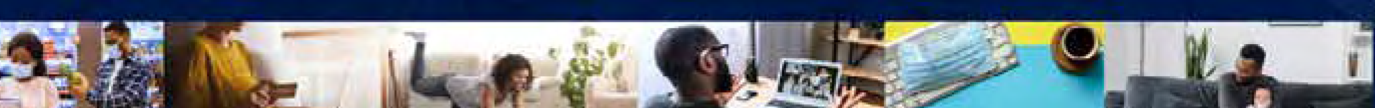
BancABC part of atlasmara

AFRICAN BANKING CORPORATION OF BOTSWANA LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED **31 DECEMBER 2020**



Adaptability and resilience

2020 changed the world as we know it. It has been a year of frequent paradigm shift, where businesses were quite literally forced out of their comfort zones. Adaptability and resilience became a must.

INTEGRATED ANNUAL REPORT 2020

2010 BancABC opened its first branch at The Square (New CBD), Gaborone

2011 The first bank to launch the full suite of Debit, Prepaid and Credit Chip & PIN cards in Botswana

2012 Launched the first **100%** mortgage finance offering

2014

Voted **BEST RETAIL & SME BANK** in Botswana by the Global Banking & Finance Review

Launched the first mobile **WALLET VISA COMPANION CARD** with Orange Money Botswana

2016

Launched **MOBILE BANKING**

2018

BEST VISA BRAND AWARENESS

2018

Launched the unique **CLAN COVER FUNERAL POLICY** covering up to 20 extended family members

2018

Visa Co-Brand **Champions**

2019

Launched **BancOnline**

2020

Launched **SaruMoney**

PERFORMANCE SUMMARY

FINANCIAL

Revenue
P554.7m
2019: P536.2m

Capital Adequacy Ratio
21%
Reg min: 12.5%

Expenses
P416.1m
2019: P401.2m

Profit Before Tax
P125m
2019: P151m

Loan Impairment
4.7%
2019: 4.5%

Gross Loans
P6,273m
2019: P6,715m

Customer Deposits
P6,566m
2019: P6,974m

PEOPLE

404
EMPLOYEES
F2019: 425

62%
FEMALE MANAGEMENT

100%
CITIZENS IN SENIOR MANAGEMENT

CHAIRPERSON'S REPORT

The Bank has made good progress in its strategic execution, albeit on a narrower set of priorities – launching exciting new digital channels for both Retail and Corporate clients which greatly enhanced our customer value proposition and advanced our goal to become a more transactional bank.

LORATO MOSETLHANYANE
CHAIRPERSON

The year 2020 has been a challenging year for the global economy as well as here in Botswana. It was a year that was testing in many ways, but is pleasing that at BancABC we have met the challenges and showed business resilience whilst doing our part to contribute towards keeping our customers afloat during these uncertain times.

Given the prevailing environment, Management with the support of the Board focused on a narrower set of priorities from the second quarter of 2020 in order to:

1. Support our Customers through a challenging environment. This included ensuring business continuity for our Customers.
2. Protecting our Staff and prioritising their health as they continued to deliver the essential banking services.
3. Protecting the bottom line of the business and ensuring resilience through difficult time.
4. Continuing to deliver on those transformational projects that are key to our long-term strategy of making BancABC a bank with leading transactional banking capabilities.

I AM PLEASED TO REPORT THAT THE BANK HAS ACTED WITH GREAT FORTITUDE AND AGILITY DURING THE YEAR. WITH THE GUIDANCE OF THE BOARD, THE EXECUTIVE LEADERSHIP TEAM HAS MANAGED THE AFFAIRS OF THE BANK WELL, IMPROVING ITS SUSTAINABILITY BY CONTAINING THE IMPACT OF INCREASED MACRO-ECONOMIC RISKS."

I am pleased to report that the Bank has acted with great fortitude and agility during the year. With the guidance of the Board, the Management team has managed the affairs of the Bank well, improving its sustainability by containing the impact of increased macro-economic risks. This reflects very strongly in the financial results achieved during this dificult year.

Overall the Bank had a decline in Profit Before Tax (PBT) from a restated position of P149 million to P124 million. Although PBT is 16% lower than in the previous financial year, income lines in general have shown relative resilience: both net interest income and net fee income reduced by a modest 3% each, despite declining yields that were exacerbated by a reduction in policy rates of 100 basis points during the year. Good progress has been achieved on the management of interest expenses as well as careful management of interest margins. Activity linked fee income reduced over the period and costs remained relatively controlled.

The Bank continues to be well capitalised, reflecting the stability of our business and clearly indicating its soundness to pursue its 'Mission 360' strategy going forward. During the year the Board did not declare any dividends so as to weather the COVID-19 economic climate. The Board is still committed to the dividend policy of aiming for a payout of 40% of the Profit After Tax (PAT) in each financial year; however the 2020 financial year was a unique year due to the contracting economy.

Corporate governance

The Board of Directors must comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibility objectively and effectively. The number of Board members was restored to nine with the appointment of a new Independent Non-Executive Director, Mr John Sebabi, who replaced Mr Adams Dambe Chilisa.

The Board continues to look for training interventions that improve its effectiveness. During the year, we met as a Board to receive training on our roles as Directors in a listed company, refresher training on compliance, Anti-Money Laundering (AML) and Combating Financing of Terrorism (CFT). The Board Credit Committee Members also received refresher training on the Credit Policy and Processes

OUTLOOK

The Bank continues to focus on its strategy to grow by enhancing its customer value proposition through enhancing its technological capabilities and improving its product complement as well as to improve shareholder returns. This has been evidenced by the launch of new customer channels. The Bank will be looking to continue adding functionality as well as introducing new products to ensure greater relevance and reach to customers. There will be continued effort on transactional capabilities to attract a wider segment of customers for growth and to improve the efficiency of the balance sheet, and improve return on equity and return on assets.

We have announced through the Botswana Stock Exchange (BSE) the anticipated change in the majority shareholder to Access Bank Plc pending regulatory approvals. This has brought about excitement to our teams and massive growth opportunity for our business as we continue in our transformational journey particularly in the digital space.

Acknowledgement
We extend our sincere gratitude to our Customers, the Board, Management and the entire BancABC team for all their support during 2020.

MANAGING DIRECTOR'S REPORT

During the year, the Group experienced the impact of the COVID-19 pandemic on its operations and had to make adjustments throughout the year, particularly with regard to implementing COVID-19 protocols to ensure the safety of our Staff, Customers and Stakeholders.

KGOTSO BANNALOTLHE
MANAGING DIRECTOR

Amongst our COVID-19 responses was restricting customer numbers in most physical areas of operations as well as facilitating work-from-home arrangements. In addition to safety, the Group prioritised supporting Customers in weathering the tough economic environment through several support initiatives such as discounted transactional fees.

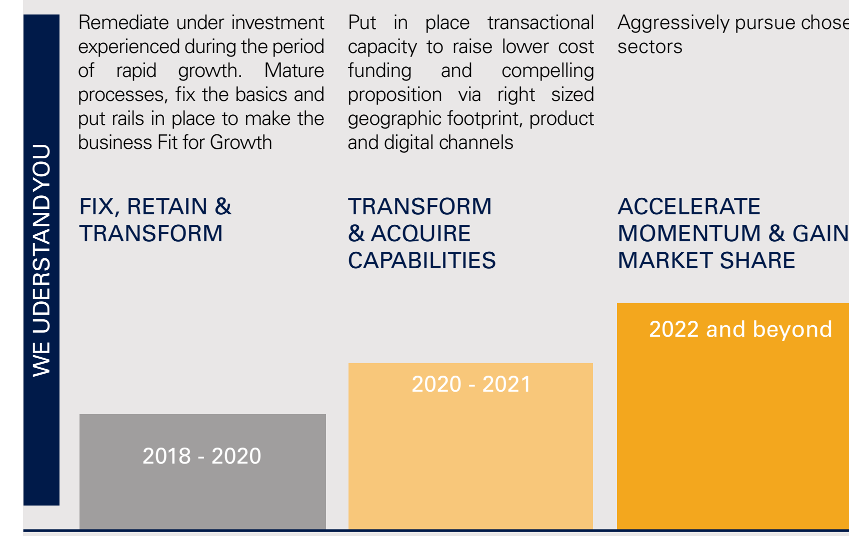
We also extended loan repayment moratoriums to impacted Customers. Notable market liquidity tightness was experienced at the end of the first quarter; however, supportive central bank policies – reduction in interest rates, reduction of capital requirements as well as easing primary reserve requirements – ensured sufficient liquidity returned to the market to aid a counter-cyclical stance in recovering lending to the market. All efforts were engaged to ensure the impact to both the client and the shareholder was as minimal as possible. In addition to the assistance extended to Clients, the Group implemented some cost management strategies. The Group continued with its strategic focus of ensuring that Customers received service excellence. This included the implementation of the retail banking digital platform (SaruMoney) in the first quarter of the year; the rolling out of ATMs in locations outside of Gaborone – in Kanye, Gantsi, Molepolole and Letlhakane – and educating our Clients on the use of the corporate banking BancOnline platform.

2021 IS AN OPPORTUNITY FOR OUR NATION AND THE REST OF THE GLOBE TO REBUILD. I LOOK FORWARD TO ENHANCING OUR CHANNELS AS WE CONTINUE TO ENHANCE OUR CUSTOMERS' BANKING EXPERIENCE."

KEY HIGHLIGHTS

- Profit Before Tax of P125 million, down 17% on FY2019
- Net Interest Income increased by 2% to P422 million
- Trading revenue increased, which was supported by our adequate capacity and the team's focus, resulting in improved client activity with higher volumes and healthier margins
- Non-interest revenue (NIR) marginally declined by 1% to P123 million
- Capital adequacy at 21% shows a very stable business.

STRATEGY AND PROGRESS TO DATE



DELIVER ACCEPTABLE RETURNS TO SHAREHOLDERS

Strategic execution for the year to 31 December 2020

As part of our strategic focus of ensuring customers receive consistent quality service, we rolled out the following initiatives:

- SaruMoney – accelerating our digitisation and encouraging our customers to migrate from in-branch banking to our digital platforms
- Expanded our footprint by adding ATMs in Kanye, Gantsi, Molepolole and Letlhakane
- Launched the 3D Secure programme 2.0, Verified by Visa
- Officially launched BancOnline at the end of Q1
- Launched 'We Understand You' as a way to show our commitment to providing quality, relevant and solutions-driven banking services to our customers. The launch means a great deal to us as a business as it looks to strengthen our offering within the Retail, SMME and Corporate Banking segments.

All these initiatives aim to enhance the customers' overall banking experience. They have been received positively, evidenced by the high number of customers who utilise these new channels as well as the way in which they have attracted new customers to BancABC.

OPERATING ENVIRONMENT AND COVID-19 RESPONSE

Update on what the Bank did during COVID times

- We provided support in the form of a moratorium on repayments for a duration of between 3 - 6 months on client loans.
- We donated P100,000 to the Botswana Government COVID-19 Relief Fund.
- Together with the banking industry, we discounted our transactional fees.

What the Regulator did

- Reduced the capital adequacy requirement from 15% to 12.5%.
- Reduced the prudential limit for liabilities from 5% to 2.5%.

Operationally we were deliberate in our response to COVID, in that we:

- Continued to emphasise to our clients and employees the importance of cyber security especially as we move into a digital space.
- Decongested the workplace by having an average of 50% of our people in the workplace and the other 50% working from home.
- Assisted our employees with workstations, Internet access support, and cell phone support.
- Ensured that where branch closures for disinfection were required due to COVID-19 protocols, this did not extend beyond 24 hours.
- In partnership with MRI, we allowed for rapid tests to be performed on our employees at our expense.

Outlook 2021

In light of all the uncertainty, it is highly likely that there will be further short to medium-term headwinds. However, the building blocks previously put in place will ensure that we are well-positioned for future growth. Therefore, let us keep our heads down and remain focused on offering fit-for-purpose financial solutions to our Customers as we collectively strive towards our vision of becoming the trusted local bank in Botswana.

2021 is an opportunity for our Nation and the rest of the globe to rebuild. I look forward to enhancing our channels as we continue to enhance our customers' banking experience.

At the same time, we will always seek ways to improve our transactional capabilities in order to attract a wider segment of customers and grow our business, therefore creating sustainable value for all our Stakeholders.

Gratitude

I would like to extend my sincere gratitude to our Staff for their dedication and tenacity thus far to ensure we deliver profitability, albeit at reduced levels for now and to the Board for the strategic direction provided during these difficult times.

SENIOR MANAGEMENT

KGOTSO BANNALOTHE MANAGING DIRECTOR **&**
RATANG ICHO-MOLEBATSI FINANCE DIRECTOR
See page 33

THATO MMILE
GROUP HEAD OF LEGAL &, COMPLIANCE AND COMPANY SECRETARY FOR BOTSWANA AND ABCH

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 sector, 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 as Chief Information Officer.

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

GRACE SETLHARE-MANKANKU
COUNTRY HEAD, 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 and a Senior Management Programme from the University of Pretoria Graduate School of Business. She also holds a Masters in Business Administration from Duke University, USA.

ITUMELENG MOREMONG
COUNTRY HEAD, 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 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. Still with 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, a New Managers Development Programme from the University of Stellenbosch, a Bachelor of Arts in Humanities (French and English) and a Diploma in French Language Studies.

MOLEFE PETROS
HEAD OF IT

Mr. Molefe Petros has over 10 years of experience in the IT industry involving a wide range of areas including software development; Business Analysis; System Documentation; and Project Delivery and Management.

Prior to joining BancABC, he was Chief Information Officer/Head Innovation Department at Bayport Financial Services Botswana. He has also worked for Barclays Bank of Botswana where he held various positions within the IT Department including IT Manager (Windows Platform – Distributed Engineering) and IT Applications Analyst. Prior to that he had held the position of IT System Analyst at the National AIDS Coordinating Agency; and as Lead Systems Developer at Data Generale in Australia.

Mr. Petros has a degree in Communication Design/Information Technology from Queensland University of Technology (Brisbane, Australia); and MSc Strategic Management from the University of Derby. He also holds an MDP qualification from the University of Stellenbosch, South Africa.

SENIOR MAMAGEMENT
(continued)

SEGAMETSI SETHANTSHO
HEAD OF CREDIT

Mrs. Segametsi Sethantsho joined BancABC in 2018. She started her career at Barclays 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 becoming 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 from 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 fellow of both the Association of Chartered Certified Accountants ACCA and the Botswana Institute of Chartered Accountants. She also holds a Higher National Diploma in Accounting and Business Studies from Botswana Institute of Administration and Commerce. She has completed the Senior Manager Development Programme from University of Stellenbosch Business School and now pursuing MBA with Oxford Brookes University.

RODWELL HABANA
HEAD OF INTERNAL AUDIT

Mr. Rodwell Habana is a Chartered Accountant with over 10 years of experience in audit and finance. He started his career at KPMG as an Audit Trainee, rising to the position of Audit Supervisor. He then joined BancABC Botswana in 2014 as an Accountant, later becoming the Finance Manager before taking up his present role as Head of Internal Audit. He has also acted as BancABC's Head of Finance.

Mr. Habana serves as a Director at Kaleu (Pty) Ltd, a BancABC Botswana subsidiary providing insurance solutions. He has also served as a council member of ACCA Botswana.

He holds a BCom: Accounting Science from the University of Pretoria and is a fellow member of both the Association of Chartered Certified Accountants (ACCA) and the Botswana Institute of Chartered Accountants (BICA).

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 Human Resources Manager.

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

She has a Bachelor's Degree in Social Work from University of Botswana, a Diploma in Human Resources Management Damelin College and a Master's Degree 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 COMMERCIAL 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 spent 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, Treasurer: Rand Merchant Bank Nigeria; Treasurer: First National Bank Botswana, Treasury Manager, Debswana Diamond Company. She also been with the Central Bank of Botswana for a period of 10 years.

She has an MBA from the University of Stellenbosch; A Bachelor of Economics and Accounting from the University of Botswana; 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

Despite starting 2020 on a positive note on the back of the momentum gathered in 2019, we saw the positivity swiftly change at the end of Q1 due to the COVID-19 outbreak.

RATANG ICHO-MOLEBATSI
FINANCE DIRECTOR

SUMMARY OF KEY HIGHLIGHTS

Profit Before Tax (PBT)

-17% to **P125** million

Net Interest Income (NII)

+2% to **P422** million

Non Interest Revenue (NIR)

-1% to **P123** million

Overall, operating expenses were well-contained and only increased by 3.7% to P416 million.

Financial performance summary

With an already subdued economic backdrop, the global pandemic and its associated lockdowns served to exacerbate the situation. We thus finished the year with a Profit Before Tax (PBT) of P125 million, down 17% on the comparative period. The decline in PBT can be attributed to the persisting muted asset growth that resulted from the constrained economic activity

PAT	P93m	-23%
Revenue	P541m	-2%
Interest Expense	P280m	-13%
Credit Impairments	P4m	-124%
Total Expenses	P416m	-4%
Total Assets	P8,861m	-3%
Loans (Gross)	P6,274m	-7%
Deposits	P6,566m	-6%

Revenue

Our asset growth for the year was muted as a result of constrained economic activity. However, we saw a noticeable improvement in liquidity in the second half of 2020. Trading revenue rose, thanks to the team's focus and increased capacity that resulted in improved client activity with higher volumes and healthier margins. Net Interest Income (NII) ended the year at P422 million, up 2% from the prior year; this is satisfactory growth given the current operating environment. Interest income declined by 4% compared to the prior year, on the back of the policy rate changes and a reduction in the loans book. Non-Interest Revenue (NIR) of P123 million reduced slightly by 1% due to the decline in customer transaction activity linked to income and discounts granted, as well as a reduction in lending.

Expected Credit Losses

For the 2020 year, the expected credit losses in loans and advances is around P4 million. This is on the back of restructuring some loans, as well as customers being offered repayments holidays to help them cope with the financial strain given the deteriorating economy.

Operating Expenses

Overall, operating expenses were well-contained and only increased by 3.7% to P416 million. Most of the cost increases can be attributed to the amortisation of capitalised projects in line with investments in technology infrastructure made during previous years, whilst the new costs were incurred to support work-from-home arrangements.

Overview of our Balance sheet

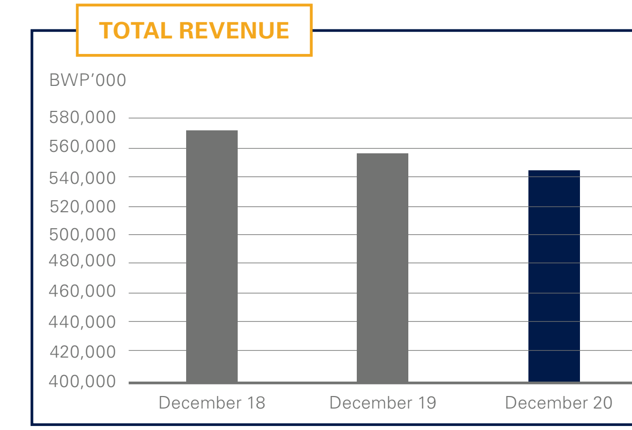
Deposits from customers declined by about 5.8% to P6.6 billion. This was due to the corporate sector experiencing reduced operating cash flows. However, the retail deposits increased by 12% during the reporting period. The allocation of deposits during the year has shown a notable increase on call accounts assisting in reducing the cost of funding, which is one of our key strategic focus areas.

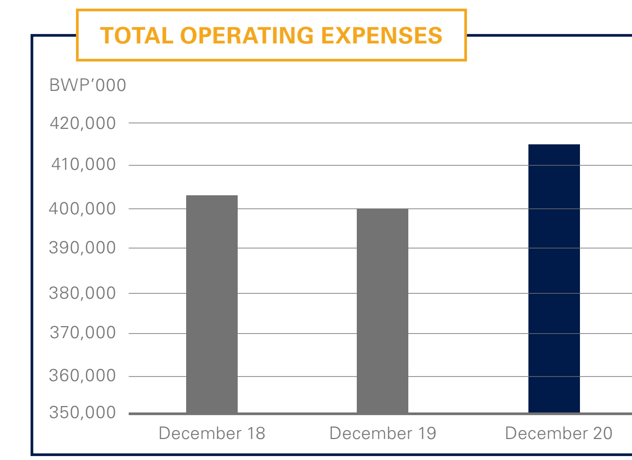
Our loan book closed the year at P6 billion, a 6% reduction from the prior year. The reduction was predominantly due to customer repayments and reduced activity on new lending, mainly in the corporate segments. The pandemic had a material impact on our lending as most businesses delayed any expansion plans and individuals prioritised cash preservation in light of current and future uncertainty.

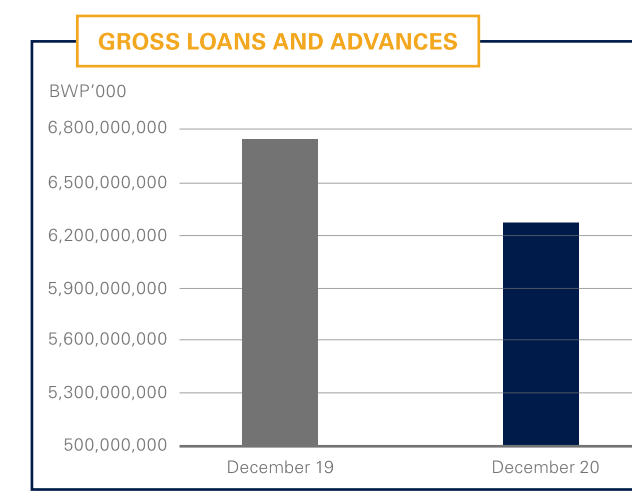
Lastly, we also noted a considerable reduction on the related parties' exposure at about 23%.

Capital Adequacy

Our unimpaired capital and risk-weighted assets were P1.4 billion and P7 billion respectively at period end. This resulted in a 21% capital adequacy ratio, 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.







Our segments

Retail continues to be the segment of our business that contributes most to profitability, while the commercial segments support the business with funding.

FINANCE DIRECTOR'S REPORT
(continued)

Retail Banking
Despite the book reducing significantly during the year, Retail was able to grow the book exponentially in the last quarter of the year, the best performing quarter by far. During the year, focus on strategy was maintained despite the contracting economy. The retail segments launched a new customer digital banking platform, SaruMoney. This application resulted in a significant increase in the number of digital customers. A fast cash application that enables users to use their mobile phones to send money to third parties was also launched during the year.

We also experienced good growth on the retail deposits which improved the funding mix.

Commercial Banking
Like Retail, Commercial banking was also impacted by a reduction in the loans and advances due to reduced demand for lending. The team was successful in reducing the cost of funding by bringing the interest expense down. Included in the performance for overall Commercial banking is the Treasury and Global Markets performance which more than doubled from the previous year. The commercial banking segment reduced significantly the cost of deposits showing positive movement to the interest expense for the year.

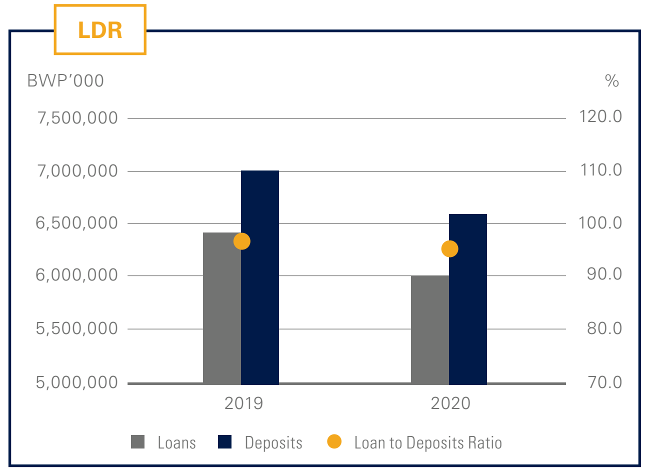
Correction of Prior Period Errors
The results as presented show two areas that required the prior periods to be restated in accordance with the International Financial Reporting Standards (IFRS).

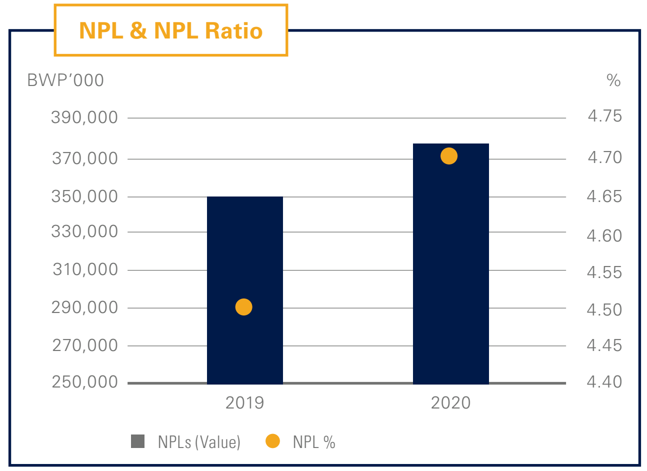
During the year management recognised there was incorrect accounting treatment for reimbursements of charges relating to certain commercial card partnership transactions. This resulted in the Bank having to restate the 2019 and prior periods financial performance. The incorrect treatment resulted in the prior periods revenues being overstated, and tax assets and other liabilities being understated. The cumulative misstatement on retained earnings as at 31 December 2019, net of tax, amounted to P8 million.

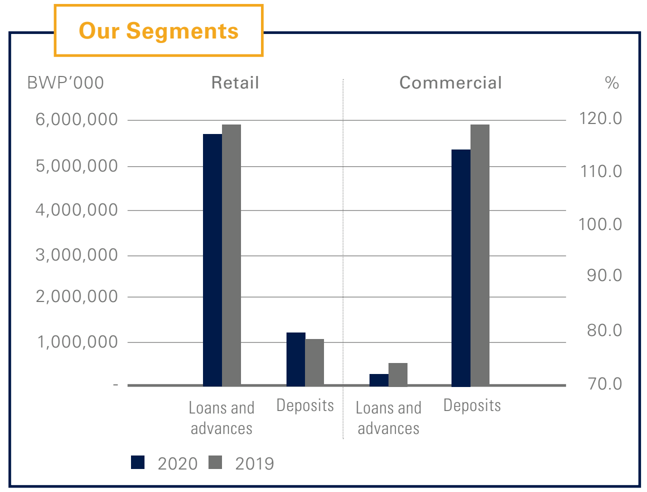
The second area that required restating was the discounted value of staff loans wherein fair value rates used for market valuation of the portfolio in prior periods were inadequate. The cumulative misstatement on retained earnings as at 31 December 2019 on Profit After Tax (PAT) amounted to P6 million.

Outlook
The Bank is optimistic about 2021 as the economy starts to rebound. There is expectation of some elements of growth in the Commercial 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.

Asset quality



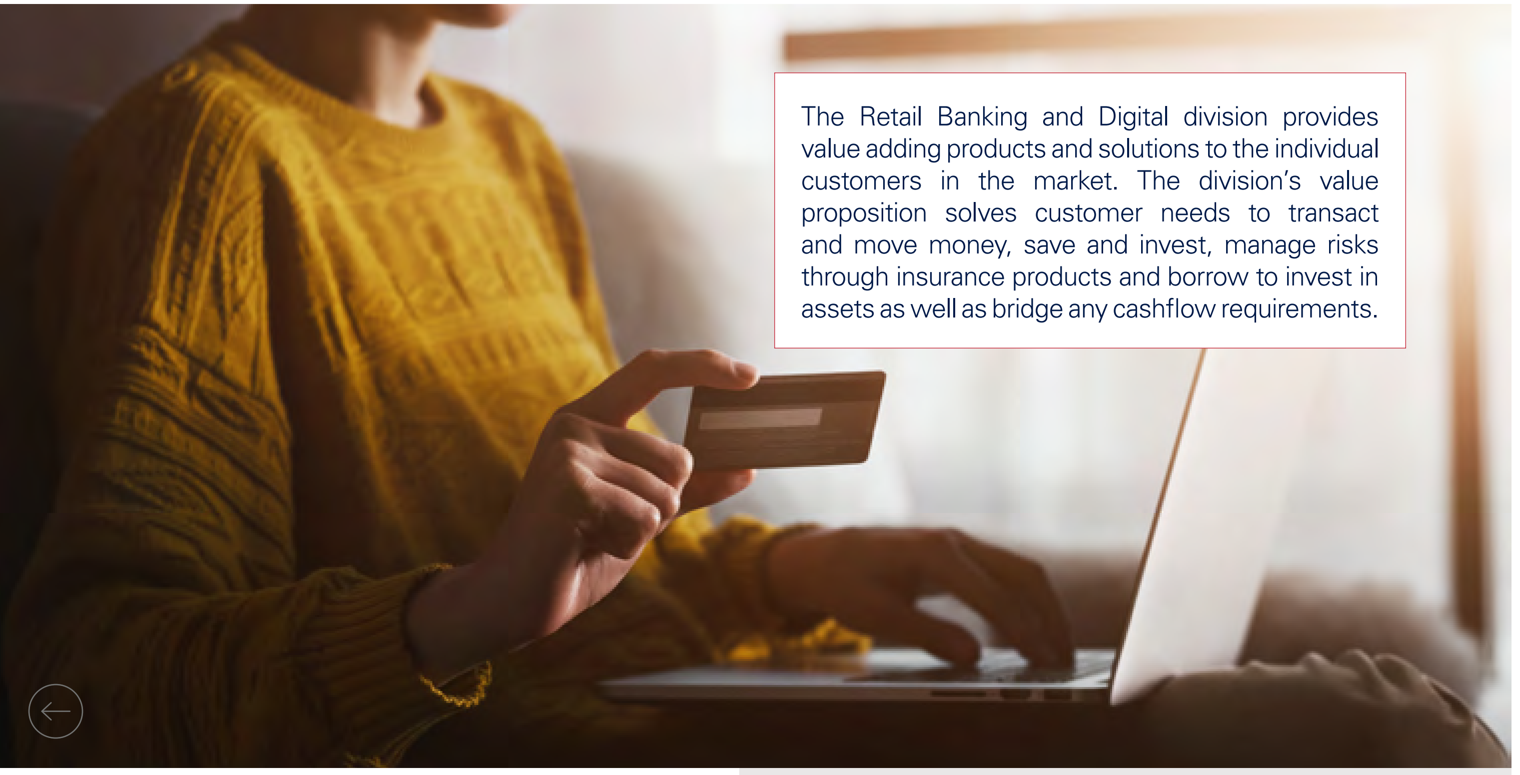




The 'New Normal'
These extraordinary circumstances completely changed our perspectives on health, family, work and community. Now businesses must generate and sustain progressive strategic objectives whilst adapting to the 'new normal'. BancABC took the lead. We took this challenge head on and focused on accessible, effective and affordable banking solutions for our customers throughout Botswana. 'We' refer to every single member of staff. Their tenacity, their resilience and above all their astounding dedication. ***"We Understand You"*** embodies this. It is the culmination of a 10-year long arduous but rewarding journey.

GROUP STRUCTURE

RETAIL BANKING AND DIGITAL BUSINESS



The Retail Banking and Digital division provides value adding products and solutions to the individual customers in the market. The division's value proposition solves customer needs to transact and move money, save and invest, manage risks through insurance products and borrow to invest in assets as well as bridge any cashflow requirements.

HIGHLIGHTS

8 branches

4 service centres

19 ATMS

During the period under review, the business set out to achieve three main objectives:

- **Build transactional banking franchise -** Implementation of customer value proposition
- **Accelerate Diversification of the business -** Targeted expansion of customer pools
- **Grow non funded income -** Focused penetration of existing business

2020 proved to be a transformative year for the Retail Banking and Digital Business division. The division proved its flexibility and speed to responding to client needs during a pandemic as the ultimate focus became the ability to provide effective and affordable banking solutions to consumers with ease as well as in the most convenient manner. Despite the significant challenges that were prevalent in 2020, including the restrictions posed by the COVID-19 pandemic, the business remained resilient under trying conditions.

The strategy to fortify Retail's transactional banking franchise proved fortuitous as the business deployed its new digital platform in the latter part of the first quarter. The self on boarding feature further augmented and supported the adoption of the Retail Banking digital platform exceeding prior matrices of registrations and utilisation. To further promote ease of transacting, the business implemented security protocols on its card platforms to facilitate eCommerce transactions yielding positive results. Notwithstanding, the industry efforts to promote use of digital channels through discounted fees supported increased utilisation of platforms. Following the expansion of the Bank's physical footprint in 2019, the business enhanced its proposition at the Sales and Service Centres with ATMs thus enabling its customers to access its breadth of services.

The business was able to continue to make inroads in the diversification of its customer pools as it continued to grow workplace banking relationships. The introduction of a first by a commercial bank, 84 month tenure loan product, saw exponential adoption and buoyed the business performance post lockdown.

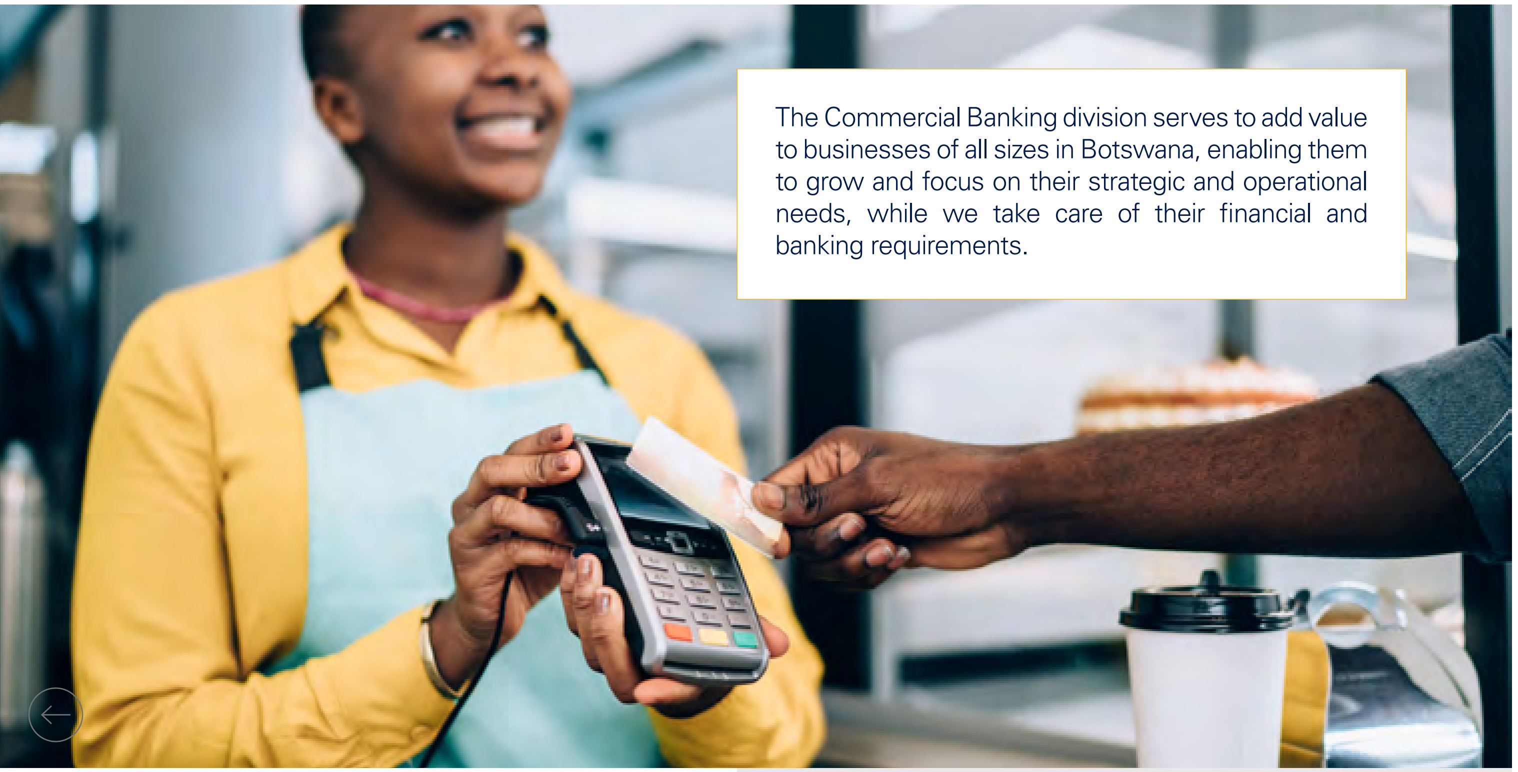
The business made progress in growing its non-funded income in the year under review. A notable contributor was from the divisions risk management products, offered through Bancassurance such as salary protector that proved to be apt for the season. Despite the tumultuousness of the times the business launched savings products to encourage savings. Continued expansions in partnerships further supported growth under this pillar.

Looking Ahead

The period ahead remains uncertain for the consumer however the business remains focused on providing compelling and necessary solutions, building strong partnerships and relevant points of presences to support its quest to be at the epicentre its customers life moments.

WE ALSO SUPPORTED GOVERNMENT'S REQUEST TO SUPPORT CONSUMERS AFFECTED BY THE PANDEMIC BY REDUCING OUR BANKING FEES BY UP TO 25% IN SOME INSTANCES, PARTICULARLY THOSE ON THE DIGITAL PLATFORMS; AND PROVIDING PAYMENT "HOLIDAYS".

COMMERCIAL BANKING



The Commercial Banking division serves to add value to businesses of all sizes in Botswana, enabling them to grow and focus on their strategic and operational needs, while we take care of their financial and banking requirements.

HIGHLIGHTS

20%
Contribution to BancABC PAT

36 Size of Commercial Banking Team

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

Our Corporate Banking segment services large enterprises with an annual turnover greater than P50 million, while our Business Banking segment offers tailored services to SMMEs with a turnover of less than P50 million.

Our diversified product range and risk management solutions, which are regularly reviewed and updated to meet the changing market challenges and requirements, include transactional banking, investment opportunities as well as foreign exchange through the Global Markets and Treasury (GMT) department. The segment's balance sheet is skewed towards fixed term deposits which predominantly support the Retail Banking segment's lending activities.

The period under review was a difficult one for Commercial Banking, with Profit After Tax (PAT) declining by 61% compared to the previous reporting period. The decline in performance for the year under review and much of this can be attributed to the higher cost of funding due to the unexpected liquidity challenges following the withdrawal of funds from the market by major depositors as well as diversion of funds to COVID related activities by some clients such as Local Authorities. This led to intense competition for fresh deposits, driving up the costs of deposits.

During the full year ended 31 December 2020, the Commercial Banking division set out to achieve four key objectives:

- **Embed platforms** - ensure technological and transactional banking platforms and processes operate at optimum efficiency
- **Promote all business segments** - draw on the upgraded operational platforms to grow the SMME, Corporate and GMT segments
- **Upskill employees** - ensure all team members are properly skilled and equipped to perform at their optimum level in order to meet the needs of a growing client base
- **Diversify** - attract more clients from a wider spectrum of industries through the introduction of a broader, more diverse array of product and service offerings.

BancOnline, our transactional banking platform, went live in the previous reporting period and was officially launched at the end of Q1. The timing of the launch was fortuitous as we could not have foreseen the appropriateness of 'contactless banking' in light of the COVID-19 pandemic that took hold of Botswana during Q2. With the system performing optimally during this year under review, transactional banking capabilities were significantly enhanced, a large base of our existing clients signed on to BancOnline and transaction volumes on the platform increased exponentially. Much of this can be attributed to customers' changing banking behaviours, resulting from the pandemic and the various lockdowns.

However, the pandemic did have a negative impact on our ability to meet our targeted growth in client base as well as our ability to launch more products and solutions. As it took hold, many potential customers – some of whom had been on the brink of switching to BancABC – adopted a 'wait-and-see' approach, pushing out the need to make banking decisions to less turbulent times.

Similarly, the lockdown negatively impacted our ability to carry out our full employee development programme through training and upskilling our workforce. However, this will be a focal point in the next reporting period.

We are continuously seeking ways to digitise as many of our offerings as possible. We remain focused on enhancing our BancOnline platform with added functionalities that enable customers to do more on the platform. Certain products and features are already in the pipeline and will be rolled out timeously.

BancABC is also preparing to position itself as the "Go-To" bank for SMMEs. Some of our existing offerings are being upgraded to deliver services and solutions, such as Purchase Order Financing, that our SMME clients require to make their own businesses more efficient. Moving forward, we will be instituting platforms, processes and risk management procedures to enable us to extend our comprehensive array of solutions.

Looking ahead

The outlook for the year ahead and beyond remains uncertain. There is no question that the COVID-19 pandemic had a huge impact on all aspects of our business in the review period. Many of our clients were severely hit by the downturn in the economy, and some economic sectors such as tourism – which had been a major focus area for BancABC – came to a virtual standstill. In addition, the Bank of Botswana directives aimed at helping businesses weather the storm resulted in us dropping our fees by as much as 25% in some instances and place a moratorium on loan repayments. This had a significant impact on our bottom line. A notable number of our clients continue to face financial challenges, and we have had to keep a careful eye out to ensure that non-performing loans do not get out of reach of customers' longer-term ability to honour their loan repayments.

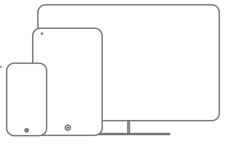
However, it is not all doom and gloom. There are clear indications that economic activity is starting to pick up and while some SMME businesses may find it more difficult to survive – particularly in the tourism and transport sectors that have been hit hard – many will weather the storm. Indeed, certain sectors such as food, medical supply and other essential services, are not only recovering, but starting to flourish. We are also likely to see a greater return of deposits being made to the Bank as business confidence improves.

As we take on board some of the key lessons learned from the pandemic such as the importance of diversification of our client base in order to reduce our concentration risk, we also need to ensure that we become even more agile, so as to be able to quickly adapt and adjust to changing market conditions. Nevertheless, our ability to successfully navigate the unprecedented challenges that emerged during the review period clearly indicates that we are well-positioned for the future recovery and growth.

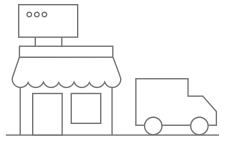
GLOBAL MARKETS AND TREASURY (GMT)

The Global Markets and Treasury (GMT) division, forms part of the Commercial Banking segment and delivered impressive results during the year under review with Profit After Tax (PAT) up 37% on the prior year thanks to the excellent results from all its various operations.

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.

+64% growth **Foreign Exchange exposure and client Foreign Exchange transactions**

GLOBAL MARKETS AND TREASURY (GMT) (CONTINUED)

The Treasury Department is concerned with the management of the Bank's funding and liquidity and manages the Bank's interest rate risk, as well as its assets and liabilities. Treasury is also mandated with managing net interest income for the Bank, – and while this did not fare as well as other lines within the department, it nevertheless held its own and provided a modest growth against the previous reporting period.

Global Markets, which is effectively the Bank's Foreign Exchange (FX) Division, performed extraordinarily well, despite an almost overnight 60% drop off in activity at the start of Q2 in the face of lockdowns and disruptions in the global supply chain. Nevertheless, thanks to a largely remarkable recovery in the second half of the year, the division saw a year-on-year growth of a notable 64% largely supported by increased client volumes as well as prudent management of foreign exchange risk exposures within the bank.

The business activities were boosted by the timeous full activation of the online platform, as well as the revamping of the Bank's website with improved functionality. This provided clients with product information and, most importantly, up-to-date FX rates.

However, the year was not without its challenges, most of which arose with the onset of the COVID-19 global pandemic. GMT's ongoing strategy is to target specific industries. In 2019, we focused on the tourism sector and built up a solid pipeline, but this rapidly came to a virtual standstill once the global and local lockdowns took effect. The pandemic compelled us to establish our presence in previously untapped, industries/ sectors such as the medical sector and other essential sectors that boomed during the pandemic. We also sought to find ways to support clients in those untapped sectors as well as their financial operations by offering tailored FX and interest rate risk solutions.

COVID-19 also placed our liquidity position under severe pressure. Despite Government's rapid response to the crisis by offering an array of monetary policy interventions, the way in which clients usually manage their cash changed as funds were diverted to COVID related activities.

We are increasingly expanding our focus not only on different industry sectors, but on developing products and services for different client segments. The needs of SMME business clients are different to those of large corporates, and we are preparing to develop and deliver appropriate solutions in an effort to play a meaningful and decisive role in assisting each client achieve their full potential.

Looking ahead

On the Treasury side, our most pressing issue, looking ahead, will be to find the correct funding mix, particularly with regard to the cost of funding. There is no doubt that what was regarded as "business as usual" in the preCOVID-19 era will not return for the foreseeable future, if ever. It is also evident that the market has contracted sharply and will take time to recover. Markets will rebound eventually, and we must be ready to assist our clients when that time comes.

If the pandemic has taught us one crucial lesson, it is the importance of remaining agile, as well as speed to responding to client needs. We have embraced the digital era and are fast making progress in this area by remaining attentive to the trends that have emerged within the banking industry. By leveraging technology, it makes it easier for us to do business and for our clients to do business with us. In this way, we will be well placed to withstand, and indeed flourish, in the uncertain times that lie ahead.

IF THE PANDEMIC HAS TAUGHT US ONE CRUCIAL LESSON, IT IS THE IMPORTANCE OF REMAINING AGILE, AS WELL AS SPEED TO RESPONDING TO CLIENT NEEDS. WE HAVE EMBRACED THE DIGITAL ERA AND ARE FAST MAKING PROGRESS IN THIS AREA BY REMAINING ATTENTIVE TO THE TRENDS THAT HAVE EMERGED WITHIN THE BANKING INDUSTRY."

HUMAN RESOURCES REVIEW

HIGHLIGHTS

Employee numbers

377 Fulltime | 27 Contractors

Gender

62% Female | 38% Male

Average age

36

Citizenship (BW)

99%

Training budget

P5.4 million

INTRODUCTION

Human Capital (HC) is responsible for managing the wellbeing of the employees throughout the organisation, from their recruitment, through their onboarding, training and career development.

Given the demand for highly skilled banking experts in Botswana, attracting and retaining talent is a challenge facing most financial institutions. It is therefore the HC Department's responsibility to ensure BancABC is positioned as an employer of choice by engaging and retaining the best talent; and ensuring that talent has a healthy understanding of what is expected of them and that there is a clear development path that accommodates their career aspirations.

Key aspects of this process – which is part of the Bank's three-year strategy, include: performance contracts that reviewed every six months, enabling remedial action to be taken timeously to bring underperforming employees up to speed; identifying and managing employee-related risks; as well as ongoing training and development through the provision of self-learning platforms and interventions geared towards improving both soft skills and their technical abilities.

Although the HC function was severely tested during the review period, it nevertheless did well. Among the most challenging was keeping staff engagement, morale and productivity levels high.

Culture journey

BancABC embarked on a culture journey aimed at evaluating the organisational culture and identifying key areas that would have to be improved to accelerate the bank to the next level:

- **Desired employee behaviours:** identifying positive behaviours to nurture and promote; and negative behaviours to eliminate;
- **Processes and organisational structure:** identifying enabling – and disabling – processes; and
- **Engagement:** evaluating whether employees are motivated and engaged, whether all members of teams are similarly motivated and engaged.

Response to COVID-19

In addition to threatening the health and safety of our staff, COVID-19 presented a unique risk to staff engagement, productivity and employee morale. Our key priorities were to keep employees safe and attend to the challenges of adjusting to the new working environment by:

- Providing protective gear
- Enabling employees to work from home through provision of suitable furniture and internet connectivity
- Continuous employee engagement
- Payment for rapid testing for staff

As part of our continuous engagement and ensuring that our staff remained focused and productive, we had various non-work-related get-togethers to have a cup of tea and a conversation – even if staff were in different locations. We continued to have themed months and quarters – Women's Day, Cancer Awareness, Botswana Day and so on, all virtually – to create a sense of belonging and acting together.

As more and more employees began to work from home, we also had to develop a remote working policy to ensure productivity was impacted as little as possible while simultaneously promoting engagement and desirable behaviours.

However, a significant number of employees were unable to work remotely because of the nature of their jobs. We leaned heavily on our employee wellness partners to assist us deal with the pressure this had on our people. We arranged different counselling sessions to help people understand that the protocols provided by the Ministry of Health and Wellness really could reduce their risk of exposure. But it was not only the fear of exposure that was taking a toll: it was also challenges employees were facing at home – family members becoming sick, some dying; family members losing their jobs, or having their salaries frozen or reduced.

We continued with our talent acquisition drive, to augment the skills within the organisation. There is no question that COVID-19 constrained our talent identification and promotion development programmes. For instance, one of our reward programmes, such as inviting high performers to engagement events with the Executive Management, had to be put on hold. Nevertheless, every effort was made to share information about high performers with their colleagues, celebrating their efforts and dedication to the business.

Staff demographics

Our headcount of 404 consists of 62% females and 38% males, with 75% female representation at Senior Management level. We pride ourselves in having 74% of our staff as millennials too. This group of staff is continually searching for opportunities and growth, either through specialised projects or lateral secondments in different departments, which makes them highly productive and ambitious. We continue to commit a sizeable amount of our operating costs towards employee retention, continuous training and development and staff engagement.

Looking ahead

The HC department will continue to lead the revamping of organisational culture. This, we believe, offers an opportunity to enhance our working relationships and build teams with the right behaviours. This will not only improve our day-to-day relations as well as the organisation's image, but it will also be a game changer for BancABC.

AS MORE AND MORE EMPLOYEES BEGAN TO WORK FROM HOME, WE ALSO HAD TO DEVELOP A REMOTE WORKING POLICY TO ENSURE PRODUCTIVITY WAS IMPACTED AS LITTLE AS POSSIBLE WHILE SIMULTANEOUSLY PROMOTING ENGAGEMENT AND DESIRABLE BEHAVIOURS."

CORPORATE SOCIAL RESPONSIBILITY

HIGHLIGHTS

CSR contribution

1% of Profit After Tax

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

INTRODUCTION

BancABC has committed a portion of Profit After Tax (PAT) each year to its Corporate Social Responsibility (CSR) programme.

A combination of limitations on physical movement due to COVID-19 and a requirement to tighten the Bank's cash flows resulted in only 16% of this budget being utilised. With less funds being spent during the year than we had hoped, and fewer projects underway, we took the time to re-strategise the role the CSR programme should play in the Bank.

Therefore, 2020 had been marked as the year in which the Bank's CSR programme was re-evaluated and restructured to focus on strategic goals that were more closely aligned with the Bank's vision of itself as a responsible corporate citizen.

The basic principle of CSR at BancABC, as set out in the 2019 Annual Report has not changed: "BancABC Botswana's Corporate Social Responsibility (CSR) is premised on sustainability with a long-term view to make a lasting impact on the communities in which we operate. We strive to ensure that we do not just maintain relevance but deliver a meaningful benefit for those affected. Our investments in CSR are aimed at making meaningful and sustainable contributions that will enable communities to gain skills, experience and tools that will change and improve their lives not just in the short-term but in the future as well. The CSR programme therefore focuses on societal influence and sustainability, rather than just on the donation of funds to select activities and organisations."

The advent of the COVID-19 pandemic at the end of the first quarter had the immediate effect of severely curtailing many long-standing CSR projects such as staff volunteer programmes due to COVID-19 protocols. A positive upside created by the slowdown in CSR activities afforded the 14-member CSR Committee an unexpected opportunity to invest a significant amount of energy into the restructuring of the overall CSR programme, enabling its completion in record time.

During its weekly virtual meetings, the Committee was also compelled to address new and urgent priorities resulting directly from the pandemic. This included, but was not limited to, finding innovative ways to assist clients who had been most harshly affected financially by the pandemic. In addition, the Committee had to consider the fact that the post-pandemic world would present new social and economic realities.

The new CSR Strategy, which has buy-in from across the Bank, from the Board of Directors through all levels of BANCers, is sufficiently flexible to accommodate not only current needs, but also the challenges that lie ahead.

KEY PILLARS OF THE NEW CSR STRATEGY

Support BancABC's goals and positioning as a responsible and responsive corporate citizen. This applies not only to its CSR/CSI initiatives, but to every aspect of the organisation's activities and operations.

Staff involvement: A key change in the development of the strategy is that CSR at BancABC has become a more democratic process, driven by staff input throughout the organisation.

Entrepreneurship: to provide skills and services to people within communities to empower them to develop into self-sustaining individuals – the adage about giving a person a fish (and feeding them for a day) or teaching a person to fish (and feeding them for life) applies.

In its initial phase, this will be undertaken with specific reference to the scourge of Gender-Based Violence (GBV). The economic dependence of many GBV victims on their abuser often perpetuates the cycle of violence. The intention is to equip those trapped in abusive relationships with the means to attain economic freedom they need to escape.

Women and Children – BancABC Botswana will endeavour to enrich the most vulnerable group in our continent by sustainable initiatives that empower and develop them.

Education – BancABC understands the vital role education plays in the upliftment of communities in Africa and so supports educational projects and initiatives that improve the quality of education and widen access among rural and disadvantage communities.

Information Technology: while IT is the bedrock of many of the initiatives likely to emerge from the pillars outlined above, the COVID-19 pandemic – and the importance of access to remote learning and working – has raised the urgency of the issue. The goal is to find innovative solutions to bridging the widening gap between those who have access to IT and those who do not and address the impact this has on women and children in particular.

Health and Disability – HIV and AIDS, Malaria and disabilities remain a focus of concern in our communities and a pillar of focus for BancABC.

Many of these initiatives will be undertaken in association and cooperation with clearly identified partners, both NGOs as well as Government and private sector organisations, to maximise value. The aim is to ensure that BancABC's contribution supports relevant existing projects, rather than trying to reinvent the wheel. Discussions are currently underway with potential partners for various projects that fall within the new strategic focus.

Looking ahead, the goal is to transition the CSR programme to one that focuses predominantly on Corporate Social Investment (CSI), with more prioritisation on all aspects of sustainability, while retaining key elements of our CSR activities. We believe that the new CSR Strategy will help us greatly to make this focus adjustment and ensure greater opportunity for more sustainable and indeed measurable impact.

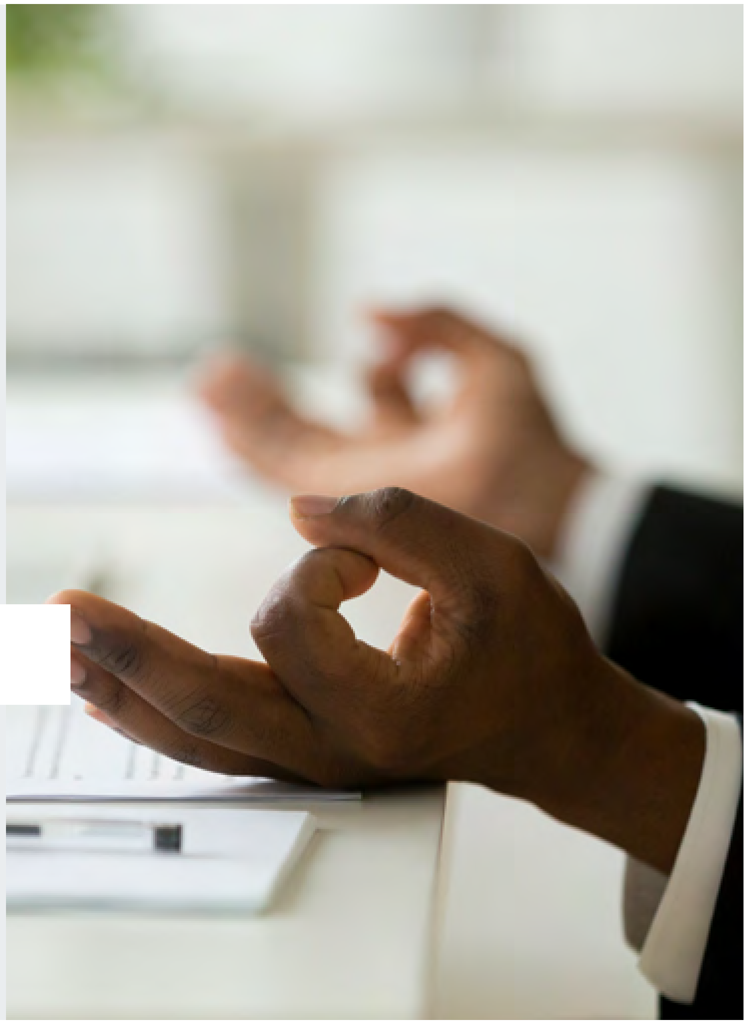
"We Understand You"

Truly understanding our customer needs, their goals, dreams and individual potential for growth was the first step. We knew that now more than ever, customers needed access to unlimited, round-the-clock banking services. So we introduced SaruMoney digital platform. Extending the term limit on Personal Loans to 84 months which offers customers in financial distress, a reduction on their monthly commitments, whilst affording them much needed time to recover from some of the adverse impacts of the pandemic.

4 | GOVERNANCE

CORPORATE GOVERNANCE REPORT STRUCTURE

This report is divided into 5 sections:



i. ETHICAL AND EFFECTIVE LEADERSHIP

The role and responsibility of the Board is to set the strategic direction and guide the implementation of the Bank's strategy. This must be done in a manner that is compliant with the laws, rules and the King 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 Bank's performance through effective reporting and disclosures. This 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

The Board of Directors must comprise of the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibility objectively and effectively. The number of Board members was restored to nine (9) with the appointment of the a new Independent Non – Executive Director, Mr. John Sebabi, who replaced the outgoing Mr. Adams Dambe Chilisa.

He was taken through a thorough induction program to prepare him to discharge his duties on the Board. The composition of the Board of Directors is compliant with the laws, rules and codes in that two thirds (2/3) of the directors are Independent Non - Executives (INE) whilst a third which include the Managing Director and the Finance Director are executives. Both the Chairperson and the Senior Director are INE Directors.

The Board of Directors are required to meet at least four times per annum. This year they have met seven (7) 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, Anti-Money Laundering (AML) and Combating the Finance of Terrorism (CFT). The Board Credit Committee Members also received refresher training on the Credit Policy and Processes.

ii. BOARD OF DIRECTORS

i. LORATO NTHANDO MOSETLHANYANE (49)

Mrs. Mosetlhanyane was appointed to the BancABC Board in July 2014, having worked as an accountant at different levels, in different industries for over seventeen years, Mrs. Mosetlhanyane brings a wealth of experience to the BancABC 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) based in San Francisco, 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, Mrs. Mosetlhanyane 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.

ii. NTOTI MOSETLHE (61)

Mrs. Mosetlhe was appointed to the BancABC Board in November 2018. She acquired her Bachelors of Administration degree 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 rationalisation and retrenchment process of the Corporation on two occasions.

iii. BOIKI MATEMA WABO TEMA (50)

Mr. Tema was appointed to the BancABC Board in October 2018. He 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 on 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.

ii. BOARD OF DIRECTORS

iv. JOSHUA BENJAMIN GALEFOROLWE (69)

Mr. Galeforolwe was appointed to the BancABC Board in 1st April 2018 and 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 privatisation implementation strategies.

Mr. Galeforolwe is the former Chief Executive of Public Enterprises Evaluation and Privatization Agency (PEEPA). During his tenure, Mr. Galeforolwe oversaw the preparation and adoption of governments' first privatisation 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 privatization 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 from the University of Pittsburg.

v. JACOB MOOKETSI MOTLHBANE (49)

Mr. Motlhabane was appointed to the BancABC Board in September 2014. He was previously the 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 9 countries. He was also the Head of Private Equity at African Alliance in Botswana where he double hatted as Acting Head of Asset Management and Corporate Advisory. 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 Commerce 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.

vi. BEATRICE HAMZA-BASSEY (50)

Ms. Hamza-Bassey was appointed to the BancABC Board in February 2017 and is Group General Counsel at Atlas Mara, a position she took up after almost two decades representing a host of multi-national corporate entities in compliance and corporate governance matters. Prior to joining Atlas Mara, she was a partner in the New York office of the Wall Street firm Hughes Hubbard & Reed where she was chair of the firm's Africa Practice Group and member of their Executive Committee. She represented the Trustee of the liquidation of Lehman Brothers Inc. the largest broker-dealer liquidation in the United States where she led the recovery and return of the multi-billion dollars to Lehman Brothers customers. She has garnered many awards for her work by African, US and International media, and has been profiled by Forbes Africa and CNN's African Voices as a top African lawyer. She obtained her law degrees from the University of Maiduguri, Nigerian Law School and Harvard Law School, Cambridge, Massachusetts.

ii. BOARD OF DIRECTORS

vii. RATANG ICHO-MOLEBATSI (39)

Ms. Ratang Icho-Molebatsi was appointed to the BancABC Board in September 2019 and is an experienced financial services executive, with a strong track record in being a trusted advisor to Board of Directors, CEOs and Executive Management teams. Ratang 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 Deloitte and Touche and Stanbic Bank 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. Ratang holds a 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.

viii. JOHN BOSCO SEBABI (48)

Mr Sebabi was appointed to the BancABC Board in June 2020 and has in 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 (C.O.O.) 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. From 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 a Msc in International Economics, Banking and Finance from Cardiff University, Cardiff, Wales (United Kingdom), 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.

ix. KGOTSO ELVIS BANNALOTLHE (42)

Mr Bannalotlhe was appointed as BancABC's Managing Director on 7 August 2017. As such, he is a Member of all the Board's Committees. Mr. Bannalotlhe is a seasoned banker with over 15 years' experience in regional and international financial institutions. Prior to joining BancABC, he was with Barclays Bank Botswana where he served as Head, Corporate Investment Banking. Before his appointment as Head of CIB, he held several senior positions at Barclays, including Barclays Country Treasurer and Head of Markets. Mr. Bannalotlhe joined Barclays Bank in November 2012 after working for two years at First National Bank and for Standard Chartered Bank 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 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. Following the appointment of Mrs. Ratang Icho Molebatsi in September 2019, the Audit Committee will conduct an assessment of the Finance Director simultaneously with the Annual Board Evaluations to be conducted in 2021.

In 2020, the Board further enhanced the effectiveness review by engaging the external facilitator to evaluate the effectiveness of the Board, Board members as well as the Board Committees. The Board effectiveness review will continue to be done on an annual basis.

iv.

BOARD ATTENDENCE

2020 BOARD FEES P'000

Director	Main Board	Remuneration and Nomination	Audit	Risk and Compliance	Loans Review	Credit	Director Fees BWP(000)
Lorato Nthando Mosetlhanyane	7/7	4/4	-	4/4	-	9/10	800
Adams Dambe Chilisa[1]	1/1	1/1	-	-	1/1	-	105
Jacob Mooketsi Motlhabane	7/7	-	4/4	-	-	10/10	666
Joshua Benjamin Galeforolwe	7/7	4/4	4/4	-	-	-	594
Boiki Matema Wabo Tema	7/7	-	4/4	-	-	9/10	666
Ntoti Mosetlhe	7/7	-	-	4/4	4/4	-	594
John Bosco Sebabi* [2]	3/3	1/1	2/2	1/1	2/2	-	285
Beatrice Hamza-Bassey	7/7	4/4	-	4/4	4/4	-	-
Kgotso Elvis Bannalotlhe	7/7	4/4**	4/4**	4/4**	4/4**	-	-
Ratang Icho-Molebatsi	7/7	-	4/4**	4/4**	4/4**	-	-

- *Director's emoluments FYE 2020 amounted to BWP3,709,91*

Mr. Chilisa retired from the BancABC board after Q1 meetings

Mr. Sebabi joined the effectively on 3rd June 2020

**Mr. John Bosco Sebabi sat through all committee meetings once as part of his induction*

***Denotes attendance as an invitee*

v.

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 best practice corporate governance codes. Membership of the Committees is 3 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.

AUDIT COMMITTEE

MANDATE

The Audit Committee, guided by its 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 Bank's annual and half-yearly reports, prospectuses, trading updates, interim management statements, and any other formal announcements 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 of 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 line with the King IV principles in mind.

IN 2020 THE COMMITTEE:

- Reviewed and approved 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

MEMBERS

J. Motlhabane (C)
J. Galeforolwe
B. Tema
J. Sebabi

LOANS REVIEW

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 line with the King IV principles in mind.

IN 2020 THE COMMITTEE:

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

MEMBERS
N. Mosetlhe (C)
B. Hamza-Bassey
J. Sebabi

CREDIT COMMITTEE

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$1 million (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.

IN 2020 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; and
- Provided oversight of the Bank's policies and management activities relating to the identification, assessment, measurement, monitoring, and management of the Bank's credit risk.

MEMBERS
B. Tema (C)
L. Mosetlhanyane
J. Motlhabane

REMUNERATIONS AND NOMINATIONS COMMITTEE

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 2020 THE COMMITTEE:

- Assessed the impact of COVID-19 on staff;
- Reviewed and recommended the Charter to Board for approval; and
- Succeeded in ensuring that a balanced Board membership is maintained with a clear balance of appointees who are Executive or Non-Executive and the replacement of retired Directors.

MEMBERS
J. Galeforolwe(C)
L. Mosetlhanyane
B. Hamza-Bassey

RISK AND COMPLIANCE COMMITTEE

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 2020 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; and
- Ensured that the Bank remains compliant with all regulatory controls required under legislative laws and by the Bank of Botswana.

MEMBERS
B. Hamza-Bassey (C)
L. Mosetlhanyane
N. Mosethle

KING IV PRINCIPLES OF CORPORATE GOVERNANCE

	Principle	Status
Principle 1	The Board should lead ethically and effectively.	
Principle 2	The Board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	
Principle 3	The Board should ensure that the organisation is and is seen to be a responsible corporate citizen.	
Principle 4	The Board should appreciate that the organisation's core purpose, its risk and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation.	
Principle 5	The Board should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects	
Principle 6	The Board should serve as the focal point and custodian of corporate governance in the organisation.	
Principle 7	The Board should comprise appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively	
Principle 8	The Board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power in the effective discharge of its duties	
Principle 9	The Board should ensure that the evaluation of its own performance and that of its Committees, its share and its individual members, support continued improvement in its performance and effectiveness	
Principle 10	The Board should ensure that the appointment of, and delegation to, management contributes to overall clarity in the effective exercise of authority and responsibilities	
Principle 11	The Board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	
Principle 12	The Board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	
Principle 13	The Board should govern compliance with applicable laws and adopted, non-binding, codes and standards in a way that supports the organisation being ethical and a good corporate citizen	
Principle 14	The Board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term	
Principle 15	The Board should ensure that assurance services and functions enable an effective control environment, and that they support the integrity of information for internal decision-making and of the organisation's external reports.	
Principle 16	In the execution of its governance role and responsibilities, the Board should adopt a stakeholder inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time	
Principle 17	The Board of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests	N/A

SHAREHOLDERS UPDATE

MAJORITY SHAREHOLDERS ABOVE 5%

ABC Holdings Limited

Country of Incorporation	Botswana
Nature of Business	ABC Holdings Limited ("the Company" or "ABCH") is the holding company of the African Banking Corporation group of companies (trading under the brand name BancABC or Atlas Mara), which comprise diverse financial services activities in the areas of corporate banking, treasury services, retail & Small to Medium Enterprises ("SME") banking, asset management and stock broking among other financial services.
Directors	Livingstone Takudzwa Gwata Jacob Jones Sikazwe Naran Maharajh Dr. Sharron Laverne McPherson Sanjeev Anand
Registered Office and Place of Business	Plot 62433, Fairgrounds office Park, Gaborone
Postal Address	Private Bag 00303
Date of Incorporation	1st December 1999
Auditors	KPMG
Bankers	BancABC Botswana
Company Secretary	Dorothy Tafadzwa Matiza
Functional Currency	US$

FNB Botswana Nominees (Pty) Ltd Re: AG BPOPF Equity

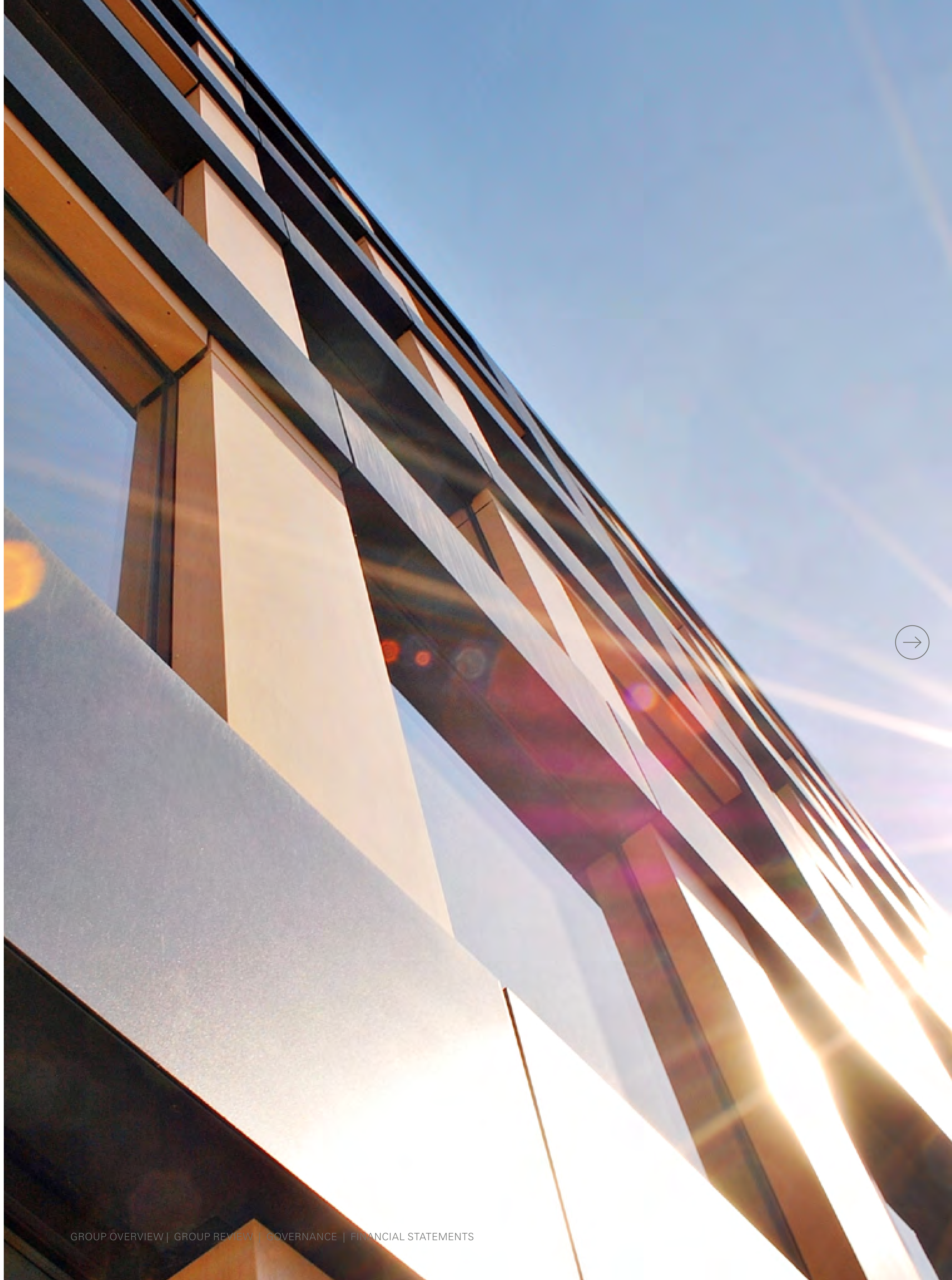
Country of Incorporation	Botswana
Nature of Business	Pension Fund
Directors	S Mantswe (Chairman), A Gabana. N Joel, L Molodu, R Moses, T Rari
Registered Office	Plot 61920, Fairgrounds Office Park, Gaborone
Postal Address	Pvt Bag 00195, Gaborone
Date of Incorporation	08 April 2002
Auditors	Ernest & Young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

SHAREHOLDING ANALYSIS AS AT 31ST DECEMBER 2020

Category	Number of Shareholders	Number of Shares Held	% of Shares Held
Public	443	158,415,046	21.85%
Non-public			
Directors'interest	0	0	0%
African Banking Corporation Limited (Holding Company)	1	566,584,954	78.15%
Total	**444**	**725,000,000**	**100%**
Shareholders Holding More Than 5%			
African Banking Corporation Limited	1	566,584,954	78.15%
FNB Botswana Nominees (Pty) Ltd RE: AG BPOPF EQUITY	1	47,975,000	6.62%
Total	**2**	**614,559,954**	**84.77%**

SHAREHOLDER SPREAD BY HOLDING

Range	Number of Shareholders	% of Shareholders	Total Shares	% Holding
<2000	197	44.37%	147,052	0.02%
2001-5000	103	23.20%	380,486	0.05%
5001-10000	39	8.78%	302,248	0.04%
10001-50000	54	12.16%	1,482,476	0.20%
50001-100000	11	2.48%	844,420	0.12%
100001-500000	12	2.70%	2,943,536	0.41%
>500000	28	6.31%	718,899,782	99.16%
Total	**444**	**100%**	**725,000,000**	**100%**



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.

RISK PRIORITIES

Risk Culture

Risk culture provides the standards of behaviours expected from staff 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 and ownership of risk as part of the process to build risk culture.

Enhance Control Environment

Risk is complex and constantly evolving, and therefore needs to be reviewed continually to ensure that its management remains relevant. Strong and dynamic risk identification processes are therefore imperative to ensure that Risk Management remains applicable and that there are proactive control reviews in place to mitigate any potential risks.

During the year we have developed multiple initiatives to improve risk identification, exposure management and reporting.

Financial Crime Risk

Investments in control systems to improve our ability to detect financial crime are ongoing. 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 focus by regulators on the growing threat of information technology and cyber security risk – especially in light of increased digitisation – has led to the Bank continually reviewing its risk mitigation procedures in this arena.

This is particularly relevant in light of COVID-19 with the Bank having potentially increased exposure to cyber risk as staff gain remote access to Bank systems to enable them to work from home. This potentially opens the Bank to hacking, operational bottlenecks (slow network connections) and exposure of Bank information by unauthorised individuals.

With the evolving nature of this risk, continuous monitoring, assessment and investment is in place. The Bank's digital transformation programme is also being fast tracked to encourage digital interaction options for clients, increasing the potential for further cyber security risks.

PRINCIPAL RISKS

Liquidity and Funding Risk	Mitigation Actions
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.	• 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	Mitigation Actions
Operational Risk changes rapidly with changes in customer needs and the banking landscape. It is therefore imperative that BancABC 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 improved risk identification to enable a more proactive management of risk.	• Appropriate skills training and elevation of employee awareness across the Bank of fraud, controls and self-assessment. • Ongoing review of IT systems architecture and systems resilience, including with regard 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 control environment. • Update operational risk scenario analysis, planning, policies and procedures in line with recent developments resulting from the COVID-19 pandemic.

Credit Risk	Mitigation Actions
Credit Risk arises from lending and other financing activities that make up 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.	• 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 pre-NPL portfolio, and effective remedial management. • Review credit processes to identify the vulnerabilities exposed by the pandemic and develop ways to mitigate them. • Engage with customers and begin conversations around facility restructuring and forbearance.

Market Risk	Mitigation Actions
BancABC may be adversely impacted by both global and local markets and economic conditions that can lead to fluctuations in interest and exchange rates, as well as movements in equity and commodity prices. We may also be adversely impacted by significant holdings of financial assets, significant loans, or commitments to extend loans.	• Vigilant monitoring of macroeconomic and geopolitical conditions. • Establishment and regular monitoring of trading limits and positions. • Rates hedging programmes, both with respect to interest rates and foreign exchange. • Stress testing and scenario planning. • Assess and quantify the impact of the emerging changes in market variables on the Bank's current position.

Compliance Risk	Mitigation Actions
It is imperative that the Bank is positioned to respond appropriately to evolving and increasing regulatory and legislative requirements.	• Frequent interaction with regulators. • Active dialogues with relevant government officials and monitoring of events potentially impacting our business. • Improving compliance systems and controls.

Reputational Risk	Mitigation Actions
Damage to the BancABC brand arising from any association, action or inaction which is perceived by customers, regulators, shareholders or other stakeholders as inappropriate or unethical would impact our ability to achieve our strategic goals.	• 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.

Despite the various headwinds, the Bank has continued to investigate impactful ways of addressing emerging customer challenges.

05 | ANNUAL FINANCIAL STATEMENTS

DIRECTORATE, MANAGEMENT AND ADMINISTRATION

as at 31 December 2020

Board of Directors

Mrs Lorato Nthando Mosetlhanyane	Motswana (Chairperson)
Mr Adams Chilisa Dambe	Motswana (resigned 31 March 2020)
Mr Mooketsi Jacob Motlhabane	Motswana
Mr Joshua Benjamin Galeforolwe	Motswana
Mrs Beatrice Hamza Bassey	American
Mr Boiki Matema Wabo Tema	Motswana
Mrs Ntoti Mosetlhe	Motswana
Mr Kgotso Bannalotlhe	Motswana*
Mrs Ratang Icho-Molebatsi	Motswana*
Mr John Bosco Sebabi	Rwandese (appointed 3 June 2020)

*Executive Director

Company Secretary

Mrs Thato Mmile

Management

Mr Kgotso Bannalotlhe	Managing Director
Mrs Pauline Motswagae	Head of Commercial Banking
Mrs Ratang Icho-Molebatsi	Finance Director
Mr John Kimani	Chief Operating Officer
Mrs Neo Ndwapi	Head of Human Capital
Ms Ontibile Baakile	Head of Risk
Mrs Itumeleng Moremong	Head of Strategic Relationships
Mrs Segametsi Sethantsho	Head of Credit
Mr Molefe Petros	Head of Information Technology
Mrs Thato Mmile	Head of Legal,Compliance & Company Secretary
Mrs Kagiso Grace Setlhare-Mankanku	Head of Retail Banking
Mrs Polelo Kilner	Head of Marketing and Communications
Mr Rodwell Habana	Head of Internal Audit

Administration

Registered Office:	ABC Botswana ABC House Plot 62433 Fairgrounds Office Park Gaborone Botswana
Telephone:	3674300
Fax:	3902131

Auditors
KPMG
Plot 67977
Fairgrounds Office Park
P O Box 1519
Gaborone

Bankers
Standard Bank of South Africa Limited
Standard Chartered Bank New York
Citibank New York
Commerz Bank
First Rand

DIRECTORS' REPORT

For the year ended 31 December 2020

The directors have pleasure in submitting the financial statements of African Banking Corporation of Botswana Limited for the year ended 31 December 2020, which comprise the statements of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, as set out on pages 50 to 137, and other information contained in this report.

Activities
The Bank was licensed as a commercial bank on 28 August 2009 and is trading as BancABC (""the Bank""). 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 BancABC Insurance. Kaleu (Pty) Ltd is 100% owned by the Bank.

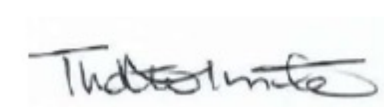
Stated capital
The issued share capital of the bank comprised of 725 000 000 ordinary shares at the end of the year.

Dividend
The directors do not recommend the payment of a dividend.

Directorate
On 31 March 2020, BancABC bed farewell to Mr. Adams Dambe Chilisa who resigned from his service as a Board Member after over 7 years on the BancABC Board. On 3 June 2020, Mr John Bosco Sebabi was appointed as a director.

The members will be asked to approve the directors' emoluments for the year ended 31 December 2020 amounting to P3,709,913 (2019: P3,696,947).

Events after the reporting date
There were no significant events that occurred after the reporting date.



Mrs. Thato Mmile
Company Secretary

DIRECTORS' STATEMENT OF RESPONSIBILITY AND APPROVAL

For the year ended 31 December 2020

The directors are required by law to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group as at the end of the financial year, and of the statement of profit or loss and other comprehensive income and statement of cash flows of the Group for the year.

The directors consider that, in preparing the financial statements for the year ended 31 December 2020 on pages 50 to 138, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

The directors are responsible for ensuring that the Group keeps accounting records which disclose with reasonable accuracy at any time the profit or loss and other comprehensive income, financial position, changes in equity and cash flows of the Group which enable them to ensure that the financial statements comply with the Botswana Companies Act, 2003, the Banking Act (Cap 46:04) and International Financial Reporting Standards (IFRS).

The directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The auditors' responsibilities are stated in their report to the shareholders on pages 47-49.

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

The directors have no reason to believe that the Group will not be a going concern in the year ahead, based on the forecasts and available cash resources. These financial statements have accordingly been prepared on that basis.

The Board of directors have reviewed and approved the accompanying financial statements set out on pages 50-138 for issue on 7 April 2021.

Mrs. Lorato Nthando Mosetlhanyane
Chairperson

Mr. Kgotso Bannalotlhe
Managing Director

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of African Banking Corporation of Botswana Limited

Opinion

We have audited the consolidated and separate financial statements of African Banking Corporation of Botswana Limited (the group and company) set out on pages 50 to 138, which comprise the statements of financial position as at 31 December 2020, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, significant accounting policies and notes to the financial statements.

In our opinion, these consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of African Banking Corporation of Botswana Limited as at 31 December 2020, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Banking Act (Cap 46:04) of Botswana.

Basis for opinion

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

Key audit matters

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

Impairment of loans and advances to customers

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

Refer to the following notes in the consolidated and separate financial statements:
Note 2.1 - Significant accounting judgements, estimates and assumptions - measurement of expected credit loss allowance
Note 2.19 - Financial instruments
Note 3.1 - Credit risk
Note 1.4.1 - Significant estimates and judgements - measurement of expected credit loss
Note 3.1.6 - Movement in expected credit losses
Note 7 - Loans and advances to customers

Key audit matter	How the matter was addressed in our audit
The Group's and the Company's core business involves providing loans and advances to retail and corporate customers. In the consolidated and separate financial statements, gross loans and advances to customers amount to BWP 6.3 billion as at 31 December 2020 and the movement in expected credit losses for the year amounts to BWP 273 million as at 31 December 2020. The expected credit loss (ECL) model applied to measure impairment requires management to exercise significant judgement in the determination of expected credit losses.	Our procedures included the following: • We evaluated the design and implementation, and where applicable, the operating effectiveness of key controls over the loan impairment process, focusing on the identification of the ECL, the governance processes implemented for credit models and inputs, and management's oversight over the ECL. • We evaluated the design and implementation and the operating effectiveness of controls relating to the Group's and the Company's loan origination process and credit reviews.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Impairment of loans and advances to customers

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

Refer to the following notes in the consolidated and separate financial statements:
Note 2.1 - Significant accounting judgements, estimates and assumptions - measurement of expected credit loss allowance
Note 2.19 - Financial instruments
Note 3.1 - Credit risk
Note 1.4.1 - Significant estimates and judgements - measurement of expected credit loss
Note 3.1.6 - Movement in expected credit losses
Note 7 - Loans and advances to customers

Key audit matter	How the matter was addressed in our audit
Management calculates the ECL using statistical models. In the prior year management changed the methodology used to determine ECL from a single default methodology to a technical default methodology. The following inputs to these models require significant management judgement: • Determination of significant increase in credit risk (SICR); • Determination of macroeconomic inputs and forward looking information into the SICR assessment and ECL measurement; and • Estimation of the probability of default, the exposure at default and the loss given default. In addition to the above, judgement is also applied to determine whether any post model overlays are required for credit risk elements which are not captured by the models. Due to the significance of the loans and advances to customers and the increased significant estimation uncertainty as a result of COVID-19 and judgement involved in determining the ECL, the impairment of loans and advances to customers was considered to be a key audit matter.	Where expected credit losses were calculated on a modelled basis, we performed following procedures, in conjunction with our credit risk specialists: We critically assessed the ECL models developed by management by using a challenger model and applying independent inputs to evaluate the appropriateness of the ECL model and output. This included assessing the ability of the model to reflect the impact of COVID-19 through appropriate calibration. We assessed the completeness, accuracy and validity of data and inputs used during the development and application of the ECL models. We challenged the parameters and significant assumptions applied in the calculation models which included SICR, estimated macroeconomic inputs and forward looking information, the estimated probability of default, exposure at default and loss given default by evaluating these assumptions against internal business practices, industry norms and our own independent assumptions. We assessed how management have considered the uncertainties of COVID-19 in the estimate of ECL, specifically regarding macro-economic forecasts and behaviors of borrowers subject to payment holidays as well as the criteria set by management for determining whether there has been a SICR. We inspected a sample of legal agreements and supporting documentation to confirm the existence and legal right to collateral; and We assessed the collateral valuation techniques applied against the credit policy and industry standards. We evaluated the appropriateness of management's additional post model overlays by independently assessing the reasonability of these assumptions.

Other information

The directors are responsible for the other information. The other information comprises the Directorate, management and administration, Directors' report and Directors' statement of responsibility and approval, which we obtained prior to the date of this auditor's report, and the "Annual report for the year ended 31 December 2020", which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

For the year ended 31 December 2020

information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Banking Act (Cap 46:04) of Botswana, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

KPMG

KPMG
Certified Auditors
Practicing member: Adele Venter (20170221)
7 April 2021
Gaborone

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2020

	Notes	Consolidated 31-Dec 2020 P'000	Consolidated 31-Dec 2019 Restated* P'000	Consolidated 1-Jan 2019 Restated* P'000	Company 31-Dec 2020 P'000	Company 31-Dec 2019 Restated* P'000	Company 1-Jan 2019 Restated* P'000
ASSETS							
Cash and balances with the Central Bank	5	384,004	77,138	424,734	384,004	77,138	424,734
Balances with other banks	6	895,789	904,537	845,788	895,789	904,537	845,788
Loans and advances to customers*	7	6,000,970	6,436,064	5,802,300	6,000,970	6,436,064	5,802,300
Derivative financial assets	8	60,569	60,487	62,755	60,569	60,487	62,755
Debt instruments	9	680,142	642,818	1,162,700	680,142	642,818	1,162,700
Property and equipment	10	119,718	129,860	69,705	119,718	129,860	69,705
Intangible assets	11	102,442	104,347	110,833	102,442	104,347	110,833
Balances due from related parties	12.1	488,185	633,118	528,780	488,185	633,118	528,780
Current tax assets*	13.1	-	20,476	14,282	-	21,935	14,471
Deferred tax asset*	13.3	25,127	29,869	52,054	25,127	29,869	52,054
Other assets	14	104,167	85,381	74,342	84,323	74,346	70,922
Investment in subsidiary	32	-	-	-	-	-	-
Total assets		**8,861,113**	**9,124,096**	**9,148,273**	**8,841,269**	**9,114,519**	**9,145,042**
LIABILITIES							
Deposits from banks	15	68,713	66,844	16,321	68,713	66,844	16,321
Deposits from customers	15	6,566,048	6,973,892	7,192,452	6,566,048	6,973,892	7,321,048
Borrowed funds	16	759,118	763,172	742,880	759,118	763,172	742,880
Derivative financial liabilities	8	59,667	59,618	59,173	59,667	59,618	59,173
Balances due to related parties	12.2	14,226	17,662	54,201	168,257	165,228	54,202
Current tax liabilities	13.1	3,348	-	-	1,925	-	-
Other liabilities*	17	211,695	157,706	100,686	203,448	143,088	85,268
TOTAL LIABILITIES		**7,682,815**	**8,038,894**	**8,165,713**	**7,827,176**	**8,171,842**	**8,278,892**
EQUITY							
Stated capital	18	222,479	222,479	222,479	222,479	222,479	222,479
Retained earnings*	19.1	940,433	847,336	745,545	776,228	704,812	629,135
Revaluation reserve	19.2	9,295	9,295	8,445	9,295	9,295	8,445
Other reserves	19.3	6,091	6,091	6,091	6,091	6,091	6,091
Total equity		**1,178,298**	**1,085,201**	**982,560**	**1,014,093**	**942,677**	**866,150**
Total equity and liabilities		**8,861,113**	**9,124,095**	**9,148,273**	**8,841,269**	**9,114,519**	**9,145,042**

The notes on pages 55 to 138 are an integral part of these financial statements.

*Refer to note 36 for more details on the restatements.

STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2020

	Notes	Consolidated 2020 P'000	Consolidated 2019 Restated* P'000	Company 2020 P'000	Company 2019 Restated* P'000
Effective interest and similar income		712,173	744,306	712,173	744,306
Effective interest expense and similar charges		(290,118)	(332,381)	(295,453)	(337,737)
Net interest income	20	**422,055**	**411,925**	**416,720**	**406,569**
Impairment (loss)/credit on financial assets	21	(3,725)	15,658	(3,725)	15,658
Net interest income after impairment credit on financial assets		**418,330**	**427,583**	**412,995**	**422,227**
Net trading income	22	27,540	12,860	27,540	12,860
Net fee and commission income*	23	95,126	111,420	69,631	80,844
Total net revenue		**540,996**	**551,863**	**510,166**	**515,931**
Personnel expenses*	24	(153,789)	(155,238)	(152,692)	(154,167)
General and administrative expenses	25	(128,755)	(128,202)	(126,881)	(126,766)
Depreciation and amortisation expenses	26	(46,378)	(38,117)	(46,378)	(38,117)
Other operating expenses	27	(87,185)	(79,692)	(87,185)	(79,692)
Total operating expenses		**(416,107)**	**(401,249)**	**(413,136)**	**(398,742)**
Profit before tax		**124,889**	**150,614**	**97,030**	**117,189**
Income taxation expense*	28	**(31,792)**	(29,737)	**(25,614)**	(22,426)
Profit for the year		**93,097**	120,877	**71,416**	94,763
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Gain on revaluation of land and buildings		**-**	1,090	**-**	1,090
Deferred tax on revaluation of land and buildings	28.3	**-**	(240)	**-**	(240)
Other comprehensive income for the year		**-**	**850**	**-**	**850**
Total comprehensive income for the year attributable to owners of the parent		**93,097**	**121,727**	**71,416**	**95,613**
Earnings per share					
Basic and diluted earnings per share (thebe)	29	**13**	17	**10**	13

The notes on pages 55 to 138 are an integral part of these financial statements.

*Refer to note 36 for more details on the restatements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

Consolidated

	Notes	Stated capital P'000	Other reserves P'000	Revaluation reserve P'000	Retained earnings Restated* P'000	Total P'000
At 1 January 2019		222,479	6,091	8,445	735,786	972,801
Impact of correction of errors (note 36)		-	-	-	9,759	9,759
Adjusted balance 1 January 2019*		222,479	6,091	8,445	745,545	982,560
Profit for the year*		-	-	-	120,877	120,877
Dividend declared and paid	19.1	-	-	-	(20,526)	(20,526)
Adjustment on initial application of IFRS 16, net of tax	19.1	-	-	-	1,440	1,440
Revaluation of land and buildings	19.2	-	-	1,090	-	1,090
Deferred tax on revaluation of land and buildings	19.2	-	-	(240)	-	(240)
Total comprehensive income		-	-	850	101,790	102,641
At 31 December 2019		222,479	6,091	9,295	847,336	1,085,201
At 1 January 2020		**222,479**	**6,091**	**9,295**	**847,336**	**1,085,201**
Profit for the year		-	-	-	93,097	93,097
Total comprehensive income		**-**	**-**	**-**	**93,097**	**93,097**
At 31 December 2020		**222,479**	**6,091**	**9,295**	**940,433**	**1,178,298**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

Company

	Notes	Stated capital P'000	Other reserves P'000	Revaluation reserve P'000	Retained earnings Restated* P'000	Total P'000
At 1 January 2019		222,479	6,091	8,445	619,376	856,391
Impact of correction of errors (note 36)		-	-	-	9,759	9,759
Adjusted balance 1 January 2019*		222,479	6,091	8,445	629,135	866,150
Profit for the year*		-	-	-	94,763	94,763
Dividend declared and paid	19.1	-	-	-	(20,526)	(20,526)
Adjustment on initial application of IFRS 16, net of tax	19.1	-	-	-	1,440	1,440
Revaluation of land and buildings	19.2	-	-	1,090	-	1,090
Deferred tax on revaluation of land and buildings	19.2	-	-	(240)	-	(240)
Total comprehensive income		-	-	850	75,676	76,527
At 31 December 2019		222,479	6,091	9,295	704,812	942,676
At 1 January 2020		**222,479**	**6,091**	**9,295**	**704,812**	**942,676**
Profit for the year		-	-	-	71,416	71,416
Total comprehensive income		**-**	**-**	**-**	**71,416**	**71,416**
At 31 December 2020		**222,479**	**6,091**	**9,295**	**776,228**	**1,014,093**

The notes on pages 55 to 138 are an integral part of these financial statements.
*Refer to note 36 for more details on the restatements.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2020

	Notes	Consolidated 2020 P'000	Consolidated 2019 Restated* P'000	Company 2020 P'000	Company 2019 Restated* P'000
Cash flows from operating activities					
Profit before tax*		**124,889**	**150,614**	**97,030**	**117,189**
Adjusted for:					
Depreciation	26	19,173	19,080	19,173	19,080
Amortisation of intangible assets	26	27,205	19,037	27,205	19,037
Impairment losses/(credit) on financial assets	21	3,725	(15,658)	3,725	(15,658)
Net exchange losses on borrowings	16.2	4,441	-	4,441	-
Currency revaluations	22	(11)	-	(11)	-
Net interest income	20	(422,055)	(411,925)	(416,720)	(406,569)
Fair value adjustment on derivatives		(32)	2,712	(32)	2,712
Cash flows from operating activities before changes in operating assets and liabilities		**(242,665)**	**(236,139)**	**(265,188)**	**(264,209)**
Movements in operating assets/liabilities:		**172,422**	**(532,462)**	**194,068**	**(510,436)**
Loans and advances to customers*		410,664	(618,106)	410,664	(618,106)
Balances due from related parties		142,146	(104,338)	142,146	(104,338)
Other assets		(18,786)	399,870	(9,978)	387,488
Deposits from customers and banks		(415,976)	(168,037)	(415,976)	(347,156)
Other liabilities*		57,810	(5,312)	64,182	60,649
Balances due to related parties		(3,436)	(36,539)	3,030	111,027
Interest received		744,803	744,306	744,803	744,306
Interest paid		(276,479)	(332,381)	(281,815)	(332,381)
Taxation (paid)/received	13.2	(3,226)	(13,986)	2,988	(7,945)
Net cash from operating activities		**394,855**	**(370,661)**	**394,856**	**(370,665)**
Cash flows from investing activities					
Purchase of property and equipment	10	(6,962)	(11,242)	(6,962)	(11,239)
Purchase of intangibles assets	11	(25,300)	(11,167)	(25,300)	(11,167)
Additions to debt instruments		(37,919)	-	(37,919)	-
Work in progress	11	-	(1,384)	-	(1,384)
Net cash used in investing activities		**(70,181)**	**(23,793)**	**(70,181)**	**(23,790)**
Cash flows from financing activities					
Dividend paid		-	(20,526)	-	(20,526)
Proceeds from borrowed funds	16.1	121,360	99,922	121,360	99,922
Repayments on borrowed funds	16.1	(128,948)	(79,630)	(128,948)	(79,630)
Payment of interest on lease liabilities	35.2	(4,544)	-	(4,544)	-
Payment of principal on lease liabilities	35.2	(5,683)	(3,783)	(5,683)	(3,783)
Net cash from financing activities		**(17,815)**	**(4,017)**	**(17,815)**	**(4,017)**
Net increase/(decrease) in cash and cash equivalents		306,859	(398,471)	306,860	(398,472)
Cash and cash equivalents at beginning of year		1,380,345	1,778,817	1,380,345	1,778,817
Effect of exchange rate fluctuations on cash and cash equivalents held		22,210	-	22,210	-
Cash and cash equivalents at end of year		**1,709,414**	**1,380,345**	**1,709,415**	**1,380,345**
Cash and cash equivalents comprised of:					
Balances with other banks	6	895,789	904,537	895,789	904,537
Debt instruments	9.1	429,621	398,813	429,621	398,813
Cash and balances with the Central Bank	5	384,004	76,995	384,004	76,995
		1,709,414	**1,380,345**	**1,709,414**	**1,380,345**

The notes on pages 55 to 138 are an integral part of these financial statements.
*Refer to note 36 for more details on the restatements.

SIGNIFICANT ACCOUNTING POLICIES

For the year ended 31 December 2020

General information

African Banking Corporation of Botswana Limited (trading as BancABC) provides corporate banking, retail and treasury activities. The company is a limited liability company and is incorporated and domiciled in Botswana (registration number C086/384). A 100% owned subsidiary company of BancABC, Kaleu (Pty) Ltd was registered as an insurance agency in 2012. The registered address of the Group and company is Plot 62433, BancABC House, Fairgrounds Office Park, Private Bag 00303, Gaborone. The Group's holding company is ABC Holdings Limited with a shareholding of 79.5%. The ultimate holding company is Atlas Mara Co-Invest Limited incorporated in the British Virgin Islands and assumed control of ABC Holdings on 31 August 2014. African Banking Corporation of Botswana Limited was listed on the Botswana Stock Exchange on 13 December 2018.

1 Basis of prepraration

The consolidated and company ("the Group") financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Banking Act (Cap 46:04). The financial statements have been prepared under the historical cost convention for all years presented unless otherwise stated, except as modified by the revaluation of financial instruments measured at fair value through profit or loss (FVTPL), property measured at revalued amounts. The Group has consistently applied the accounting policies.

The annual financial statements of the Group for the year ended 31 December 2020 were authorised for issue by the Board of directors on 7 April 2021.

The financial statements comprise the statements of profit or loss and comprehensive income showing as one statement, statements of financial position, statements of changes in equity, the statements of cash flows and the notes.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumption and estimates are significant to the financial statement are disclosed.

Going concern basis of accounting and impact of COVID-19

The outbreak of 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 company 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.

Functional and presentation currency

The Company and Group's functional and presentation currency for the year ended 31 December 2020 was Botswana Pula ("BWP" or "P").

All amounts have been rounded to the nearest thousand, except where otherwise stated.

Comparatives

Accounting policies have been applied in a manner consistent with the previous financial year.

Basis of consolidation

The consolidated annual financial statements include those of African Banking Corporation of Botswana Limited and Kaleu (Pty) Ltd ("the Group").

Subsidiaries are those entities controlled by the Group. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. Accounting policies of subsidiaries conform to the policies adopted by the Group. Investments in subsidiaries are accounted for at cost less impairment losses in the Company accounts. The carrying amounts of these investments are reviewed annually and written down for impairment where considered necessary.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and other components of equity. Any resulting gains or loss are recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

1 Basis of preparation (continued)

Changes in accounting policies

1.1 Applicable standards, interpretations and amendments issued and effective:

The accounting policies disclosed for the consolidated financial statements apply equally to the Company's separate financial statements unless otherwise specified. In preparing these financial statements, the Group adopted the following new and revised amendments and interpretations effective in 2020 that are relevant to the Group:

Standard/ Interpretation	Effective date: Periods beginning on or after	Description
Conceptual Framework amendments - Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020	Based on the revision of the conceptual framework, the Group has implemented the key changes impacting the policies guiding its operations. Although the amendments are not immediate and will not impact the current IFRS standards in the short term, the Group has effectively implemented the following key changes to assist in developing accounting policies that address significant areas of the financial statement. Some of these include: - Providing useful information in making resource allocation decisions. - Exercising caution when making judgements under conditions of uncertainty, as a component of neutrality. - Revision of the definition of assets as a present economic resource controlled by the entity as a result of past events. - Revision of the definition of a liability as a present obligation of the entity to transfer an economic resource as a result of past events.
IFRS 3 amendment - Definition of a business	1 January 2020	The amendments: - Confirm that a business must include inputs and a process, and clarified that: (i) the process must be substantive and (ii) the inputs and process must together significantly contribute to creating outputs. - Narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and - Add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.
IAS 1 and 8 amendments - Amendments to the definition of Material	1 January 2020	In making decisions around recognition and measurement, the Group has adopted the amended definition of material information to be presented to its primary users of its financial statement. The Group assesses materiality on the financial statement as a whole and applies great judgement in its disclosures without omitting, misstating or obscuring information which could be reasonably expected to influence the decisions of its primary users. There is no material impact on the accounting policies, financial position or performance of the Group due to this amendment.
IFRS 9, IAS 39 and IFRS 7 amendments - Amendments to interest rate benchmark reform	1 January 2020	Amendments to IFRS 9, IAS 39 and IFRS 7 have now been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

Changes in accouting policies (continued)

1.2 Standards and interpretations in issue but not yet effective:

At the date of authorisation of these financial statements, the Group has not applied the following applicable new and revised IFRS Standards that have been issued but are not yet effective:

Standard/ Interpretation	Effective date: Periods beginning on or after	Description
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments : Interest Rate Benchmark Reform – Phase 2	1 January 2021	The Phase 2 ammnedments address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues).
IAS 37 ammendment - Onerous Contracts: Cost of Fulfilling a Contract	1 January 2022	Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, issued by the International Accounting Standards Board, clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both: - the incremental costs – e.g. direct labour and materials; and - an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.
IAS 16 amendment - Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022	The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. Proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items.
IFRS 9 and IFRS 16 amendments - Annual Improvements to IFRS Standards (2018 – 2020)	1 January 2022	IFRS 9 Financial Instruments -The amendment clarifies that for the purpose of performing the ''10 per cent test'' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. IFRS 16 Leases - The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.
IFRS 3 amendment - Reference to the Conceptual Framework	1 January 2022	The amendment has: - updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; - added to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination and - added to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

Changes in accouting policies (continued)

1.2 Standards and interpretations in issue but not yet effective (continued):

IFRS 17 - Insurance Contracts and ammendments to IFRS 17	1 January 2023	IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model ("general model") for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as: - Reinsurance contracts held; - Direct participating contracts; and - Investment contracts with discretionary participation features. Under the new standard, investment components are excluded from insurance revenue and service expenses. Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI.
IAS 1 amendment - Classification of liabilities as current or non-current	1 January 2023	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. There is limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement. The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged.

1.3 Early adoption of standards

The Group did not early-adopt new or amended standards in 2020.

1.4 Significant estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgment about varying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment in the year ended 31 December 2020 have been included in the following notes;

- Determination of the fair value of financial instruments with significant unobservable inputs (note 3.4)
- Impairment of financial instruments: key assumptions used in estimating recoverable cash flows (note 1.4.1)

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

In determining whether an impairment loss should be recognised, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

1.4 Significant estimates and judgments (continued)

1.4.1 Measurement of expected credit loss

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:

- significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception, including, but not limited to, the credit spread that would result if a particular financial instrument or similar financial instrument with the same terms and the same counterparty were newly originated or issued at the reporting date.
- Changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated or issued at the reporting date.
- 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.
- an actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally. SICR occurs when there is a downgrade in the credit rating from performing(Stage 1) to special mention (Stage 2) or substandard (Stage 3)
- 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.
- a significant change in the quality of the guarantee provided by a shareholder (or an individual's parents) if the shareholder (or parents) 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.
- 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

1.4 Significant estimates and judgments (continued)

1.4.1 Measurement of expected credit loss (continued)

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.

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.

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.

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. Due to collateral being shared on a client level, the unsecured segment is also split up into unsecured loans within collateralised portfolio and unsecured loans within uncollateralised portfolio. The secured LGD is also applied to unsecured accounts within a collateralised portfolio.

Sensitivity analysis on impairment losses on managements estimates is shown as follows:

31 December 2020	Existing impairment	Impact on changes in probability of default		Impact on changes in loss given default	
		(2%)	2%	(5%)	5%
Stage 1	50,365	(1,007)	1,007	(2,518)	2,518
Stage 2	12,758	(255)	255	(638)	1,147
	63,123	**(1,262)**	**1,262**	**(3,156)**	**3,665**

31 December 2019	Existing impairment	Impact on changes in probability of default		Impact on changes in loss given default	
		(2%)	2%	(5%)	5%
Stage 1	70,028	(1,401)	1,401	(3,501)	3,501
Stage 2	10,237	(205)	205	(512)	1,147
	80,265	**(1,606)**	**1,606**	**(4,013)**	**4,648**

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 the internal credit rating of the exposure and other factors, that are specific to the individual borrower, to the extent such information has not been already reflected in the rating process.

Management overlays

Refer to note 3.1.7

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

2 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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 estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment in the year ended 31 December 2020 have been included in the following notes;

- Determination of the fair value of financial instruments with significant unobservable inputs (note 3.4)
- Recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used (note 27.2)
- Impairment of financial instruments: key assumptions used in estimating recoverable cash flows (note 3.1)

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:

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 2.19, 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.

2.2 Functional currency and presentation currency

Items included in the financial statements are measured using Pula, being the currency of the primary economic environment in which the entity operates ("the functional currency"). Except as otherwise indicated, financial information presented in Pula has been rounded to the nearest thousand. The financial statements are presented in Pula, which is the Group's presentation currency.

2.3 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in net trading income of the statement of comprehensive income.

Net trading income comprises gains less losses on day to day forex trading.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

2 Significant accounting policies (continued)

2.4 Financial instruments

2.4.1 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.

2.5 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.

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

2 Significant accounting policies (continued)

2.6 Fee and commission and trading income

Fee and commission income

The Group provides banking services to retail and corporate customers, including account management,provision of overdraft facilities,foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Group sets the rates separately for retail and corporate banking customers in each jurisdiction on an annual basis.

Fee and commission income from contracts with customers is measured based on the consideration in a contract with a customer. Including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – are recognised over time as the related services are performed.

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

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.

2.7 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Income tax is recognised in profit or loss unless it relates to items directly in equity or other comprehensive income in which instance it is recognised in equity or other comprehensive income.

2.8 Deferred tax

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. The recognition of deferred tax assets is based on profit forecasts made by management of the particular Group Company where the asset has arisen. These forecasts take into account the Group's re-capitalisation plans of the subsidiary and market conditions prevailing in the economy in which the Company operates.

The tax effects of income tax losses available for carry-forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realistic.

Deferred taxation is not recognised when it arises from:

- temporary differences on initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss.
- temporary differences related to investments in subsidiaries to the extent that the company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising from the initial recognition of goodwill.

The Group offsets deferred tax assets and deferred tax liabilities can only be offset in the statement of financial position as the Group has the legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

2 Significant accounting policies (continued)

2.9 Property and equipment

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 is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

- Buildings 40 Years
- Motor vehicles 5-6 Years
- Furniture 10 Years
- Office equipment 5 Years

Land and buildings held for use for administrative purposes or for supply of services are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation. Revaluations are performed annually such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date. Any revaluation surplus or deficit arising on the revaluation of such land and buildings is credited/debited in other comprehensive income and accumulated in equity. (The reserve is utilised on the sale of other assets).

Any gain arising on the remeasurement is recognised in profit or loss to the extent that it reverses previous impairment loss on the specific property, with any remaining gain is recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss. However to the extent that an amount is included in the revaluation surplus for that property, the loss is recognised in other comprehensive income and reduces the revaluation surplus within equity.

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.

Gains and losses on disposal of plant and equipment, which arise in the normal course of business are determined by reference to the asset carrying amounts compared to the proceeds received and are recognised in profit or loss.

2.10 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.

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
For the year ended 31 December 2020

2 Significant accounting policies (continued)

2.11 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.

2.12 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 Adminstartion department until they are sold off to extinguish or reduce the outstanding debt. The assets are measured at fair value in accordance with IAS2 prior to disposal. Properties pledged as collateral are taken into consideration when calculating credit exposures and impairment provisions.

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. Repossessed properties are sold as soon as practical, with the proceeds used to reduce the outstanding indebtedness. Repossessed property is moderately liquid with a readily available market.

2.13 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised in profit or loss as interest expense.

2.14.1 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.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given.

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.

2.14.2 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

2 Significant accounting policies (continued)

2.15 Employee benefits

(a)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.

(b) 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.

2.16 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.

Dividends 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 statemet of cash flows.

2.17 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The lease term is defined as the non-cancellable period of a lease. The Group has elected to apply the recognition exemption for leases for which the underlying asset is of low value.

The Group leases properties that are primarily used to house the branch network. These lease tenures range from 3 to 7 years with extension options of between 3 to 7 years. All the contracts require that, at the end of the lease tenure, the Bank restores the properties to their state at the commencemntof the lease.

Rights of use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

2 Significant accounting policies (continued)

2.17 Leases (continued)

Rights of use assets (continued)

The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Right of use assets have been included with property and equipment. Refer to note 35.1.

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 using the Group's incremental borrowing rate. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments.

Lease liability is disclosed as part of other liabilities refer to note 17.

Lease modifications

A lease modifcation is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term).

If a lease is modified (i.e., a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease), the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, lease modification can result in:
- a separate lease
- a change in the accounting for the existing lease (i.e., not a separate lease).

The exercise of an existing purchase or renewal option or a change in the assessment of whether such options are reasonably certain to be exercised are not lease modifications but can result in the remeasurement of lease liabilities and right-of-use assets.

Remeasurement of lease liabilities

The Group remeasures lease liabilities when there is a lease modification (i.e. a change in the scope of a lease, or the consideration for a lease that was not part of the original terms and conditions of the lease) that is not accounted for as a separate contract. As a lessee, The Group also remeasures lease payments upon a change in any of the following:
- the lease term
- the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset
- the amounts expected to be payable under residual value guarantees
- future lease payments resulting from a change in an index or rate
- in-substance fixed lease payments.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

2.18 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.

2 Significant accounting policies (continued)

2.19 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 measure at fair value with gain or losses recorded in profit or loss.

Classification of financial assets

IFRS 9 contains three 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 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.

On initial recognition, a financial asset is classified as measured at amortised cost or FVTPL. The classification and subsequent measurement of financial assets depends on:

- The business model within which the financial assets are managed
- The contractual cash flow characteristics of the asset (that is, whether the cash flows represent solely payments of interest and principal).

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTP:

· the contractual terms of the financial asset give rise on specific dates to cash flows that are Solely Payments of Principal and Interest ("SPPI").

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

2 Significant accounting policies (continued)

2.19 Financial instruments (continued)

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 net income
Debt instruments, loans and advances, balances with other banks and balances due from related parties	Collect contractual cash flows	Amortised cost	Amortised cost method

Fair value through profit or Loss

The FVPL accounting treatment is used for all financial instruments that are intended to be held for sale and NOT to maintain ownership. When these assets are being held, they are always recorded at fair value on the balance sheet, and any changes in the fair value are recorded through the income statement, eventually affecting net income and not other comprehensive income (OCI). All transaction costs associated with the investment are expensed immediately.

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 FVPL investments because FVPL 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; and
- 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.

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

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

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.

2 Significant accounting policies (continued)

2.19 Financial instruments (continued)

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.

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

2 Significant accounting policies (continued)

2.19 Financial instruments (continued)

Measurement

The estimate of ECL is determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD). There may be multiple default events over the lifetime of an instrument.

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.

Impact of forward looking base, moderate and worst case scenarios are shown on note 3.1.8

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, 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 ACCOUNTING POLICIES (CONTINUED)
For the year ended 31 December 2020

2 Significant accounting policies (continued)
2.19 Financial instruments (continued)

Significant increase in credit risk (stage 2)
If a financial asset experiences a significant increase in credit risk (SICR) since initial recognition, an expected credit loss provision is recognised for default events that may occur over the lifetime of the asset.

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Significant does not mean statistically significant nor is it assessed in the context of changes in 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.

Credit-impaired (or defaulted) exposures (stage 3)
Financial assets that are credit-impaired (or in default) represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are also considered to be credit-impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset. It may not be possible to identify a single discrete event but instead the combined effect of several events may cause financial assets to become credit-impaired.

Evidence that a financial asset is credit-impaired includes observable data about the following events:
- Significant financial difficulty of the issuer or borrower;
- Breach of contract such as default or a past due event;
- For economic or contractual reasons relating to the borrower's financial difficulty, the lenders of the borrower have granted the borrower concession/s that lenders would not otherwise consider. This would include forbearance actions.
- Pending or actual bankruptcy or other financial reorganisation to avoid or delay discharge of the borrower's 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
For the year ended 31 December 2020

2 Significant accounting policies (continued)
2.19 Financial instruments (continued)

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

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.

Expert 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

2 Significant accounting policies (continued)

2.19 Financial instruments (continued)

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.

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. The modified loan is disclosed as 'Loans subject to forbearance-credit-impaired'.

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

2 Significant accounting policies (continued)

2.19 Financial instruments (continued)

Derecognition of financial assets (continued)

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.

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-offs can relate to a financial asset in its entirety or to a portion of it. For example, an entity plans to enforce a collateral on a financial asset and expects to recover no more than 30% of the financial asset through the collateral. If the entity has no reasonable prospects of recovering any further cash flows from the financial asset, it should write off the remaining 70% of the financial asset.

An impaired loan is written off once all reasonable attempts at collection have been made and there is no material economic benefit expected from attempting to recover the balance outstanding. The following criteria must be met before a financial asset can be written off:

· The financial asset has been in default for the period defined for the specific product (i.e. VAF, homes loans, etc.) which is deemed sufficient to determine whether the entity is able to receive any further economic benefit from the impaired loan; and

· At the point of write-off, the financial asset is fully impaired (i.e. 100% allowance) with no reasonable expectations of recovery of the asset, or a portion thereof.

As an exception to the above requirements, where the exposure is secured (or for collateralised structures), the impaired loan can only be written off once the collateral has been realised. Post realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above. The shortfall amount does not need to meet the first requirement to be written off.

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).

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

2 Significant accounting policies (continued)

2.20 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with Central Banks, treasury bills and other eligible bills, loans and advances to Groups, amounts due from other Groups and short-term government securities. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

2.21 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.

2.22 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.

2.23 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.

3 Financial 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

Assets and Liabilities Committee (ALCO) (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) 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. 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.

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.

Balances with other banks are considered to have minimal risk of default hence no expected credit losses.

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.

(a) 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.

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.1 Credit risk (continued)

(b) 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.

Maximum exposure to credit risk before collateral held or other credit enhancements.

	Consolidated and Company				
31 December 2020	**P'000 Maximum exposure to credit risk**	**P'000 Fair value of collateral**			**P'000 Net exposure**
		Property	**Vehicles**	**Cash and other**	
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	488,185	-	-	-	488,185
Derivative financial assets	60,569	-	-	-	60,569
Other financial assets	46,972	-	-	-	46,972
Loans and advances to customers	**6,273,594**	**2,170,833**	**40,234**	**250,291**	**3,812,236**
Mortgage lending	749,546	1,133,873	-	-	(384,327)
Vehicle asset finance	26,798	-	26,829	-	(31)
Corporate lending	367,907	924,250	-	243,976	(800,319)
Commercial and property finance	17,779	22,530	-	-	(4,751)
Retail and SME lending	5,111,564	90,180	13,405	6,315	5,001,664
Maximum exposure	**8,755,385**	**2,170,833**	**40,234**	**250,291**	**6,294,026**
Credit exposures relating to off-balance sheet items are as follows:					
Financial guarantees	63,630	-	-	14,825	48,805
Loan commitments and other credit related liabilities	58,135	-	-	-	58,135
	121,765	**-**	**-**	**14,825**	**106,940**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.1 Credit risk (continued)

	Consolidated and Company				
31 December 2019	**P'000 Maximum exposure to credit risk**	**P'000 Fair value of collateral**			**P'000 Net exposure**
		Property	**Vehicles**	**Cash and other**	
Balances with other banks	904,537	-	-	-	904,537
Balances with Central Bank	642,818	-	-	-	642,818
Investment securities	77,138	-	-	-	77,138
Amounts due from related parties	60,487	-	-	-	60,487
Derivative financial assets	633,118	-	-	-	633,118
Other financial assets	62,359	-	-	-	62,359
Loans and advances to customers	6,714,807	2,290,790	34,884	52,804	4,336,329
Mortgage lending	**718,478**	**1,077,951**	**-**	**-**	**(359,473)**
Vehicle asset finance	29,159	-	28,884	-	275
Corporate lending	610,445	1,145,459	6,000	52,804	(593,818)
Commercial and property finance	17,919	20,775	-	-	(2,856)
Retail and SME lending	5,338,806	46,605	-	-	5,292,201
Maximum exposure	**9,095,264**	**2,290,790**	**34,884**	**52,804**	**6,716,786**
Credit exposures relating to off-balance sheet items are as follows:					
Financial guarantees	57,826	-	-	56,809	1,017
Loan commitments and other credit related liabilities	180,588	-	-	-	180,588
	238,414	-	-	56,809	181,605

* Refer to note 36 for more details on the restatements.

3.1.1 Repossessed collateral

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

	Consolidated and Company	
Nature of assets	**2020 P'000**	**2019 P'000**
Property	1,200	1,703
Motor Vehicles	180	-
	1,380	1,703

All assets were repossessed in 2020. Refer to note 2.12 for the Group's policy on treatment of repossessed assets.

3.1.2 Loans and advances by industry sectors

The following table analyses the Group's gross loan book by the industry sectors of the counterparties:

	Consolidated and Company	
	2020 P'000	**2019 P'000**
Construction	226	23,780
Wholesale, retail and trade	261,138	212,713
Manufacturing	1	2,950
Mining and Energy	2,611	619
Financial services	67,619	144,334
Transport	578	510
Real Estate	6,327	743,166
Individuals	5,866,020	5,534,566
Tourism	114	1
Other	68,961	52,167
Total	**6,273,595**	6,714,806

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.1 Credit risk (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 2020. Also included are off-balance sheet items and financial guarantee contracts. ECL on balances with other banks is not significant.

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 2020 Balance			
In thousands of Pula	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Mortgage lending	647,783	16,467	85,296	**749,546**
Instalment finance	21,160	507	5,131	**26,798**
Corporate lending	317,131	8,931	41,845	**367,907**
Commercial and property finance	10,472	-	7,307	**17,779**
Retail and SME lending	4,822,375	52,159	237,031	**5,111,565**
Total Loans And Advances	**5,818,921**	**78,064**	**376,610**	**6,273,595**
Balances Due From Related Parties	488,185	-	-	**488,185**
Contingent liabilities and loan commitments	121,765	-	-	**121,765**
Financial assets	680,161	-	-	**680,161**
Total	7,109,032	78,064	376,610	**7,563,706**

	31 December 2020 ECL				Net Exposure				31 December 2020 ECL Coverage Ratio*
In thousands of Pula	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	
Mortgage lending	(2,429)	(380)	(10,350)	**(13,159)**	645,354	16,087	74,946	736,387	**1.76%**
Instalment finance	(324)	(77)	(2,139)	**(2,540)**	20,836	430	2,992	24,258	**9.48%**
Corporate lending	(2,720)	(21)	(2,064)	**(4,805)**	314,411	8,910	39,781	363,102	**1.31%**
Commercial and property finance	(25)	-	(2,259)	**(2,284)**	10,447	-	5,048	15,495	**12.86%**
Retail and SME lending	(42,217)	(12,280)	(195,340)	**(249,837)**	4,780,158	39,879	41,691	4,861,728	**4.89%**
Total Loans And Advances	**(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	(1,628)	-	-	**(1,628)**	486,557	-	-	486,557	**0.10%**
Contingent liabilities and loan commitments	(1,003)	-	-	**(1,003)**	120,762	-	-	120,762	**0.82%**
Financial assets	(19)	-	-	**(19)**	680,142	-	-	680,142	**0.00%**
Total	(50,365)	(12,758)	(212,152)	**(275,275)**	7,058,666	65,306	164,458	7,288,431	**3.64%**

	31 December 2019 Balance			
In thousands of Pula	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Mortgage lending	593,312	53,030	72,136	718,478
Instalment finance	21,122	760	7,277	29,159
Corporate lending	552,835	4,158	53,452	610,445
Commercial and property finance	11,853	-	6,066	17,919
Retail and SME lending	4,885,206	241,865	211,734	5,338,806
Total Loans And Advances	**6,064,328**	**299,813**	**350,665**	**6,714,806**
Balances Due From Related Parties	633,358	-	-	633,358
Contingent liabilities and loan commitments	238,414	-	-	238,414
Financial assets	642,831	-	-	642,831
Total	7,578,932	299,813	350,665	8,229,409

	31 December 2019 ECL				Net Exposure				31 December 2019 ECL Coverage Ratio*
In thousands of Pula	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	
Mortgage lending	(1,868)	(162)	(9,891)	(11,921)	591,444	52,868	62,245	706,557	1.66%
Instalment finance	(296)	(22)	(3,768)	(4,086)	20,826	738	3,509	25,073	14.01%
Corporate lending	(11,486)	-	(8,747)	(20,233)	541,349	4,158	44,705	590,212	3.31%
Commercial and property finance	(27)	-	(2,682)	(2,709)	11,826	-	3,384	15,210	15.13%
Retail and SME lending	(54,218)	(10,053)	(175,522)	(239,793)	4,830,988	231,812	36,212	5,099,013	4.49%
Total Loans And Advances	**(67,895)**	**(10,237)**	**(200,610)**	**(278,742)**	**5,996,433**	**289,576**	**150,055**	**6,436,064**	**4.15%**
Balances Due From Related Parties	(240)	-	-	(240)	633,118	-	-	633,118	0.10%
Contingent liabilities and loan commitments	(1,880)	-	-	(1,880)	236,534	-	-	236,534	0.79%
Financial assets	(13)	-	-	(13)	642,818	-	-	642,818	0.00%
Total	(70,028)	(10,237)	(200,610)	(280,875)	7,508,902	289,576	150,055	7,948,534	3.41%

*ECL coverage ratio is calculated at the total ECL to the grosss exposure balance

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
For the year ended 31 December 2020

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.1 Credit risk (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.

Loans and advances renegotiated are loans which have been refinanced, rescheduled, rolled-over, or otherwise modified on such terms and conditions as may have been agreed by the parties thereto because of the weakened financial condition of the borrower resulting in the borrower's inability to repay in accordance with the original terms of the loan. The debtor would have defaulted in meeting the original terms and conditions for at least 90 days.

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.

COVID-19 restructures

Due to the COVID-19 pandemic certain retail and coprorate clients' loans were restructured in May, June, August and September 2020 by allowing instalment payment holidays of between 1 to 3 months.

The following table shows renegotiated loans and advances to customers at amortised cost per stage allocation under IFRS 9 treatment:

	Consolidated and Company			
Renegotiated loans as at 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)**	**(816)**
	(414)	**(99)**	**(648)**	**(1,161)**
Net renegotiated loans	**83,368**	**14,935**	**2,209**	**100,512**

Analysis of stage 2 renegotiated loans:	**Consolidated and Company**
(i) Amortised cost before modification	
Corporate lending	14,643
Retail and SME lending	925
	15,568
(ii) Net modification gain/(loss) recognsied on Stage 2 assets	
Corporate lending	290
Retail and SME lending	(36)
	254
(iii) The gross carrying amount of instruments modified when they were in Stage 2, which have cured to stage 1	
Corporate lending	4,511
Retail and SME lending	3,388
	7,899

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.1 Credit risk (continued)

3.1.4 Renegotiated loans (continued)

Renegotiated loans as at 31 December 2019	**Stage 1 P'000**	**Stage 3 P'000**	**Total P'000**
Gross carrying amount			
Retail and SME lending	856	479	1,335
	856	479	1,335
Allowance for ECL			
Retail and SME lending	(3)	(321)	(324)
	(3)	(321)	(324)
Net renegotiated loans	853	158	1,011

3.1.5 Credit quality by asset class

The table below shows the differences between IFRS 9 staging and loan book classification for regulatory purposes.

Consolidated and Company						
31 December 2020	**Stage 1 Performing**	**Stage 2**	**Stage 3**	**Total**	**Collateral**	**Net exposure**
Cash and balances with Central Bank	384,004	-	-	384,004	-	**384,004**
Balances with other banks	895,789	-	-	895,789	-	**895,789**
Derivative financial assets	60,569	-	-	60,569	-	**60,569**
Loans and advances	**5,818,921**	**78,064**	**376,610**	**6,273,595**	**2,461,357**	**3,812,237**
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**
Investment securities	680,161	-	-	680,161	-	**680,161**
Other financial assets	46,972	-	-	46,972	-	**46,972**
	7,886,416	**78,064**	**376,610**	**8,341,090**	**2,461,357**	**5,879,733**
Off balance sheet items						
Financial guarantees and loan commitments	121,765	-	-	121,765	56,809	**64,956**
Total	**8,008,181**	**78,064**	**376,610**	**8,462,855**	**2,518,167**	**5,944,689**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.1 Credit risk (continued)

3.1.5 Credit quality by asset class

Consolidated and Company

31 December 2019	Stage 1 Performing	Stage 2	Stage 3	Total	Collateral	Net exposure
Cash and balances with Central Bank	77,138	-	-	77,138	-	77,138
Balances with other banks	904,537	-	-	904,537	-	904,537
Derivative financial assets	59,667	-	-	59,667	-	59,667
Loans and advances	**6,080,538**	**323,818**	**310,450**	**6,714,806**	**2,378,477**	**4,336,329**
Performing	6,080,538	10	39,701	6,120,249	-	6,120,249
Special mention	-	297,176	15,184	312,360	-	312,360
Substandard	-	1,888	58,116	60,004	-	60,004
Doubtful	-	-	77,381	77,381	-	77,381
Loss	-	24,744	120,068	144,812	-	144,812
Investment securities	642,831	-	-	642,831	-	642,831
Other financial assets	40,179	-	-	40,179	-	40,179
	7,804,890	**323,818**	**310,450**	**8,439,158**	**2,378,477**	**6,060,681**
Off balance sheet items						
Financial guarantees and loan commitments	238,414	-	-	238,414	14,825	253,239
Total	**8,043,304**	**323,818**	**310,450**	**8,677,572**	**2,393,302**	**6,313,920**

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: interest and principal payments are less than 90 days overdue; less than 90 days' worth of interest has been refinanced, capitalised, or delayed by agreement; and continued payment is anticipated. All conditions must be present for a loan to be performing.

Special mention assets - when the lender fails to supervise a loan properly or maintain sufficient documentation, or otherwise has deviated from acceptable and prudent lending practices.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.1 Credit risk (continued)

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 2020 to 31 December 2020:

	Gross loans and advances			
(i)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
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/ estimation change	(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
Closing Balance	**5,818,921**	**78,064**	**376,610**	**6,273,595**

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

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

	Expected credit losses			
(ii) Loans and advances	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
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/ estimation change	(457)	(483)	940	-
Modifications	(70)	-	8	(62)
Write-offs	(79)	(51)	(12,284)	(12,414)
Other	(35,109)	4,338	18,474	(12,297)
Closing Balance	**47,715**	**12,758**	**212,152**	**272,625**
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
ECL (charge)/credit for the period	**(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)
Closing Balance	**(1,616)**	**-**	**-**	**(1,616)**
Changes in expected credit losses (ECL) during the year	517	-	-	517
Changes in expected credit losses	**517**	**-**	**-**	**517**
Recoveries	-	-	-	(2,497)
Total ECL charge in profit or loss (refer to note 7)				**3,725**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.1 Credit risk (continued)

3.1.6 Movement in expected credit losses (continued)

The following table shows movement in gross loans and advances from 1 January 2019 to 31 December 2019:

	Gross loans and advances			
(i)	Stage 1	Stage 2	Stage 3	Total
Opening balance	**5,578,815**	**135,552**	**337,130**	**6,051,497**
Opening balance	5,578,815	135,552	337,130	6,051,497
New loans	3,132,296	-	-	3,132,296
Transfer to stage 1	72,939	(64,807)	(8,132)	-
Transfer to stage 2	(302,749)	309,925	(7,176)	-
Transfer to stage 3/ estimation change	(104,068)	(28,356)	132,424	-
Other	(2,312,905)	(52,501)	(103,581)	(2,468,987)
Closing Balance	**6,064,328**	**299,813**	**350,665**	**6,714,806**

The following table shows movement in expected credit losses from 1 January 2019 to 31 December 2019:

	Expected credit losses			
(i) Loans and advances	Stage 1	Stage 2	Stage 3	Total
Opening balance	96,862	22,947	182,942	302,751
New loans	31,046	3,371	19,945	54,362
Liquidated loans	(115)	(11,511)	4,126	(7,500)
Transfer to stage 1	(8,131)	-	8,131	-
Transfer to stage 2	-	(7,176)	7,176	-
Transfer to stage 3	(51,767)	2,606	(21,710)	(70,871)
Closing balance	**67,895**	**10,237**	**200,610**	**278,742**
Changes in expected credit losses (ECL) during the year	28,967	12,710	(17,668)	24,009
Write-offs	-	-	(15,205)	(15,205)
ECL (charge)/credit for the period	**28,967**	**12,710**	**(32,873)**	**8,804**
(ii) Off balance sheet and debt instruments				
Opening balance	**(3,881)**	**-**	**-**	**(3,881)**
Liquidated off balance sheet items	1,748	-	-	1,748
Closing balance	**(2,133)**	**-**	**-**	**(2,133)**
Changes in expected credit losses (ECL) during the year	1,748	-	-	1,748
ECL credit for the period	**1,748**	**-**	**-**	**1,748**
Recoveries	-	-	-	5,106
Total ECL credit in profit or loss (refer to note 7)				**15,658**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.1 Credit risk (continued)

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 have been 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. For the year ended 31 December 2020 management performed an out of model adjustment on a significant customer whose expected credit loss (ECL) was out of line with the normal and market expectation of the credit risk profile of the customer. The Group's loan book includes significant exposure to government related institutions. The institutions are treated as normal corporates in the model which skews the ECL calculations for this particular segment. Management performed an out of model adjustment to reflect the government of Botswana's credit rating which is the ultimate owner of the institution. Moody's last rated Government of Botswana in May 2020 as A2 with a stable outlook.

The Group has loans that have been secured by corporate guarantees but the model only considers those with tangible security. The Group assessed these guarantees to determine the level of recoverability against them. For the corporate guarantee that are deemed to have high recoverability, management adjusted the ECL in the form of management overlays. Management also adjusted loans that had been in technical arrears, where payment was made later than expected and the delay was due to internal processes.

Exposures at 31 December 2020 relating to Government related institutions was P66,904,208 with an ECL of nil which is an ECL coverage ratio of 0%. The impact of management overlays was to increae ECL to 1% for government parastatals.

Exposures secured by a corporate guarantees was P800,000 as at 31 December with a ECL coverage ratio of 47.14%. The coverage ratio was adjusted downwards to 1.23%.

The impact of management overlays on intercompany exposure of P1,253,537 and a coverage ratio of 97.6% was to reduce the coverage ratio to 0%.
Overall impact of overlays on the ECL of P248,582,350 was to increase the ECL to P272,625,494.

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 alll 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 2021.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.1 Credit risk (continued)

3.1.8 ECL sensitivity analysis (continued)

	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 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.

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 ratio %
31 December 2020				
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%

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 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.2 Liquidity risk (continued)

Liquidity risk management process

The Group holds liquidity reserves in highly tradable instruments or money market placements 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 the next day, week and month, 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.

Impact of COVID-19 on liquidity risk

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, during the year some entities did not manage to meet this covenant and have had to request for pardon and this has been appropriately addressed.

In response to the economuic impacts of the COVID-19 pandemic, the Bank of Botswana reduced the Prudential Reserve Requirement from 5% to 2.5% which has eased on liquidity pressures for BancABC.

In addition, the Group's credit ratings remain unchanged at BB- from Global Credit Rating Agency. Accordingly, the Group expects to be able to access additional funding through existing lenders should it need to at market interest rates similar to its current borrowings.

Maturity analysis based on contractually undiscounted amounts

The table below analyses the Group's non-derivative 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.2 Liquidity risk (continued)

Liquidity risk management process (continued)

Consolidated

Non-derivative cash flows 31 December 2020	Up to 1 month P'000	1 to 3 months P'000	3 to 12 months P'000	1 to 5 years P'000	Greater than 5 years	Total	Effect of discounting/ financial rates P'000	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	46,972	-	-	-	-	46,972	-	46,972
Total	**2,382,217**	**531,114**	**1,381,017**	**4,351,578**	**1,526,648**	**10,172,574**	**(1,615,943)**	**8,556,631**
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 financail 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	126,422	-	-	-	-	126,422	-	126,422
Total	**3,974,723**	**1,327,004**	**1,743,709**	**853,072**	**108,109**	**8,006,617**	**(354,205)**	**7,652,412**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.2 Liquidity risk (continued)

Liquidity risk management process (continued)

Consolidated

Non-derivative cash flows 31 December 2019	Up to 1 month P'000	1 to 3 months P'000	3 to 12 months P'000	1 to 5 years P'000	Greater than 5 years	Total	Effect of discounting/ financial rates P'000	Total
Assets								
Cash and balances with the Central Bank	77,138	-	-	-	-	77,138	-	77,138
Balances with other banks	904,537	-	-	-	-	904,537	-	904,537
Balances due from related parties	192,128	440,990	-	-	-	633,118	-	633,118
Debt instruments	299,644	199,333	103,350	40,688	-	643,015	(197)	642,818
Loans and advances to customers	90,057	198,544	880,954	2,984,898	6,197,073	10,351,526	(3,915,462)	6,436,064
Other financial assets	40,179	-	-	-	-	40,179	-	40,179
Total	**1,603,694**	**838,867**	**984,304**	**3,025,586**	**6,197,073**	**12,649,513**	**(3,915,659)**	**8,733,854**
Liabilities								
Deposits from banks	66,844	-	-	-	-	66,844	-	66,844
Deposits from customers	2,747,028	2,112,068	1,854,788	347,064	-	7,060,948	(87,056)	6,973,892
Borrowed funds	194	583	19,375	793,138	-	813,290	(50,118)	763,172
Balances due to related parties	9,841	-	-	8,333	-	18,174	(512)	17,662
Other financial liabilities	143,800	-	-	-	-	143,800	-	143,800
Total	**2,967,707**	**2,112,651**	**1,874,163**	**1,148,535**	**-**	**8,103,056**	**(137,686)**	**7,965,370**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.2 Liquidity risk (continued)

Liquidity risk management process (continued)

Maturity analysis based on contractually undiscounted amounts

The table below analyses the Group's non-derivative 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.

Company

Non-derivative cash flows 31 December 2020	Up to 1 month P'000	1 to 3 months P'000	3 to 12 months P'000	1 to 5 years P'000	Greater than 5 years	Total	Effect of discounting/ financial rates P'000	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	7,614,052	(1,613,081)	6,000,972
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	-	-	488,185	-	488,185
Other financial assets	26,522	-	-	-	-	26,522	-	26,522
Total	**1,994,803**	**496,354**	**1,268,035**	**4,351,578**	**1,526,648**	**9,637,419**	**(1,615,943)**	**8,021,476**
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 financail 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	865	2,625	7,256	67,729	-	78,474	(19,184)	59,291
Other financial liabilities	117,103	-	-	-	-	117,103	-	117,103
Total	**4,119,436**	**1,327,004**	**1,743,709**	**853,072**	**108,109**	**8,151,330**	**(353,133)**	**7,798,198**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.2 Liquidity risk (continued)

Liquidity risk management process (continued)

Company

Non-derivative cash flows 31 December 2019	Up to 1 month P'000	1 to 3 months P'000	3 to 12 months P'000	1 to 5 years P'000	Greater than 5 years	Total	Effect of discounting/ financial rates P'000	Total
Assets								
Cash and balances with the Central Bank	77,138	-	-	-	-	77,138	-	77,138
Balances with other banks	904,537	-	-	-	-	904,537	-	904,537
Balances due from related parties	192,128	440,990	-	-	-	633,118	-	633,118
Debt instruments	299,644	199,333	103,350	40,688	-	643,015	(197)	642,818
Loans and advances to customers	90,057	198,544	880,954	2,984,898	6,197,073	10,351,526	(3,915,462)	6,436,064
Other financial assets	29,143	-	-	-	-	29,143	-	29,143
Total	**1,592,646**	**838,867**	**984,304**	**3,025,585**	**6,197,073**	**12,638,477**	**(3,915,658)**	**8,722,819**
Liabilities								
Deposits from banks	66,844	-	-	-	-	66,844	-	66,844
Deposits from customers	2,747,028	2,112,068	1,854,788	347,064	-	7,060,948	(87,056)	6,973,893
Borrowed funds	194	583	19,375	793,138	-	813,290	(50,118)	763,172
Balances due to related parties	18,845	562	138,000	8,333	-	165,740	(512)	165,228
Other financial liabilities	129,182	-	-	-	-	129,182	-	129,182
Total	**2,962,093**	**2,113,213**	**2,012,163**	**1,148,535**	**-**	**8,236,004**	**(137,686)**	**8,098,318**

Liquidity risk on financial guarantee contracts and commitments

(a) Loan commitments

The dates of the contractual amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities as disclosed in note 33, are summarised on the next page.

(b) Financial guarantees and other financial facilities

Financial guarantees as disclosed in note 33, are also included on the next page are the earliest contractual maturity date.

(c) Capital commitments

Capital commitments for the acquisition of buildings and equipment as disclosed in note 34, are summarised on the next page.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.2 Liquidity risk (continued)

Liquidity risk on financial guarantee contracts and commitments

	Total P'000	Not later than 1 year P'000	1-5 years P'000	Over 5 years P'000
31 December 2020				
Financial guarantees, acceptances and other financial facilities	63,630	14,148	3,782	45,700
Capital commitments	56,340	56,340	-	-
Loan commitments and other credit related liabilities	58,135	10,751	34,718	12,666
Total	**178,105**	**81,239**	**38,500**	**58,366**

	Total P'000	Not later than 1 year P'000	1-5 years P'000	Over 5 years P'000
31 December 2019				
Financial guarantees, acceptances and other financial facilities	57,826	57,826	-	-
Capital commitments	12,551	12,551	-	-
Loan commitments and other credit related liabilities	180,588	159,004	21,584	-
Total	250,965	229,381	21,584	-

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 date.

Consolidated

31 December 2020	Up to 1 month P'000	1 to 3 months P'000	3 to 12 months P'000	1 to 5 years P'000	Greater than 5 years	Total
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	-	-	488,186
Other financial assets	46,972	-	-	-	-	46,972
Total	**2,085,050**	**232,407**	**220,336**	**2,571,221**	**3,447,617**	**8,556,631**
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	759,119
Derivative financial liabilities	1,008	58,659	-	-	-	59,667
Balances due to related parties	1,583	8	12,635	-	-	14,226
Other financial liabilities	127,286	2,625	7,256	42,886	-	180,053
Total liabilities	**3,834,134**	**1,320,032**	**1,706,163**	**679,387**	**108,109**	**7,647,826**
Net maturity gap 31 December 2020	**(1,749,084)**	**(1,087,625)**	**(1,485,827)**	**1,891,834**	**3,339,508**	**908,806**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.2 Liquidity risk (continued)

3.2.1 Maturity profile

Consolidated

31 December 2019	Up to 1 month P'000	1 to 3 months P'000	3 to 12 months P'000	1 to 5 years P'000	Greater than 5 years	Total
Cash and balances with the Central Bank	77,138	-	-	-	-	77,138
Balances with other banks	904,537	-	-	-	-	904,537
Loans and advances to customers	192,128	440,990	-	-	-	633,118
Derivative financial assets	1,154	-	-	59,333	-	60,487
Debt instruments	299,644	199,333	103,350	40,491	-	642,818
Balances due from related parties	90,046	198,132	875,836	2,984,899	2,287,151	6,436,064
Other financial assets	40,179	-	-	-	-	40,179
Total	**1,604,827**	**838,456**	**1,025,530**	**3,318,930**	**2,287,151**	**9,074,894**
Deposits from banks	66,844	-	-	-	-	66,844
Deposits from customers	2,745,148	2,097,250	1,807,919	323,575	-	6,973,892
Borrowed funds	207	622	21,452	740,891	-	763,172
Derivative financial liabilities	1,065	-	-	58,553	-	59,618
Balances due to related parties	9,329	-	-	8,333	-	17,662
Other financial liabilities	143,800	-	-	-	-	143,800
Total liabilities	**2,966,393**	**2,097,872**	**1,829,371**	**1,131,352**	-	**8,024,988**
Net maturity gap 31 December 2019	**(1,361,566)**	**(1,259,416)**	**(803,841)**	**2,187,578**	**2,287,151**	**1,049,906**

Company

31 December 2020	Up to 1 month P'000	1 to 3 months P'000	3 to 12 months P'000	1 to 5 years P'000	Greater than 5 years	Total
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	-	-	488,186
Other financial assets	26,522	-	-	-	-	26,522
Total	**2,064,600**	**232,407**	**220,336**	**2,611,221**	**3,407,617**	**8,536,181**
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	759,119
Derivative financial liabilities	1,008	58,659	-	-	-	59,667
Balances due to related parties	155,614	8	12,635	-	-	168,257
Other financial liabilities	110,690	2,625	7,256	42,886	-	163,457
Total liabilities	**3,971,569**	**1,320,032**	**1,706,163**	**679,387**	**108,109**	**7,785,261**
Net maturity gap 31 December 2020	**(1,906,969)**	**(1,087,625)**	**(1,485,827)**	**1,931,834**	**3,299,508**	**750,921**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.2 Liquidity risk (continued)

3.2.1 Maturity profile

Company 31 December 2019	Up to 1 month P'000	1 to 3 months P'000	3 to 12 months P'000	1 to 5 years P'000	Greater than 5 years	Total
Cash and balances with the Central Bank	77,138	-	-	-	-	77,138
Balances with other banks	904,537	-	-	-	-	904,537
Loans and advances to customers	192,128	440,990	-	-	-	633,118
Derivative financial assets	1,154	-	-	59,333	-	60,487
Debt instruments	299,644	199,333	103,350	40,491	-	642,818
Balances due from related parties	90,046	198,132	875,836	2,984,899	2,287,151	6,436,064
Other financial assets	29,143	-	-	-	-	29,143
Total	**1,593,791**	**838,455**	**979,186**	**3,084,723**	**2,287,151**	**8,783,305**
Deposits from banks	66,844	-	-	-	-	66,844
Deposits from customers	2,745,148	2,097,250	1,807,919	323,575	-	6,973,891
Borrowed funds	207	622	21,452	740,891	-	763,172
Derivative financial liabilities	1,065	-	-	58,553	-	59,618
Balances due to related parties	9,329	-	-	8,333	-	17,662
Other financial liabilities	129,182	-	-	-	-	129,182
Total liabilities	**2,951,775**	**2,097,872**	**1,829,371**	**1,131,352**	**-**	**8,010,370**
Net maturity gap 31 December 2019	**(1,357,984)**	**(1,259,417)**	**(850,185)**	**1,953,371**	**2,287,151**	**772,935**

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.3 Market risk (continued)

3.3.1 Interest rate risk (continued)

COVID-19 impact

The Reserve Bank reduced the Bank Rate by 50bp to 4.25%, with effect from from 4th May 2020. This has resulted in margin compression.

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.

Consolidated 31 December 2020	Up to 1 month P'000	1 to 3 months P'000	3 to 12 months P'000	1 to 5 years P'000	Greater than 5 years	Non-interest bearing P'000	Total
Cash and balances with the Central Bank	184,004	-	-	-	-	200,000	384,004
Balances with other banks	895,789	-	-	-	-	-	895,789
Balances due from related parties	332,652	32,461	-	-	-	123,072	488,185
Derivative financial assets	-	59,497	-	-	-	1,072	60,569
Debt instruments	403,396	137,000	-	139,746	-	-	680,142
Loans and advances to customers	13,374	1,150	107,354	2,471,475	3,407,617	-	6,000,970
Other financial assets	-	-	-	-	-	46,972	46,972
Total assets	**1,829,215**	**230,108**	**107,354**	**2,611,221**	**3,407,617**	**371,116**	**8,556,631**
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	4,156	31,261	97,783	517,809	108,109	-	759,118
Derivative financial liabilities	-	58,659	-	-	-	1,008	59,667
Balances due to related parties	-	-	-	-	-	14,226	14,226
Other financial liabilities	-	-	-	-	-	184,641	184,641
Total liabilities	**1,651,569**	**1,315,995**	**1,673,137**	**651,126**	**108,109**	**2,252,476**	**7,652,413**
Total interest repricing gap	**177,646**	**(1,085,887)**	**(1,565,783)**	**1,960,095**	**3,299,508**	**(1,881,360)**	**904,218**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.3 Market risk (continued)

3.3.1 Interest rate risk (continued)

Consolidated

31 December 2019	Up to 1 month P'000	1 to 3 months P'000	3 to 12 months P'000	1 to 5 years P'000	Greater than 5 years	Non-interest bearing P'000	Total
Cash and balances with the Central Bank	76,995	-	-	-	-	143	77,138
Balances with other banks	904,537	-	-	-	-	-	904,537
Balances due from related parties	192,128	440,990	-	-	-	-	633,118
Derivative financial assets	1,154	-	-	59,333	-	-	60,487
Debt instruments	299,644	199,333	103,350	40,491	-	-	642,818
Loans and advances to customers	6,436,064	-	-	-	-	-	6,436,064
Other financial assets	-	-	-	-	-	40,179	40,179
Total assets	**7,910,523**	**640,323**	**103,350**	**99,824**	**-**	**40,322**	**8,794,341**
Liabilities							
Deposits from banks	66,844	-	-	-	-	-	66,844
Deposits from customers	2,745,148	2,097,250	1,807,919	323,575	-	-	6,973,892
Borrowed funds	207	622	21,452	740,891	-	-	763,172
Derivative financial liabilities	1,065	-	-	58,553	-	-	59,618
Balances due to related parties	9,329	-	-	8,333	-	-	17,662
Other financial liabilities	-	-	-	-	-	143,800	143,800
Total liabilities	**2,822,593**	**2,097,872**	**1,829,371**	**1,131,352**	**-**	**143,800**	**8,024,988**
Total interest repricing gap	**5,087,929**	**(1,457,549)**	**(1,726,021)**	**(1,031,528)**	**-**	**(103,478)**	**769,353**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.3 Market risk (continued)

3.3.1 Interest rate risk (continued)

Company

31 December 2020	Up to 1 month P'000	1 to 3 months P'000	3 to 12 months P'000	1 to 5 years P'000	Greater than 5 years	Non-interest bearing P'000	Total
Cash and balances with the Central Bank	184,004	-	-	-	-	200,000	384,004
Balances with other banks	895,789	-	-	-	-	-	895,789
Balances due from related parties	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
Loans and advances to customers	365,197	-	-	-	-	123,075	488,272
Other financial assets	-	-	-	-	-	26,521	26,521
Total assets	**1,862,832**	**197,647**	**107,354**	**2,611,221**	**3,407,617**	**349,596**	**8,536,267**
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	4,156	31,261	97,783	517,809	108,109	-	759,118
Derivative financial liabilities	1,008	58,659	-	-	-	-	59,667
Balances due to related parties	-	-	-	-	-	168,257	168,257
Other financial liabilities	-	-	-	-	-	176,394	176,394
Total liabilities	**1,652,577**	**1,315,995**	**1,673,137**	**651,126**	**108,109**	**2,397,253**	**7,798,197**
Total interest repricing gap	**210,255**	**(1,118,348)**	**(1,565,783)**	**1,960,095**	**3,299,508**	**(2,047,657)**	**738,070**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.3 Market risk (continued)

3.3.1 Interest rate risk (continued)

Consolidated Non-derivative cash flows 31 December 2019	Up to 1 month P'000	1 to 3 months P'000	3 to 12 months P'000	1 to 5 years P'000	Greater than 5 years	Non-interest bearing P'000	Total
Cash and balances with the Central Bank	76,995	-	-	-	-	143	77,138
Balances with other banks	904,537	-	-	-	-	-	904,537
Balances due from related parties	192,128	440,990	-	-	-	-	633,118
Derivative financial assets	1,154	-	-	59,333	-	-	60,487
Debt instruments	299,644	199,333	103,350	40,491	-	-	642,819
Loans and advances to customers	6,436,064	-	-	-	-	-	6,436,064
Other financial assets	-	-	-	-	-	29,143	29,143
Total assets	**7,910,522**	**640,323**	**103,350**	**99,824**	**-**	**29,286**	**8,783,307**
Liabilities							
Deposits from banks	66,844	-	-	-	-	-	66,844
Deposits from customers	2,745,148	2,097,250	1,807,919	323,575	-	-	6,973,892
Borrowed funds	207	622	21,452	740,891	-	-	763,172
Derivative financial liabilities	1,065	-	-	58,553	-	-	59,618
Balances due to related parties	18,333	562	138,000	8,333	-	-	165,228
Other financial liabilities	-	-	-	-	-	129,182	129,182
Total liabilities	**2,831,597**	**2,098,434**	**1,829,371**	**1,131,352**	**-**	**129,182**	**8,157,935**
Total interest repricing gap	**5,078,925**	**(1,458,111)**	**(1,726,021)**	**(1,031,528)**	**-**	**(99,896)**	**625,370**

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

	Consolidated 2020	2019
Change in net interest income arising from a shift in yield curves of +50 basis points (P'000)	**4,521**	5,382
As a percentage of total Shareholders equity	**0.38%**	0.50%
Change in net interest income arising from a shift in yield curves of -50 basis points (P'000)	**(4,521)**	(5,382)
As a percentage of total shareholders equity	**(0.38%)**	(0.50%)

	Company 2020	2019
Change in net interest income arising from a shift in yield curves of +50 basis points (P'000)	**3,690**	4,670
As a percentage of total Shareholders equity	**0.36%**	0.50%
Change in net interest income arising from a shift in yield curves of -50 basis points (P'000)	**(3,690)**	(4,670)
As a percentage of total shareholders equity	**(0.36%)**	(0.50%)

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.3 Market risk (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.

COVID-19 impact

The Group's risk management strategy has not changed due to the COVID-19 coronavirus pandemic. However, the economic downturn caused by the COVID-19 pandemic has significantly impacted the Group's budgets and plans and its assessments of whether forecast foreign currency sales are highly probable and expected to occur.

Concentration of currency risk: on-and-off balance sheet financial instruments

The table below summarises the Group and Company's exposure to foreign currency exchange rate risk at 31 December 2020. Included in the table are the Group's assets and liabilities at carrying amounts and nominal, categorised by currency:

All amounts in thousands of pula

Consolidated 31 December 2020	EUR	USD	BWP	ZAR	Other	Total
Cash and balances with the Central Bank	16,097	5,409	354,707	5,773	2,018	384,004
Balances with other banks	-	335,135	520,163	40,491	-	895,789
Balances due from related parties	-	365,197	123,072	-	-	488,269
Derivative financial assets	-	-	59,497	1,072	-	60,569
Debt instruments	-	-	680,142	-	-	680,142
Loans and advances to customers	-	5,214	5,995,745	11	-	6,000,970
Other financial assets	-	-	46,972	-	-	46,972
Total	**16,097**	**710,955**	**7,780,298**	**47,347**	**2,018**	**8,556,715**
Deposits from banks	-	54,054	14,659	-	-	68,713
Deposits from customers	-	123,263	6,398,637	44,148	-	6,566,048
Borrowed funds	-	546,360	212,758	-	-	759,118
Derivative financial liabilities	-	-	59,667	-	-	59,667
Balances due to related parties	-	14,226	-	-	-	14,226
Other financial liabilities	-	-	184,640	-	-	184,640
Total	**-**	**737,903**	**6,870,361**	**44,148**	**-**	**7,652,412**
Net on-balance sheet position	**16,097**	**(26,948)**	**909,937**	**3,199**	**2,018**	**904,303**
Net off-balance sheet position	**-**	**593**	**121,437**	**974**	**-**	**123,004**
Net position	**16,097**	**(26,355)**	**1,031,374**	**4,173**	**2,018**	**1,027,307**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.3 Market risk (continued)

3.3.2 Foreign exchange risk (continued)

All amounts in thousands of pula

Consolidated 31 December 2019	EUR	USD	BWP	ZAR	Other	Total
Cash and balances with the Central Bank	943	11,812	63,020	1,065	298	77,138
Balances with other banks	11,888	374,176	489,205	14,583	14,685	904,537
Balances due from related parties	266	566,534	59,208	7,110	-	633,118
Derivative financial assets	-	-	59,333	1,154	-	60,487
Debt instruments	-	-	642,818	-	-	642,818
Loans and advances to customers	-	15,571	6,420,493	-	-	6,436,064
Other financial assets	-	-	40,179	-	-	40,179
Total	**13,097**	**968,093**	**7,774,256**	**23,912**	**14,983**	**8,794,341**
Deposits from banks	578	16,156	50,110	-	-	66,844
Deposits from customers	8,949	427,422	6,497,472	30,576	9,473	6,973,892
Borrowed funds	-	536,417	226,755	-	-	763,172
Derivative financial liabilities	264	79	59,275	-	-	59,618
Balances due to related parties	-	14,468	3,171	23	-	17,662
Other financial liabilities	-	-	143,800	-	-	143,800
Total	**9,791**	**994,542**	**6,980,583**	**30,599**	**9,473**	**8,024,988**
Net on-balance sheet position	**3,306**	**(26,449)**	**793,673**	**(6,687)**	**5,510**	**769,353**
Net off-balance sheet position	**-**	**3,445**	**15,184**	**(18,629)**	**-**	**-**
Net position	**3,306**	**(23,004)**	**808,857**	**(25,316)**	**5,510**	**769,353**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.3 Market risk (continued)

3.3.2 Foreign exchange risk (continued)

All amounts in thousands of pula

Company 31 December 2020	EUR	USD	BWP	ZAR	Other	Total
Cash and balances with the Central Bank	16,097	5,409	354,707	5,773	2,018	384,004
Balances with other banks	-	335,135	520,163	40,491	-	895,789
Balances due from related parties	-	365,197	123,072	-	-	488,269
Derivative financial assets	-	-	59,497	1,072	-	60,569
Debt instruments	-	-	680,142	-	-	680,142
Loans and advances to customers	-	5,214	5,995,745	11	-	6,000,970
Other financial assets	-	-	26,522	-	-	26,522
Total	**16,097**	**710,955**	**7,759,848**	**47,347**	**2,018**	**8,536,265**
Deposits from banks	-	54,054	14,659	-	-	68,713
Deposits from customers	-	123,263	6,398,637	44,148	-	6,566,048
Borrowed funds	-	546,360	212,758	-	-	759,118
Derivative financial liabilities	-	-	59,667	-	-	59,667
Balances due to related parties	-	168,257	-	-	-	168,257
Other financial liabilities	-	-	176,394	-	-	176,394
Total	**-**	**891,934**	**6,862,115**	**44,148**	**-**	**7,798,197**
Net on-balance sheet position	**16,097**	**(180,979)**	**897,733**	**3,199**	**2,018**	**738,068**
Net off-balance sheet position	**-**	**593**	**119,195**	**974**	**-**	**120,762**
Net position	**16,097**	**(180,386)**	**1,016,928**	**4,173**	**2,018**	**858,830**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.3 Market risk (continued)

3.3.2 Foreign exchange risk (continued)

All amounts in thousands of pula

Company 31 December 2019	EUR	USD	BWP	ZAR	Other	Total
Cash and balances with the Central Bank	943	11,812	63,020	1,065	298	77,140
Balances with other banks	11,888	374,176	489,205	14,583	14,685	904,537
Balances due from related parties	266	566,534	59,208	7,110	-	633,118
Derivative financial assets	-	-	59,333	1,154	-	60,487
Debt instruments	-	-	642,818	-	-	642,818
Loans and advances to customers	-	15,571	6,420,493	-	-	6,436,064
Other financial assets	-	-	29,143	-	-	29,143
Total	13,097	968,093	7,763,221	23,912	14,983	8,783,308
Deposits from banks	578	16,156	50,110	-	-	66,844
Deposits from customers	8,949	427,422	6,497,472	30,576	9,473	6,973,892
Borrowed funds	-	14,468	150,737	23	-	165,228
Derivative financial liabilities	-	536,417	226,755	-	-	763,172
Balances due to related parties	-	-	59,618	-	-	59,618
Other financial liabilities	-	-	129,182	-	-	129,182
Total	9,527	994,463	7,113,874	30,599	9,473	8,157,935
Net on-balance sheet position	3,570	(26,370)	649,347	(6,687)	5,509	625,374
Net off-balance sheet position	-	8,852	5,600	(14,452)	-	-
Net position	3,570	(17,517)	654,948	(21,139)	5,509	625,374

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.

	Consolidated	
	2020 Impact on profit or loss and equity	2019 Impact on profit or loss and equity
5% movement in US Dollar/BWP exchange rate (P'000)	(1,318)	(1,150)
As a percentage of total Shareholders equity	0.13%	(0.11%)
5% movement in ZAR/BWP exchange rate (P'000)	209	(1,266)
As a percentage of total Shareholders equity	0.00	(0.00)
5% movement in EURO/BWP exchange rate (P'000)	805	165.3
As a percentage of total Shareholders equity	0.0	0.0

Sensitivity analysis

A reasonably possible strenghthening of the US dollar, EURO and ZAR against all other countries at 31 December 2020 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.4 Fair value of financial assets and liabilities

(i) Financial instruments not measured at fair value

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.

	Consolidated		Company	
	2020 P'000	2019 P'000	2020 P'000	2019 P'000
Liabilities recognised at amortised cost				
Balances due to related parties	14,226	17,662	168,257	165,228
Other financial liabilities	184,641	143,800	176,394	129,182
	198,867	**161,462**	**344,651**	**294,410**
Assets recognised at amortised cost				
Cash and balances with the Central Bank	384,004	77,138	384,004	77,138
Balances with other banks	895,789	904,537	895,789	904,537
Balances due from related parties	488,185	633,118	488,185	633,118
Loans and advances (gross)	6,273,594	6,714,806	6,273,594	6,273,594
Other financial assets	46,972	40,179	26,521	29,540
	8,088,545	**8,369,778**	**8,068,094**	**7,917,928**

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.

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 if they had been carried at fair value.

	Consolidated and Company			
	Carrying amount	Fair value		
	2020 P'000	Level 1 P'000	Level 2 P'000	Total P'000
Liabilities				
Deposits	6,634,761	-	6,564,636	6,564,636
Borrowed funds	759,118	-	723,325	723,325
	7,393,879	**-**	**7,287,961**	**7,287,961**
Assets				
Debt instruments	680,142	125,808	537,000	662,808
Total deposits and other liabilities	**680,142**	**125,808**	**537,000**	**662,808**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.4 Fair value of financial assets and liabilities (continued)

(i) Financial instruments not measured at fair value (continued)

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

Deposits and borrowed funds

The fair values of the deposits and borrowed funds was determined by discounting future maturities at the prime lending rate.

Debt instruments

The fair values of the debt instruments was determined by discounting the future maturities by the discount rates of the instruments. The discount rates have been assessed to be the market rates as they are based on Bank of Botswana yield curves that are publicly available.

(ii) 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

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 if they had been carried at fair value.

- 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.

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 2020. 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%.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.4 Fair value of financial assets and liabilities (continued)

COVID-19 impact on valuation

Particular to this valuation the following movements were noted between the June 2020 inputs and December 2020 inputs due to the impact of the COVID-19.

Risk free rates - In the construction of the USD-OIS curves liquid market quotes were utilised. As a result, the shift in the risk-free rates used in Monte-Carlo simulation of the forward BWPUSD exchange rates have taken into account the increase in the USD risk-free rates. We believe the impact of the continuing COVID-19 pandemic is thus incorporated in our risk-free rates inputs and therefore no further adjustments would be necessary.

Survival curve - In December 2020, lower CDS spreads were observed and thus improved resultant survival curves. The impact on the results is a decrease in counterparty and self-credit risk as observed in the lower CVA and DVA estimates respectively. However, the CVA and DVA values are significantly small relative to the risk neutral values.

Volatility of Atlas Mara Equity and the BWPUSD FX Rate - The COVID-19 pandemic has seen a drop in the share price of a number of entities and Atlas Mara was no exception. Although not all the drop in the price of an entity can be explained by a single factor, significant drops in the share price can be seen to coincide with the timeframe of the start of COVID-19 pandemic. The decrease in the share price continued into the last quarter of 2020. As a result, higher volatilities have been observed. There was a slight decrease in the BWP/USD exchange rate volatility.

Consolidated and Company

31 December 2020	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
Assets				
Forward foreign exchange contracts	-	1,072	-	1,072
Collateralised default swap	-	-	59,497	59,497
	-	1,072	59,497	60,569
Liabilities				
Forward foreign exchange contracts	-	1,008	-	1,008
Collateralised default swap	-	-	58,659	58,659
	-	1,008	58,659	59,667

Consolidated and Company

31 December 2019	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
Assets				
Forward foreign exchange contracts	-	1,154	-	1,154
Collateralised default swap	-	-	59,333	59,333
	-	1,154	59,333	60,487
Liabilities				
Forward foreign exchange contracts	-	1,065	-	1,065
Collateralised default swap	-	-	58,553	58,553
	-	1,065	58,553	59,618

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.4 Fair value of financial assets and liabilities (continued)

(ii) Financial instruments measured at fair value (continued)

Level 3 Fair value movements

The following table shows a reconciliation of the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy:

Consolidated and Company

31 December 2020	Derivatives P'000	Total assets at fair value P'000	Derivative financial liabilities P'000	Total liabilities at fair value P'000
Opening balance	**59,333**	**59,333**	**58,553**	**58,553**
-in profit and loss	**164**	**164**	**106**	**106**
Closing balance	**59,497**	**59,497**	**58,659**	**58,659**

Consolidated and Company

31 December 2019	Derivatives P'000	Total assets at fair value P'000	Derivative financial liabilities P'000	Total liabilities at fair value P'000
Opening balance	60,433	60,433	58,408	58,408
-in profit and loss	(1,100)	(1,100)	145	145
Closing balance	59,333	59,333	58,553	58,553

3.4.1 Sensitivity analysis of changes in fair value on level 3 derivatives

Consolidated and Company

		31 December 2020 20% P'000	30% P'000	40% P'000
Credit Valuation adjustment (CVA) Asset				
Recovery Rate	**20%**	**(135)**	**(135)**	**(135)**
	30%	**(118)**	**(118)**	**(118)**
	40%	**(101)**	**(101)**	**(101)**

		20% P'000	30% P'000	40% P'000
Debit Valuation adjustment (DVA) Liability				
Recovery Rate	**20%**	**133**	**133**	**133**
	30%	**116**	**116**	**116**
	40%	**100**	**100**	**100**

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2020

3 Financial risk management (continued)

3.4 Fair value of financial assets and liabilities (continued)

3.4.1 Sensitivity analysis of changes in fair value on level 3 derivatives

Consolidated and Company

		31 December 2019 20% P'000	30% P'000	40% P'000
Credit Valuation adjustment (CVA) Asset				
Recovery Rate	20%	(227)	(227)	(227)
	30%	(199)	(199)	(199)
	40%	(171)	(171)	(171)

Consolidated and Company

		31 December 2019 20% P'000	30% P'000	40% P'000
Debit Valuation adjustment (DVA) Liability				
Recovery Rate	20%	73	73	73
	30%	64	64	64
	40%	54	54	54

Sensitivity analysis was calculated on the fair value of level 3 derivatives using credit valuation adjustment (CVA) for the asset and debit valuation adjustment (DVA) for the liability, using Deloitte independent valuation model, which takes into account the specific terms and conditions of the credit default swap, the requirements of IFRS 9 (International Financial Reporting Standards) and IFRS 13 as well as established derivative pricing theory on international market practice.

4 Capital management

African Banking Corporation of Botswana is a subsidiary of ABC Holdings Limited 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.

COVID-19 relief

In response to COVID-19, with effect from 1 April the Bank of Botswana reduced the capital adequacy requirements from 15% to 12.5%, retaining the tier one capital contribution at 7.5% of the ratio and reducing the tier II to 5%.

In complying with the Bank of Botswana banking regulation each bank is required to maintain a prescribed ratio of unimpaired capital to risk weighted assets and off balance sheet transactions. The Bank's capital is divided into two tiers. Tier 1 capital comprises of shareholders funds and Tier 2 comprises qualifying subordinated debt capital. The prescribed capital adequacy ratio is 12.5% and Tier 1 capital should be at least 50% of total capital. Refer to note 31 for quantitative disclosures about the Group's capital position.

The Group's objectives when managing capital, which is a broader concept than the equity on the face of the statement of financial position, are:

- To comply with the capital requirements of Bank of Botswana
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by management, employing techniques based on the guidelines developed by Basel Committee and Bank of Botswana. The required information is filed with Bank of Botswana on a monthly basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2020

4 Capital management (continued)

COVID-19 relief (continued)

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future developments of the business. As at 31 December 2020, the Bank complied with all externally imposed capital requirements.

There have been no material changes to the Group's management of capital during the year.

5 Cash and balances with the Central Bank

	Consolidated	
	2020	2019
Notes and coins	73,890	70,812
Unrestricted bank balances	110,114	6,183
Cash and cash equivalents	**184,004**	**76,995**
Restricted balance: statutory reserve	200,000	143
	384,004	**77,138**

Balances with Central Bank include the statutory reserve account of P200,000,000 (2019: P143,000) which is a restricted minimum statutory reserve balance not available for the Bank's daily operations.

	Consolidated and Company	
	2020	2019
6 Balances with other banks		
Balance as at end of year	**895,789**	**904,537**
7 Loans and advances to customers		
Gross loans	6,298,500	6,731,482
	6,298,500	6,731,482
Unearned fee income	(24,905)	(16,676)
Gross loans and advances after unearned fee income	**6,273,595**	**6,714,806**
Less: Expected credit losses	(272,625)	(278,742)
	6,000,970	**6,436,064**

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 2020 is P469,759,090 (2019: P479,540,515) (Refer to note 16.7).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

8 Derivative financial instruments:

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 BancABC Botswana and African Alliance Pty Ltd for an amount of P32,700,000 on 29 April 2016, scheduled maturity date on or around March 2021, at a coupon rate of 7.2%.The other Credit Derivative swap is between BancABC Botswana and Kgori Capital Proprietary Limited for the amount of P21,800,000 on 29 April 2016, scheduled maturity date on or around March 2021, at a fixed rate of 11%.

	Consolidated and Company	
Derivative financial instruments 31 December 2020	Assets P'000	Liabilities P'000
Derivatives at fair value through profit or loss		
Foreign exchange contracts	**1,072**	**1,008**
Collateralised default swap	**59,497**	**58,659**
	60,569	**59,667**

*Refer to note 36 for more details on the restatements.

	Consolidated and Company	
Derivative financial instruments 31 December 2019	Assets P'000	Liabilities P'000
Derivatives at fair value through profit or loss		
Foreign exchange contracts	1,154	1,065
Collateralised default swap	59,333	58,553
	60,487	59,618

8 Derivative financial instruments (continued)

	Consolidated and Company			
	Up to 1 month P'000	1-3 months P'000	3-12 months P'000	Greater than 1 year P'000
8.1 Derivative financial instruments-cash flows:				
Derivative financial liabilities-cash flows 31 December 2020				
Collaterilised default swap	1,008	58,659	-	-
	1,008	**58,659**	**-**	**-**
Derivative financial liabilities-cash flows 31 December 2019				
Collaterilised default swap	1,065	-	-	58,553
	1,065	**-**	**-**	**58,553**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

		Consolidated and Company 2020 P'000	Consolidated and Company 2019 P'000
9	**Debt instruments**		
	Bank of Botswana Certificates	399,933	299,656
	Government Bonds	143,540	44,689
	Treasury Bills	136,688	298,486
	Gross debt instruments	**680,161**	**642,831**
	Expected credit losses	(19)	(13)
		680,142	**642,818**
	Maturity analysis		
	Current	536,621	602,327
	Non-current	143,521	40,491
		680,142	**642,818**
9.1	**Debt instruments qualifying to be included as part of cash and cash equivalents**		
	Bank of Botswana Certificates	399,933	299,656
	Treasury Bills	29,688	99,157
		429,621	**398,813**

At 31 December 2020, Treasury bills amounting to P107,000,000 (2019: P200,100,000) were pledged as security for the use of secured and Intraday Lending facilities. 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 2020 Government Bonds amounting to P140,000,000 (2019: P40,000,000) formed part of the pledged securities.

10 Property and equipment

2020

	Consolidated and Company				
	Land and buildings P'000	Motor vehicles P'000	Furniture P'000	Computer and office equipment P'000	Total P'000
Cost/revaluation					
At 1 January 2020	101,532	1,710	77,518	51,324	232,084
Additions	2,607	390	126	5,908	9,031
At 31 December 2020	**104,139**	**2,100**	**77,644**	**57,232**	**241,115**
Accumulated depreciation					
At 1 January 2020	(7,960)	(1,663)	(46,560)	(46,041)	(102,224)
Charge for year (note 26)	(9,395)	(106)	(7,185)	(2,487)	(19,173)
At 31 December 2020	**(17,355)**	**(1,769)**	**(53,745)**	**(48,528)**	**(121,397)**
Net book value at 31 December 2020	**86,784**	**331**	**23,899**	**8,704**	**119,718**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

10 Property and equipment (continued)

2019

	Consolidated and Company				
	Land and buildings P'000	Motor vehicles P'000	Furniture P'000	Computer and office equipment P'000	Total P'000
Cost/revaluation					
At 1 January 2019	33,540	1,710	68,541	49,058	152,849
Right of use asset (IFRS 16 transition adjustment)	66,902	-	-	-	66,902
Additions	-	-	8,977	2,266	11,243
At 31 December 2019	**101,532**	**1,710**	**77,518**	**51,324**	**232,084**
Accumulated depreciation					
At 1 January 2019	-	(1,605)	(38,984)	(42,555)	(83,144)
Charge for year (note 26)	(7,960)	(58)	(7,576)	(3,486)	(19,080)
At 31 December 2019	**(7,960)**	**(1,663)**	**(46,560)**	**(46,041)**	**(102,224)**
Net book value at 31 December 2019	**93,572**	**47**	**30,958**	**5,283**	**129,860**

Right of use assets

Property and equipment includes right of use assets of P51,617,400 related to leased properties that do not meet the definition of investment property. Further details of the right of use assets are disclosed in note 35.1.

Valuation

The Group's commercial land and building situated at Plot 62433, Fairgrounds Gaborone were valued on 31 December 2020 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 P34,640,000 (2019: P34,640,000).

The value of the land and buildings remained unchanged in 2020 resulting in no revaluation surplus/loss.

Land and building with a market value of P34,640,000 has been pledged as security for the Botswana Building Society loan (note 16.9).

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) - Comparable method	- Market capitalisation method (investment method) - Prime rentals of office space between P90/sq.m to P105/sq.m	The estimated fair value would increase/(decrease) if: - Higher/lower market yields - Increase/decrease in rental per sq.m

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

10 Property and equipment (continued)

(i) Carrying amounts that would have been recognised if land and buildings were stated at cost;

	Consolidated and Company	
	2020 P'000	2019 P'000
Cost	24,485	24,485
Accumulated depreciation	(5,940)	(5,400)
At 31 December	**18,545**	**19,085**

11 Intangible assets

	Consolidated and Company	
	2020 P'000	2019 P'000
Software		
Cost		
Balance at the beginning of the year	183,490	170,939
Additions	25,300	11,167
Work in progress	-	1,384
Balance at the end of the year	**208,790**	**183,490**
Accumulated amortisation		
Balance at the beginning of the year	(79,143)	(60,106)
Amortisation charge (note 26)	(27,205)	(19,037)
Balance at the end of the year	**(106,348)**	**(79,143)**
Carrying amount at the end of the year	**102,442**	**104,347**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

12 Related party transactions

The Bank is a majority owned subsidiary of ABC Holdings Limited. The Bank has a related party relationship with its parent company and with the ABC Holdings Limited subsidiaries. These include loans, deposits, and foreign currency transactions. A number of transactions are entered into with related parties in the normal course of business. The volumes of related party transactions, outstanding at year end, and related expense and income for the year are as follows:

	Consolidated		Company	
	2020 P'000	2019 P'000	2020 P'000	2019 P'000
12.1 Balances due from related parties:				
ABC Holdings Ltd	283,821	409,803	283,821	409,803
African Banking Corporation Zimbabwe Ltd	59,403	57,615	59,403	57,615
Atlas Mara Zambia Ltd	35,721	54,494	35,721	54,494
African Banking Corporation Mozambique Ltd	376	253	376	253
African Banking Corporation Tanzania Ltd	108,864	107,774	108,864	107,774
Atlas Mara Ltd	-	3,179	-	3,179
	488,185	**633,118**	**488,185**	**633,118**
Expected credit losses on balances due from related parties				
Intercompany placements	1,533	240	1,533	240
	1,533	**240**	**1,533**	**240**
Interest income				
ABC Holdings Ltd	19,698	27,571	19,698	27,571
African Banking Corporation Zimbabwe Ltd	1,397	1,303	1,397	1,303
Atlas Mara Zambia Ltd	4,411	1,548	4,411	1,548
African Banking Corporation Tanzania Ltd	9,315	8,677	9,315	8,677
	34,821	**39,099**	**34,821**	**39,099**
Fees and commissions				
African Banking Corporation Mozambique Ltd	130	129	130	129
	130	**129**	**130**	**129**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

12 Related party transactions (continued)

	Consolidated 2020 P'000	Consolidated 2019 P'000	Company 2020 P'000	Company 2019 P'000
12.2 Balances due to related parties:				
ABC Holdings Ltd	4,373	4,890	4,373	4,890
African Banking Corporation Zimbabwe Ltd	919	7,969	919	7,969
Atlas Mara Zambia Ltd	147	1,278	147	1,278
African Banking Corporation Mozambique Ltd	8,475	46	8,475	46
African Banking Corporation Tanzania Ltd	312	3,479	312	3,479
	14,226	**17,662**	**14,226**	**17,662**
Balances due to subsidiary:				
Kaleu (Pty) Ltd trading as BancABC insurance agency fixed deposit	-	-	-	138,562
Kaleu (Pty) Ltd trading as BancABC current account	-	-	**154,031**	9,004
	-	**-**	**154,031**	**147,566**
Total balance due to related parties	14,226	17,662	168,257	165,228
Interest expense				
African Banking Corporation Zimbabwe Ltd	-	25	-	25
African Banking Corporation Mozambique Ltd	**325**	-	**325**	-
Atlas Mara Zambia Ltd	-	1,547	-	1,547
	325	**1,572**	**325**	**1,572**

The tenure on the above balances ranges from 3 months - 1 year and interest is payable quarterly. Interest rates range between 6% to 8%.

	Consolidated and Company 2020 P'000	Consolidated and Company 2019 P'000
12.3 Loans and advances to other related parties:		
Executive members of staff	19,953	24,485
	19,953	24,485
Interest income	**647**	**905**

These loans and advances have been included in loans and advances to customers as per note 7.

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%.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

12 Related party transactions (continued)

	Consolidated and Company 2020 P'000	Consolidated and Company 2019 P'000
12.4 Other related party transactions		
Deposits held by directors and their entities:		
Deposits held by directors	861	43
	861	43
12.5 Key management compensation		
Salaries and other short term employee benefits	19,960	20,189
Post employmnet benefits	2,079	2,439
Termination benefits	-	7,541
	22,039	**30,169**
12.6 Directors' fees		
Fees paid to directors during the year:		
Mr Adams Chilisa Dambe	105	537
Mrs Lorato Nthando Mosetlhanyane	800	730
Mr Jacob Mooketsi Motlhabane	666	644
Mr Joshua Benjamin Galeforolwe	594	574
Mr Boiki Matema Wabo Tema	666	644
Mr John Bosco Sebabi	285	-
Mrs Ntoti Mosetlhe	594	569
	3,710	3,698
12.7 Payments made to Directors for services rendered		
Mrs Lorato Nthando Mosetlhanyane	27	28
	27	**28**
12.8 Management fees paid to holding company		
ABC Holdings Ltd	21,248	11,725
	21,248	**11,725**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

13 Taxation

	Consolidated		Company	
	2020 P'000	2019 Restated* P'000	2020 P'000	2019 P'000
13.1 Current tax assets				
Current tax assets (to be recovered within 12 months)	-	(20,476)	-	(21,935)
Net current taxation assets	**-**	**(20,476)**	**-**	**(21,935)**
Current tax liabilities (to be paid within 12 months)	3,348	-	1,925	-
Net current taxation liabilities	**3,348**	**-**	**1,925**	**-**
Income taxation brought forward	(20,476)	(12,543)	(21,935)	(12,732)
Charge for the year (note 28.1)	28,904	7,178	22,726	(133)
Taxation (paid)/refunded (refer to note 13.2)	(3,226)	(13,986)	2,988	(7,945)
Prior year under provision per profit or loss	(1,854)	(1,125)	(1,854)	(1,125)
Net income taxation carried forward	**3,348**	**(20,476)**	**1,925**	**(21,935)**
13.2 Reconciliation of taxation (paid)/refunded				
Receipts during the year	19,787	9,747	19,787	9,747
Payments during the year	(23,013)	(23,733)	(16,799)	(17,692)
Total taxation (paid)/refunded	**(3,226)**	**(13,986)**	**2,988**	**(7,945)**

13.3 Deferred taxation

Deferred taxes are calculated on all temporary differences using a principal tax rate of 22% (2019: 22%). The movements in the deferred tax account, which are attributable to timing differences are as follows.

	Consolidated and Company	
	2020 P'000	2019 Restated* P'000
Deferred tax brought forward	(29,869)	(52,054)
Gain on revaluation of property	-	240
Charge per profit or loss (note 28.1)	4,742	21,945
Deferred tax (assets)	**(25,127)**	**(29,869)**

*Refer to note 36 for more details on the restatements.

AFRICAN BANKING CORPORATION OF BOTSWANA LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

13 Taxation (continued)

13.3 Deferred taxation (continued)

	Consolidated and Company			
	Net balance as at 1 January 2020 P'000	Net movement recognised in profit or loss P'000	Recognised in other comprehensive income P'000	Closing balance as at 31 December 2020 P'000
31 December 2020				
Property and equipment	8,703	4,157	-	12,860
Debt instruments	(350)	9	-	(341)
Loans and advances and impairments	(43,101)	(1,420)	-	(44,521)
Prepayments	4,879	1,996	-	6,875
	(29,869)	**4,742**	**-**	**(25,127)**

	Consolidated and Company			
	Net balance as at 1 January 2020 P'000	Net movement recognised in profit or loss P'000	Recognised in other comprehensive income P'000	Closing balance as at 31 December 2020 P'000
31 December 2019				
Property and equipment	13,564	(5,101)	240	8,703
Debt instruments	(335)	(15)	-	(350)
Loans and advances and impairments	(69,840)	26,739	-	(43,101)
Prepayments	4,431	448	-	4,879
Operating lease	126	(126)	-	-
	(52,054)	**21,945**	**240**	**(29,869)**

*Refer to note 36 for more details on the restatements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

14. Other assets

	Consolidated		Company	
	2020 P'000	2019 Restated* P'000	2020 P'000	2019 P'000
Prepayments	57,195	45,202	57,802	45,203
Sundry debtors and deposits	46,972	39,950	26,521	28,917
Other	-	229	-	226
	104,167	**85,381**	**84,323**	**74,346**
Financial assets	46,972	40,179	26,521	29,143
Non-financial assets	57,195	45,202	57,802	45,203
	104,167	**85,381**	**84,323**	**74,346**
Analysed into:				
Current	104,167	85,381	84,323	74,346
	104,167	**85,381**	**84,323**	**74,346**

15. Deposits from banks and customers

	Consolidated and Company	
	2020 P'000	2019 Restated* P'000
Deposits from banks	68,713	66,844
Deposits from customers	6,566,048	6,973,892
	6,634,761	**7,040,736**
Maturity analysis:		
On demand to one month	3,631,253	2,811,992
One month to three months	1,161,028	2,097,250
Three months to one year	1,623,312	1,807,919
Greater than one year	219,168	323,575
	6,634,761	**7,040,736**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

16. Borrowed funds

	Consolidated and Company			Consolidated and Company		
	2020 P'000			2019 P'000		
	Principal	Accrued interest	Total	Principal	Accrued interest	Total
Overseas Private Investment Corporation (OPIC) (note 16.7)	324,324	1,951	326,275	423,730	3,578	427,308
Botswana Development Corporation Limited - subordinated debt (note 16.3)	150,000	-	150,000	150,000	-	150,000
Microfinance Enhancement Facility SA, SICAV-SIF (MEF) (note 16.8)	108,109	2,261	110,370	105,932	3,178	109,110
Botswana Building Society - long term loan (note 16.8)	6,750	-	6,750	8,505	5	8,510
Société De Promotion Et De Participation Pour La Coopératio Économique S.A. ('Proparco') - subordinated debt (note 16.5)	108,109	1,722	109,831	-	-	-
Kgori Capital Proprietary Limited -subordinated debt (note 16.4)	22,000	357	22,357	22,000	347	22,347
African Alliance Proprietary Limited - subordinated debt (note 16.4)	32,000	519	32,519	32,000	505	32,505
Botswana Insurance Fund Management Proprietary Limited - subordinated debt (note 16.4)	600	10	610	600	9	609
Gryphon Proprietary Limited - subordinated debt	-	-	-	400	6	406
Stanlib - subordinated debt (note 16.4)	400	6	406	-	-	-
European Investment Bank (EIB)	-	-	-	12,272	105	12,377
	752,292	**6,826**	**759,118**	**755,439**	**7,733**	**763,172**

*Refer to note 36 for more details on the restatements.

	Consolidated and Company	
	2020 P'000	2019 Restated* P'000
16.1 Reconciliation of movements to cash flows arising from financing activities		
Balance at 1 January 2020	763,172	742,880
Changes from financing cash flows		
Proceeds from borrowings	121,360	99,922
Repayment of borrowings	(128,948)	(79,630)
	(7,588)	**20,292**
Other changes		
Foreign exchange gains		
Interest expense	4,441	-
Interest paid	54,863	63,783
	(55,770)	(63,783)
	3,534	-
	759,118	**763,172**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

16 Borrowed funds (continued)

	Consolidated and Company 2020 P'000	2019 Restated* P'000
16.2 Fair value		
Overseas Private Investment Corporation (OPIC)	311,226	427,308
Botswana Development Corporation Limted - subordinated loan	142,518	150,000
Microfinance Enhancement Facility SA, SICAV-SIF (MEF)	106,112	109,110
Botswana Building Society - long term loan	6,014	8,510
Société De Promotion Et De Participation Pour La Coopératio Économique S.A. ('Proparco')	104,352	-
Kgori Capital Proprietary Limited -subordinated debt	21,242	22,347
African Alliance Proprietary Limited - subordinated debt	30,897	32,505
Botswana Insurance fund Management Proprietary Limited - subordinated debt	579	609
Gryphon Proprietary Limited -subordinated debt	-	406
Stanlib - subordinated debt	385	-
European Investment Bank (EIB) - long term loan	-	12,377
	723,325	**763,172**
Maturity analysis:		
On demand to one month	4,155	4,018
One to three months	32,642	3,760
Three months to one year	111,027	16,012
Over one year	611,294	739,382
	759,118	**763,172**

16.3 Botswana Development Corporation Limited - subordinated loan

The facility with Botswana Development Corporation Ltd (BDC) for BWP 150 million during the year. The facility is for 10 years 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.

16.4 Subordinated Debt Issuance

African Alliance Proprietary Limited -subordinated debt

The bond with African Alliance 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. Interest is paid bi-annually. The loan was due for call up on or before the 19 of October 2018. The Group did not exercise its right to call up the facility.

Stanlib -subordinated debt

The bond with Stanlib -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. Interest is paid bi-annually.The loan was due for call up on or before the 19 of October 2018. The Group did not exercise its right to call up the facility.

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. Interest is paid bi-annually.The loan was due for call up on or before the 19 of October 2018. The Group did not exercise its right to call up the facility.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

16 Borrowed funds (continued)

16.4 Subordinated Debt Issuance (continued)

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. Interest is paid bi-annually. The loan was due for call up on or before the 19 of October 2018. The Group did not exercise its right to call up the facility.

16.5 Proparco - subordinated loan

During the current year, 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 reference rate (LIBOR) plus a margin of 6.65% and matures on 15 April 2030.

16.6 Qualification for Tier II Capital inclusion

The above stated loans (16.3, 16.4 and 16.5) 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.

16.7 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).

16 Borrowed funds (continued)

16.8 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.

16.9 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 5.5% (2019:5.5%). The loan is secured by land and buildings with a market value of P34 600 000 (note 10). Principal plus interest are repayable monthly. The loan matures on 30 December 2022.

17 Other liabilities

	Consolidated		Company	
	2020 P'000	2019 Restated* P'000	2020 P'000	2019 Restated* P'000
Accruals	49,942	44,009	49,942	43,864
Clearing accounts	3,099	2,803	3,099	2,803
Settlement accounts	56,679	20,316	56,679	20,316
Lease liability	58,218	62,082	58,218	62,082
Provisions	27,054	13,906	27,054	13,906
Other	16,703	14,590	8,456	117
	211,695	**157,706**	**203,448**	**143,088**
Financial	184,641	143,800	176,394	129,182
Non-financial	27,054	13,906	27,054	13,906
	211,695	**157,706**	**203,448**	**143,088**
Analysed into:				
Current	168,808	103,456	160,561	88,838
Non current	42,887	54,250	42,887	54,250
	211,695	**157,706**	**203,448**	**143,088**

18 Stated capital

	Consolidated and Company	
	2020 P'000	2019 Restated* P'000
725 million ordinary shares issued and fully paid at the start and end of the year: (2019: 725 million)	**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.

*Refer to note 36 for more details on the restatements.

19 Reserves and retained earnings

	Consolidated		Company	
	2020 P'000	2019 Restated* P'000	2020 P'000	2019 Restated* P'000
19.1 Retained earnings				
At 1 January	847,336	735,786	704,812	619,376
Impact of correction of errors	-	9,759	-	9,759
IFRS 16 day one adjustment	-	1,440	-	1,440
Total comprehensive income for the year	93,097	120,877	71,416	94,763
Nil interim dividend declared and paid for the year ended 31 December 2020 (2019: 2.83 cents per fully paid share)	-	(20,526)	-	(20,526)
At 31 December	**940,433**	**847,336**	**776,228**	**704,812**

	Consolidated and Company	
	2020 P'000	2019 Restated* P'000
19.2 Revaluation reserve		
At 1 January	9,295	8,445
Gain on revaluation of land and buildings	-	1,090
Deferred tax thereon	-	(240)
At 31 December	**9,295**	**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 10.

	Consolidated and Company	
	2020 P'000	2019 Restated* P'000
19.3 Other reserves		
As at 31 December	**6,091**	**6,091**

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.

*Refer to note 36 for more details on the restatements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

		Consolidated 2020 P'000	Consolidated 2019 Restated* P'000	Company 2020 P'000	Company 2019 Restated* P'000
20	**Net interest income**				
	Effective interest and similar income				
	Cash and short-term funds	42,429	51,178	42,429	51,178
	Debt instruments	10,884	15,685	10,884	15,685
	Loans and advances to customers	658,860	677,443	658,860	677,443
		712,173	**744,306**	**712,173**	**744,306**
	Effective interest expense and similar charges				
	Deposits from banks and customers	230,711	263,021	236,046	268,377
	Lease interest expense	4,544	5,577	4,544	5,577
	Borrowed funds	54,863	63,783	54,863	63,783
		290,118	332,381	295,453	337,737
	Net interest income	**422,055**	**411,925**	**416,720**	**406,569**

		Consolidated and Company 2020 P'000	Consolidated and Company 2019 Restated* P'000
21	**Impairment credit on financial assets**		
	Impairment credit on loans and advances	(5,705)	8,804
	Impairment credit on off balance sheet items and financial assets at amortised cost	(517)	1,748
	Recoveries	2,497	5,106
		(3,725)	**15,658**
22	**Net trading income**		
	Forex trading profits	27,529	15,656
	Currency revaluations	11	(2,796)
	Net trading income	**27,540**	**12,860**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

		Consolidated 2020 P'000	Consolidated 2019 Restated* P'000	Company 2020 P'000	Company 2019 Restated* P'000
23	**Net fee and commission income**				
	Fee and commission income				
	Fees	73,702	78,398	73,702	80,004
	Commission income	13,741	55,036	13,741	22,854
	Other income	44,855	23,371	19,360	23,371
		132,298	**156,805**	**106,803**	**126,229**
	Fee and commission expense				
	Commission expense	37,172	45,385	37,172	45,385
		37,172	**45,385**	**37,172**	**45,385**
	Net fee and commission income	**95,126**	**111,420**	**69,631**	**80,844**
24	**Personnel expenses**				
	Salaries and wages	131,333	138,470	130,415	137,484
	Pension contributions - defined contribution plans (note 30)	12,147	11,083	12,054	11,000
	Other employee expenses	10,309	5,685	10,223	5,683
		153,789	**155,238**	**152,692**	**154,167**

The average number of persons employed by the Group during the year was 404 (2019:418).

*Refer to note 36 for more details on the restatements.

25 General and administrative expenses

	Consolidated 2020 P'000	Consolidated 2019 P'000	Company 2020 P'000	Company 2019 P'000
IT and software costs	51,524	61,450	51,524	61,450
Office expenses	6,695	8,018	6,695	8,018
Repairs and maintenance	1,005	1,514	1,005	1,514
Marketing and public relations	4,843	10,469	4,843	10,469
Travel and entertainment	1,348	2,557	1,348	2,557
Telecommunication and postage	17,995	11,649	17,995	11,649
Stationery	3,502	9,127	3,502	9,127
Management fees	21,248	11,725	19,642	11,725
Other administrative expenses	20,595	11,693	20,327	10,257
	128,755	**128,202**	**126,881**	**126,766**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

	Consolidated and Company	
	2020 P'000	2019 P'000
26 Depreciation and amortisation expenses		
Depreciation of property, and equipment (note 10)	19,173	19,080
Amortisation of intangible assets (note 11)	27,205	19,037
	46,378	**38,117**

Included in depreciation of property and equipment is the depreciation for right of use asset of P9.4million disclosed on note 35.1.

	Consolidated and Company	
	2020 P'000	2019 P'000
27 Other operating expenses		
Audit fees (refer to note 27.1)	4,416	3,383
Consulting costs	11,696	12,536
Professional fees	10,494	7,611
Legal expenses	2,007	346
Commission expenses	58,572	55,816
	87,185	**79,692**
27.1 Auditors' remuneration		
Statutory audit related charges		
- Group statutory audit fees	4,416	3,383
Year end 31 December	**4,416**	**3,383**
Non-statutory audit related charges		
- audit related assurance service fees (included under consultancy costs)	-	106
Total non statutory audit related charges	**-**	**106**
Total fees paid	**4,416**	**3,489**

28 Income tax

28.1 Income tax expense

	Consolidated		Company	
	2020 P'000	2019 Restated* P'000	2020 P'000	2019 Restated* P'000
Current taxes on income for the reporting year	28,904	7,178	22,726	(133)
Total current tax	**28,904**	**7,178**	**22,726**	**(133)**
Origination and reversal of temporary differences	4,742	21,945	4,742	21,945
Prior year over provision	(1,854)	614	(1,854)	614
Tax expense per statement of profit or loss	**31,792**	**29,737**	**25,614**	**22,426**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

28 Income tax (continued)

Further information about deferred tax is presented in note 13. The calculated tax on the Group's and the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Group as follows:

28.2 Taxation reconciliation

	Consolidated		Company	
	2020 P'000	2019 Restated* P'000	2020 P'000	2019 Restated* P'000
Profit before tax	**124,889**	**150,614**	**97,030**	**117,189**
Taxation calculated at the rate of 22% (2019: 22%)	**27,474**	**33,134**	**21,347**	**25,781**
Non deductible expenses	**2,393**	**7**	**2,343**	**49**
(Over)/under provision in prior years	**(1,854)**	**614**	**(1,854)**	**614**
Deferred tax previously not recognised	**3,778**	**(4,018)**	**3,778**	**(4,018)**
Tax expense per statement of comprehensive income	**31,792**	**29,737**	**25,614**	**22,426**
Effective tax rate	**25.5%**	**19.7%**	**26.4%**	**19.1%**

28.3 Deferred tax loss on revaluation of property

	Consolidated and Company	
	2020 P'000	2019 Restated* P'000
Deferred tax loss on revaluation of property	**-**	**(240)**

29 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	Consolidated		Company	
	2020	2019 Restated*	2020	2019 Restated*
Basic and diluted earnings per share				
Profit attributable to equity holders of the Company (P'000)	93,097	121,727	71,416	95,613
Weighted average number of ordinary shares in issue ('000)	725,000	725,000	725,000	725,000
Basic and diluted earnings per share (thebe)	**13**	**17**	**10**	**13**
Number of shares ('000)				
Number of ordinary shares in issue	**725,000**	**725,000**	**725,000**	**725,000**

30 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.

*Refer to note 36 for more details on the restatements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

31 Capital adequacy

	Capital composition under Basel II Framework	
	Consolidated and Company	
	2020 P'000	2019 P'000
31.1 Capital adequacy		
Core capital (Tier 1)		
Stated capital	222,479	222,479
Statutory credit risk reserve and other reserves	15,386	15,386
Retained earnings	940,433	847,336
IFRS 9 impairment transitional adjustments	39,725	79,451
Regulatory adjustments applied in the calculation of CET 1 Capital (intangible asset)	(102,442)	(83,478)
	1,115,581	**1,081,174**
Supplementary capital (Tier 2)		
General provision/ general loan-loss reserves eligible for inclusion in Tier II	66,445	76,873
Subordinated loan	269,108	172,000
	335,553	**248,873**
Total capital (Tier 1 and Tier 2)	**1,451,134**	**1,330,047**
Market risk	962,761	308,516
Operational risk	732,731	672,035
On Balance sheet assets/ credit risk weighted assets	5,315,604	5,981,410
Off Balance sheet assets	122,443	149,462
Total risk weighted assets	**7,133,539**	**7,111,423**
Core capital ratio	15.64%	16.60%
Capital adequacy ratio	20.34%	20.10%
Bank of Botswana preferred minimum risk asset ratio	12.50%	15.00%

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 2020 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).

*Refer to note 36 for more details on the restatements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

32 Subsidiary

Kaleu (Pty) Ltd trading as BancABC Insurance is a 100% owned subsidiary company of African Banking Corporation of 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.

	Consolidated and Company	
	2020 P'000	2019 P'000
33 Contingent liabilities and loan commitments		
Financial guarantees	63,630	57,826
Loan commitments and other credit related liabilities	58,135	180,588
	121,765	**238,414**
Expected credit loss	(1,003)	(1,880)
	120,762	**236,534**
34 Capital commitments		
Commitments in respect of capital expenditure:		
Approved and contracted for	16,311	12,551
Approved but not contracted for	40,029	128,043
Total commitments	**56,340**	**140,594**
35 Leases		
35.1 Right of use assets		
Balance at 1 January	58,943	66,902
Additions during the period	2,069	-
Depreciation charge on ROU assets	(9,395)	(7,959)
	51,617	**58,943**
Amounts recognised in the statement of financial position		
Land and buildings	51,617	58,943
	51,617	**58,943**

Future restoration costs

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

35 Leases (continued)

35.2 Lease liability

		Consolidated and Company 2020 P'000	Consolidated and Company 2019 P'000
Balance at 1 January			
Interest expense		62,082	66,902
Cash payments :	Interest	4,544	5,577
	Principal	(4,544)	-
Exchange and other movements		(5,683)	(3,783)
		1,819	(6,614)
		58,218	**62,082**
Analysed into:			
Current		10,745	10,011
Non-current		47,473	53,221
		58,218	**63,232**

36 Correction of prior period errors

36.1 VISA transactions

During the year management realised that there was incorrect accounting for reimbursements of charges and suspense account entries relating to certain transactions. The incorrect treatment resulted in the prior periods revenues being overstated, and tax assets and other liabilities being understated.

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 2019, 2018 and 2017.

The cumulative mistatement on retained earnings as at 31 December 2019, net of tax, amounted to P8,340,156.

The error has been corrected with retrospective effect in accordance with the requirements of IAS 8. The restatement impacted the tax asset balance, income tax charge, other liabilities and retained earnings for the respective years.

The effects of the restatement are summarised as follows:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

36 Correction of prior period errors (continued)

36.1 VISA transactions (continued)

(i) Effect on statement of comprehensive income

	Consolidated			Company		
For the year ended 31 December 2019	Previously reported P'000	Adjustments P'000	As restated P'000	Previously reported P'000	Adjustments P'000	As restated P'000
Net fee and commission income	114,214	(2,794)	111,420	83,638	(2,794)	80,844
Income tax expenses	(30,499)	615	(29,884)	(23,188)	615	(22,573)
Profit	**121,797**	**(2,179)**	**119,618**	**95,887**	**(2,179)**	**93,708**
Total comprehensive income	**122,647**	**(2,179)**	**120,468**	**96,737**	**(2,179)**	**96,738**
Basic earnings per share (thebe)	**17**	**(0)**	**17**	**13**	**(0)**	**13**

(ii) Effect on statement of cash flows

	Consolidated			Company		
For the year ended 31 December 2019	Previously reported P'000	Adjustments P'000	As restated P'000	Previously reported P'000	Adjustments P'000	As restated P'000
Profit before tax	152,296	(10,692)	141,604	119,075	(10,692)	108,383
Movement in other liabilities	(6,574)	10,692	4,118	43,661	10,692	54,353
Cash and cash equivalents at the end of the year	**1,380,345**	**-**	**1,380,345**	**1,380,345**	**-**	**1,380,345**

(iii) Effect on statement of financial position

	Consolidated			Company		
For the year ended 31 December 2019	Previously reported P'000	Adjustments P'000	As restated P'000	Previously reported P'000	Adjustments P'000	As restated P'000
Current tax assets	18,124	2,352	20,476	19,583	19,583	2,352
Total assets	**9,104,564**	**2,352**	**9,106,916**	**9,094,987**	**9,094,987**	**2,352**
Other liabilities	147,014	10,692	157,706	132,191	132,191	10,692
Total liabilities	**8,028,202**	**10,692**	**8,038,894**	**8,160,945**	**8,160,945**	**10,692**
Retained earnings	838,497	(8,340)	830,157	696,177	696,177	(8,340)
Total equity	**1,076,363**	**(8,340)**	**1,068,023**	**934,043**	**934,043**	**(8,340)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

36 Correction of prior period errors (continued)

For the year ended 31 December 2019	Consolidated Previously reported P'000	Consolidated Adjustments P'000	Consolidated As restated P'000	Company Previously reported P'000	Company Adjustments P'000	Company As restated P'000
Current tax assets	12,544	1,738	14,282	12,733	1,738	14,471
Total assets	**9,130,615**	**1,738**	**9,132,353**	**9,127,384**	**1,738**	**9,129,122**
Other liabilities	92,787	7,899	100,686	77,370	7,898	85,268
Total liabilities	**8,157,814**	**7,899**	**8,165,713**	**8,270,993**	**5,690**	**8,276,683**
Retained earnings	735,786	(6,161)	729,625	619,376	(6,161)	613,215
Total equity	**972,801**	**(6,161)**	**966,640**	**856,391**	**(6,161)**	**850,230**

36.2 Staff loans fair value

During the year management adjusted the rate used for calculation of the fair value adjustment on staff loans to the market prime rate and corrected the recognition of the corresponding employee benefit provided as an expense over the term of the loan, in accordance with IAS 19. The related prepayment was recognised accordingly.

The change impacted prior periods and constitutes a prior year error in terms of International Accounting Standards 8: Accounting policies, Changes in Accounting Estimates and Errors (IAS 8).

The cumulative mistatement on retained earnings as at 31 December 2019, net of tax, amounted to BW17,179,327."

The error has been corrected with retrospective effect in accordance with the requirements of IAS 8. The restatement impacted the deferred tax asset, income tax charge, loans and advances and retained earnings for the respective years.

(i) Effect on statement of comprehensive income

For the year ended 31 December 2019	Consolidated Previously reported P'000	Consolidated Adjustments P'000	Consolidated As restated P'000	Company Previously reported P'000	Company Adjustments P'000	Company As restated P'000
Net fee and commission income	(156,351)	1,113	(155,238)	(155,281)	1,113	(154,168)
Income tax expenses	(30,499)	147	(30,352)	(23,188)	147	(23,041)
Profit	**121,797**	**1,260**	**123,057**	**95,887**	**1,260**	**97,147**
Total comprehensive income	**122,647**	**1,260**	**123,907**	**96,737**	**1,260**	**97,997**
Basic earnings per share (thebe)	**17**	**0**	**17**	**13**	**0**	**13**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

36 Correction of prior period errors (continued)

36.2 Staff loans fair value (continued)

(ii) Effect on statement of cash flows

For the year ended 31 December 2019	Consolidated Previously reported P'000	Consolidated Adjustments P'000	Consolidated As restated P'000	Company Previously reported P'000	Company Adjustments P'000	Company As restated P'000
Profit before tax	152,296	(669)	151,627	119,075	(669)	118,406
Movement in other assets	397,108	1,782	398,890	405,602	1,782	407,384
Movement in loans and advances	618,774	(1,113)	617,661	618,774	(1,113)	617,661
Cash and cash equivalents at the end of the year	**1,380,345**	**-**	**1,380,345**	**1,380,345**	**-**	**1,380,345**

(iii) Effect on statement of financial position

For the year ended 31 December 2019	Consolidated Previously reported P'000	Consolidated Adjustments P'000	Consolidated As restated P'000	Company Previously reported P'000	Company Adjustments P'000	Company As restated P'000
Deferred tax assets	28,220	1,649	29,869	28,220	1,649	29,869
Other assets	62,359	23,023	85,382	51,323	23,023	74,346
Loans and advances	6,443,556	(7,492)	6,436,064	6,443,556	(7,492)	6,436,064
Total assets	**9,104,564**	**17,180**	**9,121,744**	**9,094,987**	**17,180**	**9,112,167**
Retained earnings	838,497	17,180	855,677	696,177	17,180	713,357
Total equity	**1,076,363**	**17,180**	**1,093,543**	**934,043**	**17,180**	**951,223**

(iv) Effect on statement of financial position

For the year ended 1 January 2019	Consolidated Previously reported P'000	Consolidated Adjustments P'000	Consolidated As restated P'000	Company Previously reported P'000	Company Adjustments P'000	Company As restated P'000
Deferred tax assets	50,553	1,501	52,054	50,553	1,501	52,054
Other assets	53,100	21,242	74,342	49,680	21,242	70,922
Loans and advances	5,809,123	(6,823)	5,802,300	5,809,123	(6,823)	5,802,300
Total assets	**9,130,615**	**15,920**	**9,146,535**	**9,127,384**	**15,920**	**9,143,304**
Retained earnings	735,786	15,920	751,706	619,376	15,920	635,296
Total equity	**972,801**	**15,920**	**988,721**	**856,391**	**15,920**	**872,311**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

37 Segmental Reporting

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's business results are assessed by the CODM on the basis of adjusted performance that removes the effects of significant items from reported results. 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.

Reportable segments	Operations
Retail Banking	The retail banking segment offers lending and transactional banking services to individuals. The predominant aspect of its retail offering comes from BancABC'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 Atlas Mara coordination and efforts within the Atlas Mara Group centre that specialises in global markets and treasury operations.

Segmental Reporting December 2020

	Retail Banking P'000	Global Markets P'000	Commercial Banking P'000	Total P'000
Statement of comprehensive income				
Interest income	633,328	53,313	25,532	712,173
Interest expense	(333,758)	10	43,630	(290,118)
Net interest income	**299,570**	**53,323**	**69,162**	**422,055**
Non-interest income	86,734	27,154	8,778	122,666
Total income	**386,304**	**80,477**	**77,940**	**544,721**
Impairment of financial assets	(3,086)	-	(639)	(3,725)
Net income	**383,218**	**80,477**	**77,301**	**540,996**
Operating expenditure	(318,895)	(44,886)	(52,326)	(416,107)
Profit before taxation	**64,323**	**35,591**	**24,975**	**124,889**
Taxation	(16,373)	(9,060)	(6,359)	(31,791)
Profit after tax	**47,950**	**26,531**	**18,616**	**93,097**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

37 Segmental Reporting (continued)

Segmental Reporting December 2020 (continued)

	Retail Banking P'000	Global Markets P'000	Commercial Banking P'000	Total P'000
Statement of financial position				
Debt instruments	-	680,142	-	680,142
Loans and advances to customers	5,714,174	-	286,796	6,000,970
Other assets for reportable segments	272,310	1,833,435	74,256	2,180,001
Total assets for reportable segments	**5,986,484**	**2,513,577**	**361,052**	**8,861,113**
Deposits from customers	1,200,313	-	5,365,735	6,566,048
Deposits from banks	-	68,713	-	68,713
Other liabilities for reportable segments	462,983	542,932	42,139	1,048,054
Total liabilities for reportable segments	**1,663,296**	**611,645**	**5,407,874**	**7,682,815**

Segmental Reporting December 2019 Restated*

	Retail Banking P'000	Global Markets P'000	Commercial Banking P'000	Total P'000
Statement of comprehensive income				
Net interest income	265,824	49,971	96,130	411,925
Non-interest income	103,064	12,615	8,601	124,280
Total-income	**368,888**	**62,586**	**104,731**	**536,205**
Movement in impairment	12,248	-	3,410	15,658
Net income	**381,136**	**62,586**	**108,141**	**551,863**
Operating expenditure	(313,866)	(38,323)	(49,060)	(401,249)
Profit before taxation	**67,270**	**24,263**	**59,081**	**150,614**
Taxation	(13,046)	(4,859)	(11,832)	(29,737)
Profit after tax	**54,224**	**19,404**	**47,249**	**120,877**
Statement of financial position				
Debt instruments	-	642,818	-	642,818
Loans and advances to customers	5,915,248	-	520,816	6,436,064
Other assets for reportable segments	897,295	1,075,764	72,154	2,045,213
Total assets for reportable segments	**6,812,543**	**1,718,582**	**592,970**	**9,124,095**
Deposits from customers	1,076,175	-	5,897,717	6,973,892
Deposits from banks	-	66,844	-	66,844
Other liabilities for reportable segments	575,369	451,421	(28,632)	998,158
Total liabilities for reportable segments	**1,651,544**	**518,265**	**5,869,085**	**8,038,894**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

38 Events after reporting date

There were no significant events that occurred after the reporting date.