access

emerging stronger
to deliver long-term sustainable growth

Annual Report 2021

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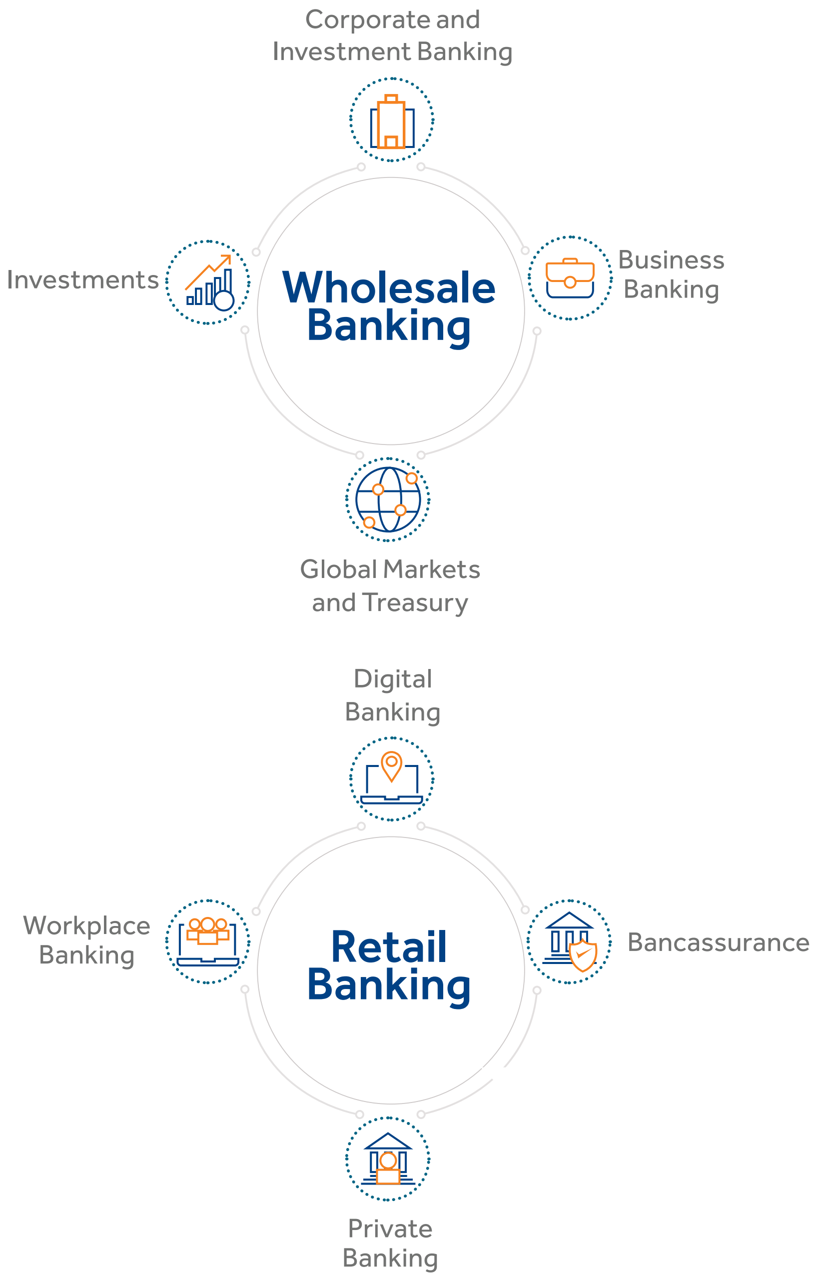
Access Bank Plc

Why do we exist?

As your partner, we are invested in building a mutually beneficial relationship that gives you access to superior advice, insight, specialist knowledge and experience from decades of banking across the globe.

access more than banking

Together with exceptional banking solutions, you get the advantage you need to grow. A true partnership.



What do we offer?

The Bank strives to deliver sustainable economic growth that is profitable, environmentally responsible and socially relevant, helping customers to access more and achieve their dreams.

We operate in

32

countries

Over 750 branches and service outlets, spanning three continents and **49 million customers.**

01

Overview

Our Vision

To be the world's most respected African bank

Our mission

Setting standards for sustainable business practices that unleash the talents of our employees, deliver superior value to our customers and provide innovative solutions for the markets and communities we serve.

Our six core values are:

- Leadership
- Excellence
- Empowered employees
- Passion for customers
- Professionalism
- Innovation

Emerging stronger to deliver long-term sustainable growth

The journey from BancABC to Access Bank has been and continues to be a tremendous undertaking. In order to reach the peak and 'to be the world's most respected African Bank' we have built on the base of our past and pledged to accelerate momentum.

Accessing more opportunities

To bring financial inclusion to millions of people while garnering prosperity in Botswana - one individual and entity at a time - is truly sustainable growth.

The promise 'more than banking' addresses the continuously changing needs and lifestyles of customers and businesses in every bracket. From a customer-first approach the Bank offers more services that enrich and fit perfectly into our customer's lives. By developing technological prowess in the mobile and digital banking space the bank offers greater inclusion.

Access more of what you need

To both businesses and individuals, the Bank offers high quality and reaching a wider audience; financial inclusion, experiences for whatever needs and wants they have. Access Bank goes above and beyond banking to ensure the prosperity of Batswana through access to more products and services.

Proposition

Access more sustainable growth through value creation, increased point of presences and ensuring the highest quality experience at every touch point.

Support

With over 750 branches, 49 million customers, in 12 African countries, the Bank truly offers access to exceptional banking solutions.

Marking milestones: Finance Minister, Ms Peggy Serame and Bank of Botswana Governor, Mr Moses Pelaelo, joined executives from Access Bank, and the BSE to officially mark the acquisition

Highlights of financial performance

Gross Loans

8%

↑ **P6.83b**

2020:P6.30b

Deposit from Customers

1%

↑ **P6.61b**

2020:6.57b

Net interest income

18%

↑ **P400.7m**

2020:422.1m

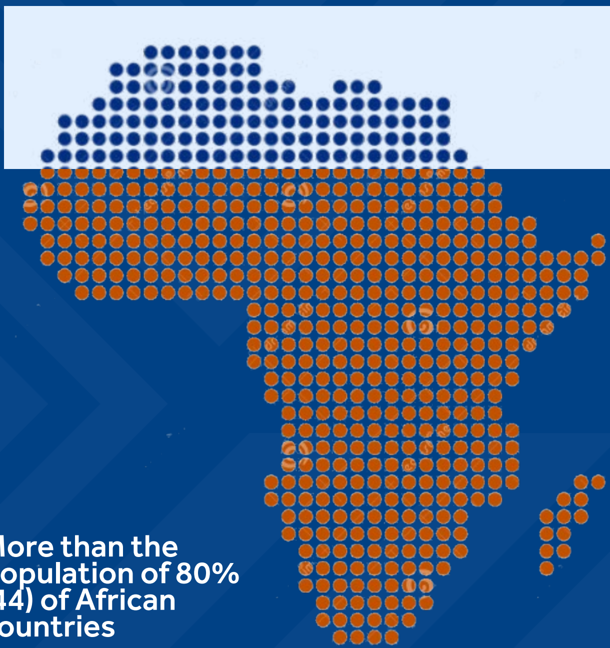
Expenses

18%

↓ **P497.8m**

2020:P422m

Access Bank Group in Numbers:
Largest Bank in Africa by Customers



More than the population of 80% (44) of African countries

49 Million
customers

Superior service through four SBUs in 12 African countries, the UAE, UK, and 3 Rep offices in China, India and Lebanon

Corporate

Commercial

Business

Retail

Growing users on our digital channels

3,200
ATMs

65,000
POS

750
Branches

9.8 million
Unique mobile and internet banking users

One of only 15 African Banks
in the World's Top 500 Most Valuable Banks

Chairperson's Report

It is a great honour reporting to shareholders and all stakeholders for the first time as Access Bank Botswana, after a busy year of managing the transition whilst also pursuing the Bank's strategy and remaining focused on our primary mandate of excellent client service.

Lorato Nthando Mosetlhanyane
Chairperson

Strategic update

The last year has been a watershed year for the bank. We started the year as BancABC Botswana, managing the impact of COVID-19 and ended the year as part of Africa's largest bank by customers and with a renewed ambition to become Botswana's number 1 bank. During the beginning of the second quarter of 2021, the Bank announced the acquisition of the then BancABC Botswana by Access Bank Plc. After the announcement of the acquisition transaction, The Company worked with the prospective Group majority shareholder as well as Atlas Mara in ensuring an accelerated programme to fulfil the conditions precedent and achieve legal ownership transfer to ensure the business could return to prioritizing execution of the agreed strategy. I am glad to say that, within 6 months of the announcement of the transaction, we achieved all conditions precedent and by the end of the year had fully branded to Access Bank Botswana with very little trace of our previous name remaining.

The acquisition by Access Bank Plc accelerated the Bank's strategy and with such strategic alignment which are very rare in acquisition transactions, we set about to agree a clear strategic direction for the business, and enablers for the achievement of all goals that had been set for stakeholders. In the recently approved five-year strategy for growth, Access Bank Botswana's focus is to rapidly expand and diversify the business. The Bank has already begun a P200m investment programme into enhancing its distribution footprint, leveraging Group digital assets to move beyond a lending dominated book, and into a full-service digital banking ecosystem with diversified revenue lines. In this regard, it is pleasing to report that strategic implementation began immediately upon achievement of ownership transfer including bolstering execution capacity. Access Bank Plc has designated Botswana a key market it intends to succeed in and will fully support the Bank to achieve our stated business objective in the shortest space of time, leaning upon its track record of success. The Bank expects these developments to become immediately visible within the first half of 2022 and to begin being accretive to earnings in the second half of 2022.

Performance update

The underlying business remains resilient - the Bank posted growth in balance sheet drivers and non-interest income. Balance sheet growth was driven by an 8% increase in loans and advances and 5% growth in deposits. Overall, total assets grew by 3%, demonstrating how as a business we have achieved growth post an intensive COVID-19 era. Whilst profit before tax reduced by 82% to P20.8 million, income remained resilient with interest income reducing marginally by 2% whilst non-interest revenue increased by 14%. Overall, profitably was impacted by an 18% increase in operating costs. The increase in operating costs was due to impairment of financial assets during the transition period and additional expenses related to integration to Access Bank.

The Bank continues to hold healthy capital adequacy levels at 21%. The strong capital levels position the Bank well for future growth as investment into transforming the Bank is key to unlocking growth. As we launched our strategic focus for the next five years this level of capital will be effectively and efficiently deployed into the operations.

Corporate governance

The Board continues to adhere to principles of King IV Corporate Governance. This includes ensuring that the Board of Directors comprises the appropriate balance of knowledge, skills, experience, diversity and independence for them to discharge their governance role and responsibility objectively and effectively. The board is compliant with all the 16 principles as set out in the King IV Code out of a total of 17 principles. The remaining principle is not applicable to Access Bank Botswana as it relates to an institutional investor organisation which the bank is not one.

During the year, as the Bank successfully transitioned to becoming one of the Access Bank subsidiaries, we increased the number of Board members to 10, with the appointments of Mr. Oluseyi Kumapayi and Mr. Robert Michael Yorwerth Giles, as Non–Executive

Overall, total assets
grew by 3%, demonstrating how as a business we have achieved growth post an intensive COVID-19 era.

Directors from the Access Bank Plc group, replacing the outgoing Mrs. Beatrice Aisha Hamza-Bassey who resigned effective 8th October 2021. We would like to thank Mrs Hamza-Bassey for her service to the Board and the Bank.

We continue exploring ways of enhancing the effectiveness of the Board and, in 2021, we engaged an external facilitator to perform an effectiveness assessment of the various Committees of the Board, individual Director self-evaluations and evaluation of the Company Secretary. Feedback from the assessment including other recommendations adopted from the Access Bank Plc group have been implemented and will continue being refined in 2022.

Acknowledgement

We extend our sincere gratitude to our customers, the Board, management, and the entire Access Bank Botswana Warriors for all their support during 2021. We remain committed to accelerated execution of our plans to grow shareholder value in the long term and thank our shareholders for renewing their commitment to the business as we seek to write a further 10 years of success for the Bank under our new parent and positive outlook.

"During the year, as the Bank successfully transitioned to becoming one of the Access Bank subsidiaries, it increased the number of Board members to 10, with the appointments of Mr. Oluseyi Kumapayi and Mr. Robert Michael Yorwerth Giles, as Non – Executive Directors from the Access Bank Plc, replacing the outgoing Mrs. Beatrice Aisha Hamza-Bassey who resigned effective 8th October 2021."

Managing Director's Report

The past year was our end of a journey under the old brand and commencement of a new chapter. It is time to do #more as Access Bank Botswana.

Kgotso Elvis Bannalotlhe
Managing Director

We intend to build on some notable achievements we made in our past. This includes but is not limited to the below;

In Our Past:

1. **We partnered with union members** during the period of 2011/2012, a period where civil servants were on strike.
2. We pioneered **hundred percent home loan financing**.
3. We were first to introduce **Chip & Pin EVM cards in 2011**
4. **Prepaid cards,** first in the market a very good offering.
5. Introduction of the **VISA partnership model in 2013** which spurred the growth of mobile money.
6. Rapidly achieved scale to **10% of market share within 5 years** of obtaining a commercial banking license.

In December 2018 we listed the Bank on the Botswana Stock Exchange. At this point the Bank had a retail asset niche that provided a foundation which could be built upon to become a Top 3 bank but needed investment to achieve this. Further investment was necessary to refresh infrastructure, especially technology, that was aging and beyond end of life. Thirdly investment in digital platforms to become more a full-service bank Singular products – retail loans and corporate fixed deposits - that needed diversity.

Lastly a refreshed customer value proposition was required. All these had to be done and achieved quickly and then to aggressively build scale for the bank. We have had mixed success – we retained and deepened our most profitable relationships. We refreshed the infrastructure and built digital channels, resolved challenges in our treasury business and matured our processes.

The Bank's overriding need for growth has always been investment. Access Bank acquisition provided that. On October 7th we were fully licensed as Access Bank Botswana. By end of November 2021, we were fully rebranded and operating as Access Bank Botswana everywhere. The Bank is now part of a premier banking group with greater capital, financial strength as well as execution capacity. The new chapter for us as Access Bank Botswana is exciting and intended to be impactful in the lives of Batswana and all our stakeholders. We intend for the bank to come of age and to aggressively pursue being a number 1 bank in Botswana. A new board approved strategy was agreed by end of November – focusing on rapid deployment of Group technology to remediate and accelerate our digital and technology ambitions, growth in physical footprint commensurate with our profile as well as improving our value proposition for rapid customer growth - . We began to execute this strategy immediately alongside completing the technology integration. Our Access Bank Botswana Warriors have been hard at work enhancing the Bank's distribution footprint, leverage Group digital assets to move beyond a lending dominated book into a full-service digital banking ecosystem with diversified revenue lines – with immediate visible progress on the ground early in the new year.

Our financial performance for 2021 reflects the intricacies of a transition year, but we assure stakeholders of our continued focus to build an impactful bank with attractive return profile. The decline in profitability was due to unique one-off costs, details of which have been covered extensively under the finance directors report. Our bank is undoubtedly better positioned for growth in the future the following section provides insights on our strategic focus.

19% NIR to total income

21% Capital adequacy ratio

92% Cost to income

Net interest revenue -5%

P401m

2020:P422.2m

Net trading Income +36%

P38m

2020: P28m

None interest Income +6%

P101m

2020:P95m

Operating Costs -18%

P498m

2020: P422m

SaruMoney Users +36%

44,600

2020: 32,666

BancOnline +54%

708

2020: 461

POS N/A

232

2020: 0

InterCo Loans -100%

P0.9m

2020: P488m

Managing Director's Report continued

Retail Banking Summarised Strategic Focus

One of the key areas for our Retail franchise is to grow our footprint, increase our product lines, and build a payments ecosystem. Some of the key areas of focus include.

1. Deploying and continuously **adapting Group digital assets and enabled product combinations** tailored to the Botswana market – including special focus segments such as Women in Banking.
2. **Expanding the service centre network** to cover more areas in Botswana. This will ensure cost conscious wider network coverage as is optimal for our country.
3. **Expanding the ATM network** to a level consistent with our customer acquisition ambitions.
4. **Leverage Agency Banking partnerships** to support an omnipresence proposition for our customers that will assist greatly in our journey to dominate the last mile for our valued customers.
5. In order to continue delivering inclusion and **building on the strength of partnerships,** our Alliance Banking and Prepaid Partnerships will leverage the existing base, as well as starting new relationshipsto expand locally and regionally.

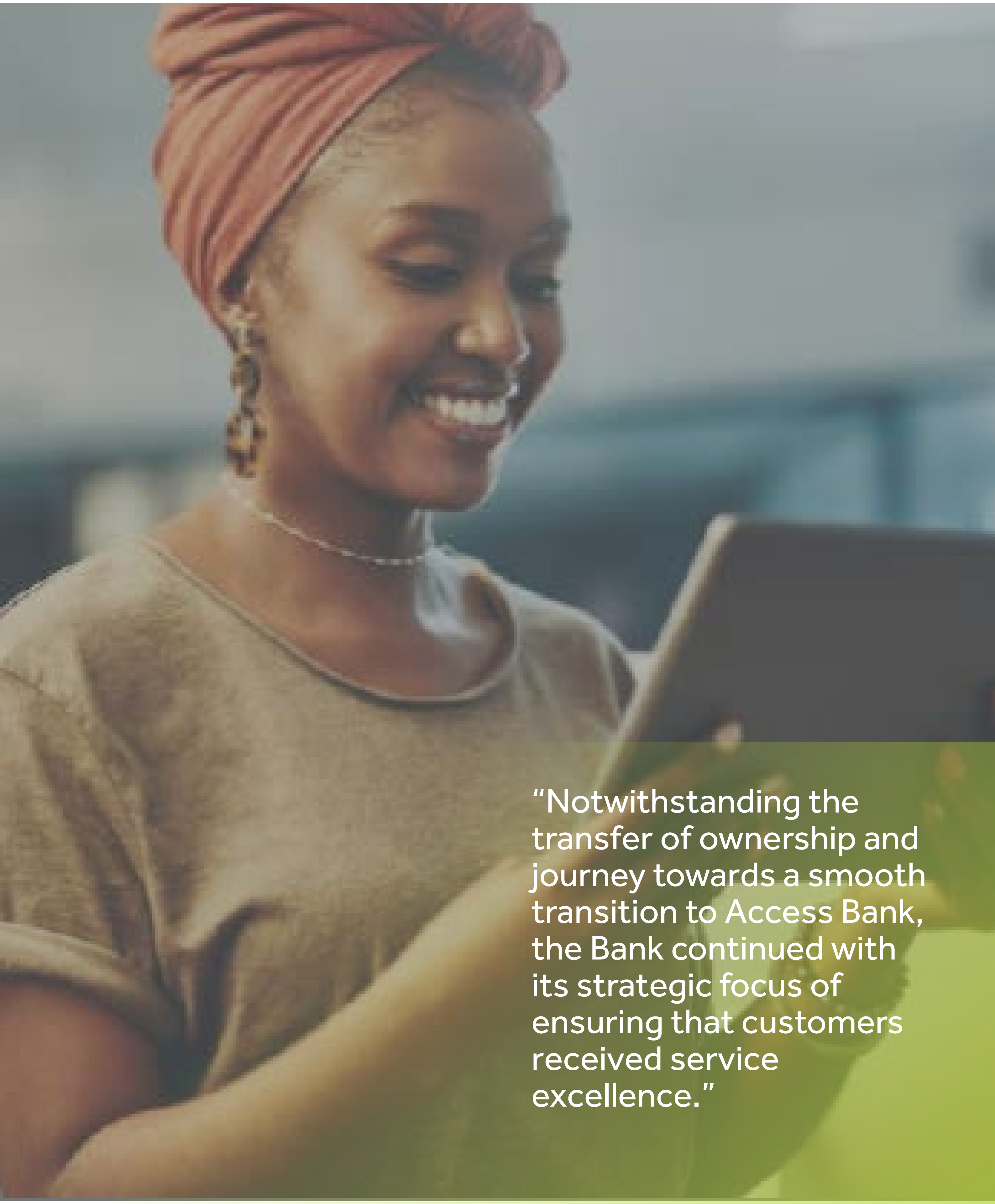
Wholesale Banking Summarised Strategic Focus

The Wholesale Banking unit will benefit from Group expertise and corporate banking capabilities, which will enable us to become a full service bank across all key sectors. The Bank will become a key solutions provider for both the Corporate and Business Banking clients in our chosen segments. Some of the key focus areas will include the below:

1. Continued focus to provide clients with products and platforms that address all their **transactional banking needs** at attractive pricing.
2. To lead in **support of SMEs** in Botswana.
3. Continued improvement in the **Global Markets offering,** leveraging existing Access Bank Group strength.
4. With the transition to Access Bank, the business will now take deliberate steps in leveraging support provided by the Group in banking clients across Access Bank's global footprint through an ecosystem-based approach.

Acknowledgement

Notwithstanding the transfer of ownership and journey towards a smooth transition to Access Bank, the Bank continued with its strategic focus of ensuring that customers received service excellence. This was demonstrated through adding new key functionalities to our mobile banking platform, introduction of ATM depositor machines and launching of virtual banking services for consumers. I would like to extend my sincere gratitude to our entire Access Bank Botswana warriors for their dedication and tenacity towards ensuring we achieved a smooth transition to Access Bank and for the continued growth of our balance sheet during a year of rapid change within the Bank. To the board for providing strategic direction during a year of many changes and key milestones, your support of the business direction in challenging times has been greatly appreciated. With so much more support and capital, we aim to make all our stakeholders proud.



"Notwithstanding the transfer of ownership and journey towards a smooth transition to Access Bank, the Bank continued with its strategic focus of ensuring that customers received service excellence."

Executive Management Profile

Kgotso Bannalothe Managing Director &
Ratang Icho-Molebatsi Finance Director
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Thato Mmile
Head of Legal & Company Secretary

John M. Kimani
Chief Operations Officer (COO)

Grace Setlhare-Mankanku
Head of Retail Banking

Itumeleng Moremong
Head of Strategic Relationships

Polelo Kilner
Head of Marketing and Communications

Executive Management Profile continued

Ngoni Chikore
Chief Information Officer

Segametsi Sethantsho
Head of Credit

Ontibile Baakile
Head of Risk

Neo Ndwapi
Head of Human Capital

Pauline Motswagae
Head of Wholesale Banking

Executive Management Profile continued

Thato Mmile
Head of Legal & Company Secretary

Mrs. Thato Mmile is the Group Head of Legal for ABC Holdings Limited and Group Company Secretary. She is a Legal and Compliance Specialist with over 10 years' international experience in the banking sector. Prior to her appointment with ABC Holdings Limited, she was the Head of Legal and Compliance of Standard Chartered Bank Mauritius Limited, having also held several key executive positions at Standard Chartered Bank Botswana, including Head of Legal, Company Secretary and Head of Legal and Compliance.

Prior to joining the financial servicessector, she was a Magistrate in the Courts of Botswana.
Mrs. Mmile holds a Bachelor of Laws from the University of Botswana.

John M. Kimani
Chief Operations Officer (COO)

Mr. John Kimani is a seasoned banker with over 29 years leadership experience in Corporate and Retail Banking, Global Payments, Technology, Business Development, Governance & Risk and Marketing in Botswana, South Africa and Kenya. He joined BancABC Botswana in 2019 from Standard Chartered Bank Botswana, where he had held various senior positions, most recently being the Chief Information Officer.

Mr. Kimani holds a Postgraduate Diploma in Management Studies from MANCOSA (RSA) and a Management Development Programme Certificate (MDP) from the University of Stellenbosch Business School. He also holds an ITIL certificate in IT Service Management.

Grace Setlhare-Mankanku
Head of Retail Banking

Mrs. Grace Setlhare-Mankanku has held the position of Head of Retail at BancABC since 2017. She joined the Bank as the Regional Head, Corporate and Investment Banking in 2015.

She started her career in the banking industry as an Executive Trainee at First National Bank Botswana (FNBB) before being appointed as a Corporate Analyst. She rose through the ranks, holding several positions including Manager Customer Service; Relationship Executive; Deputy Head, Corporate Banking; Director, Wholesale Corporate Banking Segment and ultimately, Director, FNBB Business Segment.

Mrs. Setlhare-Mankanku has a Bachelor of Commerce (Accounting) from the University of Botswana and has completed a Management Development Programme from the University of Cape Town, as well as a Senior Management Programme at the University of Pretoria Graduate School of Business. She also holds a Masters in Business Administration from Duke University, USA.

Itumeleng Moremong
Head of Strategic Relationships

Mrs. Itumeleng Moremong joined BancABC as the Senior Relationship Manager, Corporate in 2010 and was subsequently appointed to the position of Country Manager – Schemes and Liabilities before taking up her present position as Country Head, Strategic Relationships.

She began her career in the financial services industry in 2002 as a Dealer (Money Market Desk) at African Banking Corporation. In 2006, she moved to First National Bank Botswana (FNBB) as a Treasury Sales Executive, and later joined Standard Chartered Bank Botswana (SCBB) as Head, Financial Institutions.

Mrs. Moremong has a Master of Arts, Finance and Investment from the University of Exeter (UK); and a Bachelor of Arts, Economics from West Virginia University (USA). She has also completed a Management Leadership Development Programme from the University of Stellenbosch.

Polelo Kilner
Head of Marketing and Communications

Mrs. Polelo Kilner has over 13 years' experience in Marketing, Advertising and Communications and joined BancABC in 2014 as the Country Marketing Manager. Prior to joining BancABC, she was employed by First National Bank Botswana (FNBB) as the Consumer Segment Marketing Manager. Also at FNBB, she held the position of a Marketing Executive responsible for marketing Product Houses.

Before joining FNBB, Mrs. Kilner worked for OP Advertising as an Account Executive where she managed special projects for, FNBB and Botswana Accountancy College.

She holds a PGDip in Marketing Management from IMM Graduate School of Marketing, completed the New Managers Development Programme at the University of Stellenbosch, a Bachelor of Arts degreee in Humanities (French and English), as well as a Diploma in French Language Studies.

Ngoni Chikore
Chief Information Officer

Mr. Ngoni Chikore's work experience spans from mining, Government and the banking sector in the last 18 years. Before joining Access Bank, he held the role of Chief Information Officer at First National Bank Botswana, a position he held for the last 4 years.

He graduated from the University of Arkansas, (USA), in 2002 with a degree in Computer Engineering. Following his graduation, he started his career in early 2003 at Panasonic Business Systems in Gaborone as an IT Engineer. 6 months later, he joined Debswana as an IT Developer and rapidly rose through the ranks to the position of Group IT Infrastructure Manager in a career that spanned 13 years at the mining giant. He left Debswana to join the Botswana Innovation Hub as Head of ICT Programmes and then later moved to Bank Gaborone as IT Manager before transitioning to First National Bank Botswana (FNBB) as Chief Information Officer for 4 years.

Ngoni is a certified COBIT 5 practitioner and previously certified as a Data Center Professional. He has completed several leadership, customer service, technology and productivity related seminars and courses throughout his 18-year career.

Executive Management Profile continued

Segametsi Sethantsho
Head of Credit

Mrs. Segametsi Sethantsho joined BancABC in 2018. She started her career at Barclays Bank as a Performance Analyst, rising to the position of Retail Manager before moving to Corporate Banking as Corporate Relationship Manager. She then moved to Stanbic Bank where she held many roles before being appointed Head of Credit Origination. Mrs. Sethantsho re-joined Barclays Bank in 2013 as Head of Portfolio Management and later became Consumer Risk Director.

She holds a Master's Degree in Leadership and Change Management Leeds Metropolitan University (UK) and a BA Honors in Economics and Environmental Science from the University of Botswana.

Ontibile Baakile
Head of Risk

Ms. Ontibile Baakile is a Chartered Accountant with 17 years' accounting, audit and risk experience in the banking and insurance industries. She started her career with Grant Thornton Acumen as an Audit Trainee in 2001. In 2006, she moved to Metropolitan as a Financial Accountant and rose to the position of Finance Manager & Company Secretary, before moving to Standard Chartered Bank Botswana where she held different roles including, Finance Business Partnering, Head of Risk and Controls and Senior Operational Risk Officer.

Ms. Baakile is a fellow of both the Association of Chartered Certified Accountants (ACCA) and the Botswana Institute of Chartered Accountants (BICA). She also holds a Higher National Diploma in Accounting and Business Studies from BICA. She has completed the Senior Manager Development Programme at University of Stellenbosch Business School and is now pursuing an MBA with Oxford Brookes University.

Neo Ndwapi
Head of Human Capital

Mrs. Neo Ndwapi is responsible for Human Resources at BancABC. She joined African Banking Corporation in 2008 from Standard Chartered Bank where she had been a Human Resources Manager.

Prior to joining the banking sector, Mrs. Ndwapi worked for the United Nations Development Programme (UNDP).

She has a Bachelor's Degree in Social Work from University of Botswana, a Diploma in Human Resources Management from Damelin College and a Master's in Business Administration from De Montfort University. She has also attended the Gordon Institute of Business Science Management Leadership Development Programme.

Pauline Motswagae
Head of Wholesale Banking

Ms. Pauline Motswagae has over 26 years of banking experience, with detailed technical experience on Treasury Management, Global Markets and Corporate Banking as well as general banking. She has also sp,ent considerable time building businesses which entailed: building structures, teams, developing business strategies and operationalising those in order to deliver returns to stakeholders in the most efficient manner. She has held various executive and leadership roles in various organisations, both locally and regionally, including Head of Commercial Banking at BancABC (current role from June 2019), Head of Rand Merchant Bank Botswana; and Treasurer: Rand Merchant Bank Nigeria; Treasurer: First National Bank Botswana, Treasury Manager, Debswana Diamond Company. She was also a part of the Bank of Botswana team for a period of 10 years.

She has an MBA from the University of Stellenbosch; A Bachelor of Economics and Accounting degree from the University of Botswana. She completed the Senior Development Programme from the University of Pretoria; and an Associate Diploma in Banking from the Botswana Institute of Banking and Finance (formerly known as Botswana Institute of Bankers).

Finance Director's Report

"Our underlying business momentum remains one of growth - the Bank posted growth in balance sheet drivers and non-interest income. However, the balance sheet achievements did not translate into the income statement growth"

Ratang Icho-Molebatsi
Finance Director

Summary of key highlights

Non Interest Revenue (NIR)

+14% to **P139** million

Profit Before Tax (PBT)

-82% to **P21** million

Net Interest Income (NII)

-5% to **P401** million

The global economy recovered considerably in 2021, although intermittent COVID-19 resurges emanating from the developments of variants with the resultant trading and operating restrictions globally limited the recovery to 5.9% GDP growth according to International Monetary Fund (IMF) projections.

Economic developments

Sub-Saharan Africa continues to lag as compared to other regions in recovery. The slow growth and weaker outlook reflect major disruptions to global supply chains over the past 24 months and is indicative of how businesses in the region have battled to adapt in a challenging operating environment. In general, the global economy appears to have moved into a mode of continuing growth and progress even as the pandemic is expected to remain a factor in the near term.

The Botswana economy also recovered substantially in 2021 – forecasts by the Ministry of Finance and Economic Development predict the economy to have grown by 9.7%. This is a welcome development following the detrimental financial impact caused by the COVID-19 pandemic in early 2020. The improved growth reflects robust recovery in the global diamond market as well as reopening of businesses following vaccine availability in the second half of the year. Mining registered a 15.6% year on year growth while the non-mining private sector recorded a growth rate of 7.5% in the third quarter. Except for agriculture, all economic sectors grew in 202, signaling a robust broad-based recovery.

Inflation closed the year well above the 3% to 6% Bank of Botswana target range an registered a reading of 8.7% in December 2021. For most of the year since May 2021, inflation remained above the target range; however, it was led by cost side transitory factors that would not ordinarily attract monetary policy response by the Bank of Botswana such as increases in fuel prices, the 2% VAT increase in April as well as utility and rental price increases. Whilst the Bank of Botswana left the policy rate unchanged, significant increases in Government bond yields and modest market liquidity environment drove higher deposit pricing evident in the second half of the year.

Financial performance summary

Our underlying business momentum remains one of growth - the Bank posted growth in balance sheet drivers and non-interest income. However, the balance sheet achievements did not translate into the income statement growth as the Bank impaired financial assets during the transition period and incurred additional expenses related to integration to Access Bank Plc which significantly reduced profitability in the transition year for the Bank.

Our income statement

Net Interest income

Net interest income reduced marginally by 5% compared to the prior year. The reduction can be largely attributed to the interest rate cuts experienced in late 2020 as well as increased interest expense as a result of higher deposit pricing. This was offset partially by the overall loan book increase year on year.

Non-interest revenue

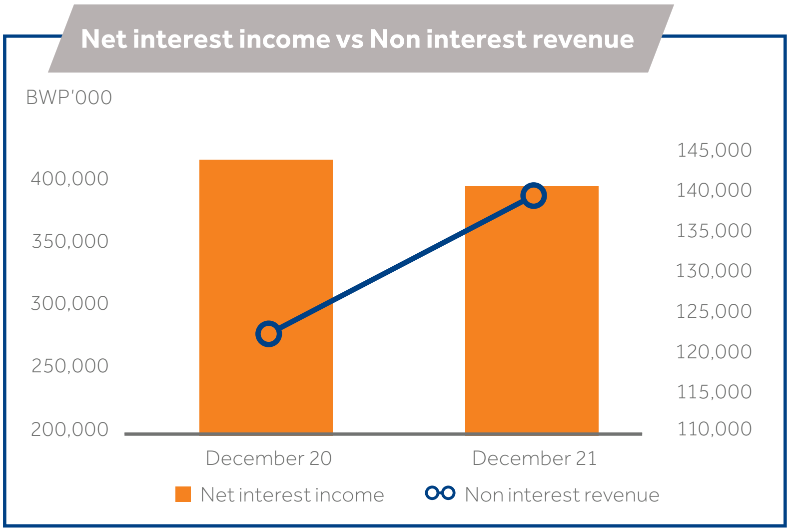
The Bank's aim has been to introduce digital channels that would allow us to become a transactional bank in order to grow non-interest revenue. In 2021, the Bank's total non interest revenue grew 14% as compared to the corresponding period. The solid performance was mainly driven by a strong foreign exchange income performance, and improvement on the revenues earned from the digital platforms such as Sarumoney as well as introduction of digital products such as the FastCash cashless withdrawal, Point of Sale terminals and better fee collection in the year.

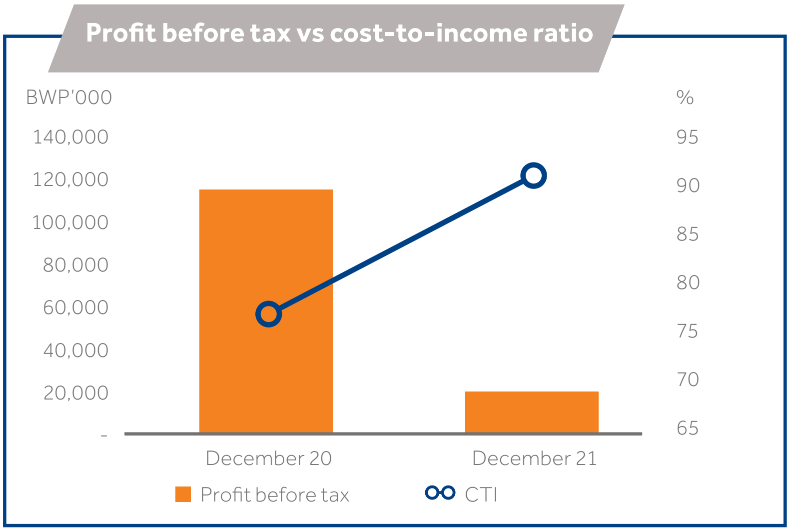
Impairments

Impairments provision increased significantly in 2021 in line with the loan book growth.

Total expenses

Overall, expenses have increased due to once-off impairment of financial assets as well as some transition costs. The Bank incurred costs to implement and manage the Access Bank transition during the reporting period – integration consultancies, rebranding, and associated works to complete the corporate transition in an accelerated manner. Overall, during the year there was also an elevated increase in inflation which also increased operating expenses.





Finance Director's Report continued

Overview of our balance sheet

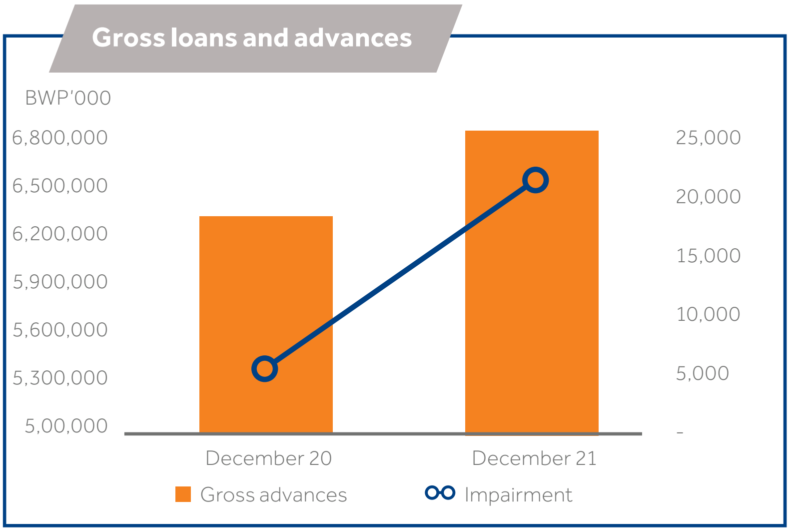
Loans and advances reflect an increase of P500 million year-on-year. This increase is as result of growth in the commercial loan book of about 59%. The retail loan book also increased by 6%. Total deposits increased by 5% year on year.

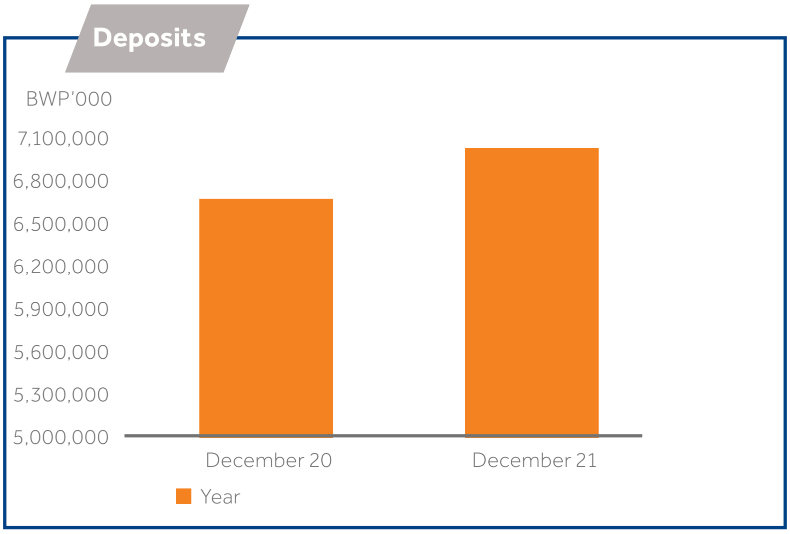
Capital Adequacy remains strong at 21%, which is well above the minimum requirement. Although we continue to maintain sufficient capital within the business, we have to practice caution going forward to ensure we have adequate capital to meet our future growth requirements.

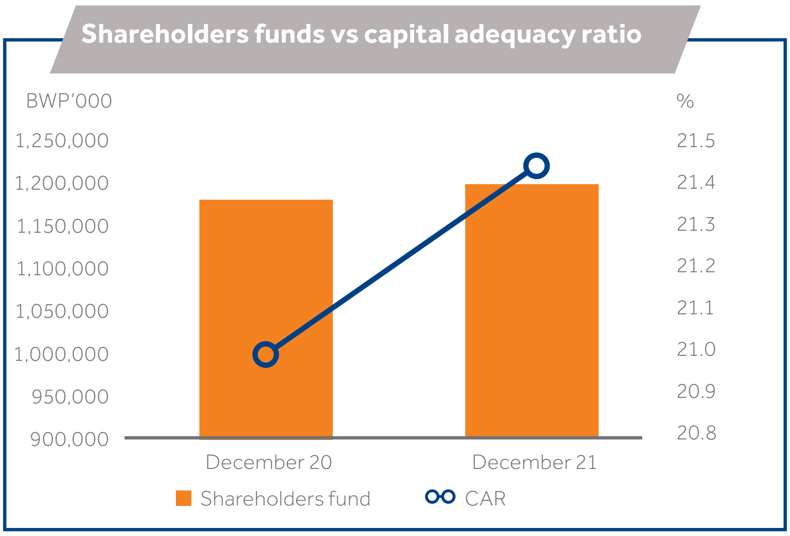
Outlook

We have started to see good economic growth. There is an upward pressure on inflation, with some of this is coming from the ongoing Russia and Ukraine Conflict, which is having a negative impact on oil prices, natural gas, wheat and sunflower products prices.

The Bank remains optimistic about its overall strategic journey and the medium term potential over the strategic horizon for the business – especially as the economy starts to rebound. The next year will continue to be a year of transition, however, we are cognizant that whilst building the number 1 bank in Botswana, acceptable return are important. There is expectation of some elements of growth in the Wholesale Banking lending portfolio, while Treasury and Global Markets are also likely to continue on their upward trajectory. The Management team is well equipped to continue the journey of improving shareholder value and ultimately the return on equity, leveraging Access Bank Group's systems and capabilities.







"There is an upward pressure on inflation, with some of this is coming from the ongoing Russia and Ukraine Conflict, which is having a negative impact on oil prices, natural gas, wheat and sunflower products prices."

Capital Adequacy remains strong at 21%, which is well above the minimum requirement. Although we continue to maintain sufficient capital within the business, going forward we are cognizant of the need to deploy capital effectively and ensure an appropriate balance between strong capital levels and ensuring we have adequate capital to meet our future growth requirements without dampening return on equity measures further.

02

Reviews

Retail and Digital Banking report

2021 was a year to Review, Rebuild and Reset by putting in place and strengthening the building blocks that would be essential for growth as the pandemic recedes.

Highlights

8 branches

4 service centres

22 ATMS

The business remained resilient as the COVID-19 pandemic continued to rampage through the population, impacting economic activity. Retail Banking and Digital Business was able to continue building a compelling banking offering for our clients.

We continued to see encouraging digital enrolment on our platform, SaruMoney, its uptick as our clients embraced our digital solutions in 2021. We introduced a new key functionality, Fast Cash, in response to a clear need by clients for an improved and simplified method for the movement of money. This led to a 2x growth in our digital subscriptions.

We enhanced our Digital Payments and Channels capability with the aim of becoming a transactional banking franchise. This was achieved with the launch of Instant Card issuing and PIN Reset, reducing card delivery times to immediate issuance.

As part of our strategy of bringing the Bank closer to our clients, we launched virtual banking services that provide another touchpoint for clients to interact with the Bank. Further to this, we augmented our Sales and Service Channel to offer 24-hour access to cash-in services with the introduction of ATM depositor machines.

During the year, we strengthened our customer value proposition by securing new scheme relationships with entities in both the public and private sector delivering transactional, lending, savings and insurance solutions to their members or employees.

The business successfully pioneered the concept of a vertical card within the Group as part of a host of new beneficial solutions that comes with the Bank's rebranding process.

Looking ahead, as more people vaccinated, infections begin to decline and economy activity returns to pre-pandemic levels the business will accelerate the implementation of client centric solutions in the next phase of the journey to Review, Rebuild and Reset.

Wholesale Banking report

20% Contribution to Access Bank PAT

36 Size of Commercial Banking Team

'Contactless banking', in light of the COVID-19 pandemic was launched at the most appropriate time

Financial Performance:

During the year under review, Wholesale Banking registered loan book growth of 59% to P456m compared to the prior year's P287m.

It is worth noting that this growth was recorded on the back of a challenging operating environment in which the effects of the COVID-19 pandemic were still being felt by clients in the Wholesale Banking segment, particularly early in the year.

On an even more positive note, the business witnessed accelerated uptake of the transactional banking platform, BancOnline; the number of registered clients increased by over 50% and the transactional volumes processed through the system more than doubled. All this attests to the success of the digitisation strategy the businesses focused on during the year. Point of Sale Acquiring was also launched during the year.

The Unit focused on ramping up the transactional value proposition as well as ensuring the stability of the platforms to enable it to attract greater transactional flows and thereby reduce the cost of funds and improve the balance sheet margin. To this end, the Unit successfully introduced a Point of Sale offering to its Corporate and Business Banking clients. As a result, revenue generated within the digital space grew threefold and average balances for call balances improved significantly. This introduction has allowed the Bank to tap into some clients segments that it was not able to service in the past.

It is expected that revenue will grow as more clients are on-boarded to the digital channels in the coming years. The Wholesale Banking loan book attained 59% growth to P456 million during the year largely driven by the continued revitalisation of the Corporate loan book. On the other hand, deposits remained relatively flat for the year at BWP5.9 billion largely due to reduced subventions to state owned entities and local authorities during the year.

Integration:

The Unit expended considerable time, effort and energy during the year towards the Bank-wide transition from BancABC to Access Bank Botswana. Significant effort was put into ensuring that customers were not negatively impacted by the transition and were informed well in advance of any changes that were envisaged as a result. The exercise provided an opportunity for the business to align its structures and processes with the Group as part of ensuring uniformity and a seamless client experience across the Bank as well as ensuring that best practice is adopted within the business. Heightened efficiency is expected going forward as a result of the investment that has been injected into the business by the Group, both in human resources and infrastructure. It is anticipated that the investment will facilitate acceleration of some of the initiatives aimed at improving client value propositions and service quality. Time was also spent in crafting a five-year strategic plan for the Bank that is aimed at positioning the business amongst the top three Wholesale banks in the market by 2027. To assist in achieving this goal, a comprehensive strategy has been crafted that outlines the Unit's intention to grow market share by expanding its share of wallet of its existing client base whilst further extracting value from those whom we do not yet bank. It is expected that the revised customer value proposition for Wholesale Banking under Access Bank Botswana will lead to the attainment of set objectives and sustainable financial performance in the coming years in line will the Group's growth ambitions.

Focus for 2022:

Going into 2022, Wholesale Banking has identified key strategic pillars that will drive the Unit's performance with a focus on providing best-in-class solutions for Corporate and Business Banking clients. The Unit will continue to focus on ensuring that it becomes the go-to bank for SMME clients by providing them with products and platforms that address all their transactional banking needs at competitive prices. Additionally, the business intends to make every effort to introduce solutions and operational efficiencies that will lead to a seamless customer experience for all clients regardless of their touch point. With the transition to Access Bank, the business now seeks to take deliberate steps to leverage the support provided by the Group in banking clients across its global footprint through an ecosystem based approach. It is expected that these initiatives will collectively provide the growth necessary to become a key player in the Botswana market.

Global Markets report

Highlights

The business activities were boosted by the timeous **full activation of the online platform**, as well as the revamping of the Bank's website.

We are increasingly **expanding our focus on different industry sectors** and developing products and services for different client segments.

GMT is focused on two distinct activities: Treasury and Global Markets.

39% growth

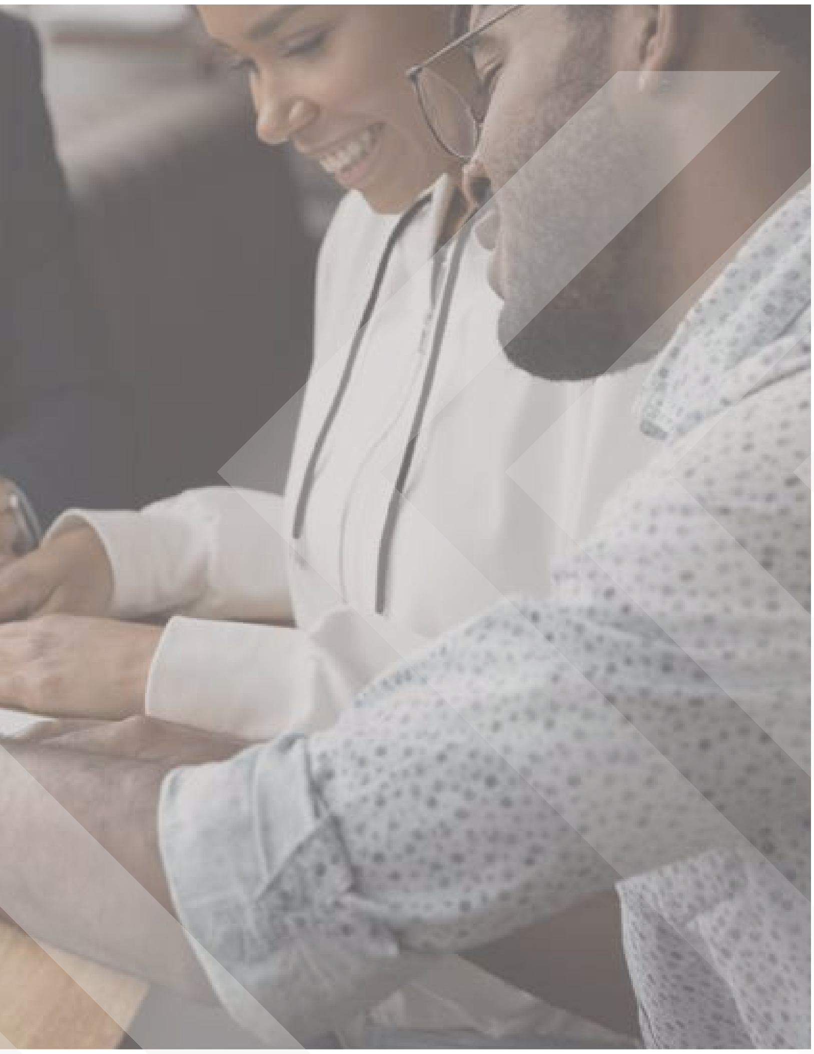
Foreign Exchange exposure and client Foreign Exchange transactions

Profit after tax

P37m

2020:P26m

+42%



Global Markets and Treasury (GMT), which is concerned with the Bank's foreign exchange activities (Global Markets) and management of the Bank's funding, liquidity and interest rate risk (Treasury), had an excellent year, with Profit Before Tax up 29% on the prior year.

This excellent result can be attributed to the resilience of our total revenue line, a performance that was driven by good management of our interest expense and the tremendous efforts of our trading revenue line which is an amazing 40% year-on-year growth.

What made this achievement even more satisfying was that it was reached in a climate of subdued margins. In effect, we implemented several decisive actions that enabled us to take advantage of the economy's reopening after the worse of the COVID-19 restrictions and significantly improve our client volumes. This ameliorated the effects of the squeezed margins to some extent.

So, for example, we improved our presence on all channels and mobile applications to enable our clients to transact seamlessly with us in whatever way is most convenient to them. We also revamped our websites and introduced personal internet banking for cross border payments where possible.

"Looking ahead, we anticipate seeing greater benefits emanating from the progress we are making in targeting special market segments and industries to align with the new business approaches embarked on by our clients."

Our results were also boosted by our effective cost containment efforts which came in at above the inflation average, 5% above budget. As a result, our cost-to-income ratio improved to 48% compared to 56% in the previous year.

However, there were areas of difficulty with market liquidity levels under pressure throughout the year. This resulted in net interest income from our Treasury business remaining flat year-on-year. General market liquidity plummeted to record lows as the government increased its local borrowing limit, leading to liquidity being lost. In addition, COVID-19-driven uncertainty and slow economic activity impacted client behaviour with their preference for cash clearly outpacing demand for long-term deposits.

An increase in the frequency and quantum of government borrowings in the local market also contributed to a reduction in excess liquidity. Competition for what little liquidity remained in the market pushed the cost of funds ever higher, thus negatively impacting our interest income.

Looking ahead, we anticipate seeing greater benefits emanating from the progress we are making in targeting special market segments and industries to align with the new business approaches embarked on by our clients.

In addition, our exciting, progressive approach to Citizen Economic Empowerment in which we partner with certain industries in their empowerment journey will contribute to positioning us as the bank of choice for our clients when they decide where to transact and do business.

We are confident that our ability to leverage our new and strong parent company to attract the right and correct funding mix will reduce our cost of funds within our strategy horizon.

Through this all, however, we remain committed to the wellbeing of our people and ensuring they are fully supported in navigating the current environment.

Human Capital report

The Bank ended the year with

452 employees

387 full-time and **65** contractors.

Highlights

Gender

62% Female

38% Male

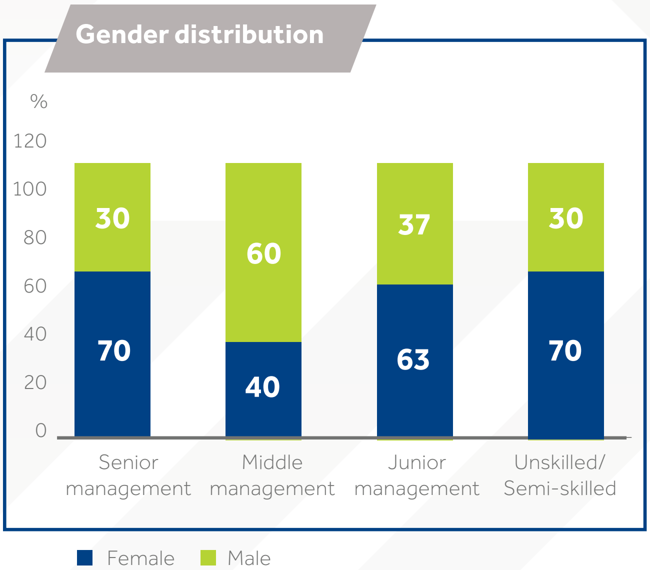
Average age

36

Citizenship (BW)

99%

The distribution is reflected below:



Gender Diversity

The majority of our employees are women (62%), and they hold 70% of top management positions. Men, however, dominate middle management positions (60%) with women once again coming to the fore in junior management (63%) and lower level positions (70%).

2021 was a milestone year for the Bank – we transitioned from our previous parent company to become part of the Access Bank Group. Change can be exciting, but it can also bring about anxiety and may cause possible team disengagement. This was immediately addressed through a concerted communications strategy which included regular newsletters, town hall meetings and departmental team engagements to improve understanding of the transition.

During the year, the Bank intensified efforts to care for its employees. Our People Agenda continued to be focused on, improving employee engagement in order to build a high performing organisation and create a value- driven organisational culture. Our focus on attracting and retaining talent continued so as to ensure the Bank was well positioned. This was supported by deliberate efforts to manage performance to ensure all employees deliver on the Bank's strategic deliverables.

Continuous learning was deemed critical to ensure our employees are armed with skills and technical abilities to tackle changing organisational and economic needs. The majority of interventions were virtual and all employees experienced an average of 40 hours of learning.

As the COVID-19 pandemic continued throughout the world, we were not immune to its effects as an organisation. Physical and psychological safety initiatives delivered heightened support to employees. The Bank remained committed not only to supporting our employees, but also extending this to their loved ones.

The Bank provided regular information to staff on preventative measures and care for those affected. We continue to provide all staff with masks and sanitisers; and social distancing is being practised as some staff members having been moved to other units. Our remote working policy allowed staff to work off-site thus maximising social distancing in the office. Working with select partners, we continued to provide psychosocial support to all staff through our employee wellness programme. We also have an ongoing campaign to encourage staff to vaccinate.

The employee recognition and appreciation programme continued to ensure all those who excel are timeously recognised. Monthly Thank God It's Friday (TGIF) initiatives ensured teams connected both physically and virtually.

The launch new Access Bank uniform generated considerable excitement.

Key 2021 Learning interventions

- Over 170 staff from different department have attended the various learning interventions:

- Organizational and Personal Conduct
- Financial and Economic crime awareness
- Customer Services Principles
- Risk Control & Risk Assessment
- Risk Ratings methodology
- AML & CFT Training
- Retail Sales Training, Workplace Discipline
- COP for Retail Sales teams and ICAAP
- ACI for our Front and Back Office staff
- **Flexcube Training** - In preparation for the Banking system (Flex Cube) upgrade, all users received detailed user training in order to provide a seamless approach to daily operations.

"The employee recognition and appreciation programme continued to ensure all those who excel are timeously recognised. Monthly Thank God It's Friday (TGIF) initiatives ensured teams connected both physically and virtually."

Employee Engagement and Culture

Different Employee Engagement activities held during the year to improve team effectiveness and maximize productivity during integration and ensure that the process of harmonizing practices of Access group is seamless. Some of the activities carried out were;

- Numerous town hall meetings to ensure continuous communication and engagements
- Themed months – Africa Day, Independence Day, Vintage Day to name a few
- Continuous team sessions

Corporate Social Responsibility report

At Access Bank Botswana our goal in all we do, including our CSI and CSR activities, is centred around sustainability – including sustainable growth.

Highlights

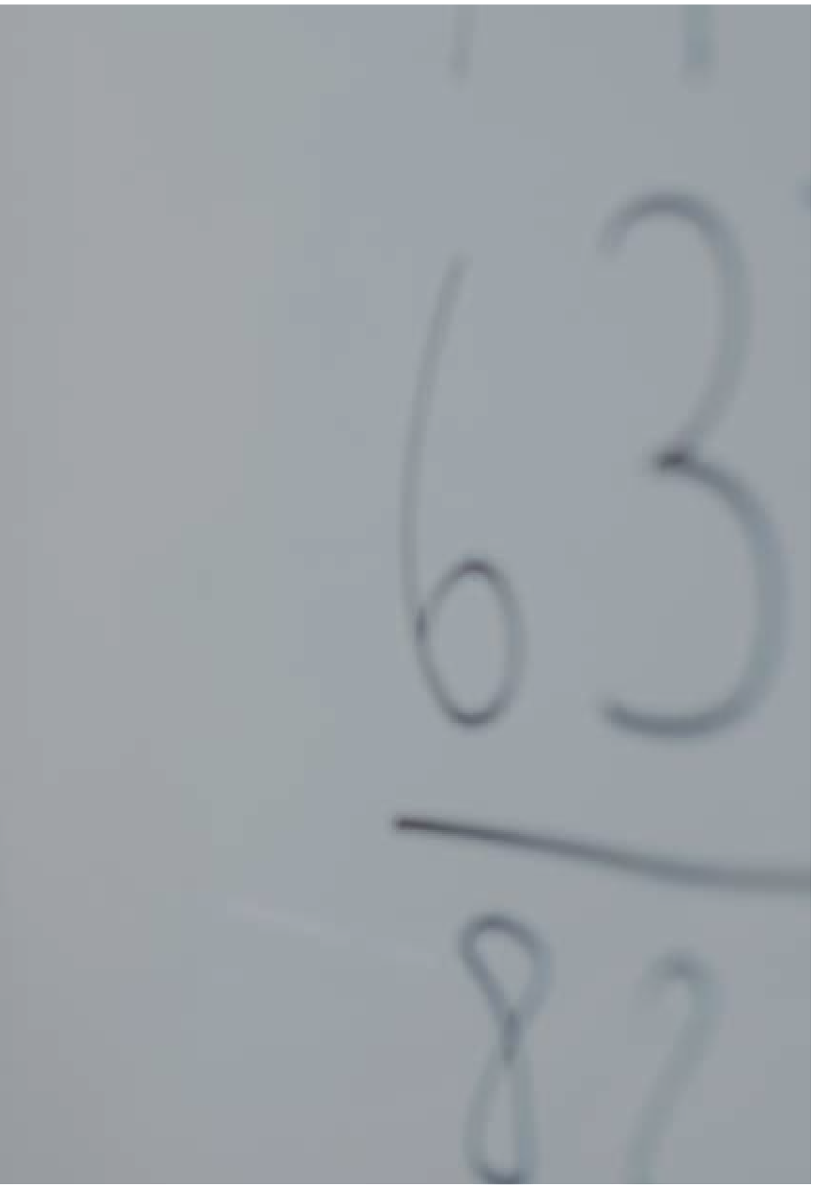
Restructuring of the overall CSR programme **completed in record time.**

Additional benefits
Being part of a world-renowned institution will undoubtedly result in many additional benefits for the Bank's CSR efforts, particularly our focus on sustainability.

Bringing financial inclusion to millions of people while garnering prosperity in Botswana - one individual and entity at a time – is what truly sustainable growth is all about.

In 2021 our priorities for social investment were anchored around our newly approved CSR strategy and ensuring we effectively recognise the link between our sustainability imperative and the impact we have on the communities in which we operate. As such, our commitment to supporting our communities and society at large led us not only to maintaining and supporting long-standing initiatives, but also focused on establishing new relationships that will yield meaningful shared value. These initiatives have been aimed at addressing societal challenges in line with our CSR focus areas. These include promoting a well-functioning society and healthy environment as these ultimately drive a thriving economy and enable our business to succeed.

As a purpose-driven organisation that puts people first, we knew that urgent action was needed to help to rebuild and support the communities of Botswana ravaged by the COVID-19 pandemic.



Our 14-member CSR Committee were committed towards developing a CSR strategy guided by the Bank's CSR policy. The strategy includes five pillars that not only highlight our key areas but also helps in the identification of NGOs whose areas of focus align with our purpose and overall strategic objectives. Recognising the urgency surrounding the work that needed to be done, the Committee worked rapidly to expedite the process, and identified initiatives got underway.

The Bank's fortuitous acquition by Access Bank Plc meant these goals were put on hold as the mammoth task of rebranding from our previous parent company to Access Bank Botswana was prioritised. While being part of a world-renowned institution will undoubtedly result in many additional benefits for the Bank's CSR efforts, particularly our focus on sustainability, the transition process demanded our energy be directed at ensuring the successful rebrand of our organisation. With this work now behind us, and with the expected rapid growth and increase in the business's valuation that is likely to result, we anticipate being able to go full-steam ahead with future CSR initiatives in 2022.

It is important to note that Access Bank's philosophy of putting people first and creating a sustainable business are well supported, particularly with regard to their CSR philosophies. We acknowledge that being a responsible corporate citizen is integral to achieving sustainable development along with the need to create and deliver consistent and sustainable value for all stakeholders. For Access Bank Botswana, sustainability is at the core of our organisation, driving our commitment to sustainable innovation, process optimisation, environmental footprint, and social management. Therefore, sustainability has always been and remains the foundation of the Bank's business model.

Sustainability Vision Statement - to be the most sustainable and respected bank in Africa, financing and facilitating brighter futures for all our stakeholders through innovative services and best-in-class operations.

Socially responsible investment is carried out through various channels. These are the five key pillars that underpin our policy on Corporate Social Investment:

- **Our Products and Services:** All products and services that we offer need to equip our stakeholders for sustainable growth and maximise value.
- **Our Economic Impact:** Through our CSR initiatives, we aim to support economic growth and encourage entrepreneurship and market expansion. The objective is to provide skills and services to people within our communities to empower them to develop into self-sufficient individuals that contribute to Botswana's economic and social development.
- **Our Social Impact:** The COVID-19 outbreak affected all segments of the population and had significant social effects. Moving forward, we will heighten our efforts to support community growth, development, and prosperity through strategic initiatives.
- **Our Environmental Impact:** Access Bank is committed to maintaining a sustainable operating environment with a keen focus on climate risk. With an increased focus on Green CSR, we aim to reduce our corporate carbon footprint and achieve the UN Sustainable Development Goals.
- **Our Operations:** Through our CSR efforts, we will be able to engage our employees and encourage them to participate in initiatives outside the organisation, demonstrating the company Values and ensure a sustainable future for our clients and the Bank.

Conclusion

The past year was challenging as we tried to navigate the pandemic and transition into a new bank while still trying to meet business objectives. It was a year of great reflection and required much restructuring, which was equally challenging for our employees. Despite all of this, we used the year as an opportunity to learn and grow. 2022 offers us an opportunity for a fresh start and renewed motivation within the organisation is evident.

Looking ahead, we will move quickly to deliver on our CSR strategy and begin working with our selected NGOs and strategic partners. Our collective efforts will see us emerging stronger to deliver long-term sustainable growth.

03

Governance


SA

Corporate Governance report structure

This report is divided into 7 sections:

- i. Ethical and Effective Leadership
- ii. Board of Directors
- iii. Board Evaluation
- iv. Board Attendence
- v. Board and Board Committees
- vi. Governance Risk
- vii. Shareholders Update

i. Ethical and Effective Leadership

The role and responsibility of the Board is to set the strategic direction and guide the implementation of the Banks strategy. This must be done in a manner that is compliant with the laws, rules and the King IV Code on Corporate Governance.

Management has developed the strategy as well as the policies and procedures which have been approved by the Board. The implementation and execution of this strategy has been overseen by the Board to ensure that there is accountability for the Banks performance through effective reporting and disclosures. The Board recognises that good Corporate Governance is essential to the running of the Bank in a manner that creates a good ethical culture as well as value for the shareholders under effective controls.

Board Composition and Structure

Access Bank Botswana has strived to ensure that its Board of Directors comprises of the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

As the Bank successfully transitioned to one of the Access Bank subsidiaries, it increased the number of Board members to 10 with the appointments of Mr. Oluseyi Kumapayi and Mr. Robert Michael Yorwerth Giles, as Non - Executive Directors from the Access Bank Plc group, replacing the outgoing Mrs. Beatrice Aisha Hamza Bassey who resigned effective 8th October 2021.

The Bank is constantly attending to ensuring an adequate balance, independence and composition of the Board of Directors to ensure it remains compliant with the Guidelines set by Bank of Botswana which requires that two thirds (2/3) of the directors are independent non – executives. Currently the Bank's board has a two-fifths (2/5) related party status, following the appointment of Mr. Kumapayi, and Mr. Giles who joined the Managing Director and the Finance Director who are executives / related parties of the bank. Both the Chairperson and the Senior Director are independent Non-Executive Directors, in line with Corporate Governance best practice standards.

The Board of Directors is required to meet at least four times per annum. This year they have met nine (9) times to discuss a number of issues. They have also met to receive training on their roles as Directors in a listed company, refresher training on compliance, AML and CFT. The Board Credit Committee Members also received refresher training on the Credit Policy and Processes.

ii. Board of Directors

Committee memberships

AC CC LRC
RNC RCC

Lorato Nthando Mosetlhanyane

Board Chair, Independent Non-Executive Director

Qualifications: Master in Business Administration, Association of Certified Chartered Accountants (ACCA)

Appointed: July 23, 2014

Kgotso Elvis Bannalotlhe

Managing Director

Qualifications: Bachelor of Commerce degree from the University of Melbourne and an Executive Masters in Positive Leaders and Strategy (ExMPLS) from IE University, Madrid, Spain

Appointed: August 7, 2017

Boiki Matema Wabo Tema

Independent Non-Executive Director

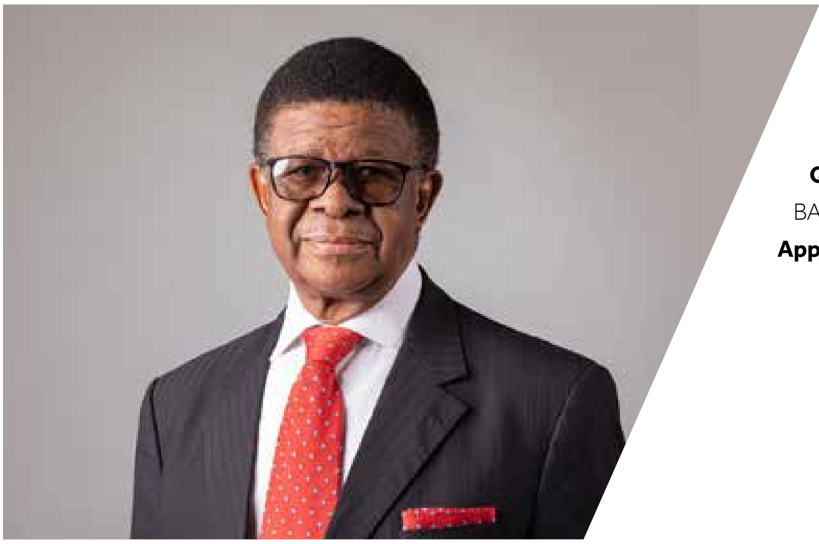
Qualifications: Bachelor of Arts (BA) in Economics, Master of Science (MSc) in Strategic Management

Appointed: October 3, 2018

Board of Directors continued

Committee memberships

AC CC LRC
RNC RCC



Joshua Benjamin Galeforolwe

Senior Independent Non-Executive Director

Qualifications: BCom in accounting, BA in Economics

Appointed: April 1, 2018

Jacob Mooketsi Motlhbane

Independent Non-Executive Director

Qualifications: Bachelor of Commence in Accounting

Appointed: November 12, 2014

John Bosco Sebabi

Independent Non-Executive Director

Qualifications: Msc in International Economics, Banking and Finance

Appointed: June 3, 2020

Board of Directors continued

Committee memberships

AC CC LRC
RNC RCC

Ntoti Mosetlhe

Independent Non-Executive Director

Qualifications: Bachelors of Administration, Certificate in Manpower Planning from University of Sussex

Appointed: November 1, 2018

Robert Michael Yorwerth Giles

Non-Executive Director

Qualifications: Bachelor of Science, Geography; Statistics for Social Sciences and Economic Geography, Postgraduate Diploma in Management

Appointed: November 5, 2021

Oluseyi Kumapayi

Non-Executive Director

Qualifications: Master's Degree in Mechanical Engineering, Bachelor's Degree in Agricultural Engineering, Alumni of Harvard Business School

Appointed: November 5, 2021

Board of Directors continued

Committee memberships

AC CC LRC
RNC RCC

Ratang Icho-Molebatsi

Finance Director

Qualifications: Bachelor of Social Sciences in Economics and Accounting (BA) from the University of Botswana, Association of Chartered Certified Accountants (ACCA), and a Masters in Science - Strategic Management (MSc), University of Derby in partnership with the Botswana Accountancy College

Appointed: September 1, 2019

Board of Directors continued

MR. ROBERT MICHAEL YORWERTH GILES (42)

Robert Giles is a seasoned banker, with a global career spanning over 20 years. Mr. Giles currently holds the position of Senior Banking Advisor, Retail Banking at Access Bank Plc (Lagos, Nigeria) where he is responsible for leading the development of the retail banking space at Access Banking Nigeria.

Mr. Giles has previously worked for Diamond Bank Plc (Lagos, Nigeria) where he was responsible for the development and performance management of the retail and SME lending business for the Group as well as managing assets with an excess value of $350 million in addition to a fast-growing portfolio of over 1.2 million credit and debit cards.

During his time at Access Bank Plc, Mr. Giles has co-led the successful integration management of Access Bank and Diamond Bank to help form the continent's largest retail bank.

Mr. Giles holds a Bachelor of Science, Geography from the University of Birmingham where the focus of his studies was Statistics for Social Sciences and Economic Geography. He also holds a Postgraduate Diploma in Management from the University of Leicester Business School and has attended several Executive Management Development programmes in leading institutions including London Business School, and the University of Pretoria.

MR. OLUSEYI KUMAPAYI, FCA (51)

Before being appointed to his current position of Director - African Subsidiaries (Access Bank Plc) Mr. Kumapayi had been the Group Chief Financial Officer of Access Bank Plc, a position he held since 2008. He is a highly accomplished and result-driven professional with over 20 years of progressive banking experience spanning across Finance, Strategy, Risk Management, and Treasury.

He joined Access Bank in 2002 as the Head of Financial Control and Credit Risk Management. Prior to joining Access Bank, he held controller and analyst positions with First City Monument Bank Limited and Guaranty Trust Bank Plc respectively.

Since joining Access Bank, he has played a significant role in the creation of the largest retail bank in Nigeria and specific corporate actions that have supported the Bank's growth objectives and enhanced its capacity to play in key local and international markets.

Mr. Kumapayi is an alumnus of Harvard Business School. He holds a Master's Degree in Mechanical Engineering from the University of Lagos, and a Bachelor's Degree in Agricultural Engineering from the University of Ibadan, Nigeria. He has also attended several Executive Management Development programmes in leading institutions including INSEAD, IMD and London Business School. He is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN), and a member of the Global Association of Risk Professionals (GARP), the Chartered Institute of Taxation of Nigeria (CITN) and the Chartered Institution of Bankers of Nigeria (CIBN). He is a Board Member of the Ogun State Security Trust Fund.

MRS. LORATO NTHANDO MOSETLHANYANE (50)

Having worked as an accountant at different levels, in different industries for over seventeen years, Mrs Mosetlhanyane brings a wealth of experience to the Board. Having successfully completed the Professional Coaching Course (PCC) through the Centre for Coaching which is in partnership with the University of Cape Town's Graduate School of Business and New Ventures West (NVW), she left the corporate world, resigning from her position as Chief Finance Officer of a leading life Insurance company in Botswana to set up practice as a Certified Professional Integral Coach, coaching and training young and mature leaders, locally and internationally. Prior to forming PinnaLead, Lorato amassed 17 years working experience in the corporate world as an Accountant at different capacities.

Mrs. Mosetlhanyane is a Chartered Accountant by profession and a member of the Association of Certified Chartered Accountants (ACCA) and also holds a Master in Business Administration (MBA) from Oxford Brookes University in the UK. She currently serves on the Board of G4S, a security company listed on the Botswana Stock Exchange.

MR. JACOB MOOKETSI MOTLHABANE (50)

Mr. Motlhabane is the former Chief Executive Officer of Turnstar Holdings, a property company listed on the Botswana Stock Exchange, and has also served time as Group Strategic Business Development Manager for Letshego Holdings Limited, a microfinance company with operations in 11 countries. He has excelled at various senior management positions as a member of executive management team charged with various responsibilities including, driving strategic directions, preparing business plans, including scope and budget and also driving new business opportunities throughout Africa as well as facilitating mergers and acquisitions.

Mr. Motlhabane holds a Bachelor of Commence in Accounting from the University of Botswana and is currently pursuing a Masters of Business Administration at Mancosa in Botswana and Certificate in Management Accounting from the Chartered Institute of Management Accounting.

Board of Directors continued

MR. JOHN BOSCO SEBABI (49)

Mr Sebabi has in the 20 years of being in the financial services sector, amassed experience as a seasoned banker, and through the process, has served as a key resource person on a number of Boards, Committees and Task Forces. He was a member of the G25 Panel of experts that was constituted by the World Bank to set guidelines for successful regional integration of Financial Infrastructures.

Between March 2013 and April 2014, he was the Chief Operating Officer (COO) for the East Africa Commodity Exchange that is mandated to uplift national and regional economies by eliminating market barriers to trading, providing access to financing to farmers and traders in return for commodities, and more broadly engaging in regional capital market development. July 2014 to October 2018, Bosco served as the Deputy Director General of the Rwanda Social Security Board in charge of funds management, managing assets over $1 Billion in value.

He holds an MSc in International Economics, Banking and Finance from Cardiff University, Cardiff, Wales (UK); a Bsc in Economics and an Associate degree in Economics both completed with distinctions from the National University of Rwanda; and a certificate in Financial Programming and Policy from the IMF. He is also a fellow of the Fletcher Leadership Program for Financial Inclusion of the Fletcher School, Tufts University. He also holds an executive education certificate of the Advanced Management Program (AMP), a sandwich programme from Strathmore, Lagos and IESE business schools.

MRS. NTOTI MOSETLHE (62)

Mrs. Mosetlhe acquired her Bachelors of Administration from the University of Botswana and went on to obtain a certificate in Manpower Planning from the University of Sussex. She headed Debswana's Human Resources Department from 2008 to September 2018, during which time she led two restructuring processes to optimise the Head Office and improve cost efficiency at the mines, embedded a talent management and performance management system which resulted in increased productivity and improved succession planning whilst also managing to put in place as well as implement a workforce planning method aligned to Debswana's long term resource plan. Prior to her tenure at Debswana, she had acquired vast experience through having led a Corporate Strategy / Corporate Performance monitoring team and developing several products and services through strategic alliances.

She has previously also held the position of Deputy Chief Executive Officer at Botswana Housing Corporation where she led the Corporate Strategy and Corporate Performance Monitoring team as well as successfully led negotiations with the Unions and other key stakeholders in the rationalization and retrenchment process of the Corporation on two occasions.

MR. BOIKI MATEMA WABO TEMA (51)

Mr. Tema has acquired extensive expertise in banking and other financial services over a period of 24 years, during which he worked in different capacities within the FirstRand Group and more recently as Coverage Director at Rand Merchant Bank Botswana (RMBB). He started his career as an Executive Trainee at First National Bank of Botswana Limited (FNBB) in 1994, moving through the ranks to hold numerous senior positions including Senior Manager and Head of the Property Finance Division; Senior Manager - New Business Development; Head – Wholesale Segment; Director Commercial Banking; and Director, Property Finance Division.

He has a Bachelor of Arts (BA) in Economics from the University of Botswana, and a Master of Science (MSc) in Strategic Management from the University of Derby in the United Kingdom. He has completed Part 1 of a Diploma in Banking (Botswana Institute of Bankers) and a Diploma in Financial Management with Allenby College in South Africa. Mr. Tema has served in the Boards of various executive management committees of FNBB, and on the Boards of subsidiary and associate entities such as FNBB Insurance Agency and FNBB Pension Fund. He has also been a member of the Botswana Post Board.

MR. JOSHUA BENJAMIN GALEFOROLWE (70)

Mr. Galeforolwe is a Managing Consultant for West Cliff Capital (Pty) Ltd, a corporate advisory and management consultancy company in Botswana, which led negotiations for the sale of a portion of shares held by Batswana citizen shareholders in Orange Botswana, to France Telecom, with the support of other transaction advisors. He has over 35 years' experience in large scale performance and process improvement, leadership and strategic management, policy formulation, and the development of privatization implementation strategies. Mr. Galeforolwe is the former Chief Executive of Public Enterprises Evaluation and Privatisation Agency (PEEPA). During his tenure, Mr. Galeforolwe oversaw the preparation and adoption of governments' first privatization master plan and the formulation and approval of the Public Private Partnership Policy Implementation Framework and PPP regulations. Other achievements include the development of the privatisation and transaction strategies for the Botswana Telecommunications Corporation and the National Development Bank (NDB).

He has a BCom in Accounting from Makerere University, Kampala, Uganda and completed Part 1 of a BA in Economics at the University of Botswana, as well as a Management and Development Programme at the University of Pittsburg.

Board of Directors continued

MRS. RATANG ICHO-MOLEBATSI (40)

Mrs. Icho-Molebatsi is an experienced financial services executive, with a strong track record in being a trusted advisor to Boards of Directors, CEOs and Executive Management teams. She is an expert in financial reporting, strategy, business planning and overall finance discipline. She has over the past 14 years amassed intricate working knowledge in the financial services industry. Some of her earlier appointments include roles at Deloitte and Touché and Stanbic Bank of Botswana. During her tenure at Stanbic Bank, she held the positions of Manager in Financial Accounting, Tax and Regulatory; Financial Controller; and Head of Finance respectively, over a period of five years. She then went on to join Old Mutual Botswana as Group Chief Finance Officer from 2017 to 2019. She holds a Bachelor of Social Sciences in Economics and Accounting (BA) from the University of Botswana, is a member of the Association of Chartered Certified Accountants (ACCA), and has a Master's in Science - Strategic Management (MSc), both from Botswana Accountancy College (BAC).

MR. KGOTSO ELVIS BANNALOTLHE (43)

Mr Bannalotlhe was appointed as the Banks' Managing Director on 7 August 2017. He is a seasoned banker with over 15 years' experience in regional and international financial institutions. Prior to joiningthe Bank, he was with Barclays Bank Botswana where he served as Head, Corporate Investment Banking (CIB). Before his appointment as Head of CIB, he held several senior positions at Barclays, including Barclays Country Treasurer and Head of Markets. This was afterworking for two years at First National Bank Botswana and for Standard Chartered Bank Botswana for seven years where his last role was Head of Global Markets and Co-Head of Wholesale Banking in Tanzania.

He holds a Bachelor of Commerce degree from the University of Melbourne and an Executive Masters in Positive Leaders and Strategy (ExMPLS) from IE University, (Madrid, Spain). Mr. Bannalotlhe has completed level 1 of the CFA programme.

iii. Board Evaluation

The Board of Directors conducts an annual evaluation through independent Board Evaluation Consultants to assess its own performance, that of the committees, the Chairperson, the Company Secretary and the other members in order to assess the areas of improvement in its performance and effectiveness. An evaluation of the results has been done and remedial actions where required have been put in place.

In 2021, the Board further enhanced the effectiveness review by engaging the external facilitator, Thinking Board, to provide a platform for the assessment of;

i. The various Committees and the Board
ii. Individual Director including the Managing Director and the Finance Director
iii. The Company Secretary

This evaluation exercise is conducted on an annual basis.

For the year 2021, the Board has considered the appropriateness, expertise and experience of individual Board Member(s) and the Company Secretary. The Board is satisfied about the competences of all the Directors and the Company Secretary.

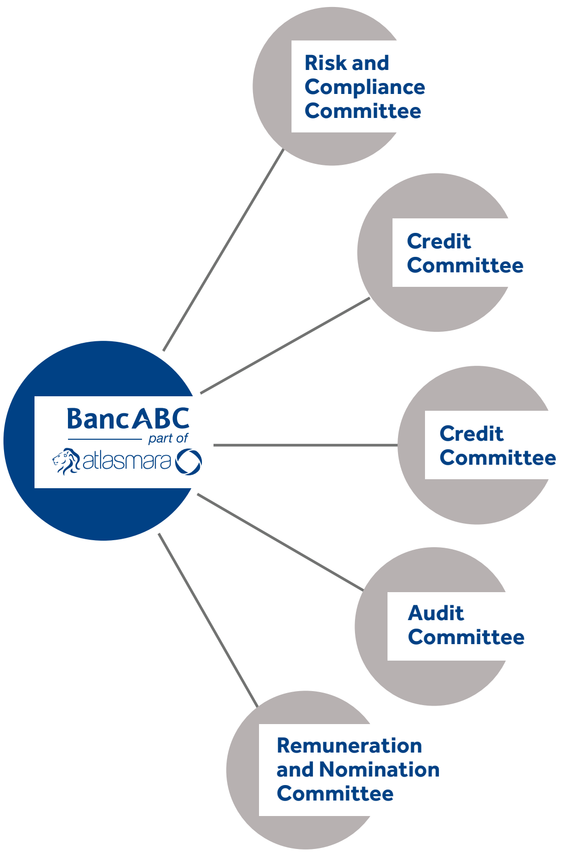
iv. Board and Board Committees

The Board of Directors have delegated some of its powers to the committees listed below to promote independent judgement, assist with the balance of power and to effectively discharge its duties.

Each Committee has formal terms of references which are reviewed on an annual basis to ensure compliance with laws, rules and corporate governance codes. Membership of the committees is 4 members and the majority of the members are required to be independent non – executive members. The Managing Director and the Finance Directors are not members of any of the Committees. They do however attend some of the meetings by invitation from the respective committee chairs.

As the Bank transitioned to Access Bank, there was need to align some of the committees to fit into the group structure, and as such the Bank implemented the following changes. The changes to the Board Composition and the Committees were approved at the Q4 November meeting and all changes were to be implemented from 2022. All committee write ups are as per the composition in 2021.

Previous Committee Composition



Current Committee Composition

These assessment will continue on an annual basis.

Key changes to the committees

1

Merger of Loans Review Committee & Credit Committee to form Credit & Finance Committee

2

Change of Risk & Compliance Committee to Risk Management & Compliance

3

Change of Remuneration & Nomination Committee to Governance, Nomination & Remuneration Committee

Audit Committee

Chairman

J. Motlhabane

Members

J. Galeforolwe
B. Tema
J. Sebabi

Mandate

The Audit Committee, guided by it written Terms of Reference which are reviewed annually by the Board, and are in compliance with the Banking Act – 46:04, meets at least four (4) times per year to monitor the integrity of the financial statements of the Bank. This entails review of the banks' annual and half-yearly reports, prospectuses, trading updates, interim management statements, and any other formal announcement relating to its financial performance, reviewing, and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditors. The Committee focuses on monitoring financial controls, accounting systems, and shareholder reporting, adherence to appropriate accounting standards In line with the KING IV Code corporate governance best practice.

Though independent, the Committee reports to and remains fully accountable to the Board of Directors and Shareholders and discharge their duties in in line with the King IV principles in mind.

In 2021 the Committee:

- Reviewed and approved of the Annual Financial Statements
- Reviewed and approved the Audit plan for the financial year
- Reviewed and approved the financial year budget
- Continued to provide oversight of the financial reporting process, the audit process, the company's system of internal controls and compliance with laws and regulations
- Reviewed the audit results with management and external auditors, including matters required to be communicated to the committee, Board & Shareholders under generally accepted auditing standards
- Reviewed and recommended the Charter to Board for approval
- Continued to monitor the impact of COVID-19 on the Bank's financial position
- Reviewed the new Committee's new terms of reference
- Recommend to the Board the change of external auditors to align with Group strategy
- The Audit Committee has considered the appropriateness, expertise and experience of the Financial Director. The Committee is satisfied on the suitability of the Finance Director

Corporate Governance report continued

Loans Review Committee

Chairman
N. Mosetlhe

Members
B. Hamza-Bassey***
J. Sebabi

Mandate
The Loans Review Committee meets four (4) times per year to assist the Board with discharging its responsibility to review the quality of the Bank's loan portfolio and periodically reviewing the Bank's Credit appetite. The Committee upon reviewing the Bank's Loan portfolio amongst other things, ensures the conformity of the loan portfolio and lending function to a sound lending policy as documented, approved, and adopted by the Board, and that it is in conformity with approved internal policies and all applicable laws and regulations. The committee has an independent role in making decisions within its delegated mandate to review and recommend to the Board, for approval lending strategies and policies, including but not limited to, commercial lending and leasing, commercial real estate lending, consumer credit, and mortgage lending policies, including appropriate loan limits and classification of loans requiring Board or committee approval.

Though independent, the Committee reports to and remains fully accountable to the Board of Directors and Shareholders and discharge their duties in in line with the King IV principles in mind.

This Committee has now been merged with the Credit Committee to form the new Credit and Finance Committee.

In 2021 the Committee

- Reviewed and recommended and approved the Bank's Debt recovery strategies
- Reviewed and recommended the Charter to Board for approval
- Assessed the impact COVID-19 impact on credit
- Maintained oversight of balance between advanced NPLs and impairment provisioning

Credit Committee

Chairman
B. Tema

Members
L. Mosetlhanyane
J. Motlhabane

Mandate
The Credit Committee has standing weekly meetings for purposes of the consideration and approval of Credit deals placed before them with the mandate and responsibility of evaluating Credit Applications greater than US$500,000 (five hundred thousand dollars) but not exceeding US$1million (one million dollars) and operates with guidance from the Banks Credit Policy and position on Credit Risk.

This Committee is separate from the Risk Committee and is mandated to exercise oversite over Credit Risk.

This Committee has now been merged with the Loans Review Committee to form the new Credit and Finance Committee.

In 2021 the Committee

- Ensured all credit activities relating to large exposures were conducted within the risk strategy, policies and tolerance levels approved by the Board
- Reviewed and recommended the Charter to Board for approval
- Assessed the impact of COVID-19 on credit
- Provided oversight of Company policies and management activities relating to the identification, assessment, measurement, monitoring, and management of the Company's credit risk
- Reviewed and approved the new revised Credit Policy

Corporate Governance report continued

Remunerations and Nominations Committee

Chairman
J. Galeforolwe

Members
L. Mosetlhanyane
B. Hamza-Bassey***

Mandate
The Remunerations and Nominations Committee convenes four (4) times annually. This Committee is tasked with the mandate of discussing and making recommendations on the appointment of new Executive and Non-Executive Directors, including making recommendations to the composition of the Board generally and the balance between executive and Non-Executive Directors appointed to the Board as well as regularly reviewing the Board structure, size and composition and making recommendations with regards to any adjustments that are deemed necessary. The Remunerations and Nominations Committee is chaired by a Senior Independent Director, Mr. Joshua Benjamin Galeforolwe.

In 2021 the Committee

- Approved the merger of the Loans Review and Credit Committee
- Reviewed and approved the reconstitution of the Board Committees and their functions
- Continued to assess the impact of COVID-19 on staff
- Reviewed and recommended the new Charter to Board for approval
- Succeeded in ensuring that a balanced board membership was maintained with a clear balance of appointees who are Executive or Non-Executive and the replacement of retired Directors
- Approved the new Committee Structure

Risk and Compliance Committee

Chairman
B. Hamza-Bassey ***

Members
L. Mosetlhanyane
N. Mosetlhe

Mandate
The Risk and Compliance Board Committee convenes four (4) times annually. Its fundamental mandate is to assist the Board in overseeing the Bank's full adherence to the management of the overall risk framework. In fulfilling this mandate, it oversees the maintenance and implementation of appropriate compliance systems, policies, procedures, regulatory /or statutory requirements across the Bank. Under the same mandate it further provides close guidance for the monitoring of the Bank's risk appetite and capital management. Further, it oversees the Board's management of issues regarding current risk exposures and future risk containment strategies, simultaneously ensuring that the Bank remain compliant with all legal and regulatory requirements applicable to it within the jurisdiction and internationally. The Committee is chaired by a Non-executive Board member, Ms. Beatrice Hamza-Bassey.

Throughout the year 2020, the Risk and Compliance Board Committee, achieved in ensuring that the Bank remains compliant with all regulatory controls required under legislative laws and by the Bank of Botswana.

In 2021 the Committee

- Assessed the impact of COVID-19 on Risk and the risk profile of the Bank
- Reviewed and recommended the Charter to Board for approval
- ensured that the Bank remains compliant with all regulatory controls required under legislative laws and by the Bank of Botswana

Corporate Governance report continued

Approved 2022 Committee Composition

Committee	Sebabi	Mosetlhanyane	Motlhabane	Tema
Role	Independent Non-Executive Director	Board Chair, Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
Date of Appointment	June 3, 2020	July 23, 2014	November 12, 2014	October 3, 2018
Risk Management and Compliance				
Audit			C	
Governence, Nomination and Remuneration				
Credit and Finance				C

(R) – Related Parties

Committee	Galeforolwe	Mosetlhe	Kumapayi **(R)**	Giles **(R)**
Role	Senior Independent Non-Executive Director	Independent Non-Executive Director	Non-Executive Director	Non-Executive Director
Date of Appointment	April 1, 2018	November 1, 2018	November 5, 2021	November 5, 2021
Risk Management and Compliance		C		
Audit				
Governence, Nomination and Remuneration	C			
Credit and Finance				

(R) – Related Parties

Corporate Governance report continued

v. Board Attendance

These assessments will continue on an annual basis.

Director	Main Board	Remuneration and Nomination	Audit	Risk and Compliance	Loans Review*	Credit*	2021 BOARD FEES P'000	Director Fees BWP (000)
Lorato Nthando Mosetlhanyane	9/9	4/4		4/4		4/6		781
Robert Michael Yorwerth Giles**	1/1	-	-	-	-	-		-
Oluseyi Kumapayi**	1/1	-	-	-	-	-		-
Jacob Mooketsi Motlhabane	9/9	-	4/4	-	-	5/6		673
Joshua Benjamin Galeforolwe	9/9	4/4	4/4	-	-	-		604
Boiki Matema Wabo Tema	9/9	-	4/4			5/6		673
Ntoti Mosetlhe	9/9	-	-	4/4	4/4	-		587
John Bosco Sebabi	9/9	-	4/4	-	-	-		559
Beatrice Hamza Bassey***	6/6	3/3	-	3/3	3/3			-
Kgotso Elvis Bannalotlhe	9/9	-	-	-	-	-		-
Ratang Icho-Molebatsi	9/9	-	-	-	-	-		-

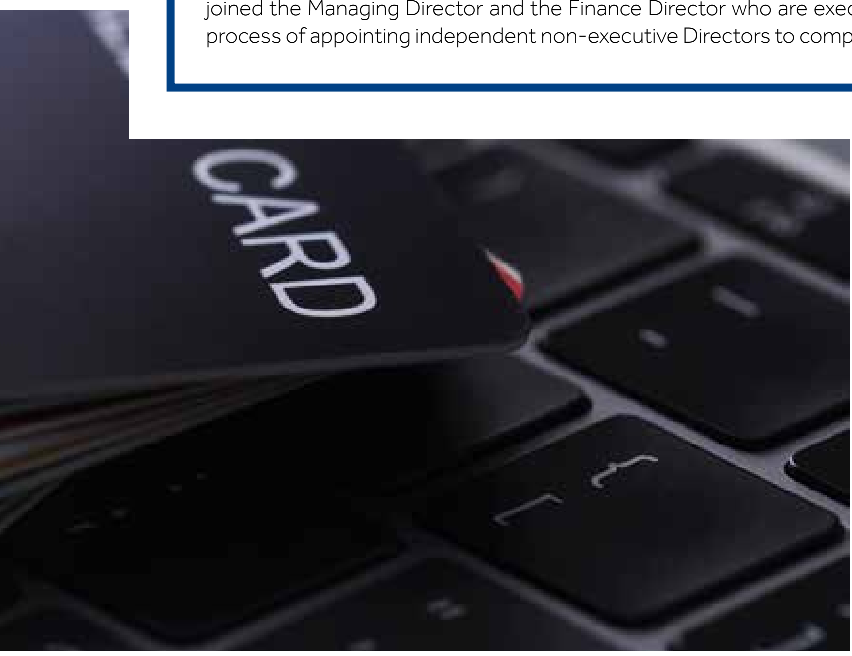
*Committees merged to form Credit & Finance Committee
**Directors appointed 5th November 2021, shortly before Q4 Meeting
***Resigned effective 8th October 2021

vi. Governance risk

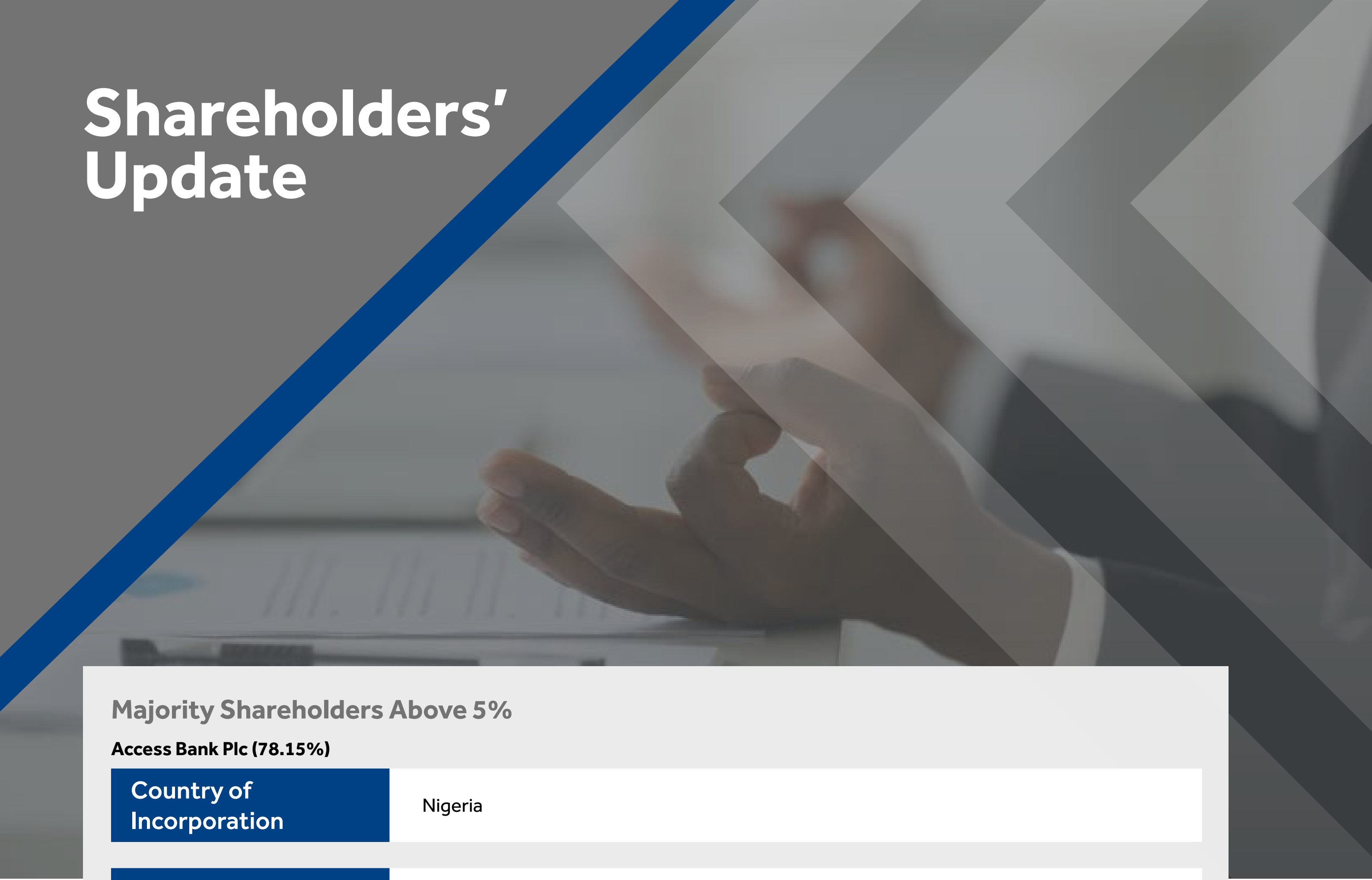
In response to the aggressive business growth strategy and projected profit margins, the Access Bank Botswana Limited Board, has introduced policy measures to ensure attainment of set business goals. For this purpose, it was approved that board composition should reflect a balance of knowledge, skills and experience to enable it to discharge its corporate governance responsibilities objectively and effectively.

To achieve this, the Board has increased the current composition from a total membership of 9 (nine) to 12 (twelve). The diversity of knowledge, skills and experience will ensure that the committees have the capacity to execute its duties effectively. In so doing, the Board will comply with the Bank of Botswana requirements which restricts the number of related persons to only a third of the board membership.

Currently the Bank's board has a two-fifths (2/5) related party status, following the appointment of Mr. Kumapayi, and Mr. Giles who joined the Managing Director and the Finance Director who are executives / related parties of the bank. The Bank is currently in the process of appointing independent non-executive Directors to comply with the one third related party requirement.



Shareholders' Update



Majority Shareholders Above 5%

Access Bank Plc (78.15%)

Country of Incorporation	Nigeria
Nature of Business	Access Bank Plc is the holding company of the Access Bank Botswana Limited. Access Bank Plc, commonly known as Access Bank, is a Nigerian multinational commercial bank. Access Bank is a diversified financial institution which combines a strong retail customer franchise and digital platform with deep corporate banking expertise and proven risk management and capital management capabilities. The Bank serves its various markets through four business segments: Retail, Business, Commercial and Corporate. The Bank has over 900,000 shareholders (including several Nigerian and International Institutional Investors)
Directors	Dr. Ajoritsedere Awosika Anthonia Ogunmefun Paul Usoro Adeniyi Adekoya Iboroma Akpana Ifeyinwa Osime Dr. Okey Nwuke Hassan Usman Omosalewa Fajobi Herbert Wigwe Roosevelt Ogbonna Victor Etuokwu Dr. Gregory Jobome Hadiza Ambursa Adeolu Bajomo Chizoma Okoli Oluseyi Kumapayi
Registered Office and Place of Business	Plot 14/15, Prince Alaba Oniru Street, Oniru Estate, Victoria Island, Lagos
Postal Address	Private Bag 00303
Date of Incorporation	8 February, 1989
Auditors	PricewaterhouseCoopers
Bankers	Access Bank
Company Secretary	Sunday Ekwochi
Functional Currency	Nigerian Naira

Corporate Governance report continued

FNB Botswana Nominees (PTY) LTD RE: AG BPOPF Equity (6.6%)

Country of Incorporation	Botswana
Nature of Business	Pension Fund
Directors	S Mantswe (Chairman), A Gabana, N Joel, L Molodu, R Moses, T Rari
Registered Office	Plot 61920, Fairgrounds Office Park, Gaborone
Postal Address	Private Bag 00195, Gaborone
Date of Incorporation	08 April 2002
Auditors	Ernst & Young
Bankers	FNBB Nominee
Company Secretary	N/A
Functional Currency	BWP

Shareholders Analysis as at 31st December 2021

Range	Number of shares	Number of Shares held	% of shares held
Public	436	158,415,046	21.85%
Non-public	–	-	0%
Directors' interest	-	-	0%
Access Bank Plc	1	566,584,954	78.15%
Total	**437**	**725,000,000**	**100%**

Shareholders Holding more than 5%:

Shareholders holding more than 5%	Number of Shares held	% of shares held
Access Bank Plc	566,584,954	78.15%
FNB Botswana Nominees (Pty) Ltd RE: AG BPOPF EQUITY	47,975,000	6.62%

Shareholder Spread by Holding:

Range	Shares	Shares %	Shareholders	Shareholders %
1-2000	146 152	0,02	196	44,85
2001-5000	362 527	0,05	99	22,65
5001-10000	279 378	0,04	36	8,24
10001-50000	1 559 269	0,22	57	13,04
50001-100000	747 872	0,10	10	2,29
100001-500000	2 841 322	0,39	11	2,52
500001 and Above	719 063 480	99,18	28	6,41
Total	**725,000,000**	**100.00**	**437**	**100.00**

KING IV Principles of Corporate Governance

The below reflects the principles and the level of compliance

Principle	Explanation	
Principle 1	The Bank has adopted a Code of Conduct for Directors. It sets out basic principles to guide the actions of Directors in matters of professional ethics and behaviour.	Compliant
Principle 2	The Bank has adopted a Code of Conduct for all employees. It covers all areas of business practices, procedures and sets out basic principles to guide the actions and conduct of staff in matters of professional ethics and behaviour.	Compliant
Principle 3	The Board has approved a Corporate Social Responsibility (CSR)strategy. A CSR Committee has been introduced.	Compliant
Principle 4	The Board has approved the strategy for the Bank. Regular updates from management on the execution of the strategy are provided to the Board.	Compliant
Principle 5	The Bank's external Auditors review management reports for accuracy and completeness. They report through the Audit Committee, ultimately to the Board.	Compliant
Principle 6	The Board discharges its functions in leading the strategic direction of the Bank in full compliance of the applicable laws, rules and the principles of the King IV Code of Corporate Governance.	Compliant
Principle 7	The Board strives to ensure that its Board of Directors is comprised of the appropriate balance of knowledge, skills, experience and diversity. This is discernable from the membership disclosed in this report.	Compliant
Principle 8	Standing Board committees are maintained to ensure continued effective delegation of power, spread of authority and promotion of independent judgment.	Compliant
Principle 9	Board Evaluations are conducted annually to assess the areas of improvement of the Board performance and effectiveness. Evaluations of the results have been done and necessary remedial action have been put in place.	Compliant
Principle 10	All executive managers have been approved by the Board, which has delegated authority in accordance with the Bank's delegation of authority policies.	Compliant
Principle 11	The Board has approved all risk policies. The Board receives periodic reports through the governance channels on all material risk issues.	Compliant
Principle 12	The Board has approved all Information Technology (IT) policies, IT strategy and receives regular updates on implementations.	Compliant
Principle 13	The Board has approved all compliance policies, compliance monitoring plans which ensures compliance with all applicable laws. They receive regular reports on all Regulatory issues having a direct impact on the Bank.	Compliant
Principle 14	The Board has approved the remuneration policy that ensures a fair and transparent reward structure.	Compliant
Principle 15	The Board has approved the operational risk management framework and receives reports on a regular basis through both the Risk Management and Compliance Committee as well as the Board Audit Committee.	Compliant
Principle 16	The Board has adopted a shareholder inclusive approach in terms of engagement through regular meetings.	Compliant
Principle 17	Not applicable as the Bank is neither an institutional investor nor a governing body.	N/A

Risk

It is our belief that effective Risk Management is fundamental to the long-term viability of our business.

We continue to espouse a strong risk management culture. This ensures an appropriate balance between the diverse risks and rewards inherent in any transaction and process and underpins sound decision-making.

Accordingly, we continuously work towards implementing a comprehensive Risk Management process to evaluate, monitor and manage the principal risks the Bank assumes in conducting its activities. In the course of conducting its business, the Bank is exposed to various risks inherent in providing financial services. Some of these risks are managed in accordance with established risk management policies and procedures.

During the beginning of the second quarter of 2021, the Bank announced the acquisition of the then BancABC Botswana by Access Bank Plc. Since the announcement of the transaction, the Bank worked with the new Group majority shareholder as well as Atlas Mara in ensuring an accelerated program to fulfil the conditions precedent, achieve legal ownership transfer, integration of the Bank into the new group including rebranding and harmonisation of systems and process. Risk Management was thus a focal point in order to mitigate the increased risks arising from the integration of such magnitude.

Post migration, the Board approved a refreshed 5 year strategy for the Bank which aims to enhance the Bank's distribution footprint, leverage Group digital assets to move beyond a lending dominated book into a full-service digital banking ecosystem with diversified revenue lines. The accelerated growth plans also elevate most of our traditional risks and adequate mitigating factors have to be deployed.

Risk priorities

Risk Culture

Risk Culture provides the standards of behaviours expected from colleagues with regards to Risk Management. Embedding accountability and end-to-end ownership of risk within the business starts at the top and is key to building a strong risk culture. There are several activities that increase awareness of risk and ownership as part of the process to build risk culture.

Enhance Control Environment

Risk is evolving and is complex and therefore needs to be continually reviewed to ensure that it remains relevant. Strong and dynamic risk Identification processes are therefore imperative to ensure that Risk Management remains applicable and that control reviews are proactive to mitigate any potential risks.

In 2021 as we transitioned to Access Bank, we had to re-look and refresh our Risk Management processes not only to align to the Access Bank Plc group but also the transition itself elevated our traditional operational and other risks.

Financial Crime Risk

We are committed to working with the industry and regulators in fighting financial crime, and therefore continuously review our processes and systems to ensure that we are appropriately positioned to monitor and detect suspicious transactions.

Information Technology and Cyber Security Risks

The increasing threat and focus by regulators on information technology and cyber security risk has led to enhanced focus in the Bank, especially in light of increased digitisation. During 2021 as the COVID-19 pandemic continued through various waves and varying lockdown restrictions, the Bank's exposure to Cyber risk remained higher than usual as staff continued to have remote access from working from home. This potentially opens the Bank to hacking, operational bottlenecks (slow network connections) and exposure to Bank information by unauthorised personnel. With the evolving nature of this risk, continuous monitoring, assessment and investment is necessary. The banks digital transformation programme will be fast tracked to encourage digital interactions option for clients.

Risk report continued

Principal risks

Liquidity and Funding Risk

We have a strong capital and liquidity position to support the business on a sustainable basis. We also continuously enhance and align our risk management frameworks to reflect the changes in the industry, thus ensuring that we can proactively anticipate and respond to any liquidity threats.

Mitigation Actions

- Ongoing assessment of liquidity risk frameworks and adoption of updated practices
- Proactive management and forecasting of liquidity positions
- Transformation of the structure of the balance sheet
- Re-assess funding/capital plan in the light of the current economic situation while conducting a review of the effectiveness of liquidity stress testing and contingency funding plans/policies

Operational Risk

Operational Risk changes rapidly with changes in customer needs and the banking landscape. It is therefore imperative that Access Bank continuously evolves and employs risk management practices that allow us to stay relevant.

We have several initiatives to improve risk culture, enhancement of processes to reduce the level of inherent risk largely through automation and improve risk identification to enable a more proactive management of risk.

Mitigation Actions

- Appropriate skills training and elevation of employee awareness across the Bank of fraud, controls and self-assessments
- Ongoing review of IT systems architecture and systems resilience, including with respect to business continuity planning and identification of areas for improvement
- Active focus from senior management on the execution of integration and performance enhancement programmes
- Enhancements to operational risk policies and processes to ensure compliance with safe practices and a secure controls environment

Credit Risk

Credit Risk arises from lending and other financing activities comprising the Bank's core business. The Bank may be adversely impacted by an increase in its credit exposure related to lending, trading and other business activities. Credit risk also stems from the possibility of losses arising from the failure of customers or counterparties to meet their financial obligations timeously.

Mitigation Actions

- Well-considered credit policies incorporating prudent lending criteria
- Well-defined authority and governance structures with appropriate separation between origination and sanctioning
- Improvements to credit processes and controls, including proactive portfolio monitoring especially with the preNPL portfolio and effective remedial management
- Review credit processes to identify the vulnerabilities exposed by the pandemic and develop ways to mitigate them
- Furthermore, engage customers and begin conversations around facility restructuring and forbearance

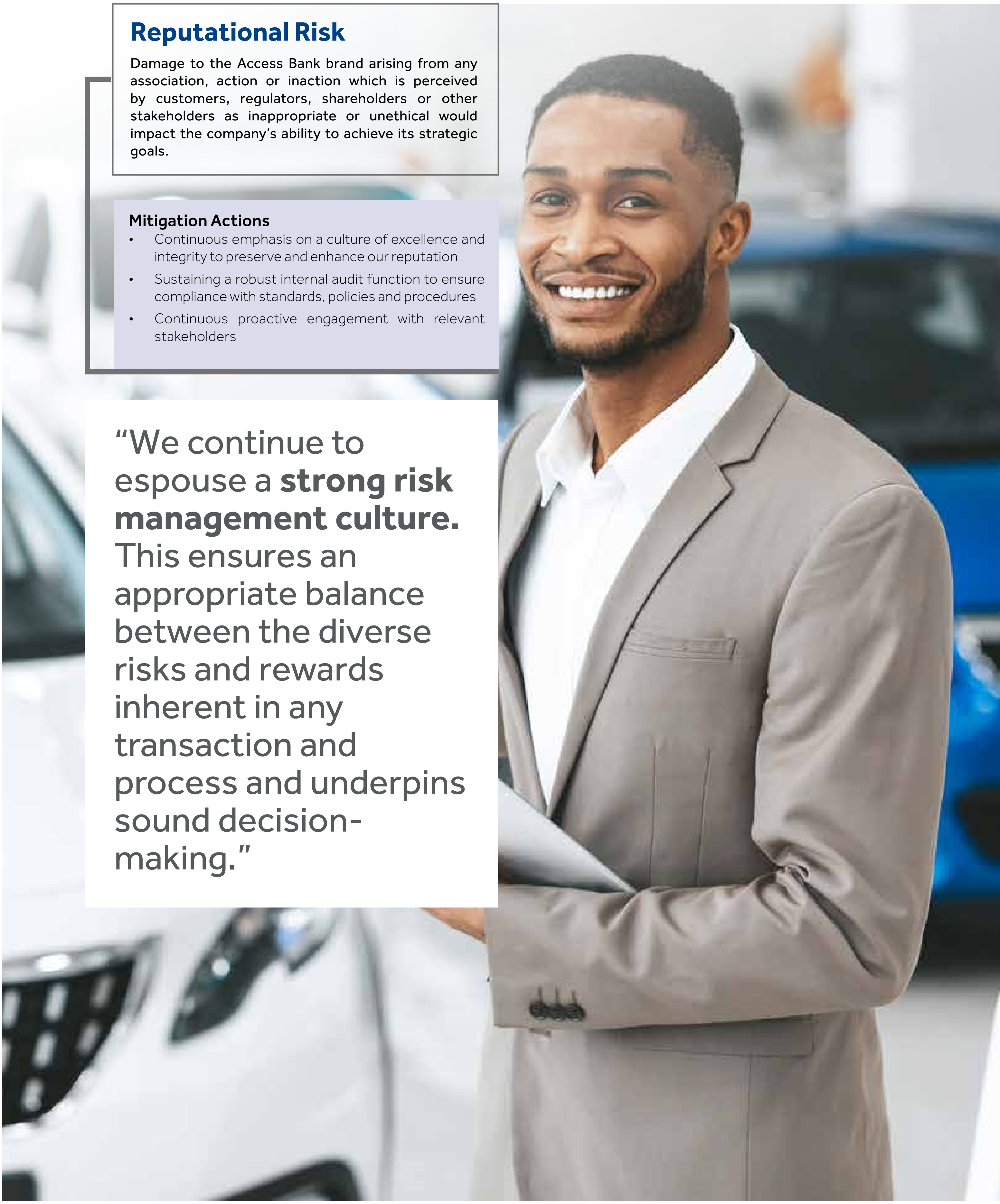
Compliance Risk

It is imperative that the business is positioned to respond appropriately to evolving and increasing regulatory and legislative requirements. As a subsidiary of the larger international group, compliance risk is heightened in order to comply with regulations of the parent company's jurisdiction.

Mitigation Actions

- Frequent interactions with regulators
- Active dialogues with relevant government officials and monitoring of events potentially impacting our business
- Improving compliance systems and controls
- Frequent review and updating of policies

Risk report continued



Reputational Risk

Damage to the Access Bank brand arising from any association, action or inaction which is perceived by customers, regulators, shareholders or other stakeholders as inappropriate or unethical would impact the company's ability to achieve its strategic goals.

Mitigation Actions

- Continuous emphasis on a culture of excellence and integrity to preserve and enhance our reputation
- Sustaining a robust internal audit function to ensure compliance with standards, policies and procedures
- Continuous proactive engagement with relevant stakeholders

"We continue to espouse a **strong risk management culture.** This ensures an appropriate balance between the diverse risks and rewards inherent in any transaction and process and underpins sound decision-making."

04

Consolidated separate annual financial statements

General Information

Country of incorporation and domicile	Botswana
Nature of business and principal activities	Banking and related services
Directors	Mrs Lorato Nthando Mosetlhanyane Mr Mooketsi Jacob Motlhabane Mr Kgotso Elvis Bannalotlhe* Mr Joshua Benjamin Galeforolwe Mr Boiki Matema Wabo Tema Mrs Ntoti Mosetlhe Mrs Ratang Rosemary Icho Molebatsi* Mr John Bosco Sebabi Mr Robert Michael Yorwerth Giles Mr Oluseyi Kolawole Kumapeyi *Executive directors
Registered office	Access House Plot 62433 Fairgrounds Office Park Private Bag 00303 Gaborone, Botswana
Parent company	Access Bank Plc incorporated in Nigeria (The parent company is also the ultimate parent company)
Main Bankers	Standard Bank of South Africa Limited Standard Chartered Bank New York Citibank New York Commerz Bank First Rand
Auditors	PricewaterhouseCoopers Plot 50371 Fairgrounds Office Park P O Box 294 Gaborone
Secretary	Mrs Thato Mmile
Functional and reporting currency	Botswana Pula "BWP"

Directors' Report

The directors have pleasure in submitting their report on the consolidated and separate annual financial statements of Access Bank Botswana Limited for the year ended December 31, 2021.

1. Activities

The Bank was licensed as a commercial bank on 28 August 2009 and is trading as "BancABC" until October 2021. On 11 October 2021, the Bank ceased trading as a subsidiary of ABC Holdings Limited and became a subsidiary of Access Bank Plc, following a shareholder transaction where Access Bank Plc acquired a majority 78.1% shareholding in the Bank from ABC Holdings Limited. The Bank now trades as Access Bank Botswana Limited. Its principal activities include treasury activities, corporate and small medium enterprise (SME) banking, trade finance, investment banking and retail banking. The Bank registered an insurance agency on 18 January 2012. The insurance agency was registered as Kaleu Pty Ltd, trading as Access Insurance. Kaleu Pty Ltd is 100% owned by the Bank.

2. Stated capital

The issued share capital of the bank comprised of 725,000,000 (2020 : 725,000,000) ordinary shares at the end of the year.

3. Directorate

On 08th October 2021, the bank bid farewell to Ms. Beatrice Hamza Bassey, who resigned from her service as a Board Member after over 3 years on the Access bank Board. Mr Robert Michael Yorwerth Giles and Mr Oluseyi Kolawole Kumapeyi were appointed as directors on the 05th November 2021.

4. Capital adequacy and dividend declaration

The Bank continues to hold healthy capital adequacy levels at 21%. The strong capital levels position the Bank well for future growth as investment into transforming the bank is key to unlocking growth. As the bank launches its strategic focus for the next five years this level of capital will be effectively and efficiently deployed into the operations. The bank will continue to practice caution on capital management.

The Directors have been abundantly cautious during the COVID-19 pandemic not to declare dividend and ensure the company had more than sufficient capital to sustain itself through a prolonged persistence of business disruptions seen in the last two years. However, based on current conditions and forecast trajectory, as well as the backing of a strong parent, the directors deem the business and macroeconomic environment to be supportive of the resumption of dividend payment.

Notice is hereby given that a final dividend of 2.2 thebe per share for the period ended 31 December 2021 is declared and will be payable on 20th May 2022 to those shareholders registered at close of business on 10th May 2022 with an ex-dividend date of 6th May 2022.

5. Events after the reporting period

Global Developments

On 24 February, Russia announced a "special military operation" to "demilitarise and denazify" Ukraine, which has resulted in the on-going conflict between the two countries, widely referred to as the invasion of Ukraine by Russia. The on-going conflict has seen various economic sanctions being imposed on Russia by the United States of America, European Union and other countries. Russia is a key player in world economics and the on-going conflict poses a substantial economic risk for most countries, including Botswana.

The Bank does not consider it practical to estimate the quantitative impact which the on-going conflict may have on the Bank. However, the conflict and economic sanctions against Russia do not have an impact on the 31 December 2021 financial statements and are considered a non-adjusting event.

Dividend declaration

On 11 March 2022, the directors declared a final dividend of 2.2 thebe per share for the period ended 31 December 2021 after due consideration of the capital adequacy and liquidity position of the Bank post payment of dividends.

There are no other matters which are material to the financial affairs of the Bank which have occurred between year-end and the date of approval of the annual financial statements.

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act, 2003 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of the Group 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 and the Companies Act, 2003. The external auditors are engaged to express an independent opinion on the consolidated and separate annual financial statements.

The consolidated and separate annual financial statements are prepared in accordance with International Financial Reporting Standards and the Companies Act, 2003 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 Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors 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 Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group 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 consolidated and separate 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 Group's cash flow forecast for the year to December 31, 2022 and, in light of this review and the current financial position, they are satisfied that the Group 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 Group's consolidated and separate annual financial statements. The consolidated and separate annual financial statements have been examined by the Group's external auditors and their report is presented on pages 59 to 65.

The consolidated and separate annual financial statements set out on pages 66 to 140, which have been prepared on the going concern basis, were approved by the board of directors on March 11, 2022 and were signed on their behalf by:

Approval of financial statements

Lorato Nthando Mosetlhanyane
Chairperson

Kgotso Elvis Bannalotlhe
Managing Director

Independent Auditor's Report

To the Shareholders of Access Bank Botswana Limited

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Access Bank Botswana Limited (the "Company") and its subsidiaries (together the "Group") as at 31 December 2021, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

Access Bank Botswana Limited's consolidated and separate financial statements set out on pages 66 to 140 comprise:

- the consolidated and separate statements of financial position as at 31 December 2021;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Botswana.

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Country Senior Partner: R Binedell
Partners: A S Edirisinghe, I D Molebatsi, S K Wijesena

Independent Auditor's Report

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Other matters

We draw attention to the matter below. Our opinion is not modified in respect of this matter.

Prior year financial statements not audited

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2021, we also audited the adjustments described in Note 39 that were applied to amend the year ended 2020 consolidated and separate financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the consolidated and separate financial statements of the group for the year ended 31 December 2020 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the consolidated and separate financial statements for the year ended 31 December 2020, taken as a whole.

Our audit approach

Overview

Overall group materiality

- Overall materiality: BWP BWP4 838 000, which represents 5% of consolidated three years average profit before tax.

Group audit scope

- The Company is the only financially significant component in the Group based on the consolidated profit before taxes of the Group. The subsidiary was considered to be financially insignificant to the Group.
- We performed a full scope audit of the Company only.

Key Audit Matters

- Expected credit losses ("ECL") on loans and advances.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Independent Auditor's Report (continued)

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	BWP 4 838 000
How we determined it	5% of consolidated three years average profit before tax.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% rule of thumb, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this industry.

How we tailored our group audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of the Company and one wholly owned subsidiary, both of which were considered to be individual components for purposes of our group audit. Our scoping assessment took into consideration the financial significance of each component to the Group. We concluded the Company to be the only financially significant component in the Group based on the consolidated profit before taxes of the Group. The subsidiary was considered to be financially insignificant to the Group.

For the financially significant component, we performed a full scope audit. No audit procedures have been performed on the financially insignificant component. All testing was performed centrally by the group audit team. By performing the procedures outlined above, we obtained sufficient and appropriate audit evidence regarding the financial information of the Group to provide a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

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

Independent Auditor's Report (continued)

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<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Expected credit losses ("ECL") on loans and advances to customers (this key audit matter refers both to the Consolidated and separate financial statements)
(All amounts in BWP '000)
Refer to the following notes to the consolidated and separate financial statements for disclosure relating to this key audit matter:

note 1.3 (Significant judgments and sources of estimation uncertainty - Measurement of expected credit loss allowance);
note 1.17 (Financial instruments - Expected credit losses);
note 3.1. (Financial instruments and risk management - Credit risk);
note 9 (Loans and advances to customers); and
note 23 (Impairment of financial assets).

As at 31 December 2021, gross loans and advances to customers amounted to BWP 6 796 657, against which an ECL of BWP 287 962 was recognised.
The measurement of the ECL for financial assets measured at amortised cost requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Statistical models have been developed to support the quantification of credit risk.
</td><td>
Our audit addressed the key audit matter as follows:
For a sample of loans and advances, we agreed the loans and advances information included in the models to underlying data, accounting records and other information such as loan agreements and noted no exceptions.
Utilising our actuarial expertise, we reperformed and assessed the reasonableness of the Group's and of the Company's ECL calculation by performing the following procedures:

We obtained a detailed breakdown of loans and advances by product type and independently calculated the risk stage for each loan. No material differences were noted when compared with management's classification of loans and advances into the various risk stages;
Assessed the appropriateness of the model used by the Group and the Company with reference to the requirements of IFRS 9 – Financial Instruments, and ensured that the model was consistently applied to all loans and advances portfolios. We noted no matters requiring further consideration and there were no inconsistencies in the manner that the Group and the Company applied the model across the loans and advances portfolios;
We evaluated the reasonableness of key judgemental inputs used in the model, including:

the PDs applied;
the LGDs applied;
the EADs applied; and
the definition and application of SICR by recalculating these assumptions using historical loans and advances data and comparing to management's assumptions applied in the ECL model.

</td></tr>
</table>

Independent Auditor's Report (continued)

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Key areas of significant management judgement and estimation applied in the measurement of ECL on loans and advances include: • Determining criteria for significant increase in credit risk; • Determining appropriate Probabilities of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") applicable to loans and advances to customers; • Choosing appropriate models and assumptions for the measurement of ECL; • Establishing the number and relative weightings of forward-looking scenarios for the associated ECL; and • Establishing groups of similar financial assets for the purposes of measuring ECL. In addition to the above, judgement is also applied to determine whether any management overlays are required for credit risk elements which are not captured by the models. We considered the ECL on loans and advances to be a matter of most significance to our current year audit due to the degree of judgement and estimation applied by management in determining the ECL, and the magnitude of the ECL recognised as at 31 December 2021.	Based on our procedures performed, we noted no matters requiring further consideration in regards to these assumptions; • We developed an independent estimation of the ECL on loans and advances by calculating a base case ECL, which incorporated our independently determined SICR adjustments, before incorporating forward-looking indicators. We compared our results against the Group's and Company's computed ECL estimate before forward-looking indicators in order to identify possible gaps within the modelling components. No material differences were noted; • We then adjusted our ECL as determined in the point above for forward-looking information and tested the sensitivity of the adjusted ECL against different economic scenarios to take into consideration the uncertainties in the current economic outlook. We compared the entire range of our results with the forward-looking information adjusted ECL computed by the Group and the Company and found no material differences. We evaluated the reasonableness of the management overlays by performing the following procedures and noted no material exceptions based on our procedures performed: • Obtained management's calculations in support of the overlays and assessed the reasonability of management assumptions by agreeing the overlays to the underlying information supporting the calculations; and • Tested the mathematical accuracy of the calculations.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Access Bank Botswana Limited consolidated and separate annual financial statements for the year ended December 31, 2021", and "Access Bank Botswana Limited summary of audited consolidated financial statements for the year ended 31 December 2021" which we obtained prior to the date of this auditor's report, and the other sections of the document titled 'Access Bank Botswana Limited annual report for the year ended 31 December 2021', which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Independent Auditor's Report (continued)

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

Independent Auditor's Report (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current 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.

PricewaterhouseCoopers

Individual practicing member: Sheyan Edirisinghe
Registration number: 20030048

Gaborone
30 March 2022

Statements of Financial Position

as at December 31, 2021

		Group			Company		
				01 January			01 January
			2020	2020		2020	2020
Figures in Pula thousand	**Note(s)**	**2021**	**Restated***	**Restated***	**2021**	**Restated***	**Restated***
Assets							
Cash and balances with the Central Bank	5	258,979	384,004	77,138	258,979	384,004	77,138
Balances with other banks	6	1,391,705	895,789	904,537	1,391,705	895,789	904,537
Debt instruments	7	567,960	680,142	642,818	567,960	680,142	642,818
Derivative financial assets	8	67,915	60,569	60,487	67,915	60,569	60,487
Loans and advances to customers	9	6,508,695	6,000,970	6,436,064	6,508,695	6,000,970	6,436,064
Balances due from related parties	10	975	488,185	633,118	975	488,185	633,118
Current tax receivable*	11	8,609	-	21,425	7,197	351	22,884
Other assets	12	88,255	101,102	85,381	76,694	81,259	74,346
Property, plant and equipment	13	102,705	119,718	129,860	102,705	119,718	129,860
Intangible assets	14	75,627	102,442	104,347	75,627	102,442	104,347
Deferred tax	15	39,234	25,127	29,869	39,234	25,127	29,869
Investment in subsidiary	34	-	-	-	-	-	-
Total Assets		**9,110,659**	**8,858,048**	**9,125,044**	**9,097,686**	**8,838,556**	**9,115,468**
Equity and Liabilities							
Liabilities							
Balances due to related parties	10	5,680	14,226	17,662	5,680	168,257	165,228
Deposits from banks	16	364,021	68,713	66,844	364,021	68,713	66,844
Deposits from customers	16	6,607,881	6,566,048	6,973,892	6,786,575	6,566,048	6,973,892
Derivative financial liabilities	8	64,809	59,667	59,618	64,809	59,667	59,618
Current tax payable*	11	-	1,072	-	-	-	-
Other liabilities*	17	196,108	218,973	162,023	184,008	210,726	147,405
Borrowings	18.1	686,024	759,118	763,172	686,024	759,118	763,172
		7,924,523	**7,687,817**	**8,043,211**	**8,091,117**	**7,832,529**	**8,176,159**
Equity							
Stated capital	19	222,479	222,479	222,479	222,479	222,479	222,479
Retained income*		949,121	932,366	843,968	769,554	768,162	701,444
Revaluation reserve	20	8,445	9,295	9,295	8,445	9,295	9,295
Other reserve	21	6,091	6,091	6,091	6,091	6,091	6,091
		1,186,136	**1,170,231**	**1,081,833**	**1,006,569**	**1,006,027**	**939,309**
Total Equity and Liabilities		**9,110,659**	**8,858,048**	**9,125,044**	**9,097,686**	**8,838,556**	**9,115,468**

The accounting policies on pages 71 to 86 and the notes on pages 87 to 140 form an integral part of the consolidated and separate annual financial statements.

*Refer to note 39 for more details on the restatements.

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2021

		Group		Company	
			2020		2020
Figures in Pula thousand	**Note(s)**	**2021**	**Restated***	**2021**	**Restated***
Effective interest and similar income	22	700,284	712,173	700,284	712,173
Effective interest expense and similar charges	22	(299,554)	(290,117)	(303,622)	(295,452)
Net interest income		**400,730**	**422,056**	**396,662**	**416,721**
Impairment of financial assets	23	(21,391)	(3,725)	(21,391)	(3,725)
Net interest income after impairment on financial assets		**379,339**	**418,331**	**375,271**	**412,996**
Net trading income	24	38,332	27,540	38,332	27,540
Net fee and commission income	25	100,974	95,126	78,020	69,631
*Fee and commission income**	25	133,613	132,298	110,659	106,803
*Fee and commission expenses**	25	(32,639)	(37,172)	(32,639)	(37,172)
Income from operations		**518,645**	**540,997**	**491,623**	**510,167**
Personnel expenses	26	(164,742)	(153,789)	(163,664)	(152,692)
General and administrative expenses*	27	(183,566)	(131,715)	(181,731)	(129,841)
Depreciation and amortisation expenses	28	(46,252)	(46,379)	(46,252)	(46,379)
Impairment of other financial assets	27	(21,247)	(3,066)	(21,247)	(3,066)
Other operating expenses	29	(81,994)	(87,185)	(77,718)	(87,185)
Profit before taxation		**20,844**	**118,863**	**1,011**	**91,004**
Taxation*	30	(4,089)	(30,465)	381	(24,286)
Profit for the year		**16,755**	**88,398**	**1,392**	**66,718**
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Changes in revaluation of property	13	(1,091)	-	(1,091)	-
Deferred tax effect on the above	13	241	-	241	-
Other comprehensive income for the year		**(850)**	**-**	**(850)**	**-**
Total comprehensive income for the year		**15,905**	**88,398**	**542**	**66,718**
				Group 2021	**Group 2020**
Basic and diluted earnings per share (thebe)				**2**	**12**

The accounting policies on pages 71 to 86 and the notes on pages 87 to 140 form an integral part of the consolidated and separate annual financial statements.

*Refer to note 39 for more details on the restatements.

Statements of Changes in Equity

for the year ended 31 December 2021

Figures in Pula thousand		Stated capital	Revaluation reserve	Other reserves	Total reserves	Retained income	Total equity
Group							
Opening balance as previously reported		222,479	9,295	6,091	15,386	847,336	1,085,201
Adjustments							
Prior year adjustments	39	-	-	-	-	(3,368)	(3,368)
Balance at January 1, 2020 as restated		**222,479**	**9,295**	**6,091**	**15,386**	**843,968**	**1,081,833**
Profit for the year		-	-	-	-	88,398	88,398
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**88,398**	**88,398**
Balance at December 31, 2020		**222,479**	**9,295**	**6,091**	**15,386**	**932,366**	**1,170,231**
Profit for the year		-	-	-	-	16,755	16,755
Other comprehensive income		-	(850)	-	(850)	-	(850)
Total comprehensive in the year		**-**	**(850)**	**-**	**(850)**	**16,755**	**15,905**
Balance at December 31, 2021		**222,479**	**8,445**	**6,091**	**14,536**	**949,121**	**1,186,136**
Note(s)		19	20	21			
Company							
Opening balance as previously reported		222,479	9,295	6,091	15,386	704,812	942,677
Adjustments							
Prior year adjustments	39	-	-	-	-	(3,368)	(3,368)
Balance at January 1, 2020 as restated		**222,479**	**9,295**	**6,091**	**15,386**	**701,444**	**939,309**
Profit for the year		-	-	-	-	66,718	66,718
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**66,718**	**66,718**
Balance at December 31, 2020		**222,479**	**9,295**	**6,091**	**15,386**	**768,162**	**1,006,027**
Profit for the year		-	-	-	-	1,392	1,392
Other comprehensive income		-	(850)	-	(850)	-	(850)
Total comprehensive income for the year		**-**	**(850)**	**-**	**(850)**	**1,392**	**542**
Balance at December 31, 2021		**222,479**	**8,445**	**6,091**	**14,536**	**769,554**	**1,006,569**
Notes		19	20	21		19	

The accounting policies on pages 71 to 86 and the notes on pages 87 to 140 form an integral part of the consolidated and separate annual financial statements.

* Refer to note 39 for more details on the restatements.

Statements of Cash Flows

for the year ended 31 December 2021

		Group		Company	
Figures in Pula thousand	**Note(s)**	**2021**	**2020 Restated***	**2021**	**2020 Restated***
Cash flows from operating activities					
Profit before taxation		20,844	118,863	1,011	91,004
Adjustments for:					
Depreciation and amortisation		46,252	46,379	46,252	46,379
Impairment losses on financial assets		21,391	3,725	21,391	3,725
Net exchange losses on borrowings		42,427	4,441	42,427	4,441
Currency revaluations		(4)	(11)	(4)	(11)
Net interest income		(400,730)	(422,056)	(396,662)	(416,721)
Fair value adjustment on derivatives		-	(32)	-	(32)
Movements in operating assets/liabilities:					
Loans and advances to customers		(535,624)	410,664	(535,624)	410,664
Balances due from related parties		487,210	142,146	487,210	142,146
Other assets		(135,467)	(6,201)	(143,749)	2,607
Deposits from customers and banks		336,980	(415,976)	514,890	(415,976)
Other liabilities*		146	51,291	(3,098)	57,623
Balances due to related parties		(8,546)	(3,436)	(162,577)	3,030
Cash generated from operations		**(125,121)**	**(70,203)**	**(128,533)**	**(71,121)**
Interest received		698,991	744,803	698,991	744,803
Interest paid*		(304,652)	(281,023)	(308,721)	(286,359)
Tax (paid)/received	11	(28,057)	(3,266)	(20,577)	2,988
Net cash from operating activities		**241,161**	**390,311**	**241,160**	**390,311**
Cash flows from investing activities					
	13				
Purchase of property, plant and equipment		(2,136)	(6,962)	(2,136)	(6,962)
Additions to debt instruments*		(150,153)	(237,047)	(150,153)	(237,047)
Disposal of debt instruments*		107,000	199,128	107,000	199,128
Purchase of other intangible assets	14	(9,091)	(25,301)	(9,091)	(25,300)
Net cash from/(used in) investing activities		**(54,380)**	**(70,182)**	**(54,380)**	**(70,181)**
Cash flows from financing activities					
Proceeds from borrowings		-	121,360	-	121,360
Repayment of borrowings		(115,410)	(128,948)	(115,410)	(128,948)
Payment of principal on lease liabilities		(5,644)	(5,683)	(5,644)	(5,683)
Net cash used in financing activities		**(121,054)**	**(13,271)**	**(121,054)**	**(13,271)**

Statement of Cash Flows

for the year ended 31 December 2021

		Group		Company	
Figures in Pula thousand	**Note(s)**	**2021**	**2020 Restated***	**2021**	**2020 Restated***
Total cash movement for the year		**65,727**	**306,858**	**65,726**	**306,859**
Cash at the beginning of the year		1,709,413	1,380,345	1,709,414	1,380,345
Effect of exchange rate movement on cash balances		29,225	22,210	29,225	22,210
Total cash at end of the year		**1,804,365**	**1,709,413**	**1,804,365**	**1,709,414**
Cash and Cash equivalents consists of:					
Cash and balances with the Central Bank**	5	258,979	384,004	258,979	384,004
Balances with other banks	6	1,271,079	895,789	1,271,079	895,789
Debt instruments	7	274,307	429,620	274,307	429,621
		1,804,365	**1,709,413**	**1,804,365**	**1,709,414**

The accounting policies on pages 71 to 86 and the notes on pages 87 to 140 form an integral part of the consolidated and separate annual financial statements.

* Refer to note 39 for more details on the restatements.

Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements are set out below.

1.1 Basis of preparation

The consolidated and separate 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 consolidated and separate annual financial statements and the Companies Act, 2003.

The consolidated and separate annual financial statements have been prepared on the historic cost convention, except as modified by the revaluation of financial instruments measured as fair value through profit and loss and property measured at revalued amounts. They are presented in Pula, which is the Group and company's functional currency.

Presentation

The Bank presents its statement of financial position in order of liquidity. Where permitted or required under IFRS, the bank offsets assets and liabilities or income and expenses and presents the net amount in the statement of financial position the income statement or the statement of other comprehensive income.

Revenue in the form of interest and non-interest income are presented on the statement of profit and loss by their function. This is due to the distinct functions/activities responsible for the generation of this income within the Bank such as Lending activities, Trading and Transactional activities. Expenses are presented in terms of the nature of the expenses rather than by function. This is because the expenses are mainly incurred by the services and support units of the Bank and the expenses cannot be directly attributable to a particular function. As such, the expenses are more accurately monitored and reported by nature e.g. personnel costs, depreciation and amortization, information and technology costs.

These accounting policies are consistent with the previous period.

Going concern basis of accounting and impact of COVID-19

The continued fight against the COVID-19 pandemic and the measures adopted by governments in countries worldwide to mitigate the pandemic's spread have not significantly impacted the Group. As such, these consolidated and separate financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

Various economic experts predict a recovery to the economy of Botswana, including growth in consumer spending, growth in GDP, increased global demand for diamonds and little deterioration to the unemployment rate. Despite the positive outlook, the path to recovery from the COVID-19 pandemic remains uncertain as it is hinged on efforts to ensure the country achieves herd immunity along and continued recovery of our key sectors of the economy. As such, the Bank continues to exercise prudence in lending in order to maintain a reasonable match against deposits and also continues to closely monitor and proactively respond to any adverse indicators arising from the pandemic. The Bank's financial, liquidity and capital projections remain positive, despite the possible adverse consequences of the pandemic.

1.2 Consolidation

Basis of consolidation

The consolidated and separate annual financial statements incorporate the consolidated and separate annual financial statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the Group.

The consolidated annual financial statements include those of Access Bank Botswana Limited and it's subsidiary Kaleu Pty Ltd (jointly, "the Group").

The Group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity.

The result of the subsidiary is included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the consolidated and separate annual financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

All inter-company transactions, balances, and unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non- controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Accounting Policies (continued)

1. Significant accounting policies (continued)

1.2 Consolidation (continued)

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Statement of Changes in Equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the company.

Investments in subsidiaries in the separate financial statements

In the bank's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of consolidated and separate 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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment for the year ended 31 December 2021 have been included in the following notes;

- Determination of the fair value of financial instruments with significant unobservable inputs (note 3)
- Impairment of financial instruments: key assumptions used in estimating recoverable cash flows (note 1.3)
- Determination of the fair value of land and buildings with significant unobservable inputs (note 13)

The judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below:

Impairment of financial assets at amortised cost

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

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:

Measurement of expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions and application of judgement about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting) including estimation of probability of default, loss given default, estimation of exposure at default, assessing significant increases in credit risk as well as management overlays.

The following are considered when assessing changes in credit risk:

- Any facility that is more than 30 days past due, or in the case of instalment-based products one instalment past due, is automatically considered to have experienced a significant increase in credit risk.
- Changes in the rates or terms of an existing financial instrument that would be result in a significant difference in the carrying amount, if the instrument was newly originated or issued at the reporting date. Where a change in the carrying amout is significant, it is deemed to be a substantial modification that results in derecognition of the original advance/facility and recognition of a new advance/facility.
- significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life.
- an actual or expected significant change in the financial instrument's external credit rating.
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations, such as an actual or expected increase in interest rates or an actual or expected significant increase in unemployment rates.
- an actual or expected significant change in the operating results of the borrower.
- significant increases in credit risk on other financial instruments of the same borrower.
- actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations, such as a decline in the demand for the borrower's sales product because of a shift in technology.
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring.

Accounting Policies (continued)

1. Significant accounting policies (continued)

1.3 Significant judgements and sources of estimation uncertainty (continued)

- a significant change in the quality of the guarantee provided by a shareholder (or an guarantor who is an individual) if the shareholder (or guarantor) have an incentive and financial ability to prevent default by capital or cash infusion.
- significant changes, such as reductions in financial support from a parent entity or other affiliate or an actual or expected significant change in the quality of credit enhancement, that are expected to reduce the borrower's economic incentive to make scheduled contractual payments.
- Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument if the changes demonstrate signs of reduced repayment capacity of the counterparty.
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group.
- changes in the entity's credit management approach in relation to the financial instrument.

The above factors are considered in analysing whether there has been significant increase in credit risk (SICR) to loan/other financial asset, which would result in migration from Stage 1 to Stage 2. Loans and other financial assets are migrated to Stage 3 when they are considered impaired.

3 Stage approach

Stage 1 - As soon as a financial instrument is originated or purchased, 12-month expected credit losses are recognised in profit or loss and a loss allowance is established. This serves as a proxy for the initial expectations of credit losses.

Stage 2 - If the credit risk increases significantly and the resulting credit quality is not considered to be low credit risk, full lifetime expected credit losses are recognised. Lifetime expected credit losses are only recognised if the credit risk increases significantly from when the entity originates or purchases the financial instrument.

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk ("SICR") for financial instruments since initial recognition by:

- comparing the PD at the reporting date over the remaining expected life, with the PD on the date of initial recognition. Established thresholds for an SICR are based on a percentage change in lifetime PD relative to initial recognition;
- using a set of portfolio-specific qualitative criteria that are indicative of a SICR to enhance the overall SICR assessment; and
- considering instruments that are more than 30 days past due to have experienced a SICR.

Stage 3 - If the credit risk of a financial asset increases to the point that it is considered credit-impaired, full lifetime expected credit losses are still recognised on these financial assets. Interest revenue however is calculated based on the amortised cost (i.e. the gross carrying amount adjusted for the loss allowance). Financial assets in this stage will generally be individually assessed.

Financial assets that are credit-impaired (or in default) represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are also considered to be credit-impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset (refer note 1.17).

The current methodology adopts the use of a single default definition in conjunction with a technical default definition. A single default definition is applied throughout the modelling process as a result of insufficient data volumes and data quality issues and assumes that once an account enters default (Stage 3), it will remain in default for its remaining term. Therefore, no curing, except for settlement cures, is applied within the modelling. The single default definition can be quite punitive from a provisioning perspective; therefore, the technical default definition was introduced to soften the conservativeness of the single default definition. As a curing rule, the Group applies a 3- month period whereby the performance of an account in default is monitored and evaluated in order to determine whether the account is a candidate for reversal from Stage 3 (non-performing state) to Stage 2 (performing state).

Single default definition on the impairment model implies once a customer falls into default, they will fall into default with no curing except for settlement cures which are applied within the model. Therefore, once an account migrates into default, it will remain in default until settlement.

Technical default is when a loan defaults and migrates into a different credit stage but the default does not necessarily present significant increase in credit risk. This is mainly due to administrative issues in collecting or recording a loan installment.

Probability of Default

Probability of default (PD), is defined as a probability-weighted estimation of the likelihood that a customer will default over a given time horizon. The Probability of Default model estimates the probability of default across various product segments with PD term structures being developed for each segment. The base term structures are calculated empirically based on one monthly hazard rates. Hazard rates being the proportion of the default balances for a given time on the book across all origination cohorts in the data, to the balance of the accounts at risk. Different fits to these base term structures are then assessed to determine the best fit for each term structure.

Accounting Policies (continued)

1. Significant accounting policies (continued)

1.3 Significant judgements and sources of estimation uncertainty (continued)

Loss given Default
Loss given default (LGD) is an estimate of the loss arising on default. It is based on the difference between the contractual cashflows due and those that the lender would expect to receive, including from any collateral. The Secured LGD approach was applied to all Retail Secured, Corporate and Government segments.

Sensitivity analysis on impairment losses on managements estimates for Consolidation and Company is shown as follows:

31 December 2021	2021 P'000	2020 P '000
Corporate loans		
Migration of 5% of stage 1 loans to stage 2	(96)	(105)
Migration of 5% of stage 2 loans to stage 3	36	27
Increasing the loss ratio by 10%	658	853
Mortgages		
Migration of 5% of stage 1 loans to stage 2	1,125	785
Migration of 5% of stage 2 loans to stage 3	81	106
Increasing the loss ratio by 10%	1,705	1,829
Retail and SME loans		
Migration of 1% of stage 1 loans to stage 2	8,261	7,943
Migration of 5% of stage 2 loans to stage 3	248	286
Increasing the loss ratio by 5%	10,538	10,573

Retail
For retail exposure, the assessment of the credit risk is made on a collective basis, incorporating all relevant credit information. For this purpose, the Bank Groups its exposures on the basis of shared credit risk characteristics.

Wholesale
For larger exposures such as corporate and commercial, the assessment is driven by various qualitative and quantitative factors, including behavioral patterns that are specific to the individual borrower.

Management overlays
Refer to note 3.1.7.

Key sources of estimation uncertainty

Measurement of expected credit loss allowance
The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting) and the resulting losses. Explanations of the inputs assumptions and estimation techniques used in measuring ECL is further detailed on IFRS 9 note 3.1.8, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Fair value estimation
Several assets and liabilities of the group 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. Qualified external valuers are consulted for the determination of appropriate valuation techniques and inputs.

Information about the specific techniques and inputs of the various assets and liabilities is disclosed in note 3, note 13.

Accounting Policies (continued)

1.4 Translation of foreign currencies

Functional and presentation currency
Items included in the consolidated and separate annual financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated and separate annual financial statements are presented in Pula which is the Group functional and presentation currency.

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.

In circumstances where the Group receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the Group initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, Group determines a date of transaction for each payment or receipt of advance consideration.

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 consolidated and separate 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.

1.5 Fair value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access to at that date. The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets. When available, the Group measures fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for assets and liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market then the Group uses valuation techniques that maximise the use of unobservable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

When such valuation models, with only observable market data as input, indicate that the fair value differs from the transaction price, this initial difference, commonly referred to as day one profit or loss, is recognised in the profit or loss immediately. If non-observable market data is used as part of the input to the valuation models, any resulting difference between the transaction price and the model value is deferred. The timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement. The deferral and unwind method is based on the nature of the instrument and availability of market observable inputs.

Subsequent to initial recognition, the fair values of financial assets and liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is an unlisted instrument, the fair value is determined by using applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, pricing models and valuation techniques commonly used by market participants.

1.6 Interest income and expense
Interest income and interest expense are recognised in profit or loss for all interest bearing financial instruments on an accruals basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

Accounting Policies (continued)

1.6 Interest income and expense (continued)

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest expense on leases is disclosed part of cash flows from financing activities. All other interest income and interest expense is disclosed as part of cash flows from operating activities in the statement of cash flows.

1.7 Fee and commission and trading income

Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers. Fee and commission income is earned by the bank by providing customers with a range of services and products, and consists of the following main categories:

- banking fee and commission income;
- knowledge-based fee and commission income;
- fee and commission income from service providers; and
- other non-banking fee and commission income.

The vast majority of fee and commission income is earned on the execution of a single performance obligation and, as such, it is not necessary to make significant judgements when allocating the transaction price to the performance obligation. As such, fee and commission income, which typically includes transactional banking fees such as bank charges, interchange fees, point-of-sale fees, exchange commissions, cash deposit fees, bundled fees and knowledge-based fee and commission income, are recognised at a point in time.

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

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

Other non-banking fee and commission income relates to fees and commissions earned for rendering services to customers other than those related to the banking, insurance and asset management operations. This includes fee and commission income earned from providing services on behalf of third-party service providers, in effect acting as an agent. The revenue is recognised at a point in time and includes commission earned from the sale of prepaid airtime and electricity vouchers paid through SaruMoney mobile platform, as well as insurance commission.

Trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes and foreign exchange differences. Net trading income is recognised at the point in time when the transaction takes place.

1.8 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.

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 future 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 and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

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

Tax expenses

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

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

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

Accounting Policies (continued)

1.8 Tax (continued)

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.

1.9 Property, plant and equipment

Property, plant and equipment are tangible assets which the Group 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 Group, and the cost of the item can be measured reliably.

Items of property and equipment are stated at cost or revaluation less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

Land and buildings, the fair values of which can be reliably measured, are carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluation increases are credited directly to other comprehensive income and presented in equity under the heading 'Revaluation reserve'. However, revaluation increases are recognised in profit or loss to the extent that they reverse a revaluation decrease of the same asset previously recognised in profit or loss. Revaluation decreases are recognised in profit or loss. However, decreases are debited directly to equity to the extent of any credit balance existing in the revaluation surplus in respect of the same asset. Land and buildings are revalued at fair value as per IFRS 13.

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 Group. 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.

Land is not depreciated.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	40 years
Furniture and fixtures	Straight line	10 years
Motor vehicles	Straight line	5-6 years
Office equipment	Straight line	5 years
Right of use assets	Straight line	3-5 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.

An impairment loss on a non-revalued asset is recognized in profit or loss. However, an impairment loss on a revalued asset is recognized in revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of assets. Such an impairment loss on a revalued asset reduces the revaluation surplus for that class of assets. The Group transfers the revaluation reserve to retained earnings upon disposal.

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.

1.10 Intangible assets

Software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Amortisation is recognised in profit or loss on a straight line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life is three to five years.

Qualifying costs for software and intangibles still under construction are capitalised and recognized at cost as capital work-in-progress until the software or intangible is complete and available for use. Capital work in progress is recognized as and when the costs are incurred and measured at cost.

Accounting Policies (continued)

1.10 Intangible assets (continued)

Research and Development
Expenditure on research activities is recognised as an expense in the period in which it is incurred. The policy below relates to software and related software development costs

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

This relates to software and the Group incurs costs on software development.

Impairment of intangible assets
Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.11 Repossessed property
In certain circumstances, property pledged as collateral by customers is repossessed following the foreclosure on loans that are in default.

Repossessed assets are maintained off-balance sheet by the Group's Recoveries and Credit Recovery Administration department until they are sold off to extinguish or reduce the outstanding debt. Repossessed assets are maintained off-balance sheet as repossession gives the Bank the right to sell the property and recover amounts due without giving the Bank legal title of the full value of the property. The Group's policy is to pursue timely realisation of the collateral in an orderly manner so that repossessed properties are sold as soon as practical, with the proceeds used to reduce the outstanding indebtedness.

1.12 Provisions
Provisions are recognised when:
- the Group 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.

1.13 Financial guarantee contracts and loan commitments

Initial recognition
Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. Loan commitments issued at a below-market interest rate are initially recognised in the financial statements at fair value on the date the loan commitment was given, while loan commitments issued at market rates are recorded off balance sheet.

Subsequent measurement
Subsequently financial guarantees and loan commitments are measured at higher of:
- the amount of the loss allowance determined in accordance with IFRS 9, or
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Accounting Policies (continued)

1.14 Employee benefits

Defined contribution plans
The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other short term employee benefits
The Group's obligation in respect of accumulated leave days is recognised in full in the statement of financial position. Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

The Group assists officers and employees in respect of housing, motor vehicles and personal loans at subsidised rates as part of their remuneration package. The loans are held as financial assets at amortised cost.

1.15 Stated capital

Share issue costs
Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividend on ordinary shares
Dividends on ordinary shares are recognised in equity as a deduction in the period in which they are approved by the Group's shareholders. Dividends paid are disclosed as part of cash flows from financing activities in the statement of cash flows.

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

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

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

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

Group as lessee
A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense (note 26) 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 Group has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the Group is a lessee are presented in note 37 Leases (Group 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. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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 Group under residual value guarantees;
- the exercise price of purchase options, if the Group is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Group 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 37).

Accounting Policies (continued)

1.16 Leases (continued)
The lease liability is presented within other liabilities on the Statements 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 charges (note 22).

The Group 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 Group 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.

Right-of-use assets
Right-of-use assets are presented within property, plant and equipment on the Statements of Financial Position. Lease payments included in the measurement of the lease liability 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 Group 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 Group 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.

1.17 Financial instruments

Recognition and initial measurement
The Group recognises a financial asset or financial liability when, and only when, the Group becomes party to the contractual provisions of the instruments. All other financial instruments (including regular way purchases and sales of financial assets) are recognised on the trade date, which is the date the Group 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 fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

Financial liabilities other than derivative liabilities are initially recognised at fair value and subsequently carried at amortised cost using effective interest method. Financial liabilities are derecognised when they are extinguished. Derivative liabilities are measured at fair value with gain or losses recorded in net trading income under profit or loss (refer note 24).

The financial assets and liabilities initially recognised at fair value are subsequently measured at amortised cost using the effective interest method.

Accounting Policies (continued)

1.17 Financial instruments (continued)

Classification of financial assets

IFRS 9 contains two principal classification categories for financial assets: measured at amortised cost and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model as mentioned below in which a financial asset is managed and its contractual cash flows. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are Solely Payments of Principal and Interest ("SPPI").

The bank classifies the financial assets as detailed below.

Type of financial instrument	Business model	Accounting classification	Accounting treatment
Derivative financial assets	Realise changes in value	Fair value through profit or loss (FVPL)	Fair value, changes recorded through profit and loss
Debt instruments, loans and advances, balances with other banks and balances due from related parties	Collect contractual cash flows	Amortised cost	Amortised cost method

Measurement of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access to at that date. The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets. When available, the Group measures fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for assets and liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market then the Group uses valuation techniques that maximise the use of unobservable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

When such valuation models, with only observable market data as input, indicate that the fair value differs from the transaction price, this initial difference, commonly referred to as day one profit or loss, is recognised in the profit or loss immediately. If non-observable market data is used as part of the input to the valuation models, any resulting difference between the transaction price and the model value is deferred. The timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement. The deferral and unwind method is based on the nature of the instrument and availability of market observable inputs. The above measurement basis applies to financial assets carried at FVTPL only. Where financial assets are carried at amortised cost, the transaction price is the fair value. Where financial assets are remeasured to their fair value, the fair value gain or loss is recorded in trading income in the statement of profit and loss.

Amortised cost method

Finally, the amortised cost method is used to account for debt instruments. These financial assets are intended for collecting contractual cash flows until maturity. Debt instruments are different from FVTPL investments because FVTPL is intended to be held for a certain period and then sold. The debt instrument is recorded at its acquisition cost; any premium or discount is amortized over the life of the investment using the effective interest method, and transaction costs, if any, are capitalised.

Assessment of whether contractual cash flows are solely payments for principal and interest

For the purpose of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as the consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

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

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets;

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. Such changes are expected to be infrequent and arise as a result of significant external or internal changes such as the termination of a line of business or the purchase of a subsidiary whose business model is to realise the value of pre-existing held for trading financial assets through a hold to collect model.

Accounting Policies (continued)

1.17 Financial instruments (continued)

Financial assets are reclassified at their fair value on the date of reclassification and previously recognised gains and losses are not restated.

Classification of financial liabilities
Financial liabilities are classified as subsequently measured at amortised cost, except for:
- financial liabilities at FVTPL: This classification is applied to derivative financial liabilities and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated as FVTPL are presented partially in OCI (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability) ; and
- financial guarantee contracts and loan commitments

Financial liabilities include deposits from customers and other liabilities which are all measured at amortised cost and can not be reclassified.

Borrowed funds
On initial recognition for borrowed funds, any difference between the proceeds net of transaction costs and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transactions costs of the loan to the extent that is probable that some or all of the facility will be drawn down. In this case the fee is deferred until the draw-down occurs.

Derivative financial assets and liabilities
A derivative is a financial instrument with the following characteristics:
- It's value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable;
- It requires no initial net investment, or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- It is settled at a future date.

Expected credit losses
The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:
- financial assets that are debt instruments;
- financial guarantee contracts; and
- loan commitments issued.

No impairment loss is recognised on equity investments and on financial assets measured at fair value through profit or loss.

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

The amount of expected credit losses is updated at each reporting date.

Key credit definitions
Credit risk is broken down into the common risk components of probability of default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), modelled at a client, facility and portfolio level. These risk components are used in the calculation of a number of aggregate risk measures such as Expected Loss Credit (ECL). The models used by the Group are aimed to be compliant with Basel II and regulatory requirements. These risk measures would be used as inputs to calculate the collective impairment amounts.

Components	Definition
Probability of default (PD)	The probability that a counterparty will default, over the next 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2 and stage 3) and incorporating the impact of forward-looking economic assumptions that have an effect on credit risk, such as interest rates, unemployment rates and GDP forecasts.
	The PD estimates will fluctuate in line with the economic cycle. The lifetime (or term structure) PDs are based on statistical models, calibrated using historical data and adjusted to incorporate forward-looking economic assumptions.
Loss given default (LGD)	The loss that is expected to arise on default, incorporating the impact of forward-looking economic assumptions where relevant, which represents the difference between the contractual cash flows due and those that the bank expects to receive.
	The Group estimates LGD based on the history of recovery rates and considers the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant.
Exposure at default (EAD)	The expected statement of financial position exposure at the time of default, taking into account the expected change in exposure over the lifetime of the exposure. This incorporates the impact of drawdowns of committed facilities, repayments of principal and interest, amortisation and prepayments.

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

Accounting Policies (continued)

1.17 Financial instruments (continued)

Measurement

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

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

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

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

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

Recognition of credit losses and impairment methodology

12 months expected credit losses (stage 1)

If financial assets are exposed to low credit risk, expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the lifetime cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. The credit risk on a financial instrument is considered low if it has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. Expected credit losses continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit impaired. If an instrument is no longer considered to exhibit a significant increase in credit risk, expected credit losses will revert to being determined on a 12-month basis.

Financial assets that are 0-29 days past due and not credit-impaired are classified as stage 1.

Significant increase in credit risk (stage 2)

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

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Significant does not mean statistically significant nor is it assessed in the context of changes in ECL. Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors, the weight of which depends on the type of product and counterparty.

Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk. For less material portfolios where a loss rate or roll rate approach is applied to compute expected credit loss, significant increase in credit risk is primarily based on 30 days past due.

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

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

Collateral valuation

To the extent possible, the Group used active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value were valued using models. Non-financial collateral, such as real estate, was valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources.

Accounting Policies (continued)

1.17 Financial instruments (continued)

Credit-impaired (or defaulted) exposures (stage 3)

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

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

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

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

For individually significant financial assets within stage 3, the MANCO(Management committee) Credit Committee will consider all judgements that have an impact on the expected future cash flows of the asset. These include: the business prospects, industry and geo political climate of the customer, quality of realisable value of collateral, the Group's legal position relative to other claimants and any renegotiation/ forbearance/ modification options. The difference between the loan carrying amount and the discounted expected future cash flows will result in the stage 3 credit impairment amount. The future cash flow calculation involves significant judgements and estimates. As new information becomes available and further negotiations/forbearance measures are taken the estimates of the future cash flows will be revised, and will have an impact on the future cash flow analysis.

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

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

For Corporate lending, borrowers are graded by credit risk management on a credit grading scale from Performing to Loss. Once a borrower starts to exhibit credit deterioration, it will move along the credit grading scale in the performing book and when it is classified as credit grade Special Mention the credit assessment and oversight of the loan will normally be performed by Group Credit Committee.

Export credit judgement

Techniques used to compute impairment amounts use models which analyse historical repayment and default rates over a time horizon. Where various models are used, judgement is required to analyse the available information provided and select the appropriate model or combination of models to use. Expert credit judgement is also applied to determine whether any post-model adjustments are required for credit risk elements which are not captured by the models. The Group uses a technical default definition in conjunction with a single default definition to reduce the conservativeness of the single default definition. The technical default definition is applied after the worst stage client level consideration and is applied on an individual account level basis. The single default definition is then applied after the technical default definition.

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

Classification and measurement- Modifications financial instruments

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

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

Forborne loans

Forborne loans are those loans that have been modified in response to a customer's financial difficulties. Forbearance strategies assist clients who are temporarily in financial distress and are unable to meet their original contractual repayment terms. Forbearance can be initiated by the client, the Group or a third-party including government sponsored programmes or a conglomerate of credit institutions. Forbearance may include debt restructuring such as new repayment schedules, payment deferrals, tenure extensions, interest only payments, lower interest rates, forgiveness of principal, interest or fees, or relaxation of loan covenants. Forbearance and the reasons thereof are considered in the assessment of whether there has been significant increase in credit risk which determinates the stage of the loan and expected credit loss thereof.

Accounting Policies (continued)

1.17 Financial instruments (continued)

Forborne loans that have been modified (and not derecognised) on terms that are not consistent with those readily available in the market and/or where we have granted a concession compared to the original terms of the loans are considered credit-impaired if there is a detrimental impact on cash flows. The modification loss (see Classification and measurement- Modifications) is recognised in the profit or loss within credit impairment and the gross carrying value of the loan reduced by the same amount.

Derecognition of financial assets

The basic premise for the derecognition model in IFRS 9 is to determine whether the asset under consideration for derecognition is:

- an asset in its entirety or
- specifically identified cash flows from an asset (or a Group of similar financial assets) or
- a fully proportionate (pro rata) share of the cash flows from an asset (or a Group of similar financial assets), or
- a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a Group of similar financial assets)

Once the asset under consideration for derecognition has been determined, an assessment is made as to whether the asset has been transferred, and if so, whether the transfer of that asset is subsequently eligible for derecognition.

An asset is transferred if either the entity has transferred the contractual rights to receive the cash flows, or the entity has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to pass those cash flows on under an arrangement that meets the following three conditions:

- the entity has no obligation to pay amounts to the eventual recipient unless it collects equivalent amounts on the original asset
- the entity is prohibited from selling or pledging the original asset (other than as security to the eventual recipient),
- the entity has an obligation to remit those cash flows without material delay

Once an entity has determined that the asset has been transferred, it then determines whether or not it has transferred substantially all of the risks and rewards of ownership of the asset. If substantially all the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been retained, derecognition of the asset is precluded.

If the entity has neither retained nor transferred substantially all of the risks and rewards of the asset, then the entity must assess whether it has relinquished control of the asset or not. If the entity does not control the asset then derecognition is appropriate; however if the entity has retained control of the asset, then the entity continues to recognise the asset to the extent to which it has a continuing involvement in the asset.

Expired rights to the cash flows from the asset

The most obvious examples of situations when the contractual rights to the cash flows from the financial asset expire are repayment of a financial asset or expiry of an option. Other less obvious instances are discussed below:

Renegotiation and modification of a financial asset

Some modifications of contractual cash flows will result in derecognition of a financial instrument and the recognition of a new financial instrument in accordance with IFRS 9. If the modification of a financial asset measured at amortised cost does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

Write-offs

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

- By implication, in both retail and wholesale, for secured as well as unsecured exposures, write-offs cannot occur if there is evidence of recent payment behaviour. Each credit portfolio has articulated a write-off policy that aligns with the principles of IFRS 9 while taking the business context of that portfolio into account.
- Within retail portfolios, write-off definitions have been determined with reference to analysis of the materiality of post write-off recoveries. The result of this is that retail secured loans are written off on perfection of collateral and retail unsecured loans are written off when observation of post-default payment behaviour indicates that further material recoveries are unlikely. Write-off points within retail unsecured portfolios are defined on a per-portfolio basis with reference to cumulative delinquency and/or payment recency, with write-offs typically occurring when 12 to 15 cumulative payments have been missed.
- Within wholesale portfolios, a judgemental approach to write-off is followed, based on case-by-case assessment by a credit committee.
- Partial write-offs are not performed within credit portfolios except in limited circumstances within the wholesale portfolio where it is assessed on a case-bycase basis. Where required, additional provisions against irrecoverable assets will be raised until such a time as final write-off can occur.

Collection and enforcement activities post write-off

For unsecured advances, post write-off collection strategies include outsourcing of the account to external debt collections (EDCs). In addition, settlement campaigns are run to encourage clients to settle their outstanding debt. For secured advances, any residual balance post the realisation of collateral and post write-off is outsourced to EDCs.

Transfers

The next steps in the derecognition decision tree concern transfers of financial assets. Financial assets should be derecognised if they are transferred and this transfer qualifies for derecognition. An entity transfers a financial asset if, and only if, it either;

a. transfers the contractual rights to receive the cash flows of the financial asset, or
b. retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients ('pass through' transfers).

Accounting Policies (continued)

1.17 Financial instruments (continued)

Derecognition of financial liabilities
A financial liability should be removed from the balance sheet when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A gain or loss from extinguishment of the original financial liability is recognised in profit or loss.

Cash and cash equivalents
Cash and cash equivalents represent cash on hand and demand deposits and cash equivalents that are short term (ie with a maturity of less than 90 days from acquisition), highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value. Cash and cash equivalents therefore include cash and balances with central banks that can be withdrawn on demand (except where a specific minimum balance at the end of the day is required to be maintained), other eligible bills
and amounts due from banks.

1.18 Other assets
Included in other assets are prepayments, security deposits, interbranch accounts and other receivables. Except for prepayments, other assets are financial assets carried at amortised cost. Prepayments are non-financial assets and are stated at their nominal values.

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

1.20 Offsetting income and expense
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 the Group's trading activities.

1.21 Segment reporting
An operating segment is a component of an entity that engages in business activities from which it may earn revenues, the operating results of which components are regularly reviewed by the Group's chief operating decision-makers to make decisions about resources to be allocated and to assess its performance, and for which financial information is available.

The Group's identification of its segments and the measurement of segment results are based on the Group's internal reporting to management. The segments have been identified according to the nature of their respective products and services and their related target markets.

The segments identified are complemented by the Head Office functions, which provides support in the areas of finance, human resources, governance and compliance, risk management and information technology. Additional information relating to other performance measures is provided. The Group accounts for intersegment revenues and transfers as if the transactions were with third parties at current market prices.

The Group's identification of its segments and the measurement of segment results are based on the Group's internal management reporting as used for day-to-day decision-making and as reviewed by the chief operating decision-maker, which is the Managing Director, supported by the rest of the Management Committee (MANCO).

1.22 Earnings per share
Basic earnings per share is calculated by dividing the net profit after tax attributable to the owner's of the parent by the weighted average number of equity shares outstanding during the year adjusted for bonus element in equity share, attributable to the owner's of the parent. 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.

1.23 Related parties
Parties are considered to be related to the Group if meet the following definitions;
(a) A person or a close member of that person's family:
- has control or joint control over the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group or of the parent of the Group.

(b) An entity for which the following conditions apply:
- the entity and the Group 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 Group or to the parent of the Group.

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.

Notes to the Consolidated and Separate Annual Financial Statements

2. New Standards and Interpretations

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

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7
The amendment sets out additional disclosure requirements related to interest rate benchmark reform. The effective date of the Group is for years beginning on or after January 1, 2021. The Group has adopted the amendment for the first time in the 2021 consolidated and separate annual financial statements.

The amendments have not had a material impact on the Group. In March 2021, the Financial Conduct Authority (FCA) announced that as per the transition requirements from LIBOR to alternative reference rates (ARRs), was extended to June 2023 for USD LIBORs. As disclosed under note 18 to the financial statements, Access Bank has long term debt with principle of USD 45 million (P491 million), whose interest rate is linked to LIBOR and have not yet been transitioned to an alternative rate. The Group has assessed the impact of the new standard as not significant to the Group based on the following:

- At the revised point of transition (June 2023), the current USD LIBOR linked borrowings would have matured or amortised to less material balances; and
- We have assessed the available alternative reference rates such as Reuters and Secured Overnight Financing Rate (SOFR) and noted these not to be materially different from the LIBOR rate used.

The value of loans linked to USD LIBOR as at 31 December 2021 have not yet transitioned into an alternative benchmark is P 491 million.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16
If there is a lease modification as a result of the interest rate benchmark reform, then as a practical expedient the lessee is required to apply paragraph 42 of IFRS 16 to account for the changes by remeasuring the lease liability to reflect the revised lease payment. The amendment only applies to modifications as a result of the interest rate benchmark reform.

The effective date of the Group is for years beginning on or after January 1, 2021.

The Group has adopted the amendment for the first time in the 2021 consolidated and separate annual financial statements. The amendments have not had a material impact on the Group.

COVID-19 - Related Rent Concessions - Amendment to IFRS 16
The COVID-19 pandemic has resulted in an amendment to IFRS 16 Leases. Lessees may elect not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. If this election is applied, then any change in lease payments must be accounted for in the same way as a change would be accounted for it were not a lease modification. This practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payment affects only payments originally due on or before 30 June 2021 and
- there is no substantive change to other terms and conditions of the lease.

The effective date of the amendment is for years beginning on or after June 1, 2020.

The Group has adopted the amendment for the first time in the 2021 consolidated and separate annual financial statements.

The amendments have not had a material impact on the Group.

2.2 Standards and interpretations not yet effective
The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2022 or later periods:

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1
The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non- current.

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

Notes to the Consolidated and Separate Annual Financial Statements (continued)

2. New Standards and Interpretations (continued)

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after January 1, 2023.

The Group expects to adopt the amendment for the first time in the 2023 consolidated and separate annual financial statements.

It is unlikely that the standard will have a material impact on the Group's consolidated and separate annual financial statements as the bank discloses its assets and liabilities in order of liquidity rather than current vs non current.

IFRS 17 Insurance Contracts
The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The effective date of the standard is for years beginning on or after January 1, 2023.
The Group expects to adopt the standard for the first time in the 2023 consolidated and separate annual financial statements.

It is unlikely that the amendment will have a material impact on the Group's consolidated and separate annual financial statements.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9
The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the Group is for years beginning on or after January 1, 2022.

The Group expects to adopt the amendment for the first time in the 2022 consolidated and separate annual financial statements.

It is unlikely that the amendment will have a material impact on the Group's consolidated and separate annual financial statements.

3. Financial instruments and risk management

Objectives on risk management
The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Financial risk governance

Audit Committee
The Group's Audit Committee's primary objective is to assist the Board in overseeing the systems of internal control and external financial reporting across the Group. The Committee performs its role by ensuring that the external and internal audit arrangements are appropriate and effective. The annual report and accounts, interim reports and accounts, related internal control disclosures and any other publicly available financial information are reviewed and scrutinised.

Risk and Compliance Committee
The objective of the Committee is to assist the Board in overseeing the systems of compliance policies and procedures across the Group and to provide oversight and advice to the Board in respect of the Group's risk appetite, risk monitoring, capital management and compliance requirements. Further, the Committee provides oversight and advice to the Board on current risk exposures and future risk strategy, and to assist the Board in monitoring and reviewing the effectiveness of the credit and risk functions in the context of the Group's overall risk management framework and in maintaining appropriate compliance policies and procedures such that the Group will remain compliant with all legal and regulatory requirements applicable to it.

Assets and Liabilities Committee (ALCO)
The Group trades in financial instruments where it takes positions in traded instruments, to take advantage of short-term market movements in currency and interest rates. Amongst other responsibilities, ALCO is tasked to monitor the risks associated with these activities. Risk management includes the setting of trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. In addition, with the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives, are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

Notes to the Consolidated and Separate Annual Financial Statements (continued)

3. Financial instruments and risk management (continued)

The Assets and Liabilities Committee monitors the balance sheet management and consideration of risk, liquidity risk, and interest rate risk in the banking book, the foreign exchange position risk and the capital risk. The meetings of the Committee are held monthly, however, extraordinary committee meetings may be called where there is:

a) a sudden change in regulations;
b) material loss of deposits without notice, and ahead of maturity;
c) failure to honour commitments and approved facilities; or
d) unanticipated movement in exchange rates.

Credit Committee
The Credit Committee approves large exposures and monitors them on an ongoing basis. The committee also assist the Board in ensuring that all credit activities relating to large exposures are conducted within the risk strategy, policies and tolerance levels approved by the Board.

3.1 Credit risk
Credit risk is the risk of loss due to inability or unwillingness of the customer or other counter-party to meet their obligations. Credit risk is a significant risk facing the Group, primarily arising from loans and advances to customers, balances with banks, debt instruments and other financial assets . In order to manage this risk, the Group has implemented clearly defined credit policies which are documented and form the basis of all credit decisions. The Group structures the levels of credit risk it undertakes, placing limits on the amounts of risk accepted in relation to one borrower, or Group of borrowers, and to geographical and industry segments. The Group also makes provision against non- performing accounts in line with the approved provisioning policy. Also refer to note 3.1.7 for details on management overlays applied to the ECL model.

A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored. If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired.

Risk limit control and mitigation policies
The Group manages, limits and controls concentrations of credit risk in respect of individual counterparties and Groups, and to industries and countries.

Such risks are monitored on a revolving basis and subject to an annual or more frequent reviews, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved by the board of directors, and reviewed regularly.

Some specific control and mitigation measures are outlined below.

Collateral
The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans and advances are:

- cash collateral;
- charges over assets financed;
- charges over cash proceeds from trading transactions financed;
- mortgages over residential and commercial properties;
- charges over business assets such as premises, inventory and accounts receivable; and
- charges over financial instruments such as debt securities, and equities.

In order to minimise credit losses, the Group will also seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances. Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument.

Credit related commitments
The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

Notes to the Consolidated and Separate Annual Financial Statements
(continued)

3. Financial instruments and risk management (continued)

Group (Figures in Pula thousand)		Fair value of collateral			
31 December, 2021	**Maximum exposure to credit risk**	**Property**	**Vehicles**	**Cash and other**	**Net exposure**
Balances with other banks	1,394,909	-	-	-	1,394,909
Balances with Central Bank	258,979	-	-	-	258,979
Debt instruments	568,000	-	-	-	568,000
Amounts due from related parties	975	-	-	-	975
Derivative financial assets	67,915	-	-	-	67,915
Other financial assets	37,638				37,638
Loans and advances to customers	**6,796,657**	**2,119,772**	**30,994**	**203,642**	**5,654,700**
Mortgage lending	778,161	1,214,050	-	-	-
Vehicle asset finance	20,117	-	19,954	-	163
Corporate lending	331,973	890,711	-	203,479	-
Commercial and property finance	11,869	15,011	11,040	163	-
Retail and SME lending	5,654,537	-	-	-	5,654,537
Maximum exposure	**9,125,073**	**2,119,772**	**30,994**	**203,642**	**7,983,116**

Group (Figures in Pula thousand)		Fair value of collateral			
31 December, 2021	**Maximum exposure to credit risk**	**Property**	**Vehicles**	**Cash and other**	**Net exposure**
Financial guarantees	132,708	-	-	15,585	117,123
Loan commitments and other credit related liabilities	121,125	-	-	-	121,125
Maximum exposure	**253,833**	**-**	**-**	**15,585**	**238,248**

Group (Figures in Pula thousand)		Fair value of collateral			
31 December, 2020	**Maximum exposure to credit risk**	**Property**	**Vehicles**	**Cash and other**	**Net exposure**
Balances with other banks	895,789	-	-	-	895,789
Balances with Central Bank	310,114	-	-	-	310,114
Debt instruments	680,161	-	-	-	680,161
Amounts due from related parties*	489,718	-	-	-	489,718
Derivative financial assets	60,569	-	-	-	60,569
Other financial assets	46,366				46,366
Loans and advances to customers**	**6,273,595**	**2,170,833**	**40,234**	**250,291**	**5,001,665**
Mortgage lending	749,546	1,133,873	-	-	-
Vehicle asset finance	26,798	-	26,829		
Corporate lending	367,907	924,250	-	243,976	-
Commercial and property finance	17,779	22,530	-	-	-
Retail and SME lending	5,111,565	90,180	13,405	6,315	5,001,665
Maximum exposure	**8,756,312**	**2,170,833**	**40,234**	**250,291**	**7,484,382**

*This balance has been restated to show the gross amount. In the 2020 financials the balance was stated as P488,185, net of expected credit losses.

Group (Figures in Pula thousand)		Fair value of collateral			
31 December, 2020	**Maximum exposure to credit risk**	**Property**	**Vehicles**	**Cash and other**	**Net exposure**
Financial guarantees	63,630	-	-	14,825	48,805
Loan commitments and other credit related liabilities	58,135	-	-	-	58,135
Maximum exposure	**121,765**	**-**	**-**	**14,825**	**106,940**

Notes to the Consolidated and Separate Annual Financial Statements
(continued)

3. Financial instruments and risk management (continued)

Company (Figures in Pula thousand)		Fair value of collateral			
31 December, 2021	Maximum exposure to credit risk	Property	Vehicles	Cash and other	Net exposure
Balances with other banks	1,394,909	-	-	-	1,394,909
Balances with Central Bank	258,979	-	-	-	258,979
Debt instruments	568,000	-	-	-	568,000
Amounts due from related parties	975	-	-	-	975
Derivative financial assets	67,915	-	-	-	67,915
Other financial assets	26,077				26,077
Loans and advances to customers	**6,796,657**	**2,119,772**	**30,994**	**203,642**	**5,654,700**
Mortgage lending	778,161	1,214,050	-	-	-
Vehicle asset finance	20,117	-	19,954	-	163
Corporate lending	331,973	890,711	-	203,479	-
Commercial and property finance	11,869	15,011	11,040	163	-
Retail and SME lending	5,654,537	-			5,654,537
Maximum exposure	**9,113,512**	**2,119,772**	**30,994**	**203,642**	**7,971,555**

Company (Figures in Pula thousand)		Fair value of collateral			
31 December, 2021	Maximum exposure to credit risk	Property	Vehicles	Cash and other	Net exposure
Financial guarantees	132,708	-	-	15,585	117,123
Loan commitments and other credit related liabilities	121,125	-	-	-	121,125
Maximum exposure	**253,833**	**-**	**-**	**15,585**	**238,248**

Company (Figures in Pula thousand)		Fair value of collateral			
	Maximum exposure to credit risk	Property	Vehicles	Cash and other	Net exposure
31 December, 2020					
Balances with other banks	895,789	-	-	-	895,789
Balances with Central Bank	310,114	-	-	-	310,114
Investment securities	680,161	-	-	-	680,161
Amounts due from related parties*	489,718	-	-	-	489,718
Derivative financial assets	60,569	-	-	-	60,569
Other financial assets	26,523	-	-	-	26,523
Loans and advances to customers**	**6,273,595**	**2,170,833**	**40,234**	**250,291**	**5,001,665**
Mortgage lending	749,546	1,133,873	-	-	-
Vehicle asset finance	26,798	-	26,829	-	-
Corporate lending	367,907	924,250	-	243,976	-
Commercial and property finance	17,779	22,530	-	-	-
Retail and SME lending	5,111,565	90,180	13,405	6,315	5,001,665
Maximum exposure	**8,736,469**	**2,170,833**	**40,234**	**250,291**	**7,464,539**

*This balance has been restated to show the gross amount. In the 2020 financials the balance was stated as P488,185, net of expected credit losses.

** The net exposure balance is restated to exclude negative balances and the minimum exposure is capped at zero.

Notes to the Consolidated and Separate Annual Financial Statements (continued)

3. Financial instruments and risk management (continued)

Company (Figures in Pula thousand)		Fair value of collateral			
	Maximum exposure to credit risk	Property	Vehicles	Cash and other	Net exposure
31 December, 2020					
Financial guarantees	63,630	-	-	14,825	48,805
Loan commitments and other credit related liabilities	58,135	-	-	-	58,135
Maximum exposure	**121,765**	**-**	**-**	**14,825**	**106,940**

3.1.1 Repossessed collateral

During the year, the Group obtained assets by taking possession of collateral held as security, as follows:

Group (Figures in Pula thousand) Nature of assets	2021	2020
Property	18,880	1,200
Motor Vehicles	-	180
	18,880	**1,380**

The properties repossessed are for Mortgages whilst motor vehicles are in respect to retail and SME loans. Refer to note 1.11 for the Group's policy on treatment of repossessed assets.

3.1.2 Loans and advances by industry sectors

Group and company (Figures in Pula thousand)	2021	2020
Construction	7,008	226
Wholesale, retail and trade	175,181	261,138
Manufacturing	1	1
Mining and Energy	343	2,611
Financial services	260,046	67,619
Transport	3,627	578
Real Estate	-	6,327
Individuals	6,349,629	5,866,020
Tourism	401	114
Other	421	68,961
	6,796,657	**6,273,595**

Notes to the Consolidated and Separate Annual Financial Statements
(continued)

3. Financial instruments and risk management (continued)

3.1.3 Loans and advances at amortised cost by stage

The table below presents an analysis of financial instruments amortised cost by gross exposure, impairment allowance and coverage ratio by stage allocation and products as at 31 December, 2021 for the Consolidation and the Company. Also included are off-balance sheet items and financial guarantee contracts. ECL on cash and balances with central bank, derivative assets and balances from related parties are considered not significant, and not presented below.

The ECLs were calculated based on actual credit loss experience over the past years. The Group performed the calculation of ECL rates separately for Corporate and Retail customers.

31 December, 2021

	Gross Exposure (P '000)				ECL (P '000)				Net Exposure (P '000)				ECL Coverage ratio
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Mortgage lending	694,749	15,391	99,416	809,556	(2,455)	(553)	(14,028)	(17,036)	692,294	14,838	85,388	792,520	2.10 %
Corporate lending	382,478	11,026	66,332	459,836	(2,689)	(52)	(12,110)	(14,851)	379,789	10,974	54,222	444,985	3.23 %
Retail and SME lending	5,283,706	37,525	206,034	5,527,265	(44,393)	(5,510	(206,172)	(256,075)	5,239,313	32,015	(138)	5,271,190	4.63 %
Total loans and advances	**6,360,933**	**63,942**	**371,782**	**6,796,657**	**(49,537)**	**(6,115)**	**(232,310)**	**(287,962)**	**6,311,396**	**57,827**	**139,472**	**6,508,695**	**4.24 %**
Balances due from related parties	975	-	-	975	-	-	-	-	975	-	-	975	- %
Financial guarantees and loan commitments	253,833	-	-	253,833	(620)	-	-	(620)	253,213	-	-	253,213	0.24 %
Financial assets	568,000	-	-	568,000	(40)	-	-	(40)	567,960	-	-	567,960	0.01 %
Balances with other banks	1,394,909	-	-	1,394,909	(3,204)	-	-	(3,204)	1,391,705	-	-	1,391,705	0.23 %
Other financial assets	13,325	-	24,313	37,638	-	-	(24,313)	(24,313)	13,325	-	-	13,325	64.60 %
	8,591,975	**63,942**	**396,095**	**9,052,012**	**(53,401)**	**(6,115)**	**(256,544)**	**(316,139)**	**8,538,574**	**57,827**	**139,472**	**8,735,873**	**3.49 %**

Notes to the Consolidated and Separate Annual Financial Statements
(continued)

3. Financial instruments and risk management (continued)

3.1.3 Loans and advances at amortised cost by stage (continued)

31 December, 2020 (Restated)

	Gross Exposure (P '000)				ECL (P '000)				Net Exposure (P '000)				ECL Coverage ratio
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Mortgage lending	647,783	16,467	85,296	749,546	(2,429)	(380)	(10,350)	(13,159)	645,354	16,087	74,946	736,387	1.76%
Corporate lending	317,131	8,931	41,845	367,907	(2,720)	(21)	(2,064)	(4,805)	314,411	8,910	39,781	363,102	1.31%
Retail and SME lending*	4,854,007	52,666	249,469	5,156,142	(42,566)	(12,357)	(199,738)	(254,661)	4,811,441	40,309	49,731	4,901,481	4.94%
Total loans and advances	**5,818,921**	**78,064**	**376,610**	**6,273,595**	**(47,715)**	**(12,758)**	**(212,152)**	**(272,625)**	**5,771,206**	**65,306**	**164,458**	**6,000,970**	**4.35%**
Balances due from related parties**	489,718	-	-	489,718	(1,533)	-	-	(1,533)	488,185	-	-	488,185	0.31%
Financial guarantees and loan commitments	121,765	-	-	121,765	(1,003)	-	-	(1,003)	120,762	-	-	120,762	0.82%
Debt instruments	680,161	-	-	680,161	(19)	-	-	(19)	680,142	-	-	680,142	-%
Other financial assets***	43,300	-	3,066	46,366	-	-	(3,066)	(3,066)	43,300	-	-	43,300	6.61%
	7,153,865	**78,064**	**379,676**	**7,611,605**	**(50,270)**	**(12,758)**	**(215,198)**	**(278,246)**	**7,103,595**	**65,306**	**164,458**	**7,333,359**	**3.66%**

*In the previous year, Installment Finance (gross amount of P26.8 million and Commercial and Property Finance (gross amount of P17.8 million) were disclosed separately. Due to their size relative to the total loan book, these have been considered immaterial and now consolidated under Retail and SME lending. The comparative note above has been re-instated in this regard.

**In the prior period, gross balances due from related parties was incorrectly stated as P488,185,000 and ECL of P1,628,000. These have been restated as shown in the table above.

*** In the prior year, credit risk from other financial assets carried at amortised cost was not separately presented. This has now been included as a restatement in the table above.

Notes to the Consolidated and Separate Annual Financial Statements (continued)

3. Financial instruments and risk management (continued)

3.1.4 Renegotiated loans

A renegotiated loan shall return to performing status only after its renegotiated terms are no longer considered to be past due and is treated as new loan.

Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. The renegotiated loans are then monitored more strictly than the performing loans with advice of performance being reported to credit committees submitted on a monthly basis.

The following table shows renegotiated loans and advances to customers at amortised cost per stage allocation under IFRS 9 treatment. Majority of these loans renegotiated in FY 20 and FY 21 relate to providing of payment holidays in response to the Government of Botswana's Covid 19 econcomic response.

31 December, 2021	**Stage 1 (P '000)**	**Stage 2 (P '000)**	**Stage 3 (P '000)**	**Total (P '000)**
Gross carrying amount				
Retail and SME lending	8,584	290	6,182	15,056
	8,584	**290**	**6,182**	**15,056**
Allowance for ECL				
Retail and SME lending	(110)	(61)	(707)	(878
	(110)	**(61)**	**(707)**	**(878)**
Net renegotiated loans	**8,474**	**229**	**5,475**	**14,178**

31 December, 2020	**Stage 1 (P '000)**	**Stage 2 (P '000)**	**Stage 3 (P '000)**	**Total (P '000)**
Gross carrying amount				
Corporate lending	47,543	14,748	843	63,134
Retail and SME lending	36,239	286	2,014	38,539
	83,782	15,034	2,857	101,673
Allowance for ECL				
Corporate lending	(89)	(43)	(213)	(345)
Retail and SME lending	(325)	(56)	(435)	(81)
	(414)	**(99)**	**(648)**	**(1,161)**
Net renegotiated loans	**83,368**	**14,935**	**2,209**	**100,512**

Notes to the Consolidated and Separate Annual Financial Statements (continued)

3. Financial instruments and risk management (continued)

3.1.5 Credit quality by asset class

The table below shows the stage wise break up of financial assets.

Group (Figures in Pula thousand)

31 December, 2021						
At FVTPL	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Collateral**	**Net exposure**
Derivative financial assets	67,915	-	-	67,915	-	**67,915**
At amortised cost						
Cash and balances with Central Bank	258,979	-	-	258,979	-	**258,979**
Balances with other banks	1,394,909	-	-	1,394,909	-	**1,394,909**
Loans and advances	6,360,933	63,942	371,782	6,796,657	2,354,484	**4,479,473**
Performing	6,360,933	-	-	6,360,933	1,912,765	**4,448,168**
Special mention	-	63,942	-	63,942	52,397	**11,545**
Substandard	-	-	34,616	34,616	30,100	**4,516**
Doubtful	-	-	30,818	30,818	15,574	**15,244**
Loss	-	-	306,348	306,348	343,648	**-**
Debt instruments	568,000	-	-	568,000	-	**568,000**
Other financial assets	13,325	-	24,313	37,638	-	**37,638**
	581,325	**-**	**24,313**	**605,638**	**-**	605,638
Off balance sheet items						
Financial guarantees and loan commitments	253,833	-	-	253,833	15,585	**238,248**
	8,917,894	**63,942**	**396,095**	**9,377,931**	**2,370,069**	**7,045,162**

Group (Figures in Pula thousand)

31 December, 2020						
At FVTPL	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Collateral**	**Net exposure**
Derivative financial assets	60,569	-	-	60,569	-	**60,569**
At amortised cost						
Cash and balances with Central Bank	384,004	-	-	384,004	-	**384,004**
Balances with other banks	895,789	-	-	895,789	-	**895,789**
Loans and advances	5,818,921	78,064	376,610	6,273,595	2,461,357	**3,812,238**
Performing	5,818,921	-	-	5,818,921	-	**5,818,921**
Special mention	-	78,064	-	78,064	-	**78,064**
Substandard	-	-	44,350	44,350	-	**44,350**
Doubtful	-	-	47,447	47,447	-	**47,447**
Loss	-	-	284,813	284,813	-	**284,813**
Debt instruments	680,161	-	-	680,161	-	**680,161**
Other financial assets	43,300	-	3,066	46,366	-	**46,366**
	723,461	**-**	**3,066**	**726,527**	**-**	**726,527**
Off balance sheet items						
Financial guarantees and loan commitments*	121,765	-	-	121,765	14,825	**106,940**
	8,004,509	**78,064**	**379,676**	**8,462,249**	**2,476,182**	**5,986,067**

*prior year amount for collateral was incorrectly stated as P56.8 million. This has been corrected in the current year to P14.8 million, with the comparative amount being restated.

Notes to the Consolidated and Separate Annual Financial Statements (continued)

3. Financial instruments and risk management (continued)

Substandard - The loan is past due for more than 90 days but less than 180 days and the debtor is potentially bankrupt. The business or obligor is in financial distress and there is considerable uncertainty with respect to payment of principal and interest. In addition, the primary source of repayment is insufficient to service the debt and the obligor has had to resort to secondary sources of payment such as collateral, sale of fixed assets, refinancing or additional capital injections for repayment. The loan has been renegotiated or restructured and requires attention and intensive management.

Doubtful - The obligor is not legally or formally Bankrupt. Nonetheless, the business is effectively or virtually bankrupt and is encountering severe liquidity and solvency challenges. The loan is pas due for more than 180 days but less than 360 days and the debtor has failed to pay scheduled principal and interest payments.

Loss - The debtor has defaulted on the debt obligation and is legally and formally Bankrupt. The asset is past due for more than 360 days and the obligor has been unable to meet scheduled principal and interest payments. The loan is uncollectible or of such little value that its continuance as an asset is not warranted.

Performing - A loan is not in or near default. Performing loan is a loan in which loan installments inclusive of interest and principal payments are up to date.

Special mention assets - when there is evidence of increased credit risk on a loan but the loan is not considered impaired. This could be due to the loan being past due by not more than 90 days overdue, inadequate credit documentation or collateral not fully in place.

3.1.6 Movement in expected credit losses

Changes in expected credit losses includes the impacts of transfers between stages, changes made to parameters (such as probability of default, exposure at default and loss given default), changes in macroeconomic variables, drawdowns, repayments and other movements.

The following table shows movement in gross loans and advances from 1 January 2021 to 31 December 2021:

	Gross loans and advances			
	Stage 1 (P '000)	**Stage 2 (P '000)**	**Stage 3 (P '000)**	**Total (P '000)**
Opening balance	5,818,921	78,064	376,610	6,273,595
New loans	3,323,669	102	11,568	3,335,339
Transfer to stage 1	20,650	(19,002)	(1,648)	-
Transfer to stage 2	(59,347)	59,548	(201)	-
Transfer to stage 3	(70,274)	(26,326)	96,600	-
Modifications, derecognition and write offs	(993)	(319)	(7,593)	(8,905)
Payments, drawdowns, accruals & re-advances	(2,668,673)	(17,102)	(79,327)	(2,765,102)
Other	(3,020)	(11,024)	(24,226)	(38,270)
	6,360,933	**63,941**	**371,783**	**6,796,657**

There were no purchased or originated credit-impaired financial assets during the year.

Overall, the balance of loans in stage 2 and stage 3 decreased during the year. This is attributable to the following Collections Strategies adopted by the Bank during the year:

- Realignment of roles within the Collections shop
- Risk segmentation of accounts giving priority to high-risk accounts
- Introduction of Collector KPIs aligned to the impairment budget
- Securing and enforcing Judgement on matters undergoing litigation
- Frequent engagement with our External Debt Collectors to monitor performance and align to Recoveries Strategy

Notes to the Consolidated and Separate Annual Financial Statements (continued)

3. Financial instruments and risk management (continued)

The above also explain the higher number of payments above and the increased number of loans that have remained in stage 1. Other represents the impact of foreign exchange translations for foreign currency denominated loans and other re-measurements of loan balances.

Retail and SME loans	Gross loans and advances			
	Stage 1 (P '000)	Stage 2 (P '000)	Stage 3 (P '000)	Total (P '000)
Opening balance	4,797,379	52,160	224,280	5,073,819
New loans	2,942,718	102	1,749	2,944,569
Transfer to stage 1	12,678	(12,291)	(387)	-
Transfer to stage 2	(35,513)	35,513	-	-
Transfer to stage 3	(57,819)	(12,529)	70,348	-
Derecognition and write offs	(993)	(319)	(6,917)	(8,229)
Payments, drawdowns, accruals & re-advances	(2,358,142)	(14,117)	(52,792)	(2,425,051)
Other	(16,602)	(10,993)	(30,248)	(57,843)
	5,283,706	**37,526**	**206,033**	**5,527,265**

Overall, the balance of loans in stage 2 and stage 3 decreased during the year. This is attributable to the Collections Strategies adopted by the Bank, as mentioned above. Retail and SME remains the flagship unit of the Bank and was the key driver of the growth in loan book where the book grew by over P450 million. This is due to a more optimistic environment as various COVID-19 restrictions were gradually eased during year.

Corporate loans	Gross loans and advances			
	Stage 1 (P '000)	Stage 2 (P '000)	Stage 3 (P '000)	Total (P '000)
Opening balance	329,045	8,931	54,349	392,325
New loans	303,273	-	9,818	313,091
Transfer to stage 2	(12,372)	12,372	-	-
Transfer to stage 3	(2,954)	(8,931)	11,885	-
Derecognition and write offs	(993)	(319)	(6,917)	(8,229)
Payments, drawdowns, accruals & re-advances	(248,624)	(1,351)	(15,870)	(265,845)
Other	14,108	6	6,152	20,266
	382,476	**11,027**	**66,334**	**459,837**

There were no significant movements in the corporate portfolio during the year in terms of distribution of the loans amongst stages. Stage 2 loans remain about 2% of the portfolio and 14% for stage 3. This is testament to the Bank's collection strategies mentioned above. The Bank continues efforts to grow the corporate book and this is demonstrated above from the increase of the P65 million.

Mortgage loans	Gross loans and advances			
	Stage 1 (P '000)	Stage 2 (P '000)	Stage 3 (P '000)	Total (P '000)
Opening balance	692,497	16,973	97,982	807,452
New loans	77,676	-	-	77,676
Transfer to stage 1	7,972	(6,711)	(1,261)	-
Transfer to stage 2	(11,463)	11,664	(201)	-
Transfer to stage 3	(9,501)	(4,865)	14,366	-
Derecognition and write offs	-	-	(676)	(676)
Payments, drawdowns, accruals & re-advances	(61,908)	(1,633)	(10,665)	(74,206)
Other	(525)	(37)	(129)	(691)
	694,748	**15,391**	**99,416**	**809,555**

Notes to the Consolidated and Separate Annual Financial Statements
(continued)

3. Financial instruments and risk management (continued)

There were no significant movements in the mortgages portfolio during the year in terms of gross balance and also distribution of the loans amongst stages. This is due to the relatively low risk nature of the portfolio as it is secured such that volume of payments remains high and there are relatively low defaults, hence, insignificant movement between the stages or quicker cure rates in the event of default.

The following table shows movement in expected credit losses from 1 January 2021 to 31 December 2021:

Total Loans	**Expected credit losses**			
	Stage 1 (P '000)	**Stage 2 (P '000)**	**Stage 3 (P '000)**	**Total (P '000)**
Opening balance	47,715	12,758	212,152	272,625
New loans	22,266	1	1,906	24,173
Transfer to stage 1	2,003	(1,489)	(514)	-
Transfer to stage 2	(412)	554	(142)	-
Transfer to stage 3	(662)	(2,214)	2,876	-
Write-offs	(7)	(61)	(5,534)	(5,602)
Other	(21,366)	(3,434)	21,566	(3,234)
	49,537	**6,115**	**232,310**	**287,962**

The table above below provides a breakdown of the change in the ECL impairment recognised in the current period based on the key drivers. The key components of the ECL impairment recognised in the current period are as follows:

Stage 1 – This represents the change in the impairment on stage 1 advances assuming that the coverage ratio has remained unchanged from the prior period. This column therefore represents the change in volume of stage 1 advances due to new business, stage migration, loans commencing in the period in stage 1 subsequently written off or curing. Increases in stage 1 ECL is largely due to the growth in the loan book as noted from the analysis of the gross loans.

Stage 2 – This represents the change in the impairment on stage 2 advances assuming that the coverage ratio remained unchanged from the prior period. This column therefore represents the change in volume of stage 2 advances due to stage migration, loans commencing the period in stage 2 subsequently migrating to stage 3 or curing. The volume change in stage 2 advances is driven by the Bank's Collection Strategies deployed during the year, as explained under the analysis of gross loans where the same observation was made.

Stage 3 – This represents the change in the impairment on stage 3 advances due to a change in the coverage ratio and volume changes due to loans commencing in the period in stage 3 subsequently written off or curing. Increases to Stage 3 ECL was also driven by technical issues where accrued interest income on loans was not correctly applied to the loan balances, resulting in loans being fully paid off by customers before the residual accrued interest had been collected.

Gross write-offs and other charges include advances written off in the current period, resulting in the derecognition of the provision previously held.

Other - these are ECL movements are from modified exposures that are not derecognized, impact of exchange rate translations on foreign currency denominated loans and model changes (particularly impact of forward looking information in the post COVID-19 environment).

The ECL changes above are further disaggregated in the tables below into the main asset classes.

Notes to the Consolidated and Separate Annual Financial Statements (continued)

3. Financial instruments and risk management (continued)

The following table shows movement in expected credit losses from 1 January 2021 to 31 December 2021:

Retail and SME loans	Expected credit losses			
	Stage 1 (P '000)	Stage 2 (P '000)	Stage 3 (P '000)	Total (P '000)
Opening balance	41,280	12,280	191,575	245,135
New loans	15,913	1	1,157	17,071
Transfer to stage 1	1,559	(1,350)	(209)	-
Transfer to stage 2	(257)	257	-	-
Transfer to stage 3	(495)	(2,055)	2,550	-
Write-offs	(7)	(61)	(5,328)	(5,396)
Other	(13,600)	(3,561)	16,426	(735)
	44,393	**5,511**	**206,171**	**256,075**

Corporate Loans	Expected credit losses			
	Stage 1 (P '000)	Stage 2 (P '000)	Stage 3 (P '000)	Total (P '000)
Opening balance	3,484	21	5,698	9,203
New loans	6,012	-	749	6,761
Transfer to stage 2	(118)	118	-	-
Transfer to stage 3	(79)	(21)	100	-
Other	(6,610)	(66)	5,563	(1,113)
	2,689	**521**	**2,110**	**14,851**

Mortgage Loans	Expected credit losses			
	Stage 1 (P '000)	Stage 2 (P '000)	Stage 3 (P '000)	Total (P '000)
Opening balance	2,951	457	14,879	18,287
New loans	341	-	-	341
Transfer to stage 1	443	(137)	(306)	-
Transfer to stage 2	(36)	178	(142)	-
Transfer to stage 3	(87)	(138)	225	-
Write-offs	-	-	(207)	(207)
Other	(1,157)	193	(421)	(1,385)
	2,455	**553**	**14,028**	**17,036**
Changes in expected credit losses (ECL) for total loans during the year	2,883	(5,777)	18,231	15,337
	2,883	**(5,777)**	**18,231**	**15,337**
Off balance sheet and debt instruments				
Opening balance	(1,003)	-	-	(1,003)
Movements for the year	383	-	-	383
	(620)	**-**	**-**	**(620)**
Changes in expected credit losses (ECL) during the year	(383)	-	-	(383)
Total ECL charge in profit or loss (note 23)	**2,500**	**(5,777)**	**18,231**	**14,954**

Notes to the Consolidated and Separate Annual Financial Statements
(continued)

3. Financial instruments and risk management (continued)

The following table shows movement in gross loans and advances from 1 January 2020 to 31 December 2020:

Total loans	Gross loans and advances			
	Stage 1 (P '000)	Stage 2 (P '000)	Stage 3 (P '000)	Total (P '000)
Opening balance	6,064,328	299,813	350,665	6,714,806
New loans	2,657,275	4,971	3,669	2,665,915
Transfer to stage 1	185,259	(183,237)	(2,022)	-
Transfer to stage 2	(58,705)	60,041	(1,336)	-
Transfer to stage 3	(69,852)	(26,477)	96,329	-
Modifications	(15,125)	(499)	(675)	(16,299)
Derecognition	(6,465)	(1,024)	(15,278)	(22,767)
Payments, drawdowns, accruals & re-advances	(2,965,504)	(85,000)	(72,526)	(3,123,030)
Other	27,710	9,476	17,784	54,970
	5,818,921	**78,064**	**376,610**	**6,273,595**

There were no purchased or originated credit-impaired financial assets during the period.

Retail and SME loans (Restated*)	Gross loans and advances			
	Stage 1 (P '000)	Stage 2 (P '000)	Stage 3 (P '000)	Total (P '000)
Opening balance	4,872,654	241,865	211,485	5,326,004
New loans	2,455,487	4,625	3,268	2,463,380
Transfer to stage 1	141,895	(140,879)	(1,016)	-
Transfer to stage 2	(38,206)	39,542	(1,336)	-
Transfer to stage 3	(34,383)	(17,385)	51,768	-
Modifications	(11,678)	(660)	17	(12,321)
Derecognition	(6,444)	(1,024)	(11,798)	(19,266)
Payments, drawdowns, accruals & re-advances	(2,590,120)	(80,159)	(42,043)	(2,712,322)
Other	10,386	6,234	13,934	30,554
	4,799,591	**52,159**	**224,279**	**5,076,029**

Corporate loans (Restated*)	Gross loans and advances			
	Stage 1 (P '000)	Stage 2 (P '000)	Stage 3 (P '000)	Total (P '000)
Opening balance	552,835	4,158	53,452	610,445
New loans	79,663	346	401	80,410
Transfer to stage 1	2,438	(2,438)	-	-
Transfer to stage 2	(8,927)	8,927	-	-
Transfer to stage 3	(17,468)	(1,720)	19,188	-
Modifications	(2,597)	180	(574)	(2,991)
Derecognition	-	-	(2,885)	(2,885)
Payments, drawdowns, accruals & re-advances	(300,281)	(175)	(21,023)	(321,479)
Other	21,170	(346)	5,790	26,614
	326,833	**8,932**	**54,349**	**390,114**

Notes to the Consolidated and Separate Annual Financial Statements
(continued)

3. Financial instruments and risk management (continued)

Mortgage loans (Restated*)	Gross loans and advances			
	Stage 1 (P '000)	Stage 2 (P '000)	Stage 3 (P '000)	Total (P '000)
Opening balance	638,839	53,790	85,728	778,357
New loans	122,125	-	-	122,125
Transfer to stage 1	40,925	(39,919)	(1,006)	-
Transfer to stage 2	(11,572)	11,572	-	-
Transfer to stage 3	(18,000)	(7,373)	25,373	-
Modifications	(851)	(19)	(118)	(988)
Derecognition	(20)	-	(596)	(616)
Payments, drawdowns, accruals & re-advances	(75,103)	(4,666)	(9,460)	(89,229)
Other	(3,846)	3,589	(1,939)	(2,196)
	692,497	**16,974**	**97,982**	**807,453**

*As per the requirements of IFRS 7 para 35, the disclosure of movement in gross loans and ECL for FY 2020 has been expanded to explain the movements on a loan class basis. In the 2020 financial statements, the movements were presented on a total loans basis. The prior period note has thus been restated in this regard.

The following table shows movement in expected credit losses from 1 January 2020 to 31 December 2020:

Total loan	Expected credit losses			
	Stage 1 (P '000)	Stage 2 (P '000)	Stage 3 (P '000)	Total (P '000)
Opening balance	67,895	10,237	200,610	278,742
New loans	13,753	128	4,775	18,656
Transfer to stage 1	2,188	(1,873)	(315)	-
Transfer to stage 2	(406)	462	(56)	-
Transfer to stage 3	(457)	(483)	940	-
Modifications	(70)	-	8	(62)
Write-offs	(79)	(50)	(12,284)	(12,413)
Other	(35,109)	4,337	18,474	(12,298)
	47,715	**12,758**	**212,152**	**272,625**

Retail and SME loans (Restated*)	Expected credit losses			
	Stage 1 (P '000)	Stage 2 (P '000)	Stage 3 (P '000)	Total (P '000)
Opening balance	54,089	10,054	178,084	242,227
New loans	10,676	126	4,372	15,174
Transfer to stage 1	1,894	(1,760)	(134)	-
Transfer to stage 2	(332)	388	(56)	-
Transfer to stage 3	(416)	(441)	857	-
Modifications	(85)	3	(118)	(200)
Write-offs	(78)	(52)	(11,796)	(11,926)
Other	(24,453)	3,928	20,746	221
	41,295	**12,246**	**191,955**	**245,496**

Corporate loans (Restated*)	Expected credit losses			
	Stage 1 (P '000)	Stage 2 (P '000)	Stage 3 (P '000)	Total (P '000)
Opening balance	11,486	-	8,746	20,232
New loans	2,826	-	403	3,229
Transfer to stage 2	(26)	26	-	-
Modifications	14	(7)	8	15
Write-offs	-	-	(398)	(398)
Other	(10,816)	2	(3,062)	(13,876)
	3,484	**21**	**5,697**	**9,202**

Notes to the Consolidated and Separate Annual Financial Statements (continued)

3. Financial instruments and risk management (continued)

Mortgage loan (Restated*)	Expected credit losses			
	Stage 1 (P '000)	Stage 2 (P '000)	Stage 3 (P '000)	Total (P '000)
Opening balance	2,320	184	13,780	16,284
New loans	251	-	-	251
Transfer to stage 1	294	(113)	(181)	-
Transfer to stage 2	(48)	48	-	-
Transfer to stage 3	(42)	(40)	82	-
Modifications	2	3	118	123
Write-offs	(1)	-	(90)	(91)
Other	161	408	791	1,360
	2,937	**490**	**14,500**	**17,927**

*As per the requirements of IFRS 7 para 35, the disclosure of movement in gross loans and ECL for FY 2020 has been expanded to explain the movements on a loan class basis. In the 2020 financial statements, the movements were presented on a total loans basis. The prior period note has thus been restated in this regard.

	Stage 1	Stage 2	Stage 3	Total
Changes in expected credit losses (ECL) during the year excluding write-offs	(20,180)	2,521	11,542	(6,117)
Write-offs	-	-	11,822	11,822
	(20,180)	**2,521**	**23,364**	**5,705**
Off balance sheet and debt instruments				
Opening balance	(2,133)	-	-	(2,133)
New off-balance sheet items and debt instruments	2,610	-	-	2,610
Other	(2,093)	-	-	(2,093)
	(1,616)	**-**	**-**	**(1,616)**
Changes in expected credit losses (ECL) during the year	517	-	-	517
Recoveries	-	-	(2,497)	(2,497)
Total ECL charge in profit or loss	**(19,663)**	**2,521**	**20,867**	**3,725**

3.1.7 Management overlays

The inputs and assumptions into the IFRS 9 model are carefully considered by management for completeness and relevance. The inputs and assumptions are reviewed on an annual basis and adjusted accordingly to reflect changing macro-economic environment and vintages in the loan book. ECL calculations are reviewed for accuracy and consistency and reasonableness on a regular basis. The results for the year are relatively consistent with management expectations. Management overlays are only instituted in cases where the model results are not reflective of underlying customer behaviour and economic conditions. Management overlays are subjected to review and approval by the Management Committee after a rigorous review of the underlying assumptions and departures from the model assumptions.

For the year ended 31 December 2021 management performed net out of model adjustments to loans and advances of P281k (increase to ECL) and P4.4 million (decrease to ECL) for off-balance sheet guarantees. Overlays to loans and advances include the following:

- P2.2million reduction to ECL relating to a few significant customers whose expected credit loss (ECL) was out of line with the normal and market expectation of the credit risk profile of the customer. For 2020, overlay was a decrease to ECL of P367k.

- P992k increase to ECL relating exposures to government related institutions. The model assigns an ECL of nil to these exposures. Whilst risk to government exposures is low, there is still an element of risk and the Bank has adopted a 1% ECL loss-given-default floor for these exposures. For 2020, overlay was an increase to ECL of P670k.

- P1.6 million increase to ECL relating to stage 3 individual loans where it was noted that the borrower is now deceased and the Bank had to fully provide for the residual amounts owing.

- P4.4 million decrease to ECL for off balances sheet guarantees which were modelled as corporate guarantees but re-assessed to be exposures to government or there is a counter guarantee in place which reduces the risk.

- Other ECL adjustments for technical arrears and where payments were made later than expected due to administrative issues.

In 2020, overall impact of overlays was a reduction to ECL from the modelled result of 3.28 million which amongst others included an increase to ECL of P670k for government exposures, decrease to ECL of P367k for individual corporate companies to correct market anomalies and a decrease to ECL of P3.6 million for technical arrears.

Notes to the Consolidated and Separate Annual Financial Statements (continued)

3. Financial instruments and risk management (continued)

3.1.8 ECL sensitivity analysis

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Group formulates three economic scenarios: a base case, which is the central scenario, developed internally based on consensus forecasts, and two less likely scenarios, one upside and one downside scenario. The central scenario is aligned with information used by the Group for other purposes such as strategic planning and budgeting.

Several macro economic factors such as GDP growth rate and changes in prime lending rate, inflation and unemployment rates were considered. Not all factors were statistically significant as such the final model only incorporated change in GDP and prime lending rates.

The table below lists the macroeconomic assumptions used in the base, upside and downside scenarios over a three-year forecast period. The assumptions represent year-on-year percentage change for GDP and change in prime lending rate for Q1 2022.

	Base case scenario	Upside/ favourable case scenario	Adverse case scenario
Real GDP growth rate			
2022	5.40%	7.40%	3.40%
2023	4.30%	6.30%	2.30%
Change in prime lending rate			
Q1 2022	0%	0.25%	(0.25%)

The table below lists the macroeconomic assumptions used in the base, upside and downside scenarios in the preparation of the 31 December 2020 financial statements.

	Base case scenario	Upside/ favourable case scenario	Adverse case scenario
Real GDP growth rate			
2021	3.60%	5.50%	1.84%
2022	3.70%	5.60%	1.89%
2023	4.13%	6.30%	2.11%
Change in prime lending rate			
Q1 2021	(0.25%)	(0.25%)	(0.25%)

The final ECL numbers for loans and advances of P288 million with a coverage ratio of 4.24% were measured by weighting the ECL outcome for each of scenario by the likelihood of that scenario occurring. The likelihood of the base scenario occurring was 80%, with upside and adverse scenarios weighted at 15% and 5% respectively.

The table below shows the Group's analysis of the ECL's sensitivity to upside, downside and base case economic scenarios.

Loans and advances	Gross (P '000)	ECL (P '000)	Net (P '000)	ECL coverage
Base scenario	6,796,657	(282,663)	6,513,994	4.16 %
Upside scenario	6,796,657	(259,200)	6,537,457	3.81 %
Adverse scenario	6,796,657	(345,297)	6,451,360	5.08 %

For 31 December 2020, the final ECL numbers for loans and advances of P272,625,000 with a coverage ratio of 4.35% were measured by weighting the ECL outcome for each of scenario by the likelihood of that scenario occurring. The likelihoohood of the base scenario occuring was 85%, with upside and adverse scenarios weighted at 10% and 5% respectively.

31 December 2020	Gross P'000	ECL P'000	Net P'000	ECL coverage ratio %
Base scenario	6,273,595	(272,768)	6,000,827	4.35%
Upside scenario	6,273,595	(255,906)	6,017,689	4.08%
Adverse scenario	6,273,595	(303,644)	5,969,951	4.84%

Notes to the Consolidated and Separate Annual Financial Statements
(continued)

3. Financial instruments and risk management (continued)

3.2 Liquidity risk

Liquidity risk is the risk of the group not being able to meet its commitments due to shortage of funds. Liquidity risk may arise in situations where there are mismatches between maturities of assets and liabilities. The Group's exposure to the risk is managed by the maturity profiles of the financial assets and liabilities.

The analysis of assets and liabilities of the Group into relevant maturity Groupings is based on the remaining period at reporting date to the contractual maturity date. The matching and controlled mismatching of the maturities is fundamental to the management of the risk. An unmatched position potentially enhances profitability, but can increase the risk of loss.

Liquidity risk management process

The Group holds liquidity reserves in highly tradable instruments which are immediately available if required. Liquidity is assessed by currency as well as by time bracket. The Group's liquidity management is dependent upon accurate cash flow projections and the monitoring of it's future funding requirements. The Group's liquidity management process, is monitored by Treasury and includes:

- Day-to-Day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in global money markets to enable this to happen.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flows.
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing single counterparty and sector depositor's concentration and profile of debt maturities to minimize liquidity shocks. The Bank has put in place single counterparty and sector concentration as a means of managing liquidity risk.

Monitoring and reporting take the form of cash flow measurement and projections for a month, 1-3 months, 3-12 months, 1-5 years and more than 5 years, as these are key periods for liquidity management. The starting point for those projections is an analysis of contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The Group manages large depositor and sectorial concentrations through limits on the amounts to be accepted from an individual depositors and exposures to various sectors. The limits are reviewed at Assets and Liabilities Committee ("ALCO") on a regular basis.

ALCO also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

In the corporate space there are clients that have been issued loan facilities and as a condition of having these facilities priced competitively they are to bring in a certain level of liabilities/ transactional accounts. Due to the COVID-19 pandemic, in the previous some entities did not manage to meet this covenant and had to request for pardon and this has been appropriately addressed in the current year.

In response to the economic impacts of the COVID-19 pandemic, the Bank of Botswana reduced the Prudential Reserve. Requirement from 5% to 2.5% in 2020 which has eased on liquidity pressures for the Bank. In addition, the Group's has a credit rating of A1 from Global Credit Rating Agency. Accordingly, the Group has been able to access additional funding through existing lenders at market interest rates similar to its current borrowings. During the year under review, the Bank's liquidity levels were above the regulatory prudential limits.

Liquidity analysis based on contractually undiscounted amounts

The table below analyses the Group's financial assets and liabilities that will be settled on a gross basis into relevant maturity Groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Other financial assets and liabilities exclude prepayments, other assets and liabilities which does not meet the criteria of a financial instrument.

Notes to the Consolidated and Separate Annual Financial Statements (continued)

3. Financial instruments and risk management (continued)

Group (Figures in Pula Thousands)

31 December, 2021	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Total	Effect of discounting	Total
Assets								
Cash and balances with the Central Bank	258,979	-	-	-	-	258,979	-	258,979
Balances with other banks	1,271,079	-	120,626	-	-	1,391,705	-	1,391,705
Loans and advances to customers	136,134	292,090	1,241,543	4,338,326	1,047,191	7,055,284	(546,589)	6,508,695
Derivative financial assets	-	-	67,915	-	-	67,915	-	67,915
Debt instruments	-	275,000	-	250,740	40,000	565,740	2,220	567,960
Balances due from related parties	975	-	-	-	-	975	-	975
Other financial assets	13,325	-	-	-	-	13,325	-	13,325
Total	**1,680,492**	**567,090**	**1,430,084**	**4,589,066**	**1,087,191**	**9,353,923**	**(544,369)**	**8,809,554**

31 December, 2021	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Total	Effect of discounting	Total
Liabilities								
Deposits from banks	364,021	-	-	-	-	364,021	-	364,021
Deposits from customers	1,887,666	2,799,855	1,899,070	23,197	-	6,609,788	(1,907)	6,607,881
Borrowed funds	119,238	19,980	90,857	336,842	330,025	896,942	(210,918)	686,024
Derivative financial liabilities	-	-	64,809	-	-	64,809	-	64,809
Balances due to related parties	5,680	-	-	-	-	5,680	-	5,680
Lease liabilities	928	1,865	8,429	44,188	12,488	67,898	(15,757)	52,141
Other financial liabilities	97,022	-	-	-	-	97,022	-	97,022
Total	**2,474,555**	**2,821,700**	**2,063,165**	**404,227**	**342,513**	**8,106,160**	**(228,582)**	**7,877,578**
Liquidity (gap)/surplus	**(794,063)**	**(2,254,610)**	**(633,081)**	**4,184,839**	**744,678**	**1,247,763**	**(315,787)**	**931,976**

31 December, 2020	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Total	Effect of discounting	Total
Assets								
Cash and balances with the Central Bank	384,004	-	-	-	-	384,004	-	384,004
Balances with other banks	895,789	-	-	-	-	895,789	-	895,789
Loans and advances to customers	308,673	299,857	1,268,035	4,250,838	1,486,648	7,614,051	(1,613,081)	6,000,970
Derivative financial assets	1,072	59,497	-	-	-	60,569	-	60,569
Debt instruments	405,264	137,000	-	100,740	40,000	683,004	(2,862)	680,142
Balances due from related parties	340,443	34,760	112,982	-	-	488,185	-	488,185
Other financial assets	43,300	-	-	-	-	43,300	-	43,300
Total	**2,378,545**	**531,114**	**1,381,017**	**4,351,578**	**1,526,648**	**10,168,902**	**(1,615,943)**	**8,552,959**
Liabilities								
Deposits from banks	68,713	-	-	-	-	68,713	-	68,713
Deposits from customers	3,771,978	1,234,451	1,626,035	142,843	-	6,775,307	(209,259)	6,566,048
Borrowed funds	4,155	31,261	97,783	642,500	108,109	883,808	(124,690)	759,118
Derivative financial liabilities	1,008	58,659	-	-	-	59,667	-	59,667
Balances due to related parties	1,583	8	12,635	-	-	14,226	-	14,226
Lease liabilities	864	2,625	7,256	67,729	-	78,474	(20,256)	58,218
Other financial liabilities	136,767	-	-	-	-	136,767	-	136,767
Total	**3,985,068**	**1,327,004**	**1,743,709**	**853,072**	**108,109**	**8,016,962**	**(354,205)**	**7,662,757**
Liquidity (gap)/surplus	**(1,603,457)**	**(795,890)**	**(362,692)**	**3,498,506**	**1,418,539**	**2,155,006**	**(1,264,804)**	**890,202**

Notes to the Consolidated and Separate Annual Financial Statements
(continued)

3. Financial instruments and risk management (continued)

Company (Figures in Pula Thousands)

31 December, 2021	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Total	Effect of discounting	Total
Assets								
Cash and balances with the Central	258,979	-	-	-	-	258,979	-	258,979
Balances with other banks	1,271,079	-	120,626	-	-	1,391,705	-	1,391,705
Loans and advances to customers	136,134	292,090	1,241,543	4,338,326	1,047,191	7,055,284	(546,589)	6,508,695
Derivative financial assets	-	-	67,915	-	-	67,915	-	67,915
Debt instruments	-	275,000	-	250,740	40,000	565,740	2,220	567,960
Balances due from related parties	975	-	-	-	-	975	-	975
Other financial assets	1,764	-	-	-	-	1,764	-	1,764
Total	**1,668,931**	**567,090**	**1,430,084**	**4,589,066**	**1,087,191**	**9,342,362**	**(544,369)**	**8,797,993**

31 December, 2021	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Total	Effect of discounting	Total
Liabilities								
Deposits from banks	364,021	-	-	-	-	364,021	-	364,021
Deposits from customers	2,066,360	2,799,855	1,899,070	23,197	-	6,788,482	(1,907)	6,786,575
Borrowed funds	119,238	19,980	90,857	336,842	330,025	896,942	(210,918)	686,024
Derivative financial liabilities	-	-	64,809	-	-	64,809	-	64,809
Balances due to related parties	5,680	-	-	-	-	5,680	-	5,680
Lease liabilities	928	1,865	8,429	44,188	12,488	67,898	(15,757)	52,141
Other financial liabilities	85,529	-	-	-	-	85,529	-	85,529
Total	**2,641,756**	**2,821,700**	**2,063,165**	**404,227**	**342,513**	**8,273,361**	**(228,582)**	**8,044,779**
Liquidity (gap)/surplus	**(972,825)**	**(2,254,610)**	**(633,081)**	**4,184,839**	**744,678**	**1,069,001**	**(315,787)**	**753,214**

Notes to the Consolidated and Separate Annual Financial Statements (continued)

3. Financial instruments and risk management (continued)

Company (Figures in Pula Thousands)

31 December, 2020	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Total	Effect of discounting	Total
Assets								
Cash and balances with the Central Bank	384,004	-	-	-	-	384,004	-	384,004
Balances with other banks	895,789	-	-	-	-	895,789	-	895,789
Loans and advances to customers	308,673	299,857	1,268,035	4,250,838	1,486,648	7,614,05	(1,613,081)	6,000,970
Derivative financial assets	1,072	59,497	-	-	-	60,569	-	60,569
Debt instruments	405,264	137,000	-	100,740	40,000	683,004	(2,862)	680,142
Balances due from related parties	340,442	34,760	112,982	-	-	488,184	-	488,184
Other financial assets	23,457	-	-	-	-	23,457	-	23,457
Total	**2,358,701**	**531,114**	**1,381,017**	**4,351,578**	**1,526,648**	**10,149,058**	**(1,615,943)**	**8,533,115**

31 December, 2020	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Total	Effect of discounting	Total
Liabilities								
Deposits from banks	68,713	-	-	-	-	68,713	-	68,713
Deposits from customers	3,771,978	1,234,451	1,626,035	142,843	-	6,775,307	(209,259)	6,566,048
Borrowed funds	4,155	31,261	97,783	642,500	108,109	883,808	(124,690)	759,118
Derivative financial liabilities	1,008	58,659	-	-	-	59,667	-	59,667
Balances due to related parties	155,614	8	12,635	-	-	168,257	-	168,257
Lease liabilities	864	2,625	7,256	67,729	-	78,474	(20,256)	58,218
Other financial liabilities	128,520	-	-	-	-	128,520	-	128,520
Total	**4,130,852**	**1,327,004**	**1,743,709**	**853,072**	**108,109**	**8,162,746**	**(354,205)**	**7,808,541**
Liquidity (gap)/surplus	**(1,772,151)**	**(795,890)**	**(362,692)**	**3,498,506**	**1,418,539**	**1,986,312**	**(1,261,738)**	**724,574**

Liquidity risk on financial guarantee contracts and commitments

31 December, 2021	Not later than 1 year (P '000)	1 to 5 years (P '000)	Greater than 5 years (P '000)	Total (P '000)
Financial guarantees, acceptances and other financial facilities	132,708	-	-	132,708
Capital commitments	44,968	-	-	44,968
Loan commitments and other credit related liabilities	121,125	-	-	121,125
	298,801	**-**	**-**	**298,801**

31 December, 2020	Not later than 1 year (P '000)	1 to 5 years (P '000)	Greater than 5 years (P '000)	Total (P '000)
Financial guarantees, acceptances and other financial facilities*	63,630	-	-	63,630
Capital commitments	56,340	-	-	56,340
Loan commitments and other credit related liabilities*	58,135	-	-	58,135
	178,105	**-**	**-**	**178,105**

*These balances have been restated to reflect all guarantees and loan commitments in the not later than 1 year bucket. In 2020, only P14.1 million of financial guarantees and P10.7 million of loan commitments were shown as not later than 1 year, with the remainder of the balances being incorrectly presented as being for periods greater than 1 year.

Notes to the Consolidated and Separate Annual Financial Statements (continued)

3. Financial instruments and risk management (continued)

3.2.1 Maturity profile

The table below analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at reporting date to the remaining contractual maturity dateGroup (Figures in Pula Thousands)

31 December, 2021	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Total
Assets						
Cash and balances with the Central Bank	258,979	-	-	-	-	258,979
Balances with other banks	1,271,079	-	120,626	-	-	1,391,705
Loans and advances to customers	109,854	12,674	46,927	1,918,105	4,421,135	6,508,695
Derivative financial assets	-	-	67,915	-	-	67,915
Debt instruments	-	274,369	-	254,329	39,262	567,960
Balances due from related parties	975	-	-	-	-	975
Other financial assets	13,325	-	-	-	-	13,325
	1,654,212	**287,043**	**235,468**	**2,172,434**	**4,460,397**	**8,809,554**

31 December, 2021	Up to 1 month	1 to 3 months	Greater 3 to 12 months	1 to 5 years	than 5 years	Total
Liabilities						
Deposits from banks	364,021	-	-	-	-	364,021
Deposits from customers	1,885,759	2,799,855	1,899,070	23,197	-	6,607,881
Borrowed funds	119,903	-	4,272	294,341	267,508	686,024
Derivative financial liabilities	-	-	64,809	-	-	64,809
Balances due to related parties	5,680	-	-	-	-	5,680
Other financial liabilities	97,740	1,442	6,516	43,465	-	149,163
	2,473,103	**2,801,297**	**1,974,667**	**361,003**	**267,508**	**7,877,578**
Net maturity gap	**(818,891)**	**(2,514,254)**	**(1,739,199)**	**1,811,431**	**4,192,889**	**931,976**

Group (Figures in Pula Thousands)

31 December, 2020	Up to 1 month	1 to 3 months	Greater 3 to 12 months	1 to 5 years	than 5 years	Total
Assets						
Cash and balances with the Central Bank	384,004	-	-	-	-	384,004
Balances with other banks	895,789	-	-	-	-	895,789
Loans and advances to customers	13,374	1,150	107,354	2,471,475	3,407,617	6,000,970
Derivative financial assets	1,072	59,497	-	-	-	60,569
Debt instruments	403,396	137,000	-	99,746	40,000	680,142
Balances due from related parties	340,443	34,760	112,982	-	-	488,185
Other financial assets	43,300	-	-	-	-	43,300
	2,081,378	**232,407**	**220,336**	**2,571,221**	**3,447,617**	**8,552,959**

31 December, 2020	Up to 1 month	1 to 3 months	Greater 3 to 12 months	1 to 5 years	than 5 years	Total
Liabilities						
Deposits from banks	68,713	-	-	-	-	68,713
Deposits from customers	3,631,389	1,226,097	1,575,245	133,317	-	6,566,048
Borrowed funds	4,155	32,643	111,027	503,184	108,109	759,118
Derivative financial liabilities	1,008	58,659	-	-	-	59,667
Balances due to related parties	1,583	8	12,635	-	-	14,226
Other financial liabilities	142,218	2,625	7,256	42,886	-	194,985
	3,849,066	**1,320,032**	**1,706,163**	**679,387**	**108,109**	**7,662,757**
Net maturity gap	**(1,767,688)**	**(1,087,625)**	**(1,485,827)**	**1,891,834**	**3,339,508**	**890,202**

Notes to the Consolidated and Separate Annual Financial Statements (continued)

3. Financial instruments and risk management (continued)

Company (Figures in Pula Thousands)

31 December, 2021	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Total
Assets						
Cash and balances with the Central Bank	258,979	-	-	-	-	258,979
Balances with other banks	1,271,079	-	120,626	-	-	1,391,705
Loans and advances to customers	109,854	12,674	46,927	1,918,105	4,421,135	6,508,695
Derivative financial assets	-	-	67,915	-	-	67,915
Debt instruments	-	274,369	-	254,329	39,262	567,960
Balances due from related parties	975	-	-	-	-	975
Other financial assets	1,764	-	-	-	-	1,764
	1,642,651	**287,043**	**235,468**	**2,172,434**	**4,460,397**	**8,797,993**

31 December, 2021	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Total
Liabilities						
Deposits from banks	364,021	-	-	-	-	364,021
Deposits from customers	2,064,453	2,799,855	1,899,070	23,197	-	6,786,575
Borrowed funds	119,903	-	4,272	294,341	267,508	686,024
Derivative financial liabilities	-	-	64,809	-	-	64,809
Balances due to related parties	5,680	-	-	-	-	5,680
Other financial liabilities	86,247	1,442	6,516	43,465	-	137,670
	2,640,304	**2,801,297**	**1,974,667**	**361,003**	**267,508**	**8,044,779**
Net maturity gap	**(997,653)**	**(2,514,254)**	**(1,739,199)**	**1,811,431**	**4,192,889**	**753,314**

Group (Figures in Pula Thousands)

31 December, 2020	Up to 1 month	1 to 3 months	Greater 3 to 12 months	1 to 5 years	than 5 years	Total
Assets						
Cash and balances with the Central Bank	384,004	-	-	-	-	384,004
Balances with other banks	895,789	-	-	-	-	895,789
Loans and advances to customers	13,374	1,150	107,354	2,471,475	3,407,617	6,000,970
Derivative financial assets	1,072	59,497	-	-	-	60,569
Debt instruments	403,396	137,000	-	139,746	-	680,142
Balances due from related parties	340,443	34,760	112,982	-	-	488,185
Other financial assets	23,457	-	-	-	-	23,457
	2,061,535	**232,407**	**220,336**	**2,611,221**	**3,407,617**	**8,533,116**

31 December, 2020	Up to 1 month	1 to 3 months	Greater 3 to 12 months	1 to 5 years	than 5 years	Total
Liabilities						
Deposits from banks	68,713	-	-	-	-	68,713
Deposits from customers	3,631,389	1,226,097	1,575,245	133,317	-	6,566,048
Borrowed funds	4,155	32,643	111,027	503,184	108,109	759,118
Derivative financial liabilities	1,008	58,659	-	-	-	59,667
Balances due to related parties	155,614	8	12,635	-	-	168,257
Other financial liabilities	133,971	2,625	7,256	42,886	-	186,738
	3,994,850	**1,320,032**	**1,706,163**	**679,387**	**108,109**	**7,808,541**
Net maturity gap	**(1,933,315)**	**(1,087,625)**	**(1,485,827)**	**1,931,834**	**3,299,508**	**724,575**

Notes to the Consolidated and Separate Annual Financial Statements
(continued)

3. Financial instruments and risk management (continued)

3.3 Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

Market and foreign currency exposures related to dealing positions are managed in the Treasury division within a framework of pre- approved dealer, currency and counterparty limits. The currency exposure that arises is managed through ALCO.

3.3.1 Interest rate risk

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Assets and liabilities carrying variable rate interest are classified under 'up to one month' bracket.

Loans and advances are of a floating rate nature based on the Bank rate, since as per the Group's and Company's loan agreements, the Group reserves the right to change the rate of interest at any time in the event of market fluctuations and/or credit/banking considerations which may be set out from time to time by the Group and/or any government or regulatory authority. The Group also reserves the right to change the interest rates on deposits in line with the market fluctuations and/or change in credit/banking considerations.

The Assets and Liabilities Committee (ALCO) is responsible for managing interest rate and liquidity risk in the Group. The Assets and Liabilities Committee has been established on this mandate and meets on a monthly basis. They operate within the prudential guidelines and policies established by Group ALCO. In order to reduce interest rate risk, the majority of the Group's lending is on a variable interest rate. This approach has been adopted as a result of the scarcity of term deposits in the market region which limits the Groups ability to build a substantial stable pool of fixed rate funding.

The tables below summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. Assets and liabilities carrying variable interest rates are classified under the 'up to 1 month' bracket.

Group (Figures in Pula Thousands)

31 December, 2021	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Non-interest	Total
Assets							
Cash and balances with the Central Bank	99,941	-	-	-	-	159,038	258,979
Balances with other banks	1,271,079	-	120,626	-	-	-	1,391,705
Loans and advances to customers	6,508,695	-	-	-	-	-	6,508,695
Derivative financial assets	-	-	67,915	-	-	-	67,915
Debt instruments	-	274,369	-	254,329	39,262	-	567,960
Balances due from related parties	975	-	-	-	-	-	975
Other financial assets	13,325	-	-	-	-	-	13,325
	7,894,015	**274,369**	**188,541**	**254,329**	**39,262**	**159,038**	**8,809,554**

31 December, 2021	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Non-interest	Total
Liabilities							
Deposits from banks	364,021	-	-	-	-	-	364,021
Deposits from customers	1,885,759	2,799,855	1,899,070	23,197	-	-	6,607,881
Borrowed funds	630,144	-	-	55,880	-	-	686,024
Derivative financial liabilities	-	-	64,809	-	-	-	64,809
Balances due to related parties	5,680	-	-	-	-	-	5,680
Other financial liabilities	97,740	1,442	6,516	43,465	-	-	149,163
	2,983,344	**2,801,297**	**1,970,395**	**122,542**	**-**	**-**	**7,877,578**
Interest sensitivity gap	**4,910,671**	**(2,526,928)**	**(1,781,854)**	**131,787**	**39,262**	**159,038**	**931,976**

Notes to the Consolidated and Separate Annual Financial Statements (continued)

3. Financial instruments and risk management (continued)

Group (Figures in Pula Thousands)

31 December, 2020	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Non-interest	Total
Assets							
Cash and balances with the Central Bank	184,004	-	-	-	-	200,000	384,004
Balances with other banks	895,789	-	-	-	-	-	895,789
Loans and advances to customers*	6,000,970	-	-	-	-	-	6,000,970
Derivative financial assets	-	59,497	-	-	-	1,072	60,569
Debt instruments	403,396	137,000	-	139,746	-	-	680,142
Balances due from related parties	332,652	32,461	-	-	-	123,072	488,185
Other financial assets	43,300	-	-	-	-	-	43,300
	7,860,111	**228,958**	**-**	**139,746**	**-**	**324,144**	**8,552,959**

31 December, 2020	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Non-interest	Total
Liabilities							
Deposits from banks	68,713	-	-	-	-	-	68,713
Deposits from customers	1,578,700	1,226,075	1,575,354	133,317	-	2,052,602	6,566,048
Borrowed funds*	703,226	-	-	55,892	-	-	759,118
Derivative financial liabilities	-	58,659	-	-	-	1,008	59,667
Balances due to related parties	-	-	-	-	-	14,226	14,226
Other financial liabilities	-	-	-	-	-	194,985	194,985
	2,350,639	**1,284,734**	**1,575,354**	**189,209**	**-**	**2,262,821**	**7,662,757**
Interest sensitivity gap	**5,509,472**	**(1,055,776)**	**(1,575,354)**	**(49,463)**	**-**	**(1,938,677)**	**890,202**

Company (Figures in Pula Thousands)

31 December, 2021	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Non-interest	Total
Assets							
Cash and balances with the Central Bank	99,941	-	-	-	-	159,038	258,979
Balances with other banks	1,271,079	-	120,626	-	-	-	1,391,705
Loans and advances to customers	6,508,695	-	-	-	-	-	6,508,695
Derivative financial assets	-	-	67,915	-	-	-	67,915
Debt instruments	-	274,369	-	254,329	39,262	-	567,960
Balances due from related parties	975	-	-	-	-	-	975
Other financial assets	1,764	-	-	-	-	-	1,764
	7,882,454	**274,369**	**188,541**	**254,329**	**39,262**	**159,038**	**8,797,993**

31 December, 2021	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Non-interest	Total
Liabilities							
Deposits from banks	364,021	-	-	-	-	-	364,021
Deposits from customers	2,064,453	2,799,855	1,899,070	23,197	-	-	6,786,575
Borrowed funds	630,144	-	-	55,880	-	-	686,024
Derivative financial liabilities	-	-	64,809	-	-	-	64,809
Balances due to related parties	5,680	-	-	-	-	-	5,680
Other financial liabilities	86,247	1,442	6,516	43,465	-	-	137,670
	3,150,545	**2,801,297**	**1,970,395**	**122,542**	**-**	**-**	**8,044,779**
Interest sensitivity gap	**4,731,909**	**(2,526,928)**	**(1,781,854)**	**131,787**	**39,262**	**159,038**	**753,214**

Notes to the Consolidated and Separate Annual Financial Statements (continued)

3. Financial instruments and risk management (continued)

Company (Figures in Pula Thousands)

31 December, 2020	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Non-interest	Total
Assets							
Cash and balances with the Central Bank	184,004	-	-	-	-	200,000	384,004
Balances with other banks	895,789	-	-	-	-	-	895,789
Loans and advances to customers*	6,000,970	-		-	-	-	6,000,970
Derivative financial assets	-	59,497	-	-	-	1,072	60,569
Debt instruments	403,396	137,000	-	139,746	-	-	680,142
Balances due from related parties	365,197	-	-	-	-	123,075	488,272
Other financial assets	23,457	-	-	-	-	-	23,457
	7,872,813	**196,497**	**-**	**139,746**	**-**	**324,147**	**8,533,203**

31 December, 2020	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	Non-interest	Total
Liabilities							
Deposits from banks	68,713	-	-	-	-	-	68,713
Deposits from customers	1,578,700	1,226,075	1,575,354	133,317	-	2,052,602	6,566,048
Borrowed funds*	703,226	-	-	55,892	-	-	759,118
Derivative financial liabilities	-	58,659	-	-	-	1,008	59,667
Balances due to related parties	-	-	-	-	-	168,257	168,257
Other financial liabilities	-	-	-	-	-	186,738	186,738
	2,350,639	**1,284,734**	**1,575,354**	**189,209**	**-**	**2,408,605**	**7,808,541**
Interest sensitivity gap	**5,522,174**	**(1,088,237)**	**(1,575,354)**	**(49,463)**	**-**	**(2,084,458)**	**724,662**

*These balances have been reclassified within the maturity brackets. In the 2020, all the balances with variable interest rate were not classified under 1 month bracket.

Interest rate - sensitivity analysis

A principal part of management of market risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios. The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income.

Sensitivity of net interest income (Figures in Pula Thousands)

	Group		Company	
	2021	**2020**	**2021**	**2020**
Change in net interest income arising from a shift in yield curves of +50 basis points	4,781	4,521	3,888	3,690
Change in net interest income arising from a shift in yield curves of -50 basis points	(4,781)	(4,521)	(3,888)	(3,690)

Notes to the Consolidated and Separate Annual Financial Statements (continued)

3. Financial instruments and risk management (continued)

3.3.2 Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board and the ALCO set limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The disclosure related to the year ended 2020 is restated to exclude the BWP exposures, as these balances are not exposed to foreign exchange risk.

Group (Figures in Pula Thousands)

31 December, 2021	**EUR**	**USD**	**ZAR**	**Others**	**Total**
Assets					
Balances with other banks	10,764	826,960	37,657	-	875,381
Loans and advances to customers	-	12,688	-	-	12,688
	10,764	**839,648**	**37,657**	**-**	**888,069**

31 December, 2021	**EUR**	**USD**	**ZAR**	**Others**	**Total**
Liabilities					
Deposits from customers	6,159	604,978	72,431	9,473	693,041
Borrowings	-	475,873	-	-	475,873
Balances due to related parties	-	5,680	-	-	5,680
	6,159	**1,086,531**	**72,431**	**9,473**	**1,174,594**
Net on-balance sheet position	**4,605**	**(246,883)**	**(34,774)**	**(9,473)**	**(286,525)**
Net off-balance sheet position	**-**	**-**	**-**	**-**	**-**
Net position	**4,605**	**(246,883)**	**(34,774)**	**(9,473)**	**(286,525)**

31 December, 2020	**EUR**	**USD**	**ZAR**	**Others**	**Total**
Assets					
Cash and balances with the Central Bank	16,097	5,409	5,773	2,018	29,297
Balances with other banks	-	335,135	40,491	-	375,626
Loans and advances to customers	-	5,214	11	-	5,225
Derivative financial assets	-	-	1,072	-	1,072
Balances due from related parties	-	365,197	-	-	365,197
	16,097	**710,955**	**47,347**	**2,018**	**776,417**

31 December, 2020	**EUR**	**USD**	**ZAR**	**Others**	**Total**
Liabilities					
Deposits from banks	-	54,054	-	-	54,054
Deposits from customers	-	123,263	44,148	-	167,411
Borrowings	-	546,360	-	-	546,360
Balances due to related parties	-	14,226	-	-	14,226
	-	**737,903**	**44,148**	**-**	**782,051**
Net on-balance sheet position	**16,097**	**(26,948)**	**3,199**	**2,018**	**(5,634)**
Net off-balance sheet position	**-**	**593**	**974**	**-**	**1,567**
Net position	**16,097**	**(26,355)**	**4,173**	**2,018**	**(4,067)**

Notes to the Consolidated and Separate Annual Financial Statements
(continued)

3. Financial instruments and risk management (continued)

Company (Figures in Pula Thousands)

31 December, 2021	EUR	USD	ZAR	Others	Total
Assets					
Balances with other banks	10,764	826,959	37,657	-	875,380
Loans and advances to customers	-	12,688	-	-	12,688
Other financial assets	-	-	-	-	-
	10,764	**839,647**	**37,657**	**-**	**888,068**

31 December, 2021	EUR	USD	ZAR	Others	Total
Liabilities					
Deposits from customers	6,159	604,978	72,431	9,473	693,041
Borrowings	-	475,873	-	-	475,873
Balances due to related parties	-	5,680	-	-	5,680
	6,159	**1,086,531**	**72,431**	**9,473**	**1,174,594**

Net on-balance sheet position	**4,605**	**(246,884)**	**(34,774)**	**(9,473)**	**(286,526)**
Net off-balance sheet position	**-**	**-**	**-**	**-**	**-**
Net position	**4,605**	**(246,884)**	**(34,774)**	**(9,473)**	**(286,526)**

31 December, 2020	EUR	USD	ZAR	Others	Total
Assets					
Cash and balances with the Central Bank	16,097	5,409	5,773	2,018	29,297
Balances with other banks	-	335,135	40,491	-	375,626
Loans and advances to customers	-	5,214	11	-	5,225
Derivative financial assets	-	-	1,072	-	1,072
Balances due from related parties	-	365,197	-	-	365,197
	16,097	**710,955**	**47,347**	**2,018**	**776,417**

31 December, 2020	EUR	USD	ZAR	Others	Total
Liabilities					
Deposits from banks	-	54,054	-	-	54,054
Deposits from customers	-	123,263	44,148	-	167,411
Borrowings	-	546,360	-	-	546,360
Balances due to related parties	-	168,257	-	-	168,257
	-	**891,934**	**44,148**	**-**	**936,082**

Net on-balance sheet position	**16,097**	**(180,979)**	**3,199**	**2,018**	**(159,665)**
Net off-balance sheet position	**-**	**593**	**974**	**-**	**1,567**
Net position	**16,097**	**(180,386)**	**4,173**	**2,018**	**(158,098)**

Sensitivity of currency

The following sensitivity analysis is monitored on the following major currencies of non-equity instruments, assuming a 5% increase or decrease arose on the various currencies.

Currency	2021 (P '000)	2020 (P '000)
EUR	(231)	(1,318)
USD	12,344	209
ZAR	1,738	805

Sensitivity analysis

A reasonably possible strengthening of the US dollar, EURO and ZAR against all other countries at 31 December 2021 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown above. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Notes to the Consolidated and Separate Annual Financial Statements (continued)

3. Financial instruments and risk management (continued)

The tables below summarise the carrying amounts of those financial assets and liabilities not presented at their fair value on the Group's statement of financial position and for which the fair value approximates the carrying amounts.

Liabilities recognised at amortised cost	Group		Company	
	2021 (P '000)	2020 (P '000)	2021 (P '000)	2020 (P '000)
Balances due to related parties	5,680	14,226	5,680	168,257
Other financial liabilities	149,163	194,985	137,670	186,738
Deposits	6,971,902	6,634,761	7,150,596	6,634,761
Borrowings	686,024	759,118	686,024	759,118
	7,812,769	**7,603,090**	**7,979,970**	**7,748,874**
Assets recognised at amortised cost				
Cash and balances with the Central Bank	258,979	384,004	258,979	384,004
Balances with other banks	1,391,705	895,789	1,391,705	895,789
Balances due from related parties	975	489,718	975	489,718
Loans and advances (gross)	6,796,657	6,273,595	6,796,657	6,273,595
Other financial assets	13,325	43,300	1,764	23,457
	8,461,641	**8,086,406**	**8,450,080**	**8,066,563**

The carrying amounts of the financial instruments have deemed to approximate their fair values as follows:

Related party balances, cash and bank balances and other financial assets and liabilities
Related party balances, cash and bank balances and other financial assets and liabilities are short term in nature, as such, the carrying amounts are deemed to closely approximate their fair value.

Loans and advances
The fair value of loans and advances is deemed to closely approximate to the carrying value. This is due to the instruments included in this classification being variable rate instruments.

Deposits, Borrowings
Deposits are generally of a short-term nature where the impact of discounting would be negligible. For both deposits and borrowings, the counterparties are not related to the Bank and terms were concluded on market terms, hence, carrying amount approximates market values.

The tables below summarise the carrying amounts of those financial assets and liabilities not presented at their fair value on the Group's statement of financial position and their fair values does not approximate the carrying amounts.

Assets	Carrying amount/2021	Level 1	Level 2	Total
	(P '000)	(P '000)	(P '000)	(P '000)
Debt instruments	567,960	275,000	285,484	560,484

Debt instruments
Level 1 Treasury bills are actively traded in the market, prices of which are readily available. The instruments under level 2 are market driven contractual rate. The fair values of the debt instruments classified as level 2 were determined by discounting the future maturities by a market driven contractual rate.

The fair values of the above instruments have been determined as follows;

Financial instruments measured at fair value
The Group classifies and measures derivative financial assets and liabilities mandatorily through fair value profit or loss.

Fair value hierarchy
Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts, traded loans and issued structured debt. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

Notes to the Consolidated and Separate Annual Financial Statements (continued)

3. Financial instruments and risk management (continued)

Valuation framework
Each Credit Default Swap (CDS) is BWP denominated and is valued by discounting the expected payments of the CDS to the valuation date of 31 December 2021. The discount factors for the BWP denominated cash flows for each future payment date are calculated off a BWP Bond curve. This is the most liquid-risk-free curve available for Botswana.

In addition to the calculation of the risk-neutral value, the Group also calculates a credit and debt value adjustment for each CDS, as is required by IFRS 13, when calculating the fair value of financial instruments. A semi-analytical approach was used to generate the various potential fair values of the CDS margin payments to their maturity, based on option pricing theory. In this approach, volatilities are used to calculate future fair values, which in turn are used to approximate the Expected Positive Exposures (EPE) and Expected Negative Exposure (ENE). These are then used in calculation of fair value balances.

The credit ratings were sourced from Global Credit Rating Company. The conservative average credit rating was used for Atlas Mara. The Group calculated results for a range of possible recovery rates for all counterparties (20%, 30% and 40%). Volatility is measured as the annualised standard deviation of the continuously compounded daily returns of the underlying share/FX rate under the assumption that the share price and exchange rates are log-normally distributed. This is in line with market practice.

The Group therefore decided to use a more prudent recovery rate of 30%.

31 December, 2021

Assets	Level 1 (P '000)	Level 2 (P '000)	Level 3 (P '000)	Total (P '000)
Forward foreign exchange contracts	-	1,049	-	1,049
Credit default swap	-	-	66,866	66,866
	-	**1,049**	**66,866**	**67,915**

31 December, 2021

Liabilities	Level 1 (P '000)	Level 2 (P '000)	Level 3 (P '000)	Total (P '000)
Forward foreign exchange contracts	-	430	-	430
Credit default swap	-	-	64,379	64,379
	-	430	64,379	64,809
Net derivative assets				**3,106**

31 December, 2020

Assets	Level 1 (P'000)	Level 2 (P'000)	Level 3 (P'000)	Total (P'000)
Forward foreign exchange contracts	-	1,072	-	1,072
	-	-	59,497	59,497
	-	1,072	59,497	60,569

31 December, 2020

Liabilities	Level 1 (P '000)	Level 2 (P '000)	Level 3 (P '000)	Total (P '000)
Forward foreign exchange contracts	-	1,008	-	1,008
Credit default swap	-	-	58,659	58,659
	-	1,008	58,659	59,667
Net derivative assets				**902**

Level 3 Fair value movements

31 December, 2021	**Derivatives**	**Total assets at fair value**	**Derivative financial liabilities**	**Total liabilities at fair value**
	(P '000)	(P '000)	(P '000)	(P '000)
Opening	59,497	59,497	58,659	58,659
- in profit and loss	7,369	7,369	5,720	5,720
Closing balance	**66,866**	**66,866**	**64,379**	**64,379**

31 December, 2020	**Derivatives**	**Total assets at fair value**	**Derivative financial liabilities**	**Total liabilities at fair value**
Opening balance	59,333	59,333	58,533	58,533
-in profit and loss	164	164	106	106
Closing balance	**59,497**	**59,497**	**58,639**	**58,639**

Notes to the Consolidated and Separate Annual Financial Statements (continued)

3. Financial instruments and risk management (continued)

Sensitivity analysis of changes in fair value on level 3 derivatives

Recovery rate was considered a key unobservable input to the valuation. We have calculated results for a range of possible recovery rates for all counterparties (20%, 30% and 40%). We made use of different recovery rates for the counterparties because of the uncertainty attached to the recovery rates, and in order to demonstrate the sensitivity of the valuation to the recovery rates.

31 December 2021

Derivative Asset		20% P'000	30% P'000	40% P'000
Recovery Rate	20%	(1,259)	(1,262)	(1,265)
	30%	(1,101)	(1,104)	(1,107)
	40%	(944)	(946)	(949)

Derivative Liability		20% P'000	30% P'000	40% P'000
Recovery Rate	20%	1,212	1,215	1,218
	30%	1,060	1,063	1,066
	40%	909	911	913

31 December 2020

Derivative Asset		20% P'000	30% P'000	40% P'000
Recovery Rate	20%	(135)	(135)	(135)
	30%	(118)	(118)	(118)
	40%	(101)	(101)	(101)

Derivative Liability		20% P'000	30% P'000	40% P'000
Recovery Rate	20%	133	133	133
	30%	116	116	116
	40%	100	100	100

Other unobservable inputs applied the in the valuation include:

- Credit rating of B - This is because there was no observable credit rating for Atlas Mara so the credit rating of Union Bank, an affiliate company, was used as a proxy.
- Financing rate of 4.25% (Simple Rate). The financing rate used in the calculation of the deposit component of the contract was a December 2021 FTP rate of Access Bank.

The inputs above are consistent with those applied in 2020 and considered to be still appropriate in 2021.

4. Capital management

The bank is a subsidiary of Access Bank Plc and manages it's capital in the context of approved Bank capital, which determines levels of risk weighted asset growth and the optimal amount and mix of capital required to support planned business growth. If capital falls below the required threshold, the Group injects capital either by way of Tier 1 or Tier 2 capital.

The Asset and Liabilities Committee (ALCO) manages capital composition and the Bank's ability to comply with capital requirements on a monthly basis, and an internal limit was set by ALCO at 15% which is a 2.5% buffer on the regulatory Capital Adequacy Ratio (CAR), which is required by the central bank to be 12.5% or more. The Bank ensures that it is adequately capitalized in line with regulatory requirements and Basel II to cover for Credit, Operational and Market risks. The Bank recognizes that it is exposed to other risks and thus strives to maintain capital buffer as indicated above to cover for those risks. As at 31 December 2021, the Bank's CAR stood at 21.42 % (2020: 21%).

Notes to the Consolidated and Separate Annual Financial Statements
(continued)

Figures in Pula thousand

5. Cash and balances with central bank

	Group		Company	
	2021	**2020**	**2021**	**2020**
Notes and coins	95,211	73,889	95,211	73,889
Unrestricted bank balances	5,256	110,115	5,256	110,115
Statutory reserve	158,512	200,000	158,512	200,000
	258,979	**384,004**	**258,979**	**384,004**

*Refer to note 3.2 for maturity and liquidity analysis for the cash and bank balances

The Bank is required to deposit a minimum average balance, calculated monthly, with the central bank, which is available for use by the Bank and can be withdrawn on demand, similar to a demand deposit. These deposits bear little or no interest. On this basis, we consider that such balances meet the definition of cash.

ECL for physical cash and balances with the central bank is considered negligible due to the very low probability of default.

Credit quality of cash at bank and short term deposits, excluding cash on hand
The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. Credit risk of the Group's cash and cash equivalents is minimised by investing cash resources only with reputable financial institutions and Bank of Botswana.

	Group		Company	
Analysed into:	**2021**	**2020**	**2021**	**2020**
Current	258,979	384,004	258,979	384,004
Non-current	-	-	-	-
	258,979	**384,004**	**258,979**	**384,004**

6. Balances with other banks

	Group		Company	
	2021	**2020**	**2021**	**2020**
Balances with other banks	1,394,909	897,437	1,394,909	897,437
Less : Expected credit losses	(3,204)	(1,648)	(3,204)	(1,648)
	1,391,705	**895,789**	**1,391,705**	**895,789**

Included in balance with other banks is a placement with ABC holdings of P 125 million. The placement is for an original tenor of more than 3 months and not considered to be readily convertible to cash. This balance is not included as part of the cash and cash equivalents, as such, balances with other banks considered to be cash and cash equivalents amounts to 1,271,079.

	Group		Company	
Analysed into:	**2021**	**2020**	**2021**	**2020**
Current	1,391,705	895,789	1,391,705	895,789
Non-current	-	-	-	-
	1,391,705	**895,789**	**1,391,705**	**895,789**

Notes to the Consolidated and Separate Annual Financial Statements (continued)

7. Debt instruments

	Group		Company	
	2021	**2020**	**2021**	**2020**
Treasury Bills	274,307	136,688	274,307	136,688
Government Bonds	293,693	143,540	293,693	143,540
Bank of Botswana certificates	-	399,933	-	399,933
Less : expected credit loss	(40)	(19)	(40)	(19)
	567,960	**680,142**	**567,960**	**680,142**

Debt instruments qualifying to be included as part of cash and cash equivalents

Bank of Botswana certificates	-	399,933	-	399,933
Treasury bills	274,307	29,688	274,307	29,688
	274,307	**429,621**	**274,307**	**429,621**

At 31 December 2021, Treasury bills amounting to Pnil (2020: P107,000,000) and Government Bonds were pledged as security for the use of secured and Intraday Lending facilities. Non-pledged treasury bills have been considered as highly liquid, with maturities of not more than three months and as such have been included as part of cash and cash equivalents. Government Bonds have a maturity of more than three months and therefore do not qualify to be included as part of cash and cash equivalents. As at 31 December 2021 Government Bonds amounting to P290,000,000 (2020: P140,000,000) formed part of the pledged securities.

	Group		Company	
Analysed into:	**2021**	**2020**	**2021**	**2020**
Current	274,307	536,621	274,307	536,621
Non-current	293,653	143,521	293,653	143,521
	567,960	**680,142**	**567,960**	**680,142**

8. Derivatives

Forward foreign exchange contracts represents commitments to purchase foreign currency, including undelivered spot transactions and were entered into to match corresponding expected transactions.

Two credit derivative swaps were entered into between Access Bank Botswana and Ninety One Ltd for an amount of P38,435,253 on 29 April 2016, originally scheduled maturity date on or around March 2021, at a coupon rate of 7.2%. Maturity date was extended to 30 June 2022. The other Credit Derivative swap is between Access Bank Botswana and Kgori Capital Proprietary Limited for the amount of P25,623,502 on 29 April 2016, originally scheduled maturity date on or around March 2021, at a fixed rate of 11%. Maturity date was extended to 30 June 2022.

Related to the two credit swaps mentioned above, Access Bank entered into a credit default swap with Atlas Mara, with similar maturities as the swaps above, at a coupon rate of 8%.

Derivative financial instruments as at 31 December 2021	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange contracts	1,049	430	1,049	430
Credit default swap	66,866	64,379	66,866	64,379
	67,915	**64,809**	**67,915**	**64,809**

Derivative financial instruments as at 31 December 2020	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange contracts	1,072	1,008	1,072	1,008
Credit default swap	59,497	58,659	59,497	58,659
	60,569	**59,667**	**60,569**	**59,667**

Split between asset and liability portions	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Financial Assets	67,915	60,569	67,915	60,569
Financial liabilities	(64,809)	(59,667)	(64,809)	(59,667)
	3,106	**902**	**3,106**	**902**

Notes to the Consolidated and Separate Annual Financial Statements (continued)

9. Loans and advances to customers

	Group		Company	
	2021	**2020**	**2021**	**2020**
Gross loans	6,834,125	6,298,501	6,834,125	6,298,501
Less : Unearned fee income	(37,468)	(24,905)	(37,468)	(24,905)
Less: Expected credit losses	(287,962)	(272,626)	(287,962)	(272,626)
	6,508,695	**6,000,970**	**6,508,695**	**6,000,970**
Analysed into:				
Current assets	169,455	121,878	169,455	121,878
Non-current assets	6,339,240	5,879,092	6,339,240	5,879,092
	6,508,695	**6,000,970**	**6,508,695**	**6,000,970**

Loans pledged as security

Asset finance loans are secured by assets being financed, whilst cash advances and other term loans are secured by either cash security, mortgage and surety bonds or any equipment of value. The carrying amount and fair value of loans pledged as security for borrowing as at 31 December 2021 is P473,818,310 (2020: P469,759,090) (Refer to note 18.1).

10. Related parties

Relationships	
Parent company	Access Bank Plc (from 01 October 2021)
	ABC Holdings Ltd (until 30 September 2021)
Fellow subsidiaries	African Banking Corporation Zimbabwe Ltd (until 30 September 2021)
	African Banking Corporation Zambia Ltd (until 30 September 2021)
	African Banking Corporation Mozambique Ltd
	African Banking Corporation Tanzania Ltd (until 30 September 2021)
	A tlas Mara Zambia Ltd (until 30 September 2021)
Wholly owned subsidiary	Kaleu (Pty) Ltd

	Group		Company	
	2021	**2020**	**2021**	**2020**
Related party balances				
Loans and advances to other related parties				
Executive members of staff	20,291	19,953	20,291	19,953

These loans and advances have been included in loans and advances to customers as per note 9. Interest income of P568,148 (2020: 558,864) was recognised and included under Effective interest and similar income in note 22.

The Group assists officers and employees in respect of housing, motor vehicle and personal loans repayable over a maximum period of between 5 to 25 years at subsidised interest rates, ranging between 4% and 6.5%.

Other related party transactions				
Deposits held by directors	532	861	532	861

The deposits held consist of current account balances and fixed deposits. The terms are consistent with those of general customers of the Bank and are deemed to be at arm's length. Deposits are predominantly current and savings account, with insignificant or no interest charged.

Balances due from related parties				
ABC Holdings Ltd	-	284,395	-	284,395
African Banking Corporation Zimbabwe Ltd	-	59,415	-	59,415
Atlas Mara Zambia Ltd	-	36,334	-	36,334
African Banking Corporation Mozambique Ltd	975	376	975	376
African Banking Corporation Tanzania Ltd	-	109,198	-	109,198
	975	**489,718**	**975**	**489,718**
Expected credit losses on balances due from related parties				
ABC Holdings Ltd	-	574	-	574
African Banking Corporation Zimbabwe Ltd	-	12	-	12
African Banking Corporation Zambia Ltd	-	613	-	613
African Banking Corporation Tanzania Ltd	-	334	-	334
	-	1,533	-	1,533
Net balances due from related parties	**975**	**488,185**	**975**	**488,185**

Notes to the Consolidated and Separate Annual Financial Statements (continued)

10. Related parties (continued)

	Group		Company	
	2021	**2020**	**2021**	**2020**
Balances due to related parties				
ABC Holdings Ltd	-	4,373	-	4,373
African Banking Corporation Zimbabwe Ltd	-	919	-	919
Atlas Mara Zambia Ltd	-	147	-	147
African Banking Corporation Mozambique Ltd	5,680	8,475	5,680	8,475
African Banking Corporation Tanzania Ltd	-	312	-	312
Kaleu (Pty) Ltd	-	-	-	154,031
	5,680	**14,226**	**5,680**	**168,257**
Related party transactions				
Interest income				
ABC Holdings Ltd	7,995	19,968	7,995	19,968
African Banking Corporation Zimbabwe Ltd	476	1,397	476	1,397
Atlas Mara Zambia Ltd	2,856	4,411	2,856	4,411
African Banking Corporation Tanzania Ltd	6,745	9,315	6,745	9,315
	18,072	**35,091**	**18,072**	**35,091**
Fees and Commissions				
African Banking Corporation Mozambique Ltd	557	130	557	130
African Banking Corporation Zimbabwe Ltd	667	-	667	-
African Banking Corporation Tanzania Ltd	676	-	676	-
Atlas Mara Zambia Ltd	621	-	621	-
	2,521	**130**	**2,521**	**130**
Interest expense				
African Banking Corporation Mozambique Ltd	360	325	360	325
Key management compensation				
Salaries and other short term employee benefits	21,402	19,960	21,402	19,960
Post employment benefits	2,356	2,079	2,356	2,079
Termination benefits	701	-	701	-
	24,459	**22,039**	**24,459**	**22,039**
Directors' fees				
Mr Adams Chilisa Dambe	-	105	-	105
Mrs Lorato Nthando Mosetlhanyane	781	800	781	800
Mr Jacob Mooketsi Motlhabane	673	666	673	666
Mr Joshua Benjamin Galeforolwe	604	594	604	594
Mr Boiki Matema Wabo Tema	673	666	673	666
Mr John Bosco Sebabi	559	285	559	285
Mrs Ntoti Mosetlhe	587	594	587	594
	3,877	**3,710**	**3,877**	**3,710**
Payments made to Directors for services rendered				
Mrs Lorato Nthando Mosetlhanyane	22	27	22	27
Management fees paid to holding company				
ABC Holdings Ltd	17,000	21,248	17,000	21,248

Notes to the Consolidated and Separate Annual Financial Statements
(continued)

11. Current tax (payable)/receivable

	Group		Company	
	2021	2020	2021	2020
Opening balance	(1,072)	20,476	351	21,935
Prior year error restatement	-	2,276	-	2,276
As restated	(1,072)	22,752	351	24,211
Charge for the year	(17,956)	(28,904)	(13,486)	(22,726)
Taxation paid/(refunded)	27,881	3,226	20,577	(2,988)
Prior year under provision	(244)	1,854	(245)	1,854
	8,609	**(1,072)**	**7,197**	**351**

12. Other assets

	Group		Company	
	2021	2020	2021	2020
Sundry debtors and deposits*	13,325	43,300	1,764	23,457
Total other assets	**88,255**	**101,102**	**76,694**	**81,259**

*Expected credit losses of P24,313,300 (2020: 3,066,400) have been recognised against the sundry debtors and deposits. Refer to note 27 for details.

Analysed into:				
Current assets	81,523	101,102	69,962	81,259
Non-current assets	6,732	-	6,732	-
	88,255	**101,102**	**76,694**	**81,259**

13. Property, plant and equipment

Group**	2021			2021		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land and buildings*	103,048	(26,210)	76,838	104,138	(17,354)	86,784
Motor vehicles	2,100	(1,867)	233	2,100	(1,769)	331
Furniture and fixtures	78,548	(59,667)	18,881	77,643	(53,744)	23,899
IT equipment	58,460	(51,707)	6,753	57,231	(48,527)	8,704
Total	**242,156**	**(139,451)**	**102,705**	**241,112**	**(121,394)**	**119,718**

** The figures are same for Consolidation and Company

Reconciliation of property, plant and equipment - Consolidation and Company - 2021

	Opening balance	Additions	Revaluations	Depreciation	Total
Land and buildings*	86,784	-	(1,091)	(8,855)	76,838
Motor vehicles	331	-	-	(98)	233
Furniture and fixtures	23,899	905	-	(5,923)	18,881
IT equipment	8,704	1,231	-	(3,182)	6,753
	119,718	**2,136**	**(1,091)**	**(18,058)**	**102,705**

Reconciliation of property, plant and equipment - Consolidation and Company - 2020

	Opening balance	Additions	Depreciation	Total
Land and buildings*	93,574	2,604	(9,394)	86,784
Motor vehicles	48	391	(108)	331
Furniture and fixtures	30,958	126	(7,185)	23,899
IT equipment	5,282	5,909	(2,487)	8,704
	129,862	**9,030**	**(19,174)**	**119,718**

***Right of use assets**

Land and building includes right-of-use assets calculated as per IFRS 16.

The right of use asset is recognised from the lease contracts that the Bank has for various branches. The right of use asset is depreciated on a straight line basis over the term of the underlying lease contract. The ROU assets are recognised on a cost model while the rest of land and buildings are carried at revalued amounts. Refer note 37 for more details.

Notes to the Consolidated and Separate Annual Financial Statements (continued)

13. Property, plant and equipment (continued)

Valuation

The Group's commercial land and building situated at Plot 62433, Fairgrounds Gaborone were valued on 31 December 2021 by Knight Frank Botswana (Pty) Ltd, an external independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The valuation was made on the basis of recent market transactions on arm's length terms. The value was determined as P33,540,000 (2020: P34,640,000).

Land and building with a market value of P33,540,000 has been pledged as security for the Botswana Building Society loan.

All other items of property and equipment are stated at cost less accumulated depreciation and impairment losses. The fair value measurements of land and building has been categorised as a level 3 fair value based on inputs on the valuation techniques used.

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

Valuation technique	Significant observable inputs	Inter-relationship between key unobservable inputs and fair value measurements
-Market capitalisation method (investment method)	Market yield of between 8-10%	The estimated fair value would increase/(decrease) if:
-Comparable method	-Prime rentals of office space between P90/sq.m to P105/sq.m	- Higher/lower market yields - Increase/decrease in rental per sq.m

Fair value hierarchy for Land and Buildings

Land and buidings are classified as Level 3 in terms of the fair value hierarchy. Level 3 fair value measurements are those that include the use of significant unobservable inputs. The significant non-observable inputs used in the valuations are the expected rental values per square meter and the capitalisation rates, as disclosed in the section above.

An increase in the rentals/sq.m will result in an incresed fair value and vice versa. Alternatively, an upward change in the capitalisation rates will result in a decrease in the fair value computed.

Carrying amounts that would have been recognised if land and buildings were stated at cost

Cost	24,485	24,485
Accumulated depreciation	(6,185)	(5,940)
Carrying amount	**18,300**	**18,545**

Reconciliation of land and buildings measured at level 3

Plot 62433, Gaborone

Opening balance	34,640	34,640
Gains (losses) recognised in profit and (loss)	-	-
Gains (losses) recognised in other comprehensive income	(1,100)	-
	33,540	**34,640**

Notes to the Consolidated and Separate Annual Financial Statements
(continued)

14. Intangible assets

Group**	2021			2021		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Computer software	206,589	(130,962)	75,627	208,793	(106,351)	102,442

** The figures are same for Consolidation and Company.

Reconciliation of intangible assets - Consolidation and Company - 2021

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	102,442	9,091	(7,713)	(28,193)	75,627

Reconciliation of intangible assets - Consolidation and Company - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	104,346	25,301	(27,205)	102,442

Other information

Included in the cost of software is work in progress amounting to P10.2 million (2020: P15.3 million). Software with a carrying amount of P51.2 million (2020: P56.1 million) is considered to be internally generated. Internally generated software mainly relates to the Bank's mobile banking applications and other electronic banking platforms.

15. Deferred tax

Deferred tax liability

	Group		Company	
	2021	**2020**	**2021**	**2020**
Property plant and equipment	(11,974)	(12,860)	(11,974)	(12,860)
Debt Instruments	(5)	341	(5)	341
Prepayments	(3,019)	(6,875)	(3,019)	(6,875)
Total deferred tax liability	**(14,998)**	**(19,394)**	**(14,998)**	**(19,394)**
Deferred tax asset				
Loans impairment provisions	33,970	33,283	33,970	33,283
Unearned fee income	8,848	5,479	8,848	5,479
Unwinding of sub-economic employee loans	11,414	5,759	11,414	5,759
Total deferred tax asset	**54,232**	**44,521**	**54,232**	**44,521**

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

	Group		Company	
	2021	**2020**	**2021**	**2020**
Deferred tax liability	(14,998)	(19,394)	(14,998)	(19,394)
Deferred tax asset	54,232	44,521	54,232	44,521
Total net deferred tax asset	**39,234**	**25,127**	**39,234**	**25,127**
Reconciliation of deferred tax asset				
At beginning of year	25,127	29,869	25,127	29,869
temporary differences recognized	14,107	(4,742)	14,107	(4,742)
	39,234	**25,127**	**39,234**	**25,127**

16. Deposits from banks and customers

Deposits from banks	364,021	68,713	364,021	68,713
Deposits from customers	6,607,881	6,566,048	6,786,575	6,566,048
	6,971,902	**6,634,761**	**7,150,596**	**6,634,761**
Maturity analysis				
On demand to one month	2,249,780	3,631,253	2,428,474	3,631,253
One to three months	2,799,855	1,161,028	2,799,855	1,161,028
Three months to one year	1,899,070	1,623,312	1,899,070	1,623,312
Over one year	23,197	219,168	23,197	219,168
	6,971,902	**6,634,761**	**7,150,596**	**6,634,761**
Analysed into:				
Current liabilities	6,948,705	6,415,593	7,127,399	6,415,593
Non-current liabilities	23,197	219,168	23,197	219,168
	6,971,902	**6,634,761**	**7,150,596**	**6,634,761**

Notes to the Consolidated and Separate Annual Financial Statements (continued)

17. Other liabilities

		Group		Company	
		2021	2020	2021	2020
Accruals		34,352	49,942	34,461	49,942
Clearing accounts		2,900	3,099	2,900	3,099
Settlement accounts		32,920	56,679	32,920	56,679
Lease liability	37	52,141	58,218	52,141	58,218
Provisions		46,945	23,988	46,338	23,988
Other*		26,850	27,047	15,248	18,800
		196,108	**218,973**	**184,008**	**210,726**

Other liabilities includes Insura nce premium payable amounting to P 20,735,205 (2020 : P 15,457,483).

Financial instrument and non-financial instrument components

	Group		Company	
	2021	2020	2021	2020
Financial	149,163	194,985	137,670	186,738
Non-Financial	46,945	23,988	46,338	23,988
	196,108	**218,973**	**184,008**	**210,726**

Analysed into

Current	152,643	176,086	140,543	167,839
Non - current	43,465	42,887	43,465	42,887
	196,108	**218,973**	**184,008**	**210,726**

Movements in each class of provision during the financial period are set out below (Group):

	Bonus provision	Provisions for off-balance sheet items	Operational losses	Leave pay	Provision for future decomission-ing costs on IFRS16 assets	Total
At 1 January	3,506	1,003	11,260	5,485	2,734	23,988
Additions	5,656	-	21,258	7,262	-	34,176
Amounts utilised	(3,506)	(383)	-	(5,485)	(1,845)	(11,219)
Unused amounts reversed	-	-	-	-	-	-
Exchange rate adjustment	-	-	-	-	-	-
At 31 December 2021	**5,656**	**620**	**32,518**	**7,262**	**889**	**46,945**

Movements in each class of provision during the financial period are set out below (Company):

	Bonus provision	Provisions for off-balance sheet items	Operational losses	Leave pay	Provision for future decomission-ing costs on IFRS16 assets	Total
At 1 January	3,506	1,003	11,260	5,485	2,734	23,988
Additions	5,656	-	20,651	7,262	-	33,569
Amounts utilised	(3,506)	(383)	-	(5,485)	(1,845)	(11,219)
Unused amounts reversed	-	-	-	-	-	-
Exchange rate adjustment	-	-	-	-	-	-
At 31 December 2021	**5,656**	**620**	**31,911**	**7,262**	**889**	**46,338**

Bonus provisions - The Bank has contractual and constructive obligations to pay bonuses to employees, including 13th cheque for employment services provided by employees. Whilst the bonus can be reasonably estimated at reporting date, the actual amounts may differ depending on the number of eligible staff at the time of payment, in the next financial year.

Provisions for off balance sheet items - consistent with the requirements of IFRS 9 (Financial Instruments), the Bank calculates and records a provision for expected credit losses on financial guarantees and other off balance sheet exposures. The provisions will only be utilized in the event of the financial guarantees being called up, which is the uncertainty, including the actual amount of loss in the event of default.

Provisions for operational losses - the Bank holds provisions for expected cashflows where a loss event has occurred in the Bank but the timing of the cash out and settlement amount is certain. This includes provision for long outstanding items in clearing and settlement accounts as these will likely result in a write-off. These provisions are expected to be utilized in the next financial year when the outstanding clearing items may have to be written off.

Leave pay - The Bank has a contractual obligation to pay employees for accrued leave that has not been utilised by employees. This payment is made when the employees leave the employment of Bank and is dependent on the actual number of accrued leave days at the point the employee leaves the Bank.

Notes to the Consolidated and Separate Annual Financial Statements (continued)

18. Borrowings

	Group		Company	
	2021	2020	2021	2020
Overseas Private Investment Corporation (OPIC)	236,382	326,275	236,382	326,275
Botswana Development Corporation Limited - subordinated debt	150,000	150,000	150,000	150,000
Microfinance Enhancement Facility SA, SICAV-SIF (MEF)	119,903	110,370	119,903	110,370
Botswana Building Society - long term loan	4,272	6,750	4,272	6,750
Société De Promotion Et De Participation Pour La Coopératio Économique S.A. ('Proparco') - subordinated debt	119,587	109,831	119,587	109,831
Kgori Capital Proprietary Limited -subordinated deb	22,352	22,357	22,352	22,357
African Alliance Proprietary Limited - subordinated debt	-	32,519	-	32,519
Morula capital - subordinated debt	32,512	-	32,512	-
Botswana Insurance Fund Management Proprietary Limited - subordinated debt	610	610	610	610
Vunani Fund Managers - subordinated debt	406	-	406	
Stanlib - subordinated debt	-	406	-	406
	686,024	**759,118**	**686,024**	**759,118**

18.1 Reconciliation of movements to cash flows arising from financing activities

	Group		Company	
	2021	2020	2021	2020
Opening balance	759,118	763,172	759,118	763,172
Changes from financing cash flows				
Proceeds from borrowings	-	121,360	-	121,360
Repayment of borrowings	(115,410)	(128,948)	(115,410)	(128,948)
	(115,410)	(7,588)	(115,410)	(7,588)
Other changes				
Foreign exchange rate changes	42,427	4,441	42,427	4,441
Interest expense	45,084	54,863	45,084	54,863
Interest paid	(45,195)	(55,770)	(45,195)	(55,770)
	42,316	3,534	42,317	3,534
	686,024	**759,118**	**686,024**	**759,118**

18.2 Fair value

	Group		Company	
	2021	2020	2021	2020
Overseas Private Investment Corporation (OPIC)	233,292	311,226	233,292	311,226
Botswana Development Corporation Limited - subordinated debt	107,696	142,518	107,696	142,518
Microfinance Enhancement Facility SA, SICAV-SIF (MEF)	120,383	106,112	120,383	106,112
Botswana Building Society - long term loan	2,446	6,014	2,446	6,014
Société De Promotion Et De Participation Pour La Coopératio Économique S.A. ('Proparco') - subordinated debt	108,762	104,352	108,762	104,352
Kgori Capital Proprietary Limited -subordinated debt	24,364	21,242	24,364	21,242
African Alliance Proprietary Limited - subordinated debt	-	30,897	-	30,897
Morula capital - subordinated debt	34,761	-	34,761	-
Botswana Insurance Fund Management Proprietary Limited - subordinated debt				
Stanlib - subordinated debt	-	385	-	385
Vunani Fund Managers - subordinated debt	443	-	443	-
	632,811	**723,325**	**632,811**	**723,325**
Maturity analysis				
On demand to one month	119,903	4,155	119,903	4,155
Upto 12 months	4,272	32,642	4,272	32,642,
One to five years	294,341	111,027	294,341	111,027
Over five years	267,508	611,294	267,508	611,294
	86,024	759,118	686,024	759,118

18.3 Botswana Development Corporation Limited - subordinated loan

The facility with Botswana Development Corporation Ltd (BDC) for BWP 150 million was obtained in 2018. The facility is for 10 years (maturing 3 August 2028) at an interest rate of bank rate (currently 4.75%) and a margin of 4%. The facility qualifies as tier 2 capital. The proceeds were used to re-pay the two ABC holdings Ltd Tier II capital instruments of USD10 million and BWP 31 million. The balance was applied to grow the Bank's loan book.

Notes to the Consolidated and Separate Annual Financial Statements (continued)

18. Borrowings (continued)

18.4 Subordinated Debt Issuance

Morula capital -subordinated debt
The instrument bears interest at a fixed rate of 8% per annum with a tenure of 7 years (maturing 19 October 2023). Interest is paid bi- annually. During the year, the lender changed from African Alliance Proprietary Limited to Morula Capital, without a change in terms of the original debt.

Vunani Fund Managers -subordinated debt
The bond with Vunani Fund Managers -subordinated debt was obtained on 19 October 2016. The instrument bears interest at a fixed rate of 8% per annum with a tenure of 7 years (maturing 19 October 2023). Interest is paid bi-annually. During the year, the lender changed from Stanlib to Vunani Fund Managers, without a change in terms of the original debt.

Botswana Insurance fund Management Proprietary Limited -subordinated debt
The bond with Botswana Insurance fund Management Proprietary Limited was obtained on 19 October 2016. The instrument bears interest at a fixed rate of 8% per annum with a tenure of 7 years (maturing 19 October 2023). Interest is paid bi-annually.

Kgori Capital Proprietary Limited
The bond with Kgori Capital Proprietary Limited was obtained on 19 October 2016. The instrument bears interest at a fixed rate of 8% per annum with a tenure of 7 years (maturing 19 October 2023). Interest is paid bi-annually.

18.5 Proparco - subordinated loan
During the 2020, the Bank concluded a subordinated Tier II capital facility with Société De Promotion Et De Participation Pour La Coopératio Économique S.A. ('Proparco') of USD10million, meant to support the Bank's growth strategy of the retail and corporate book. The facility bears interest at prime rate plus a margin of 2% and matures on 15 April 2030.

18.6 Qualification for Tier II Capital inclusion
The above stated loans have met or exceeded the following minimum set criteria by the Directive on the Revised International Convergence of Capital Measurement and Capital Standards for Botswana in order for them to qualify as Tier II Capital:

i. They are subordinated to depositors and general creditors of the bank;
ii. They are neither secured or covered by a guarantee of the issuer or related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis depositors and general bank creditors;
iii. Maturity:
 - Their original maturity is more than five years.
 - All the instruments have no step ups or other incentives to redeem;

iv. The instruments are not callable at the initiative of the issuer before five years:
 - The Group will not exercise a call option on the instruments prior to Bank of Botswana approval
 - the Group will not do anything that creates an expectation that the call on the instruments will be exercised;
 - the Group will not exercise a call option unless :
  (a) It replaces the called instrument with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the bank; or
  (b) It demonstrates that its capital position is well above the minimum capital requirements after the call option is exercised;

v. The Group will not accelerate the repayment of future scheduled payments (coupon or principal), except in bankruptcy and liquidation;
vi. The instruments do not have a credit sensitive dividend feature, that is a dividend/ coupon that is reset periodically based in whole or in part on the banking organisation's credit standing;
vii. Neither the Group nor the related party over which the Group exercises control or significant influence have purchased the instruments, nor have the Group have directly or indirectly have funded the purchase of the instrument.
viii. The instruments have been issued out of operating entities or holding company in a consolidated Group, therefore proceeds are not required to be immediately available without limitation to an operating entity or the holding company in the consolidated Group in a form which meets or exceeds all the other criteria for inclusion in Tier II Capital.

18.7 Overseas Private Investment Corporation ("OPIC")
On 7 March 2017 BancABC Botswana finalised a USD 40 million Fintech and Financial Inclusion Debt Facility provided by the Overseas Private Investment Corporation ("OPIC"). The debt facility was used to provide access to finance for SMEs, individuals and to support the Bank's efforts to accelerate its digital finance initiatives, which are key areas of the Bank's strategy. The loan has a 7 year tenure with a 3 year moratorium on Capital. Interest is paid quarterly during the three years and the Capital is paid in 16 equal instalments after year 3. The rate is three month Libor plus a margin of 4.45%. The value of loans pledged as security as at 31 December 2020 is P469,759,090 (2019: P479,540,515). (Refer to note 7). The loan matures on 07 March 2024.

18.8 Microfinance Enhancement Facility SA, SICAV-SIF (MEF)
On 17 January 2019 BancABC Botswana finalised a USD10million debt facility with Microfinance Enhancement Facility SA, SICAV-SIF, an investment company with variable capital established as a Luxembourg specialised Investment fund, organised and existing under the laws of Luxembourg, registered with the Luxembourg Trade and Companies Register. The debt facility will be used to finance the bank's asset growth as well as to manage any potential liquidity mismatches. The debt facility has a 3 year tenure. Interest is paid half yearly during the three years. The facility is priced at Libor plus a margin of 4.25bps. The loan matures on 17 January 2022.

Notes to the Consolidated and Separate Annual Financial Statements (continued)

18. Borrowings (continued)

18.9 Botswana Building Society (BBS Limited)

The term loan from Botswana Building Society was obtained on 31 December 2008. The loan bears interest at prime less 0.75%, at reporting date at 4.5% (2020:5.5%). The loan is secured by land and buildings with a market value of P33 540 000 (note 13). Principal plus interest are repayable monthly. The loan matures on 30 December 2022.

18.10 Total borrowings have been analysed into:

	Group		Company	
	2021	**2020**	**2021**	**2020**
Current	124,175	147,824	124,175	147,824
Non-current	561,849	611,294	561,849	611,294
	686,024	**759,118**	**686,024**	**759,118**

19. Stated capital

Issued

725 million ordinary shares issued and fully paid at the start and end of the year: (2020: 725 million)	222,479	222,479	222,479	222,479

These ordinary shares do not have a par value. There are no restrictions on the transfer of ordinary shares or agreements between holders of ordinary shares known to the Group which may result in restrictions on the transfer of securities or voting rights.

20. Revaluation reserve

	Group		Company	
	2021	**2020**	**2021**	**2020**
As at 31 December	9,295	9,295	9,295	9,295
Less : net reduction arising from revaluation of property	(850)	-	(850)	-
	8,445	**9,295**	**8,445**	**9,295**

The revaluation reserve comprises the net cumulative increase in the fair value of land and buildings owned by the Bank as disclosed under note 13.

21. Other reserve

The reserve represents the excess of the general provision against risk weighted assets as required by the Bank of Botswana in addition to the impairment provision required by IFRS.

	Group		Company	
	2021	**2020**	**2021**	**2020**
As at 31 December	6,091	6,091	6,091	6,091

22. Net interest income

Effective interest and similar income				
Cash and short-term funds	34,226	42,429	34,226	42,429
Debt instruments	15,627	10,884	15,627	10,884
Loans and advances to customers	650,431	658,860	650,431	658,860
	700,284	**712,173**	**700,284**	**712,173**
Effective interest expense and similar charges				
Deposits from banks and customers	249,714	230,710	253,782	236,045
Lease interest expense	4,756	4,544	4,756	4,544
Borrowed funds	45,084	54,863	45,084	54,863
	299,554	**290,117**	**303,622**	**295,452**
	400,730	**422,056**	**396,662**	**416,721**

23. Impairment of financial assets

Lending activities	14,954	2,330	14,954	2,330
Balance with banks	3,027	1,395	3,027	1,395
Net write-offs	3,410	-	3,410	-
	21,391	**3,725**	**21,391**	**3,725**

24. Net trading income

Forex trading profits	38,336	27,551	38,336	27,551
Currency revaluations	(4)	(11)	(4)	(11)
Net trading income	**38,332**	**27,540**	**38,332**	**27,540**

Notes to the Consolidated and Separate Annual Financial Statements (continued)

25. Net fee and commission income

	Group		Company	
	2021	**2020**	**2021**	**2020**
Fee and commission income				
Fees	74,772	73,702	74,772	73,702
Commission income	12,412	13,741	12,412	13,741
Other income*	46,429	44,855	23,475	19,360
	133,613	**132,298**	**110,659**	**106,803**
Fee and commission expense				
Commission expense	32,639	37,172	32,639	37,172
	32,639	**37,172**	**32,639**	**37,172**
	100,974	**95,126**	**78,020**	**69,631**

*Other income includes bundled fee P 17,848,000 and Card service and BIN sponsorship fees 11,017,000 among other items.

Classification of Fees and commission income				
Point in time	92,746	89,818	69,792	64,323
Over time	40,867	42,480	40,867	42,480
	133,613	**132,298**	**110,659**	**106,803**

As per the disclosure requirements of IFRS 15, timing of recognition of revenue is disclosed. This was not disclosed for the prior year, hence, the comparative balances have been restated in this regard.

26. Personnel expenses

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

Salaries, wages, bonuses and other benefits	117,859	115,476	116,909	114,557
Pension contributions - defined contribution plans	12,245	12,196	12,148	12,052
Other employee expenses*	34,638	26,117	34,607	26,083
Total employee costs	**164,742**	**153,789**	**163,664**	**152,692**

The average number of persons employed by the Group during the year was 444 (2020:404).

*Other employee expenses includes bonus of P11,012,000 , uniforms amounting to P2,788,000 and medical expenses totalling to P7,345,000.

27. General and administrative expenses

IT and software costs	51,448	51,524	51,448	51,524
Office expenses	-	6,695	-	6,695
Repairs and maintenance	2,104	1,005	2,104	1,005
Marketing and public relations	12,983	4,843	12,983	4,843
Travel and entertainment	2,971	1,348	2,971	1,348
Telecommunication and postage	20,390	17,995	20,390	17,995
Stationery	6,218	3,502	6,218	3,502
Management fees	18,606	21,248	17,000	19,642
Other administrative expenses*	68,846	23,555	68,617	23,287
	183,566	**131,715**	**181,731**	**129,841**

Impairment of other financial assets

Impairment charges	21,247	3,066	21,247	3,066

The above impairment is provided for other financial assets which include non-recoverable items in clearing accounts and other trade receivables. Non-recoverability is due to process issues where items in clearing accounts could not be reconciled and recovered on time. Impairment of financial assets was recalssified from other expenses to the face of the statement of profit and loss as per the requirements of IAS 1 para 82. The prior year balances are restated to that extent.

*Included in other administrative expenses is VAT on imported services expense of P16.2 million (2020: 9.9 million) and loss on scrapping of intangible assets of P7.7 million (2020: nil). The remaining expenses relate to various non-homogenous and individually immaterial expenses.

Notes to the Consolidated and Separate Annual Financial Statements
(continued)

28. Depreciation and amortisation

	Group		Company	
	2021	**2020**	**2021**	**2020**
Depreciation				
Property, plant and equipment	18,058	19,174	18,058	19,174

The above includes depreciation on Right-of-use assets amounting to P 8,499,000 (2020 : P 9,395,000). Refer note 37.

Amortisation				
Intangible assets	28,194	27,205	28,194	27,205
Total depreciation and amortisation				
Depreciation	18,058	19,174	18,058	19,174
Amortisation	28,194	27,205	28,194	27,205
	46,252	**46,379**	**46,252**	**46,379**

29. Other operating expenses

	Group		Company	
	2021	**2020**	**2021**	**2020**
Audit fees	4,007	4,416	4,007	4,416
Consulting costs	14,116	11,696	14,116	11,696
Professional fees	-	10,494	-	10,494
Legal expenses	1,469	2,007	1,469	2,007
Agency expenses*	62,402	58,572	58,126	58,572
	81,994	**87,185**	**77,718**	**87,185**

*Agency expenses relate to remuneration to direct sales agents contracted by the Bank to sell loans and related products. The remuneration consists on both a fixed and variable portion and relates to the sales of other banking products, hence the costs cannot be directly attributed to or offset against specific revenue lines. Agency fees also include costs to third parties for the collection of loan instalments and other payments due to the Bank from customers.

29.1 Auditor's remuneration

	Group		Company	
	2021	**2020**	**2021**	**2020**
Group statutory audit fees	4,007	4,416	4,007	4,416
	4,007	4,416	4,007	4,416

30. Taxation

Major components of the tax expense (income)

Current				
Local income tax - current period	17,956	27,373	13,486	21,194
Deferred				
Deferred tax	(13,867)	3,092	(13,867)	3,092
	4,089	**30,465**	**(381)**	**24,286**
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting profit	20,844	118,863	1,011	91,004
Tax at the applicable tax rate of 22% (2020: 22%)	4,586	26,150	222	20,021
Tax effect of adjustments on taxable income				
Non deductible expenses				
(Over)/under provision in prior years	(755)	(1,854)	(755)	(1,854)
Adjustments for current tax of prior period	-	3,778	-	3,778
	4,089	**30,465**	**(382)**	**24,286**

Notes to the Consolidated and Separate Annual Financial Statements (continued)

31. Earnings per share

Basic earnings per share is calculated by dividing the net profit after tax by the weighted average number of ordinary shares in issue during the year

Basic and diluted earnings per share	**Group**	
	2021	**2020**
Profit for the year (P'000)	16,755	88,398
Weighted average number of ordinary shares in issue('000)	725,000	725,000
Basic and diluted earnings per share (thebe)	**2**	**12**

32. Pensions

A defined contribution pension scheme was introduced with effect from 1 January 2002. Eligible employees and the Group contribute 6 percent and 12 percent of pensionable salaries respectively.

33. Capital adequacy

	Group	
	2021	**2020**
Core capital (Tier 1)		
Stated capital	222,479	222,479
Reserves	14,536	15,386
Retained income	949,121	932,368
IFRS 9 impairment transitional adjustments	-	39,725
Regulatory adjustments applied in the calculation of CET 1 Capital (intangible asset)	(75,627)	(102,442)
	1,110,509	**1,107,516**
Supplementary capital (Tier 2)		
General provision/ general loan-loss reserves eligible for inclusion in Tier II	75,180	66,849
Subordinated loan	267,509	269,108
	342,689	**335,957**
Total capital (Tier 1 and Tier 2)	**1,453,198**	**1,443,473**
Market risk	303,781	962,738
Operational risk	788,666	738,726
On Balance sheet assets/ credit risk weighted assets	5,349,913	5,223,941
Off Balance sheet assets	253,412	121,765
Total risk weighted assets	**6,695,772**	**7,047,170**
Core capital ratio	16.58 %	15.72 %
Capital adequacy ratio	21.70 %	20.48 %
Bank of Botswana preferred minimum risk asset ratio	12.50 %	12.50 %

The Bank is supervised by the Bank of Botswana and is required to maintain a minimum capital ratio, known as the Capital Adequacy Ratio, expressed in terms of the ratio of unimpaired capital to the risk weighted value of assets and off balance sheet items. The ratio as at 31 December 2021 meets the minimum requirement of 12.5% set by Bank of Botswana.

Core capital is the portion of capital which is permanently and freely available to absorb unanticipated losses without the Bank being mandated to cease trading. It comprises CET1 capital and Additional Tier I capital (Basel II enhancements).

Capital management

Access Bank Botswana Limited is a subsidiary of Access Bank Plc and manages it's capital in the context of approved Bank capital, which determines levels of risk weighted asset growth and the optimal amount and mix of capital required to support planned business growth. If capital falls below the required threshold, the Group injects capital either by way of Tier 1 or Tier 2 capital.

The principal forms of capital included in the statement of financial position are stated capital, other reserves, retained earnings and subordinated loans.

34. Investment in subsidiary

Kaleu (Pty) Ltd trading as Access Insurance is a 100% owned subsidiary company of Access Bank Botswana Limited and was incorporated in Botswana on 22 February 2011 and started trading on 18 January 2012. The Company does not have any regulatory restrictions to use its subsidiary's assets and its cash balances. Kaleu (Pty) Ltd has paid up capital of P100.

Notes to the Consolidated and Separate Annual Financial Statements (continued)

35. Contingent liabilities and loan commitments

	Group	
	2021	**2020**
Financial guarantees	132,708	63,630
Loan commitments and other credit related liabilities	121,125	58,135
	253,833	121,765
	(620)	(1,003)
	253,213	**120,762**

36. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	44,986	16,311
Not yet contracted for and authorised by directors	104,242	40,029

This committed expenditure relates to software purchase and other PPE and will be financed by available bank facilities, retained profits, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

37. Leases

The Group leases office spaces for running its operation. The average lease term is 5 years (2020: 5 years).

All lease contracts require that, at the end of the lease tenure, the rented properties are restored to their state before commencement of the lease. Future restoration costs amounting to P2.1 million were capitalised to the right of use assets.

Details pertaining to leasing arrangements, where the Group is lessee are presented below:

Net carrying amounts of right-of-use assets
The carrying amounts of right-of-use assets are included in the following line items:

Land and buildings	41,945	51,617

Additions to right-of-use assets

Land and buildings	-	2,069

Depreciation recognised on right-of-use assets
Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 26).

Land and buildings	8,499	9,395

Other disclosures

Interest expense on lease liabilities	4,583	4,544
Total cash outflow from leases	10,745	10,227

Lease liabilities
Lease liabilities have been included in the other liabilities line item on the statements of financial position.
The maturity analysis of lease liabilities is as follows:

Within one year	11,223	10,744
Two to five years	56,217	67,729
	67,440	78,473
Less finance charges component	(15,299)	(20,255)
	52,141	58,218
Non-current liabilities	43,465	47,473
Current liabilities	8,676	10,745
	52,141	**58,218**

Notes to the Consolidated and Separate Annual Financial Statements (continued)

38. Segmental Reporting

Basis of Segmenting
The Managing Director, supported by the rest of the Management Committee (MANCO), is considered the Chief Operating Decision Maker ('CODM') for the purposes of identifying the Group's reportable segments. The Group has three reportable segments being Retail, Commercial Banking and Global Markets. All operating segments used by the Group meet the definition of reportable segments and the results presented are in line with reports used internally to assess each reportable segment. The CODM uses Profit Before Tax (PBT) as the measure of segmental performance.

Reportable segments
The Group, discloses the break up of it's result of operations and financial position among the below segments.

Retail Banking
The retail banking segment offers lending and transactional banking services to individuals. The predominant aspect of its retail offering comes from Access's partnerships with unions and small corporate enterprises (SME's) who provide a steady stream of retail customer base who require secured and unsecured loans. The segment also offers savings, payroll accounts, call and fixed deposit products as well as insurance products via banc assurance.

Commercial Banking
Commercial banking segment provides investment solutions to corporates, financial institutions, government entities and international organisations. The segment provides short-term fixed deposit investment products that collectively provide the Bank with funding for the retail loan book.

Global Markets
The Global Markets segment provides foreign exchange solutions to commercial clients,while supporting the branch network's retail foreign exchange service. The Group's treasury division plays an important role in managing the Bank's funding and liquidity and assists with sourcing interbank lines and supporting complex transactions. This business unit is facilitated and benefits from the Access Bank Plc coordination and efforts within the Access Group that specialises in global markets and treasury operations.

Segmental Reporting December 2021

Statement of comprehensive income	Retail Banking	Global Markets	Commercial Banking	Total
Interest income	631,505	49,853	18,926	700,284
Interest expense	(350,120)	3,220	47,346	(299,554)
Net interest income	**281,385**	**53,073**	**66,272**	**400,730**
Net trading income	-	38,332	-	38,332
Fees and Commission income - Point in time	86,703	-	6,043	92,746
Fees and Commission income - Over time	38,371	-	2,496	40,867
Fees and Commission expense	(30,122)	(21)	(2,496)	(32,639)
Total income	**376,337**	**91,384**	**72,315**	**540,036**
Impairment of financial assets	(12,906)	-	(8,485)	(21,391)
Net income	**363,431**	**91,384**	**63,830**	**518,645**
Operating expenditure	(403,951)	(44,596)	(49,253)	(497,800)
Profit before tax	**(40,520)**	**46,788**	**14,577**	**20,845**
Taxation	9,552	(9,384)	(4,257)	(4,089)
Profit after tax	**(30,968)**	**37,404**	**10,320**	**16,756**

All the revenues are from external customers domiciled in Botswana. There are no major customer contributing to 10% or more in terms of revenue. There is no concentration in this regard. Repossessed property is moderately liquid with a readily available market.

Notes to the Consolidated and Separate Annual Financial Statements (continued)

38. Segmental Reporting (continued)

Segmental Reporting December 2021 (continued)

Statement of financial position	Retail Banking	Global Markets	Commercial Banking	Total
Debt instruments	-	567,960	-	567,960
Loans and advances to customers	6,052,763	-	455,932	6,508,695
Other assets for reportable segments	331,423	1,140,023	562,558	2,034,004
Total assets for reportable segments	**6,384,186**	**1,707,983**	**1,018,490**	**9,110,659**
Deposits from customers	716,516	-	5,891,365	6,607,881
Deposits from banks	-	364,021	-	364,021
Other liabilities for reportable segments	5,081,811	1,237,494	(5,366,684)	952,621
Total liabilities for reportable segments	**5,798,327**	**1,601,515**	**524,681**	**7,924,523**

Segmental Reporting December 2020

Statement of comprehensive income*	Retail Banking	Global Markets	Commercial Banking	Total
Interest income	633,328	53,313	25,532	712,173
Interest expense	(333,758)	11	43,630	(290,117)
Net interest income	**299,570**	**53,324**	**69,162**	**422,056**
Net trading income	19,274	6,061	2,205	27,540
Fees and Commission income - Point in time	17,846	5,609	2,040	25,495
Fees and Commission income - Over time	74,762	23,497	8,544	106,803
Fees and Commission expense	(26,020)	(8,178)	(2,974)	(37,172)
Total income	**385,432**	**80,313**	**78,977**	**544,722**
Impairment of financial assets	(3,086)	-	(639)	(3,725)
Net income	**382,346**	**80,313**	**78,338**	**540,997**
Operating expenditure	(324,923)	(44,886)	(52,326)	(422,135)
Profit before tax	**57,423**	**35,427**	**26,012**	**118,862**
Taxation	(15,046)	(9,060)	(6,359)	(30,465)
Profit after tax	**42,377**	**26,367**	**19,653**	**88,397**

*Presentation has been aligned to the restatements on the face of the Statement of profit or loss. The segments were not restated.

Statement of financial position	Retail Banking	Global Markets	Commercial Banking	Total
Debt instruments	-	680,142	-	680,142
Loans and advances to customers	5,714,174	-	286,796	6,000,970
Other assets for reportable segments	328,912	1,773,768	74,256	2,176,936
Total assets for reportable segments	**6,043,086**	**2,453,910**	**361,052**	**8,858,048**
Deposits from customers	1,200,313	-	5,365,735	6,566,048
Deposits from banks	-	68,713	-	68,713
Other liabilities for reportable segments	519,584	491,333	42,139	1,053,056
Total liabilities for reportable segments	**1,719,897**	**560,046**	**5,407,874**	**7,687,817**

Notes to the Consolidated and Separate Annual Financial Statements (continued)

39. Prior period errors

Value added taxes on imported services (VOIS)
In computing the amounts of transaction and other costs, management identified errors where VAT on imported services was incorrectly calculated due to misinterpretation of the relevant legislation. This resulted in the VAT on imported services expense (included under General and administrative expenses) and amount payable to the Tax Authorities (Other liabilities) being understated in prior periods. Increasing the prior year General and administrative expenses to correct the error resulted in reduction of prior year Retained income (which has been restated), reduction in taxable income and therefore, reduction in the prior year Income tax expense (also restated) and corresponding reduction in the current tax payable liability (also restated).

This constitutes a prior year error in terms of International Accounting Standards 8: Accounting policies, Changes in Accounting Estimates and Errors (IAS 8). The impact of this error has materially misstated statement of financial position for the year 2020 and 2019.

Presentation and disclosure (IAS 1)
In the preparation of the 2021 financial statements, we noted some balances that were incorrectly presented in the prior year financial statements. This was in terms of presentation and disclosure only per the requirements of the relevant accounting standard, without impacting the overall reported results.

Fees and commission income
On the face of the statement of profit or loss and comprehensive income (SOCI), fee and commission income was presented on a net basis in the prior year. However, IAS 1 - Presentation of Financial Statements, IFRS 7 – Financial Instruments: Disclosures and IFRS 15 Revenue from Contracts with Customers requires that income and expenses be presented on a gross basis, rather than setting off. This has been corrected in 2021, with the corresponding comparative balances being restated to present the gross fee and commission income and gross fee and commission expenses. The net fee and commission income shown in the prior year is shown on the statement of profit or loss and comprehensive income, together with the additional gross amounts. The net impact of this correction is nil. An additional disclosure has also been made under note 25 to distinguish revenue recognised over time from that recognised at a point in time. This disclosure was incorreclty omitted in the prior year.

Presentation of ECL on other financial assets
- ECL on other financial assets was historically presented under General and administrative expenses. Due to the significance of ECL in the current year, impairment of other financial assets has been presented separately on the statement of profit or loss and comprehensive income as per the requirements of IAS 1 para 82, with the comparative restated accordingly. The net impact of this correction is nil.

- ECL on a portion of other financial assets was incorrectly presented as part of IAS 37 provisions described as provision for operational losses. The provision relates to ECL on other financial assets and should be presented against the Other financial assets line item on the face of the Statement of Financial Position (SOFP) and in the line item Impairment of ther financial assets on the face of the SOCI. The prior years SOFP and the prior year SOCI were corrected to reflect this. This correction did not impact the measurement of ECL as the measurement is still in line with the principles of IFRS 9 – Financial Instruments.

Presentation of the statement of financial position in order of liquidity
According to IAS 1, an entity must normally present a classified statement of financial position, separating current and non-current assets and liabilities, unless presentation based on liquidity provides information that is reliable. The Bank believes presentation in order of liquidity on the statement of financial position is more appropriate and reliable, with the separation between current and non-current disclosed in the relevant notes, including the financial risk management notes. Whilst the Bank has always presented the statement of financial position in terms of liquidity, we noted that in previous years some items were incorrectly presented in terms of liquidity. These have been corrected in the 2021 financial statements, with the incorrect order presented in the prior year financial statements being shown below for reference.

The current order of liquidity is based on management's assessment of a combination of factors, which include contractual maturity and liquidity of the financial instruments.

Notes to the Consolidated and Separate Annual Financial Statements
(continued)

39. Prior period errors (continued)

The impact of the above restatements on the prior period statements of profit and loss and statements of financial position is shown below:

Summarised statement of profit or loss and other comprehensive income (extract) for the year ended 31 December 2020

	Consolidated			
	2020	**IAS 1**	**VOIS**	**2020 Restated***
	P'000			**P'000**
Net interest income	**422,055**			**422,055**
Impairment (loss)/credit on financial assets	(3,725)			(3,725)
Net interest income after impairment credit on financial assets	**418,330**			**418,330**
Net trading income	27,540			27,540
Net fee and commission income*	95,126	-		95,126
Fee and commission income*	-	132,298		132,298
Fee and commission expense	-	(37,172)		(37,172)
Total net revenue	**540,996**	**-**		**540,996**
Personnel expenses*	(153,789)			(153,789)
General and administrative expenses	(128,755)	3,066	(6,027)	(131,716)
Impairment of other financial assets	-	(3,066)		(3,066)
Depreciation and amortisation expenses	(46,378)			(46,378)
Other operating expenses	(87,185)			(87,185)
Total operating expenses	**(416,107)**	**-**	**(6,027)**	**(422,134)**
				-
Profit before tax	**124,889**		**(6,027)**	**118,862**
Income taxation expense*	(31,792)	-	1,327	(30,465)
Profit for the year	**93,097**	**-**	**(4,700)**	**88,397**

Summarised statement of profit or loss and other comprehensive income (extract) for the year ended 31 December 2020

	Company			
	2020	**IAS 1**	**VOIS**	**2020 Restated***
	P'000			**P'000**
Net interest income	**416,720**			**416,720**
Impairment (loss)/credit on financial assets	(3,725)			(3,725)
Net interest income after impairment credit on financial assets	**412,995**			**412,995**
Net trading income	27,540			27,540
Net fee and commission income*	69,631	-		69,631
Fee and commission income*	-	106,803		106,803
Fee and commission expense	-	(37,172)		(37,172)
Total net revenue	**510,166**	**-**		**510,166**
Personnel expenses*	(152,692)			(152,692)
General and administrative expenses	(126,881)	3,066	(6,027)	(129,842)
Impairment of other financial assets	-	(3,066)		(3,066)
Depreciation and amortisation expenses	(46,378)			(46,378)
Other operating expenses	(87,185)			(87,185)
Total operating expenses	**(413,136)**	**-**	**(6,027)**	**(419,163)**
Profit before tax	**97,030**		**(6,027)**	**91,003**
Income taxation expense*	(25,614)	-	1,327	(24,287)
Profit for the year	**71,416**	**-**	**(4,700)**	**66,716**

Notes to the Consolidated and Separate Annual Financial Statements (continued)

39. Prior period errors (continued)

Statements of financial position (extracts)

	Consolidated				Company			
	31 Dec 2020 As presented P'000	**IAS 1**	**VOIS**	**31 Dec 2020 Restated P'000**	**31 De 2020 As presented P'000**	**IAS 1**	**VOIS**	**31 Dec 2020 Restated P'000**
ASSETS								
Cash and balances with the Central Bank	384,004			384,004	384,004			384,004
Balances with other banks	895,789			895,789	895,789			895,789
Loans and advances to customers*	6,000,970			6,000,970	6,000,970			6,000,970
Derivative financial assets	60,569			60,569	60,569			60,569
Debt instruments*	680,142			680,142	680,142			680,142
Property and equipment*	119,718			119,718	119,718			119,718
Intangible assets*	102,442			102,442	102,442			102,442
Balances due from related parties*	488,185			488,185	488,185			488,185
Current tax assets*	-			-	-			-
Deferred tax asset*	25,127			25,127	25,127			25,127
Other assets*	104,167	-3,066		101,101	84,323	-3,066		81,257
Investment in subsidiary	-			-	-			-
Total assets	**8,861,113**	**-3,066**		**8,858,047**	**8,841,269**	**-3,066**	**-**	**8,838,203**
LIABILITIES								
Deposits from banks	68,713			68,713	68,713			68,713
Deposits from customers	6,566,048			6,566,048	6,566,048			6,566,048
Borrowed funds*	759,118			759,118	759,118			759,118
Derivative financial liabilities	59,667			59,667	59,667			59,667
Balances due to related parties*	14,226			14,226	168,257			168,257
Current tax liabilities	3,348		-2,276	1,072	1,925		-2,276	-351
Other liabilities	211,695	-3,066	10,344	218,973	203,448	-3,066	10,344	210,726
Total liabilities	7,682,815	-3,066	8,068	7,687,817	7,827,176	-3,066	8,068	7,832,178
EQUITY								
Stated capital	222,479			222,479	222,479			222,479
Retained earnings*	940,433		-8,068	932,365	776,228		-8,068	768,160
Revaluation reserve	9,295			9,295	9,295			9,295
Other reserves	6,091			6,091	6,091			6,091
Total equity	**1,178,298**		**-8,068**	**1,170,230**	**1,014,093**	**-**	**-8,068**	**1,006,025**
Total equity and liabilities	**8,861,113**		**-**	**8,858,047**	**8,841,269**	**-3,066**	**-**	**8,838,203**

The notes on pages 16 to 84 are an integral part of these financial statements.
* Refer to note 36 for more details on the restatements

*The Bank presents its SOFP based on an order of liquidity. Consistent with the requirements of IAS 1 para 60, a liquidity based balance sheet provides the users with information that is reliable and more relevant. In the current financial period it was noted that the order of liquidity was incorrect for some of the line items in the SOFP. As a result the SOFP was restated to correct the order of liquidity resulting in the order of the above line items on the face of the SOFP being impacted.

The order of liquidity disclosed above is as was presented in the prior year. Please refer to the face of the SOFP for the updated order of liquidity.

Notes to the Consolidated and Separate Annual Financial Statements (continued)

39. Prior period errors (continued)

Statements of financial position (extracts)

	Consolidated				Company			
	31 Dec 2020 As presented P'000	**IAS 1**	**VOIS**	**31 Dec 2020 Restated P'000**	**31 De 2020 As presented P'000**	**IAS 1**	**VOIS**	**31 Dec 2020 Restated P'000**
ASSETS								
Cash and balances with the Central Bank	77,138			77,138		77,138		77,138
Balances with other banks	904,537			904,537		904,537		904,537
Loans and advances to customers*	6,436,064			6,436,064		6,436,064		6,436,064
Derivative financial assets	60,487			60,487		60,487		60,487
Debt instruments*	642,818			642,818		642,818		642,818
Property and equipment*	129,860			129,860		129,860		129,860
Intangible assets*	104,347			104,347		104,347		104,347
Balances due from related parties*	633,118			633,118		633,118		633,118
Current tax assets*	20,476		949	21,425		21,935	949	22,884
Deferred tax asset*	29,869			29,869		29,869		29,869
Other assets*	85,381	-		85,381		74,346		74,346
Investment in subsidiary	-			-		-		-
Total assets	**9,124,095**	**-**	**949**	**9,125,044**		**9,114,519**	**949**	**9,115,468**
LIABILITIES								
Deposits from banks	66,844			66,844		66,844		66,844
Deposits from customers	6,973,892			6,973,892		6,973,892		6,973,892
Borrowed funds*	763,172			763,172	-	763,172		763,172
Derivative financial liabilities	59,618			59,618		59,618		59,618
Balances due to related parties*	17,662			17,662		165,228		165,228
Current tax liabilities	-		-	-		-		-
Other liabilities	157,706	-	4,317	162,023		143,088	4,317	147,405
Total liabilities	8,038,894	-	4,317	8,043,211		8,171,842	4,317	8,176,159
EQUITY								
Stated capital	222,479			222,479		222,479		222,479
Retained earnings*	847,336		-3,368	843,968		704,812	-3,368	701,444
Revaluation reserve	9,295			9,295		9,295		9,295
Other reserves	6,091			6,091		6,091		6,091
Total equity	**1,085,201**		**-3,368**	**1,081,833**		**942,677**	**-3,368**	**939,309**
Total equity and liabilities	**9,124,095**		**949**	**9,125,044**	**-**	**9,114,519**	**949**	**9,115,468**

*The ECL for other financial assets was immaterial at 1 January 2020, hence, there is no IAS 1 restatement in this regard.

Presentation of the Statement of cash flows

Interest paid on lease liabilities

In the prior year, interest expense on leases was presented under 'Cash flows from Financing activities'. The Bank's accounting policy for presentation of all interest paid is to present this as part of operating activities. The prior year statement of cash flows was restated to present interest paid in operating activities in line with the accounting policy of the Bank.

Presentation of debt instruments held for investment purposes

In the prior year, changes to debt instruments held for long term investment purposes (additions and disposals) were presented on a net basis under 'cash flow from investing activities. These instruments do not meet the netting criteria in IAS 7 - Statement of cash flows. In 2021, this has now been presented on a gross basis where additions to debt instruments and disposals are shown separately. The net impact is nil.' The prior year SCF was restated to correct this error.

Notes to the Consolidated and Separate Annual Financial Statements (continued)

39. Prior period errors (continued)

	Previously stated P'000	Restatement adjustment P'000	Restated amount P'000
Interest Paid	(276,479)	(4,544)	(281,023)
Net cash flows from operating activities	**394,855**	**(4,544)**	**390,311**
Payment of interest on lease liabilities	(4,544)	4,544	-
Net cash from financing activities	**(17,815)**	**4,544**	**(13,271)**
Movement on debt securities	(37,919)	37,919	-
Additions to debt instruments	-	(237,047)	(237,047)
Disposal of debt instruments	-	199,128	199,128
Net cash from investing activities			**37,919**

Company

	Previously stated P'000	Restatement adjustment P'000	Restated amount P'000
Interest Paid	(281,815)	(4,544)	(286,359)
Net cash flows from operating activities	**394,856**	**(4,544)**	**390,312**
Payment of interest on lease liabilities	(4,544)	4,544	
Net cash from financing activities	**(17,815)**	**4,544**	**(13,271)**
Movement on debt securities	(37,919)	37,919	
Additions to debt instruments		(237,047)	(237,047)
Disposal of debt instruments		199,128	199,128
Net cash from investing activities			**37,919**

40. Events after the reporting period

Global Developments

On 24 February, Russia announced a "special military operation" to "demilitarise and denazify" Ukraine, which has resulted in the on-going conflict between the two countries, widely referred to as the invasion of Ukraine by Russia. The on-going conflict has seen various economic sanctions being imposed on Russia by the United States of America, European Union and other countries. Russia is a key player in world economics and the on-going conflict poses a substantial economic risk for most countries, including Botswana.

The Bank does not consider it practical to estimate the quantitative impact which the on-going conflict may have on the Bank. However, the conflict and economic sanctions against Russia do not have an impact on the 31 December 2021 financial statements and are considered a non-adjusting event.

Dividend declaration

On 11 March 2022, the directors declared a final dividend of 2.2 thebe per share for the period ended 31 December 2021 after due consideration of the capital adequacy and liquidity position of the Bank post payment of dividends.

There are no other matters which are material to the financial affairs of the Bank which have occurred between year-end and the date of approval of the annual financial statements.

Notes

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