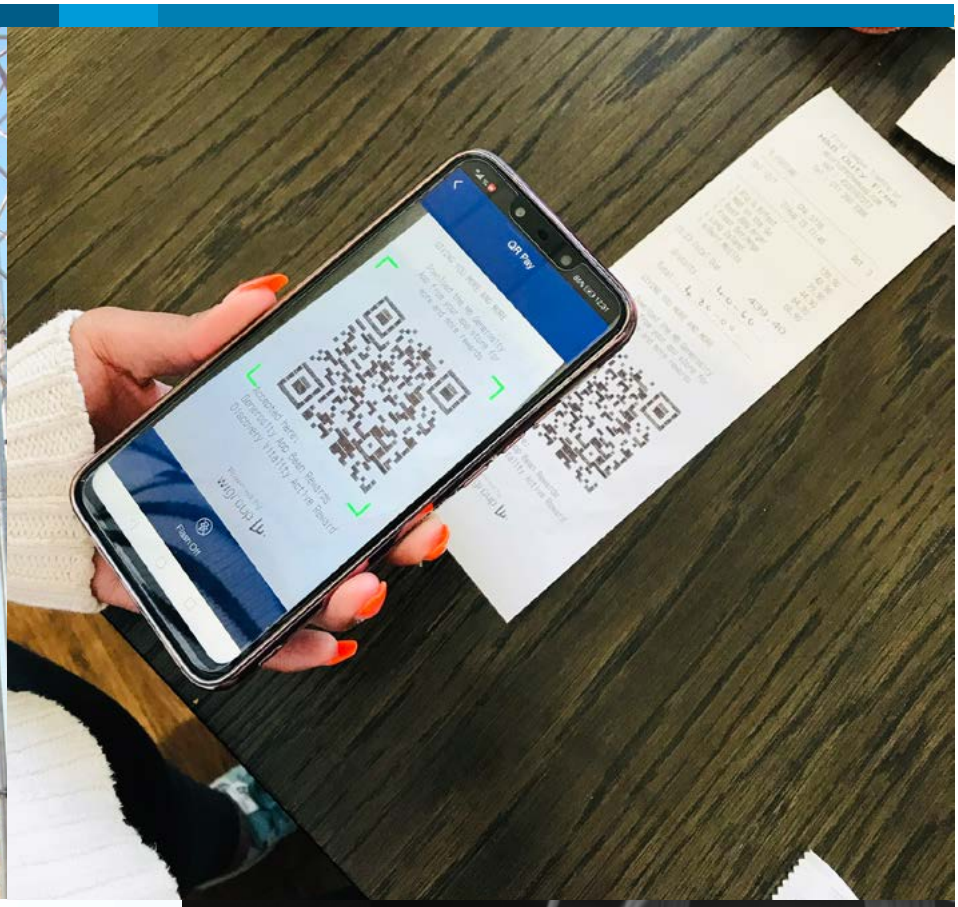
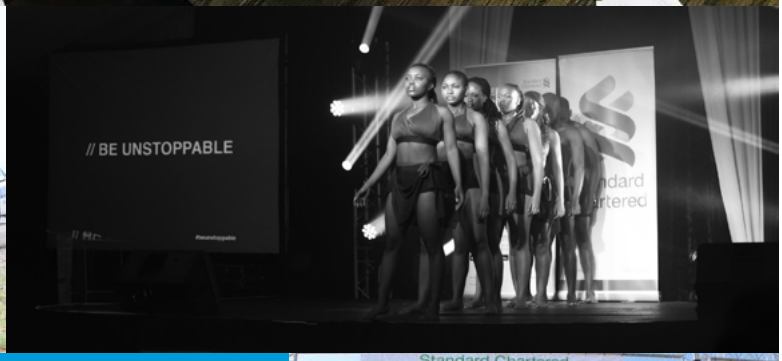
Standard Chartered





ANNUAL REPORT 2019

Here for good

Driving commerce and prosperity through our unique diversity

Who we are

We are a leading international banking group committed to building a sustainable business over the long-term.

Standard Chartered Bank first opened for business in Botswana in 1897 in Francistown, making it the country's oldest bank. In 1956, we were given full branch status and this was followed by the opening of our first branch in Lobatse. The Bank was locally incorporated in 1975 with a full board and is listed on the Botswana Stock Exchange (BSE Code: STANCHART).

Today, with approximately 700 employees, we operate a network of 19 branches, agencies and a Priority Banking centre, all of which are supported by a Loan Centre and 24-hour Customer Call Centre. With a wide branch network, large sales force, and award-winning digital banking platforms, the Bank offers clients in the Retail, Commercial and Corporate segments international standards of customer service and excellence.

The Bank is in a unique position, able to leverage its deep-rooted local knowledge, its international network and expertise for the benefit of Botswana corporates, individual depositors and multi-nationals.

Standard Chartered Bank has been a key contributing partner to the economic growth and financial development of Botswana for over 120 years. The Bank is highly respected in Botswana for its adherence to corporate governance, enthusiasm for great service and dedication to talent development, as well as for diversity and inclusion. We have a highly active and far reaching corporate social responsibility programme anchored by our Employee Volunteering initiatives. Our purpose is to drive commerce and prosperity through our unique diversity all in line with our brand promise of being Here for Good.

About this report

For more information please visit sc.com/bw/investor-relations/

@StanChart

linkedin.com/company/standard-chartered-bank

facebook.com/StandardCharteredBW

OUR PURPOSE AND PROGRESS

Delivering our Strategy

We have continued to execute our refreshed strategic priorities, which we announced at the beginning of the year. We have made good progress in the year and we are on track to deliver our objectives. We gauge our annual progress against a set of Group key performance indicators (KPIs), a selection of which are shown below, as well as client segment KPIs, some of which are shown on pages 16 to 17.

Client asset growth
6%
↑ 600bps

Total expenses down by
11%
↓ 110bps

Employee Volunteering recorded in 2019
304 days

Interest expense down by
6%
↓ 600bps

Profit before tax
P70m
↑ 202%

Earnings per share
18.38 thebe
↑ 9.53 thebe

CONTENTS

What we do

Serving client segments with differentiated expertise

Corporate & Institutional Banking

Serving large corporations, government, banks and investors.

Commercial Banking

Supporting local corporations and medium sized enterprises.

Retail Banking

Serving individuals and small businesses.

Support functions

Our client segments are supported by seven functions, which work together to ensure our day-to-day operations run smoothly and are compliant with banking regulations.

Human Resources
Recruits and builds talent while providing learning and development opportunities to motivate colleagues.

Legal
Enables sustainable business and protects the Bank from legal-related risk.

IT & Operations
Responsible for the Bank's operations, systems development and technology infrastructure.

Risk & Compliance
Responsible for the sustainability of our business through good management of risk across the Bank and ensuring that business is conducted in line with regulatory expectations.

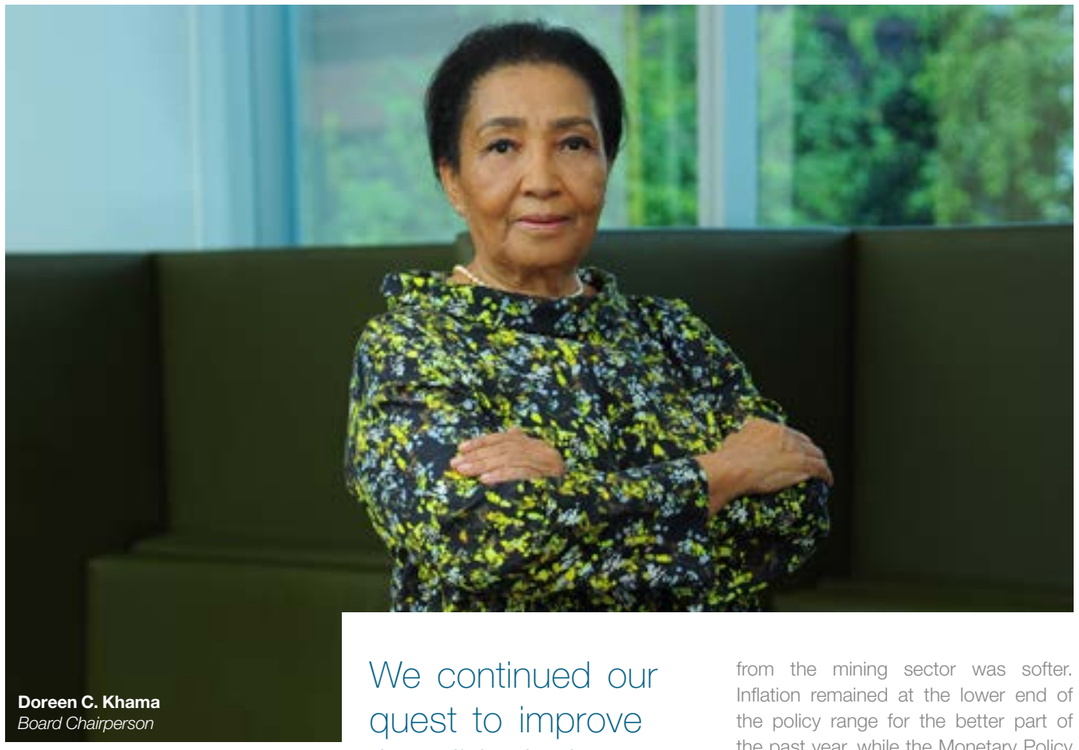
Operations
Provides control and governance to operating platforms and processes, ensuring operating efficiency.

Finance
Comprises three support functions: Finance, Supply chain and Property. The leaders of these functions report directly to the Chief Financial Officer.

Corporate Affairs and Brand & Marketing
Manages the Bank's communications and engagement with stakeholders in order to protect and promote the bank's reputation brand and services.

Chairperson's statement

A more innovative and resilient bank capable of stronger growth



Doreen C. Khama
Board Chairperson

We have consolidated our gains

We began the year with a set of goals aimed at building from our recovery in 2018, and we have achieved; our underlying top line has finally ended a declining trend, deriving from solid fundamentals; we embedded productivity and efficiencies across the business, driving costs further down; we captured the Digital Initiatives and launched a digital bank.

We continued our quest to improve the all-inclusive returns to investors, we are not there yet but we made progress; our dividend pay-out doubled, we saw a significant stability on our stock price, punctuated by a marginal upward movement at half year. This followed periods of a sustained downward spiral.

Our views of the economy are positive

The economy faced some headwinds as diamond production was sluggish, with weaker local and global demand during 2019, and we expect this to reflect in a slow down on GDP growth to 3.8%. Sectors registering a growth during the year were Finance and Business Services, Trade, Hotels and Restaurants as well as Transport and Communications, whereas contribution from the mining sector was softer. Inflation remained at the lower end of the policy range for the better part of the past year, while the Monetary Policy Committee slashed 25bps off the Bank rate to re-set it at 4.75% on the 30th of August 2019. In the twelve months to December 2019, the Pula appreciated against major currencies (notably the EURO, British Pound and US Dollar), while it depreciated marginally against the South African Rand.

Going into 2020, we had expected the GPD growth to accelerate to 4.2% after the slow down estimated for 2019. The following factors were expected to drive growth in 2020; increased domestic consumption on the back of a successive increase in public sector salaries, a boost in aggregated mining output supported by significant investments currently being rolled out.

Chairman's statement continued

New challenges are however emerging, notably the COVID-19 scourge. The spread of the coronavirus has been described as epidemic, crossing over from the epicentre in China to Europe, East Asia, America and now Africa in a matter of weeks. Human movement is being curtailed, business and trade will slow down as value chains take a knock from wide ranging bottle necks. For Botswana in particular, diamond sales may suffer while tourism may take a downturn. This, as and when it crystallises, will have an obvious impact on the banking industry. As a Bank, we have fast tracked our annual business risk review with an aim of incorporating this, and any other horizon risk into our responses. Meanwhile, we have put in place firm measures to protect our staff and their families, and we will progressively step up our efforts in contributing to the Nation's fight against the pandemic.

Building for the future

The Bank continues in a forward-looking transformation, tapping on technologies, uniqueness, skills and diversity available through out the Standard Chartered Group network globally. In doing this, the Bank has the customer of today, and client needs of tomorrow in mind. As the only international Bank in Botswana, we accept the challenge coming with global presence and will continue to consolidate our strengths in the market as we deliver our network.

As a Bank, we drive commerce and prosperity through our unique diversity. Some of our colleagues continued to make a mark elsewhere in Standard Chartered global network of entities, whilst the business benefited from enhanced skills in those returning home from unique assignments in fairly advanced markets. This is one of the many ways we build a global mind set with a local context within our teams.

A key highlight of 2019 for our Bank was the launch of the Futuremakers initiative – the Bank's flagship corporate social responsibility initiative that took over from the very successful Seeing is Believing. Futuremakers speaks directly to the heart of what we, as a Bank, stand for – being Here for good. Futuremakers will between 2019 and 2023 impact the lives of youth across the Standard Chartered network helping them to be market ready and market contributors.

As the Botswana franchise, we were extremely proud to be amongst the first markets in our global network to identify a project and partner through our donation of BWP 500,000 to Young Africa Botswana.

Defending the gains

We recorded a Profit Before Tax of P70 million, up from the P23 million we reported in the past year. A strong recovery in the business fundamentals, driven by a reward from our commitment to pan-Bank efficiencies which saw our pre-impairment profits recovering to P102 million, up from P23million in the prior year.

Our top line has finally recovered from a declining trend from over the past few years. The quality of our income began a desirable shift as the non-funded income line flipped into a positive trajectory.

The Balance sheet remained strong throughout the year, supporting an overall 6% growth in customer assets. Capital Adequacy is comfortably within thresholds, with a much-improved quality profile. The Bank complied with all Primary Reserve Ratios throughout the year.

A big thank you

First and foremost, I extend my greatest thanks and sincere congratulations to Professor Bojosi Otlhogile who selflessly chaired the board of Directors with utmost diligence for a period of 9 years. Professor Otlhogile retired from the Board in December 2019, and he shall be missed.

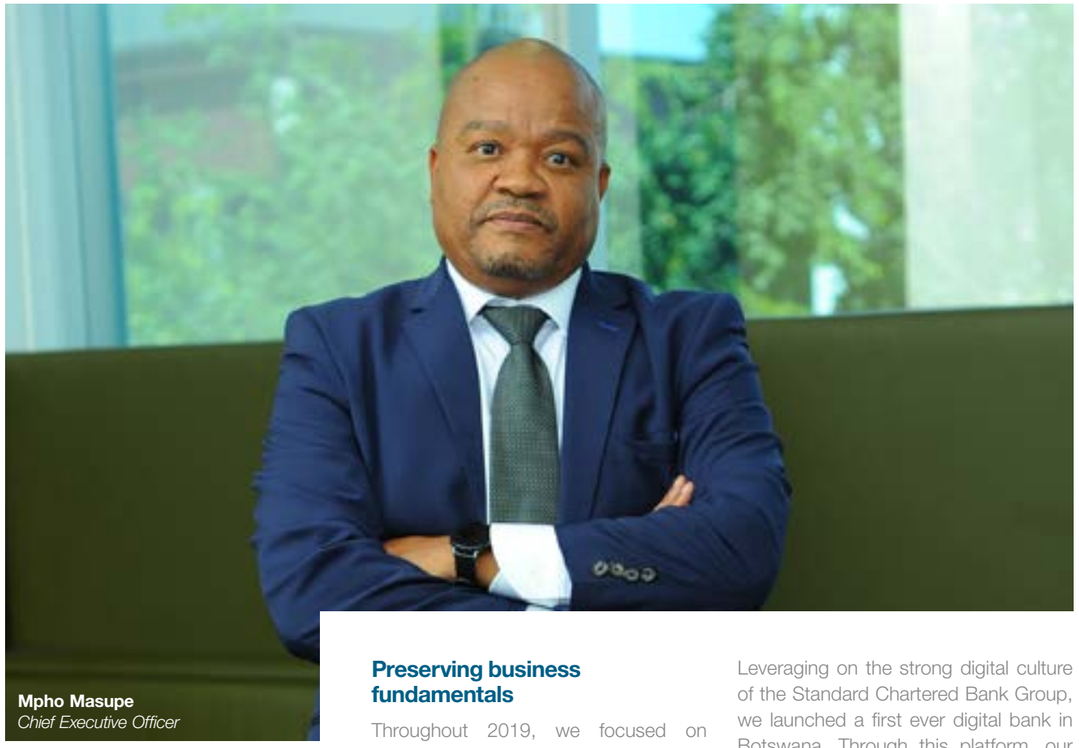
I also extend my gratitude to Staff and Management for the dedication they have shown throughout the year, without which we would not have recorded the milestones I highlight above.

Finally, a big thank you to our shareholders and clients, without whom we would not exist. Le ka moso betsho.

Doreen C. Khama
Board Chairperson

Chief Executive's review

Delivering sustainable, high-quality growth



Mpho Masupe
Chief Executive Officer

"Throughout 2019, we focused on consolidating gains from our resolute efforts to secure business fundamentals, and we have returned to a growth path."

Preserving business fundamentals

Throughout 2019, we focused on consolidating gains from our resolute efforts to secure business fundamentals, and we have returned to a growth path. We delivered an overall 6% growth on our client assets book, with annual sales of our primary products breaching the P2 billion mark. The balance sheet carries a very sound liquidity profile, which saw cost of funds substantially climbing down. Capital Adequacy (CAR) remained very stable at 19.2%, with Common Equity Tier 1 (CET1) constituting 8.1%. The Bank still retains P400 million in Additional Tier 1 (AT1) Capital against certain instruments issued to parent company in 2018. These AT1 instruments introduce an enhanced cushion to core capital or Tier 1) adequacy, which closed the year at 13%.

Leveraging on the strong digital culture of the Standard Chartered Bank Group, we launched a first ever digital bank in Botswana. Through this platform, our clients literally access over 70 banking services via our recently refreshed mobile banking App, SC Mobile, and this include opening of new bank accounts in just 15 minutes. The digital bank sets us in a totally refreshed path, one in which we will transform and positively disrupt traditional forms of banking. This is the way we will be doing business going forward.

Employees remained fairly engaged, with ample learning and development opportunities available through in-house training, digital platforms and on the job learning through short term visits to other locations (fellow Standard Chartered Bank Group). The Bank sponsored a learning week themed "invest in yourself". During that week, colleagues were challenged to think and act on their development ambitions and express themselves as they interacted with senior business leaders.

Chief Executive's review continued

Improved financial and operational performance

The performance of our retail business was core to an improved overall Bank performance. The good performance was on the back of restored operational efficiency and customer service which led to historical business momentum through accelerated run rates.

Pre-impairment profits jumped 4X, closing the year at P102 million, from the P23 million reported last year when the bank returned to profitability. Net charges for Expected Credit Losses were at P32 million resulting in a Profit Before tax of P69.6 million. This is a sustained build up from a loss of P232 million in 2017, followed by a modest profit before tax of P23 million in 2018.

Net Interest income remained relatively flat at P438 million. Non-Interest Income also saw a reversal of a declining trend finally, registering a 0.5% growth to close the year at P288 million.

Performance on expenditure continued to improve, with interest expense line showing a 6% decline. Assisting the decline in Interest expense was an overall improved liquidity profile which somewhat benefited from a softer market liquidity positions. Efficiencies, mainly coming from technological advances and Standard Chartered Group network channels drove the reduction in non-interest expenses.

Asset quality continued to improve, with the Non-Performing Loan book shedding a further its 90 basis points to close the year at 2.4%. This is a direct outcome of the portfolio rebalancing initiative the bank embarked on from 2018. Overall balance sheet returns also edged up as a result of improved liability deployment, with a 15% reduction in low to no returning financial assets against a 12% increase in the retail client asset book.

Prioritising our clients

Our clients remain at the centre of everything we do. We heeded a call from our retail customers and adjusted our lending ticket size limit to an all-time high of P600 000. In view of the positive impact our retail lending has on our clients, we infused efficiencies to our processes and substantially reduced our turn around times. We also simplified our loan top up process, making it hassle free and convenient. In doing so, however, we have maintained our high standards on credit origination and responsible lending, hence the very low levels of charges for expected credit losses, despite a 12% growth in the retail book.

We expanded our strategic alliances in many fronts, including expanding offers under our 360⁰ loyalty program and increasing the number of retail outlets at which our clients enjoy preferential pricing. We expanded our foreign currency exchange channels and launched USD dispensing ATMs, in addition to the pre-existing ZAR dispensing ATMs. Roll out of this programme will continue on the basis of need across the country.

We digitised our bancassurance onboarding making it easier for our clients to buy Insurance cover.

We empowered our corporate customers through enhanced cash management solutions following the enablement of a single view functionality within our award winning straight2bank platform. With single view, our clients have visibility of, and can centralise balances from multiple accounts with different banks.

Our delivery channels are becoming more practical for client convenience, the digital bank along with a host of digitised products and services support our idea of re-configuring our branch network.

More is planned during 2020 and beyond in our quest to redefine client experience.

Business Outlook

The Bank stand ready to foster continuity in the face of the COVID-19, while joining the nation by playing a meaningful part in the fights against the scourge. We will continue to roll out digital led solutions to advance client experience. The business fundamentals are in a good shape to support our planned and sustainable growth path, on which we are confident to deliver desirable shareholder returns.

We will continue, with all intention to even escalate our contribution to the local economy. We will walk local SME's through a path of prosperity, partner with State Owned Enterprises for sustainability and innovatively support infrastructure projects as they get rolled out.

Mpho Masupe
Chief Executive Officer

Management Team

1. **Mpho Masupe**
   Chief Executive Officer
2. **Mbako Mbo**
   Chief Financial Officer
3. **Bino Rasedisa**
   Head, Retail Banking
4. **Asuquo Nkoposong**
   Head, Global Banking
5. **Humphrey Mukwereza**
   Chief Operating Officer
6. **Tuduetso Ntwaetsile**
   Head, Internal Audit
7. **Richard Ochieng**
   Chief Risk Officer
8. **Esther Mokgatlhe**
   Head, Compliance
9. **Chazha Kgalemang**
   Head, Legal and Company Secretary
10. **Sinqobile Magenga**
    Head, Financial Markets
11. **Kunda Neill**
    Head, Corporate Affairs and Brand & Marketing (Acting)
12. **Wapula Radikhukhwane**
    Head, Human Resources (Acting)

Business model

Built on long-term relationships

What we deliver

We deliver an extensive set of solutions, products and services adapted to the needs of our clients.

GLOBAL

Clients in our global businesses are supported by relationship managers with a global reach.

Corporate & Institutional Banking

LOCAL

Relationship managers support clients in our local business. To ensure efficiency and consistency and to enable greater investment, we have global oversight of our systems and products.

Retail Banking

Commercial Banking

Retail Products
- Deposits
- Savings
- Mortgages
- Credit cards
- Personal loans

Wealth Management
- Investments
- Portfolio management
- Insurance and advice
- Planning services

Transaction Banking
- Cash management
- Payments and transactions
- Securities services
- Trade finance products

Digital Banking
- SC Mobile App
- Straight2Bank

Financial Markets
- Investment
- Risk management
- Debt capital markets

The value we create

We aim to create long-term value for a broad range of stakeholders in a sustainable manner.

OUTCOMES

Clients
We enable individualsto achieve their ambitions, grow and protect their wealth. We help businesses to trade, transact, invest and expand. We also help a variety of financial institutions, including banks, public sector and development organisations, with their banking needs.

Suppliers
We work with local and global suppliers to ensure they can provide the right goods and services for our business, efficiently, sustainablyand economic development in Botswana.

Regulators and governments
We engage with relevant authorities to play our part in supporting the effective functioning of the financial system and the broader economy.

Society
We strive to operate as a sustainabel and responsible company, driving prosperity through our core business and collaborating with local partners to promote social and economic development.

Investors
We aim to deliver robust returns and long-term sustainable value for our investors.

Employees
We believe great employee experience drives great client experience. We want all our people to pursue their ambitions, deliver with purpose and have a rewarding careerenabled by great people leaders.

Botswana's first end-to-end Digital Bank is here

In June, Standard Chartered launched the groundbreaking, end-to-end digital-only retail bank to the Botswana market as part of a continued roll-out across the African continent. The digital-only retail bank has the customer at the heart, seeking to transform how people bank and transact across the country and further augment the Bank's award-winning digital platforms that the Bank's customers have become accustomed to.

The digital-only retail bank launch was in response to growing consumer demand for digital solutions to their everyday lives including their banking services. The platform is delivered through an innovative Mobile Baning App, which forms the basis of the first steps towards a truly digital experience, from account opening and activation, to funding and transacting. It offers customers an onboarding process of approximately 15 minutes, including registration and data input, KYC document upload, and - post activation, customers will have their debit card delivered to them at their location of choosing within 48 hours of the account being opened. The platform provides more than 70 of the most common transactional service requests, including balance check, statements, peer-to-peer payments, QR payments, loan and overdraft facilities, and instant fixed deposits, to name a few.

Botswana was the 5th market globally to introduce the state-of-the-art new platform this year, after the Côte d'Ivoire pilot in 2018. Focused on the unique needs in an African context, alive to the fact that Africa's banking market is the second-fastest-growing and second-most profitable globally, the digital-only retail bank has the quintessential African customer's desired experience at the fore. Building on the offering, the Bank has engaged in strategic local alliances to create an appealing lifestyle banking proposition to provide customers offers across shopping, travel and dining.

Commenting on the launch, CEO, Mpho Masupe; "Importantly, beyond the appealing innovation and fit to the modern customer's busy lifestyle, our end-to-end digital channel combines with mobile money solutions and mobile phone reach to offers an almost unrestricted reach for any person to be included in the banking ecosystem without the need for a brick-and-mortar structure. This is important in the pursuit of reaching the unbanked and promoting financial literacy through experience."

Download the SC Mobile Botswana App.

Download on the App Store | GET IT ON Google Play

Our strategy

What makes us different

OUR PURPOSE

To drive commerce and prosperity through our unique diversity – is underpinned by our brand promise, Here for good.

Client focus

Our clients are our business. We build long-term client relationships through trusted advice, expertise and best-in- class capabilities.

Robust risk management

We are here for the long term. Effective risk management allows us to grow a sustainable business.

Distinct proposition

Our unique understanding of the markets we operate in and our extensive international network allow us to offer a truly tailored proposition to our clients, combining global expertise and local knowledge.

Sustainable and responsible business

We promote social and economic development by supporting sustainable finance, being a responsible company and promoting inclusive communities.

How we're shaping our future

At Standard Chartered, we tailor our business model as needed in order to meet future challenges and opportunities:

- By putting clients at the centre of everything that we do, we make sure that we are developing new products and services that optimally fulfil their needs with the support of state-of-the- art technology
- We help our clients to make the right financial decisions and support them to grow their businesses sustainably
- We strive to remain at the forefront
- of the fight against financial crime. Achieving the highest standards of conduct is an indispensable part of the sustainability of our business model
- Our unique network and expertise differentiates us from our competition
- We are putting in place the frameworks and guidelines to ensure that our business model is sustainable, enhancing our capabilities and governance for Climate Risk management

VALUED BEHAVIOURS

Our valued behaviours demand that we do things differently, in order for us to succeed. Only then will we realise our potential and truly be Here for good.

Never settle
- Continuously improve and innovate
- Simplify
- Learn from your successes and failures

Better together
- See more in others
- "How can I help?"
- Build for the long term

Do the right thing
- Live with integrity
- Think client
- Be brave, be the change

The inputs we rely on

OUR RESOURCES

We aim to use resources in a sustainable way, to achieve our long-term strategic objectives

How we're enhancing our resources

Human capital

Our diversity differentiates us. Achieving our strategic priorities hinges on the way we invest, manage and organise our people, the employee experience we curate and the culture we develop.

- We are building out skills of future strategic value including analytics, digital and cyber capabilities.
- We are creating a working environment that supports resilience and creativity.

Strong brand

We are a leading international banking group with more than 160 years of history. We have continued to be a household name in Botswana for 123 years.

+23

'Main bank' net promoter score'

Standard Chartered

- Building a strong and consistent narrative on what we stand for as a bank, through impactful, creative and powerful messaging
- Taking more ownership of our narrative through strategic use of digital channels and increased use of digital listening and insights

1 'Main bank' net promoter score refers to clients that use Standard Chartered as their main bank

International network

We have an unparalleled international network, connecting companies, institutions and individuals to, and in, some of the world's fastest-growing and most dynamic regions.

- We continue to leverage our network strength to serve the inbound and outbound cross-border trade and investment needs of our clients

Local expertise

We have a deep knowledge of the Botswana market and a privileged understanding of the drivers of the real economy, offering us insights that can help our clients achieve their ambitions.

- We facilitate trade and investment in and across our markets, contributing to their rapid economic development
- Our strong local presence enables us to connect our clients to investors, suppliers, buyers and sellers, enabling them to move capital, manage risk, invest to create wealth, and providing them with bespoke financing solutions

Financial strength

With over P15 billion in assets on our balance sheet, we are a strong, trusted partner for our clients.

P15 b

Balance sheet

- Stronger capital and a much more resilient balance sheet
- Tier 1 ratio of 13.1 percent, against a regulatory limit of 7.5 percent

Technology

We possess leading technological capabilities to enable best-in-class customer experience, operations and risk management.

- Providing digital solutions to meet clients' needs, partnering to co-create solutions and experimenting with new business models
- Automating for efficiency and accelerating speed to market

Our strategy continued

Improve productivity

Continue investing in productivity

Our investment in digitisation will continue to support productivity improvements and enhance client experience. We refreshed our digital platform with unified trade and FX capabilities in Corporate & Institutional Banking. In Retail Banking, we launched real-time client onboarding on digital channels and refreshed wealth and FX platforms with full mobile access.

Organise around customer journeys

We are shaping our organisation around the journeys of our clients, to better align our processes and way of working with the needs of our clients and partners. In 2019, we launched journeys in cash management cross-border payments, retail credit card and personal loan onboarding, FX, wealth lending.

Transform and disrupt with digital

Transform our Retail Banking business with digital

We have continued our strong momentum in digitising our Retail Banking business. For example, we have rolled out a full-service, cost-efficient digital bank in eight markets in Africa, and we have obtained a virtual bank licence in Hong Kong and will launch a new entity next year. Going forward, we aim to adapt and replicate these capabilities as appropriate across our footprint to enhance client experience, improve efficiency, gain market share, disrupt and build a future-proof retail bank.

We will continue to invest in cutting-edge digital tools and new corporate banking models.

Grow our affluent business

Meet the wealth needs of the affluent and emerging affluent

By continuously enhancing our offering for clients, we have been able to grow income as we attract new clients and improve our product mix.

Enhance client experience with data and technology

We will increase our investment in data and analytics capabilities to generate a unique understanding of our clients and their needs, and in turn improve our offerings, deliver a personalised experience and increase client engagement.

Scale the non-affluent segment in a targeted manner

The rise of the emerging affluent is an important growth opportunity for our business. To profitably capture this opportunity, we will implement new business models, harness technology and work with non-bank partners to acquire and serve non-affluent clients with our target profile in a cost-efficient manner.

Optimise low returning business

Improve return in business segments

Eliminate the residual drags on our returns across all segments and products

Deliver our network

Leverage our unique footprint

Our unique network is a long-term source of growth and sustainably higher returns. We have continued to deepen our penetration among our core clients to fully realise the revenue potential of our network.

Our emerging markets footprint has enabled us to capture strong client flows as we focus on multinational corporates operating extensively in Asia, Africa and the Middle East, as well as investors and financial institutions that are seeking emerging market solutions.

Belt and Road

In April, Botswana became the 30th market out of 44 along Standard Chartered Bank's Belt & Road Relay. The first of its kind, the Belt & Road Relay was a global running event spanning the Belt and Road initiative, with the aim of highlighting the Bank's continued commitment to Belt and Road, and the positive impact of the initiative to communities and businesses globally.

The Relay was led by eight staff athletes from Standard Chartered, selected from the Bank's diverse footprint in Asia, Africa, the Middle East, and Europe and the Americas. These athletes participated in running events across the 44 Belt and Road markets within a 90-day period. The Botswana leg of the relay was day 55 of 90 for the relay.

Commenting at the initiative's launch, Bill Winters, Group Chief Executive, Standard Chartered, said, "The Belt and Road Initiative is the most ambitious and far-reaching project of its kind in the world today. We are present in two-thirds of Belt and Road markets, and our rich heritage, deep local knowledge and unparalleled connectivity mean that we're ideally placed to help our partners, clients and communities to make the most out of the initiative. By traversing these markets on foot and engaging local clients, governments, media and communities, our Standard Chartered Belt & Road Relay athletes will showcase our commitment to be the One Bank for the Belt and Road."

Speaking at the Botswana leg, Standard Chartered Bank Botswana Chief Executive, Mpho Masupe said, "The Belt and Road initiative is an exciting opportunity for Batswana companies to be active participants in one of the most vibrant trade corridors of the modern age. We are proud to be able to draw on our international network providing access and expertise to Batswana in a way that only an international Bank like ours can."

The Belt and Road initiative is core to Standard Chartered. In 2017, the Bank committed additional financing for Belt and Road projects of at least USD 20 billion by 2020, and was involved in more than 50 Belt and Road deals worth more than USD 10 billion across a range of products and services.

The Standard Chartered Belt & Road Relay kicked off in Hong Kong on 17 February, and finished in China on 11 May after the Belt and Road Forum.

Retail Banking

Bino Rasedisa
Head, Retail Banking

Segment overview

Through this segment, we serve our priority and personal banking clients as well as SMEs. The segment comprises a very significant proportion of our overall business, and as such, very central to our strategy. The strategy seeks to deliver improved performance, remain relevant to the market through disruptive digital innovations that truly transform client experience. We made progress.

Improved performance

Our transformative actions have consolidated well and delivered improved performance for the year. Some of the key highlights are;

- Achieved annual sales growth of 51% to reach a record P2.3 billion
- Client assets grew by 12% year on year
- Achieved 25% annual growth in retail deposits
- Segment revenues up 3%
- Segment Profit before Tax up 11%

Driving market relevance

We increasingly design our offers around client needs. During the year, we looked at our retail lending offering and introduced some exciting changes; borrowing limit has been raised to an all time high of P600,000, application process is simpler and our turn around times improved by an average 4 days.

For the convenience of our clients, we expanded our alliances with key partners in the market; we introduced 20 new alliances with retailers ranging from health and fitness, home improvement, dinning, fashion, travel and leisure and so on. At these places, holders of Standard Chartered Bank cards enjoy discounts ranging from 10% to 50%. This is all in addition to our unparalleled 360° Loyalty Rewards program which continues to grow in popularity. Coming with decent travel insurance cover, our priority cards have facilitated ease of travel for holders, giving access to over 900 premium airport lounges across the globe.

Disrupting and transforming with digital

In the prior year, our promise to the nation was a very transformative and innovative way of banking, and we delivered during this year. We launched the first ever digital bank in Botswana. Through this channel our clients can open a new account entirely through SC banking app anytime, from the comfort of their own spaces. The account is opened 100% digitally, within 15 minutes, with express card delivery to the client's choice of location in 48 hours. Through this platform, clients have access to over 70 digitised banking services, ranging from bill payments to service requests. In addition to South African Rands, we rolled out USD dispensing capability in some of our ATMs.

Our work has been recognised

We have been recognised as the best in class on consumer digital banking. For the second year running, the Bank was awarded most prestigious "Best Consumer Digital Bank in Botswana" at the 2019 Global Banking & Finance Awards®. In addition, the business was recognised with the "Visa Premium Award" for having top end Visa products in Botswana.

Elsewhere, Standard Chartered Bank Group has been recognised with the "Best Consumer Digital Bank" award for Africa, Asia Pacific and Globally.

Looking Ahead

The good underlying business momentum that we closed 2019 with has continued into the early months of 2020, and we have the intention and ability to improve further. The quality of our income will sustainably improve into the rest of 2020 and beyond as we continue to optimise portfolio pricing and improve on non-funded income through our digital solutions.

Our digital journey continues; we will roll out our deposit taking ATMs, and this will unlock a host of other digital product and service offering. It is through such digital platforms that we will be able to continue transforming client experience, optimise our delivery and customer access channels and remain a progressive Bank.

Profit before taxation

P76m ↑ 11%
underlying basis

Corporate, Commercial & Institutional Banking

Asuquo Nkoposong
Head, Global Banking

Segment overview

This time last year, we shared our transformation strategy to move from Turnaround to Take off. Underlying this strategy was the merger of our Corporate & Institutional Banking and our Commercial Banking businesses into a single segment, the "Corporate, Commercial and Institutional Banking (CCIB)" with a view to leveraging the capabilities within both businesses to deliver superior banking solutions to our clients. A strong discipline on costs and asset origination, as well as enhanced controls achieved improved trading results. This also augmented our continuing portfolio optimisation initiatives to deliver a client book of the right quality.

Focusing on our transformation strategy

Our transformation strategy focuses on five pillars:

- 'Diversifying our client base" for sustainable growth, this would strengthen our top line growth by rebalancing the portfolio into a more diverse group of clients and reduce income and risk concentrations;
- 'Improving the client experience' by Banking the Ecosystem, leveraging technology and investing in frontline training, tools and analytics;
- 'Improving our funding base and asset distribution' by building high quality deposits to reduce funding costs, profitability and improve stability;
- 'Strengthening our risk and controls' which remains key to containing loan impairments; and
- 'Continuous investment in our people' focussing on improving our diversity mix and internal talent development.

Focusing on our transformation strategy

Our transformation strategy focuses on five pillars:

- Revenue was at P207 million with an improving quality profile; non-funded income up 4%. The proportion of non-funded income to total has grown to 47%.
- Corporate and Investment Banking operating profit was 71% up, while the commercial subsegment cut its losses by over 50% driven mainly by improving asset quality.
- Total segment costs down 19%
- Leveraging on our international footprint, we expanded our local industry footprint, notable within mining and aviation.
- Enhanced client liquidity management solutions; our customers have a single view of their cash balances across multiple banks with the ability to centralize end of day balances across multiple banks into a singles collection account through our award winning Straight2Bank platform.
- We transformed our Security Services and Custody business to provide our clients a full end to end digital experience;
- Improved asset quality, with impairments climbing down 31 per cent year on year.

Outlook

As we continue to transform the CCIB business, our clients remain at the centre of our strategy and we continue to invest in new products and technology to improve client experience. We are excited about our enhanced Straight2Bank platform, "NextGen" and look forward to launching this into the market. We are also working on new financing structures for some of our key clients and proud to be partnering with other international financial partners coming into the Botswana market.

We have taken significant steps to reshape the business for sustainable growth over the medium term and remain confident that we are investing in the right differentiation for lasting success.

We will increasingly collaborate with major stakeholders in the country to drive a meaningful contribution to the economy, with a deliberate focus on sectors of high impact on GDP growth. Our partnerships with key State-Owned Enterprises will remain fundamental as we increasingly tap on our capabilities in supporting investments in key enabling infrastructure.

Loan Impairments

P7m ↓ 31%

Human Resources

Wapula Radikhukhwane
Head, Human Resources (Acting)

Our People

At Standard Chartered Bank Botswana, we share in Standard Chartered Bank Group's commitment to making the Bank a great place to work – one where colleagues feel energised, motivated, recognised, valued and respected for the work that they do. Our employees are part of the larger Standard Chartered Group community, an aspect which presents excellent opportunities for mobility and growth. We realise that our ability to deliver the ambitious plans in the Bank's refreshed strategy lies in unlocking the potential of our diverse workforce so that colleagues feel able and inspired to make a meaningful contribution to the prosperity of our clients and communities.

We refreshed our HR priorities in recognition of the changing world and industry we work in, identifying the opportunities this presents and how we will make the most of them. The four priority areas are:

- Shaping and enabling a client centric and adaptable organisation
- Developing and deploying the right talent (skills and capabilities)
- Making the most of our diversity to deliver prosperity for clients and communities
- Building a future-ready workforce

The strength of our diversity

Operating in 60 markets, the diversity of the Group is its strength. Within the Bank, 7 nationalities are represented. Similarly, we have several Botswana nationals working in other markets of the Group including Bahrain, Kenya, Malaysia, Mauritius, South Africa and United Arab Emirates.

We continued to follow- through on the Diversity and Inclusion agenda hosting successful events and activations of International Culture Day, International Women's Day and International Men's Day among other celebrations.

Employee well-being was also a key agenda item for the year, with the launch of the Employee Assistance Program facilitated by a globally present service provider. A health and wellness week aimed at awareness across the bank to inclusion of those with disabilities, health initiatives aimed at male colleagues was held.

Developing colleagues

Under the theme "Invest in yourself", the Group sponsored a learning week where all colleagues were invited to think and act on their development aspirations. This was in addition to locally delivered training programmes and granting of free access to digital learning platforms which gave colleagues choices on developing themselves.

Human Resources systems and processes were simplified to enable more focused development conversations; creation of comprehensive and outcome focused growth plans and increased visibility of colleagues looking for their next move within the Group. The function continues to partner with senior leaders to look for opportunities to transfer skills locally by bringing colleagues from the Group on long/short term assignment and also exporting talent from Botswana on the same basis.

Conduct and Culture

Employee experience is the most valuable currency and it is our global ambition that we exceed the expectations of over two thirds of employees. An engagement survey- My Voice was run in the year and provided the country with feedback upon which direct actions have been concluded. In addition to implementation of My Voice action plans, senior colleagues were assigned branches and units to patron to enable closer engagement with colleagues and share key messages directly with staff. Continued focus will remain on this area.

The country conduct plan was implemented, and it incorporated themes from prior conduct cases. We delivered Inclusive Leadership training to promote inclusivity amongst our leaders - 94% of our leaders were trained.

Priorities for the year ahead

- Support creation of a high-performance culture underpinned by Valued Behaviours and strong people management capability.
- Maintain the right culture arising from a deep understanding of the importance of conduct.
- Continue to drive Diversity and Inclusion with a view to create an enabling and high performance organisation.
- Actively participate in and leverage Group and Regional Talent and development strategies to promote development, career advance of colleagues in Botswana.

Here for Good, empowering the next generation

Kunda Neill
Head, Corporate Affairs and Brand & Marketing (Acting)

In January 2019, the Bank launched its new flagship community social responsibility initiative – Futuremakers, our global initiative to tackle inequality and promote greater economic inclusion in our communities. We provide young people from low-income households, particularly girls, young women and people with visual impairments, with opportunities to take part in community programmes focused on education, employability and entrepreneurship.

Futuremakers seeks to address social and economic inequality. The growing income gap within countries is a challenge shared by many of our markets, including here in Botswana.

Our aim, as a Group, is to raise USD50 million (through fundraising and Bank-matching) between 2019 and 2023 to empower the next generation to learn, earn and grow. In 2019, we contributed USD9.4 million through fundraising and Group donations and delivered Futuremakers projects in 34 markets.

Botswana was a proud initial mover on Futuremakers under the employability pillar, partnering with Young Africa Botswana (YAB) through a donation of USD 50,000 (approximately P500,000). The partnership offered a 6-month programme in three disciplines; On-the-job training, Aspiring Entrepreneurs and the Masterclass series. Such was the success of this pilot programme as evidenced by the statistics;

Over 200 youth applied to be part of the programme a 5 times oversubscription to the programme. 61% of the applicants to the programme were young women. 78% of those enrolled in the programme graduated. Of those that graduated; 38% found paying employment, 24% found greater capacity in their existing business ventures, 17% established beneficial partnerships for their existing business ventures, 10% are self-employed and only 10% were still job hunting.

We are proud to have made a sustainable impact to the youth unemployment gap in the country and are equally excited for more opportunities to make an impact through Futuremakers in Botswana.

Employee Volunteering

Our staff continue to utilise the time availed to them by the Bank to offer their time to our community. In 2019, Bank staff recorded 304 days of community volunteering across a range of initiatives including assisting children in hospitals, teaching financial education to youth, improving conditions in community centres as well as sanitary pad drives. In 2020, our goal is to make an even greater impact by growing the number of days across the length and breadth of Botswana.

Leveraging Digital Banking for sustainability

Following the exciting launch of our Digital Bank, the ability to open a bank account without the need to visit a branch has offered a clear synergy between our business and our contribution to the financial inclusion agenda. We are now able to offer an inexpensive banking solution accessible to everyone across the country, including the most remote areas on the back of our efforts to promote financial education. We are proud to have an innovative solution that not only elevates the innovation and advancement in our society but reinforces our brand promise of being Here for good.

Chief Financial Officer's Review

Delivering sustainable, high-quality growth

Mbako Mbo
Chief Financial Officer

Total income remained relatively flat in 2019 while costs went down by 11%. Portfolio rebalancing initiatives, supported by discipline over the quality of new asset origination led to a decline in NPLs.

Performance Summary

Total income remained relatively flat in 2019 while costs went down. Portfolio rebalancing initiatives, supported by discipline over the quality of new asset origination led to a decline in NPLs. An improved liquidity, an enhanced efficiency in liability deployment and a more optimal asset pricing led to improved returns.

- **Operating income** flat at P726 million, driven by a strong performance in non-interest income, and a decline in cost of funds. The Retail segment, constituting 70% of our business grew income by 3% on the back of a more optimal product pricing and increased business momentum.
- **Interest Expense** down 6% as we re-profiled overall liquidity. This has also been supported by a softer environment on market liquidity. Also contributing is a strong CASA performance which grew 11%.
- **Operating Expenses** down 11% as a result of continuing austerity on spending and bedding down of operational efficiencies across the business.
- **Pre-impairment Profits** up 4X to P102 million as a result of a modest increase in income across all primary lines, against a decrease in costs.
- **Impairment Charges** up P32 million as the ECL models continue to settle, however this poses no concern as NPL remain lower than industry averages at 2.4%.
- **Profit before Tax** up 3X, Profit After Tax up 2X both driven by sustainable improvements in the underlying business variables.
- **Return on Equity** rose by 300 basis points to 5%
- **CAR stable** at 19% against the 15% regulatory limit and a 17.8% internal threshold. The stable CAR is underpinned by its quality, with Tier 1 accounting for 13% and CET at 8%.
- **Dividends up 2.3X** to 18.4 thebe per share. The declaration in itself, together with the increase are driven by improved performance, which is driven by improved business fundamentals and a stable capital adequacy position.

Chief Financial Officer's Review *(continued)*

	2019 P'000	2018 P'000
Net interest income	438,300	440,144
Other Income	287,941	286,571
Operating income	**726,241**	**726,715**
Operating Expenses	(624,475)	(703,639)
Profit before Impairment and Taxation	**101,766**	**23,076**
Specific Impairment Provisions	(61,812)	(60,042)
Expected Credit Loss (Charges)/ Reversal	(4,042)	29,572
Recoveries	33,667	30,435
Profit before Taxation	**69,579**	**23,041**
Taxation	(14,734)	3,370
Profit for the period	**55,845**	**26,411**

Performance by segment

	2019 P'000	2018 P'000
Retail Banking	519,019	502,187
CIB	160,086	181,587
Commercial Banking	47,136	39,940
Total Operating Income	**726,241**	**726,715**
Retail Banking	76,246	68,468
CIB	17,448	10,193
Commercial Banking	(24,116)	(55,621)
Operating Profit Before Tax	**69,579**	**23,041**

Retail Segment

The retail segment remains an income leader for the business, reflecting the structure of our lending book. For 2019, retail lending closed at just above 80% of the overall client's assets book, ahead of industry averages which hover around 63%. The retail book grew 12% y-o-y, broadly in line with total growth in loans and advances to households at industry level. Total unimpaired income for the retail segment was up 5%, driven by improved margins on top line and a modest 1% increase in non-funded income. Improved margins came on the back of optimised average asset pricing against a reducing cost of funds. Impairments were higher than prior year at P25 million but remain very low in context of total retail client asset base. Profits for the segment were 17% higher as operational costs ascribed to the segment climbed down 5% to close the year at P426 million.

Commercial, Corporate & Institutional Banking

Overall segment income was 6% down to P207 million as a decent 4% growth on the non-funded income line was totally offset by a 14% degrowth in net interest income. This is a result of combined effects of subdued demand for corporate debt and the Bank's strategy on stepping up its non-lending business support to corporates. Loans and advances went down 2% at industry level. The CIB sub segment registered a 71% growth in profit before tax, while the CB subsegment materially cut down its losses from the prior year by more than half.

Net Interest Income and margin

	2019 P'000	2018 P'000
Net Interest Income	**438,300**	440,144
Average Interest-earning Assets	**15,411,708**	14,952,106
Average Interest-bearing Liabilities	**14,058,361**	13,907,456
Gross Yield (%)	**5.0**	**5.2**
Rate Paid (%)	**2.3**	**2.5**
Net Yield	**2.7**	**2.7**
Net Margin (%)	**2.9**	**2.9**

There was a modest 1.1% increase in net interest income against a 3% growth on average interest earning assets. This translated into a 20-basis point climb-down in gross yield. However, a much improved and stable liquidity profile resulted into a corresponding 20-basis point improvement in average rate paid, thus fully protecting the NIMs. The numbers, however are averages and do not yet reflect full effects of asset pricing optimisation that happened in Q3.

Credit Quality

	2019 P'000	2018 P'000
Gross loans and Advances to customers	**8,017,844**	7,701,832
Of which Stage 1 and 2	**7,925,357**	7,451,215
Of which Stage 3	**182,487**	250,617
Expected Credit loss provisions	**188,617**	216,597
Of which Stage 1 and 2	**91,114**	84,907
Of which Stage 3	**97,503**	131,690
Net loans and Advances to customers	**7,919,227**	7,485,235
Of which Stage 1 and 2	**7,834,243**	7,426,119
Of which Stage 3	**84,984**	59,116
Collateral	**4,732,901**	3,958,960
Stage 1 and stage 2 exposures	**4,099,782**	3,319,260
Stage 3 exposures	**633,119**	639,700

The asset quality remained strong during the year, with NPL ratio declining by 90 basis points to 2.4%. This comes as a result of continuing discipline and credit-based portfolio rebalancing is crystallising into tangible benefits. The greater part of stage 2 and 3 exposures are collateralised. The Bank's portfolio is reviewed and stress tested regularly to foresee impact of likely horizon risks and manage them accordingly.

Chief Financial Officer's Review *(continued)*

Balance Sheet and Liquidity

	2019 P'000	2018 P'000
Assets		
Loans and advances to banks	**3,458,459**	3,488,495
Loans and advances to customers	**7,919,227**	7,485,235
Other Assets	**4,352,641**	5,630,043
Total assets	**15,730,327**	**16,603,773**
Liabilities		
Deposits from other banks	**1,020,928**	754,429
Deposits from customers	**12,875,805**	12,340,661
Other Liabilities	**725,747**	2,399,904
Total liabilities	**14,622,480**	**15,494,994**
Equity	**1,107,847**	**1,108,779**
Advances-to-deposits Ratio (%)	62	61
Liquid Assets Ratio (%)	24.5	29.5

The Bank's balance sheet remained adequately resilient and stable throughout the year; liquidity profile was optimised and well diversified. Capital adequacy remained strong, with an improved quality.

At total balance sheet assets level there was a 5% decline, however the core lending book registered an impressive 6% as sales of our primary retail lending products for the year crossed the P2 billion mark. Contributing to the reported decline in other assets is a booking related timing difference that is reflected in the reported other liabilities.

Client liabilities saw a 4% increase, despite a reduced interest cost bill for the year. This reflects combined effects of a more stable deposit book characterised by a growth in CASA and a softer market-wide liquidity scenario for a better part of 2019.

ADR edged 100 basis points up, while the LAR closed the year down at 24.5%. The decline in LAR is a result of gradual steps taken to improve liquidity allocation.

Risk Weighted Assets

	2019 P'000	2018 P'000
By Risk Type		
Credit	**7,118,133**	6,871,585
Market	**49,952**	46,201
Operational	**761,215**	825,808
Total RWAs	**7,929,299**	7,743,594

Total risk weighted assets increased to P7,929 million driven by increased business activity on the retail side of the bank, the growth is net of RWA efficiency drivers implemented during the year. The growth in market RWA is also reflective of higher activity with our financial markets during the year.

Capital Base and ratios

	2019 P'000	2018 P'000
CET1 Capital	**646,214**	**671,411**
Additional Tier 1 Capital (AT1)	400,000	400,000
Tier 1 Capital	**1,046,214**	**1,071,411**
Tier 2 Capital	477,977	592,344
Total Capital	**1,524,190**	**1,663,755**
Capital adequacy ratio (%)	19.2	21.5
Regulatory Threshold (%)	15	15

The Bank remained well within regulatory capital thresholds. CET1 moved 4% down mainly driven by dividend pay-out and Additional Tier 1 capital distributions during the year, but this was partially offset by positive performance during the year. Regulatory adjustments were higher in 2019 as day 1 IFRS 9 impact amortisation continues to taper down.

Headline earnings per share (Thebe)

	2019 P'000	2018 P'000
Profit attributable to ordinary shareholders	54,845	26,411
Income from sale of assets	(140)	-
Headline earnings	54,705	26,411
Weighted average number of ordinary shares	298,351	298,351
Calculated Headline earnings per share (Thebe)	**18.34**	**8.85**

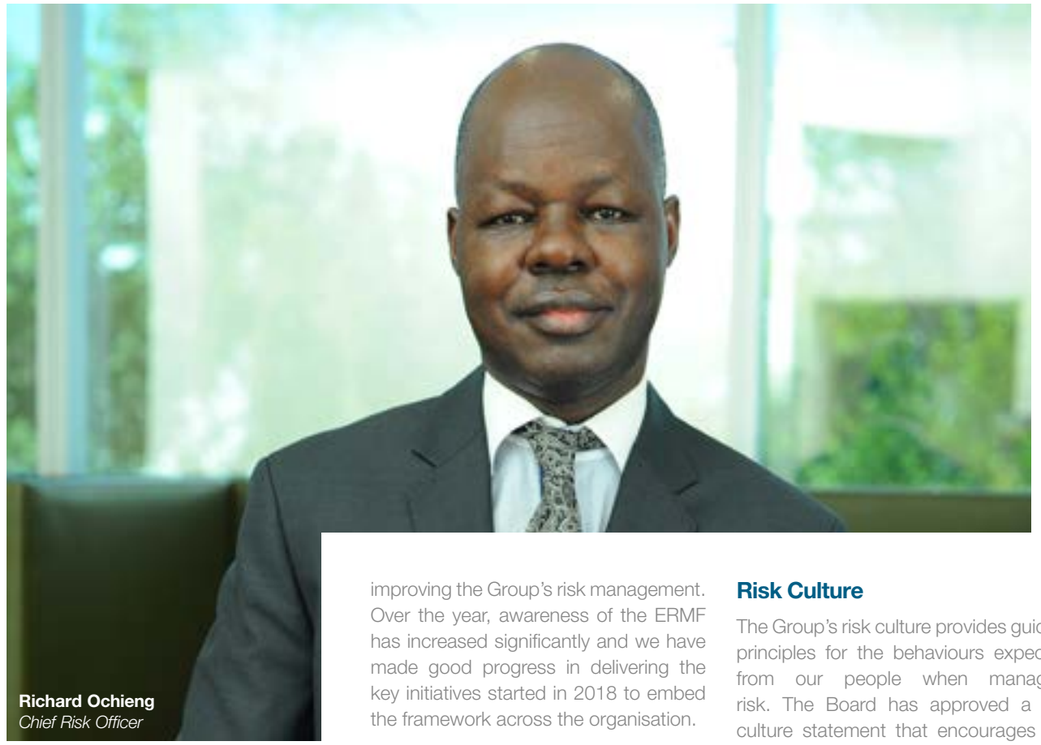
Outlook

Early Q1 2020 performance has been encouraging, transitioning well from an impressive momentum run in the last quarter of 2019. Sales of primary products, in particular reflect a positive trajectory for the rest of the year, supported by increased disposable incomes for public sector employees and general positivity in the economic outlook. A number of key investments have been bedded down and expected to aide a rapid rollout of key enablers during the year. These enablers will not only improve client experience but contribute quite positively to the Bank's revenue profile, particularly the non-funded income lines.

There are headwinds though; the full effects of COVID-19 broadly remain a guess as the spread of the scourge appear far from over. Financial performance could take a knock as the Bank continues to take appropriate steps to protect its staff, clients and contribute to wider efforts in curbing the spread.

Mbako Mbo
Chief Financial Officer

Chief Risk Officer' review



Richard Ochieng
Chief Risk Officer

Risk Management

Risk management is essential to assure consistent and sustainable performance for all our Stakeholders and is therefore a central part of the financial and operational management of the Group. The Group adds value to clients and therefore the communities in which they operate and generates returns for shareholders by taking and managing risk.

Enterprise Risk Management Framework

The Enterprise Risk Management Framework (ERMF), approved by the Board in August 2018, enables the Group to manage enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within our Risk Appetite. The ERMF has been designed with the explicit goal of improving the Group's risk management. Over the year, awareness of the ERMF has increased significantly and we have made good progress in delivering the key initiatives started in 2018 to embed the framework across the organisation.

The Group has completed review of the ERMF in 2019 for 2020 implementation. As part of key changes, The Group has elevated model Risk as a Principal Risk Type and will be drawing specific framework for management of model risk separately from Operational Risk. Additionally, The Group has recognized Climate Risk as a material cross cutting risk that manifests through other principal Risk Types. The Group will be implementing a plan and an approach for management of Climate Risk in 2020.

Risk Culture

The Group's risk culture provides guiding principles for the behaviours expected from our people when managing risk. The Board has approved a risk culture statement that encourages the following behaviours and outcomes: An enterprise-level ability to identify and assess current and future risks, openly discussing these and taking prompt actions, thus, the highest level of integrity by being transparent and proactive in disclosing and managing all types of risks. A constructive and collaborative approach in providing oversight and challenge and taking decisions in a timely manner. Everyone to be accountable for their decisions and feel safe in using their judgement to make these considered decisions. We acknowledge that banking inherently involves risk-taking and undesired outcomes will occur from time to time; however, we take the opportunity to learn from our experience and formalise what we can do to improve. We expect managers to demonstrate a high awareness of risk and control by self-identifying issues and managing them in a manner that will deliver lasting change.

Chief Risk Officer' review continued

Strategic Risk Management

The Group approaches strategic risk management by:

- Including in the strategy review process, an impact analysis on the risk profile from growth plans, strategic initiatives and business model vulnerabilities with the aim of proactively identifying and managing new risks or existing risks that need to be reprioritised.
- Including in the strategy review process a confirmation that growth plans and strategic initiatives can be delivered within the approved Risk Appetite and/or proposing additional Risk Appetite for Board consideration.
- Validating the Corporate Plan against the approved or proposed Risk Appetite Statement to the Board. The Board approves the strategy review and the five-year Corporate Plan with a confirmation from the Group Chief Risk Officer that it is aligned to the ERMF and the Group Risk Appetite Statement where projections allow

Risk Appetite and profile

We recognise the following constraints which determine the risks that we are willing to take in pursuit of our strategy and the development of a sustainable business:

- Risk capacity is the maximum level of risk that the Group can assume, given its current capabilities and resources, before breaching constraints determined by capital and liquidity requirements and internal operational capability (including but not limited to technical infrastructure, risk management capabilities, expertise), or otherwise failing to meet the expectations of regulators and law enforcement agencies.
- Risk Appetite is defined by the Group and approved by the Board. It is the maximum amount and type of risk the Group is willing to assume in pursuit of its strategy. Risk Appetite cannot exceed risk capacity.

The Board has approved a Risk Appetite Statement, which is underpinned by a set of financial and operational control parameters known as Risk Appetite metrics and their associated thresholds. These directly constrain the aggregate risk exposures that can be taken across the Group. The Risk Appetite Statement is supplemented by an overarching statement outlining the Group's Risk Appetite Principles.

Risk Appetite Principles

The Group Risk Appetite is defined in accordance with risk management principles that inform our overall approach to risk management and our risk culture. We follow the highest ethical standards required by our stakeholders and ensure a fair outcome for our clients, as well as facilitating the effective operation of financial markets, while at the same time meeting expectations of regulators and law enforcement agencies. We set our Risk Appetite to enable us to grow sustainably and to avoid shocks to earnings or our general financial health, as well as manage our Reputational Risk in a way that does not materially undermine the confidence of our investors and all internal and external stakeholders.

Stress testing

The objective of stress testing is to support the Group in assessing that it:

- Does not have a portfolio with excessive concentrations of risk that could produce unacceptably high losses under severe but plausible scenarios
- Has sufficient financial resources to withstand severe but plausible scenarios
- Has the financial flexibility to respond to extreme but plausible scenarios.
- Understands the key business model risks, considers what kind of event might crystallise those risks – even if extreme with a low likelihood of occurring – and identifies, as required, actions to mitigate the likelihood or the impact.

Enterprise stress tests include Capital and Liquidity Adequacy Stress Tests, including in the context of recovery and resolution, and stress tests that assess scenarios where our business model becomes unviable, such as reverse stress tests.

Principal Risk Types

Principal Risk Types are risks that are inherent in our strategy and our business model and have been formally defined in the Group's ERMF. These risks are managed through distinct Risk Type Frameworks (RTF) which are approved by the Group Chief Risk Officer. The Principal Risk Types and associated Risk Appetite Statements are approved by the Board.

In 2019, completed refresh 9 out of the 11 Principal Risk Types to align to the refreshed ERMF. The Group will complete all the refresh of Principal Risk Types within the first half of 2020.

The table below shows the Group's current Principal Risk Types

Principal Risk Types Definition

Credit risk	Potential for loss due to the failure of a counterparty to meet its agreed obligations to pay the Group
Country risk	Potential for default or losses due to political or economic events in a country
Traded risk	Potential for loss resulting from activities undertaken by the Group in financial markets
Capital & liquidity risk	Capital: potential for insufficient level, composition or distribution of capital to support our normal activities. Liquidity: potential for loss where we may not have sufficient stable or diverse sources of funding or financial resources to meet our obligations as they fall due.
Operational risk	Potential for loss resulting from inadequate or failed internal processes and systems, human error, or from the impact of external events (including legal risks)
Reputational risk	Potential for damage to the franchise, resulting in loss of earnings or adverse impact on market capitalisation because of stakeholders taking a negative view of the organisation, its actions or inactions – leading stakeholders to change their behaviour
Compliance	Potential for penalties or loss to the Group or for an adverse impact to our clients, stakeholders or to the integrity of the markets we operate in through a failure on our part to comply with laws or regulations.
Conduct	Risk of detriment to the Group's customers and clients, investors, shareholders, market integrity, competition and counterparties or from the inappropriate supply of financial services, including instances of wilful or negligent misconduct
Information and cyber security	Potential for loss from a breach of confidentiality, integrity and availability of the Group's information systems and assets through cyber-attack, insider activity, error or control failure
Financial crime	Potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to international sanctions, anti-money laundering and anti-bribery and corruption
Strategic	A possible source of loss (or lost opportunity) that might arise from the pursuit of an unsuccessful business plan

Our Risk Profile in 2019

Through our well-established risk governance structure and risk management framework, we closely manage our risks with the objective of maximising risk-adjusted returns while remaining in compliance with the Risk Appetite Statement. We manage uncertainties through a framework that provides a forward-looking 12 to 18-month view of the economic, business and credit conditions, enabling us to proactively manage our portfolio.

The Group risk profile was rated amber as at close of 2019. Non-financial risks, specifically Information and Cyber Security, Financial Crime Risk and Compliance were elevated mainly on account of emerging external and internal risks that required heightened management attention.

We continue to enhance our stress-testing capability and build our enterprise wide risk management function so that we can better manage the risk boundaries within which the Group operates.

Richard Ochieng
Chief Risk Officer

Board of Directors

Doreen Cilla Khama
Chairperson

She is the founder and senior partner at Doreen Khama Attorneys, a private law firm established in 1982 which provides legal advice to corporate and individual clients on commercial matters and general litigation. She is also the honorary of Austria to Botswana.

She has sat on the boards of Botswana Savings Bank, ABC Holdings and Banc ABC Botswana where she served as a Non Executive Director and Chairperson.

Jerry Kweku Boi Bedu – Addo
Non-Executive Director

Kweku Bedu-Addo was appointed as the CEO of Standard Chartered Bank for South Africa & Southern Africa in August 2017. He joined SCB Ghana in 2000 and became the first Ghanaian Chief Executive by 2010.

Prior to joining SCB, Kweku worked in the Ministry of Finance in Ghana during the implementation of Ghana's Structural Adjustment Program. Kweku also served as the past Chairman of the Ghana Stock Exchange and past Vice Chairman of the Ghana Fixed Income Market Council. He was on the Global Investment Committee, Acumen Fund, New York from 2012 to 2016. Kweku holds a Bachelor of Science degree in Agricultural Economics from the University of Ghana and a Masters degree in Economic Policy Management from Columbia.

Mpho Masupe
Chief Executive Officer

Shareholder: Risk committee

Mpho Masupe joined Standard Chartered Bank Botswana Limited in 2013 as Chief Financial Officer and was appointed as Chief Executive Officer in 2017. Prior to joining the Bank, he spent 10 years at Debswana Diamond Company in the Accounting and Shared Services Divisions. Mpho has a strong financial background acquired over 24 years leading finance and administration departments.

Mpho holds a Bachelor of Commerce Degree from the University of Botswana and a Masters in Strategic Management from the University of Derby.

Mpho also sits on the Boards of Standard Chartered Insurance Agency (Pty) Ltd, Standard Chartered Investment Services (Pty) Ltd and Standard Chartered Botswana Nominees (Pty) Ltd.

John Stevens
Independent Non-Executive Director

Chairman: Audit Committee

John Stevens was appointed to the board as a Non-Executive Director in 2013. He served Deloitte & Touche in South Africa and Botswana for over 33 years, 8 of those years as partner in charge of Delotte & Touche Botswana. John retired from Deloitte & Touche in 2007 and took up the challenge of private consultancy. He holds a B.Comm Degree from Rhodes University and is a fellow shareholder of the Botswana Institute of Chartered Accountants, a shareholder of the South African Institute of Chartered Accountants and a shareholder of the Institute of Chartered Accountants of England and Wales. John is also a shareholder of the Board for Cresta Marakanelo Limited.

Rodgers Thusi
Non-Executive Director

Rodgers Thusi was appointed to the board as an Independent Non-Executive Director in July 2019.

Mr Thusi is the co – founder of Gidary Technical Solutions, a consultancy company which has undertaken a number of projects covering technical investigations, mineral resource evaluation including projects and operations management support at various mines.

He holds a Bachelors Degree of Science specialising in Mineral Processing from the University of Wales, a post Graduate Diploma in Management Studies from Management College of Southern Africa and a Certificate in Advanced Operations Management from the University of Cape Town.

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

Thari Pheko
Independent Non-Executive Director

Thari Gilbert Pheko was appointed to the Board as an Independent Non-Executive Director in February 2020.

Mr Pheko is a Consultant at ZBL Investments (Pty) Limited, a company that provides consultancy services in broad spectrum of Information and Communication Technology (ICT). He has over 10 years experience in Executive Management positions of various organisations, he served as a Chief Executive for Botswana Telecommunications Authority and is a founding Chief Executive of Botswana Communications Regulatory Authority (BOCRA). He holds a Master's Degre in Management Information Systems, a Bachelors Degree in Business Finance and Economics from the University of East Anglia, Norwich, United Kingdom.

Chazha Kgalemang
Company Secretary

Chazha was admitted as an Attorney of the High Court of Botswana in 2006. She has gained extensive experience on corporate, commercial, banking and finance law through working as a practising attorney and as in-house counsel for the past 7 years.

Chazha holds a Masters of Laws, majoring in Corporate and Commercial Law (University of Melbourne) and a Bachelor of Laws (Rhodes University).

Corporate Governance

For the year ended 31 December 2019

The Board

Our corporate governance framework enables the board to oversee strategic direction, financial goals, resource allocation and risk appetite, and to hold executive management accountable for execution. The board also ensures that executive management sets the tone for good governance, based on the company's values, and that it is integrated in the way the company operates at all levels.

The King Report on Corporate Governance (King Code or King IV) forms the cornerstone of our approach to governance.

The Board is responsible for reviewing the performance of the Company in the light of its strategy, objectives, plans and budgets and ensure that any necessary corrective action is taken, maintains a sound system of internal control and risk management including receiving reports on, and reviewing the effectiveness of the Company's risk and control processes to support its strategy and objectives, approving an appropriate statement for inclusion in the annual report.

The board composition is qualitatively and quantitatively balanced in terms of skills, demographics, nationalities, experience and tenure. The Board further reviews the structure, size and composition of the Board from time to time and make any changes deemed necessary taking into account professional skills, qualifications ,relevant industry knowledge, training and competency needs of the board. The mandate is exercised in a formal and transparent manner in line with the appointment of directors' policy
The board has undertaken to pursue the gender diversity targets. The board considers these targets in the implementation of its succession plans.

In delivering its mandate, the Board has adopted a delegation of authorities policy, which sets out matters specifically reserved for the Board and those delegated to management and its sub-committees. The powers delegated to each committee are set out in the terms of reference which are reviewed annually and updated when necessary. The Board on an annual basis reviews the effectiveness of each committee. The Board confidently reports that the committees have effectively delivered on their mandate as set out in their respective Terms of Reference.

BOARD DELEGATED COMMITTEES

To function effectively, the Board Charter enables the Board to establish and delegate specific oversight roles and responsibilities to its committees and individual directors. The day-to-day running of the business is delegated to executive management, with certain matters reserved for the Board's own decision-making.

Terms of reference for each committee dealing with standard items such as shareholdership, role clarification and nature of delegated authority are approved by the Board and are regularly reviewed. Our Enterprise Risk Management Framework and certain governance policies, such as those pertaining to approval mandates, further clarify the roles and powers of the various governance bodies.

Board Audit Committee

This is a board delegated committee whose main objective is to exercise oversight over the Company's internal financial controls and to act as the Audit Committee of the Company as required by the relevant laws and regulations. The Committee comprises of 3 Independent Non Executive Directors in line with the King Code Report and Listing Rules recommendations and it meets at least 4 times per annum. The Committee is mandated to:

- review and monitor the integrity of statutory accounts, published financial statements and circulars to shareholders of the Company and any formal announcements or reports relating to the Company's financial performance including significant financial reporting judgements contained in them.
- review the Company's internal financial controls and to review the Company's internal control systems and report to the Board on these.
- make recommendations to the Board in relation to the appointment and or dismissal of external Auditors. To discuss the nature, scope of their audit; and review and monitor their independence, objectivity of their findings and effectiveness of the audit process.
- review the resources, scope, authority and operations of the Country Audit function and to receive reports highlighting the findings from the activity of country Audit/country Assurance and any relevant Group Internal Audit Reports.
- consider and satisfy itself of the appropriateness of the expertise and experience of the Company's Chief Financial Officer.

The Audit Committee is of the view that it has fully exercised its mandate. It further confirms that it has reviewed the appropriateness of the expertise and experience of the Chief Financial Officer, Dr Mbo and it is satisfied that he has the suitable skills and qualifications for the position. Dr Mbako Mbo has a Bachelor's degree in Accountancy from the University of Botswana, Bsc Honours from Oxford Brooks University and a Master's in Business Administration from the University of Derby. He further has a PHD specialising in Business Management and Administration from Stellenbosch University.

Corporate Governance continued

Board Skills and Experience

The Board is composed of a total of 6 Directors who are individuals of high calibre and credibility with the necessary skills and experience.

The Standard Chartered Group board is diverse in demographics, skills and experience and 66% of the directors are independent nonexecutive directors.
The background and qualifications of the Directors are disclosed under the Board of Directors section.

Independence

The majority of Standard Chartered Bank Botswana's board shareholders are independent directors, which is in compliance with King IV requirements and ensures that the interests of the minority shareholders are protected.

Company Secretary Certification

The Company Secretary certifies to the best of her knowledge and belief, that the Company has lodged with the Registrar of Companies all such notices and returns required, and that all such returns and notices are true, correct and up to date. She also certifies that the Company has complied with every disclosure requirement for continued listing on the BSE as imposed by the BSE and has submitted an Annual Compliance Certificate to that effect.

Board Charter

The Board has in place a Board Charter to clarify roles of the Board and to enhance its decision-making processes. The purpose of the Board Charter is to clearly outline the structure of the Board and to define its role, focusing on strategic leadership, performance management, investor relations, risk management and governance. The Board Charter also outlines fiduciary duties of Directors according to Section 130 of the Companies Act and as recommended by King IV. The Board reviews the Charter annually to ensure that it is in line with recent changes in the law and standards of governance practice. No significant changes were made to the Charter during the reporting period.

Remuneration Committee

The bank does not have a local Board Remuneration Committee, the bank as a shareholder of the Standard Chartered Bank Group relies on the Group Remuneration Committee which serves and satisfies the requirements of the listing rules.

Conflicts of interest

The board is committed to acting in the best interests of the Company, in good faith and without undue personal conflicts of interest. All board decisions are consistently based on ethical foundations in line with the group's values. In making decisions, the board adopts a pragmatic approach to the group's core business, prudently evaluates the strategic value drivers as measures of the performance of the group and the potential trade-offs made to achieve the group strategy. At the beginning of each meeting, directors are required to declare whether there are any conflicts of interest in relation to matters on the agenda. The company secretary maintains a register of directors' interests, which is tabled at each board meeting and any changes are submitted to the board as they occur. The board is aware of outside commitments of directors and is satisfied that directors allocate sufficient time to enable them to discharge their responsibilities effectively.

Company Secretary

Directors have access to the services of the Company Secretary. The Company secretary, Chazha Kgalemang, is not a shareholder of the board. On 11th March 2020, the board considered the competence, qualifications and experience of the Company Secretary and concluded that she is competent to carry out her duties, and that it is satisfied that an arm's length relationship exists between itself and the company secretary as envisaged in the Botswana Stock Exchange Listings Requirements.

Board Evaluations

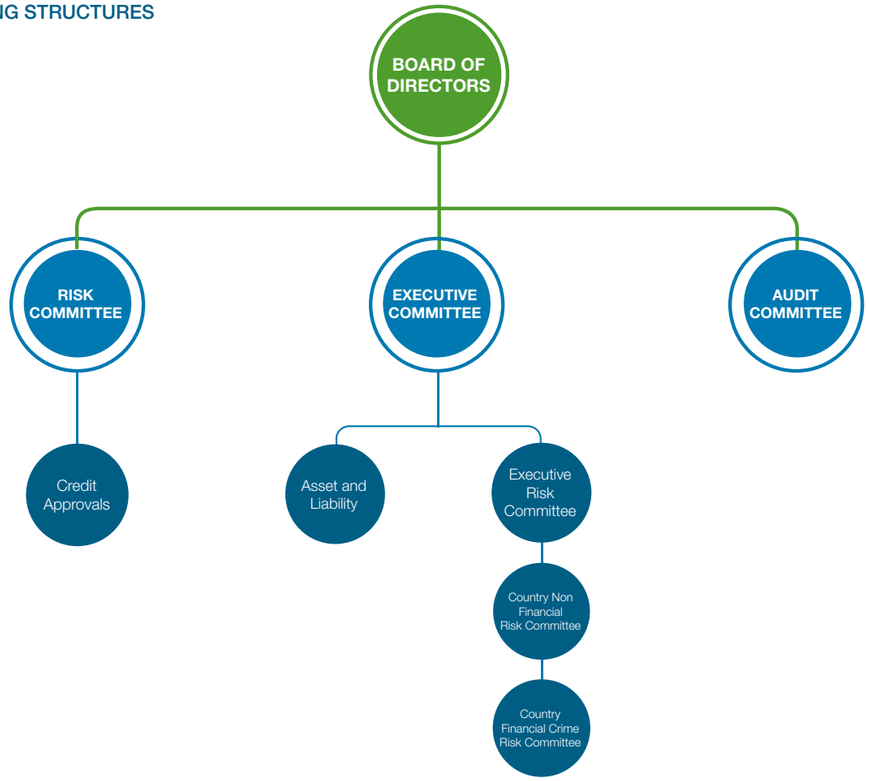
The Chairman of the Board with the assistance of the Company Secretary is responsible for ensuring that the assessment of the performance and effectiveness of the Board, the Committees and individual Directors is conducted on an annual basis. The effectiveness of the Company's Board, Board committees, Chairman, individual directors, corporate governance structures, and processes and procedures are regularly assessed against set criteria. Matters arising, including areas requiring improvement and remedial plans, are presented to the Board. No material issues emanated from the reviews, and substantive feedback has been provided in regard to the activities of the committees and to each board shareholder in relation to their peers.

The review also considered whether directors' interests, position, association or relatives, were likely to influence unduly or cause bias in decision making when judged from the perspective of a reasonable and informed third-party.

The Constitution of the Bank provides for a maximum of 12 directors and a minimum of 4. As at 30th March 2020, the board comprised of a total of 6 directors, 4 Independent Non Executive Director, 1 Non Executive Director and 1 Executive Director. The board exercises its mandate independently and objectively ensuring the is a balance of power and eliminating chances of any director using undue influence in the decision making process. Directors' conflicts of interests are properly managed, as directors are expected to disclose and or declare their interests at every meeting and as and when the conflict arises.

Corporate Governance continued

GOVERNING STRUCTURES



Changes to the Board

In July 2019, Mr Rodgers Majwabe Thusi was appointed to the board of the bank. Mr Thusi serves in the Audit Committee.

Mr Richard Etemesi resigned as a Non Executive Director of the Bank effective 1st October 2019.
Professor Otlhogile Bojosi retired as an Independent Non Executive Director and Board Chairperson of the Board effective 31st December 2019. Professor Bojosi had served the bank since 2008 and his retirement was necessitated by the provisions of the King Code III report.

In February 2020, the Bank made yet another appointment to the bank. Mr Thari Gilbert Pheko was appointed an Independent Non Executive Director and serves in the Risk Committee.

Election and re-election of Directors

The Constitution of the Bank provides for one third of the directors to retire and if eligible offer themselves for re-election annually at each general meeting. As such the following directors retire and offer themselves for re-election by the shareholders;

Jerry Kweku Boi Bedu – Addo – Non Executive Director
Mpho Masupe - Executive Director

Chairperson of the Board

Ms Doreen Khama is an Independent Non Executive Director and was appointed Board Chairperson effective January 2020. As a board chairperson, her role is to set the ethical tone of the Board and the company. The Board Chairperson further provides overall leadership to the Board without limiting the principle of collective responsibility for board decisions while at the same time being aware of the individual duties of the Board shareholders. Ms Khama's position is separate from that of the Chief Executive Officer.

Board Meetings

In accordance with the Board charter, the board met four times in the year under review. Below is a summary of the directors' attendance and the meetings held:

Corporate Governance continued

Director	Main Board	Audit Committee	Risk Committee
Bojosi Otlhogile	4/4	n/a	n/a
John Stevens	4/4	4/4	n/a
Doreen Khama	4/4	n/a	4/4
Richard Etemesi	3/3	2/3	n/a
Kweku Bedu-Addo	4/4	n/a	4/4
Mpho Masupe	4/4	n/a	4/4
Rodger's Thusi	2/2	2/2	n/a

Directors' Remuneration

In line with the bank's constitution, directors' remuneration is subject to shareholders' approval on an annual basis at its general meeting. Only Independent Non Executive Directors are remunerated, directorship duties for Non Executive directors are incorporated in their contracts of employment as they are employees of the Bank. Below is a summary of the directors' annual remuneration payable quarterly:

Board Chairperson	BWP 140 000.00
Independent Non Executive Director	BWP 100 000.00

The Directors fees remain unchanged for the year ended 31 December 2020.

Shareholder's Update

The bank is a public company listed with the Botswana Stock Exchange with a total of 298350611 issued shares, from the total shares issued 24.173% representing 72118440 are held by the public and 75.827% representing 226232171 are non public.

Standard Chartered Holdings (Africa) B.V. is the only majority shareholder of the bank with 5% or more of the total number of issued shares, the entity holds a total of 221246286 shares representing 74.156% of the entire shareholding.

The below directors are shareholders of the bank, whose shareholding is as follows:

Bojosi Otlhogile - 4500 shares
John Stevens - 5064
Thari Pheko - 5179

Shareholder Spread By Number of Shares

RANGE	NUMBER OF SHAREHOLDERS	% OF SHAREHOLDING	TOTAL SHARES	% OF HOLDING
<2000	625	53.5	362966	0.122
2001-5000	202	17.3	748563	0.251
5001-10000	135	11.6	1039754	0.349
10001-50000	123	10.5	2688346	0.901
500001-100000	20	1.7	1560516	0.523
100001-500000	41	3.5	9484894	3.179
>500000	22	1.9	282464572	94.675
TOTAL	1168	100	298350611	100

Compliance Corporate Governance Rules:

The Board of Directors is fully committed to business integrity, fairness, transparency and accountability in all of its activities. In support of this commitment, the Bank's executive leadership subscribes to sound corporate governance in all aspects of the business and to the ongoing development and implementation of best practices.

The Bank has over the years always committed itself to aligning and adopting the recommendations of the King Code on Corporate Governance and the Botswana Stock Exchange Listing Rules. As at December 2019, most of the principles were being applied, save for those the Company had achieved partial application. Almost all the principles had been applied except that the Audit committee comprised on two INEDs, however due oversight was provided for by the Board.
During the period under review, it was acknowledged that the Board had put a plan in place for application of these principles as far as it was reasonably practical given the Company's current operating environment.

Corporate Governance continued

Compliance King III

	Principle	Status
1	**Ethical and Corporate Leadership**	
1.1	The board should provide effective leadership on an ethical foundation	Applied
1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen	Applied
1.3	The board should ensure that the company's ethics are managed effectively	Applied
2	**Boards and Directors**	**Applied**
2.1	The board should act as the focal point for and custodian of corporate governance	Applied
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable	Applied
2.3	The board should provide effective leadership based on an ethical foundation	Applied
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen	Applied
2.5	The board should ensure that the company's ethics are managed effectively	Applied
2.6	The board should ensure that the company has an effective and independent audit committee	Applied
2.7	The board should be responsible for the governance of risk.	Applied
2.8	The board should be responsible for information technology (IT) governance.	Applied
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	Applied
2.10	The board should ensure that there is an effective risk-based internal audit.	Applied
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation	Applied
2.12	The board should ensure the integrity of the company's integrated report	Applied
2.13	The board should report on the effectiveness of the company's system of internal controls	Applied
2.14	The board and its directors should act in the best interests of the company	Applied
2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act	Not Appllicable
2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board	Applied
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	Applied
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent	Applied
2.19	Directors should be appointed through a formal process	Applied
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	Applied
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary	Applied
2.22	The evaluation of the board, its committees and the individual directors should be performed every year	Applied
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	Applied
2.24	A governance framework should be agreed between the group and its subsidiary boards	Applied
2.25	Companies should remunerate directors and executives fairly and responsibly	Applied
2.26	Companies should disclose the remuneration of each individual director and prescribed officer	Applied
2.27	Shareholders should approve the company's remuneration policy.	Not Applied To be regulated at the ensuing AGM
3	**Audit Committee**	
3.1	The board should ensure that the company has an effective and independent audit committee	Applied
3.2	Audit committee shareholders should be suitably skilled and experienced independent non-executive directors	Applied
3.3	The audit committee should be chaired by an independent non-executive director	Applied
3.4	The audit committee should oversee integrated reporting	Applied
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	Applied
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	Applied
3.7	The audit committee should be responsible for overseeing of internal audit.	Applied
3.8	The audit committee should be an integral component of the risk management process.	Applied
3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process	Applied

Corporate Governance continued

3.10	The audit committee should report to the board and shareholders on how it has discharged its duties	Applied
4	**Governance of Risk**	**Applied**
4.1	The board should be responsible for the governance of risk.	Applied
4.2	The board should determine the levels of risk tolerance	Applied
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	Applied
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan	Applied
4.5	The board should ensure that risk assessments are performed on a continual basis	Applied
4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Applied
	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	Applied
	The board should ensure that management considers and implements appropriate risk responses	Applied
	The board should ensure continual risk monitoring by management.	Applied
	The board should receive assurance regarding the effectiveness of the risk management process	Applied
	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders	Applied
5	**The Governance of information technology (IT)**	**Applied**
5.1	The board should be responsible for information technology (IT) governance	Applied
5.2	IT should be aligned with the performance and sustainability objectives of the company	Applied
5.3	The board should monitor and evaluate significant IT investments and expenditure	Applied
5.4	IT should form an integral part of the company's risk management	Applied
5.5	The board should ensure that information assets are managed effectively	Applied
5.6	A risk committee and audit committee should assist the board in carrying out its IT responsibilities	Applied
6	**Compliance with laws, rules, codes and standards**	
6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards...	Applied
6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	Applied
6.3	Compliance risk should form an integral part of the company's risk management process	Applied
6.4	The board should delegate to management the implementation of an effective compliance framework and processes.	Applied
7	**Internal audit**	**Applied**
7.1	The board should ensure that there is an effective risk based internal audit	Applied
7.2	Internal audit should follow a risk based approach to its plan	Applied
7.3	Internal audit should provide a written assessment of the effectiveness of the company's systems of internal control and risk management	Applied
7.4	The audit committee should be responsible for overseeing internal audit	Applied
7.5	Internal audit should be strategically positioned to achieve its objectives	Applied
8	**Governing stakeholder relationships**	
8.1	The board should appreciate that stakeholders Perceptions affect a company's reputation	Applied
8.2	The board should appreciate that stakeholders Perceptions affect a company's reputation	Applied
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	Applied
8.4	Companies should ensure the equitable treatment of shareholders	Applied
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	Applied
8.6	The board should ensure disputes are resolved as effectively, efficiently and expeditiously as possible	Applied
9	**Integrated reporting and disclosure**	**Applied**
9.1	The board should ensure the integrity of the company's integrated report	Applied
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting	Applied
9.3	Sustainability reporting and disclosure should be independently assured	Not Applied, to be adhered to in the ensuring year

Future Makers

In August, Standard Chartered Bank Botswana launched its flagship Corporate Social Responsibility Initiative – Futuremakers – by unveiling a partnership with local entity, Young Africa Botswana (YAB). As part of the launch, the Bank handed over a donation of USD 50,000 (approximately BWP 560,000) to Young Africa Botswana to run the tailor designed Futuremakers programme.

Futuremakers by Standard Chartered, is the Bank's global initiative to tackle the issue of inequality and seeks to promote greater economic inclusion for young people in communities across the globe. Futuremakers supports disadvantaged young people from low-income households, particularly girls and people with visual impairments, to take part in programmes focused on education, employability and entrepreneurship. The initiative's goal is to raise USD 50 million (through fundraising and Bank-matching) between 2019 and 2023 to empower the next generation to learn, earn and grow.

The Bank identified YAB as a partner on the inaugural programme in Botswana. YAB was established in 2016 with the vision of training the youth to create jobs for themselves in Africa's most promising industries – tourism, hospitality, ICT and agriculture. YAB seeks to create a platform to develop youth talents and innovation skills, inspiring their interest whilst simultaneously imparting soft and entrepreneurial skills.

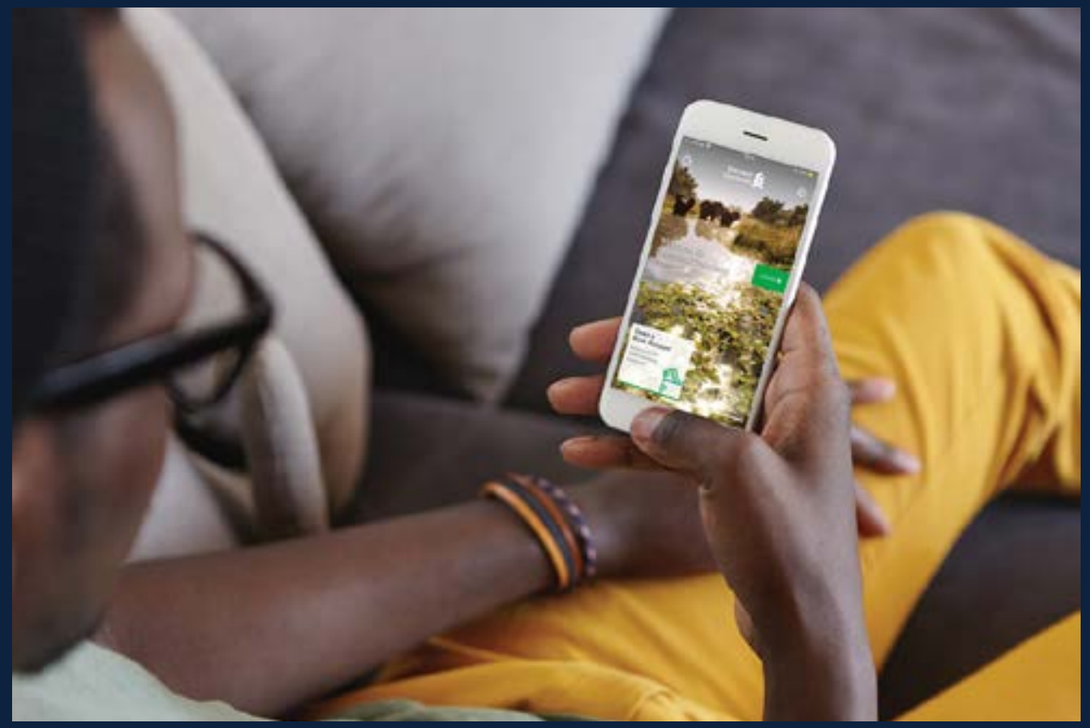
Speaking on the partnership, Chairperson of the YAB Board, Mr Topiwa Chilume remarked; "YAB has been chosen to champion such a pivotal project as the Futuremakers empowered by Standard Chartered Bank. It is no secret that youth unemployment is the number one challenge in our country. When such an established corporate as Standard Chartered Bank invests in the training of the youth to become employable, this grows beyond the usual of the most successful ones giving back to the country"

In his address, Standard Chartered Botswana CEO, Mr. Mpho Masupe shared that Futuremakers was focused on sustainable outcomes; "As a Bank we have proudly declared that we are Here for good – and that has not changed. However, in 2018, we challenged ourselves to say that doing good enough was not going to change the world. Futuremakers has been developed with exactly this philosophy at its core – doing and investing where we can and will see tangible sustainable results in the lives of our youth. Futuremakers is therefore a journey not a moment or collection of moments."

The Young Africa Botswana Futuremakers programme recruited youth who showed an interest in the programme to be matched to one of three development streams; On the job training, the Aspiring Entrepreneurs programme and the Masterclasses. Standard Chartered Botswana will lend additional support through the Bank's established Employee Volunteering programme. 61% of the course participants were young women, and 78% of the course entrants completed the course and graduated.

At the conclusion of the programme

- 38% of graduates had found paying employment
- 24% of graduated had found greater capacity in their existing business ventures
- 17% established beneficial partnerships for their existing business ventures
- 10% were self-employed



CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Directors' Report

For the year ended 31 December 2019

The directors have pleasure in submitting to the shareholders their report and the financial statements of the Group and Company for the year ended 31 December 2019.

Activities

The Group continues to be engaged in the business of commercial banking and provides a wide range of financial services. The Group has four subsidiaries, namely an Insurance Agency Company, an Investment Services Company, Botswana Educational Trust and a Custodial Services company. For the purposes of presenting consolidated financial statements, only the results of the Insurance Agency subsidiary and Botswana Education Trust have been consolidated in the Group results, as the other two subsidiaries are dormant or immaterial subsidiaries for consolidation purposes.

Results

The Group results are disclosed in the statements of profit and loss and other comprehensive income on page11 and reflect the following:

- Profit before taxation P70 million (2018 : P20 million)
- Profit after taxation P55 million (2018: P26 million)

Dividends

During the year, dividends of P24 million were declared and paid (2018: Nil).

Stated capital

During the year, one of the subsidiaries (Standard Chartered Bank Insurance Agency) issued additional share capital of P30 thousand for the Bank (2018: Nil).

Additional Tier 1 Capital

There was no Additional Tier 1 capital injection during the year (2018: P400 million).

Events after reporting date

During the last months of 2019, there was an outbreak of COVID-19 (Coronavirus) in China. As at the balance sheet date, cases reported to the World Health Organisation remained limited, and the full global impact of the virus could not be reasonably and reliably estimated. Post the balance sheet date, however, the virus continued to spread accross the globe with speed. It has become highly likely that there will be a direct impact to the business overtime, details are disclosed in Note 36 of the Annual financial Statements.

Holding company

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

Directors

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

B Otlhogile (Chairman) -	retired 31 December 2019
Mpho Masupe -	(Executive)
Ish Handa -	(resigned 1 March 2019)
Nathaniel Kgabi -	(retired 30 June 2019)
John Yendall Stevens	
Richard Etemesi -	(resigned 1 October 2019)
Jerry Kweku Boi Bedu - Addo	
Rodgers Majwabe Thusi -	(appointed 19 July 2019)
Doreen Khama -	(appointed Board Chairperson 1 January 2020)
Thari Gilbert Pheko -	(appointed 18 February 2020)

Company Secretary:

C Kgalemang

Auditors

A resolution on the appointment of auditors will be proposed to the shareholders at the Annual General Meeting.

By order of the Board

Chazha Kgalemang
Secretary

Directors' Responsibility Statement

For the year ended 31 December 2019

The directors are responsible for the preparation of the consolidated and separate annual financial statements of Standard Chartered Bank Botswana Limited that give a true and fair view, which comprise the statements of financial position at 31 December 2019, the statements of consolidated profit or loss and other comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies, in accordance with International Financial Reporting Standards. In addition, the directors are responsible for preparing the directors' report.

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

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

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead. An impact assessment of the Corona virus Covid-19 pandemic is provided in note 36 of the financial statements.

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

Approval of the consolidated and separate annual financial statements:

The consolidated and separate annual financial statements of Standard Chartered Bank Botswana Limited, were approved by the board of directors on 08 April 2020 and are signed by:

Doreen Khama
Chairperson

Mpho Masupe
Managing Director

Independent Auditor's Report

For the year ended 31 December 2019

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

Independent Auditor's Report

To the shareholders of Standard Chartered Bank Botswana Limited

Opinion

We have audited the consolidated and separate financial statements of Standard Chartered Bank Botswana Limited (the group and company), which comprise the statements of financial position at 31 December 2019, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, significant accounting policies and the notes to the financial statements, as set out on pages 11 to 77.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Standard Chartered Bank Botswana Limited at 31 December 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Banking Act (Cap 46:04) of Botswana.

Basis for Opinion

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

Other Matter - The Impact of Uncertainties due to the Covid-19 on our Audit

Covid-19 affects the group and company and results in certain uncertainties for the future financial position and performance of the group and company. Uncertainties related to the potential effects of Covid-19 are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the group and company, the related disclosures and the appropriateness of the going concern assumption in the financial statements. The appropriateness of the going concern assumption depends on assessment of the future economic environment and the group's and company's future prospects and performance. The Covid-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of this report its effects are subject to levels of uncertainty. An audit cannot predict the unknown factors or all possible future implications for a group and company and this is particularly the case in relation to Covid 19.

Independent Auditor's Report *(continued)*

For the year ended 31 December 2019

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.

Impairment of loans and advances to customers

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

Refer to notes 3 (h) and (i) on related accounting policies, note 2(e) relating to the application of judgments and estimates in the determination of credit impairment, note 4.2 on credit risk management, note 9 relating to impairment loss on financial assets and note 18 on loans and advances to customers.

Key audit matter	How the matter was addressed
The group's and company's core business involve providing loans and advances to individuals and corporate customers. As a result, the main component of the group's and company's financial assets comprise loans and advances to customers which represent 50% of total assets for both the group and company, and the associated impairment allowances. Loans and advances to customers are significant in the context of the consolidated and separate financial statements. Expected credit losses (ECL) relating to loans and advances to customers represent management's best estimate of the losses expected to be incurred within the loan portfolios at the reporting date. Management exercises significant judgements in the determination of expected credit losses relating to loans and advances to customers. Management applies significant judgement in the determination of inputs into the model which include: **Retail banking (RB) portfolio (collective impairment basis)** A significant portion of the retail impairment is calculated on a collective basis. In calculating the expected credit loss for the RB portfolio, statistical models are used as well as credit scoring analyses.	Our audit work included the following procedures: - We obtained an understanding of management's process over credit origination, credit monitoring and credit remediation and tested the design, implementation and operating effectiveness of the related controls. - We involved our own financial risk modelling specialist in assessing the credit risk modelling approach and methodology, re-performed certain aspects of the model validation and independently evaluated model monitoring results arising in the year. - We tested the design, implementation and operational effectiveness of controls over the assessment and calculation of material SICR indicators and criteria. - We assessed the appropriateness of the accounting policies, loan impairment methodologies applied and the adequacy of the disclosures by comparing these to the requirements of IFRS 9, *Financial Instruments.* Where credit losses were calculated on a modelled basis, the following procedures were performed over the model and macro- economic variables in conjunction with our internal credit risk specialists: - We independently recalculated the PD, EAD and LGD for a sample of exposures, and compared the results to management's calculations. - We involved our economics specialists to assist us in assessing the appropriateness of the methodology and model for determining the economic scenarios used. - We also assessed the key economic variables used which included benchmarking samples of economic variables to independent external sources. - We assessed and challenged the appropriateness of post model adjustments to model-driven ECL. **For the corporate, institutional commercial banking portfolio:** - We selected a sample of performing loans and advances and critically assessed the appropriateness of the credit quality and credit ratings through detailed review of the management's credit assessment forms, score cards and audited financial statements.

Independent Auditor's Report *(continued)*

For the year ended 31 December 2019

Key audit matter	How the matter was addressed
Corporate, institutional and commercial banking portfolio (collective and specific impairment basis) Corporate, institutional and commercial banking loans are assessed for recoverability on an individual basis. Significant judgements, estimates and assumptions have been made by management to: - determine if the loan or advance is credit impaired; and - evaluate the adequacy and recoverability and adequacy of collateral through the involvement of specialists. Due to the significance of loans and advances and the significant estimates and judgment involved, the impairment of these loans and advances was considered to be a key audit matter.	For the corporate, institutional commercial banking portfolio: - We also assessed the appropriateness of management's processes for identifying changes in credit risk. - For a sample of loans and advances to customers that had been individually assessed and impaired (stage 2 and stage 3), we independently challenged the expected credit losses, including developing our own expectation of the credit loss based on information available from third parties and market trends. - We performed detailed credit assessments of loans and advances with higher risk credit grades and loans in higher risk and economically exposed sectors as communicated by group, through detailed review of the management's credit assessment forms, score cards and audited financial statements. - For collateral held, we inspected legal agreements and supporting documentation to assess the existence and valuation of the collateral as well as the legal right to the collateral. Where specialists engaged by management had provided valuations, we assessed the controls in respect of their appointment. - We also assessed the competence of the valuation specialists, used by management, based on their professional qualifications, experience and assessed their objectivity and independence.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report and the directors' responsibility statement which we obtained prior to the date of this report and the Annual Report which is expected to be made available to us after that date. Other information does not include the consolidated 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 obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation of the consolidated and separate financial statements which give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Banking Act (Cap 46:04) of Botswana, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report *(continued)*

For the year ended 31 December 2019

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 the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the 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 these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

KPMG

Certified Auditors

Practicing shareholder: Gosego Motsamai (20030026) Certified Auditor of Public Interest Entity

BAOA Certificate Number CAP 0035 2019

14 April 2020

Gaborone

Statements of profit or loss and other comprehensive income

For the year ended 31 December 2019

	Note	Group 2019 P'000	Group 2018 Restated** P'000	Company 2019 P'000	Company 2018 P'000
Interest income	5	762,047	783,862	762,047	783,862
Interest expense	6	(323,747)	(343,718)	(320,185)	(340,425)
Net interest income		**438,300**	**440,144**	**441,862**	**443,437**
Fee and commission income	7	238,387	249,943	205,260	221,084
Fee and commission expense		(35,459)	(49,635)	(35,459)	(49,635)
Net fee and commission income		**202,928**	**200,308**	**169,801**	**171,449**
Net trading income	8	85,013	86,263	85,013	86,263
Dividend income		-	-	-	31,158
Total trading and dividend income		**85,013**	**86,263**	**85,013**	**117,421**
Revenue		**726,241**	**726,715**	**696,676**	**732,307**
Operating expenses					
Net impairment loss on financial assets	9	(32,187)	(35)	(32,187)	(35)
Employee benefits	10	(225,119)	(237,882)	(225,119)	(237,882)
Operating lease expenses		(3,855)	(22,346)	(3,855)	(22,346)
Depreciation and amortisation	19 & 20	(38,704)	(20,776)	(38,704)	(20,776)
Administration expenses	11	(356,797)	(422,635)	(346,789)	(410,736)
Total expenses		**(656,662)**	**(703,674)**	**(646,654)**	**(691,775)**
Profit before taxation		**69,579**	**23,041**	**50,022**	**40,532**
Current taxation	12	(14,734)	3,370	(9,501)	7,302
Profit for the year		**54,845**	**26,411**	**40,521**	**47,834**
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Change in fair value of financial assets at fair value through other comprehensive income, net of tax		(1,374)	(10,646)	(1,374)	(10,646)
Revaluation of property, net of tax	19	2,005)	-	2,005	-
Other comprehensive (loss) / income for the year		631	(10,646)	631	(10,646)
		55,476	**15,765**	**41,152**	**37,188**
Dividends per share (Thebe)	13	7.99	-		
Basic and diluted earnings per share (Thebe)	14	18.38	8.85		
Headline earnings per share (Thebe)	14	18.34	8.85		

*** Details related to the prior period error have been disclosed on note number 37*

The notes on pages 44 to 106 are an integral part of these financial statements

Statements of financial position

For the year ended 31 December 2019

	Note	Group 31 Dec 2019 P'000	Group 31 Dec 2018 P'000 Restated**	Group 1 Jan 2018 P'000 Restated**	Company 2019 P'000	Company 2018 P'000
Assets						
Cash and balances with the Central Bank	15	870,350	1,162,191	969,846	867,731	1,159,621
Loans and advances to banks	16	3,458,459	3,488,495	2,577,528	3,458,459	3,500,093
Investment securities	17	3,073,599	4,049,463	3,364,689	3,073,599	4,049,463
Loans and advances to customers	18	7,919,227	7,485,235	7,589,863	7,919,227	7,485,235
Other assets	21	182,512	244,138	359,969	142,169	137,624
Taxation refundable	25	1,665	13,926	1,408	1,665	13,150
Property and equipment	19	131,883	58,531	64,430	131,883	58,531
Intangible asset and goodwill	20	31,327	29,366	34,253	31,327	29,366
Investment in subsidiaries	30	-	-	-	30	-
Deferred taxation	26	61,305	72,428	71,476	61,305	72,428
Total assets		**15,730,327**	**16,603,773**	**15,033,462**	**15,687,395**	**16,505,511**
Liabilities						
Deposits from other banks	22	1,020,928	754,429	1,108,372	973,746	711,170
Deposits from customers	23	12,875,805	12,340,661	12,238,929	12,875,805	12,340,661
Unsettled Treasury bills	27.1	-	1,348,939	-	-	1,348,939
Other liabilities	27.2	286,251	334,031	217,537	261,703	237,011
Provisions	27.3	-	30,674	7,370	-	30,674
Taxation payable	25	496	-	17,504	-	-
Senior & subordinated loan	24	439,000	686,260	686,260	439,000	686,260
Total liabilities		**14,622,480**	**15,494,994**	**14,275,972**	**14,550,254**	**15,354,715**
Equity						
Share capital		179,273	179,273	179,273	179,273	179,273
Capital contribution		428,213	428,213	28,213	428,213	428,213
Reserves		500,361	501,293	550,004	529,655	543,310
Total equity		**1,107,847**	**1,108,779**	**757,490**	**1,137,141**	**1,150,796**
Total equity and liabilties		**15,730,327**	**16,603,773**	**15,033,462**	**15,687,395**	**16,505,511**

The notes on pages44 to 106 are an integral part of these financial statements

***Details relating to the prior period error have been disclosed in note 37*

Statement of cash flows

For the year ended 31 December 2019

	Note	Group 2019 P'000	Group 2018 Restated** P'000	Company 2019 P'000	Company 2018 P'000
Cashflow from operating activities					
Profit for the year		54,845	26,411	40,521	7,834
Adjustments for:					
Interest income		(762,047)	(783,862)	762,047	(783,862)
Interest expense		323,747	343,718	320,185	340,425
Taxation		14,734	(3,370)	9,501	(7,302)
Depreciation	19	23,792	7,363	23,792	7363
Amortisation on intangibles	20	14,912	13,413	14,912	13,413
Profit on disposal of assets		(140)	-	(140)	-
Net impairement loss on loans and advances	9	26,168	203,556	26,168	203,556
Movement in operating lease accrual	31	(5,908)	1,497	(5,908)	1,497
IFRS 9 equity adjustment		-	(82,844)	-	(82,844)
Movement in provisions		(30,674)	23,304	30,674	23,304
Dividend income		-	-	-	(31,158)
Changes before changes in working capital		**(340,571)**	**(250,814)**	**(302,342)**	**(267,774)**
Change in investment securities		974,490	650,516	974,490	650,516
Change in loans and advances to customers		(460,160)	(98,928)	(460,160)	(98,928)
Change in other assets		61,626	236,872	(4,546)	253,141
Change in deposits from other banks		266,499	(354,455)	262,576	(357,748)
Change in amounts due to non bank customers		535,144	101,732	535,144	101,732
Payment of unsettled Treasury bills		(1,348,939)	-	(1,348,939)	-
Change in other liabilities		(25,508)	84,908	(13,071)	13,500
		(337,419)	**369,830**	**(356,847**	**294,439**
Taxation refunded		13,150	10,217	13,150	10,217
Taxation paid		(5,883)	(16,450)	(1,665)	(13,150)
Interest received		762,047	662,821	762,047	662,821
Interest paid		(291,454)	(277,017)	(320,185)	(273,724)
Net cash generated from operating activities		**140,441**	**749,401**	**96,500**	**680,603**
Cash flow from investing activities					
Acqusition of property and equipment	19	(111,299)	(1,464)	(111,299)	(1,464)
Acqusition of intangibles	20	(16,873)	(8,526)	(19,286)	(8,526)
Proceeds from sale of assets		140	-	140	-
Dividend received		-	-	-	31,158
Net cash used in operating activities		**(128,032)**	**(9,990)**	**(128,032)**	**21,168**
Cash flow from financing activities					
Issue of subordinated capital security		-	400,000	-	400,000
Redemption of subordinated debt	24	(247,260)	-	(247,260)	-
Interest paid on subordinated debt	6	(32,293)	(36,099)	-	(36,099)
Dividends paid		(23,844)	-	(23,844)	-
Distribution payment to holders of subordinated capital securities		(30,889)	-	(30,889)	-
Net cash from financing activities		**(334,286)**	**363,901**	**(301,993)**	**363,901**
Increase in cash and cash equivalents		(321,877)	1,103,312	(333,524)	1,065,672
Cash and cash equivalents		4,650,686	3,547,374	4,659,714	3,594,042
Cash and cash equivalents as 31 December	28	**4,328,809**	**4,650,686**	**4,326,190**	**4,659,714**

The notes on pages 44 to 106 are an integral part of these consolidated financial statements
***Details relating to the prior period error have been disclosed in note 37*

Statements of changes in equity

For the year ended 31 December 2019

Group	Stated capital P'000	Revaluation reserve P'000	Statutory credit risk reserve P'000	Retained earnings P'000	Capital contribution P'000	Treasury share reserve P'000	Fair value reserve P'000	Total P'000
Balance at 01 January 2018 as previously stated	**179,273**	**23,691**	**19,152**	**471,037**	**28,213**	**(31,566)**	**16,928**	**706,728**
Total comprehensive income								
Impact of correction of error	-	-	-	(13,714)	-	-	-	(13,714)
Restated balance at 1 January 2018 **	-	-	-	457,323	-	-	-	457,323
Total comprehensive income								
Profit for the year restated**	-	-	-	26,411	-	-	-	26,411
Profit for the year as previously stated	-	-	-	23,844	-	-	-	-
Impact of correction of errors	-	-	-	2,567	-	-	-	2,567
Other comprehensive income								
Fair value adjustment items measured at fair value through other comprehensive income	-	-	-	-	-	-	(10,646)	(10,646)
Transactions with owners of the bank								
Issue of subordinated capital securities	-	-	-	-	400,000	-	-	400,000
Balance at 31 December 2018	**179,273**	**23,691**	**19,152**	**483,734**	**428,213**	**(31,566)**	**6,282**	**1,108,779**
Balance at 01 January 2019	**179,273**	**23,691**	**19,152**	**483,734**	**428,213**	**(31,566)**	**6,282**	**1,108,779**
Total comprehensive income								
Profit for the year	-	-	-	54,845	-	-	-	54,845
Other movements***				(1,675)	-	-	-	(1,675)
Other comprehensive income								
Fair value adjustment items measured at fair value through other comprehensive income "	-	2,005	-	-	-	-	(1,374)	631
Transactions with owners of the bank								
Dividends to equity holders - paid	-	-	-	(23,844)	-	-	-	(23,844)
Distributions to holders of subordinated capital securities				(30,889)-	-	-	(30,889)	
Balance at 31 December 2019	**179,273**	**25,696**	**19,152**	**482,171**	**428,213**	**(31,566)**	**4,908**	**1,107,847**

Statements of changes in equity *(continued)*

For the year ended 31 December 2019

Company	Stated capital P'000	Revaluation reserve P'000	Statutory credit risk reserve P'000	Retained earnings P'000	Capital contribution P'000	Treasury share reserve P'000	Fair value reserve P'000	Total P'000
Balance at 01 January 2018	179,273	23,691	19,152	446,351	28,213	-	16,928	713,608
Total comprehensive income								
Profit for the year	-	-	-	47,834	-	-	-	47,834
Other comprehensive income								
"Fair value adjustment items measured at fair value through other comprehensive income"	-	-	-	-	-	-	(10,646)	(10,646)
Transactions with owners of the bank								
Issue of subordinated capital securities	-	-	-	-	400,000	-	-	400,000
Balance at 31 December 2018	**179,273**	**23,691**	**19,152**	**494,185**	**428,213**	**-**	**6,282**	**1,150,796**
As 1 January 2019	**179,273**	**23,691**	**19,152**	**494,185**	**428,213**	**-**	**6,282**	**1,150,796**
Total comprehensive income								
Other movements				(73)				(73)
Profit for the year	-	-	-	40,521	-	-	-	40,521
Other comprehensive income								
Fair value adjustment: items measured at fair value through other comprehensive income	-	2,005	-	-	-	-	-1,374	631
Transactions with owners of the bank								
Dividends to equity holders - paid	-	-	-	(23,844)	-	-	-	(23,844)
Distributions to holders of subodinated capital securities	-	-	-	(30,889)	-	-	-	(30,889)
Balance at 31 December 2019	**179,273**	**25,696**	**19,152**	**479,900**	**428,213**	**-**	**4,908**	**1,137,141**

The notes on pages 44 to 106 form an integral part of these financial statements.

*** Other movements relates to an adjustment to two subsidiaries (Standard Chartered Bank Botswana Insurance Agency and Standard Chartered Education Trust) retained earnings balance.

** Details relating to the prior period error have been disclosed in note 37

Statements of changes in equity *(continued)*

For the year ended 31 December 2019

Stated capital

Authorised ordinary shares

The Company's stated capital consists of 400 000 000 ordinary shares of no par value (2018: 400 000 000).

Issued ordinary shares

298 380 611 ordinary shares of no par value (2018: 298 350 611). All issued shares are fully paid. During the year, Standard Chartered Bank Insurance Agency issued 299 900 ordinary shares to Standard Chartered Bank Botswana Limited.

Unissued ordinary shares

As at 31 December 2019, unissued shares totalled 101 619 389 (2018: 101 649 389).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the entity. All shares rank equally with regard to the Bank's residual assets.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have all complied with externally imposed capital requirements throughout the period.

Revaluation reserve

The revaluation reserve comprises the net cumulative increase in the fair value of property.

Statutory credit risk reserve

This reserve represents a statutory reserve required under the Banking Act, 1995.

Capital contribution

This consists of part of the consideration for the acquisition of the custody business and the subordinated undated capital securities.

Fair value reserve

This represents the cumulative movement on debt instruments measured at fair value through other comprehensive income until the instrument is derecognised or impaired, in which case the cumulative amount recognised in other comprehensive income is released to profit or loss.

Retained earnings

Retained earnings represent the cumulative net profit or loss realised by the Group after deducting dividends to shareholders and other utilisation of the reserve.

Treasury share reserve

The reserve for the company's treasury shares comprises the cost of the Bank's shares held by the Group. As at the reporting date, the Group held 0.84% of the Company's shares (2018: 0.84%) as treasury shares.

Notes to the financial statements

For the year ended 31 December 2019

1. Reporting entity

Standard Chartered Bank Botswana Limited ("Bank") was incorporated in Botswana as a Bank with limited liability under the Botswana Companies Act and is licensed to operate as a commercial bank under Section 6 of the Banking Act, 1995 (Chapter 46:04). The Company's registered address is Standard Chartered Bank Botswana Limited, P.O Box 496 Gaborone, Plot 1124-30 Queens Road, Main Mall, Gaborone, Botswana. The Company is listed on the Botswana Stock Exchange (BSE Code: STANCHART). The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group"). The Company has four subsidiaries, namely Standard Chartered Bank Insurance Agency (Proprietary) Limited, Standard Chartered Investment Services (Proprietary) Limited, Standard Chartered Botswana Nominees (Proprietary) Limited and Standard Chartered Botswana Educational Trust. For purposes of presenting consolidated financial statement, only the results of the Insurance Agency subsidiary and Education Trust have been incorporated in the Group results, as the other two entities are dormant or immaterial subsidiaries. The Group is a subsidiary of Standard Chartered Bank PLC, incorporated in United Kingdom. These financial statements represent the Group's and Bank's statutory financial statements.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Banking Act (Cap 46:04).

These financial statements were approved by the board of directors on 08 April 2020.

(b) Functional and presentation currency

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

(c) Basis of consolidation

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

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

Investment in subsidaries

investment in subsidiaries are held at cost less impairment .

Transactions eliminated on consolidation

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

Notes to the financial statements (continued)

For the year ended 31 December 2019

2. Basis of preparation *(continued)*

(d) Segmental reporting

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

(e) Use of judgement and of estimation uncertainty

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

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

- Credit impairment (note 4)
- Valuation of financial instruments (note 4)

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities (unless otherwise specified in the note below on changes in accounting policies). The accounting policies disclosed for the consolidated financial statements apply equally to the Bank's separate financial statements unless otherwise specified. Certain comparative amounts for the Group have been restated as a result of the correction of a prior period error. See note 37 for more information.

(a) Changes in accounting policies

The Group has adopted the following relevant new standards, including any consequential amendments to other standards, which were effective for the financial year beginning on 1 January 2019:

IFRS 16: Leases - Refer to note 3(r)
IFRIC 23: Uncertainy over Income Tax Treatments

IFRIC 23 has no impact on the Bank and the Group.
The adoption of IFRS 16 had a significant impact on the Group and Bank financial statements. Refer to note 3(r). Comparative periods on the adoption of IFRS 16 have not been restated. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 16 and therefore is not comparable to the information presented for 2018 under IFRS 16.

(b) Foreign currency transactions

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

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies *(continued)*

(c) Interest

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

Interest income and expense presented in profit or loss include:

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

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest in suspense

Following a clarification issued by IFRIC in March 2019, if there are any recoveries on stage 3 loans, any contractual interest earned while the asset was in stage 3 is recognised in the credit impairment line. No stage 3 assets cured during the year where interest was previously suspended.

(d) Fees and commission

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

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

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

(e) Net trading income

Net trading income comprises foreign currency gains and losses which are included in the profit or loss in the period they arise.

(f) Dividend income

Dividend income is recognised when the right to receive dividend income is established. Usually this is the ex-dividend date for quoted equity securities. The dividend income forms part of revenue.

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies *(continued)*

(g) Lease contracts

Lease contracts for the group as a lesee that fall below the threshold are recognised on a straight line basis in operating expenses. Where the Group is a lessee, the Group assesses whether a contract is a lease in scope of IFRS 16 by determining whether the contract gives it the right to use a specified underlying physical asset for a lease term greater than 12 months.

(h) Loans and advances

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

(i) Financial instruments

The Group classifies its financial assets into the following measurement categories: a) amortised cost b) fair value through other comprehensive income and c) fair value through profit or loss. Financial liabilities are classified at amortised cost or held at fair value through profit or loss. Management determines the classification of its financial assets and liabilities at initial recognition or, where appropriate, at the time of reclassification.

*(a) Fin*ancial assets held at amortised cost and fair value through other comprehensive income (FVOCI)

Debt instruments held at amortised cost or held at fair value through other comprehensive income (FVOCI) have contractual terms that give rise to cash flows that are solely payments of principal and interest (SPPI characteristics). Principal is the fair value of the financial asset at initial recognition but this may change over the life of the instrument as amounts are repaid. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows have SPPI characteristics, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

Contingent events that would change the amount and timing of cash flows;
Leverage features;
Prepayment and extension terms;
Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Whether financial assets are held at amortised cost or at FVOCI depend on the objectives of the business models under which the assets are held. A business model refers to how the Group manages financial assets to generate cash flows.

The Group makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines depending on the way the business is managed and information is provided to management. Factors considered include:

- How the performance of the product business line is evaluated and reported to the Group's management;
- How managers of the business model are compensated, including whether management is compensated based on the fair value of assets or the contractual cash flows collected;
- The risks that affect the performance of the business model and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

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

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cash flows ("hold to collect") are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("hold to collect and sell") are classified as held at FVOCI.

Both a hold to collect business model and a hold to collect and sell business model involve holding assets to collect the contractual cash flows. However, the business models are distinct by reference to the frequency and significance that asset sales play in meeting the objective under which a particular group of financial assets is managed. Hold to collect business models are characterised by asset sales that are incidental to meeting the objectives under which a group of assets is managed. Sales of assets under a hold to collect business model can be made to manage increases in credit risk of financial assets but sales for other reasons should be infrequent or insignificant.

Cash flows from the sale of financial assets under a hold to collect and sell business model by contrast are integral to achieving the objectives under which a particular group of financial assets are managed. This may be the case where frequent sales of financial assets are required to manage the Group's daily liquidity requirements or to meet regulatory requirements to demonstrate liquidity of financial instruments. Sales of assets under hold to collect and sell business models are therefore both more frequent and more significant in value than those under the hold to collect model.

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

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

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

- Financial assets and liabilities held for trading, which are those acquired principally for the purpose of selling in the short term; and
- Non-trading mandatorily at fair value through profit or loss, including:
  - Instruments in a business which has a fair value business model which are not trading or derivatives;
  - Hybrid financial assets that contain one or more embedded derivatives;
  - Financial assets that would otherwise be measured at amortised cost or FVOCI but which do not have SPPI characteristics;
  - Equity instruments that have not been designated as held at FVOCI; and
  - Financial liabilities that constitute contingent consideration in a business combination.

Designated at fair value through profit or loss

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis (accounting mismatch).

Financial liabilities may also be designated at fair value through profit or loss where they are managed on a fair value basis or have an embedded derivative where the Group is not able to separate the embedded derivative component.

Financial liabilities held at amortised cost

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at fair value through profit or loss are classified as financial liabilities held at amortised cost.

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

Financial guarantee contracts and loan commitments

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

Debt investment securities

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

Fair value of financial assets and liabilities

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

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

Financial liabilities designated at fair value through profit or loss

Financial liabilities designated at fair value through profit or loss are held at fair value, with changes in fair value recognised in the net trading income line in the profit or loss, other than that attributable to changes in credit risk. Fair value changes attributable to credit risk are recognised in other comprehensive income and recorded in a separate category of reserves unless this is expected to create or enlarge an accounting mismatch, in which case the entire change in fair value of the financial liability designated at fair value through profit or loss is recognised in profit or loss.

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

Where derecognition of financial assets is appropriate, the newly recognised residual loans are assessed to determine whether the assets should be classified as purchased or originated credit impaired assets (POCI).

Where derecognition is not appropriate, the gross carrying amount of the applicable instruments is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets). The difference between the recalculated values and the pre-modified gross carrying values of the instruments are recorded as a modification gain or loss in the profit or loss.

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

Modified financial instruments

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

Where derecognition of financial assets is appropriate, the newly recognised residual loans are assessed to determine whether the assets should be classified as purchased or originated credit impaired assets (POCI).

Where derecognition is not appropriate, the gross carrying amount of the applicable instruments is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets). The difference between the recalculated values and the pre-modified gross carrying values of the instruments are recorded as a modification gain or loss in the profit or loss.

Gains and losses arising from modifications for credit reasons are recorded as part of credit impairment. Modification gains and losses arising for non-credit reasons are recognised either as part of credit impairment or within income depending on whether there has been a change in the credit risk on the financial asset subsequent to the modification. Modification gains and losses arising on financial liabilities are recognised within income.

Derecognition of financial instruments

Financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Group has retained control, the assets continue to be recognised to the extent of the Group's continuing involvement.

Where financial assets have been modified, the modified terms are assessed on a qualitative and quantitative basis to determine whether a fundamental change in the nature of the instrument has occurred, such as whether the derecognition of the pre-existing instrument and the recognition of a new instrument is appropriate.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss except for equity instruments elected FVOCI and cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income.

Financial liabilities

Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires and this is evaluated both qualitatively and quantitatively. However, where a financial liability has been modified, it is derecognised if the difference between the modified cash flows and the original cash flows is more than 10 percent.

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

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

Reclassified from amortised cost

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

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

Reclassified from fair value through other comprehensive income

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

Reclassified from fair value through profit or loss

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

Offsetting of financial assets and financial liabilities

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

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

Credit impairment

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

The Group's criteria for assessing if there has been a significant increase in credit risk; and

Development of expected credit loss models, including the choice of inputs relating to macroeconomic variables.

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

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

Expected credit losses

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

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

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

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

Forward-looking economic assumptions are incorporated into the PD, LGD and EAD where relevant and where they influence credit risk, such as GDP growth rates, interest rates, house price indices and commodity prices among others. These assumptions are incorporated using the Group's most likely forecast for a range of macroeconomic assumptions. These forecasts are determined using all reasonable and supportable information, which includes both internally developed forecasts and those available externally, and are consistent' with those used for budgeting, forecasting and capital planning.

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

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

	2019	2020	2021
	Base forecast	Base forecast	Base forecast
GDP growth (real % Year on Year)	3.8	4.2	4.5
CPI (% annual average)	2.9	3.1	3.0
Policy rate (%)	5	5	5
USD –BWP	10.81	11.15	10.96
Current account balance (% GDP)	0.9	1.8	3.1
Fiscal balance (% GDP)	(3.5)	(3.8)	(3.3)

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

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

Expected credit losses *(continued)*

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

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

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

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

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

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

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

Recognition

12 months expected credit losses (Stage 1)

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

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

Recognition *(continued)*

Significant increase in credit risk (Stage 2)

If a financial asset experiences a significant increase in credit risk (SICR) since initial recognition, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset.

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

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

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

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

Credit impaired (or defaulted) exposures (Stage 3)

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

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

Recognition (continued)

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

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

Expert credit judgment

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

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

The Group uses the following internal risk mapping to determine the credit quality for loans:

	Corporate, Institutional and Commercial Banking			Retail Banking	
Credit quality description	Default grade mapping	S&P external ratings equivalent	PD range (%)	Number of days past due	ECL Stages
Strong	Grades 1 - 5	AAA/AA+ to BB+/ BBB-	0.000 – 0.425	Current loans (no past dues nor impaired)	1
Satisfactory	Grades 6 – 8 Grades 9 -11	BB+ to BB-/B+ B+/B to B-/CCC	0.426 – 2.350 2.351 – 15.570	Loans past due till 29 days	2
Higher risk	Grade 12	B-/CCC	15.571 – 50.00	Past due loans 30 days and over till 90 days	2

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

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

Expert credit judgment (continued)

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

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

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

Modified financial instruments

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

Expected credit loss for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk. These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification. Although loans may be modified for non-credit reasons, a significant increase in credit risk may occur.

In addition to the recognition of modification gains and losses, the revised carrying value of modified financial assets will impact the calculation of expected credit losses, with any increase or decrease in expected credit loss recognised within impairment.

Forborne loans

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

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

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

Write-offs of credit impaired instruments and reversal of impairment.

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

Modified financial instruments *(continued)*

Forborne loans (continued)

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

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

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

Improvement in credit risk/curing

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

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

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

In order for a forborne loan to become performing, the following criteria have to be satisfied:
- At least a year has passed with no default based upon the forborne contract terms
- The customer is likely to repay its obligations in full without realising security
- The customer has no accumulated impairment against amount outstanding.

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

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

Fair value of financial instruments

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

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

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

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

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

(j) Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Buildings are measured at revalued amount less related accumulated depreciation and impairment losses. Land is measured at revalued amount. Revaluations are carried out periodically by the directors using independent valuers on the open market basis. The directors consider the fair value of land and buildings every three years. Surpluses and deficits arising on the revaluation of land and buildings are transferred to or from the revaluation reserve through other comprehensive income and accumulated in equity. The reserve is utilised on the sale of the asset.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies *(continued)*

(j) Property and equipment

Subsequent cost

The cost of replacing a part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Land (owned)	Land is not depreciated
Leasehold properties	Shorter of useful life / period of lease
Buildings	50 years
Equipment	3 - 5 years
Motor vehicles	3 years
Furniture, fixtures and fittings	7 - 10 years

Capital work in progress comprises expenses incurred in constructing plant and equipment that are directly attributable to the construction of the asset. These items are not yet available for use and therefore not depreciated. Assets remain in capital work in progress until they have been put into use or commissioned, whichever is the earlier date. At that time they are transferred to the appropriate class of property, plant and equipment as additions and depreciated.

Leasehold properties comprises of office buildings and ATMs.

Repairs and maintenance

Repairs and maintenance costs are recognised in profit or loss during the financial period in which these costs are incurred. The cost of a major renovation is included in the carrying amount of the related asset when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing asset will flow to the company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated over the remaining useful life of the related asset or until the next major renovations, whichever period is shorter.

Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

(k) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill included in the intangible assets is assessed at each reporting date for impairment and measured at cost less any accumulated impairment losses. Gains and losses at disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Cash generating units (CGU) represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. These are smaller than the Group's reportable segments. The recovereable amount of the CGU was based on value in use, estimated using discounted cash flows (budget). The 20 years of cashflows were included in the discounted cashflow model. The CGU was taken to be Corporate and Instututional Banking (CIB) segment. This was made by considering the value add that acrrued to CIB as a result of acquisition of the custody business.

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies *(continued)*

(k) Intangible assets *(continued)*

The key assumptions used in the estimation of the recoverable amount are set out below;

In percent	2019	2018
Discount rate (weighted average cost of capital)	5.91	5.94
GDP growth rates	4.30	4.28
Effective tax rate	22	22

Acquired intangibles

Acquired intangiles comprise of customer relationships, capitalised software and work in progress. At the date of acquisition of a subsidiary, intangible assets that arise from contractual or other legal rights are capitalised and included within the net identifiable assets acquired. These intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the entity and are amortised on the basis of their expected useful lives; with the exception of work in progress which is not amortised. At each reporting date these assets are assessed for indicators of impairment. In the event that the asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Amortisation

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful life of software is 8 years and 10 years for customer relationships.

(l) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash generating units. Goodwill arising from business combination is allocated to cash generating units or groups of cash generating units that are expected to benefit from synergies of the combination.

The 'recoverable amount' of an asset or cash generating unit is assessed as the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are used by more than one cash generating unit. Corporate assets are allocated to cash generating units on a reasonable and consistent basis and tested for impairment as part of the testing of the cash generating unit to the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating units, and then to reduce the carrying amounts of the other assets in the cash generating units on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies *(continued)*

(m) Stated capital

Ordinary shares are classified as equity. Stated capital is recognised at the fair value of the consideration received. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from the initial measurement of the equity instrument.

(n) Capital contribution

The capital contribution is part of the Group's sources of funding. The Group classifies capital contributions as equity or financial liabilities, in accordance with the substance of the contractual terms of the instruments, there is no contractual obligation to deliver cash and at any event that would require the Bank to deliver cash is at its option. The Group's capital securities are redeemable at the option of the issuer, and are therefore classified as equity.

(o) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

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

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

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised. Withholding tax of 7.5% is payable on the gross value of the dividends paid, the rate is 5% for UK shareholders under the Double Taxation Agreement .

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies *(continued)*

(p) Employee benefits

Retirement benefits

The Group operates a defined contribution pension plan. Contributions by the Group to the plan are recognised in profit or loss. The plan is externally administered, therefore there is no liability to the Group apart from the monthly contributions. There are no post-retirement medical funding obligations.

Short term employee benefits

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

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

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

Other staff costs

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

(q) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. There were no dilutive potential shares which would result in Diluted EPS being different to EPS.

(r) New standards and interpretations

IFRS *16 Leases*

On 1 January 2019 the Group adopted IFRS 16 Leases, which replaced IAS 17 Leases. IFRS 16 introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value which has been determined as less than P50,000 for the Group. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The Group has elected to adopt the modified retrospective approach and has not restated comparative information. The following practical expedients were applied on transition to IFRS 16:

- The Group did not reassess whether premises leases identified under IAS 17 were leases under IFRS 16
- The Group did not record a lease liability or right-of-use asset for leases with a remaining term of less than 12 months as at 1 January 2019
- The Group excluded initial direct costs from the measurement of right-of-use assets at 1 January 2019
- The significant judgements in the implementation were determining if a contract contained a lease, and the determination of whether the Group is reasonably certain that it will exercise extension options present in lease contracts.

The impact of IFRS 16 on the Group is primarily where the Group is a lessee in property lease contracts. On 1 January 2019, the Group recognised a lease liability, being the remaining lease payments, including extensions options where renewal is reasonably certain, discounted using the Group's incremental borrowing rate at the date of initial application in the economic environment of the lease.

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies (continued)

(r) New standards and interpretations not yet effective *(continued)*

IFRS *16 Leases (continued)*

The corresponding right-of-use asset recognised is the amount of the lease liability adjusted by prepaid or accrued lease payments related to those leases. No straight lining adjstment was done on day one. The balance sheet increase as a result of recognition of the lease liability and right-of-use asset as of 1 January 2019 was approximately P61 million, with no adjustment to retained earnings. The asset is presented in 'Property, plant and equipment' and the liability is presented in 'Other liabilities'. These balances are detailed below:

	1 January 2019 P'000
Rights of use assets - property, plant and equipment	60,613
Lease liabilities	(60,613)

A number of new standards, amendments to standards and interpretations that are not yet effective for the year ended 31 December 2019 have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory.

The following accounting standards not yet effective and are not expected to have a significant impact on the financials statements of the Group:

Standard/Interpretation

Conceptual framework amendments in IFRS Standards
IFRS 3 - definition of a business
IAS 1 and 8 - amendments to the definition of material
IFRS 9, IAS 39 and IFRS 7 - Amendments to interest rate benchmark reform
IFRS 10 and IAS 28 amendment

Amendments to References to Conceptual Framework in IFRS Standards

These amendments are effective 1 January 2020 and include limited revisions of definitions of an asset and a liability, as well as new guidance and derecognition, presentation and disclosure. The concept of prudence has been reintroduced with the statement that prudence supports neutrality.

Definition of a business (Amendments to IFRS 3)

The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets on measurement.

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework. The changes indefinition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted from the final amendments. The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change the refinements are not intended to alter the concept of materiality.

(s) Other payables

Other payables comprises mostly of VAT accruals and payroll accruals. The accounting policy for payroll related accruals is set out in (p) employee benefits.

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Financial risk management

4.1 Introduction and overview

The Group has exposure to the following risks from financial instruments:
- capital risk
- credit risk
- liquidity risk
- market risk
- operational risk

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adhere to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group Audit and Risk Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit and Risk Committee is assisted in these functions by management as well as the Compliance and Internal Audit department. They undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit and Risk Committee.

The Group implemented an enterprise management framework. The Enterprise Risk Management Framework ("ERMF") sets out the Bank's approach to risk management and the control framework within which risks are managed with the objective of maximising risk-adjusted returns while remaining within the Group's risk appetite.
The ERMF:
- establishes common principles and standards for the management and control of all risks, and to inform behaviour across the organisation;
- provides a shared framework and language to improve awareness of risk management processes and provides clear accountability and responsibility for risk management.

There were no changes from the prior year in how the applicable risks are managed.

4.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from the Group's loans and advances to customers and other banks and its investment in securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

For risk management purposes, credit risk arising on trading assets is managed independently; and information thereon is disclosed below. The market risk in respect of changes in value in trading assets arising from changes in market credit spreads applied to debt securities and derivatives included in trading assets is managed as a component of market risk. Further details are provided in note 4.6.

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Financial risk management *(continued)*

4.2 Credit risk *(continued)*

(a) Management of credit risk

The Board of Directors have overall responsibility for managing credit risk. A separate Group Credit department, reporting to the Board, is responsible for management of the Group's credit risk, including:

- *Formulating credit* policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Larger facilities require approval by the Head of Credit, with expert input from Group Credit department and the Board of Directors as appropriate.
- *Reviewing and assessing credit risk.* The Group Credit department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure* to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).
- *Developing and maintaining the Group's risk gradings* in order to categorise exposures according to the degree of risk of financial loss faced and to focus management of the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of fourteen grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the Group Credit department. Risk grades are subject to regular reviews by Group Credit department.
- *Reviewing compliance* of business units with agreed exposure limits, including those of selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to the Group Credit department who may require appropriate corrective action to be taken.
- *Providing advice, guidance and specialist skills* to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement credit policies and procedures, according to credit approval authorities delegated. Each business unit has a Head of Credit Risk who reports on all credit related matters to management and the Group Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Business units and credit functions carry out regular assurance checks and control self-testing with independent oversight from Country Operational Risk unit. Group Internal Audit does carry out periodic independent audits of the business units and credit processes.

Notes to the financial statements (continued)

For the year ended 31 December 2019

4.2 Credit risk *(continued)*

Exposure to credit risk – Group and Company

	Loans and advances to customers					Loans and advances to banks				Investment securities			
	2019				2018	2019			2018	2019			2018
	Stage 1	Stage 2	Stage 3	Total	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	
Credit impaired:													
Grade 13: Substandard	-	-	182,487	182,487	168,496	-	-	-	-	-	-	-	-
Grade 14: Loss	-	-	-	-	82,121	-	-	-	-	-	-	-	-
Gross carrying amount	**-**	**-**	**182,487**	**182,487**	**250,617**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Specific impairment	-	-	(88,736)	(88,736)	(120,520)	-	-	-	-	-	-	-	-
ECL impairment provision	-	-	(8,767)	(8,767)	(19,875)	-	-	-	-	-	-	-	-
	-	**-**	**84,984**	**84,984**	**110,222**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Not impaired comprises													
01 – 30 days	18,960	2,471	538	21,968	112 789	-	-	-	-	-	-	-	-
31 – 60 days	-	24,108	1,347	25,455	24 169	-	-	-	-	-	-	-	-
61 – 90 days	-	11,629	1,021	12,650	10 774	-	-	-	-	-	-	-	-
Gross carrying amount	**18,960**	**38,208**	**2,906**	**60,073**	**147 732**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Not Credit impaired:													
Grade 1-11: Low - fair risk	7,561,106	304,178	-	7,865,284	7,303,483	-	3,458,461	-	3,488,495	3,073,599	-	-	4,049,463
Gross carrying amount	7,561,106	304,178	-	7,865,284	7,303,483	-	3,458,461	-	3,488,495	3,073,599	-	-	4,049,463
ECL impairment provision	(67,545)	(23,569)	-	(91,114)	(76,202)	-	(2)	-	-	-	-	-	-
	7,493,561	280,609	-	7,774,170	7,227,281	-	3,458,459	-	3,488,495	3,073,599	-	-	4,049,463
Net Loans and advances	**7,512,521**	**318,817**	**87,890**	**7,919,227**	**7,485,235**	**-**	**3,458,459**	**-**	**3,488,495**	**3,073,599**	**-**	**-**	**4,049,463**

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Financial risk management *(continued)*

4.2 Credit risk *(continued)*

Expected credit los on loans and advances to banks (note 16), investments securities (note 17), other financial assets (note 21) and related parties (note 29) and related parties is considered immaterial.

Credit impaired loans

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

Not credit impaired loans

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

Write off policy

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

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are updated annually for commercial properties and every three years for residential properties during the life of the loan until the loan is individually assessed as impaired.

Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowed activity. Collateral usually is not held against investment securities, and no such collateral was held at the current or previous reporting date.

An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers and banks is shown below. The Group is not permitted to resale or repledge the securities in the absence of default.

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Financial risk management *(continued)*

4.2 Credit risk *(continued)*

An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers and banks is shown below. The Group is not permitted to resale or re-pledge the securities in the absence of default.

	Group				Company			
	2019		2018		2019		2018	
	Carrying amount P'000	Colleteral P'000	Carrying amount P'000	Colleteral P'000	Carrying amount P'000	Colleteral P'000	Carrying amount P'000	Principal Security Held P'000
Stage 3	182,487	633,119	**250,617**	639,700	182,487	633,119	**250,617**	639,700 Property and guarantees
Stage 1 and 2	7,925,357	4,099,782	**7,451,215**	3,319,260	7,925,357	4,099,782	**7,451,215**	3,319,260 Property and guarantees

The bank obtained court judgement to foreclose property held as security worth P52 672 804 (2018: P52 833 237).

There was no change in the quality of collateral held in 2019. The collateral held is mainly property and the market values remained stable. The Bank had no instruments for which credit loss was not recognised due to the collateral. Credit loss recognition is consistent with IFRS 9 requirements.

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Financial risk management *(continued)*

4.2 Credit risk *(continued)*

The bank monitors concentration of credit risk by sector. Gross loans and advances at the reporting date is disclosed below:

	Group		Company	
	2019 P'000	2018 P'000	2019 P'000	2018 P'000
Segmental analysis by industry				
Finance and insurance	267,972	658,933	267,972	658,933
Construction	72,351	72,543	72,351	72,543
Manufacturing	41,651	258,485	41,651	258,485
Trade, restaurant and bars	726,120	203,450	726,120	203,450
Community, social and personal services	209,049	456,321	209,049	456,321
Transport	48,461	20,462	48,461	20,462
Households	6,796,387	6,031,637	6,796,387	6,031,637
Total	**8,161,991**	**7,701,831**	**8,161,991**	**7,701,831**

Credit concentration risk in Corporate & Institutional Banking segment and Commercial Banking segment is managed through the use of various concentration dimensions that include industry sector, geographic spread, credit rating, customer segment and exposure to single counterparties or groups of related counterparties.

Credit concentration risk in Retail Banking segment is managed within exposure limits set for each product segment. These limits are reviewed at least annually and are approved by the responsible business and risk officers in accordance with their delegated authority level.

4.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, both under stressed and normal conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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 Assets and Liabilities Committee (ALCO), which has been mandated by the Board of Directors. Daily reports cover the liquidity position of both the Group and operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Group relies on deposits from customers and banks, and issued debt securities and subordinated liabilities as its primary sources of funding. While the Group's debt securities and subordinated liabilities have maturities of over one year, deposits from customers and banks generally have shorter maturities and a large proportion of them are repayable on demand. The short-term nature of these deposits increases the Group's liquidity risk and the Group actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Financial risk management *(continued)*

4.3 Liquidity risk *(continued)*

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. This limit requires that total liquid assets divided by total deposits must be at least 10%.

Liquidity ratio has been assessed as noted below:

	Group		Company	
	2019	2018	2019	2018
	P'000	P'000	P'000	P'000
Total liquid assets	3,149,453	3,640,797	3,149,453	3,640,797
Total Customer deposits	(12,875,805)	(12,238,929)	(12,875,805)	(12,340,661)
Ratio	**24.5%**	**29.7%**	**24.5%**	**29.5%**

Maturity analysis

Group - 31 December 2019

	Carrying amount P'000	Gross nominal inflow P'000	Less than 1 month P'000	1-3 months P'000	3-12 months P'000	1-5 years P'000	More than 5 years P'000
ASSETS							
Financial assets by type							
Non-derivative assets							
Cash and balances with the Central Bank	870,350	870,350	870,350	-	-	-	-
Loans and advances to banks	3,458,459	3,458,459	3,458,459	-	-	-	-
Investment securities	3,073,599	3,037,000	-	2,300,000	470,000	267,000	-
Loans and advances to customers	7,919,227	7,919,227	841,778	60,617	266,569	2,714,858	4,035,405
Total financial assets due from customers and banks	**15,321,634**	**15,285,036**	**5,170,587**	**2,360,617**	**736,569**	**2,981,858**	**4,035,405**
Other financial assets	178,760	178,760	178,760	-	-	-	-
Total financial assets	**15,500,394**	**15,463,796**	**5,349,347**	**2,360,617**	**736,569**	**2,981,858**	**4,035,405**

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Financial risk management *(continued)*

4.3 Liquidity risk *(continued)*

Maturity analysis *(continued)*

Company - 31 December 2019

	Carrying amount P'000	Gross nominal (outflow) P'000	Less than 1 month P'000	1-3 months P'000	3-12 months P'000	1-5 years P'000	More than 5 years P'000
ASSETS							
Financial assets by type							
Non-derivative assets							
Cash and balances with the Central Bank	867,731	867,731	867,731	-	-	-	-
Loans and advances to banks	3,458,459	3,458,459	3,458,459	-	-	-	-
Investment securities	3,073,599	3,037,000	-	2,300,000	470,000	267,000	-
Loans and advances to customers	7,919,227	7,919,227	841,778	60,617	266,569	2,714,858	4,035,405
Total financial assets due from customers and banks	**15,319,016**	**15,282,417**	**5,167,968**	**2,360,617**	**736,569**	**2,981,858**	**4,035,405**
Other financial assets	138,447	138,447	-	-	-	-	-
Total financial assets	**15,457,463**	**15,420,864**	**5,167,968**	**2,360,617**	**736,569**	**2,981,858**	**4,035,405**

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Financial risk management *(continued)*

4.3 Liquidity risk *(continued)*

Maturity analysis *(continued)*

Group - 31 December 2019

	Carrying amount P'000	Gross nominal (outflow) P'000	Less than 1 month P'000	1-3 months P'000	3-12 months P'000	1-5 years P'000	More than 5 years P'000
LIABILITIES							
Demand deposits	7,921,772	(7,921,772)	(7,921,772)	-	-	-	-
Term deposits	4,954,033	(4,954,033)	(1,281,472)	(1,380,254)	(2,176,542)	(115,765)	-
Deposits from banks	1,020,928	(1,020,928)	(1,020,928)	-	-	-	-
Total financial liabilities to customers and banks	**13,896,733**	**(13,896,733)**	**(10,224,172)**	**(1,380,254)**	**(2,176,542)**	**(115,765)**	**-**
Financial liabilities	248,646	(248,646)	(248,646)	-	-	-	-
Senior and subordinated debt	439,000	(439,000)	-	-	(50,000)	-	(389,000)
Total financial liabilities	**14,584,379**	**(14,584,379)**	**(10,472,818)**	**(1,380,254)**	**(2,226,542)**	**(115,765)**	**(389,000)**

Notes to the financial statements (continued)

For the year ended 31 December 2019

4.3 Liquidity risk *(continued)*

Maturity analysis *(continued)*

Company - 31 December 2019

	Carrying amount P'000	Gross nominal inflow P'000	Less than 1 month P'000	1-3 months P'000	3-12 months P'000	1-5 years P'000	More than 5 years P'000
LIABILITIES							
Demand deposits	7,921,772	(7,921,772)	(7,921,772)	-	-	-	-
Term deposits	4,954,033	(4,954,033)	(1,281,472)	(1,380,254)	(2,176,542)	(115,765)	-
Deposits from banks	973,746	(973,746)	(973,746)	-	-	-	-
Total financial liabilities to customers and banks	**13,849,551**	**(13,849,551)**	**(10,176,990)**	**(1,380,254)**	**(2,176,542)**	**(115,765)**	**-**
Financial liabilities	238,881	(238,881)	(238,881)	-	-	-	-
Senior and subordinated debt	439,000	(439,000)	- -	(50,000)	-	(389,000)	
Total financial liabilities	**14,527,432**	**(14,527,432)**	**(10,415,871)**	**(1,380,254)**	**(2,226,542)**	**(115,765)**	**(389,000)**

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Financial risk management *(continued)*

4.4 Capital Management

Bank of Botswana sets and monitors the capital requirements for the Bank and requires the Bank to maintain a minimum capital adequacy ratio of 15 percent of risk-weighted assets (RWA). The Bank's policy is to maintain a strong capital base to maintain investor, creditor and market confidence to sustain the future development of the business. There were no breaches to this requirement in the current or previous year. The Bank has developed Capital risk appetite which defines the capital tolerance levels both minimum (floor) and maximum (ceiling) which is monitored and tracked on a monthly basis through various governance forums. The Bank's regulatory capital is analysed in two parts:

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

The calculation of both the above ratios is as follows:

Company	2019 P'000	2018 P'000
Capital adequacy		
Core capital		
Stated capital	179,273	179,273
Other revenue reserves	479,974	494,185
Capital contribution	28,213	28,213
Statutory credit risk reserve	19,152	19,152
Less regulatory adjustments	(60,398)	(49,412)
	646,214	**671,411**
Additional Tier 1 Capital (AT1)	400,000	400,000
Total Tier 1 Capital	**1,046,214**	**1,071,411**
Supplementary capital		
Non-specific impairment	88,977	82,988
Subordinated debt	389,000	509,356
	477,977	**592,344**
Risk weighted assets		
Credit	7,118,133	6,871,585
Market	49,952	46,201
Operational	761,215	825,808
	7,929,300	**7,743,594**
Capital adequacy ratio	**19.2%**	**21.5%**

During the year, P24m dividend was declared and paid (2018: Nil)

A distribution of P30.9m was paid to holders of subordinated undated AT1 capital securities during the year.

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Financial risk management *(continued)*

4.5 Market risk

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

Exposure to market risks

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

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

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

A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR.

VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Financial risk management *(continued)*

4.5 Market risk *(continued)*

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

	At 31 Dec P'000	Average P'000	Maximum P'000	Minimum P'000
2019				
Foreign currency risk	7	15	124	4
Interst rate risk	315	219	579	115
Overall	**323**	**234**	**703**	**119**
2018				
Foreign currency risk	5	24	84	5
Interst rate risk	226	471	1160	154
Overall	**231**	**495**	**1,244**	**159**

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Financial risk management *(continued)*

4.5 Market risks *(continued)*

Exposure to interest rate risk

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

Group - 31 December 2019

			Fixed rate instruments					
	Zero rate	Floating rate	*0 – 1* month	*1 – 3* months	*3 – 12* months	*1 to 5* years	*Over* 5 years	Total
Total financial assets	776,405	8,300,000	4,713,000	864,000	613,000	286,000	-	15,552,405
Total financial liabilities	470,489	(9,410,000)	(1,520,000)	(2,967,000)	(1,090,000)	(66,000)	(50,000)	(14,632,511)
Net Mismatch	**1,246,894**	**(1,110,000)**	**3,193,000**	**(2,103,000)**	**(477,000)**	**220,000**	**(50,000)**	**919,894**

Interest sensitivity gap

Impact of increase in interest rates:	
50 basis points	5,550
+1	11,100

Group - 31 December 2018

			Fixed rate instruments					
	Zero rate	Floating rate	*0 – 1* month	*1 – 3* months	*3 – 12* months	*1 to 5* years	*Over* 5 years	Total
Total financial assets	2,842,177	64,000	5,441,560	4,473,940	3,070,500	533,000	-	**16 425,177**
Total financial liabilities	(2,748,727)	(7,252,000)	(1,614,000)	(2,788,000)	(734,000)	(242,000)	(50,000)	**(15,428,727)**
Net mismatch	**(93,450)**	**(7,188,000)**	**3,827,560**	**1,685,940**	**2,336,500**	**291,000**	**(50,000)**	**996,450**

Interest sensitivity gap

Impact of increase in interest rates:	
50 basis points	35,940
+1%	71,880

"A decrease in interest rates is seen to have an equal and opposite effect on profits and equity as noted above. Fixed and zero rate instruments are by their very nature not affected by a change in interest rates.

Sensitivity analysis (PV01)

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

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Financial risk management *(continued)*

4.6 Market risks *(continued)*

Sensitivity analysis (PV01) (continued)

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

Company - 31 December 2019

			Fixed rate instruments					
	Zero rate	Floating rate	*0 – 1* month	*1 – 3* months	*3 – 12* months	*1 to 5* years	*Over* 5 years	Total
Total Assets	728,014	8,300,000	4,713,000	864,000	613,000	286,000	-	15,504,014
Total Liabilities and shareholders' funds	(1,320,000)	(9,410,000)	(1,520,000)	(2,967,000)	(1,090,000)	(66,000)	(50,000)	(16,423,000)
Net Mismatch	**(591,986)**	**(1,110,000)**	**3,193,000**	**(2,103,000)**	**(477,000)**	**220,000**	**(50,000)**	**(918,986)**

Interest sensitivity gap

Impact of increase in interest rates:	
50 basis points	5,550
+1	11,100

Company - 31 December 2018

			Fixed rate instruments					
	Zero rate	Floating rate	*0 – 1* month	*1 – 3* months	*3 – 12* months	*1 to 5* years	*Over* 5 years	Total
Total financial assets	2,732,691	76,000	5,441,560	4,473,940	3,070,500	533,000	-	**16,327,691**
Total financial liabilities	(2,662,595)	(7,252,000)	(1 614,000)	(2 788,000)	(734,000)	(199,000)	(50,000)	**(15,299,595)**
Net mismatch	**70,096**	**(7,176,000)**	**3,827,560**	**(1 685,940)**	**(2,336,500)**	**334,000**	**(50,000)**	**1,028,096**

Interest sensitivity gap

Impact of increase in interest rates:	
50 basis points	35,880
+1%	71,760

A decrease in interest rates is seen to have an equal and opposite effect on profits and equity as noted above. Fixed and zero rate instruments are by their very nature not affected by a change in interest rates.

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Financial risk management *(continued)*

4.6 Foreign exchange rate risk management

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

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

The Group's Financial Markets division is responsible for:

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

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

The table below sets out principal structural foreign exchange exposures of the Group for only major currencies at 31 December 2019 and 2018.

Group and Company

	2019			2018		
	Assets / (liabilities) P'000	Sensitivity* P'000		Assets /(liabilities) P'000	Sensitivity* P'000	
	millions	**1%**	**5%**	**millions**	**1%**	**5%**
American Dollar	39	(0.39)	(1.95)	26	(0.26)	(1.32)
British Pound	5	(0.05)	(0.26)	1	(0.01)	(0.04)
Euro	247	(2.47)	(12.36)	1	(0.01)	(0.03)
South African Rand	29	(0.29)	(1.44)	13	(0.13)	(0.67)

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

The strengthening of the Pula against the above currencies will have an opposite and equal effect on profit or loss and equity.

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Financial risk management *(continued)*

4.7 Financial assets and liabilities

The table below sets out the classification of each class of financial assets and liabilities, and fair value (excluding accrued interest):

In the opinion of directors, the fair values of the Group's financial assets and liabilities approximate the respective carrying amounts. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the Group at the reporting date.

IFRS 9	Note	Fair value through other comprehensive income P'000	Amortised cost P'000	Total P'000
Group - 31 December 2018				
Assets				
Cash and balances with central bank	15	-	870,350	870,350
Loans and advances to other banks	16	-	3,458,459	3,458,459
Investment securities	17	3,073,599	-	3,073,599
Loans and advances to customers	18	-	7,919,227	7,919,227
Other financial assets	21	-	178,760	178,760
		3,073,599	**12,426,795**	**15,500,394**
Liabilities				
Deposits from other banks	22	-	1,020,928	1,020,928
Deposits from customers	23	-	12,875,805	12,875,805
Senior and subordinated debt	24	-	439,000	439,000
Other financial liabilities	27	-	178,760	178,760
		-	**14,514,493**	**14,514,493**
Group – 31 December 2018				
Assets				
Cash and balances with central bank	15	-	1,162,191	1,162,191
Loans and advances to other banks	16	-	3,488,495	3,488,495
Investment securities	17	4,049,463	-	4,049,463
Loans and advances to customers	18	-	7,485,235	7,485,235
Other financial assets	21	-	239,793	239,793
		4,049,463	**12,375,714**	**16,425,177**
Liabilities				
Deposits from other banks	22	-	754,429	754,429
Deposits from customers	23	-	12,340,661	12,340,661
Senior and subordinated liabilities	24	-	686,260	686,260
Unsettled treasury bills		-	1,348,939	1,348,939
Other financial liabilities	27	-	298,438	298,438
		-	**15,428,727**	**15,299,595**

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Financial risk management *(continued)*

4.7 Financial assets and liabilities *(continued)*

Fair value measurement

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurement:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models for investment securities classified as level 2 (see below table), including comparisons with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management's judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

The Group has an established control framework with respect to the measurement of fair values. This framework includes a Product Control function, which is independent of front office management and reports to Financial Markets Department, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include: verification of observable pricing inputs and re-performance of models involving both Product Control and Group Market Risk; calibration and back testing of models involving Group Market Risk personnel; and reporting of significant valuation issues to the Group Audit and Risk Committee.

Notes to the financial statements (continued)

For the year ended 31 December 2019

4 Financial risk management *(continued)*

4.7 Financial assets and liabilities *(continued)*

Fair value measurement (continued)

The table below analyses financial and non-financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Note	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
31 December 2019					
Land and buildings (revaluation amount)***		-	-	2,570	2,570
Investment securities	17	-	3,073,599	-	3,073,599
31 December 2018					
Land and buildings (revaluation amount)		-	-	32,680	32,680
Investment securities	17	-	4,049,463	-	4,049,463

*** A revaluation was carried out in current year. The carrying amount of the respective assets was P24,118 as at 31 December 2019.

Notes to the financial statements (continued)

For the year ended 31 December 2019

4 Financial risk management *(continued)*

4.7 Financial assets and liabilities *(continued)*

Company – 31 December 2019

The table below sets out the classification of each class of financial assets and liabilities, and fair value (excluding accrued interest):

	Note	Fair value through other comprehensive income P'000	Amortised cost P'000	Total P'000
Assets				
Cash and balances with central bank	15	-	867,731	867,731
Loans and advances to other banks	16	-	3,458,459	3,458,459
Investment securities	17	3,073,599	-	3,073,599
Loans and advances to customers	18	-	7,919,227	7,919,227
Other financial assets	21	-	138,447	138,447
		3,073,599	**12,383,864**	**15,457,462**
Liabilities				
Deposits from other banks	22	-	973,746	973,746
Deposits from customers	23	-	12,875,805	12,875,805
Senior and subordinated debt	24	-	439,000	439,000
Other financial liabilities	27	-	238,881	238,881
		-	**14,527,432**	**14,527,432**
Company – 31 December 2018				
Assets				
Cash and balances with central bank	15	-	1,159,621	1,159,621
Loans and advances to other banks	16	-	3,500,093	3,500,093
Investment securities	17	4,049,463	-	4,049,463
Loans and advances to customers	18	-	7,485,235	7,485,235
Other financial assets	21	-	133,279	133,279
		4,049,463	**12,278,228**	**16,327,691**
Liabilities				
Deposits from other banks	22	-	711,170	711,170
Deposits from customers	23	-	12,340,661	12,340,661
Senior and subordinated liabilities	24	-	686,260	686,260
Other financial liabilities	27	-	1,561,504	1,561,504
		-	**15,299,595**	**15,299,595**

	Group 2019 P'000	Group 2018 Restated** P'000	Company 2019 P'000	Company 2018 P'000
5. Interest income				
Loans and advances to customers	644,916	660,875	644,916	660,875
Investment securities	63,696	59,980	63,696	59,980
Balances with banks and investments	53,435	63,007	53,435	63,007
	762,047	**783,862**	**762,047**	**783,862**
6. Interest expense				
Amounts due to banks	163,908	145,287	160,346	141,994
Subordinated loan capital	32,293	40,615	32,293	40,615
Amounts due to customers	127,546	157,816	127,546	157,816
	323,747	**343,718**	**320,185**	**340,425**

Notes to the financial statements (continued)

For the year ended 31 December 2019

	Group 2019 P'000	Group 2018 Restated** P'000	Company 2019 P'000	Company 2018 P'000
7. Fee and commission income				
Fiduciary Activities	11,713	10,718	11,713	10,718
Other fees	193,732	210,366	193,547	210,366
Insurance brokerage**	32,942	28,859	-	-
	238,387	**249,943**	**205,260**	**221,084**

**Details relating to the prior period error have been disclosed in note 37

8. Net trading income				
Foreign currency	85,013	86,263	85,013	86,263
	85,013	**86,263**	**85,013**	**86,263**

9. Net impairment loss on financial assets				
Specific	61,812	60,042	61,812	60,042
Expected credit losses	4,042	(29,572)	4,042	(29,572)
Recoveries	(33,667)	(30,435)	(33,667)	(30,435)
	32,187	**35**	**32,187**	**35**
Movement in specific impairments				
Balance at the beginning of the year	120,519	366,294	120,519	366,294
Charge for the year	61,812	60,042	61,812	60,042
	182,331	426,336	182,331	426,336
Write-offs during the year**	(27,284)	(298,199)	(27,284)	(298,199)
Provisions no longer required	(12,165)	(7,618)	(12,165)	(7,618)
Balance at end of year	**142,882**	**120,519**	**142,882**	**120,519**
Movement in expected credit losses				
Balance at beginning of the year	96,077	46,164	96,077	46,164
ECL beginning	-	79,485	-	79,485
Revaluations	(237)	-	(237)	-
(Release)/charge for the year	4,042	(29,572)	4,042	(29,572)
Balance at end of the year	**99,882**	**96,077**	**99,882**	**96,077**
Total specific and expected credit losses impairment at end of year	**242,764**	**216,596**	**242,764**	**216,596**

The impairment loss relates to customer loans and advances. Impairment on loans and advances to banks (note 16), investments securities (note 17) and other financial assets (note 21) is considered immaterial.

**The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2019 and that are still subject to enforcement activity is P27,284 upto a period of six years.

Notes to the financial statements (continued)

For the year ended 31 December 2019

	Group 2019 P'000	Group 2018 Restated** P'000	Company 2019 P'000	Company 2018 P'000
10. Employee benefits				
Salaries and wages	199,514	213,854	199,514	213,854
Contributions to defined contribution pension plan	14,961	15,783	14,961	15,783
Other staff costs	10,644	8,245	10,644	8,245
	225,119	**237,882**	**225,119**	**237,882**
11.Administration expenses				
Audit fees	2,040	1,812	2,040	2,309
Consultancy costs	4,744	5,662	4,744	5,662
Directors Fees	383	454	383	435
Repairs and maintenance	16,422	15,833	16,422	15,833
Communication costs	18,292	17,157	18,292	17,157
Group recharges	196,393	224,638	196,393	224,638
Advertising and sponsorship	9,309	5,416	9,309	5,416
Technical support	7,047	8,651	7,047	8,651
Printing and stationery	5,469	5,702	5,469	5,702
Security	24,379	21,078	24,379	21,078
Irrecoverable VAT and WHT on group recharges	40,123	61,766	40,123	61,766
Other expenses**	32,196	54,466	22,188	42,089
	356,797	**422,635**	**346,789**	**410,736**

**Details relating to the prior period error have been disclosed in note 37

12. Income taxation				
Taxation charge for the year:				
Current taxation at 22%	5,233	3,171	-	-
Current taxation prior year (over)/under provision	(26,960)	-	(27,721)	
Deferred tax charge / (release)	9,501	2,277	9,501	2,277
Deferred tax charge-PY	-	18,142	-	18,142
	14,734	(3,370)	9,501	(7,302)
Profit before tax	69,579	20,474	50,022	40,532
Taxation reconciliation:				
Taxation at statutory rate: 22%	15,307	4,504	11,005	8,917
Permanent differences**	1,448	858	675	5,549
Exempt income	-	-	-	(6,719)
Prior year current tax adj	(2,180)	(8,732)	(2,179)	(447)
	14,575	**(3,370)**	**9,501**	**7,300**

**Permanent differences include donations, depreciation and expatriate pension costs.

Notes to the financial statements (continued)

For the year ended 31 December 2019

	Group 2019 P'000	Group 2018 Restated** P'000	Company 2019 P'000	Company 2018 P'000
13. Dividends				
Dividend declared and paid	23,844	-	23,844	-
	23,844	**-**	**23,844**	**-**
Calculated dividend per share (Thebe)	**7.99**	**-**		
14. Earnings per share				
Profit attributable to ordinary shareholders	54,845	26,411		
Weighted average number of ordinary shares	298,351	298,351		
Calculated earnings per share (Thebe)	**18.38**	**8.85**		
Headline earnings per share (Thebe)	**18.34**	**8.85**		
15. Cash and balances with central bank				
	870,350	**1,162,191**	**867,731**	**1,159,621**
16. Loans and advances to banks				
Bank balances	21,657	193,349	21,657	193,349
Placements and other investments	3,436,802	3,295,146	3,436,802	3,306,744
	3,458,459	**3,488,495**	**3,458,459**	**3,500,093**
17. Investment securities				
Bank of Botswana Certificates	2,298,912	3,548,588	2,298,912	3,548,588
Government bonds	774,687	500,875	774,687	500,875
	3,073,599	**4,049,463**	**3,073,599**	**4,049,463**
18. Loans and advances to customers				
Loans and advances - originated	8,161,991	7,701,832	8,161,991	7,701,832
Less: allowance for impairment (note 9)	(242,764)	(216,597)	(242,764)	(216,597)
	7,919,227	**7,485,235**	**7,919,227**	**7,485,235**

Notes to the financial statements (continued)

For the year ended 31 December 2019

19. Property and equipment - Group and Company

	Land and buildings P'000	Equipment P'000	Motor vehicles P'000	Furniture, fixtures and fittings P'000	Capital work in progress P'000	Total P'000
2019						
Cost or valuation						
Balances as at 31 December 2018	58,244	79,954	595	21,312	2,358	162,463
Balance at 1 January 2019	**58,244**	**79,954**	**595**	**21,312**	**2,358**	**162,463**
Recognition of right of use of asset on intial application of IFRS 16 for leasehold properties*	60,613	-	-	-	-	60,613
Adjusted balance at 1 January 2019	**118,857**	**79,954**	**595**	**21,312**	**2,358**	**223,076**
Revaluation of property	2,570	-	-	-	-	2,570
Additions	16,725	8,502	-	1,231	7,503	33,961
Disposals	-	(76)	(595)	-	-	(671)
At 31 December 2019	**138,152**	**88,380**	**-**	**22,543**	**9,861**	**258,936**
Accumulated depreciation						
At 1 January 2019	(16,850)	(73,181)	(595)	(13,306)	-	(103,932)
Charge for the year - profit and loss	(19,249)	(2,118)	-	(2,425)	-	(23,792)
Disposals	-	76	595 -	-	671	
At 31 December 2019	(36,099)	(75,223)	-	(15,731)	-	(127,053)
Net book value	**102,053**	**13,157**	**-**	**6,812**	**9,861**	**131,883**
2018						
Cost or valuation						
At 01 January 2018	58,244	76,222	595	11,868	14,070	160,999
Additions	-	3,732	-	9,444	-	13,176
Transfers	-	-	-	-	(11,712)	(11,712)
At 31 December 2018	**58,244**	**79,954**	**595**	**21,312**	**2,358**	**162,463**
Accumulated depreciation						
At 1 January 2018	(13,893)	(71,617)	(595)	(10,464)	-	(96,569)
Charge for the year – profit or loss	(2,957)	(1,564)	-	(2,842)	-	(7,363)
At 31 December 2018	**(16,850)**	**(73,181)**	**(595)**	**(13,306)**	**-**	**(103,932)**
Closing net book value	**41,394**	**6,733**	**-**	**8,006**	**2,358**	**58,531**

Land and buildings comprises of commercial, residential and leasehold properties. Buildings are disclosed at revalued amount less accumulated depreciation and impairment.

The transfer of capital work in progress has been included as part of additions. A register containing the details of each property is available for inspection at the registered office.

Notes to the financial statements (continued)

For the year ended 31 December 2019

19. Property and equipment – Group and Company *(continued)*

*The increase in land and buildings is due to leasehold properties that were recognised as of Right of use of assets on initial application of IFRS 16; (note 3r). This mainly comprises of office buildings and ATMs.

Measurement of fair values

Fair value hierarchy

The fair value of the land and buildings was determined by an external independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The valuation was performed on 20 December 2019 using discounted cashflow valuation model. The model considers the present value of property rentals taking into account rental growth rates. The net cashflows are discounted using risk adusted discount rates of 10%. The valuer provides the fair value of the Group's land and buildings at least every three years; however the directors consider the fair value of land and buildings at each reporting date.

The fair value measurement of land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

The directors have assessed assumptions and estimates in the fair value calculation in determining the fair value of land and buildings. There were no material changes to the estimates. The carrying value approximates the fair value of land and buildings.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of the land and buildings, as well as other unobservable inputs used:

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
- Comparable Method and Investment Method - Comparable Method and Investment Method	- Market yield of between 10 - 14% - Prime rentals of office space between P90-150/sq.m	The estimated fair value would increase/(decrease) if: - Higher/lower market yields - Increase/decrease in rental per sq.m

Notes to the financial statements (continued)

For the year ended 31 December 2019

20.Intangible assets and goodwill- Group and Company

	Customer relationships P'000	Capitalised software P'000	Goodwill P'000	Capital WIP P'000	Total P'000
2019					
Cost					
At the begging of year	94,684	55,290	29,880	-	179,854
Additions (Developed)	-	16,873	-	-	16,873
Total at the end of the year	**94,684**	**72,163**	**29,880**	**-**	**196,727**
Amortisation and impairment losses					
At beginning of year	(94,684)	(37,183)	(18,621)	-	(150,488)
Amortisaton for the period	-	(14,912)	-	-	(14,912)
At 31 December 2019	**(94,684)**	**(52,095)**	**(18,621)**	**-**	**(165,400)**
Net book value	**-**	**20,068**	**11,259**	**-**	**31,327**
2018					
Cost					
At beginning of year	94,684	46,764	29,880	-	171,328
Additions	-	8,526	-	-	8,526
Total at the end of the year	**94,684**	**55,290**	**29,880**	**-**	**179,854**
Amortisation and impairment losses					
At beginning of year	(88,892)	(29,562)	(18,621)	-	(137,075)
Amortisaton for the period	(5,792)	(7,621)	-	-	(13,413)
At 31 December 2018	**(94,684)**	**(37,183)**	**(18,621)**	**-**	**(150,488)**
Net book value	**-**	**18,107**	**11,259**	**-**	**29,366**

Software is capitalised on the basis of the costs incurred to bring the software to use. Direct costs of the development of separately identifiable internally generated software are capitalised where it is probable that future economic benefits attributable to the asset will flow from its use (internally generated software). Costs incurred in the ongoing maintenance of software are expensed immediately when incurred. Internally generated software is amortised over its useful life.

	Group		Company	
	2019 P'000	2018 P'000	2019 P'000	2018 P'000
21. Other assets				
Financial				
Prepayments	4,588	4,419	4,588	4,419
Accrued income	128,283	121,041	128,283	121,041
Other receivables	45,889	114,333	5,576	7,819
Non financial				
Other receivables	3,753	4,345	3,722	4,345
	182,513	**244,138**	**142,169**	**137,624**

Notes to the financial statements (continued)

For the year ended 31 December 2019

	Group		Company	
	2019 P'000	2018 P'000	2019 P'000	2018 P'000
22. Deposits from other banks				
Bank Balances	1,013,046	749,878	965,864	706,619
Placements	7,882	4,551	7,882	4,551
	1,020,928	**754,429**	**973,746**	**711,170**
23. Deposits from customers				
Demand deposits	7,921,772	7,323,189	7,921,772	7,323,189
Time deposits	4,954,033	5,017,472	4,954,033	5,017,472
	12,875,805	**12,340,661**	**12,875,805**	**12,340,661**
24. Senior and subordinated debt				
Local note issue (1)	-	70,000	-	70,000
Local note issue (2)	-	177,260	-	177,260
Senior debt(SCBB 003)	50,000	50,000	50,000	50,000
Sub debt	389,000	389,000	389,000	389,000
	439,000	**686,260**	**439,000**	**686,260**

The group redeemed subordinated loan instruments (SCBB006, SCBB007, SCBB008) amounting to P247.2million during the year.

The terms and conditions of the subordinated notes and the Senior debt for both Group and Company are as follows:

Note information	Interest rate	Maturity	2019	2018
Senior debt was issued on 20 December 2005. Interest is payable semi-annually. Claims in respect of the loan capital and interest thereon are subordinate to the claims of other creditors and depositors	Fixed interest rate of 10.50% per annum	20-Dec-20	50,000	50,000
Subordinated debt issued for capital injection	4% above the 91 day BOBC rate	29-Jul-25	389,000	389,000

The group has not had any default of principal or interest or breaches in respect to its senior subordinated liability during the current or previous reporting date. Subordinated debt is payable more than 12 months after the reporting period.

Notes to the financial statements (continued)

For the year ended 31 December 2019

	Group		Company	
	2019 P'000	2018 P'000	2019 P'000	2018 P'000
25. Current taxation payable / (refundable)				
Opening balance (payable)/refundable	(13,926)	16,096	(13,150)	17,504
Charge for the year	5,233	3,171	-	-
PY under provision	257	(26,960)	-	(27,721)
Income tax refunded	13,150	10,217	13,150	10,217
Income tax paid	(5,883)	(16,450)	(1,665)	(13,150)
Balance at the end of the year	**(1,169)**	**(13,926)**	**(1,665)**	**(13,150)**

	Net balance as at 01 Jan 2019 P'000	Recognised in profit or loss P'000	Recognised in equity P'000	Closing balance as at 31 Dec 2019 P'000
26. Deferred taxation				
Group and company- 31 December 2019				
Property and equipment	869	1,631	-	2,500
Available for sale securities	1,581	-	1,059	2,640
Revaluation of property, plant and equipment	4,890	-	565	5,455
Restructuring provision	(6,748)	6,748	-	-
Provision for share based payments	(16)	-	-	(16)
Bonus Provision	(4,087)	(889)	-	(4,976)
Operational loss provision	(46)	-	-	(46)
Intangible assets	-	-	-	-
Impairment allowances	-	-	-	-
ECL provisions	(45,958)	(4,870)	-	(50,828)
ECL others	(692)	(34)	-	(726)
Unrealised foreign exchange	-	-	-	-
Income received in advance	(364)	13	-	(351)
Prepayments	973	36	-	1,009
Leave pay accrual	(1,751)	(155)	-	(1,906)
Tax loss	(21,079)	7,178	-	(13,901)
Expected loss provision	-	-	-	-
Lease liability	-	4,007	-	4,007
Right of Use (ROU) leased assets	-	(4,167)	-	(4,167)
Balance at the end of the year	**(72,428)**	**9,498**	**1,624**	**(61,305)**

Notes to the financial statements (continued)

For the year ended 31 December 2019

	Net balance as at 01 Jan 2018 P'000	Recognised in profit or loss P'000	Recognised in equity P'000	Closing balance as at 31 Dec 2018 P'000
26. Deferred taxation *(continued)*				
Group and company- 31 December 2018				
Property and equipment	1,482	(613)	-	869
Available for sale securities	4,774	-	(3,193)	1,581
Revaluation of property, plant and equipment	4,898	(8)	-	4,890
Redundancy provision	(1,630)	(5,118)	-	(6,748)
Provision for share based payments	(24)	8	-	(16)
Bonus provision	(3,494)	(593)	-	(4,087)
Operational loss provision	(586)	540	-	(46)
Intangible assets	1,274	(1,274)	-	-
Impairment allowance	(77,798)	77,798	-	-
ECL provisions	-	(29,157)	(16,801)	(45,958)
ECL other	-	685	(1,377)	(692)
Unrealised foreign exchange	(87)	87	-	-
Income received in advance	(644)	280	-	(364)
Prepayments	462	511	-	973
Leave payed accrual	-	(1,751)	-	(1,751)
Tax loss	-	(21,079)	-	(21,079)
Expected loss provision	(103)	103	-	-
	(71,476)	20,419	(21,371)	(72,428)

There were no unrecognised deferred tax assets and liabilities as at current or previous reporting date.

Assessed loss carried forward of P63 million may be available for set off against future taxable income.

	Group		Company	
	2019 P'000	2018 P'000	2019 P'000	2018 P'000
27.1 Unsettled Treasury bills	-	1,348,939	-	1,348,939
27.2 Other liabilities				
Financial				
Accruals	2,436	35,605	2,436	35,605
Accounts payable	246,211	262,833	236,445	176,960
Clawback liability**	11,862	11,147	-	-
Non financial				
Other payables	25,742	13,299	22,822	24,446
	286,251	322,884	261,703	237,011

***Details relating to the prior period error have been disclosed in note 37.*

Notes to the financial statements (continued)

For the year ended 31 December 2019

	Group		Company	
	2019 P'000	2018 P'000	2019 P'000	2018 P'000
27.3 Provision				
Restructuring provision				
Balance at the beginning of year	30,674	7,370	30,674	7,370
Provision made during the year	-	31,587	-	31,587
Payments / reversals during the year	(30,674)	(8,283)	(30,674)	(8,283)
	-	30,674	-	30,674
28. Cash and cash equivalents				
Cash and bank balance with Central Bank (note 15)	870,350	1,162,191	867,731	1,159,621
Loans and advances to banks (note 16)	3,458,459	3,488,495	3,458,459	3,500,093
	4,328,809	4,650,686	4,326,190	4,659,714

Cash and cash equivalents include cash on hand, balances with Central Bank and placements with other banks with a maturity of less than 3 months and readily convertible into cash at no charge.

The Group held cash and cash equivalents of P4 329 million at 31 December 2019 (2018: P4 651 million) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the Central Bank and other financial institution counterparties.

29. Related parties

A number of banking transactions are entered into with related parties in the normal course of business. These transactions are carried out under mutually agreed terms and conditions. These include loans, deposits and foreign currency transactions with the group and purchase of software. During the current year, there was a new dispensation agreed with SCB group to cap recharges at 40% of direct costs.

(a) Balances and transactions with directors and key management personnel

The aggregate value of transactions, compensation and outstanding balances related to key management personnel for both Group and Company were as follows:

(i) Directors and key personnel compensation:

	2019	2018
Directors' fees - short term employee benefits	461	454
Directors and key management personnel compensation - short term employee benefits	19,361	20,189
Directors and key management personnel compensation – long term employment benefits	1,103	1,409
Directors' holding in Company shares	222	823

Compensation of the Group's key management personnel includes, short term employee benefits and non-cash benefits.

(ii) Key management personnel and non-executive directors' balances:

Notes to the financial statements (continued)

For the year ended 31 December 2019

29. Related parties *(continued)*

(a) Balances and transactions with directors and key management personnel

	Assets		Liabilities	
	2019	2018	2019	2018
Loans				
Auto, mortgages and personal	13,620	8 521	-	-
Deposits	-	-	1,616	22 393
Guarantees and letters of credit	-	-	-	65

Expected credit losses on the related party balances are included in the retail book.

(b) Balances and transactions with the holding company and with entities within Standard Chartered Group

Nature of related-party relationships

Standard Chartered Bank PLC is the holding company and the other companies transacted with are fellow subsidiaries.

	Group		Company	
	2019	2018	2019	2018
	P'000	P'000	P'000	P'000
Details of related party at year end are as follows:				
Balances due from:				
Standard Chartered Bank PLC	2,030,047	1,341,619	2,030,047	1,341,619
Standard Chartered Bank New York	-	39,506	-	39,506
Standard Chartered Bank Johannesburg	202,954	198,697	202,954	198,679
Standard Chartered Bank Mauritius	637,272	964,533	637,272	964,533
Other group companies	84,886	89,127	84,886	89,867
Standard Chartered Insurance Agency	-	-	45,010	86,383
	2,955,159	**2,633,482**	**3,000,169**	**2,720,587**
Balances due to:				
Standard Chartered Bank PLC	620,950	401,257	620,950	401,257
Standard Chartered Bank New York	388,811	240	388,811	240
Standard Chartered Bank Johannesburg	92,623	154,043	92,623	154,043
Other group companies	60,610	274,038	60,610	274,038
Standard Chartered Insurance Agency	-	-	41,490	107,062
	1,162,994	**829,578**	**1,204,484**	**936,640**

Balances due to related companies are unsecured, carry variable interest rates, and are short term in nature.

Notes to the financial statements (continued)

For the year ended 31 December 2019

29. Related parties *(continued)*

Group and Company - 2019

Details of related party transactions during the year are as follows:

	Interest income	Interest expense	Group recharges	Group share scheme expense
Company				
SCB UK Treasury	25,297	14,366	143,885	9
SCB Singapore DBU	-	2,379	7,990	-
SCB Srilanka	-	-	-	-
SCB Japan	-	-	-	-
SCB Kenya	-	6	10,864	-
SCB New York	2,528	-	-	-
SCB Johannesburg	11,729	8,969	-	-
SCB Mauritius	12,035	-	-	-
SCB HongKong	-	-	-	-
MESA Regional Office	-	-	9,367	-
SCB India	-	2,946	21,653	-
SCB Malaysia	-	-	1,726	-
Standard Chartered Bank AG	-	3,585	-	-
SCB China	-	-	908	-
	51,589	**32,251**	**196,393**	**9**

	Interest income	Interest expense	Group recharges	Group scheme expense
Group and Company - 2018				
SCB UK Treasury	30,227	25,535	108,417	5
SCB Singapore DBU	-	8	36,994	-
SCB Srilanka	-	1	-	-
Scope Tokyo	-	2	-	-
SCB Kenya	-	6	53,695	-
SCB New York	1,221	-	-	-
SCB Johannesburg	14,683	960	-	-
SCB Mauritius	12,313	-	-	-
SCB HongKong	-	1	-	-
MESA Regional Office	-	-	9	-
SCB India	-	-	23,035	-
SCB Malaysia	-	-	1,600	-
SCB China	-	-	888	-
	58,444	**26,513**	**224,638**	**5**

Transaction with other entities in the Standard Chartered Group are in the ordinary course of business on mutually agreed terms and conditions.

Notes to the financial statements (continued)

For the year ended 31 December 2019

30. Subsidiaries and other structured entities

The list below provides details of the subsidiaries of the Group:

	Stated capital	Ownership interest 2019 P'000	2018 P'000
Standard Chartered Bank Insurance Agency (Proprietary) Ltd	30,100	100%	100%
Standard Chartered Investment Services (Proprietary) Ltd	100	100%	100%
Standard Chartered Botswana Education Trust (Proprietary) Ltd	-	100%	100%
Standard Chartered Nominees (Proprietary) Ltd	100	100%	100%

The Group has not provided any financial support or issued guarantees in favour of the subsidiaries. Standard Chartered Investment Services (Proprietary) Ltd and Standard Chartered Botswana Nominees (Proprietary) Ltd are dormant companies. Standard Chartered Insurance Agency (Proprietary) Ltd operates as an insurance agent for the Group and is managed from the Group's head office. The Agency collects premiums from clients on behalf of a Broker for a commission.

Standard Chartered Botswana Education Trust is a structured entity that was set up to promote educational activities. Standard Chartered Botswana Education Trust acquired 0.84% shareholding in Standard Chartered Bank Botswana Limited.

The Group was directly involved in the design and establishment of the Trust and in determining the activities it undertakes. Standard Chartered Botswana Education Trust obtained a loan of P32.8 m from Standard Chartered Bank PLC repayable 31 December 2019. However at the time of preparation of these financials Standard Chartered Bank PLC had not called on the loan. The loan is secured against the Trust's investment in the listed shares of the Bank and bears interest at a fixed rate of 8% per annum. The Group also has a significant variable interest arising from the loan made via SCB UK, in that it is exposed to credit variability. The Group controls the income flow of the Trust, by virtue of its discretionary power to declare dividends.

	2019 P'000	2018 P'000
As at 1 January**	-	-
Additions	30	-
As at 31 December	30	-

During the year, Standard Chartered Bank Insurance Agency issued additional share capital of P30 thousand to Standard Chartered Bank Botswana Limited.

**The amount of share capital is below one thousand when rounded, hence the Pnil balance.

Notes to the financial statements (continued)

For the year ended 31 December 2019

31. Operating leases - Group and Company

	2019 P'000	2018 P'000
Long- term accrual	-	4,890
Short- term accrual	-	1,018
	-	**5,908**
Total accrual		
Minimum lease payments		
Cash flow within 1 year	-	14,914
Cash flow within 1 - 5 years	-	51,630
Cash flow within 5 years	-	11,930
	-	78,474
Lease accrual	**-**	**(5,908)**
Future expenses	**-**	**72,566**
Operating lease expenses	**3,855**	**22,346**

Included in the operating leases are various buildings, ATMs and motor vehicles with a term lease of less than 12 months as at 1 January 2019 and leases of low value items such as IT equipment.

32. Contingent liabilities and commitments

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
Un-drawn commitments	4,562,944	5,618,861	4,562,944	5,618,861
Acceptances and letters of credit	5,429	469	5,429	469
Guarantees and standby letters of credit	**552,378**	**581,925**	**552,378**	**581,925**

In the normal course of business, the Group is a party to financial investments with off-balance sheet risk to meet the financing needs of customers. These instruments involve, to varying degrees, elements of credit risk which are not reflected in the statement of financial position. The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amount of those instruments. A large majority of these expire without being drawn upon, and as a result the contracted nominal principle amounts are not representative of the actual future credit exposure or liquidity requirements of the Group. Expected credit loss for contingent liabilities and commitments of P3 45 575 was recognised under IFRS 9 at the current reporting date.

Based upon the level of fees currently charged taking into account maturity and interest rates together with any change in the credit worthiness of counterparties since origination, the Group has determined that the fair value of contingent liabilities and un-drawn loan commitments is not material.

Notes to the financial statements (continued)

For the year ended 31 December 2019

33. *Litigations*

Standard Chartered Bank Botswana Limited together with African Banking Corporation Botswana, African Banking Corporation Zambia and Standard Chartered Bank Johannesburg Branch are defendants to a dispute before the Gauteng High Court in a matter instituted by Mapula Solutions (Pty) Ltd "Mapula". Mapula is claiming damages, to the sum of ZAR163 million, for an alleged breach of contract in respect of a Debt Rescheduling Agreement "DRA". In the matter between SCB Johannesburg Branch and Blue Employee Services the Court has held that the DRA subject to the Mapula claim was cancelled in line with the provision of the contract, therefore cancelation was valid.

Default judgement was initially granted in favour of Mapula for ZAR163 million and was subsequently overturned. The matter is now proceeding on the substantive issue of whether the lenders breached the terms of the DRA, and the hearing is set to continue on the 20th February 2020.

The Bank's legal counsel is of the view that the prospects of the claim succeeding are small, therefore no provision has been recognised.

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

These instruments are held in trust on behalf of customers and are therefore not treated as assets of the Bank and accordingly have not been included in these financial statements.

	Group		Company	
	2019	2018	2019	2018
	P'000	P'000	P'000	P'000
Assets held in custody	**15,522,519**	**16,178,927**	**15,522,519**	**16,178,927**

34. Segmental reporting

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

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

Commercial Banking is a growing segment which focuses on Middle Market clients and Medium Enterprises & High Value Small Business clients.

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2019

34. Segmental reporting *(continued)*

	Retail Banking P'000	Corporate and Institutional Banking P'000	Commercial Banking P'000	Total P'000
2019				
Profit or loss				
Net Interest Income	328,598	87,464	22,238	438,300
Non Funded Income	190,421	72,622	24,898	287,941
Revenue-external sources	**519,019**	**160,086**	**47,136**	**726,241**
Impairment movement	(25,078)	(8,337)	1,228	(32,187)
Net Income after impairment	**493,941**	**151,749**	**48,364**	**694,054**
Operating expenses	(417,695)	(134,301)	(72,479)	(624,475)
Profit/loss before taxation	**76,246**	**17,448**	**(24,115)**	**69,579**
Statement of financial position				
Investment Securities	-	3,073,599	-	3,073,599
Loans and advances to customers	6,674,082	1,027,225	217,920	7,919,227
Other assets for reportable segments	115,622	4,628,545	3,509	4,747,676
Total assets for reportable segments	**6,789,704**	**8,729,369**	**221,429**	**15,740,501**
Deposits from non bank customers	3,851,931	8,022,577	1,001,297	12,875,805
Other liabilities for reportable segments	14,352	1,789,892	(49,546)	1,754,698
Total liabilities for reportable segments	**3,866,283**	**9,812,469**	**951,751**	**14,630,503**

Notes to the financial statements (continued)

For the year ended 31 December 2019

34. Segmental reporting *(continued)*

	Retail Banking P'000	Corporate and Institutional Banking P'000	Commercial Banking P'000	Total P'000
2018				
Profit or loss				
Net interest income	312,455	106,462	21,227	440,144
Non- interest income	192,732	75,125	18,713	286,571
Revenue – external sources	**505,187**	**181,587**	**39,940**	**726,715**
Impairment movement	10,330	5,742	(16,107)	(35)
Net Income after impairment	**515,517**	**187,329**	**23,833**	**726,680**
Operating expenses	(447,049)	(177,136)	(79,454)	(703,639)
Profit/loss before taxation	**68,468**	**10,193**	**(55,621)**	**23,041**
Statement of financial position				
Investment securities	-	4,049,463	-	4,049 463
Loans and advances to customers	5,963,708	1,272,335	249,192	7,485,235
Other assets for reportable segments	41,493	5 025 229	2,353	5,069,075
Total assets for reportable segments	**6 005 201**	**10 347 027**	**251,545**	**16,603,773**
Deposits from non-bank customers	3,077,290	8,102,907	1 160,464	12,340,661
Other liabilities for reportable segments	(14,431)	3,207,629	(50,012)	3,143,186
Total liabilities for reportable segments	**3,062,859**	**11,310,536**	**1,110,452**	**15,483,847**

Notes to the financial statements (continued)

For the year ended 31 December 2019

35. Classification of assets and liabilities

	Group 2019 P'000	Group 2018 Restated** P'000	Company 2019 P'000	Company 2018 P'000
Non-current assets				
Plant and equipment	131,883	58,531	131,883	58,531
Intangible asset and goodwill	31,327	29,366	31,327	29,366
Deferred taxation	61,305	72,428	61,305	72,428
Investment securities	267,000	500,875	267,000	500,875
Investment in subsidiaries	-	-	30	-
Loans and advances to customers	6,750,263	6,141,121	6,750,263	6,141,121
	7,241,778	**6,802,321**	**7,241,809**	**6,802,321**
Current assets				
Cash and balances with the Central Bank	870,350	1,162,191	867,731	1,159,621
Loans and advances to banks	3,458,459	3,488,495	3,458,459	3,500,093
Investment securities	2,806,599	3,548,588	2,806,599	3,548,588
Loans and advances to customers	1,168,964	1,344,114	1,168,964	1,344,114
Other assets	182,512	244,138	142,169	137,624
Taxation refundable	1,665	13,926	1,665	13,150
	8,488,548	**9,801,452**	**8,445,587**	**9,703,190**
Non-current liabilities				
Senior and subordinated debt	389,000	686,260	389,000	686,260
Deposits from customers	115,765	242,530	115,765	242,530
	504,765	**928,790**	**504,765**	**928,790**
Current liabilities				
Deposits from other banks	1,020,928	754,429	973,746	711,170
Deposits from customers	12,760,040	12,098,131	12,760,040	12,098,131
Unsettled Treasury bills	-	1,348,939	-	1,348,939
Other liabilities	286,251	334,031	261,703	237,011
Senior debt	50,000	-	50,000	-
Provisions	-	30,674	-	30,674
Taxation payable	496	-	-	-
	14,117,715	**14,566,204**	**14,045,489**	**14,425,925**

Notes to the financial statements (continued)

For the year ended 31 December 2019

36. Events after reporting date

During the last months of 2019, there was an outbreak of the Coronavirus in Wuhan, in the Hubei province of China. The official notice from the Wuhan Health authorities was issued on 30th December 2019, and the outbreak was reported to the World Health Organization (WHO) on the 31st December 2019, at that point as a "pneumonia of an unknown cause". As at the balance sheet date, there were no cases reported outside China, and the precise mode of person to person transmission was not known.

However, the spread of the outbreak continued into 2020, with the first case outside China reported on the 13th January 2020 in Thailand, and other countries started reporting cases prompting WHO to declare the outbreak a "Public Health Emergency of International concern" on the 30th January 2020. By March 2020 the coronavirus had reached all habitable continents of the world, spreading at an increasing speed. In response, WHO classified the outbreak as a pandemic on the 11th March 2020.

As at the date of publishing these financial statements, there were 6 reported cases of people with the Coronavirus COVID-19 in Botswana. The President of the Republic of Botswana declared state of emergency and a national lockdown for the whole of Botswana with effect from 2 April 2020 at midnight until 30 April 2020, for purposes of preventing, controlling and suppressing the spread of Coronavirus COVID-19.

The Bank has taken a series of actions to reduce the risks to staff, clients and business activity and is keenly following the actions and directives from the relevant authorities to ensure the Bank is well prepared to contain, mitigate and recover from the impact of the pandemic.

Comprehensive portfolio stress tests have been undertaken to identify vulnerable clients and segments and these include the following; the Diamond, Aviation, Hotel and Tourism sectors. These are deemed most vulnerable to first order impact of the pandemic. The Bank's exposure by industry, as well as to households is disclosed in note 4.2.

So far, there is no immediate material financial impact on the extant portfolio, but an enhanced client monitoring and engagement plan for the Corporate and Institutional Banking Clients has been put in place. Such enhancements extend to portfolio origination activities. It is very likely that portfolio-based responses will evolve with developments concerning the outbreak, and some may be industry wide, while the Bank would still have its own. Some of the bank's clients, particularly those cited in the above industries will face severe decline in revenues and cash balances, thereby impacting their ability to honour credit obligations. Responses by the Bank could include extending loan repayment holidays, rescheduling loan balances to lower cash outflow burden and resetting covenants and payment terms, among others. No internal credit rating downgrades have been necessary thus far, but this remains a possibility going into the near future, and this could also mean re-configuring ECL models by factoring in higher PDs and LGDs.

The retail segment will also be impacted to a degree dependant mainly on how long the pandemic will last for, i.e. employers may start to cut down salaries, send employees on unpaid leave or worst-case scenario lay off staff. In this regard, an event risk debt relief plan has been crafted, and will be invoked to support clients whose debt repayment ability would be impacted directly by effects of the Coronavirus. This would have a pronounced impact on ECL provisioning. The extent to which the entire retail portfolio will be impacted is dependant on the profile of the exposure, first order impact is more likely in exposures to employees of smaller enterprises particularly those in vulnerable industries, while less likely in exposures to public sector and parastatal employees. A vast majority on the Bank's exposure is to the latter.

The Bank has a robust Business Continuity Plan which is tested regularly for effectiveness and appropriateness, this could be invoked should it be necessary. However, a number of actions have been put in place to safeguard health of staff and clients, and these include homeworking arrangements, strict adherence to social distancing practices and provisioning of disinfectants, among others.

Notes to the financial statements (continued)

For the year ended 31 December 2019

36. Events after reporting date *(continued)*

The previously positive economic prospects for the country now look different as a result of COVID-19, mining output will likely be impacted as global demand slump, particularly during winter months when the coronavirus pandemic is likely to accelerate, whilst the tourism and the transport sectors are beginning to realise early impact. There has been no official release of revised macro-economic variables, but it remains quite likely that the reserve Bank will take appropriate actions aimed at protecting the economy from a possible slump, which could entail a rate cut. Impacts of a possible rate cut is disclosed in note 4.5.

37. Correction of prior period errors**

During 2019, the Group identified errors in prior year financial statements relating to the recognition of commission income and insurance premium claw-back liabilities.

Customers are entitled to a pro-rata refund of premiums paid in advance if their loans are early settled. Commission earned on these insurance premiums collected should be accounted for as variable consideration.

The commission income should be estimated, and recognised only to the extent that it is highly probable that a significant reversal of revenue will not occur (the constraint). The amount received but not recognised as revenue should be accounted for as a claw-back (refund) liability, until such time as the premiums are refunded or the constraint is removed.

The group incorrectly accounted for commission income by not constraining the amount of revenue recognised, and not recognising a claw-back liability. Commission refunds were incorrectly set-off against commission income that arose in a different accounting period.

This resulted in an understatement of the claw-back liability, overstatement of the initial commission income recognised and an understatement of commission income when the claw-back is paid.

The errors have been corrected by restating each of the affected financial line item for prior periods. The following table summarises the impact on the Group 's financial statements.

Notes to the financial statements (continued)

For the year ended 31 December 2019

37. Correction of prior period errors** (continued)

Consolidated statement of financial position 1 January 2018 P'000	As previously reported	Impact of correction of errors Adjustment	As restated
Total Assets	15,033,462	-	15,033,462
Total Liabilities	14,262,258	13,714	14,275,972
Other liabilities	203,823	13,714	217,537
Total Equity	771,204	(13,714)	757,490
Reserves	563,718	(13,714)	550,004

31 December 2018 P'000	As previously reported	Adjustment	As restated
Total Assets	16,603,773	-	16,603,773
Total Liabilities	15,483,847	11,147	15,494,994
Other liabilities	322,884	11,147	334,031
Total Equity	1,119,926	(11,147)	1,108,779
Reserves	512,440	(11,147)	501,293

Consolidated statement of profit or loss and OCI 31 December 2018 P'000	As previously reported	Impact of correction of errors Adjustment	As restated
Fee and commission income	247,376	2,567	249,943
Profit	**23,844**	**2,567**	**26,411**

The errors did not have a material impact on the Group's basic and diluted earnings per share for the year ended 31 December 2018. The error had an insignificant impact on operating activities, and no impact on investing or financing cashflows for the Group.

Annual General Meeting Notice

Notice is hereby given that the 45th Annual General Meeting of the shareholders of Standard Chartered Bank Botswana Limited will be held on Tuesday 30th June 2020 at 1500 hrs at Standard Chartered Bank Botswana Limited Offices, Gaborone, Plot 1124-30, Queens Road, Main Mall, 5th Floor via Webinar :

1. To receive, consider and adopt the Chairperson's report.
2. To receive, consider and adopt the Chief Executive Officer's report.
3. To receive, consider and approve the Annual Financial Statements for the year ended 31st December 2019, together with the Auditor's reports therein.
4. To ratify the declaration of a final dividend of 18.38 thebe per ordinary share paid to Shareholders on or around 19th May 2020.
5. To re- elect as a Director Jerry Kweku Boi Bedu- Addo who retires by rotation and in accordance with Section 66 of the Constitution, and who being eligible, offers himself for re-election. He is CEO of Standard Chartered Bank for South Africa & Southern Africa and holds a Bachelor of Science degree in Agricultural Economics from the University of Ghana and a Masters degree in Economic Policy Management from Columbia. Mr Bedu - Addo served as the Chairman of the Ghana Stock Exchange and Vice Chairman of the Ghana Fixed Income Market Council. He was on the Global Investment Committee, Acumen Fund, New York from 2012 to 2016.
6. To re- elect as a Director Mpho Calvin Masupe who retires by rotation and in accordance with Section 66 of the Constitution, and who being eligible, offers himself for re-election. Director Masupe is the Chief Executive Director of Standard Chartered Bank Botswana Limited and holds a Bachelor of Commerce Degree from the University of Botswana and a Master's Degree in Strategic Management from the University of Derby. Mr Masupe has a strong financial background acquired over 24 years leading finance and administration departments. He has served on the boards of various organizations including Absa Life, Botswana Accountancy College and Sesiro Insurance and currently sits on the Standard Chartered Bank Botswana boards.
7. To note and approve the retirement of Bojosi Khebetu Otlhogile as a Director and Board Chairman effective 31st December 2019.
8. To note and approve the resignation of Richard Martin Etemesi as a Director effective 1st October 2019
9. To confirm the appointment of Doreen Cilla Khama as Board Chairperson effective 1st January 2020. She holds a bachelor's degree in Law from the University of Botswana Lesotho and Swaziland. She is the founder and senior partner of Doreen Khama Attorneys, a private law firm established in 1982 which provides legal advice to corporate and individual clients on commercial matters and general litigation.
10. To confirm the appointment of Rodgers Majwabe Thusi as an Independent Non Executive Director effective 19th July 2019 in accordance with Section 90 of the Companies Constitution. He is a co- founder of Gidary Technical Solutions (Pty) Ltd and holds a Bachelors Degree of Science specialising in Mineral Processing from the University of Wales, a post Graduate Diploma in Management Studies from Management College of Southern Africa and a Certificate in Advanced Operations Management from the University of Cape Town. Mr Thusi has undertaken a number of projects covering technical investigations, mineral resource evaluation including projects and operations management support at various mines. 11.To confirm the appointment of Thari Gilbert Pheko as an Independent Non Executive Director effective 18th February 2020 in accordance with Section 90 of the Companies Constitution. He is a consultant at ZBL Investments (Pty) Ltd and holds a Master's in Management Information Systems, a Bachelors Degree in Business Finance and Economics from the University of East Anglia, Norwich, United Kingdom. He attained Part one Bachelor's Degree of Arts from the University of Botswana majoring in Accounting and Public Administration. Mr Pheko has over 10 years experience in executive management positions of various organisations, he served as a Chief Executive Officer for Botswana Telecommunications Authority and Botswana Communications Regulatory Authority.
12. To approve the remuneration of the Directors for the financial year ending 31st December 2020 as set out in the Corporate Governance section of the Annual Report.
13. To approve the remuneration of the auditors, KPMG Botswana for the year ended 31st December 2019.
14. To confirm and ratify the appointment of the auditors Ernst & Young and to authorise the Board of Directors to determine Ernst and Young's renumeration for the ensuing year.
15. To receive and consider questions and or comments from the shareholders.

Notes:

Any shareholder entitled to attend and vote, is entitled to appoint a proxy to attend and speak and vote in his/her stand. The person so appointed needs not be a shareholder of the Company. The instrument appointing such a proxy along with the shareholder's request for the link to attend the Webinar must be sent to the Company Secretary Chazha Kgalemang by e-mail at Chazha.Kgalemang@sc.com not less than 48 hours before the meeting.

Chazha Kgalemang
Secretary

Proxy Form

Please complete in block letters

I/WE _____

Being a shareholder of Standard Chartered Bank Botswana Limited, hereby appoint:

_____ or failing him or her

_____ or failing him or her

As my proxy to vote on my behalf at the annual general meeting of the company to be held on the 30th June 2020 and at any adjournment of the meeting, thereof as follows;

	Lekgotla	FOR	AGAINST	ABSTAIN
1.	Approval of the Annual Financial Statements for the year ended 31st December 2019 together with the Auditors report therein			
2.	Ratification of the declaration of the final dividend of 18.38 thebe per ordinary share paid to Shareholders on or around 19th May 2020.			
3.	Re- election of Jerry Kweku Boi Bedu – Addo as a Director of the Board			
4.	Re-election of Mpho Calvin Masupe as a Director of the Board			
5.	Retirement of Professor Bojosi Otlhogile as a Director and Board Chairman effective 31st December 2019.			
6.	Resignation of Richard Martin Etemesi as a Director of the Board effective 31st October 2019			
7.	Appointment of Doreen Cilla Khama as Chairperson of the Board effective 1st January 2020			
8.	Appointment of Rodgers Majwabe Thusi as a Director of the Board effective 19th July 2019			
9.	Appointment of Thari Gilbert Pheko as a Director of the Board effective 18th February 2020			
10.	Approval of the remuneration of the Directors for the financial year ending 31 December 2020			
11.	Approval of the remuneration of the Auditors KPMG, Botswana for the year ended 31st December 2019			
12.	Ratification of the appointment of the Auditors Ernst & Young for the ensuing year and to authorise the Board of Directors to determine Ernst and Young's remuneration			

Unless otherwise indicated, my proxy may vote as he/she thinks fit.

Signature: _____ Date _____ 2020

Notes _____

_____

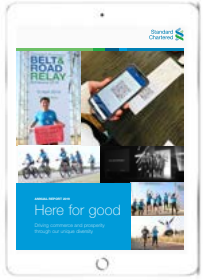
_____

_____

_____

1. Any alteration of this form must be initialled by the signatory
2. A copy of this Proxy form is available for download at www.sc.com/bw, or please request a copy via email from Chazha.Kgalemang@sc.com
3. This form of proxy should be completed and returned to reach the Secretary of the Company no later than Thursday 25th June 2020. The form should be delivered to 5th floor, Standard House, Main Mall, P O Box 496, Gaborone, or send by email to Chazha.Kgalemang@sc.com,

Digital Annual Report



sc.com/bw/investor-relations/

Headquarters

Standard Chartered House
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Gaborone, Botswana

P O Box 499
Gaborone, Botswana

sc.com/bw

Southern Branch Network

The Square
Priority Banking Centre
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Tel: 3931118
Fax: 3931326

Mall
P.O. Box 21, Gaborone
Tel: 3953911
Fax: 3957910

Hexagon
P/Bag BR 55, Broadhurst
Tel: 3932221
Fax: 3932222

Sir Seretse Khama Int Airport
Sir Seretse Khama Int Airport
P.O. Box 69479, Gaborone
Tel: 3188687

Lobatse
P.O. Box 25, Lobatse
Tel: 5332000
Fax: 5332287

Jwaneng
P.O. Box 16, Jwaneng
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Fax: 5880289

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Sebele, Plot 70665, Unit 62
Tel: 3910492
Fax: 3910114

Game City
P/ Bag 00472, Gaborone
Tel: 3907989
Fax: 3907990

Industrial
P.O. Box 294, Gaborone
Tel: 3915777
Fax: 3903074

Molepolole Branch
P.O. Box 24040, Gaborone
Tel: 3164351

24 Hour Customer Contact Centre
Tel: 3616800

Gaborone Loan Centre
Tel: 3616700

Molepolole Agency
P.O. Box 21, Gaborone
Tel/Fax: 5820212

Northern Branch Network

Letlhakane Agency
P.O. Box 214, Orapa
Tel: 2978244
Fax: 2978129

Francistown Branch
P.O. Box 48, Francistown
Tel: 2413452 / 2400101
Fax: 2412854

Palapye
P.O. Box 217, Palapye
Tel: 4920217
Fax: 4920809

Mahalapye
P.O. Box 62, Mahalapye
Tel: 4710871
Fax: 4710084

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Sir Seretse Khama Int Airport
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Tel: 3188687

Maun
P.O. Box 112, Maun
Tel: 6860809
Fax: 6860331

Kasane Branch
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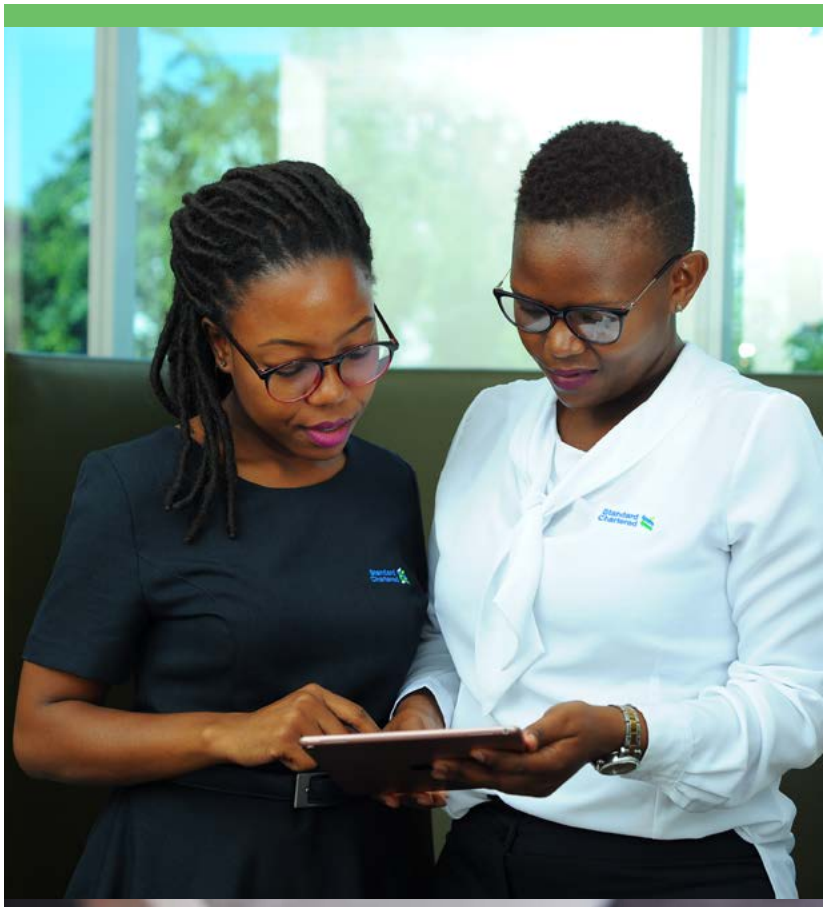
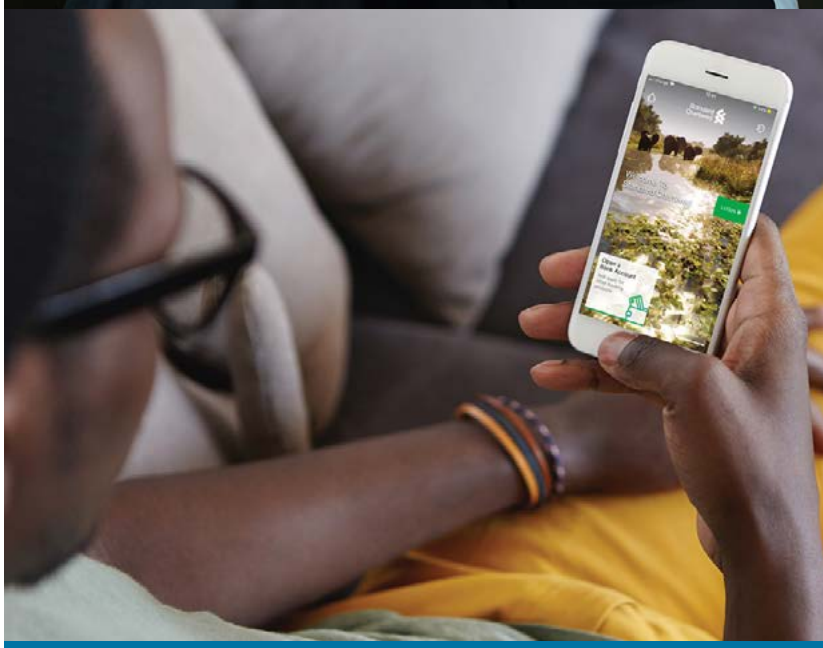
Francistown
Tel: 2410179
Fax: 2410184

Selibe Phikwe
P.O. Box 18, Selibe Phikwe
Tel: 2910848
Fax: 2911299

Serowe
P.O. Box 2026, Serowe
Tel: 4630249
Fax: 4634879

Standard Chartered





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