to customers in line with bank rate changes as set out by the central bank.



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Financial risk management (continued)

The Bank's main interest rate risk arises from retail deposits with variable rates, which exposes the Bank to the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in prime interest rate. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by finance department in its month-to-month monitoring activities. These activities include monitoring changes in the Bank's interest rate exposures, which include the impact of the Bank's outstanding or forecast debt obligations and changes to exposures arising from bank rate reform.

ALCO is responsible for setting the overall investment strategy of the Bank. Finance is responsible for implementing that strategy by putting in place the individual investments arrangements. The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Group	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
31 March 2024	P'000	P'000	P'000	P'000	P'000
Assets					
Cash and cash equivalents	340,236	-	-	-	340,236
Investment in financial assets	-	162,525	-	-	162,525
Loans and advances	1,759	14,524	971,051	1,793,583	2,780,917
Total financial assets	341,995	177,049	971,051	1,793,583	3,283,678
Liabilities					
Deposits due to customers	863,318	941,574	694,177	-	2,499,069
Borrowings	5,191	60,453	195,897	185,050	446,591
Lease liabilities	616	2,227	20,059	14,121	37,023
Total financial Liabilities	869,125	1,004,254	910,133	199,171	2,982,683
Total interest re-pricing gap	(527,130)	(827,205)	60,918	1,594,412	300,995
Company					
31 March 2024	P'000	P'000	P'000	P'000	P'000
Assets					
Cash and cash equivalents	325,943	-	-	-	325,943
Investment in financial assets	-	162,525	-	-	162,525
Loans and advances	1,759	14,524	971,051	1,793,583	2,780,917
Total financial assets	327,702	177,049	971,051	1,793,583	3,269,385
Liabilities					
Deposits due to customers	863,349	941,574	694,177	-	2,499,100
Borrowings	5,209	60,453	195,879	185,050	446,591
Lease liabilities	616	2,227	20,059	14,121	37,023
Total financial Liabilities	869,174	1,004,254	910,115	199,171	2,982,714
Total interest re-pricing gap	(541,472)	(827,205)	60,936	1,594,412	286,671

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Botswana Savings Bank

Consolidated And Separate Financial Statements for the year ended March 31, 2024

Financial risk management (continued)

Company

31 March 2023 - Restated*

Assets	0 - 3 months P'000	3 - 12 months P'000	1 - 5 years P'000	Over 5 years P'000	Total P'000
Cash and cash equivalents*	241,143	-	-	-	241,143
Investment in financial assets*	137,279	266,206	-	-	403,485
Loans and advances	19,241	30,021	1,086,698	1,298,876	2,434,836
Total financial assets	397,663	296,227	1,086,698	1,298,876	3,079,464
Liabilities					
Deposits due to customers	1,095,154	969,428	364,658	-	2,429,240
Borrowings	5,029	47,488	244,999	40,644	338,160
Lease liabilities	834	2,396	16,557	15,720	35,507
Total financial Liabilities	1,101,017	1,019,312	626,214	56,364	2,802,907
Total interest re-pricing gap	(703,354)	(723,085)	460,484	1,242,512	276,557

*The Group and Company changed its classification and presentation of cash and cash equivalents by accounting for money market instruments and short term deposits as investments in financial assets where these do not meet the requirement of IAS 7 - Statement of Cash Flows. These money market instruments and short term deposits were previously classified as cash and cash equivalents in the previous year. Refer to Note 35 for details.

An increase of 100 basis points in interest rates during the reporting period would have a positive yield of P287 thousand (2023: P 277 thousand). On the other hand, a 100 basis point decrease in interest rates during the reporting period would have had the equal but opposite effect on the reported profit for the year to the amounts disclosed above, on the basis that all other variables remain constant.

To address the short-term negative gap, the Bank aims to change its lending strategies by advancing short-term loans and advances using short-term deposits. During the current year, the Bank has been more aggressive in securing longer term deposits to match the assets and foregoing some of the short term deposits that would increase the negative gap.

Credit risk

Credit risk measurement

Credit risk is the risk that a counterparty will be unable to repay amounts when they fall due resulting in a financial loss to the Bank. The Bank manages its credit risk exposure by placing limits on the acceptable risk exposure to individual borrowers or groups of borrowers.

Credit risk arises primarily from the following instruments:

- Loans and advances;
- Cash and cash equivalents;
- Other assets; and
- Investments in financial assets.

In order to minimise credit risk, the Bank has developed and maintains its credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Botswana Savings Bank

Consolidated And Separate Financial Statements for the year ended March 31, 2024

Financial risk management (continued)

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the Bank's exposures:

- Payment record and ageing analysis;
- Extent of utilisation of granted limit;
- Forbearances (both requested and granted);
- Changes in business, financial and economic conditions; and
- Credit rating information supplied by external rating agencies.

Credit risk is monitored on an ongoing basis and managed through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and reporting of credit risk exposure.

The assessment of credit risk relies on internally-developed quantitative models for addressing regulatory and business needs. The models are used for the internal assessment of the three primary credit risk components:

- probability of default (PD);
- exposure at default (EAD); and
- loss given default (LGD).

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The forecast of economic variables, regression analysis and expert judgement is applied and confirmed through internal governance structures.

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below:

Retail – Groupings for collective measurement

- Product type
- Repayment type
- Collateral type

All stage 3 exposures for retail are assessed individually.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Financial Risk team.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Botswana Savings Bank

Consolidated And Separate Financial Statements for the year ended March 31, 2024

Financial risk management (continued) Group and Company - 31 March 2024

	Stage 1 12-month ECL P'000	Stage 2 Lifetime ECL P'000	Stage 3 Lifetime ECL P'000	Total P'000
Gross exposure as at 01 April 2023	2,324,902	24,694	85,240	2,434,836
Transfer to stage 1 (12-month ECL)	85,989	(22,523)	(63,466)	-
Transfer to stage 2 (Lifetime ECL)	(7,726)	7,726	-	-
Transfer to stage 3 (Credit impaired)	(3,101)	(1,517)	4,618	-
Net transfers in/(out) of stage	75,162	(16,314)	(58,848)	-
Exposure increase from scheduled instalments	1,063,903	242,753	302,057	1,608,713
Exposure reduction from final repayments	(235,449)	(235,449)	(235,450)	(706,348)
Business activity for the year	(547,151)	(4,528)	(4,605)	(556,284)
Increase in exposure for the year	281,303	2,776	62,002	346,081
Gross exposure as at 31 March 2024	2,681,367	11,156	88,394	2,780,917
	Stage 1 12-month ECL P'000	Stage 2 Lifetime ECL P'000	Stage 3 Lifetime ECL P'000	Total P'000
Group and Company - 31 March 2023				
Gross exposure as at 01 April 2022	2,664,875	62,741	60,579	2,788,195
Transfer to stage 1 (12-month ECL)	59,957	(52,085)	(7,872)	-
Transfer to stage 2 (Lifetime ECL)	(26,843)	30,087	(3,244)	-
Transfer to stage 3 (Credit impaired)	(34,874)	(4,914)	39,788	-
Net transfers (out)/in of stage	(1,760)	(26,912)	28,672	-
Exposure reduction from scheduled instalments	(448,745)	(12,478)	(7,498)	(468,721)
Exposure reduction from repayments	(98,028)	(1,610)	(678)	(100,316)
Business activity for the year	208,560	2,953	4,165	215,678
Reductions in exposure for the year	(338,213)	(11,135)	(4,011)	(353,359)
Gross exposure as at 31 March 2023	2,324,902	24,694	85,240	2,434,836

Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.



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Botswana Savings Bank

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Financial risk management (continued)

The following table explain the changes in the loss allowance between the beginning and the end of the annual period due to the above factors:

Group and Company - 31 March 2024

	Stage 1 12-month ECL P'000	Stage 2 Lifetime ECL P'000	Stage 3 Lifetime ECL P'000	Total P'000
Loss allowance as at 01 April 2023	18,690	7,261	62,343	88,294
Transfer to stage 1 (12-month ECL)	64,185	(6,620)	(57,565)	-
Transfer to stage 2 (Lifetime ECL)	(8)	8	-	-
Transfer to stage 3 (Credit impaired)	(4)	(60)	64	-
Net transfers in/(out) of stage	64,173	(6,672)	(57,501)	-
Exposure reduction from scheduled instalments	(2,186)	(297)	(4,156)	(6,639)
Exposure reduction from repayments	(5,185)	(1,102)	(4,604)	(10,891)
Business activity for the year	11,576	633	5,350	17,559
Model & changes in PD's, LGD's & FLI's	(64,335)	1,871	65,709	3,245
Provisions for the year	(60,130)	1,105	62,299	3,274
Loss allowance as at 31 March 2024	22,733	1,694	67,141	91,568

Company - 31 March 2023

	Stage 1 12-month ECL P'000	Stage 2 Lifetime ECL P'000	Stage 3 Lifetime ECL P'000	Total P'000
Loss allowance as at 01 April 2022	27,044	14,193	48,590	89,827
Transfer to stage 1 (12-month ECL)	17,676	(11,646)	(6,030)	-
Transfer to stage 2 (Lifetime ECL)	(354)	2,666	(2,312)	-
Transfer to stage 3 (Credit impaired)	(455)	(1,014)	1,469	-
Net transfers in/(out) of stage	16,867	(9,994)	(6,873)	-
Exposure reduction from scheduled instalments	(7,224)	(591)	(2,216)	(10,031)
Exposure reduction from repayments	(1,222)	(300)	(637)	(2,159)
Business activity for the year	1,695	718	4,849	7,262
Model & changes in PD's, LGD's & FLI's	(18,470)	3,235	18,630	3,395
Provisions for the year	(25,221)	3,062	20,626	(1,533)
Loss allowance as at 31 March 2023	18,690	7,261	62,343	88,294

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Botswana Savings Bank

Consolidated And Separate Financial Statements for the year ended March 31, 2024

Financial risk management (continued)

Coverage Ratios

The Bank monitors the expected level of impairment through the coverage ratios. The coverage ratio is the expected loss divided by exposure. The following table details the coverage for the period.

Group and Company - 31 March 2024

	Stage 1 12-month ECL P'000	Stage 2 Lifetime ECL P'000	Stage 3 Lifetime ECL P'000	Total P'000
Exposure				
Personal loans	2,180,524	6,010	76,594	2,263,128
Motor vehicle loans	13,996	-	-	13,996
Residential property loans	486,847	5,146	11,800	503,793
Total	2,681,367	11,156	88,394	2,780,917
ECL				
Personal loans	22,160	1,637	64,535	88,332
Motor vehicle loans	19	-	-	19
Residential property loans	554	57	2,606	3,217
Total	22,733	1,694	67,141	91,568
Coverage ratios				
Personal loans	1.0 %	27.2 %	84.3 %	3.9 %
Motor vehicle loans	0.1 %	- %	- %	0.1 %
Residential property loans	0.1 %	1.1 %	22.1 %	0.6 %
Total	0.8 %	15.2 %	76.0 %	3.3 %
Company - 31 March 2023				
Exposure				
Personal loans	1,805,054	20,719	72,260	1,898,033
Motor vehicle loans	10,408	-	85	10,493
Residential property loans	509,440	3,975	12,895	526,310
Total	2,324,902	24,694	85,240	2,434,836
ECL				
Personal loans	18,467	7,143	59,994	85,604
Motor vehicle loans	52	-	25	77
Residential property loans	172	117	2,324	2,613
Total	18,691	7,260	62,343	88,294
Coverage ratios				
Personal loans	1.0 %	34.5 %	83.0 %	4.5 %
Motor vehicle loans	0.5 %	- %	29.4 %	0.7 %
Residential property loans	- %	2.9 %	18.0 %	0.5 %
Total	0.8 %	29.4 %	73.1 %	3.6 %



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Botswana Savings Bank

Consolidated And Separate Financial Statements for the year ended March 31, 2024

Financial risk management (continued)

Impairment of related party balances

Exposure

Gross exposure as at the beginning of the year
Exposure reduction from payments
Business activity for the year
Reduction in exposure for the year
Gross exposure as at the end of the year

March 2024 Stage 3 Lifetime ECL P'000	March 2023 Stage 3 Lifetime ECL P'000
-	52,337
-	(156,053)
-	103,716
-	(52,337)
-	-

Loss allowance

Loss allowance as at start of the year
Exposure reduction from payments
Reduction in exposure for the year
Loss allowance as at end of the year

March 2024 Stage 3 Lifetime ECL P'000	March 2023 Stage 3 Lifetime ECL P'000
-	1,894
-	(1,894)
-	(1,894)
-	-

The related party loan was fully settled in 2023 and the impairment allowance was reversed to the statement of profit and loss and other comprehensive income.

Maximum exposure to credit risk before collateral held or other credit enhancements-All Financial instruments

Credit risk exposures relating to on-statement-of-financial-position assets are as follows:

Cash and cash equivalents*
Investment in financial assets*
Other assets
Gross loans and advances to customers
Motor vehicles advances
Residential property loans
Personal loans
Total on-statement of financial position exposure

Group 2024 P'000	Company 2024 P'000	2023 Restated* P'000
340,236	(1,575)	22,135
162,525	(601)	2,685
12,418	(1,194)	3,921
13,996	13,996	10,493
503,793	503,793	526,310
2,263,128	2,263,128	1,898,033
3,296,096	3,281,803	3,082,849
1,908	1,908	3,679
1,908	1,908	3,679
3,298,004	3,283,711	3,086,528

Credit risk exposure relating to off-statement-of-financial-position items are as follows:

Loan commitments
Total off-statement-of-financial position exposure
Total credit risk exposure

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Financial risk management (continued)

*The Group and Company changed its classification and presentation of cash and cash equivalents by accounting for money market instruments and short term deposits as investments in financial assets where these do not meet the requirement of IAS 7 - Statement of Cash Flows. These money market instruments and short term deposits were previously classified as cash and cash equivalents in the previous year. Refer to Note 35 for details. The above table represents a worst case scenario of credit risk exposure to the Bank at 31 March 2024, without taking account of any collateral held or other credit enhancements attached. For all assets listed on the statement of financial position, the exposures set out above are based on carrying amounts as reported.

The most significant exposures are derived from loans and advances to customers. Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loans and advances portfolio and other securities based on the following:

- The Bank employs a range of policies and practices to mitigate credit risk.
- Residential loans are backed by collateral.
- All financial assets, other than special mention and non-performing loans and advances, are neither past due nor impaired.

Maximum exposure to credit risk - Financial instruments

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

Group and Company

31 March 2024

Credit grade

Investment grade

Standard monitoring

Special monitoring

Default

Gross carrying amount

Loss allowance

Carrying amount

Group and Company

31 March 2023

Credit grade

Investment grade

Standard monitoring

Special monitoring

Default

Gross carrying amount

Loss allowance

Carrying amount

	Stage 1 12-month ECL P'000	Stage 2 Lifetime ECL P'000	Stage 3 Lifetime ECL P'000	Total P'000
Investment grade	2,680,023	-	-	2,680,023
Standard monitoring	1,344	-	-	1,344
Special monitoring	-	11,156	-	11,156
Default	-	-	88,394	88,394
Gross carrying amount	2,681,367	11,156	88,394	2,780,917
Loss allowance	(22,733)	(1,694)	(67,141)	(91,568)
Carrying amount	2,658,634	9,462	21,253	2,689,349
Investment grade	2,292,949	-	-	2,292,949
Standard monitoring	31,953	-	-	31,953
Special monitoring	-	24,694	-	24,694
Default	-	-	85,240	85,240
Gross carrying amount	2,324,902	24,694	85,240	2,434,836
Loss allowance	(18,690)	(7,261)	(62,343)	(88,294)
Carrying amount	2,306,212	17,433	22,897	2,346,542

Risk limit control and mitigation policies

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a monthly basis and are subject to regular review. Limits on the level of credit risk are approved by the Board of Directors.



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Botswana Savings Bank

Consolidated And Separate Financial Statements for the year ended March 31, 2024

Financial risk management (continued)

Exposure to credit risk is managed upfront when an application for credit is received. The Credit Risk Management Model is utilised by the Bank and assesses the three components of safety, desirability and profitability. Throughout the lifespan of the credit facility, regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations is assessed and lending limits are changed where appropriate. Exposure to credit risk is also managed in part by obtaining collateral, insurance and personal guarantees. The amount the Bank is willing to lend unsecured is capped and approved by the Board.

Placements with banks, including loans and advances to banks, are subject to the normal credit process.

Some other specific control and mitigation measures are outlined below:

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. Within the credit risk area, mandates are predetermined in order to ensure that the applicable level of authority provides guidance and approval for advances. Risk exposure to advances is reduced by obtaining approved security as defined by the Board Risk Committee and listed in the advance instruction manual.

The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation and the principal collateral types for loans and advances are:

- cash deposited with and ceded to the Bank;
- deposit with any registered financial institution and ceded to the Bank;
- life assurance policies with a confirmed surrender value; and
- any other form of tangible collateral security subject to approval by the Board Credit Committee.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

Collateral per class of loans and advances:

Residential Property Loans (Mortgages):

- All loans issued under the GEMVAS scheme are guaranteed by the Botswana Government
- The government guarantees 80% of the book value (70% for loans issued after 1 April 2019)
- All other residential property loans (staff residential loans) are secured by a first, second or third lien on the property and the Bank obtains a cession on the insurance policy

Motor vehicle loans:

- All motor vehicle loans are issued under the scheme with the employer
- The employer guarantees 70% (previously 80%) of the loan balance
- Most employers on this scheme are parastatals

The following security can be given for any loan class depending on the circumstances and purpose of the loan:

- Suretyships
- Registered cession of life insurance policy
- Cession of fixed deposits, notice deposits, bills, bonds, shares, investments or debtors.

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Botswana Savings Bank

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Financial risk management (continued)

Valuation assumptions

	2024		2023	
	Motor vehicle loans	Residential property loans	Motor vehicle loans	Residential property loans
Weighted average discount rate	3%	10% to 27%	6%	5% to 10%
Weighted average time to recovery	12 - 18 months	12 - 18 months	9 months	9 months
Financial year end		Recovery time	Discount rates	
31 March 2024		12 to 18 months	5% to 8%	
31 March 2023		8 to 12 months	5% to 10%	

Discount rates

The Bank applies the discount rates based on the employment sector of customers. The collateral on loans of customers employed in the government sector is discounted at 3% (2023: 5.3%), whilst the private sector is discounted at 10% (2023: 10%).

Valuation methodologies

In determining the recoverable amount of the government guarantees the following are taken into consideration:

Government guarantees on GEMVAS residential property loans.

- The guarantee is discounted at the risk-free rate for the estimated time to realization, which is 18 months. Property collateral on staff residential property loans
- Forced sales values are used as collateral, resulting in a range of haircuts.
- The value of the collateral is limited to the book value of the loan
- The limited collateral is discounted at 10 - 27% (2023: 10%) for the estimated time to realisation, which is 12 months (2023: 9 months).

Property valuation

In the case where a property is offered as security in the form of covering a mortgage bond, the valuation of the property is valid for three years in the banking book. A revaluation of the property needs to be done when there is an indication that the value of the property has declined. An approved revaluation of the property is required when a further advance or additional mortgage is applied for, when repayment comes in arrears, when an application for the release of collateral or any additional security is received or for properties in possession. Homeowners comprehensive insurance is compulsory for all the mortgage loans. All articles financed by the Bank must be comprehensively insured.

Life insurance valuation

Life insurance that is used as security for loans taken out at the Bank is ceded to the Bank and the cession is registered by the insurance bank. The values of the life insurance policies ceded to the Bank must be updated at least annually to determine the security value and to establish whether premiums are up to date.

Credit life insurance

The customer signs a formal loan agreement and sufficient credit life insurance is ceded to the Bank. A formal payroll agreement between the applicant's employer and the Bank is also signed. Non-government applicants must sign an acknowledgement of debt and cede their surplus benefits (e.g. unpaid leave) payable on termination of service to the Bank. Long-term finance and lending is generally secured. In addition, in order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances. Although revolving individual credit facilities are generally unsecured, these are only granted to clients after stringent credit reviews.



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Botswana Savings Bank

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Financial risk management (continued)

ii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurance that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because long-term commitments generally have a greater degree of credit risk than short-term commitments.

Credit quality of loans and advances and other financial instruments

i. Credit quality and management of loans and advances

Initial applications

The Bank applies a standardised approach when assessing applications for credit. All applications are completed according to the Botswana Savings Bank risk model, which covers all information required to make an informed decision when granting advances. The risk model has the main components of safety, desirability and profitability which is further broken down as:

- background;
- needs;
- financial position;
- security;
- desirability;
- profitability; and
- recommendation – positive / negative aspects.

Subsequent credit assessments

Management information system reports were developed over time in order to effectively monitor and manage the quality of the loan portfolio and pro-actively identify problem accounts and trends. The following reports are generated:

- Excesses are reported and reviewed on a daily basis.
- The branches submit a monthly report on specific issues in order to take remedial actions on dormant accounts, suspended accounts, irregular accounts (outstanding 45 days and longer), outstanding security, special mention accounts, guarantees, and bad debts written off within branch mandates.
- The credit department submits a monthly report to the executive management team and a more detailed report to the Board of Directors on a quarterly basis regarding the status of the credit portfolio of the Bank.
- Monthly statistics per product are used to monitor the quality and management of the loan portfolio per branch.
- All clients with exposures approved above branch level are interviewed by credit before non-performing accounts are transferred to legal collection branch.

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Botswana Savings Bank

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Financial risk management (continued)

- All transfers to the legal collections branch with an impairment provision higher than P2,000 are scrutinised by the credit department and categorised under:
- poor assessment
- poor management
- poor collateral
- economic reasons; and
- other

The Bank has a process to proactively manage potential problem accounts to prevent possible losses. These advances are identified with assistance of the branches and are part of monthly credit reporting processes. Impairment provisions on these active accounts are raised in accordance with the credit policy.

	Group and Company 2024		Company 2023	
	Loans and advances to customers P '000	Investments in financial assets P '000	Loans and advances to customers P '000	Investments in financial assets P '000 Restated*
Performing/Past due but not impaired	2,692,523	162,525	2,349,596	403,485
Individually impaired	88,394	-	85,240	-
Gross	2,780,917	162,525	2,434,836	403,485
Less: allowance for impairment	(91,568)	-	(88,294)	-
Net	2,689,349	162,525	2,346,542	403,485

a) Loans and advances neither past due nor impaired

Loans and advances to customers in this category primarily comprise structured finance to clients, which have no evidence of a deterioration of credit quality.

b) Loans and advances past due but not individually impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contract.



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Botswana Savings Bank

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Financial risk management (continued)

c) Loans and advances individually impaired

Loans and advances are managed with reference to the days in arrears. Days in arrears are calculated based on the amount past due relative to the instalment amount. Loans and advances outstanding for longer than 90 days are considered non-performing and are included in stage 3 for the loss allowance calculation.

31 March 2024

	Neither past nor impaired	Past due but not individually impaired	Individually impaired	Total
Exposure	P '000	P '000	P '000	P '000
Personal loans	2,180,524	6,010	76,594	2,263,128
Motor vehicle advances	13,996	-	-	13,996
Residential property loans	486,847	5,146	11,800	503,793
	<u>2,681,367</u>	<u>11,156</u>	<u>88,394</u>	<u>2,780,917</u>

31 March 2023

	Neither past nor impaired	Past due but not individually impaired	Individually impaired	Total
Exposure	P '000	P '000	P '000	P '000
Personal loans	1,805,054	20,719	72,260	1,898,033
Motor vehicle advances	10,408	-	85	10,493
Residential property loans	509,440	3,975	12,895	526,310
	<u>2,324,902</u>	<u>24,694</u>	<u>85,240</u>	<u>2,434,836</u>

Group and Company - 31 March 2024

	Motor Vehicle advances	Personal loans	Residential property loans	Total	Related party
Stage 1	13,996	2,180,524	486,847	2,681,367	7,150
Stage 2	-	6,010	5,146	11,156	-
Stage 3	-	76,594	11,800	88,394	-
	<u>13,996</u>	<u>2,263,128</u>	<u>503,793</u>	<u>2,780,917</u>	<u>7,150</u>
Interest in suspense	-	(3,568)	(116)	(3,684)	-
Fair value of collateral	(7,474)	-	(388,051)	(395,525)	-
Total	6,522	2,259,560	115,626	2,381,708	7,150
Impairment raised against unsecured amounts	(18)	(88,276)	(3,274)	(91,568)	-
Net exposure	<u>6,504</u>	<u>2,171,284</u>	<u>112,352</u>	<u>2,290,140</u>	<u>7,150</u>

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Botswana Savings Bank

Consolidated And Separate Financial Statements for the year ended March 31, 2024

Financial risk management (continued)

31 March 2023

	Motor Vehicle advances	Personal loans	Residential property loans	Total
Stage 1	10,408	1,805,054	509,440	2,324,902
Stage 2	-	20,719	3,975	24,694
Stage 3	85	72,260	12,895	85,240
	<u>10,493</u>	<u>1,898,033</u>	<u>526,310</u>	<u>2,434,836</u>
Fair value of collateral	(5,974)	(470,384)	(476,358)	-
Total	4,519	1,898,033	1,958,478	-
Impairment raised against unsecured amounts	(77)	(85,604)	(88,294)	-
Net exposure	<u>4,442</u>	<u>1,812,429</u>	<u>1,870,184</u>	<u>-</u>

The value of tangible collateral disclosed above is limited to the outstanding balance, therefore any over-collateralised portion of a loan is excluded from the value of tangible collateral. Impairments are raised for under-collateralised non-performing loans, resulting in a net exposure of nil. Further information of the impairment allowance for loans and advances to customers is provided in note 6.

Included in loans and advances is a related party balance of P7.2 million (2023: P 5.6 million)

The following section summarises the credit quality of financial assets and exposures to corresponding and counterparty banks.

Group - 31 March 2024

	Carrying amount	Investment grade (AAA to BBB)	Unrated	Total
	P '000	P '000	P '000	P '000
Cash equivalents	340,236	-	340,236	340,236
Investment in financial assets	162,525	-	162,525	162,525
Other assets	12,418	-	12,418	12,418
Total assets (excluding loans and advances and other securities)	<u>515,179</u>	<u>-</u>	<u>515,179</u>	<u>515,179</u>

Group - 31 March 2024

	Carrying amount	Investment grade (AAA to BBB)	Unrated	Total
	P '000	P '000	P '000	P '000
Cash equivalents	325,943	-	325,943	325,943
Investment in financial assets	162,525	-	162,525	162,525
Other assets	12,418	-	12,418	12,418
Total assets (excluding loans and advances and other securities)	<u>500,886</u>	<u>-</u>	<u>500,886</u>	<u>500,886</u>



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Botswana Savings Bank

Consolidated And Separate Financial Statements for the year ended March 31, 2024

Financial risk management (continued)

Company - 31 March 2023

	Carrying amount	Investment grade (AAA to BBB)	Unrated	Total
	P '000	P '000	P '000	P '000
Cash equivalents*	241,143	-	241,143	241,143
Investment in financial assets*	403,485	-	403,485	403,485
Other assets	3,385	-	3,385	3,385
Total assets (excluding loans and advances and other securities)	648,013	-	648,013	648,013

*The Group and Company changed its classification and presentation of cash and cash equivalents by accounting for money market instruments and short term deposits as investments in financial assets where these do not meet the requirement of IAS 7 - Statement of Cash Flows. These money markets were previously classified as cash and cash equivalent in previous year. Refer to Note 35 for details.

Unrated exposures consist mainly of cash balances, investments in financial assets and Bank of Botswana certificates, which are short term and highly liquid in nature. The creditworthiness of these government and large commercial banks' money market instruments are of high quality, which poses low credit risk. Other assets consist of accounts receivable as well as clearing and settlement accounts. Rated and unrated exposures are not collateralised.

Cash and cash equivalents and investments in financial assets are considered to have a low credit risk. The Bank considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'Investment grade (AAA to BBB)'.

Repossessed collateral

The Bank obtains assets by taking possession of collateral held as security. During the reporting period collateral repossessed included government guarantees on GEMVAS residential properties, which came on the form of cash. The Bank manages credit concentration risk by imposing credit risk concentration caps on the exposure for different loans and advances classifications, such as product classes, regions and industry. The credit risk concentration caps are directly linked to the board-approved risk capacity, appetite and tolerance thresholds, and are managed as part of the risk management process. The credit concentration risk is also further assessed using stress testing and scenario analyses quantitative models.

Assumptions for the valuation of collateral

Group and Company - 31 March 2024

Valuation assumptions

Range of discount rates

Weighted average time to recovery

Motor vehicle loans	Residential property loans
---------------------	----------------------------

3%	10% - 27%
18 months	12-18 months

Assumptions for the valuation of collateral

Company - 31 March 2023

Valuation assumptions

Range of discount rates

Weighted average time to recovery

Motor vehicle loans	Residential property loans
---------------------	----------------------------

6.00%	5% - 10%
9 months	9 months

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Botswana Savings Bank

Consolidated And Separate Financial Statements for the year ended March 31, 2024

Financial risk management (continued)

Valuation assumptions	Motor vehicle loans	Residential property loans
Weighted average discount rates	0.03	0.05 - 0.27
Weighted average time to recovery	18 months	12 - 18 months
Weighted average hair cut to market value of collateral	1.8%	10
Range of assumptions	Recovery time	Discount rates
Financial year end		
31 March 2024	18 months	10% to 27%
31 March 2023	8 to 12 months	5% to 10%
31 March 2022	8 to 12 months	3.5% to 10%
31 March 2021	8 to 12 months	3.5% to 10%
31 March 2020	12 months	0.05%
Liquidity risk		

Liquidity risk is the risk that the Bank is unable to meet its obligations from its financial liabilities. Liquidity risk may arise in situations where there are mismatches between maturities of assets and liabilities. The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank's liquidity risk. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates. Assets and liabilities are generated from a variety of different sources and opportunities over a period of time and therefore inherently this will create a mismatch in the statement of financial position. The Bank actively and closely manages this mismatch.

The Bank's liquidity management process, as carried out within the Bank, includes:

- a. Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customer;
- b. Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- c. Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- d. Managing the concentration and profile of debt maturities.

i) Management of liquidity risk

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Asset and Liabilities Committee (ALCO). A summary report, including any exceptions and remedial action taken, is submitted regularly to the ALCO Committee.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Botswana Savings Bank

Consolidated And Separate Financial Statements for the year ended March 31, 2024

Financial risk management (continued)

ii) Exposure to liquidity risk

The table below analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at the reporting date to the maturity date.

Maturity analysis table

Group

31 March 2024

	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
	P '000	P '000	P '000	P '000	P '000
Assets					
Cash and cash equivalents	340,236	-	-	-	340,236
Investments in financial assets	-	162,525	-	-	162,525
Loans and advances to customers**	1,786	16,017	1,439,444	3,991,197	5,448,444
Other assets	12,418	-	-	-	12,418
Total assets	354,440	178,542	1,439,444	3,991,197	5,963,623
Liabilities					
Deposits due to customers**	1,077,554	1,066,666	890,938	618	3,035,776
Other liabilities	31,251	-	-	-	31,251
Borrowings**	7,431	91,243	309,043	269,951	677,668
Dormancy account liability	26,730	-	-	-	26,730
Lease liabilities**	1,408	4,329	25,022	22,913	53,672
Total liabilities	1,144,374	1,162,238	1,225,003	293,482	3,825,097
Net liquidity gap	(789,934)	(983,696)	214,441	3,697,715	2,138,526

Company

31 March 2024

	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
	P '000	P '000	P '000	P '000	P '000
Assets					
Cash and cash equivalents	325,943	-	-	-	325,943
Investments in financial assets	-	162,525	-	-	162,525
Loans and advances to customers**	1,786	16,017	1,439,444	3,991,197	5,448,444
Other assets	12,418	-	-	-	12,418
Total assets	340,147	178,542	1,439,444	3,991,197	5,949,330
Liabilities					
Deposits due to customers**	1,077,554	1,066,666	890,938	618	3,035,776
Other liabilities	31,250	-	-	-	31,250
Borrowings**	7,431	91,243	309,043	269,951	677,668
Dormancy account liability	26,730	-	-	-	26,730
Lease liabilities**	1,408	4,329	25,022	22,913	53,672
Total liabilities	1,144,373	1,162,238	1,225,003	293,482	3,825,096
Net liquidity gap	(804,226)	(983,696)	214,441	3,697,715	2,124,234
Cumulative liquidity gap	-	(1,787,922)	(1,573,481)	2,124,234	2,124,234

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Botswana Savings Bank

Consolidated And Separate Financial Statements for the year ended March 31, 2024

Financial risk management (continued)

31 March 2023

Assets

Cash and cash equivalents*

Investments in financial assets*

Loans and advances to customers**

Other assets

Total assets

Liabilities

Deposits due to customers**

Other liabilities

Borrowings**

Dormancy account liability

Lease liabilities**

Total liabilities

Net liquidity gap

Cumulative liquidity gap

	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
	P '000	P '000	P '000	P '000	P '000
Cash and cash equivalents*	241,143	-	-	-	241,143
Investments in financial assets*	-	403,485	-	-	403,485
Loans and advances to customers**	19,252	30,999	1,400,891	1,794,272	3,245,414
Other assets	3,385	-	-	-	3,385
Total assets	263,780	434,484	1,400,891	1,794,272	3,893,427
	P '000	P '000	P '000	P '000	P '000
Deposits due to customers**	1,129,541	1,066,666	441,535	-	2,599,660
Other liabilities	12,749	-	-	-	12,749
Borrowings**	6,488	91,243	316,519	49,000	425,206
Dormancy account liability	27,144	-	-	-	27,144
Lease liabilities**	1,421	4,329	24,164	20,726	50,564
Total liabilities	1,177,343	1,162,238	782,218	69,726	3,115,323
Net liquidity gap	(913,563)	(983,696)	618,673	1,724,546	778,104
Cumulative liquidity gap	-	(1,787,922)	(946,442)	778,104	778,104

*The Group and Company changed its classification and presentation of cash and cash equivalents by accounting for money market instruments and short term deposits as investments in financial assets where these do not meet the requirement of IAS 7 - Statement of Cash Flows. These money market instruments and short term deposits were previously classified as cash and cash equivalents in the previous year. Refer to Note 35 for details. As per the maturity analysis table, there is an overall liquidity mismatch in period 0-5 years, management is addressing this through regular monitoring of current and future cash flows. Furthermore, Management is aiming to raise long term debt to reduce the reliance on short term deposits which are causing the significant short-term gap.

** Balances represent undiscounted cash flows in accordance with IFRS 7.

Liquidity ratio

The Bank of Botswana has issued guidelines on the management of liquidity. These guidelines require that total liquid assets divided by total customer deposits should be at least 10%. Liquidity ratios have been assessed as follows:

	2024	
	P '000	
Group		
Total liquid assets	502,761	
Total deposits	2,499,069	
Ratio	20 %	
	2024	2023
	P '000	P '000
Company		
Total liquid assets	488,468	644,628
Total deposits	2,499,100	2,429,240
Ratio	20 %	27 %

The following are considered as liquid assets by the Bank of Botswana

- Notes and coins;
- Balances due from Bank of Botswana excluding primary reserve requirement balances;
- Balances due from domestic banks with maturities less than 184 days;
- Treasury bills equal to or less than 6 months;



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Botswana Savings Bank

Consolidated And Separate Financial Statements for the year ended March 31, 2024

Financial risk management (continued)

- e) Government bonds with maturities less than 12 months;
- f) Bank of Botswana Certificates - those pledged as security;
- g) Other government obligations with less than 12 months' maturity; and
- h) Other liquid assets.

Capital risk management

Capital adequacy and the use of regulatory capital are monitored by the Bank, applying techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervisory Practices (Basel Committee) and European Community Directives, as implemented by the Bank of Botswana for supervisory purposes. These techniques include the risk asset ratio, which the Bank of Botswana regards as a key supervisory tool. The Bank of Botswana has set the individual minimum ratio requirements for Banks in Botswana at 12.5% which is above the Basel Committee minimum guideline of 8%. The ratio calculation involves the application of designated risks weightings to reflect an estimate of credit, market and other risks associated with broad categories of transactions and counterparties.

The concept of risk weighting, as applied to banking activities, assumes that such activities generally include some risk of loss. For risk weighting purposes, commercial lending is taken as a benchmark to which a risk weighting of 100% is ascribed. Other transactions considered to generate lower levels of risk than commercial lending may qualify for reduced weightings. Off balance sheet items are converted to credit risk equivalents by applying credit conversion factors laid down by the Basel Committee, as implemented by the Bank of Botswana. The resulting amounts are then risk weighted according to the nature of the counterparty.

Regulatory guidelines define two tiers of capital resources:

- a) Tier 1 (core) capital, comprising mainly shareholders' funds, is the highest tier
- b) Tier 2 capital includes perpetual, medium and long term subordinated debt and general provisions for bad and doubtful debts.

Both tiers can be used to meet trading and banking activity requirements. To monitor the adequacy of its capital, the Bank uses ratios established by the Bank of Botswana. These ratios measure adequacy by comparing the Bank's eligible capital with its reported assets and commitments at weighted amounts to reflect their relative risk. The regulator has advised all financial institutions to ensure capital requirements to be based on the Basel framework. The regulator has advised the adoption of the following approaches:

Standardised Approach (SA) for Credit risk,

Basic Indicator Approach (BIA) for Operational risk

Standardised Measurement Method (SMM) for Market risk.

For prudential supervisory purposes, Tier 1 capital consists of unrecallable share capital together with the general and the statutory reserves. The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain growth of the business. The objective is to strike a balance between the higher returns that might be possible with greater earnings and the advantages and security afforded by a sound capital position. The Bank has complied with all externally imposed capital requirements throughout the period. The capital adequacy ratio 21.0% as at 31 March 2024 (2023: 13.6%). The minimum capital adequacy rate as set by the Bank of Botswana is 12.5%.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Botswana Savings Bank

Consolidated And Separate Financial Statements for the year ended March 31, 2024

	Group	Company	
	2024	2024	2023
Financial risk management (continued)			
The following table shows the capital adequacy for the Bank and the risk weighted assets based on Basel II as at 31 March 2024:			
Company		2024	2023
Tier 1 capital		P '000	P '000
Stated Capital		19,721	19,721
Statutory reserve		72,789	69,776
Retained earnings		165,956	156,918
Deduct			
Intangible assets		(51,975)	(58,323)
Total Tier 1 capital		206,491	188,092
Tier 2 capital			
Provisional reserve		24,025	23,968
Subordinated debt		221,224	72,416
Total qualifying capital		451,740	284,476
Credit RWAs		1,922,037	1,918,155
Operational RWAs		193,408	171,861
Total Risk weighted assets		2,115,445	2,090,016
Tier 1 risk based capital ratio (minimum 7.5%)		9.8 %	9.0 %
Total risk-weighted capital ratio (minimum 12.5%)		21.4 %	13.6 %

Related parties

100% shareholding

Botswana Government

Related parties comprise the Government of the Republic of Botswana, Botswana Postal Services and key management personnel. Botswana Savings Bank and Botswana Postal Services ("BPS") had an agency agreement where the latter accepts deposits and pays out withdrawals through the postal network for a fee. Botswana Savings Bank existed from the relationship in the prior year. Key management personnel refers to the Bank's Board of Directors, executive management team and senior management team.

Information on borrowings from the Botswana Government is disclosed in note 22.

The volumes of related party transactions outstanding balances at the year end, and the related expense and income for the year are as follows:

Related party balances

Balance due to related parties

Interest due on Borrowings - Botswana Government	2,216	2,216	2,216
Capital due on borrowings - Botswana Government	64,167	64,167	70,000
Insurance premium payable - BSB Insurance Agency	-	8,714	-
	66,383	75,097	72,416



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Botswana Savings Bank

Consolidated And Separate Financial Statements for the year ended March 31, 2024

	Group 2024	Company 2024	2023
Related parties (continued)			
Related party transactions			
Transaction with Botswana Post			
- Fees and commissions paid to BPS	-	-	1,797
-Total amount of net deposits received from Botswana Post	-	-	61,929
Commissions paid to Botswana Government	-	-	4,530
	-	-	<u>68,256</u>
Transactions with BSB Insurance Agency			
Rent paid to Botswana Savings Bank	-	68	-
Capital contribution by Botswana Savings Bank	-	911	-
Payments for shared services	-	182	-
Non-executive directors fees			
Board meeting fees and expenses	519	519	383
Compensation to Executive and Senior management			
- Salaries and allowances	6,852	6,035	7,996
Loans to employees (including executive directors) are made on concessionary terms in accordance with the conditions of employment.			
A list of members of the Board of Directors is disclosed in General Information. Directors' remuneration is disclosed in note 9.			
Loans to directors			
Executive directors loans	7,150	7,150	5,570

Events after the reporting period

There are no material or significant events or contingencies after the reporting date, which require disclosure or adjustment in the financial statements for the year ended March 31, 2024.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Botswana Savings Bank

Consolidated And Separate Financial Statements for the year ended March 31, 2024

Segment Reporting

Banking segment - Comprising loan advances, deposits and the revenue flowing from individual customers.

BancAssurance- Comprise commission from placing credit and life cover with underwriters.

The Group presents interest income after the cost of funding and interest expenditure after the benefit of funding for each reportable segment. These are the amounts that are presented to the Chief Operating Decision Maker for management reporting purposes when assessing performance and allocating resources. This presentation is in line with the management approach of presenting segment information.

Group - 2024

	Retail segment	BancAssurance Segment	Elimination	Total
	P '000	P '000	P '000	P '000
Income Statement				
Interest income using effective interest rate	363,321	78	-	363,399
Fee and commission income	18,304	16,236	-	34,540
	381,625	16,314	-	397,939
Interest, fee and commission expense	(199,175)	-	-	(199,175)
	182,450	16,314	-	198,764
Net impairment expense of financial assets	(1,784)	-	-	(1,784)
Other Income	23,237	724	(242)	23,719
	203,903	17,038	(242)	220,699
Depreciation and amortisation	(23,530)	(82)	55	(23,557)
Employee benefits	(95,948)	(2,416)	1,207	(97,157)
Administrative and general expenses	(70,437)	(973)	-	(71,410)
Profit before tax	13,988	13,567	1,020	28,575
Taxation				(5,270)
				<u>23,305</u>
Statement of Financial Position				
Loans and advances to customers	2,780,917	-	-	2,780,917
Loss allowances	(91,568)	-	-	(91,568)
Net advances to customers	2,689,349	-	-	2,689,349
Deposits from customers	2,499,100	-	(31)	2,499,069
Net advances to customers				



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS



As previously reported	Cumulative movements to March 2023			Restated Total
	Opening Restated	Current Year	Total	
P'000	P'000	P'000	P'000	
535,295	150,356	(444,508)	(294,152)	
-	259,350	144,135	403,485	
109,332	-	(109,332)	(109,332)	
As previously reported	Cumulative movements to March 2022			Total
P'000	P'000	P'000	P'000	
402,083	-	-	-	150,356
-	-	-	-	(259,350)
7,623	-	-	-	-

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Botswana Savings Bank

Consolidated And Separate Financial Statements for the year ended March 31, 2024

	As previously reported		Adjustments		Restated
	P'000	P'000	P'000	P'000	P'000
Interest receipts	322,581	-	-	3,570	326,151
Cash flows from operating activities before changes in operating assets and liabilities	76,732	-	-	3,568	80,300
Net cash generated from/(used) in operating activities	90,358	-	-	3,568	93,926
Withdrawals from investment in financial assets	-	-	-	785,967	785,967
Deposits in financial assets	-	-	-	(927,588)	(927,588)
Net cash(used in)/generated from investing activities	(110,154)	-	-	(45,993)	(156,147)
Net movement in cash and cash equivalents for the year	133,212	-	-	(42,425)	90,787
Cash and cash equivalents at the beginning of the year	402,083	-	-	(251,727)	150,356
Cash and cash equivalents at the end of the year	535,295	-	-	(294,152)	241,143

The restatement impacted the statements of financial position, the statements of cashflow, note 11, note 12, note 30 and note 31.

The restatement did not have any impact on the statements of profit or loss and other comprehensive income nor the statements of changes in equity.



Welcome to Smooth Banking





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