Bank of Baroda (Botswana) Limited

Annual financial statements

for the year ended 31 March 2024

Bank of Baroda (Botswana) Limited
(Registration number BW00000570268)
Annual Financial Statements for the year ended 31 March 2024

General Information

Country of incorporation and domicile	Botswana
Nature of business and principal activities	Commercial Banking
Directors	G Setume S T Nlebgwa A Singh Joydeep Dutta Roy (Resigned on 30 Jan 2024) Sanjay Joshi Vishwanath Suresh S Bagopi (Resigned on 24 Aug 2023) V P Pollapothu (Appointed on 25 Apr 2023) C Ndlovu (Appointed on 25 Apr 2023) G Tshupo (Appointed on 13 July 2023) T Matutu ((Appointed on 17 Dec 2023)
Registered office	Plot 50370 Acumen Park Fairgrounds Gaborone Botswana
Business address	Plot 14456 Kamushungo Road G West Industrial Gaborone Botswana
Holding company	Bank of Baroda incorporated in India
Auditors	Grant Thornton
Secretary	R K Accountants (Proprietary) Limited
Bank registration number	BW00000570268
Date of incorporation	17 August 2000
Currency	BWP

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Directors' Responsibilities and Approval

The directors are required in terms of the Banking Act (46:04) and Companies Act (42:01) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the bank as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the bank and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the bank and all employees are required to maintain the highest ethical standards in ensuring the bank's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the bank is on identifying, assessing, managing and monitoring all known forms of risk across the bank. While operating risk cannot be fully eliminated, the bank endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the bank's cash flow forecast for the year to 31 March 2025 and, in light of this review and the current financial position, they are satisfied that the bank has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the bank's annual financial statements. The annual financial statements have been examined by the bank's external auditors and their report is presented on pages 7 to 10.

The annual financial statements set out on pages 11 to 67, which have been prepared on the going concern basis, were approved by the board on 31 JUL 2024 and were signed on their behalf by:

Chairman

Managing Director

Director's Report

The Directors have the pleasure of presenting to the shareholders our 24th Annual Financial Statements of the Bank for the year ended 31 March 2024.

Real gross domestic product (GDP) is estimated to have expanded by 3.2 per cent in 2023, compared to 5.5 per cent in 2022. The slowdown is mainly attributable to subdued mining activity. Botswana's real GDP is projected to expand by 4.2 per cent in 2024, from an estimated 3.2 per cent in 2023.

Headline inflation increased from 3.5 percent in December 2023 to 3.9 percent in January 2024, remaining within the medium-term objective range of 3 – 6 per cent. The increase in inflation was mainly due to the diminishing impact of the decrease in domestic fuel prices in the corresponding period in 2023 (base effects).

The decrease of the MoPR (Monetary Policy Rate) which became policy in place of the earlier Bank Rate by a cumulative 0.25 percentage points to 2.40 per cent in 2023, has resulted in the the decrease of the prime lending rate of the Bank 6.76 per cent to 6.41 per cent in the period.

The Central Bank (Bank of Botswana) maintained an accommodative monetary policy stance during 2023 in view of the positive inflation outlook in the medium term

1. Background

Bank of Baroda (Botswana) Limited was incorporated in Botswana on 17 August 2000 as a Company with limited liability under the Companies Act (CAP 42:01) and was licensed as a Commercial Bank on 06 September 2000 under Section 6 of the Banking Act, 1995. The Bank is wholly owned subsidiary of Bank of Baroda, India. It started its operations by opening its first branch at Acumen Park, Plot 50370, Fairgrounds, Gaborone, Botswana on 26 March 2001. The Bank shifted to the existing premises at A.K.D. House, Lot 1108, The Main Mall, Gaborone in January 2005. The second branch of the Bank was opened in Francistown on 5 Dec.2007. The third branch of the Bank was opened in Gaborone Industrial Area (G-West) on 22 Feb 2013. Fourth branch of the Bank was opened in Palapye on 16 Mar 2020.

2. Activities

The Bank continues to be engaged in the business of commercial banking and provides a wide array of financial services.

Director's Report

3. Business performance

The business of the Bank reported a positive growth of about 14.32 % during the year. The growth remains comparatively high to the previous year due to higher growth in Credit and Term Deposits.

This year net profit of the Bank stood at P 93.67 mn for the year as compared to P 73.42 mn during the previous year showing a positive growth over last year mainly due to an increase in interest income in loans and advances and controlling cost.

The bank's asset quality witnessed a decline over the year. The gross NPLs to total advances was 1.34% in March 2023-24 as against 0.45 % in March 2022-23. The Bank is able to put a mechanism to monitor the past due accounts, accordingly total number of past due accounts have reduced substantially.

Key financials during 2023-24.

- The total business of the Bank grew by 14.32% during the year.
- The total deposit grew from P2289.11 mn to P2659.12 mn during FY 2023-24 up by 16.16%.
- The total advances grew from P1862.10 mn to P2086.69 mn during the FY 2023-24 up by 12.06%.
- CD ratio is 78.47 % as of 31 March 2024.
- The Capital Adequacy Ratio (CAR) stood at 23.68% against the regulatory requirement of 12.50%
- The cost of deposits has stood as 3.93%in March 2024 as compared to 3.14% during the year.
- The yield on advances was at 9.24% in March 2024 as against 8.83% last year.
- Net worth of the Bank as on 31 March 2024 is P587.80 mn.
- Business per employee has increased to P75.33 mn as on 31.03.2024 from P63.86 mn on 31.03.2023.
- Gross profits of the Bank reported growth of 35.90% and reached to P133.67mn in March 2024 against last years figure of P98.36 mn.
- Net profit of the Bank has increased to P93.67 mn in 2023-24 from P73.42 Mn in last year i.e. a growth of 27.58 %
- Net Interest Margin was 4.44% in the year 2023-24 as against 4.31% in 2022-23.
- The cost to income ratio has decreased to 24.26% against 29.78 % last year.
- Banks NPL provisions coverage ratio is 100%.

New Initiatives during the Year:

- Upgraded the existing 4 ATMs out of 7 ATMs to new versions in order to provide more security features in our ATM.
- Rolled out Cash-on-Mobile facilities for the customers to withdraw cash up to a certain limit from the ATM without a debit card.
- Implemented CRP modules in the new Alert Monitoring System AMLOCK in our Bank.
- Various new features added in Mobile banking and Internet banking.
- Introduced Chatbot in website with enhanced features.
- Enabled self registration process for Internet Banking and Cross currency transfers through Mobile Banking.

Full details of the financial position, results of operations and cash flows of the bank are set out in these annual financial statements.

Director's Report

4. Regulatory Compliances

Capital Adequacy

Given a capital adequacy ratio of 23.68 % as at 31 March 2024 as against the regulatory requirement of 12.50%, the Bank is in a comfortable position and has the requisite risk-bearing capacity. It is keen on improving it further to expand its assets base.

Liquidity:

Bank has been monitoring maintenance of liquidity ratio on a daily basis and has been in compliance of the mandatory requirement of 10%. Bank has also complied with the maintenance of Primary Reserve Requirement (PRR) stipulated by Bank of Botswana from time to time.

Reporting to FIA

Bank has complied with the reporting requirements of Financial Intelligence Agency (FIA) and is reporting cash transactions and IFTs, EFTs to FIA as per the Agency's requirements.

Chairman

Managing Director

Grant Thornton

Chartered Accountants

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Independent Auditor's Report

To the shareholders of Bank of Baroda (Botswana) Limited

Opinion

We have audited the annual financial statements of Bank of Baroda (Botswana) Limited set out on pages 11 to 65, which comprise the statement of financial position as at 31 March 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including material accounting policy information.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Bank of Baroda (Botswana) Limited as at 31 March 2024, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Banking Act (46:04).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual financial statements section of our report. We are independent of the bank in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts 1, 3 and 4A) (IESBA Code) and other independence requirements applicable to performing audits of annual financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

GRANT THORNTON
CHARTERED ACCOUNTANTS
GABORONE

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
The assessment for loan loss provision for loans to customers The credit impairment provision inherently contains a significant amount of estimation uncertainty especially with regard to identifying impaired receivables and quantifying loan impairment because significant judgement is required of management regarding inputs into the calculation. To assess the amount of provisions for expected losses, the bank applies statistical models with input parameters, obtained from internal and external sources. In accordance with the requirements of IFRS 9, the Bank distinguishes three stages of impairment, where the criteria for classification to individual stages is based on an assessment of the objective characteristics of loans and relevant debtors, and subjective judgements of the bank. Impairment stage III includes distressed loans and advances where significant increase in credit risk has occurred and where objective proof of impairment exists. When determining the provision amount this impairment stage, the Bank management primarily considers the following factors: • Amount and timing of forecasted cash flows. • The bank's success rate at recovering debt • Collateral value In addition to the above-identified impairments, an estimate is made for impairments associated with those assets in the statement of financial position where no repayment difficulties have been identified for a particular loan (Stage I and Stage II). The bank creates a provision using a model for a homogeneous group of loans. The model is based on a deriving the probability of loan default and the estimated amount of subsequent loss. Management's judgement determines input data for the model, the calculation logic and its comprehensiveness.	Our audit procedures included considering the appropriateness of the loans and advances impairment provision. We assessed the adequacy of the methodology used by the Bank to identify loan impairment and calculate provision for the selected significant portfolios.On a sample of the Bank's loans we evaluated appropriateness of provisioning methodologies and application. Our audit response focused on the significant inputs used by management in their impairment calculation. We formed an independent view on levels of provisions required by examining available external and internal information. We assessed the appropriateness of the methodologies and assumptions used, to the extent that this could have materially impacted the estimations around the timing and amount of the future cash flows. We compared this to our own methodologies and available industry data. We also performed an independent calculation of the impairment provision and relevant inputs in the models used by management to estimate the future cash flows, discount rate as well as management's other adjustments.

GRANT THORNTON
CHARTERED ACCOUNTANTS
GABORONE

Grant Thornton

Independent Auditor's Report

Other information

The directors are responsible for the other information. The other information comprises the Director's Report and the Detailed Income Statement, which we obtained prior to the date of this report. Other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual 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 annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Banking Act (46:04), and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the bank's financial reporting process

Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual 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 International Standards on Auditing 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 annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual 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 bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

GRANT THORNTON CHARTERED ACCOUNTANTS GABORONE

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Independent Auditor's Report

- 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 bank'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 annual 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 bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 annual financial statements of the current year 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.

GRANT THORNTON

Grant Thornton
Firm of Certified Auditors
Practicing Member : Aswin Vaidyanathan (CAP 0016 2024)

02 AUG 2024

Gaborone

Statement of Financial Position as at 31 March 2024

Figures in Pula thousand	Note	2024	2023
Assets			
Cash and cash equivalents	4	93 500	62 462
Balances with other banks	5	492 902	777 812
Financial assets - Investments	6	1 029 556	454 896
Loans and advances	7	2 017 703	1 803 591
Other assets	9	5 745	7 845
Right of use assets	8	10 091	13 245
Deferred tax	10	10	10
Property, plant and equipment	11	2 596	3 584
Total Assets		**3 652 103**	**3 123 445**
Equity and Liabilities			
Equity			
Stated capital	12	181 000	181 000
Retained income		405 726	325 630
		586 726	**506 630**
Liabilities			
Balances due to other banks	13	365 209	291 513
Deposit due to customers	14	2 672 890	2 299 670
Payables and accruals	16	16 162	11 210
Lease liabilities	15	11 116	14 422
		3 065 377	**2 616 815**
Total Equity and Liabilities		**3 652 103**	**3 123 445**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Pula thousand	Note	2024	2023
Effective interest and similar income	17	237 530	172 950
Effective interest and similar expenditure	18	(95 076)	(63 161)
Net interest income		**142 454**	**109 789**
Non-interest income	19	34 029	30 278
Movement in credit loss allowances	20	(13 110)	(6 012)
Other operating expenses	20	(41 202)	(39 324)
Profit before taxation		**122 171**	**94 731**
Income tax expenses	21	(28 500)	(21 309)
Profit for the year		**93 671**	**73 422**
Other comprehensive income		-	-
Total comprehensive income for the year		**93 671**	**73 422**

Statement of Changes in Equity

Figures in Pula thousand	Stated capital	Retained income	Total equity
Balance at 01 April 2022	**181 000**	**261 258**	**442 258**
Profit for the year	-	73 422	73 422
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**73 422**	**73 422**
Dividends	-	(9 050)	(9 050)
Total distributions to owners of company recognised directly in equity	**-**	**(9 050)**	**(9 050)**
Balance at 01 April 2023	**181 000**	**325 630**	**506 630**
Profit for the year	-	93 671	93 671
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**93 671**	**93 671**
Dividends	-	(13 575)	(13 575)
Total distributions to owners of company recognised directly in equity	**-**	**(13 575)**	**(13 575)**
Balance at 31 March 2024	**181 000**	**405 726**	**586 726**
Note(s)	12		

Bank of Baroda (Botswana) Limited

(Registration number BW00000570268)
Annual Financial Statements for the year ended 31 March 2024

Statement of Cash Flows

Figures in Pula thousand	Note(s)	2024	2023
Cash flows from operating activities			
Cash generated from operations	23	287 996	274 209
Interest and similar income		(237 530)	(172 950)
Interest and similar expenditure		95 076	63 161
Interest received		236 423	174 890
Interest paid		(90 793)	(71 464)
Interest charges on lease liabilities		-	-
Income tax received/(paid)	24	(28 500)	(21 309)
Net cash from operating activities		**262 672**	**246 537**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(232)	(507)
Purchase of investments		(348 763)	(246 729)
Net cash from investing activities		**(348 995)**	**(247 236)**
Cash flows from financing activities			
Principal lease payments		(3 307)	(1 150)
Interest charges on lease liabilities		(447)	(1 965)
Dividends paid	25	(13 575)	(9 050)
Net cash from financing activities		**(17 329)**	**(12 165)**
Total cash movement for the year		**(103 652)**	**(12 864)**
Cash at the beginning of the year		695 680	706 223
Effect of exchange rate movement on cash balances		1 981	2 321
Total cash at end of the year	4	**594 009**	**695 680**

Accounting Policies

1. Material accounting policies

The Bank also adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management has considered the principles of materiality in IFRS Practice Statement 2 Making Materiality Judgements, and only those accounting policies which are considered material have been presented in these annual financial statements.

1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Banking Act (46:04).

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Pula, which is the bank's functional currency and rounded off to the nearest thousands.

These accounting policies are consistent with the previous period, except for the changes set out in note 2.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Expected credit loss

Establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.

Classification of financial assets

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

Revenue recognition

In making their judgement, management considered the detailed criteria for the recognition of revenue set out in IFRS 15 and, in particular, whether the bank had met all the performance obligations relating to non interest income.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The bank uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the bank's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Fair value estimation

Certain assets and liabilities of the bank are either measured at fair value or disclosure is made of their fair values.

Observable market data is used as inputs to the extent that it is available.

Impairment testing

The bank reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on bank replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The bank recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the bank to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the bank to realise the net deferred tax assets recorded at the balance sheet date could be impacted.

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the bank holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the bank, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Accounting Policies

1.3 Property, plant and equipment (continued)

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the bank and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the bank. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Leasehold property	Straight line	Over the lease period
Office equipments	Straight line	4-10 years
Furniture and fixtures	Straight line	6-10 years
Motor vehicles	Straight line	4 years
IT equipment	Straight line	3 years
Computer software	Straight line	3 years

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.4 Financial instruments

The Bank initially recognises loans and advances, deposits and other financial assets and financial liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument on initial recognition is generally its transaction price.

Broadly, the classification possibilities, which are adopted by the bank ,as applicable, are as follows:

Financial assets which are debt instruments:
- Amortised cost.

Financial liabilities:
- Amortised cost

Note 29 Financial instruments and risk management presents the financial instruments held by the bank based on their specific classifications.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the bank are presented below:

Financial instruments at amortised cost

Classification

Cash and cash equivalents , balances with other banks , financial assets - investments and loans and advances (note 7) are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the bank's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Financial assets are recognised when the bank becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in interest and similar income.

The application of the effective interest method to calculate interest income on a financial asset measured at amortised cost is dependent on the credit risk of the loan as follows:
- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a loan is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the loan, even if it is no longer credit-impaired.
- If a loan was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the loan in the determination of interest. If, in subsequent periods, the loan is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Accounting Policies

Financial instruments (continued)

Loans denominated in foreign currencies

When a loan receivable is denominated in a foreign currency, the carrying amount of the loan is determined in the foreign currency. The carrying amount is then translated to the Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating income (note 19).

Details of foreign currency risk exposure and the management thereof are provided in the specific loan notes and in the financial instruments and risk management (note 29).

Impairment

The bank recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The bank measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the bank considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the bank compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the bank has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The bank regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Definition of default

For purposes of internal credit risk management purposes, the bank consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the bank considers that default has occurred when a loan instalment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Accounting Policies

Financial instruments (continued)

Write off policy

The bank writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the bank recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the bank has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the bank measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and vice versa.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 20).

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 29).

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Loans and advances

Classification

The ‘loans and advances’ caption in the statement of financial position includes loans and advances measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost under the effective interest method.

Recognition and measurement

Loans and advances are recognised when the bank becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Accounting Policies

Financial instruments (continued)

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in Interest and similar income (note).

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Loans and advances denominated in foreign currencies

When loans and advances are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss.Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management (note 29).

Impairment

The bank recognises a loss allowance for expected credit losses on all loans receivable and balance with other banks measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The bank measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan receivables and balance with other banks. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

Measurement and recognition of expected credit losses

The bank makes use of a provision matrix as a practical expedient to the determination of expected credit losses on loans and advances. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the the customers, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of loans and advances, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 20).

Write off policy

The bank writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the bank recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Credit risk

Details of credit risk are included in the loans and advances note (note 7) and the financial instruments and risk management note (note 29).

Accounting Policies

Financial instruments (continued)

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of loans and advances is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost line item (note).

Balances due to other banks and deposit due to customers

Classification

Balances due to other banks and Deposit due to customers are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Balances due to other banks and deposits due to customers are recognised when the bank becomes a party to the contractual provisions of the instruments. These are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in interest and similar expenditure.

Financial liabilities expose the bank to liquidity risk and interest rate risk. Refer to note 29 for details of risk exposure and management thereof.

Financial liabilities denominated in foreign currencies

When financial liabilities are denominated in a foreign currency, the carrying amount of the loan is determined in the foreign currency. The carrying amount is then translated to the Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (note 19).

Details of foreign currency risk exposure and the management thereof are provided in the specific loan notes and in the financial instruments and risk management (note 29).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Accounting Policies

Financial instruments (continued)

Accruals and other payables

Classification

Accruals and other payables (note 16), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them 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 Bank's trading activity.

Derecognition

Financial assets

The bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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) is recognised in profit or loss.

Financial liabilities

The bank derecognises financial liabilities when, and only when, the bank obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial guarantees and loan commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 (see (J)(vii)) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. Other loan commitments issued are measured at the sum of (i) the loss allowance determined in accordance with IFRS 9 (see (J)(vii)) and (ii) the amount of any fees received, less, if the commitment is unlikely to result in a specific lending arrangement, the cumulative amount of income recognised (see (D)). Derecognition policies in (J)(iii) are applied to loan commitments issued and held.

Accounting Policies

1.5 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

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

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

Tax expenses

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

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

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

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

1.6 Leases

The bank assesses whether a contract is, or contains a lease, at the inception of the contract.

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

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

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

Accounting Policies

1.6 Leases (continued)

Bank as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the bank is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the bank recognises the lease payments as an operating expense (note 20) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

However as an exception to the preceding paragraph, the bank has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the bank is a lessee are presented in note 15 Leases (bank as lessee).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. The corresponding asset is regognised as right of use asset. If this rate cannot be readily determined, the bank uses an average rate that is paid for long term deposits .

Lease payments included in the measurement of the lease liability comprise the following:
- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the bank under residual value guarantees;
- the exercise price of purchase options, if the bank is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the bank is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 20).

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in Interest and similar expenditure (note 18).

The bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:
- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the bank will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

1.6 Leases (continued)

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position and is initially measured at the present value of lease payments.

Lease payments included in the measurement of the right of use assets comprise the following:
- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the bank incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

When the Bank or lessor terminates or cancels a lease, the right of use asset and lease liability are derecognised. On derecognition, any difference is recognised as a gain or loss in the profit or loss.

1.7 Impairment of assets

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

Irrespective of whether there is any indication of impairment, the bank also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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

Accounting Policies

1.7 Right of use assets (continued)

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.8 Stated capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at no par value and classified as 'stated capital' in equity.

1.9 Employee benefits

The bank's employees (other than employees seconded by the parent bank) are covered under a defined contribution pension plan to which the bank contributes. For employees seconded by the parent bank, the bank contributes to a provident fund managed by the parent bank.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank 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.

Defined contribution plans

Payments to defined contribution retirement plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the bank's obligation under the schemes is equivalent to those arising in a defined contribution retirement plan.

1.10 Provisions and contingencies

Provisions are recognised when:
- the bank has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Accounting Policies

1.10 Provisions and contingencies (continued)

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

1.11 Recognition of Revenues and Expenses

The bank recognises revenue from the following major sources:
- Interest income on financial instruments including loans and advances
- Fee and commission income
- Treasury commission and foreign exchange gains/losses.

Revenues and expenses are recognised in the profit or loss for all interest-bearing instruments on an accrual basis using the effective interest rate. Fees and commissions are recognised in the profit or loss on an accrual basis. Fees and commissions related to the provision of loans are accrued over the contractual term of the loan until its due date and are recognised in the statement of comprehensive income in "Interest and similar income".For financial assets categorised into Stage 3, the bank recognises interest income on the net financial asset after the recognition of expected credit loss.

Documentation and admin fees - This relates to fee and commission income related to the loans advances to customers. Revenue from commitment fees is recognised on a straight-line basis over the commitment period. The amounts to be recognised in future months are recognised as other liabilities.

Transaction based fees such as electronic banking fees are charged to the customer's account when the transaction takes place. Revenue related to transactions are recognised at the point in time when the transaction takes place.

Account servicing fees are charged on a monthly basis. The fees are recognised as the services are performed and received.

Other expenses and revenues are recognised in the relevant period on an accrual basis.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

The calculation of the effective interest rate includes transaction costs and 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 financial liability.

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves

1.12 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Pula, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Pula by applying to the foreign currency amount the exchange rate between the Pula and the foreign currency at the date of the cash flow.

1.13 Related parties

Parties are considered to be related to the Bank if meet the following definitions;

(a) A person or a close member of that person's family:
-has control or joint control over the Bank;
-has significant influence over the Bank; or
-is a member of the key management personnel of the Bank.

(b) An entity for which the following conditions apply:
-the entity and the Bank are members of the same group
-the entity is controlled or jointly controlled by a person identified in (a)
-the entity, or any member of a group of which it is a part, provides key management personnel services to the Bank.

A number of transactions are entered into with related parties in the normal course of business. These transactions are summarised in the notes to the financial statements.

1.14 Earnings per share

Basic earnings per share is calculated by dividing the net profit after tax attributable to the shareholders by the weighted average number of equity shares outstanding during the year adjusted for bonus element in equity share, attributable to the shareholders. Diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as at the beginning of the period unless issued at a later date.

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards. These are given in Note 3.

3. New Standards and Interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

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

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

The effective date of the amendment is for years beginning on or after 01 January 2024.

The bank has adopted the amendment for the first time in the 2024 annual financial statements.

The impact of the amendment is not material.

Initial application of IFRS 17 and IFRS 9 - Comparative information

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

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

The bank has adopted the amendment for the first time in the 2024 annual financial statements.

The impact of the amendment is not material.

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

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

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

The bank has adopted the amendment for the first time in the 2024 annual financial statements.

The impact of the amendment is not material.

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the annual financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

Notes to the Annual Financial Statements

3. New Standards and Interpretations (continued)

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

The bank has adopted the amendment for the first time in the 2024 annual financial statements.

The impact of the amendment is not material.

Definition of accounting estimates: Amendments to IAS 8

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

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

The bank has adopted the amendment for the first time in the 2024 annual financial statements.

The impact of the amendment is not material.

3.2 Standards and interpretations not yet effective

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

Lack of exchangeability - amendments to IAS 21

The amendments apply to currencies which are not exchangeable. The definition of exchangeable is provided as being when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. The amendments require an entity to estimate the spot exchange rate at measurement date when a currency is not exchangeable into another currency. Additional disclosures are also required to enable users of financial statements to understand the impact of the non-exchangeability on financial performance, financial position and cash flow.

The effective date of the amendment is for years beginning on or after 01 January 2025.

The bank expects to adopt the amendment for the first time in the 2026 annual financial statements.

It is unlikely that the amendment will have a material impact on the bank's annual financial statements.

Lease liability in a sale and leaseback

The amendment requires that a seller-lessee in a sale and leaseback transaction, shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

The effective date of the amendment is for years beginning on or after 01 January 2024.

The bank expects to adopt the amendment for the first time in the 2025 annual financial statements.

It is unlikely that the amendment will have a material impact on the bank's annual financial statements.

Notes to the Annual Financial Statements

Figures in Pula thousand	2024	2023

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	26 175	24 040
Balances with Bank of Botswana	67 325	38 422
	93 500	**62 462**
Other cash equivalents for the purposes of cash flow statement		
Bank of Botswana Securities	163 000	87 000
Balances with domestic banks	2 978	2 825
Short term placements with domestic banks	36 224	298 651
Balances with foreign banks	141 064	99 223
Short term placements with foreign banks	312 636	377 113
Bank of Botswana Certificates	209 816	59 919
Balance due to other banks	(365 209)	(291 513)
	500 509	**633 218**

Cash and balances with Bank of Botswana	93 500	62 462
Other short term cash and cash equivalents	500 509	633 218
	594 009	**695 680**
Cash and cash equivalents held by the entity that are not available for use by the Bank.	50 996	38 422

The bank considers all cash and cash equivalents, balances from (due to) banks and investments in financial assets which have insignificant change in credit risk and those that have a maturity period of less than 90 days as cash equivalents for the purpose of its cash flow. Other balances as depicted on the statement of financial position and included in the cash flow statement comprise of the following classes

Balances with other banks (Note 5)	492 902	777 812
Financial assets - Investments(BoB Certificates and SDF) (Note 6)	372 816	146 919
Balances due to other banks (Note 13)	(365 209)	(291 513)
	500 509	**633 218**

Credit quality of cash and balances with Bank of Botswana

Cash in hand denominated in Pula and balances with the Bank of Botswana carry the sovereign credit risk rating of the Government of Botswana which is rated A3 by Moody's investor services. The credit rating has been downgraded from A2 to A3 but outlook has changed from negative to stable. Also S&P maintained the country's sovereign credit rating for long and short term foreign and local currency sovereign credit at "BBB+/A-2". However, S&P revised the economic outlook from negative to stable on account of anticipated rebound in Botswana's economic growth, partially led by the diamond mining recovery.

Exposure to currency risk

Refer to note 29 Financial instruments and financial risk management for details of currency risk management for cash and cash equivalents.

Notes to the Annual Financial Statements

Figures in Pula thousand	2024	2023

5. Balances with other banks

Balances with domestic banks	2 978	2 825
Balances with foreign banks	141 064	99 223
Short term placements with domestic banks	36 224	298 651
Short term placements with foreign banks	312 636	377 113
	492 902	**777 812**

Exposure to credit risk

Balances with other banks inherently exposes the bank to credit risk, being the risk that the bank will incur financial loss if counterparties fail to make payments as they fall due.

Balances with other banks are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for balances with other banks is calculated based on twelve month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either twelve month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, if a loan is in arrears more than 90 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

In determining the amount of expected credit losses, the bank has taken into account any historic default experience, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The maximum exposure to credit risk is the gross carrying amount as presented below. The bank does not hold collateral or other credit enhancements against balances with other banks.

Credit rating framework

For purposes of determining the credit loss allowances, management determine the credit rating grades of each loan at the end of the reporting period. These ratings are determined either externally through ratings agencies or internally where external ratings are not available.

The table below sets out the internal credit rating framework which is applied by management for loans for which external ratings are not available. The abbreviation "ECL" is used to depict "expected credit losses."

Internal credit grade	Description	Basis for recognising expected credit losses
Performing - Stage 1	Low risk of default and no amounts are past due	12 Month ECL
Doubtful - Stage 2	Either 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL (not credit impaired)
In default - Stage 3	Either 90 days past due or there is evidence that the asset is credit impaired	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.	Amount is written off

Notes to the Annual Financial Statements

5. **Balances with other banks (continued)**

Credit loss allowances

The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for balances with other banks by credit rating grade:

2024

Instrument	External credit rating	Foreign/ Domestic	Internal credit rating	Basis of loss allowance	Gross Carrying amount	Amortised cost
Stanbic Bank Botswana Limited	Unrated	Domestic	Performing	12m ECL	39 202	39 202
ABSA, South Africa	Unrated	Foreign	Performing	12m ECL	154 785	154 785
Bank of Baroda and its branches	Unrated	Foreign	Performing	12m ECL	84 046	84 046
Standard Chartered Bank, Brussels	Unrated	Foreign	Performing	12m ECL	9 108	9 108
IDBI Bank Ltd, India	Unrated	Foreign	Performing	12m ECL	205 761	205 761
					492 902	**492 902**

2023

Instrument	External credit rating	Foreign /Domestic	Internal credit rating	Basis of loss allowance	Gross Carrying amount	Amortised cost
Access Bank Limited	Unrated	Domestic	Performing	12m ECL	95 000	95 000
Stanbic Bank Botswana Limited	Unrated	Domestic	Performing	12m ECL	21 411	21 411
ABSA, South Africa	Unrated	Foreign	Performing	12m ECL	82 336	82 336
Bank of Baroda and its branches	Unrated	Foreign	Performing	12m ECL	74 155	74 155
Standard Chartered Bank, Germany	Unrated	Foreign	Performing	12m ECL	7 755	7 755
Bank of Baroda- New York	Unrated	Foreign	Performing	12m ECL	273 081	273 081
ABSA Bank Botswana Limited	Unrated	Domestic	Performing	12m ECL	65 019	65 019
Bank of Baroda, Tanzania	Unrated	Foreign	Performing	12m ECL	39 011	39 011
First Capital Bank Botswana Limited	Unrated	Domestic	Performing	12m ECL	91 551	91 551
Bank Gaborone Limited	Unrated	Domestic	Performing	12m ECL	28 493	28 493
					777 812	**777 812**

Notes to the Annual Financial Statements

Figures in Pula thousand	2024	2023

5. Balances with other banks (continued)

Exposure to currency risk

Refer to note 29 Financial instruments and financial risk management for details of currency risk management to balances with other banks.

Exposure to interest rate risk

Refer to note 29 Financial instruments and financial risk management for details of interest rate risk management for balances with other banks.

Fair value of balances with other banks

The fair value of balances with other banks approximates their carrying amounts.

6. Financial assets - investments

Financial assets - Investments are presented at amortised cost, which is net of loss allowance, as follows:

	2024	2023
Bank of Botswana - SDF facility	163 000	87 000
Bank of Botswana Certificates	209 816	59 919
Investments	656 740	307 977
	1 029 556	**454 896**

Exposure to credit risk

Financial assets - Investments inherently exposes the bank to credit risk, being the risk that the bank will incur financial loss if counterparties fail to make payments as they fall due.

Notes to the Annual Financial Statements

6. Financial assets - investments (continued)

Credit loss allowances

The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for balances with other banks by credit rating grade:

2024

Instrument	External credit rating	Rating agency	Internal credit rating	Basis of loss allowance	Gross Carrying amount	Amortised cost
Bank of Botswana - bonds and SDF	A3	Moody's	Performing	12m ECL	163 000	163 000
Bank of Botswana Certificates	A3	Moody's	Performing	12m ECL	209 816	209 816
Unrated domestic and foreign banks	Unrated		Performing	12m ECL	656 740	656 740
					1 029 556	**1 029 556**

2023

Instrument	External credit rating	Rating agency	Internal credit rating	Basis of loss allowance	Gross Carrying amount	Amortised cost
Bank of Botswana - bonds and SDF	A3	Moody's	Performing	12m ECL	87 000	87 000
Bank of Botswana Certificates	A3	Moody's	Performing	12m ECL	59 919	59 919
Unrated domestic and foreign banks	Unrated		Performing	12m ECL	307 977	307 977
					454 896	**454 896**

Exposure to currency risk

Refer to note 29 Financial instruments and financial risk management for details of currency risk management for financial assets - investments.

Exposure to interest rate risk

Refer to note 29 for details of interest rate risk management for investments in financial assets.

Notes to the Annual Financial Statements

Figures in Pula thousand	2024	2023

6. Financial assets - investments (continued)

Fair values

The fair value of financial assets-investments approximates their carrying amounts.

7. Loans and advances

Financial instruments:		
Term loans	1 496 342	1 320 840
Loans and overdrafts against bank own deposits	241 497	209 611
Demand and overdraft advances	349 843	331 620
Loss allowance	(69 979)	(58 480)
Loans and advances at amortised cost	2 017 703	1 803 591
Total loans and advances	**2 017 703**	**1 803 591**

Security on loans and advances

Please refer Section on Credit Risk under risk management for details of securities held against loans and advances.

Credit rating framework

For purposes of determining the credit loss allowances, management determine the credit rating grades of each loan at the end of the reporting period. These ratings are determined either externally through ratings agencies or internally where external ratings are not available.

The table below sets out the internal credit rating framework which is applied by management for loans for which external ratings are not available. The abbreviation "ECL" is used to depict "expected credit losses."

Internal credit grade	Description	Basis for recognising expected credit losses
Performing - Stage 1	Low risk of default and no amounts are past due	12m ECL
Doubtful - Stage 2	Either 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL (not credit impaired)
In default - Stage 3	Either 90 days past due or there is evidence that the asset is credit impaired	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.	Amount is written off

Exposure to credit risk

Loans and advances inherently expose the bank to credit risk, being the risk that the bank will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the bank only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external bureau data (where available). Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

IFRS 9 ECL measurements under General Approach

The objective of the impairment requirements is to recognize lifetime expected credit losses for financial instruments for which there has been a significant increase in credit risk since initial recognition – whether assessed on an individual or collective basis – considering all reasonable and supportable information, including that which is forward- looking.

7. Loans and advances (continued)

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the bank will measure the credit losses for the financial instrument at an amount equal to 12- month expected credit losses.

The general approach has two bases on which to measure expected credit losses expected, which are defined as the weighted average of credit losses with the respective risks of default occurring as the weights. The two bases as provided by IFRS 9 are defined as:

- 12-month (**Stage 1**) expected credit losses are the portion of the lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date; and

- Lifetime (**Stages 2 & 3**) expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

Whether expected credit losses are based on 12-month expected credit losses or lifetime expected credit losses will depend on whether there has been a significant increase in credit risk since initial recognition. The bank makes an assessment of whether credit risk has increased significantly is made at each reporting date. When making this assessment, the bank uses the change in the risk of a default occurring over the expected life of the financial instrument.

Expected Credit Loss (ECL)

Expected credit losses are defined by IFRS 9 as the weighted average of credit losses with the respective risks of default occurring as the weights.

The bank determines its credit loss as the difference between all discounted contractual cash flows that are due to it in accordance with the contract and all the discounted cash flows that the bank expects to receive.

ECLs are an estimate of credit losses over the life of a financial instrument and when measuring ECLs, an entity needs to take into account:

- The probability-weighted outcome
- The time value of money so that ECLs are discounted to the reporting date
- Reasonable and supportable information that is available without undue cost or effort

12- month expected credit loss

On initial recognition of each exposure, the bank assesses the credit risk of the asset and calculates 12-months expected credit loss. Subsequent to initial recognition the bank reviews the changes in expected credit losses since initial recognition based on the documented benchmark and it determines if the increase in credit risk is significant.

Where the increase is perceived **NOT** to be significant, the bank recognizes 12- month expected credit loss.

For assets with a maturity of 12 months or less, the bank takes the 12-month expected loss allowance as being equal to the lifetime expected loss allowance.

Therefore, monitoring whether there has been a significant increase in credit risk since initial recognition is not relevant for the purpose of measuring the loss allowance. Thus, for loans with a maturity of 12 months or less, the measurement of lifetime expected credit losses will be equal to the measurement of 12-month expected credit losses.

A loss allowance is recognised for all loans and advances to customers, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, loans and advances to customers are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. loans and advances to customers which have been written off are not subject to enforcement activities.

Notes to the Annual Financial Statements

Figures in Pula thousand	2024	2023

7. Loans and advances (continued)

The key inputs into the measurement of ECL are the term structure of the following variables:
- Probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in 12 month ECL are calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by LGD and EAD.

The loss allowance provision is determined as follows:

	2024	2024	2023	2023
Expected credit loss rate:	**Estimated gross carrying amount at default**	**Loss allowance**	**Estimated gross carrying amount at default**	**Loss allowance**
Performing - no default history				
Stage 1 (12 M Credit loss recognised)	1 944 321	26 605	1 553 731	38 111
Previously defaulting customers				
Stage 2 (Lifetime Credit loss recognised)	103 185	12 867	299 913	11 942
Customers in default				
Stage 3 (Lifetime Credit loss recognised)	40 176	30 507	8 427	8 427
Total	**2 087 682**	**69 979**	**1 862 071**	**58 480**

The table below represents the different stages for the loan categories as at 31 Mar 2024

Categories	Gross values of loans in Stage 1	ECL (12 M) on Stage 1	Gross values of loans in Stage 2	Lifetime ECL on Stage 2	Gross values of loans in Stage 3	Lifetime ECL on Stage 3	Total Loans	Total ECL
Business loans	1 612 185	19 215	90 231	9 654	34 234	24 565	1 736 650	53 434
Housing loans	192 953	3 613	11 126	2 680	423	423	204 502	6 716
Vehicle loans	99 888	2 585	1 287	255	2 604	2 604	103 779	5 444
Personal loans	39 295	1 192	541	278	2 915	2 915	42 751	4 385
Total	1 944 321	26 605	103 185	12 867	40 176	30 507	2 087 682	69 979

7. Loans and advances (continued)

The table below represents the different stages for the loan categories as at 31 March 2023.

Categories	Gross values of loans in Stage 1	ECL (12 M) on Stage 1	Gross values of loans in Stage 2	Lifetime ECL on Stage 2	Gross values of loans in Stage 3	Lifetime ECL on Stage 3	Total Loans	Total ECL
Business loans	1 338 197	33 541	251 546	10 345	4 535	4 535	1 594 278	48 421
Housing loans	143 305	2 695	38 470	1 082	253	253	182 028	4 030
Vehicle loans	70 957	1 837	1 108	174	748	748	72 813	2 759
Personal loans	1 272	38	8 788	341	2 891	2 891	12 951	3 270
Total	1 553 731	38 111	299 912	11 942	8 427	8 427	1 862 070	58 480

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for loans and advances:

	2024	2023
Opening balance in accordance with IFRS 9	**(58 480)**	**(54 855)**
Amounts recovered	1 610	2 387
Provision raised on loans and advances	(13 110)	(6 012)
Closing balance	**(69 980)**	**(58 480)**

Exposure to currency risk

Refer to note 29 for details of currency risk management for loans and advances.

Fair value of loans and advances

The fair value of loans and advances approximates their carrying amounts.

8. Right of use assets

	2024	2023
Opening balance	22 134	16 700
Additions	-	10 910
Disposals and other movements	-	(5 476)
Other changes, movements	40	-
	22 174	**22 134**

	2024	2023
Accumulated amortisation		
Opening balance	(8 889)	(9 059)
Disposals	-	3 475
Depreciation for the year	(3 572)	(3 305)
Other changes, movements	378	-
	(12 083)	**(8 889)**

Notes to the Annual Financial Statements

Figures in Pula thousand	2024	2023

8. Right of use assets (continued)

Carrying value		
Opening balance	13 245	7 641
Additions	-	10 910
Disposals	-	(2 001)
Depreciation	(3 572)	(3 305)
Other changes, movements	418	-
	10 091	**13 245**

9. Other assets

Other assets	5 745	7 845

10. Deferred tax

Deferred tax asset

Property plant and equipment	10	10
Deferred tax asset	10	10

Reconciliation of deferred tax asset

At beginning of year	10	10

11. Property, plant and equipment

	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Leasehold property	1 863	(1 059)	804	1 863	(1 012)	851
Furniture and fixtures	7 155	(6 488)	667	7 069	(6 389)	680
Motor vehicles	860	(790)	70	860	(748)	112
Office equipment	5 533	(5 257)	276	5 460	(4 740)	720
IT equipment	7 790	(7 219)	571	7 717	(7 120)	597
Leasehold improvements	5 520	(5 312)	208	5 520	(4 896)	624
Total	**28 721**	**(26 125)**	**2 596**	**28 489**	**(24 905)**	**3 584**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Depreciation	Total
Leasehold property	851	-	(47)	804
Furniture and fixtures	680	64	(77)	667
Motor vehicles	112	-	(42)	70
Office equipment	720	73	(517)	276
IT equipment	597	73	(99)	571
Leasehold improvements	624	22	(438)	208
	3 584	**232**	**(1 220)**	**2 596**

Notes to the Annual Financial Statements

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Depreciation	Total
Leasehold property	959	-	(108)	851
Furniture and fixtures	673	88	(81)	680
Motor vehicles	175	-	(63)	112
Office equipment	1 103	156	(539)	720
IT equipment	579	263	(245)	597
Leasehold improvements	1 113	-	(489)	624
	4 602	**507**	**(1 525)**	**3 584**

12. Stated capital

Reconciliation of number of shares issued: (in 000)		
Reported as at 1 April	181 000	181 000
Issued		
Ordinary (181000000 shares at no par value and fully paid up)	181 000	181 000
Capital adequacy		
Core capital (Tier 1)		
Stated capital	181 000	181 000
Retained earnings- Beginning of the year	325 630	261 258
Dividends	(13 575)	(9 050)
Current year audited profits	93 671	73 422
	586 726	**506 630**
Supplementary capital (Tier 2)		
General provision (Capped at 1.25% of CRWA)	32 697	28 299
Total eligible capital (Unimpaired capital) - Tier 1 + Tier 2	**619 423**	**534 929**
Risk weighted assets		
Credit risk	2 525 582	2 263 880
Operational risk	75 896	61 661
Market risk	14 277	10 968
Total risk adjusted exposure	**2 615 755**	**2 336 509**
Minimum capital required as per Bank of Botswana guidelines (12.5% (2023:12.5%) of Risk adjusted exposure)	326 969	292 064
Excess capital over minimum required	292 454	242 865
Capital adequacy ratio	23.68 %	22.89 %
Bank of Botswana required minimum ratio	12.50 %	12.50 %
Excess over the minimum required (%)	11.18 %	10.39 %

Figures in Pula thousand		2024	2023

13. Balances due to other banks

Balances due to other banks	Amortised cost	365 209	291 513

These balances represent the Nostro borrowings between banks on normal banking terms. These carry inter bank borrowing rates and are repayable on demand.

Exposure to liquidity risk

Refer to note 29 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Exposure to currency risk

Refer to note 29 Financial instruments and financial risk management for details of currency risk management.

Exposure to interest rate risk

Refer to note 29 Financial instruments and financial risk management for details of interest rate risk management.

14. Deposits due to customers

	2024	2023
Held at amortised cost		
Interest bearing deposits from others	2 309 008	1 944 554
Non interest bearing deposits	363 882	355 116
	2 672 890	**2 299 670**

Exposure to liquidity risk

Refer to note 29 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Exposure to currency risk

Refer to note 29 Financial instruments and financial risk management for details of currency risk management.

Exposure to interest rate risk

Refer to note 29 for details of interest rate risk management.

15. Lease liabilities

	2024	2023
Minimum lease payments due		
- within one year	2 180	3 803
- in second to fifth year inclusive	6 972	10 962
- later than five years	4 013	2 282
	13 165	17 047
less: future finance charges	(2 049)	(2 625)
Present value of minimum lease payments	**11 116**	**14 422**
Present value of minimum lease payments due		
- within one year	1 674	3 187
- in second to fifth year inclusive	5 960	9 471
- later than five years	3 482	1 764
	11 116	**14 422**

The average lease term for the right of use assets was 3-5 years and the average effective borrowing rate was 4.75% (2023: 4.75%).

Notes to the Annual Financial Statements

Figures in Pula thousand	2024	2023

16. Payables and accruals

Creditors and accruals	14 910	9 326
Other payables	409	-
VAT	843	1 884
	16 162	**11 210**

Exposure to currency risk

Refer to note 29 Financial instruments and financial risk management for details of currency risk management.

Exposure to liquidity risk

Refer to note 29 Financial instruments and financial risk management for details of liquidity risk exposure and management.

17. Effective interest and similar income

Interest from loans and advances	184 677	147 759
Interest and gains from BOBC and similar instruments	4 822	3 846
Interest from financial assets and bank placements	48 031	21 345
	237 530	**172 950**

18. Interest and similar expenditure

Interest expenditure	95 076	63 161
Interest on term deposits	80 032	50 476
Interest on savings deposits	3 679	5 410
Interest on short term borrowings from banks	9 232	3 797
Interest on call deposits	1 686	1 513
Interest on lease liabilities	447	1 965
	95 076	**63 161**

19. Other operating income

Miscellaneous income	5 861	7 160
Commissions received	1 305	1 159
Recoveries	61	1 188
Gain on foreign exchange transactions	26 802	20 771
	34 029	**30 278**

Miscellaneous income comprises revenue earned from contracts with customers relating to account maintenance charges, cheque books charges, documentation charges, incidental charges, commission earned on treasury operations etc. These are recognised at a point in time when these services are provided as the performance obligations relating to these services are met at that point in time.

Notes to the Annual Financial Statements

Figures in Pula thousand	2024	2023

20. Operating profit for the year is stated after charging (crediting) the following, amongst others

Auditor's remuneration - external		
Audit fees	760	769
Adjustment for previous year	-	650
	760	**1 419**

Employee costs		
Salaries, wages, bonuses and other benefits	16 263	15 239
Housing keeping and other allowances	1 629	1 371
Retirement contribution plans: pension	444	474
Termination benefits: Provident fund	383	380
Total employee costs	**18 719**	**17 464**

Depreciation		
Depreciation of property, plant and equipment	1 220	1 525

Movement in credit loss allowances		
Loans and advances	13 110	6 012

Expenses by nature		
Employee costs	18 719	17 464
Depreciation, amortisation	4 792	4 830
Other expenses	17 691	17 030
	41 202	**39 324**

Notes to the Annual Financial Statements

Figures in Pula thousand	2024	2023

21. Taxation

Major components of the tax expense

Current		
Local income tax - current period	28 500	21 309

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit	122 171	94 731
Tax at the applicable tax rate of 22% (2023: 22%)	26 878	20 841
Tax effect of adjustments on taxable income		
Other income	-	468
Disallowances and permanent differences	1 622	-
	28 500	**21 309**

22. Earnings and dividends per share

Basic earnings per share

Basic earnings per share is determined by dividing profit or loss attributable to the ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

Information used for calculation		
Profit for the year	93 671	73 422
Total stated capital (Shares in issue 181000000)	181 000	181 000
Earnings per share - In thebe	**51.75**	**40.56**

Dividends per share (in thebe)

Final (t)	0.75	0.50

23. Cash generated from operations

Profit before taxation	122 171	94 731
Adjustments for:		
Depreciation	4 792	4 830
Effect of forex exchange gains on cash balances	(1 981)	(2 321)
Net impairments and movements in credit loss allowances	13 110	6 012
Non-cash items - Movement in ROU assets	(418)	-
Changes in working capital:		
Loans and advances	(229 953)	(224 995)
Other asset	2 100	3 362
Payables and accruals	4 955	3 834
Deposit due to customers	373 220	388 756
	287 996	**274 209**

24. Tax paid

Current tax for the year recognised in profit or loss	(28 500)	(21 309)

Notes to the Annual Financial Statements

25. Dividends paid

Dividends	(13 575)	(9 050)

Dividends per share (in thebe)

Final (t)	0.75	0.50

26. Contingencies

Guarantees

Guarantees provided by the Bank consist significantly of financial guarantees and performance guarantees provided to clients in the construction, telecommunication operators and service industry.

These guarantees are fully secured against customer deposits and are therefore fully reimbursable in the event of the Bank being called upon to meet its obligations.

It is impracticable to determine the timing of any outflows, as this is entirely dependent on the meeting of obligations by clients.

Contingencies		
Guarantees	77 945	72 210
Letters of credit	14 900	18 058
	92 845	**90 268**

Notes to the Annual Financial Statements

Figures in Pula thousand	2024	2023

27. Related parties

Bank of Baroda Botswana Limited is a fully owned subsidiary of Bank of Baroda, a company incorporated in India. Subsidiary companies and branches of Bank of Baroda are related parties of Bank by the virtue of holding/subsidiary relationship.

Related parties are considered to be related if one has the ability to control the other party or exercise significant influence over the other in making financial or operating decisions. A number of transactions are entered into with related parties in the normal course of business.

Relationships

Holding company	Bank of Baroda (India)
Joint ventures	India International Bank Malaysia Berhad India Infradebt Limited
Fellow subsidiaries under common management	Baroda BNP Paribas Trustee India Private Limited (Formerly Baroda Trustee India Private Limited) Baroda BNP Paribas Asset Management India Private Limited Baroda Global Shared Services Limited BOB Financial Solutions Limited BOB Capital Markets Ltd. Nainital Bank Ltd Bank of Baroda (Kenya) Ltd Bank of Baroda (Uganda) Ltd Bank of Baroda (Guyana) Inc. Bank of Baroda (New Zealand) Ltd Bank of Baroda (UK) Ltd Bank of Baroda (Tanzania) Ltd India First Life Insurance Company Limited
Overseas branches of Bank of Baroda, India	Bank of Baroda New York Bank of Baroda London Bank of Baroda Brussels Bank of Baroda Mauritius Bank of Baroda Sydney Bank of Baroda UAE Bank of Baroda Tanzania
Associates of the holding company	Baroda Uttar Pradesh Gramin Bank Baroda Rajasthan Gramin Bank Baroda Gujarat Gramin Bank Indo Zambia Bank Limited India International Bank Malaysia Behrad
Directors of the bank	Refer to information page
Members of key management	Mr S Joshi G Tshupo

Notes to the Annual Financial Statements

Figures in Pula thousand	2024	2023

27. Related parties (continued)

Related party balances and transactions

Balance with banks (Due to other banks)		
Bank of Baroda New York	-	273 081
Bank of Baroda London	7 543	7 202
Bank of Baroda Sydney	2 294	1 903
Bank of Baroda, New York	(130 330)	(103 334)
Bank of Baroda, Mumbai	(100)	(3 610)
	(120 593)	**175 242**

Placement balances (Short term -Included in balance with other banks and Financial assets - investments)		
Bank of Baroda, Mumbai	4 075	65 019
Bank of Baroda Tanzania	54 869	91 026
Bank of Baroda, GIFT City India	68 587	-
Bank of Baroda, Uganda	125 189	-
	252 720	**156 045**

These balances pertain to Nostro account balances and short term placements during regular course of transactions. Interest rate where applicable is based on the prevailing market conditions. These placements are usually on a short term basis (upto a year), and are unsecured.

Transactions with key management		
Board sitting fees	347	229
Management fees paid		
Bank of Baroda, India	3 918	2 362
Compensation to key management personnel		
Salaries and perquisites	981	965

28. Comparative figures

Certain comparative figures have been reclassified. There is no material impact due to these reclassifications. These reclassifications are made in the statement of cash flows and statement of comprehensive income.

Notes to the Annual Financial Statements

29. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2024

	Note(s)	Amortised cost	Total	Fair value
Balances with other banks	5	492 902	492 902	492 902
Financial assets and investments	6	1 029 556	1 029 556	1 029 556
Loans and advances	7	2 017 703	2 017 703	2 017 703
Cash and cash equivalents	4	93 500	93 500	93 500
		3 633 661	**3 633 661**	**3 633 661**

2023

	Note(s)	Amortised cost	Total	Fair value
Balances with other banks	5	777 812	777 812	777 812
Financial assets and investments	6	454 896	454 896	454 896
Loans and advances	7	1 803 591	1 803 591	1 803 591
Cash and cash equivalents	4	62 462	62 462	62 462
		3 098 761	**3 098 761**	**3 098 761**

Notes to the Annual Financial Statements

29. Financial instruments and risk management (continued)

Categories of financial liabilities

2024

	Note(s)	Amortised cost	Leases	Total	Fair value
Accruals and other payables	16	15 319	-	15 319	15 319
Balances due to banks	13	365 209	-	365 209	365 209
Deposits due to customers	14	2 672 890	-	2 672 890	2 672 890
Lease liabilities	15	-	11 116	11 116	11 116
		3 053 418	**11 116**	**3 064 534**	**3 064 534**

2023

	Note(s)	Amortised cost	Leases	Total	Fair value
Accruals and other payables	16	9 332	-	9 332	9 332
Balances due to banks	13	291 513	-	291 513	291 513
Deposits due to customers	14	2 299 670	-	2 299 670	2 299 670
Lease liabilities	15	-	14 422	14 422	14 422
		2 600 515	**14 422**	**2 614 937**	**2 614 937**

Capital risk management

The Bank's objective when maintaining capital, is to comply with the requirements set by the regulators of the banking markets where the Bank operates, to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders and to maintain a strong capital base to support the development of its business

Regulatory compliance

Capital adequacy and the use of regulatory capital are monitored by the Bank, applying techniques based on the guidelines developed by the Basel Committee on Banking Regulations and Supervision (Basel Committee) and European Community Directives, as implemented by the Bank of Botswana for supervisory purposes.

These techniques include the risk weighted asset ratio, which the Bank of Botswana regards as a key supervisory tool. The Bank of Botswana has set the individual minimum ratio requirements for Banks in Botswana at 12.5% which is above the Basel Committee minimum guideline of 8%. The ratio calculation involves the application of designated risk weightings to reflect an estimate of credit, operational, market and other risks associated with broad categories of transactions and counterparties.

Regulatory guidelines define two tiers of capital resources: Tier 1 (core) capital, comprising mainly shareholders' funds, is the highest tier. Tier 2 capital includes perpetual, medium and long term subordinated debt, general provisions for bad and doubtful debts as well as property and equipment revaluation reserves. Both tiers can be used to meet trading and banking activity requirements although tier 2 capital, included in the risk asset ratio calculation, may not exceed tier 1 capital.

The Bank has complied with all externally imposed capital requirements throughout the period

29. Financial instruments and risk management (continued)

Financial risk management

Overview

The bank is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk (currency risk and interest rate risk).

Risk management framework

The Bank's board of directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The board of directors has established the ALCO, which is responsible for approving and monitoring Bank's risk management policies.

The Bank's risk management policies are established to identify and analyse the risks faced by the bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the bank's activities. The bank, 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.

Credit risk

Credit risk is the risk of financial loss to the bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the risk that the Bank's customers, clients or counterparties will not be able or willing to pay interest, repay capital or otherwise fail to fulfil their contractual obligations under loan agreements or other credit facilities. Credit risk also arises through the downgrading of counterparties whose credit instruments the Bank may be holding, causing the value of those assets to fall. Furthermore, credit risk is manifested as sector risk where difficulties experienced by the sector in which the exposure is domiciled may impede payment or reduce the value of the asset. Settlement risk is another special form of credit risk which is the possibility that the Bank may pay a counterparty – for example, a Bank in a foreign exchange transaction – and fail to receive the corresponding settlement in return

Credit risk is the Bank's largest risk and considerable resources, expertise and controls are devoted to managing it.

The bank is exposed to credit risk on financial assets- investments, balance with other Banks, loans and advances, cash and cash equivalents, loan commitments and financial guarantees.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The bank only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Credit risk exposure arising on cash and cash equivalents is managed by the bank through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss. Credit loss allowances are also recognised for loan commitments and financial guarantee contracts.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

29. Financial instruments and risk management (continued)

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. When determining the risk of default, management consider information such as payment history to date, industry in which the customer belongs, period for which the customer has been active, external credit references etc. In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account.

Credit rating assessment at the time of sanction and review

The Bank uses an internally developed credit rating system for exposure limits to business and commercial loans in excess of P 200 000 . The rating system takes into account the financial discipline of the borrower and is based on the latest financial statements availed to the Bank. Ratings of the most credit-worthy customer are assigned at AAA and decrement points system is used. Ratings below BBB are not considered by the Bank as viable option. Loans to individuals are not rated.

At the reporting date, exposures to customers categorised into ratings are as follows

	2024	2023
AAA	1 286 725	1 060 306
AA	484 687	529 339
A	68 363	55 048
B and BBB	4 694	6 176
Unrated and NPA	243 213	211 202
	2 087 682	**1 862 071**

The maximum exposure to credit risk is presented in the table below:

		2024			2023		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**
Balances with other banks	5	492 902	-	492 902	777 812	-	777 812
Financial assets and other investments	6	1 029 556	-	1 029 556	454 896	-	454 896
Loans and advances to customers	7	2 087 682	(69 979)	2 017 703	1 862 071	(58 480)	1 803 591
Cash and cash equivalents	4	93 500	-	93 500	62 462	-	62 462
		3 703 640	**(69 979)**	**3 633 661**	**3 157 241**	**(58 480)**	**3 098 761**

Sensitivity of ECL to future economic conditions

The ECL are sensitive to judgements and assumptions made regarding formulation of forward looking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognised on material classes of its assets. The management uses inflation, GDP information, unemployment and other macro factors for calculations of the ECL. The management estimates that the credit loss would approximately increase by P 5 million should there be any change by more than 10% in the underlying factors and resultantly would decrease the profit after tax and the equity by the same amount.

29. Financial instruments and risk management (continued)

Collateral and other credit enhancements obtained

The following table analyses the collateral and other credit enhancements before impairments

Collateral classified as follows		
Secured by cash	240 224	227 623
Secured by mortgage on properties and hypothecation of assets	1 779 136	1 578 118
Unsecured	68 322	56 330
	2 087 682	**1 862 071**

Concentration risk

The bank had a significant concentration risk resulting from its top ten customers. The total exposure relating to these customers was P('000) 375 918 (2023: P(000) 376 981), comprising 18.6% (2023:20.9%) of the gross loan book at the reporting date.

Liquidity risk

The liquidity risk is the risk of being unable to meet financial or settlement obligation to customers or counterparties.

The Bank's Asset-Liabilities Committees (ALCO) is charged to ensure access to funds and to avoid a concentration of funding needs at any one time or from any one source. Meetings are held every quarter and also when there are changes to Bank of Botswana rate.

ALCO also controls asset maturities as well as the volume and quality of holdings of liquid assets and short term funds. In evaluating the Bank's liquidity position, ALCO takes account of lending commitments not drawn, the use of overdraft facilities and the possible impact of outstanding contingent liabilities, such as letters of credit and guarantees.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the business of the Bank. It is unusual for Banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates.

The Bank'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, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

Primary reserve held is 2.5% (2023:2.5%) of net local currency deposits and liquid asset ratio is 10% of net local currency deposits.

Notes to the Annual Financial Statements

29. Financial instruments and risk management (continued)

Maturity Profile

The table below analyses assets and liabilities of the table into relevant maturity groupings based on the remaining period at balance sheet date to the remaining contractual maturity date.

At 31 March 2024	Upto 3months	3-12 months	1-5 years	Over 5 years	Total
Assets					
Cash and Balances with Bank of Botswana	42 504	-	-	50 996	93 500
Balances with other banks	492 902	-	-	-	492 902
Other financial assets	372 817	595 975	-	60 764	1 029 556
Loans and advances to customers	477 455	57 985	470 633	1 011 630	2 017 703
Total financial assets	1 385 678	653 960	470 633	1 123 390	3 633 661
Non - financial assets					
Plant and equipment and ROU	-	-	-	12 687	12 687
Other assets	-	5 745	-	-	5 745
Deferred tax	-	-	10	-	10
Total assets	1 385 678	659 705	470 643	1 136 077	3 652 103
Liabilities					
Deposits due to customers	476 891	136 123	657 325	1 402 551	2 672 890
Balance due to other banks	201 762	163 447	-	-	365 209
Lease liabilities	-	1 674	5 960	3 482	11 116
Creditors, accruals and tax	-	16 162	-	-	16 162
Total financial liabilities	678 653	317 406	663 285	1 406 033	3 065 377
Equity funds	-	-	-	586 726	586 726
Total liabilities and equity	678 653	317 406	663 285	1 992 759	3 652 103
Net liquidity gap	707 025	342 299	(192 642)	(856 682)	-
Off balance sheet items- Guarantees	-	-	92 844	-	92 844

29. Financial instruments and risk management (continued)

At 31 March 2023	Upto 3months	3-12 months	1-5 years	Over 5 years	Total
Assets					
Cash and Balances with Bank of Botswana	62 462	-	-	-	62 462
Balances with other banks	777 812	-	-	-	777 812
Other financial assets	207 822	247 074	-	-	454 896
Loans and advances to customers	479 643	52 523	438 864	832 561	1 803 591
Total financial assets	1 527 739	299 597	438 864	832 561	3 098 761
Non - financial assets					
Plant and equipment and ROU	-	-	-	16 829	16 829
Other assets	-	7 845	-	-	7 845
Deferred tax	-	-	10	-	10
Total assets	1 527 739	307 442	438 874	849 390	3 123 445
Liabilities					
Deposits due to customers	654 674	563 523	1 081 473	-	2 299 670
Balance due to other banks	291 513	-	-	-	291 513
Lease liabilities	-	3 187	9 471	1 764	14 422
Creditors, accruals and tax	-	11 210	-	-	11 210
Total financial liabilities	946 187	577 920	1 090 944	1 764	2 616 815
Equity funds	-	-	-	506 630	506 630
Total liabilities and equity	946 187	577 920	1 090 944	508 394	3 123 445
Net liquidity gap	581 552	(270 478)	(652 070)	340 996	-
Off balance sheet items- Guarantees	-	-	90 269	-	90 269

29. Financial instruments and risk management (continued)

Foreign currency risk

The bank is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The foreign currencies in which the bank deals primarily are US Dollars, Euros, GBP, ZAR and INR.

The bank through treasury, manages foreign currency risk in accordance with broad risk guidelines set by the Board. Foreign currency risk arises as a result of fluctuations in exchange rates and the resultant impact on the Bank's position, which is established during normal day to day trading. During the financial year under review, the Bank's authorised Net open position exposure limit was USD 1 000 000 (2023 :USD 1 000 000). The limits were adhered to throughout the year and at year end. Even though treasury may take position on any major currencies, for the purposes of exposure limit, these are calculated in USD after considering the forward and spot contracts.

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

Notes to the Annual Financial Statements

Figures in Pula thousand		2024	2023

29. Financial instruments and risk management (continued)

Exposure in Pula

The net carrying amounts, in Pula, of the various exposures, are denominated in the following currencies. The amounts have been presented in Pula by converting the foreign currency amounts at the closing rate at the reporting date: (Amounts in 000)

US Dollar exposure:			
Loans and advances		1 863	927
Cash and cash equivalents		1 346	2 350
Balances with other banks and investments		702 534	744 015
Other assets		27	-
Deposits due to customers		(486 698)	(440 374)
Balances due to other banks		(201 661)	(284 787)
Other payables		(2 108)	-
Net US Dollar exposure		**15 303**	**22 131**
Euro exposure:			
Balances with other banks and short term investments		172 556	7 755
Deposits due to customers	14	(8 020)	(7 381)
Balances due to other banks	13	(163 447)	-
Net Euro exposure		**1 089**	**374**
GBP exposure:			
Balances with other banks		9 267	7 202
Deposits due to customers		(7 421)	(7 383)
Net GBP exposure		**1 846**	**(181)**
ZAR exposure:			
Cash and cash equivalents		926	80
Balances with other banks		190 685	82 337
Deposits due to customers	14	(55 653)	(46 948)
Other payables	13	(1 748)	-
Due to other banks		-	(1 770)
ZAR exposure		**134 210**	**33 699**
AUD and INR exposure:			
Balances with other banks		6 217	1 929
Deposits due to customers	14	(3 450)	(1 978)
Balances due to other banks		(100)	(4 318)
Other payables		(735)	-
Net AUD and INR exposure:		**1 932**	**(4 367)**
Net exposure to foreign currency in Pula		**154 380**	**51 656**

Exposure in foreign currency amounts

Notes to the Annual Financial Statements

Figures in Pula thousand	2024	2023

29. Financial instruments and risk management (continued)

The net carrying amounts, in foreign currency (amount in 000) of the above exposure was as follows:

US Dollar exposure:		
Loans and advances	136	71
Cash and cash equivalents	98	181
Balances with other banks and investments	51 211	57 214
Other assets	2	-
Deposit due to customers	(35 480)	(33 864)
Due to other banks	(14 701)	(21 900)
Other payables	(154)	-
Net US Dollar exposure	**1 112**	**1 702**
Euro exposure:		
Balances with other banks	11 613	547
Deposits due to customers	(540)	(521)
Balances due to other banks	(11 000)	-
Net Euro exposure	**73**	**26**
GBP exposure:		
Balances with other banks	535	446
Deposits due to customers	(428)	(458)
Net GBP exposure	**107**	**(12)**
ZAR exposure:		
Cash and cash equivalents	1 278	109
Balances with other banks	263 203	112 232
Deposit due to customers	(76 818)	(63 985)
Due to other banks	(2 413)	(2 413)
Net ZAR exposure	**185 250**	**45 943**
AUD and INR exposure:		
Balances with other banks (INR)	23 916	-
Balances with other banks (AUD)	256	383
Deposit due to customers (AUD)	(996)	(226)
Due to other banks (INR)	-	(27 281)
Other payables (INR)	(4 466)	-
Net AUD and INR exposure	**18 710**	**(27 124)**

Notes to the Annual Financial Statements

Figures in Pula thousand	2024	2023

29. Financial instruments and risk management (continued)

Exchange rates

The following closing exchange rates were applied at reporting date:

Pula per unit of foreign currency:		
US Dollar	13.717	13.003
Euro	14.858	14.164
ZAR	0.724	0.733
GBP	17.33	16.12
INR	0.16	0.16
AUD	8.920	8.730

Foreign currency sensitivity analysis

The following information presents the sensitivity of the bank to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

	2024	2024	2023	2023
Increase or decrease in rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss:				
US Dollar 10% (2023: 10 %)	1 524	(1 524)	2 213	(2 213)
Euro 10% (2023: 10 %)	108	(108)	37	(37)
GBP 10% (2023: 10 %)	183	(183)	(18)	18
ZAR (10% (2023: 10 %)	13 421	(13 421)	3 370	(3 370)
AUD (10% (2023: 10 %)	(117)	117	(7)	7
INR (10% (2023: 10 %)	310	(310)	(429)	429
	15 429	**(15 429)**	**5 166**	**(5 166)**
Impact on equity:				
Changes in Tier 1 Capital due to forex fluctuations by 10%	15 429	(15 429)	(5 166)	5 166

Notes to the Annual Financial Statements

29. Financial instruments and risk management (continued)

Interest rate risk

The principal risk to financial assets 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.

The bank has an active ALCO whose responsibility is for balance sheet planning from risk returns perspective, particularly strategic management of interest rate risk. There is an interest rate risk management policy that gives guidance on the management of the following: 1. Gap or Mismatch risk 2. Basis risk 3. Embedded Option risk 4. Yield Curve risk 5. Price risk 6. Reinvestment risk

Gap or Mismatch Risk: Gap or mismatch risk arises from differences in maturity dates, repricing dates and principal amounts of assets and liabilities. On account of the mismatch, interest rate change can alter the income and economic value.

Basis Risk: Even in a perfectly matched gap position, there is a risk that the interest rates of different instruments on different basis viz. BOBCs yield or US$ etc. will not change by the same degree during a given period of time. Basis risk arises from the possibility that the interest rates of different assets and liabilities, which have different basis, change in different magnitudes.

Embedded Option Risk: Changes in the level of interest rates can cause prepayment of loans and withdrawal of deposits before their stated maturity dates. If not adequately managed, instruments with optionality features can pose significant risk as options are generally exercised to the advantage of the holder of the option.

Yield Curve Risk: The yield on various assets does not change equally with change in interest rate due to differing maturities. The unequal change in yield of different assets for different maturities for a specific change in interest rate gives rise to yield curve risks. The Bank's endeavour will be to take a view of possible movement of interest rate change over a period of twelve months, since major part of assets are by way of Overdraft facility for twelve months and Loan facility extending beyond twelve months.

Price Risk: When assets are sold at a price lower than cost price a price risk occurs. However, the Bank's policy is to manage our liabilities in such a way that it will not be in a situation where instrument will be sold at a price lower than purchase price.

Reinvestment Risk: This risk arises from the uncertainty regarding the interest rate at which future cash flow can be reinvested. Thus the interest rate risk of the financial institution has to be seen not from the traditional earnings perspective only, but more importantly, from the economic value perspective also as variation in interest rates can affect the economic value of its assets, liabilities and off balance sheet positions. The sensitivity of economic value to fluctuations in interest rates is of considerable importance to all the stakeholders and the supervisors.

Notes to the Annual Financial Statements

29. Financial instruments and risk management (continued)

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

At 31 March 2024	Under-3 months	3 to 12 months	1-5 years	Over 5 years	Non - interest bearing	Non-financial instrument	Total
Cash and balances with Bank of Botswana	-	-	-	-	93 500	-	93 500
Investments and Bank of Botswana Certificates, bonds	865 719	595 975	-	60 764	-	-	1 522 458
Loans and advances to customers	477 455	57 985	470 633	1 011 630	-	-	2 017 703
Total financial assets	1 343 174	653 960	470 633	1 072 394	93 500	-	3 633 661
Non - financial assets							
Plant and equipment and ROU	-	-	-	-	-	12 687	12 687
Deferred tax	-	-	-	-	-	10	10
Other assets	-	-	-	-	-	5 745	5 745
Total Assets	1 343 174	653 960	470 633	1 072 394	93 500	18 442	3 652 103
Liabilities							
Deposits due to customers	113 009	136 123	657 325	1 402 551		363 882	2 672 890
Balance due to other banks	201 762	163 447	-	-		-	365 209
Creditors, accruals and lease liability	-	17 836	5 960	3 482		-	27 278
Total financial liabilities	314 771	317 406	663 285	1 406 033		363 882	3 065 377
Equity funds and other liabilities	-	-	-	-		586 726	586 726
Total liabilities	314 771	317 406	663 285	1 406 033		950 608	3 652 103
Net interest gap liquidity	1 028 403	336 554	(192 652)	(333 639)		(857 108)	-

Notes to the Annual Financial Statements

29. Financial instruments and risk management (continued)

At 31 March 2023	Under-3 months	3 to 12 months	1-5 years	Over 5 years	Non - interest bearing	Non-financial instrument	Total
Cash and balances with Bank of Botswana	4	-	-	-	62 458	-	62 462
Balances with other banks	777 812	-	-	-	-	-	777 812
Other financial assets	207 822	247 074	-	-	-	-	454 896
	-	-	-	-	-	-	-
Loans and advances to customers	479 643	52 523	438 864	832 561	-	-	1 803 591
Total financial assets	1 465 281	299 597	438 864	832 561	62 458	-	3 098 761
Non - financial assets							
Plant and equipment and ROU	-	-	-	-	-	16 829	16 829
Deferred tax	-	-	-	-	-	10	10
Other assets	-	-	-	-	-	7 845	7 845
Total Assets	1 465 281	299 597	438 864	832 561	62 458	24 684	3 123 445
Liabilities							
Deposits due to customers	299 559	563 523	1 081 473	-	355 115		2 299 670
Balance due to other banks	291 513	-	-	-	-		291 513
Creditors, accruals and lease liability	-	14 397	9 471	1 764	-		25 632
Total financial liabilities	591 072	577 920	1 090 944	1 764	355 115		2 616 815
Equity funds and other liabilities	-	-	-	-	506 630		506 630
Total liabilities	591 072	577 920	1 090 944	1 764	861 745		3 123 445
Net interest gap liquidity	874 209	(278 323)	(652 080)	830 797	(799 287)		-

Notes to the Annual Financial Statements

29. Financial instruments and risk management (continued)

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period. These calculations are based on simplified scenarios. Based on the simulations performed, the impact on pre-tax profit of a 0.5% shift in interest rates would result in the following.

	2024	2024	2023	2023
Increase or decrease in rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss:				
Investments and bank balances	7 574	(7 574)	1 259	(1 259)
Loans and advances	10 082	(10 082)	7 388	(7 388)
Deposit due to customers	(13 364)	13 364	(2 869)	2 869
Balances due to other banks	(1 826)	1 826	(189)	189
	2 466	**(2 466)**	**5 589**	**(5 589)**
Impact on equity:				
Impact on Tier 1 Capital	2 466	(2 466)	5 589	(5 589)

Operational risk

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.
The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the parent Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with the parent Bank's and the Bank of Botswana's requirements are supported by a periodic review undertaken by the senior management of the Bank. Spot rectifications are, where ever possible, carried out.

Notes to the Annual Financial Statements

29. Financial instruments and risk management (continued)

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks – e.g. those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the bank's operations.

30. Fair value information

Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observable significant inputs to the measurement, as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Bank can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

All financial assets and liabilities are categorised under Level 2 for the purposes of disclosure.

For loans and advances to customers which are in the nature of overdrafts and short term loans, the estimated fair value approximates to the carrying value. For deposits due to customers with no stated maturity value which includes non-interest bearing deposits, the fair value is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Due to the nature of the instruments, the carrying values of all financial assets and liabilities approximately equates to their fair values.

31. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Detailed Income Statement

Figures in Pula thousand	Note(s)	2024	2023
Interest and similar income	17	**237 530**	**172 950**
Interest and similar expenditure	18	**(95 076)**	**(63 161)**
Net interest income		**142 454**	**109 789**
Other operating income	19	**34 029**	**30 278**
Movement in credit loss allowances	20	(13 110)	(6 012)
Expenses (Refer to page 67)		**(41 202)**	**(39 324)**
Profit before taxation		**122 171**	**94 731**
Taxation	21	(28 500)	(21 309)
Profit for the year		**93 671**	**73 422**

Detailed Income Statement

Figures in Pula thousand	Note(s)	2024	2023
Other operating expenses			
Administration and management fees		(3 918)	(2 363)
Advertising		(702)	(730)
Auditors remuneration - external auditors	20	(760)	(1 419)
Board sitting fees		(347)	(229)
Consulting and professional fees		(527)	(453)
Consulting and professional fees - legal fees		(546)	(662)
Depreciation	20	(4 792)	(4 830)
Donations		(15)	(85)
Employee costs	20	(18 719)	(17 464)
Entertainment		-	(65)
Short term lease charges		-	(270)
IT expenses		(22)	(34)
Insurance		(755)	(932)
Motor vehicle expenses		(312)	(319)
Water and electricity expenses		(453)	(452)
Printing and stationery		(896)	(420)
Rates, licenses and levies		(1 738)	(838)
Repairs and maintenance		(2 529)	(3 127)
Security		(731)	(828)
Staff welfare		(439)	(392)
Telephone and fax		(931)	(821)
Travel		(562)	(726)
VAT expenses		(1 508)	(1 865)
		(41 202)	**(39 324)**