



# Forging Ahead

2024 Integrated  
Report



**BBS  
Bank**

# Forging Ahead






From our strategy **Pilediwa** to the implemented actions, the Bank is making good progress. **"Forging Ahead"** is, therefore, a most suitable theme for this year's Integrated Report.

The theme calls on us to harness the strengths of BBS Bank and continue creating new commercial pathways that will lead to greater profitability and sustainability. If we do not forge ahead, we will fall behind.

The Board, Management and Staff are clear eyed that they want BBS Bank to be at the forefront of banking in Botswana.

## Feedback on the Report

This is BBS Bank's second Integrated Report. Key learnings and feedback were derived from the 2023 Integrated Report to ensure that the current edition is better. However, we are keenly aware that even with improvements, there will still be some areas that need further information or ones that should be reported on. We continue to look forward to receiving your feedback on how we can make our report better. Please send your views and thoughts to **bbs@bbs.co.bw**.

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# Contents

## Statistically Speaking

- 4 Highlights of Financial Performance
- 5 Financial Graphs
- 6 The last 5 years
- 8 Value Added Statement

## Welcome To Our Integrated Report

- 9 About the Report

## BBS Bank At A Glance

- 8 Overview of the Bank
- 9 Our 55-Year-Old Legacy
- 14 A Winning Brand
- 16 Our products and services

## Stakeholder Engagement

- 20 Stakeholder Engagement

## BBS Bank's Approach To Materiality

- 26 Our Business Model and Six Capitals

## Our Regulatory Universe

- 26 Regulatory world

## Our Lodestar

- 28 Pilediwa is delivering
- 30 Corporate Social Responsibility That Sustains

## Human Resources Report

- 33 Staff demographics
- 34 Staff Engagement

## Leadership Insight

- 36 Chairman's Statement
- 38 Pego ya ga Modulasetilo
- 40 Managing Director's Report
- 43 Pego ya ga Mookamedi
- 46 Head of Finance's Report

## Governance Report

- 52 BBS Bank Governance Philosophy
- 54 Key Board Focus Areas
- 58 Our Governance Structure
- 62 Our Board Members
- 67 Board Committees
- 71 Board Leadership
- 74 Our Executive Management
- 80 Governance Functional Areas
- 81 King IV Code of Corporate Governance and Disclosures

## Risk Management Report

- 86 Risk Management Report

## Annual Financial Statements

- 92 Financial Statements

## Shareholder Information

- 198 Notice of Annual General Meeting (AGM)

## Business Current

# Business made easy

- Unlimited withdrawal facility with no notice period
- Access to BBS Bank special lending facilities
- Internet and Mobile Banking capabilities
- Sweep functionality to Call accounts
- Access to a relationship manager



## Highlights of Financial Performance

Net Loans & Advances  
to Customers

**P4.6 billion**

(2023: P4.1 billion)

14% ▲

Customer Deposits

**P4.5 billion**

(2023: P4.2 billion)

6% ▲

Total Assets

**P5.6 billion**

(2023: P5.2 billion)

8% ▲

Profit/(Loss) After  
Taxation

**P38.4 million**

(2023: Loss of P21.3 million)

280% ▲

Interest Income

**P476.0 million**

(2023: P369.4 million)

29% ▲

Non Funded Income

**P54.5 million**

(2023: P49.2 million)

11% ▲

Interest Expense

**P269.6 million**

(2023: P246.4 million)

9% ▲

Operating Expenses  
(excluding ECL &  
Impairments)

**P188.6 million**

(2023: P191.0 million)

1% ▼

Total Income

**P260.9 million**

(2023: P172.2 million)

52% ▲

## Key Financial Ratios



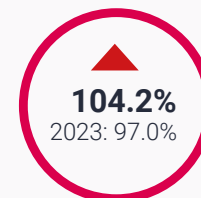
Capital Adequacy  
Ratio against  
Regulatory - 12.5%



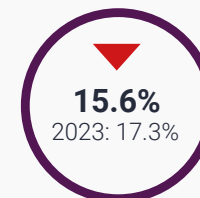
Non - Performing  
Loans as % of Gross  
Advances



Cost to Income  
Ratio



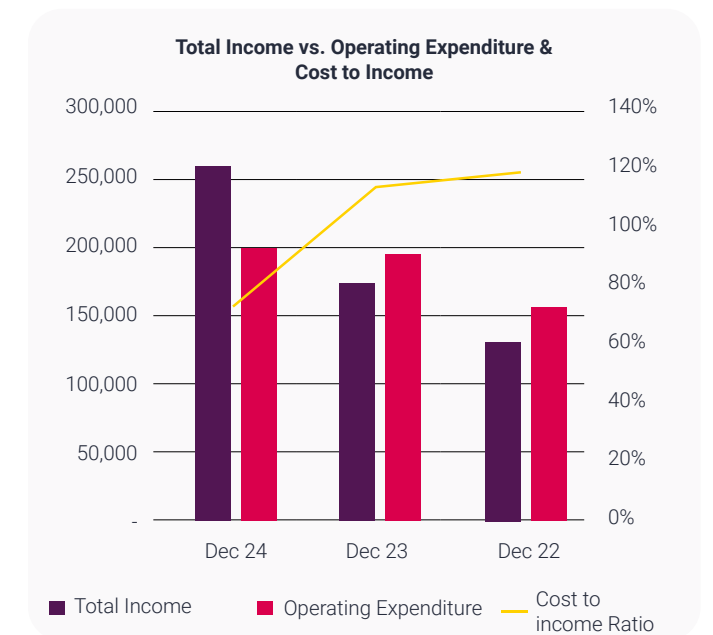
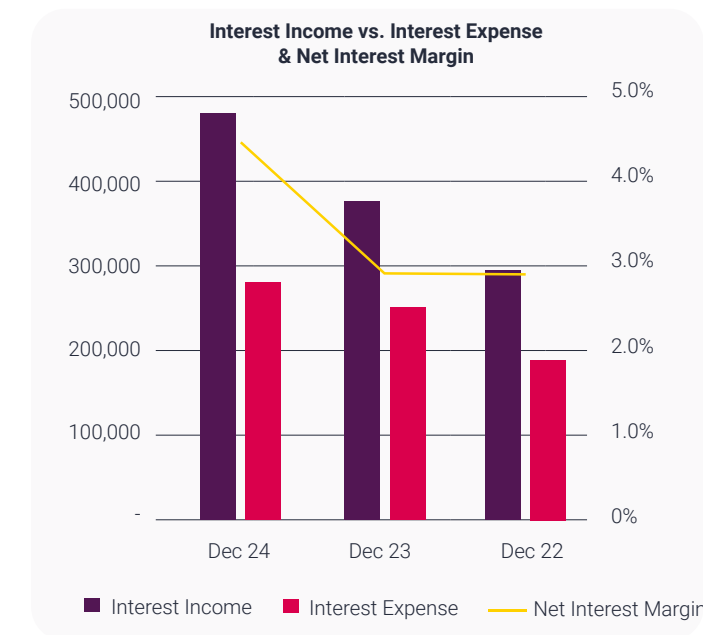
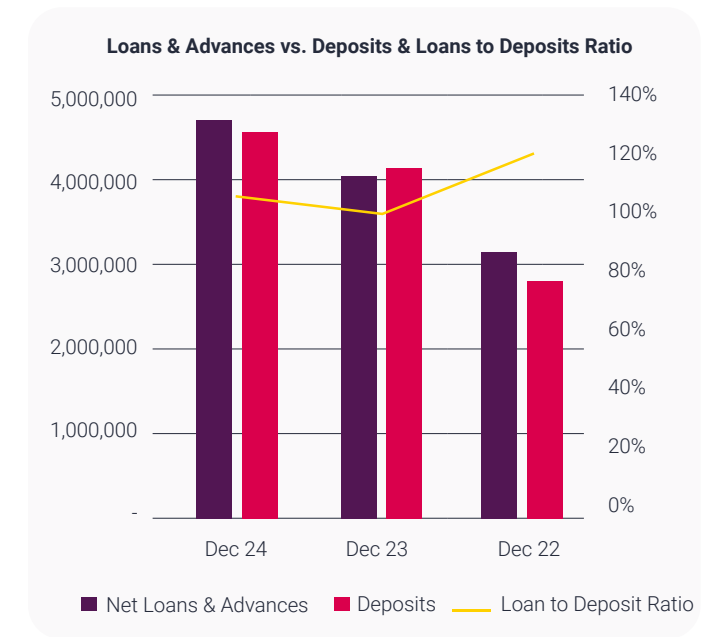
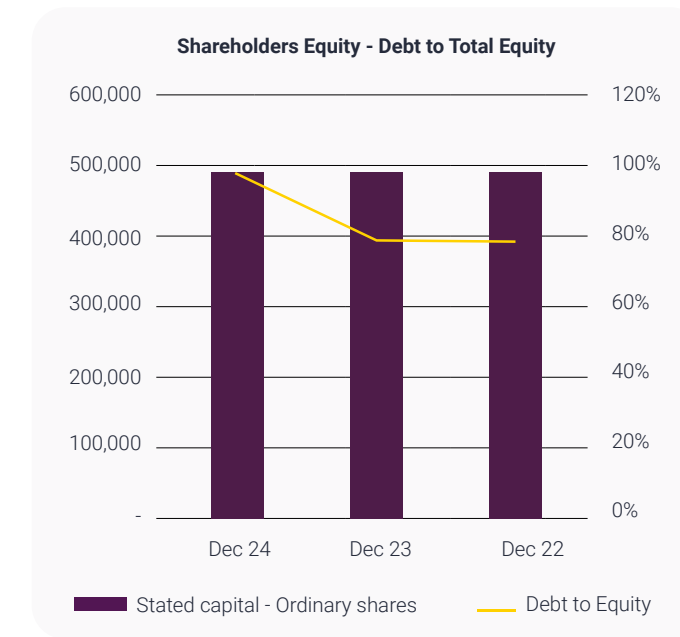
Loans to Deposit  
Ratio



Liquid Assets Ratio  
against Prudential  
Requirement of 10%

## Financial Graphs

(In Pula Thousand)



## Five-Year Trend

Analysis of Amounts (P'000)	*Dec 2024	*Dec 2023	*Dec 2022	Dec 2021	Dec 2020
Deposits (Current, Ordinary, Special Savings, Letsibogo, Tlamelo, Lerako. Including Paid Up Savings, Subscription Savings And Indefinite Savings for the period beginning 31 Dec 2020)	1,299,356	1,274,147	1,278,486	970,566	1,012,918
Fixed Deposits	3,156,871	2,936,936	1,439,260	1,094,396	1,047,744
All Classes Of Shares	487,453	487,453	487,453	487,453	487,453
<b>Analysis of Account Holdings</b>					
Number Of Mortgage Bond Holders	4,752	4,879	5,009	5,086	4,398
Number Of Short-Term Loan Account Holders	4,532	4,724	4,318	4,261	5,511
Number Of Unsecured Loan Account Holders	3,408	1,710	-	-	-
Number Of Paid Up Savings Account Holders	44,259	44,211	44,659	45,201	45,978
Number Of Subscription Savings Account Holders	8,771	8,654	8,195	7,625	7,468
Number Of Fixed-Deposit Account Holders	382	422	454	362	141
Number Of Savings Account Holders	69,828	69,799	67,100	68,707	68,055
Number Of Current Account Holders	3,039	-	-	-	-
	138,971	134,399	129,735	131,242	131,551
<b>Analysis of Amounts (P'000)</b>	<b>*Dec-24</b>	<b>*Dec 2023</b>	<b>*Dec 2022</b>	<b>*Dec 2021</b>	<b>*Dec 2020</b>
Profit/ (Loss) for the Year	38,405	(21,348)	(21,900)	(25,347)	(14,652)
Earnings per share (Thebe)	7.9	(4.4)	(4.5)	(5.2)	(3.0)
Net Loans & Advances to customers' (Mortgages, unsecured & Short-term Loans)	4,643,141	4,071,336	3,240,794	3,165,895	3,407,892
Customers' Deposits	4,456,227	4,211,083	2,717,746	2,511,064	2,940,740
Total Assets	5,584,910	5,161,250	3,967,942	3,828,712	4,088,646
Total Liabilities	5,062,444	4,677,181	3,462,533	3,334,682	3,569,269

\* BBS Insurance Agency Limited, a subsidiary of BBS Bank Limited, began its operations in June 2022. As a result, December 2024, 2023 and 2022 reflect the consolidated position.

## Five-Year Trend Highlights

(In Pula Thousand)



\* BBS Insurance Agency Limited, a subsidiary of BBS Bank Limited, began its operations in June 2022. As a result, December 2024, 2023 and 2022 reflect the consolidated position.



# Value Added Statement

Value Added Statement	31-Dec-24 P'000	31-Dec-23 P'000
Income from lending and banking activities	516,596	415,539
Cost of services	(272,401)	(248,696)
Value created by operations	244,195	166,843
Non-operating income	16,693	(5,327)
Operating expenditure excluding staff costs & depreciation	(107,758)	(86,737)
	153,130	85,433
Value distributed		
Employees - salaries and benefits	93,054	101,121
Taxation	6,873	(6,862 )
	99,927	94,259
Value retained		
Retained income	38,405	(21,348)
Depreciation & amortisation	14,798	12,522
	53,203	(8,826)
Total Value Distributed And Retained	153,130	85,433



# Welcome

We are on the second edition of our integrated reporting for the year ended 31 December 2024. Re a lo amogela!

In this report, we provide detailed submissions on how the Group performed during the year under review, the many successes we achieved in terms of additional products and services that were rolled out, implementation of other strategic thrusts including the refining of the organisational structure to make it more agile, sounding out our stakeholders on important matters of mutual interest, embedding our vibrant brand and new ways of doing things from a customer experience point of view, amongst others.

You can download this report from our website ([www.bbs.co.bw](http://www.bbs.co.bw)) and the X-News platform of the Botswana Stock Exchange Limited (BSE).

**Forward looking statements**

This report includes forward-looking statements regarding the Group’s financial position, results, strategy, operations, and businesses. These statements are subject to risks and uncertainties as they are based on events and conditions that are expected to occur in the future. Various factors could result in actual results or developments differing significantly from those suggested or implied by these forward-looking statements.

**Responsible banking and sustainability**

BBS Bank remains resolute on working to meet the objectives, standards and benchmarks that are intended to make the world a better place to live in for current and future generations. These frameworks include the United Nations Principles for Responsible Banking and the Sustainable Development Goals (SDGs). In the next Integrated Report, there will be a detailed report of our ESG Policy, which would have been finalised by then, on how we are incorporating the principles into our new product offerings, services and social programs. In our next Integrated Report, ESG will continue to be a focus area as we implement our polices and integrate the principles into our operations, products and services.

**Board approval**

The BBS Bank Board of Directors takes full responsibility for the completeness and integrity of this Integrated Report. We confirm that it was put through the necessary tests, checks and approvals. Further, we confirm that to the best of their knowledge, all disclosures required by section 215 of the Companies Act have been made and/or complied with.

# A noteworthy 55-year-old legacy

**BBS Bank is a unique financial institution. Period. This report will remind you why that is so. Our evolution and value creation in the last 55 years.**

Over time, it became apparent that our customers desired much more products and services than we were offering them at the time. Convenience was also key given how fast the world continues to develop, especially from a technological point of view. Our much-loved building society had to adapt or evolve, fast.

The collective voice of our shareholders when they resolved to commercialise their institution was: "We are voting for the building society to change, but do not forget us once you have become a commercial bank." We promised that we would not and are keeping our word.

You will appreciate in the next pages of this report how we are keeping our promise and the extensive work that has been done, including the introduction of new products and services, to give our Shareholders, Customers and those yet to bank with us, a modern-day banking service.

**1970** As at the time of releasing this second integrated report, BBS Bank had been in existence for 55 years making it only a few years younger than the Republic of Botswana. To be in action for this long, in different forms and surviving robust competition while having a narrow product range, is no small feat: United Building Society in 1970, Botswana Building Society in 1976, BBS Limited in 2018 to facilitate the application for a banking licence, and BBS Bank Limited in 2022.

**1976** Our participation in the economy of Botswana has marked an era of sustained support for Batswana either through mortgage loans (residential and commercial), savings or investment products.

That is why we are proud of the journey we have travelled over the last five decades plus. We became Botswana Building Society in December 1976. Our advances comprised 488 mortgages taken over from the then United Building Society of South Africa, which had until then operated as a branch in the Gaborone Main Mall from 1970. Our assets consisted of Government stock of P200, 000, advances of P2, 505,000 and cash and investments amounting to P1, 264,800.

**1986** What we have also always done as a financial institution, is to be in tune with the needs of Batswana to ensure that we are able to meet their expectations. For instance, there was a time when our mortgage loan offering was only confined to urban centres. In 1986, we successfully lobbied for the legislation we operated under at the time, the Building Societies Act, to be amended so that we could lend for property development in rural areas.

**1977** After becoming Botswana Building Society, we advanced only nine new home loans in our first three months of operation. So, our asset base grew to only P4, 108,000 after three months of business as at 31 March 1977.

On the liabilities side, Botswana Building Society had P2, 644,700 in capital, mostly subscribed to by Government in shares, a statutory reserve of a mere P200, and retained earnings of P1, 900. Savings and fixed deposits accounted for P1, 388,700, with creditors and provisions making up the balance. As at 31 December 2024, the new BBS Bank presents a totally different picture with an asset base of over P5 billion. It is a strong, credible bank which will become even stronger with your support.

**2004** A decision was taken by the Board in September 2004 to transform the building society into a commercial bank. The transformation proposal was then initiated, and it kicked off a robust stakeholder engagement that included amongst others, the Government of the Republic of Botswana through the Office of the President, the Ministry of Finance, the Attorney General's Chambers to change the law to enable the conversion, Parliament of the Republic of Botswana to pass the necessary laws, Shareholders to support the conversion, Customers, Employees and Batswana in general to keep them updated as necessary.

**2013** Government ensured that the Building Societies and Companies Acts were amended and passed by Parliament on the 12th of December 2013 to enable the transformation.

**2021** On the 12th of January 2021, Parliament approved increasing the shareholding cap from 15% to 25% to enable the envisaged commercial bank to mobilise more capital and meet the capital adequacy requirements of the Banking Act.

**2024** BBS Bank launched additional offerings such as the Youth Current Account, Business Current Account, SWIFT, Forex, Wire Waya Cardless Cash, Maatla Funeral Plan and Lebotha Wallet.

**2023** After over 50 years in existence, the business appointed its first female Managing Director Mrs. Pedzani Tafa.

**2022** The fact that the resolution to become a commercial bank was only passed in 2018 by Shareholders at a Special General Meeting and the actual commercial banking licence issued on the 07th of October 2022, gives an indication of the scale of work that required to be done. This was a historic decision that ushered Botswana's only home-grown commercial bank. BBS Bank can rightfully claim bragging rights to being a bank that is fully owned by over 17,000 Batswana shareholders. These includes a few Government-owned institutions, which themselves are collectively owned by Batswana. BBS Insurance Agency also established in 2022.

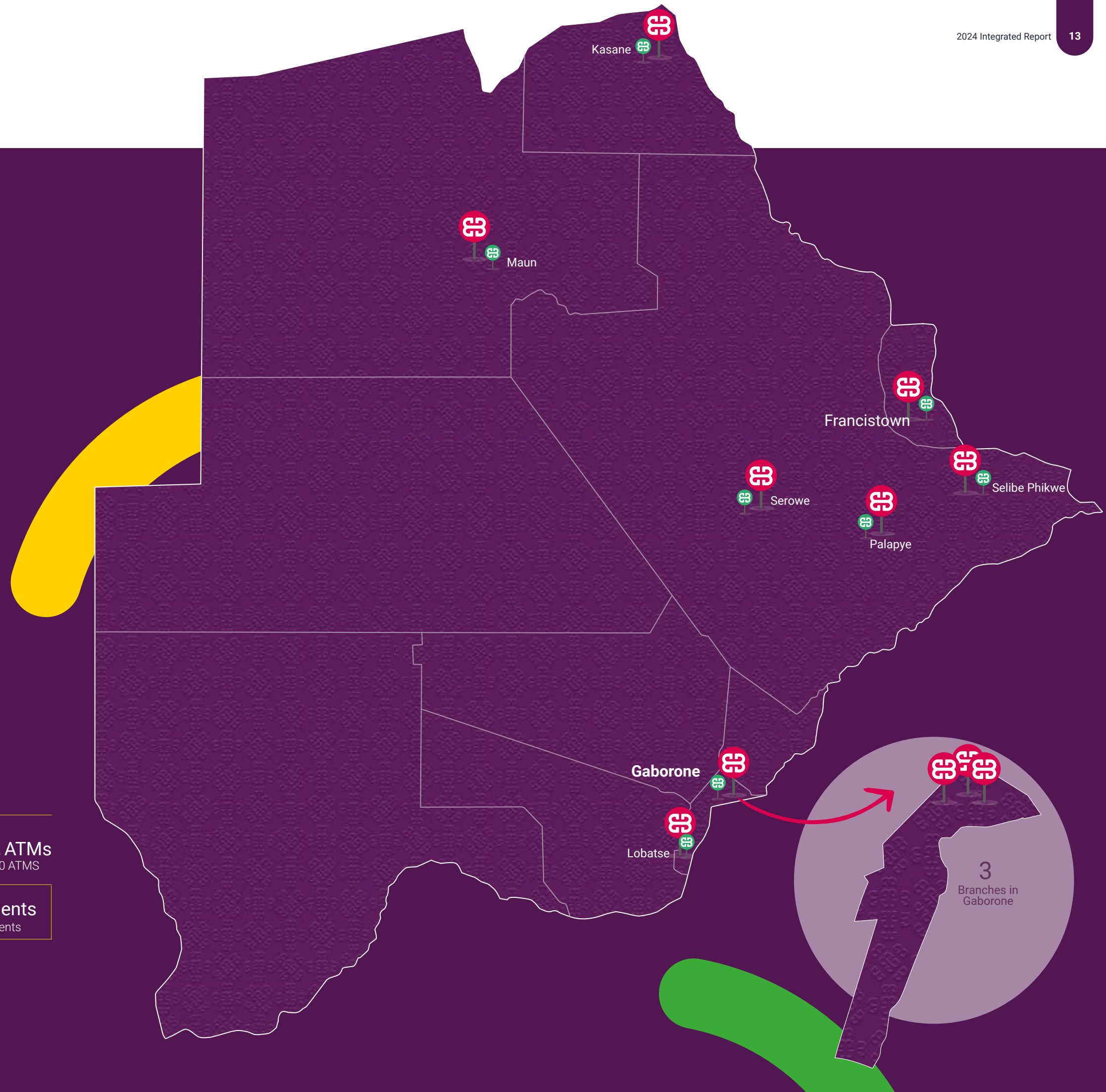
## Our Increasing Footprint

We are strategic about where we should be. So far, we have covered the major commercial centres in terms of brick and mortar. In 2024, we also expanded our ATM footprint to include areas such as Kazungula located at the world's only quadripoint being the Botswana, Zimbabwe, Namibia and Zambia borders.

Our ATM platforms and cards are VISA enabled. Thus, BBS Bank customers can also transact on other commercial banks machines (ATM and POS) locally and abroad.

Further, through our Nomad Digital Banking platform is available anywhere in the country and beyond. This means that you do not need to be located where we have physical Branches to bank with us. When there is a need, our Call Centre stands ready to assist.

Nomad Digital Banking is also linked to the Mobile Network Operators (MNOs), Orange Botswana's Orange Money, Botswana Telecommunication Corporation's Smega and Mascom's MyZaka. These MNOs cater to hundreds of thousands of customers thus ensuring that BBS Bank can leverage off this vast reach.





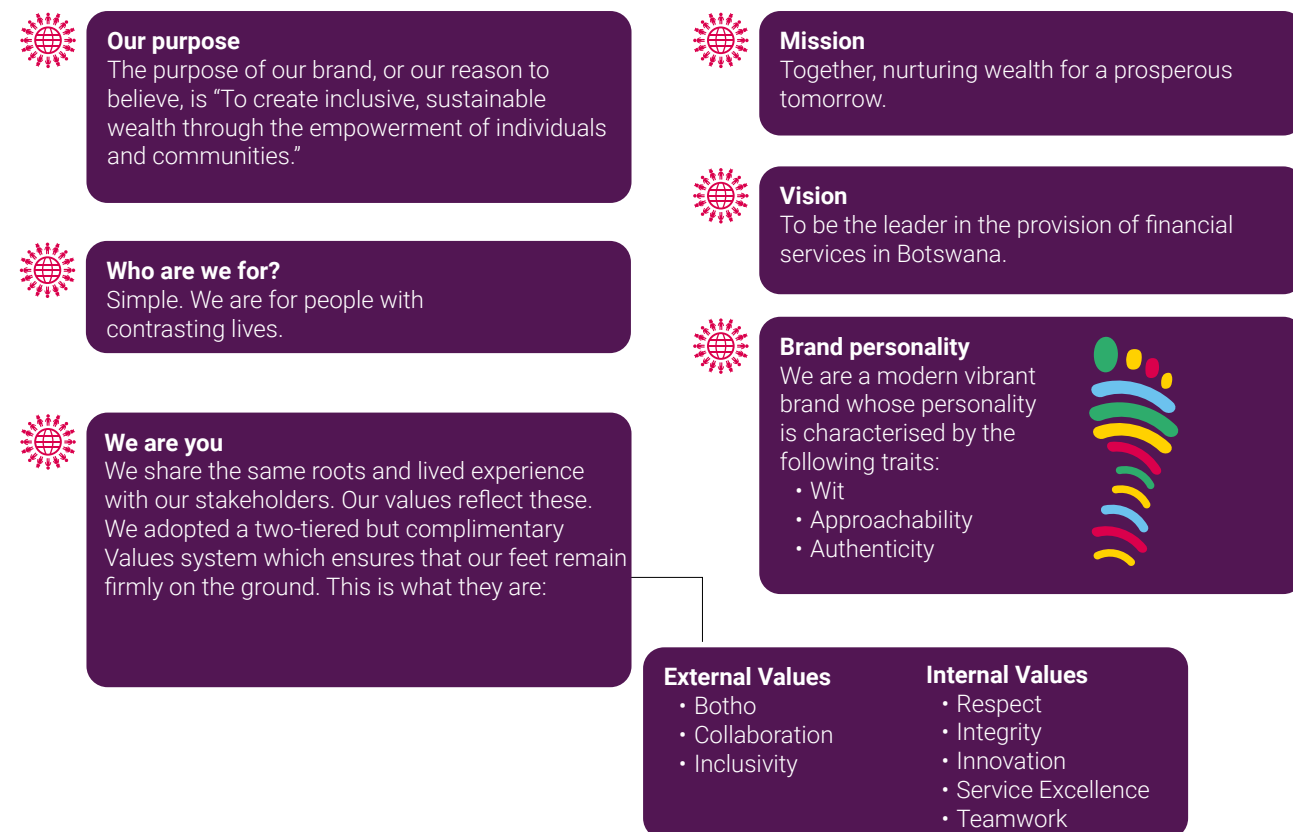
## A Winning Brand

We are now simply, "BBS Bank," but we are more than just the word or name: We are a brand that develops long lasting and impactful legacies.

While we are creating an entrepreneurial and innovative brand with a winning spirit, we still retain the humility and humanity that we are historically known for.

The BBS Bank brand is unique, authentic, competitive and future fit driven by a growth mindset. We are moving from being a financial player on the margins of banking to be a challenger defining new rules to foster shared prosperity.

As ours is still a new brand, it is useful that we keep talking about its essentials. We are what and where we are because of the foundation that was laid for us by the predecessor entity, a building society. Therefore, in honouring that legacy and to signify that we are now in a new era, a conscious decision was taken to use the name "BBS Bank."



### Our voice expressed

As a bank, the following is how we deliver our message with words and how we express those words-

*Not a bank:* We are not a typical bank. We are Botswana. We are African. We see ourselves differently, engaging with our clients on a more personal level. We are experts but offer our clients a more authentic, honest and warm tone. Our communications reflect optimism, confidence and positivity.

*We are inclusive:* We engage and build lasting relationships with clients and stakeholders. We avoid using words, expressions or assumptions that would unnecessarily exclude people.

*We are for Co-Creation:* We understand that trust is the key to lasting relationships. We are dependable and always put our people first in everything that we do. We act with honour and demonstrate tenets of Botho.

*We are always human:* We are personable. When we communicate (write/speak/listen), we do it with empathy and respect. We play an active role in our communities' wellbeing and development. We speak in the same way our clients speak- with heart, with love and with a little bit of laughter. We have wit and a sense of humour but one that is expressed professionally. We are one with our clients.



### Brand Promise

How far can we go? This is our rallying cry that says in serving you, our imagination is our only limitation. We will keep raising the bar to ensure that when you walk into BBS Bank, you always leave with a solution or answer.



### Logo

It retains the legacy of the Bank in visual form. It comprises two "Bs" joined back-to-back with the "S" traceable in the "Bs" moving from top right down to the bottom left. Therefore, the logo on its own is the not the brand. It is simply an entry point into the brand because it is the first thing that people normally see about our entity.

As a brand, therefore, we believe that we are better positioned to serve the people of Botswana because we share a lived experience built over 55 years. We exist where our stakeholders are, and BBS Bank can only thrive if they do.



### The colour purple

We believe that as BBS Bank, we have the opportunity to own purple within the Botswana financial sector and the greater southern Africa. Although colour is important, it is one of our brand assets. Used together with our bold secondary colour palette (of blue, black, magenta, yellow, white and green), our photographic style, tone of voice, type face (Roboto, font size 11), and logo, we will create a brand experience that is unique to the new BBS Bank brand. Let's own the colour purple.





# Our products and services

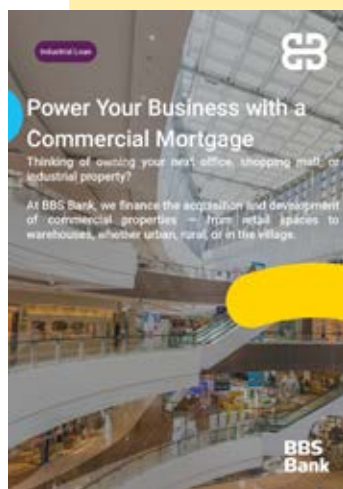
The value proposition to shareholders for turning the business into a commercial bank was that to ensure that it remains sustainable, it would have to offer more products and services instead of only mortgage loans, savings and investment products.

Mortgage loans remain BBS Bank's historical speciality but over the last 12 months in particular, the Bank has introduced additional products and services to claim its rightful place in the commercial banking space. The offerings are designed to meet the needs and expectations of all customer demographics in a fast-moving environment and are:

## Mortgage products

### Ordinary Mortgage Loan

Designed for acquiring completed properties or refinancing existing loans. Citizens can access up to 90% financing for a maximum of 30 years, while non-citizens qualify for 75% financing over 20 years. Loans must be repaid by the borrower's retirement age.



### Industrial & Commercial Mortgage Loans

These loans support the acquisition or development of industrial properties, shopping malls, office buildings, and similar commercial assets.

BBS Bank finances both urban and rural properties, including those in villages. Borrowers must first convert customary land rights to common law by obtaining a Tribal Lease and conducting a registered land survey.



### Building Loan

Provides funding for new construction or the purchase of incomplete structures. Financing covers 75% of the Open Market Value (OMV), with repayment terms of up to 30 years for citizens and 20 years for non-citizens. A 6-month period is granted for single-storey constructions and 9 months for double-storey projects. Equity release is not permitted, but top-ups are available 6 months post-completion.

### Freehold Land Financing

Enables the purchase of freehold land with 90% financing for citizens and 75% for non-citizens, repayable over 10 years. The facility can later be converted into a building loan.



## Savings and Investments products

### Subscription Savings Account

This account is designed for individuals over 16, as well as associations, clubs, and certain trusts, aiming to save for specific objectives through fixed monthly deposits starting from P100. The investment period ranges from 36 to 300 months, with an annual interest rate of 3.26%. Early redemption is possible with three months' notice, and the funds can serve as collateral for loans up to 75% of their value.



### Fixed Deposit Account

This account allows clients to invest a lump sum for a fixed term, offering guaranteed interest rates that remain unaffected by market fluctuations. It's suitable for those aiming to save for future commitments, such as school fees, providing a secure and high return on investment.



### Tlamele Savings Account

Designed for individuals planning to purchase residential property, this account requires fixed monthly deposits of at least P250 over a minimum of 60 months. Upon maturity, the savings can be used as a down payment, with BBS Bank financing the remaining loan at a preferential rate. The account offers a higher return on investment, options to roll over upon maturity, and the ability to use the investment as collateral for short-term loans up to 75% of its value.



### Paid-up Savings Account

Available to individuals over 16, companies, institutions, and associations, this account requires an initial deposit of P250,000, with subsequent deposits of P100 or more. It offers an interest rate of 2.61%, payable bi-annually in March and September. Funds can be redeemed with six months' notice after an initial 15-month period and can be used as security for loans up to 75% of their value.



### Lerako Savings Account

Tailored for pensioners, companies, and other institutions, this account requires a minimum investment of P25,000 with a tenure of at least 24 months. It offers up to 3.76% interest on daily balances, allows additional deposits at no cost, and can serve as security for Ntshegetse loans up to 75% of the investment's value.



### Ordinary Savings Account

A flexible account accessible to individuals over 16, companies, clubs, associations, and other entities. It requires a minimum opening balance of P200 and includes a BBS Bank Visa card, providing global ATM access and secure online transactions.



### Letsibogo Savings Account

This account encourages regular deposits by offering increasing interest rates ranging from 1.71% to 2.26%, calculated annually. It requires no minimum balance to open, has no bank charges, and permits one withdrawal every three months.



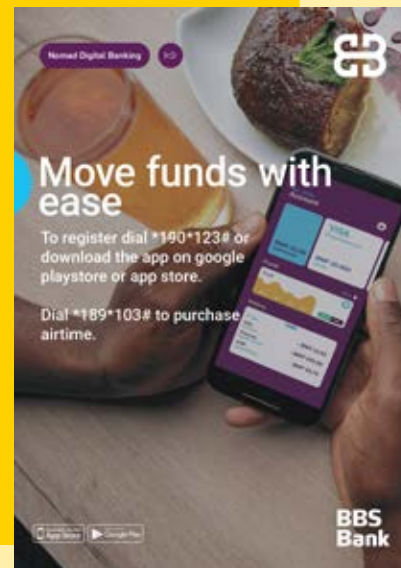


## Digital banking services

BBS Bank's Nomad Digital Banking platform offers customers the convenience of managing their finances anytime, anywhere. Key features include:

- **Account Management:** View balances and transaction histories for all linked accounts.
- **Funds Transfer:** Transfer funds between BBS accounts or to any bank within Botswana.
- **Wire Waya Cardless Cash:** Withdraw funds from account without card as well as send to non BBS Bank customers.
- **MNO Services:** Transfer of funds from BBS Bank account to MyZaka, Orange Money and BTC Smega wallets.
- **Bill Payments:** Pay for services such as prepaid electricity, airtime, and DSTV subscriptions.
- **Scheduled Payments:** Set up recurring payments for regular obligations.
- **QR Payments:** Make payments using QR codes for quick and secure transactions.
- **Account Linking:** Easily link or de-link accounts as needed.
- **Feedback:** Share feedback directly with the BBS Bank team through the platform.
- **Card management:** The Bank's card management feature allows easy activation, blocking, and PIN management for customers.

To access Nomad Digital Banking, customers can register through the BBS Bank website or by dialling 190123# for USSD services



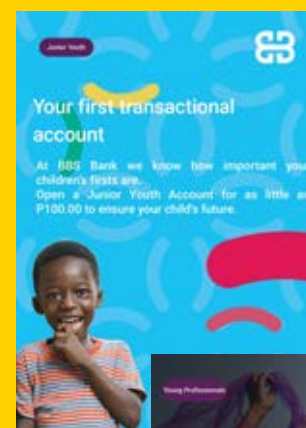
## Current Accounts

**Retail Current Account** – A flexible account with three tiers (Platinum, Gold, and Classic) tailored to different income levels. It offers convenient access to funds, digital banking, a Visa card, and added benefits like overdrafts, insurance, and cashback.

### BBS Bank Youth Accounts:

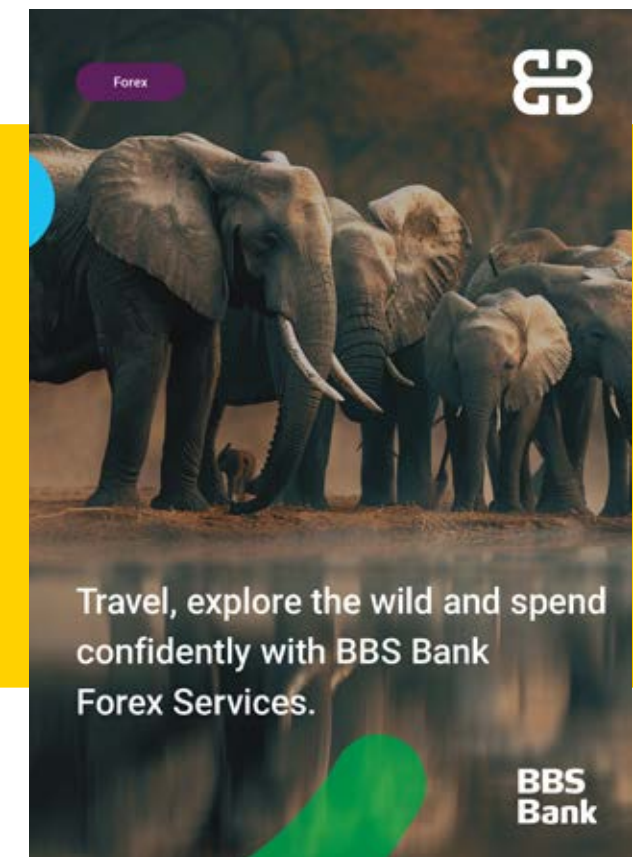
- 1. Minor Youth Account (Ages 0-18)** Designed for children and young teens, this account helps parents and guardians secure their child's financial future with low monthly fees, insurance benefits, and 24/7 access via Nomad online and mobile banking. Parents or guardians manage the account on behalf of minors.
- 2. Young Professionals Account (Ages 18-24)** Ideal for young adults, students, content creators, and entrepreneurs, this account offers financial independence with low fees, insurance benefits, and seamless digital banking. Perfect for managing personal finances, business ventures, or educational expenses.

**BBS Bank Business Current Account** – Designed for entrepreneurs and business owners, this account offers multiple card issuance, access to lending facilities, a dedicated relationship manager, and seamless banking with Nomad online and mobile services. Simplify your business finances with BBS Bank



## Forex Services

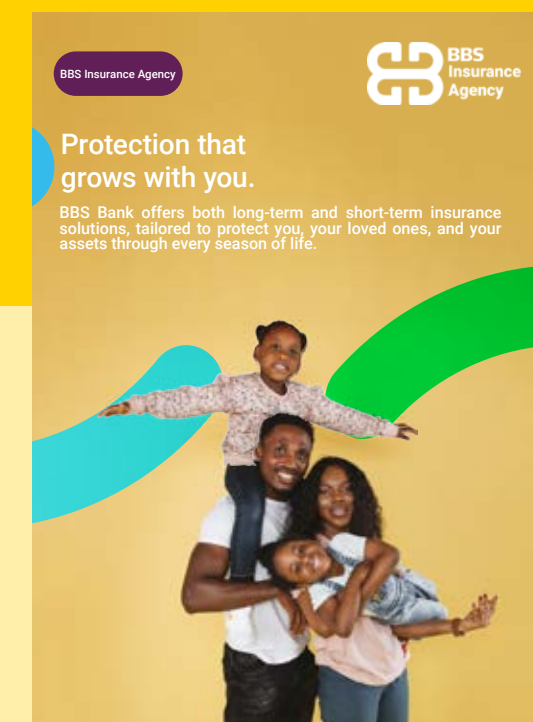
BBS Bank offers comprehensive foreign exchange services across all its Branches, facilitating currency exchange and international money transfers. Customers can access real-time exchange rates for major currencies, including the US Dollar (USD), Euro (EUR), British Pound (GBP), and South African Rand (ZAR), on the Bank's website.



## Insurance Products



**BBS Bank Insurance** – BBS Bank offers a range of short-term and long-term insurance products, including motor, home, personal, and business coverage. The Maatla Funeral Plan provides financial support for funeral expenses, covering family members at affordable premiums





## Engagements With Our Stakeholders

*Mmapodi ga a ipone se se mo tlhogong.* “It is difficult to see one’s weaknesses” the Setswana saying goes. That is why BBS Bank stakeholders are very important to us because they help us see our blind spots.

We have a Stakeholder Engagement Policy that guides the development of yearly generic stakeholder plans. For 2024 and 2025, the stakeholder engagement plans were submitted to the Board as part of the Managing Director’s Report for consideration and approval at first quarter meetings. As guided by the Stakeholder Policy, Executive Committee Members implement their department specific stakeholder engagement activities on which they provide summary reports for inclusion into the yearly report. This yearly report is summarised in this section.

A report on stakeholder engagement efforts is submitted to the Board at each quarterly meeting. Therefore, the Board exercises oversight over stakeholder engagement.

The Stakeholder Policy referred to above is also supported by a Board approved Communication Policy to ensure that the BBS Bank team adopts a particular style of communication when engaging with stakeholders to ensure that the Bank speaks with one voice.

The above policies also ensure that there is a way for engaging and communicating with stakeholders not only to understand their expectations to know how to meet them but to pre-empt issues for resolution before they escalate into conflict. The policies also facilitate forums for resolving disputes that may arise, supported by other relevant policies and procedures of the Bank. One such procedure is the Customer Service Procedure Manual.





## A Glance at Our Stakeholders

We recognise the interconnected relationships between the Bank and its stakeholders, and the need to create value for all of them, and others who may have legitimate expectations over our operations. Since our stakeholders are varied, their levels of power and interests differ remarkably, we maintain a stakeholder analysis (example shown below) that enables us to understand their needs and expectations.

Stakeholder	Quality of Relationship	Needs & Expectations	How We Engage	Metric	Material Matters Impacted	Capitals Impacted	Relevant Risk	Main Strategy
Employees	Healthy	<ul style="list-style-type: none"> <li>Fair and competitive remuneration</li> <li>Reward and Recognition Incentives</li> <li>Effective Performance Management System, fair treatment</li> <li>Workplace safety and health</li> <li>Learning and development, career advancement</li> </ul>	<ul style="list-style-type: none"> <li>Monthly MD Staff Meetings</li> <li>Townhalls</li> <li>Adopt a Department Initiative</li> <li>HR/Management Staff Meetings</li> <li>Departmental Meetings</li> <li>One-on-One Meetings</li> <li>Change Management Initiatives</li> <li>Employee Surveys</li> <li>Staff Bulletins</li> <li>Training Plan</li> <li>Wellness/Staff Events</li> <li>Employee Social Media Groups</li> <li>Collective bargaining</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration Benchmarks</li> <li>Employee Satisfaction</li> <li>Staff Complement &amp; Turnover rate</li> <li>Gender Profile</li> <li>Training Statistics</li> <li>Vacancy Rate</li> </ul>	<ul style="list-style-type: none"> <li>Talent and People</li> <li>Increased regulatory landscape</li> <li>New technologies</li> <li>Partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Human</li> <li>Intellectual</li> <li>Social and Relationship</li> </ul>	<ul style="list-style-type: none"> <li>Operational</li> <li>People</li> <li>Business ad Strategy Execution</li> </ul>	HR Strategy
Customers	Needs Improvement	<ul style="list-style-type: none"> <li>Safe and secure banking platforms</li> <li>Innovative products and services</li> <li>Convenient and modern banking</li> <li>Transparent and competitive Pricing</li> <li>Consumer education</li> <li>Service excellence and quick turnaround times</li> <li>Access to finance and value adding financial solutions</li> </ul>	<ul style="list-style-type: none"> <li>Customer Day</li> <li>Sales &amp; Marketing Events</li> <li>Public Shows</li> <li>Stakeholder Engagement Sessions</li> <li>Customer Feedback Surveys</li> <li>Customer notices</li> <li>Consumer Complaints</li> <li>Social Media Platforms</li> </ul>	<ul style="list-style-type: none"> <li>Net Promoter Score</li> <li>New Sales Targets</li> <li>Disbursements Targets</li> <li>Deposit Targets</li> <li>Loan Targets</li> <li>Digital footprints and usage</li> <li>Customer Attrition</li> <li>Customer Complaints</li> <li>Brand Perception Survey</li> </ul>	<ul style="list-style-type: none"> <li>Macroeconomic factors</li> <li>Increased regulatory landscape</li> <li>New technologies</li> <li>Market competition</li> <li>Brand and reputation</li> </ul>	<ul style="list-style-type: none"> <li>Social and Relationship</li> <li>Financial</li> </ul>	<ul style="list-style-type: none"> <li>Business &amp; Strategy</li> <li>Customer</li> <li>Credit</li> </ul>	Customer Experience Strategy
Regulators	Healthy	<ul style="list-style-type: none"> <li>Compliance with regulation</li> <li>Financial intermediation</li> <li>Ethical conduct</li> <li>Sound banking practices</li> <li>Reporting and disclosures</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory returns</li> <li>Trilateral and Bilateral meetings</li> <li>Onsite Examinations</li> <li>Industry forums</li> <li>Routine correspondences and policy making contributions</li> </ul>	<ul style="list-style-type: none"> <li>Key ratio i.e. CAR, LAR, LDR etc</li> <li>Fines and sanctions</li> <li>Open regulatory issues</li> <li>Returned filings</li> <li>Timely response/late submissions</li> </ul>	<ul style="list-style-type: none"> <li>Macroeconomic factors</li> <li>Increased regulatory landscape</li> <li>Market competition</li> <li>Brand and reputation</li> </ul>	<ul style="list-style-type: none"> <li>Financial,</li> <li>Intellectual,</li> <li>Social and relationship</li> </ul>	<ul style="list-style-type: none"> <li>Compliance</li> <li>Capital</li> <li>Liquidity &amp; Market</li> <li>Finance &amp; Tax</li> </ul>	Regulatory Compliance Strategy
Shareholders Investors	Needs Improvement	<ul style="list-style-type: none"> <li>Dividends</li> <li>Share price appreciation</li> <li>Sound operations and good balance sheet</li> <li>Sustainable growth strategy</li> <li>Good governance and experienced leadership</li> <li>Reporting and disclosures</li> </ul>	<ul style="list-style-type: none"> <li>Shareholder engagement forums</li> <li>Annual general meetings</li> <li>Annual reports</li> <li>BSE routine disclosures</li> <li>Face to face engagement</li> <li>Investor relations channels</li> </ul>	<ul style="list-style-type: none"> <li>Profit after tax</li> <li>Share price trade</li> <li>Earnings per share</li> <li>Prudential ratios</li> </ul>	<ul style="list-style-type: none"> <li>Macroeconomic factors</li> <li>Increased regulatory landscape</li> <li>New technologies</li> <li>Market competition</li> <li>Brand and reputation</li> <li>Talent and people</li> </ul>	<ul style="list-style-type: none"> <li>Financial</li> <li>Intellectual</li> <li>Human</li> <li>Social and relationship</li> <li>Natural</li> </ul>	<ul style="list-style-type: none"> <li>Compliance</li> <li>Finance &amp; Tax</li> <li>Capital</li> <li>Funding &amp; liquidity</li> </ul>	Corporate Strategy
Local Communities	Healthy	<ul style="list-style-type: none"> <li>Access to affordable financial solutions</li> <li>Treating customer fairly</li> <li>Good corporate citizen</li> <li>Job creation</li> <li>Societal and environmentally friendly operations and products</li> </ul>	<ul style="list-style-type: none"> <li>CSR activities</li> <li>Stakeholder Engagement sessions</li> <li>Promotions and Campaigns</li> <li>Public opinion forums</li> <li>Radio shows</li> </ul>	<ul style="list-style-type: none"> <li>CSR spend</li> <li>Financial inclusion indicators</li> <li>Carbon foot print and ESG KPIs</li> <li>Local empowerment programmes</li> <li>Employment statistics</li> </ul>	<ul style="list-style-type: none"> <li>Macroeconomic factors</li> <li>Increased regulatory landscape</li> <li>New technologies</li> <li>Partnerships</li> <li>Talent and people</li> <li>Brand and reputation</li> </ul>	<ul style="list-style-type: none"> <li>Financial</li> <li>Intellectual</li> <li>Human</li> <li>Social and relationship</li> <li>Natural</li> </ul>	<ul style="list-style-type: none"> <li>Business and strategic</li> <li>Brand and reputation</li> <li>Finance and tax</li> </ul>	Corporate Strategy ESG Strategy CSR Strategy
Suppliers Vendors	Excellent	<ul style="list-style-type: none"> <li>Tenders and Jobs</li> <li>Transparent Procurement process</li> <li>Timely payments</li> </ul>	<ul style="list-style-type: none"> <li>Advertisements</li> <li>Stakeholder Engagement Sessions</li> <li>Face to face engagement and debriefing</li> <li>Request for Proposals</li> <li>Supplier database</li> </ul>	<ul style="list-style-type: none"> <li>Citizen empowerment statistics</li> <li>Appeals and complaints</li> <li>Budget and time execution</li> <li>Technical and financial assessments</li> </ul>	<ul style="list-style-type: none"> <li>Macroeconomic factors</li> <li>Increased regulatory landscape</li> <li>New technologies</li> <li>Partnerships</li> <li>Talent and people</li> <li>Market competition</li> <li>Brand and reputation</li> </ul>	<ul style="list-style-type: none"> <li>Financial</li> <li>Manufactured</li> <li>Intellectual</li> <li>Social and relationship</li> <li>Natural</li> </ul>	<ul style="list-style-type: none"> <li>Business and strategy</li> <li>Brand and reputation</li> <li>Outsourcing</li> <li>Operational</li> <li>Legal</li> </ul>	Outsourcing strategy

What our Stakeholder Say

The feedback we received in our engagements throughout the country in 2024 was encouraging, constructively critical and suggested limitless possibilities for BBS Bank to consider. The Managing Director commenced stakeholder engagement sessions in various towns and cities across the country since beginning of the year. The meetings attracted diverse stakeholders being customers, shareholders, businesspeople and Government officials. The purpose was to apprise the audience of the transformational progress of the company, its performance, outlook and share mutual feedback on areas of improvement.

Meetings were also held commending company reports to stakeholders such as half year and annual financials, and the integrated report. Issuance of capital markets publications as required by Botswana Stock Exchange to further inform the shareholders, investors and public about developments in the Bank was also done. Engagements with debenture holders such as Botswana Privatisation Asset Holdings, Motor Vehicle Asset Fund (MVA) and Botswana Police Staff Scheme were carried out.

Feedback covered the following main areas:

New Products and Growth:

- Create special products for groups such as youth, savings groups, farmers, tourism businesses and small businesses.
- Offer loans to help suppliers working fulfil tender obligations.

Better Service for Customers:

- Fix the issue of customers not getting account statements.
- Speed up the process of giving out debit cards, maybe even instantly.
- Make sure bank staff wear name tags for easier identification.

Include Everyone in Banking:

- Ensure older people are not left out as the Bank goes digital and help teach both staff and customers about finances.

Building the Brand and Attracting New Customers:

- Run strong campaigns to attract new customers.
- Start a corporate social responsibility (CSR) program to build the Bank’s brand and attract more customers.

Improving Operations and Satisfying Shareholders:

- Use less paper in the Bank’s operations.
- Answer shareholder questions about when dividends will be paid.
- Keep offering mortgage loans for customers to buy homes.

Stakeholder Interests and Concerns distilled:

- Investors: Return on investment, financial stability, growth prospects.
- Regulators: Compliance with legal and regulatory requirements.
- Clients/Customers: Product accessibility, customer service quality, innovative financial solutions.
- Community Leaders: Corporate social responsibility (CSR) initiatives and local economic impact.

Engagements With our Regulators

These were also a priority throughout 2024 covering issues such as the following:

Regulators and Supervisors	Engagement
Bank of Botswana	<ul style="list-style-type: none"><li>• Regulatory engagements through the Governor visits by BBS Bank, Director Prudential Authority and Payment Oversight visits, trilateral and bilateral meetings, mutual informal engagements.</li><li>• Regular reporting, returns and onsite examinations (including Deposit Insurance Scheme of Botswana)</li></ul>
Botswana Stock Exchange	<ul style="list-style-type: none"><li>• Mutual visits and meetings regarding listing journey</li><li>• CEOs bilateral engagements</li><li>• Tshipidi and listing workshops</li></ul>
Companies and Intellectual Property Authority	<ul style="list-style-type: none"><li>• Regular returns and filings</li><li>• Workshops on IP and returns</li></ul>
Financial Intelligence Agency	<ul style="list-style-type: none"><li>• Tripple P partnership model</li><li>• FIA workshops support and collaborations</li><li>• FIA anniversary celebrations</li></ul>

Department Specific Stakeholder Engagements

Throughout the year, Heads of Department engaged with stakeholders specific to their areas primarily to promote our products and services to attract business for the Bank. Stakeholders engaged with throughout the year included district councils, land boards and private companies.

These engagements yielded positive results in the form of corporate current accounts, investments, and schemes not least using such opportunities to embed the new BBS Bank brand.

Internal engagements were also held throughout 2024. We cover these extensively in the section on human capital.

Our Purpose and How We Create Value

We envision to be a leader in the provision of financial services in Botswana, and we take our financial intermediation role to heart. We are guided by our internal and external values, which enable us to create and preserve value as we execute our purpose.

Our external values of Botho, Collaboration, and Inclusivity empower us to treat our customers fairly and deal with our stakeholders respectfully. These values allow us to collaborate and co-create unique products and services, delivering safe and unarmful products such as housing finance that leave lasting dignity for our people. We strive to be inclusive and diverse in our approach, whether through financial inclusion products targeting unbanked and underbanked members of our society, such as the new Lebotha wallet, or by being deliberately diverse and inclusive regarding qualifications, skills, experience, gender, and age for our leadership.

Additionally, our internal values of respect, integrity, innovation, service excellence, and teamwork have enabled us to come together as the Board, Senior Management, and Employees of the ‘Purple Bank.’ We leverage our diversity and strengths to build bespoke products and services, utilize new technologies, improve processes, and render unmatched customer experiences as we execute our strategy.

Our portfolio of banc-assurance offerings ensures that our customers enjoy peace of mind regarding any challenges that may arise from financial and credit decisions made. Our financial literacy outreach program, in partnership with Masheleng Production, airs regularly on national television (Botswana Television) and empowers our society with sound financial and investment decision-making.

The share price has steadily increased by more than 32% over the past 12 months (from P0.50 to P0.66), reflecting growing investor interest and value created for our shareholders following the attainment of the commercial banking license. This growth can be tied to the bank’s improving profitability, successful execution of the turnaround strategy, and growing traction across key income lines.

The value created, restored, and preserved from these capitals is reflected in our impressive financial and non-financial performance outcomes for the reporting period, as will be more fully detailed in the later sections of this report.

Our Business Model and Six Capitals

To overcome the limits of traditional financial reporting and to account for wider outcomes, the International Integrated Reporting Council (IIRC) issued the Six Capitals Framework. These also guide our materiality outlook.

The capitals are stocks of value that are affected or transformed by the activities and outputs of an organisation. The Integrated Reporting Framework categorizes them as



Across these six categories, all the forms of capital an organisation uses or affects should be considered. BBS Bank has seen the need to holistically understand its impacts on and inter-dependencies with the capitals beyond just financial, and how these promote the delivery of strategy and creation of value over time. In line with our transition and maturity journey, we have commenced the process of quantifying the indicators to measure performance of key areas, to enable us to report and explain our use of and the impact on the various capitals. These will result from the gap analysis, ESG rating tools, definition of material ESG topics, policies and strategies for the Bank, building of related governance frameworks, stakeholder reporting approach and capacity building work which is underway.

Materiality Determination

The identification and agreement on material matters entails an engaging and collaborative process by all internal stakeholders. However, the assessment of risks, opportunities and impact with respect to our operating environment and obtaining feedback from our material stakeholder groupings continues to be a key area of focus for the bank, in concluding our determination of materiality. For purposes of integrated reporting, the bank has determined that a matter is material if it could substantially affect the bank’s ability to create or preserve value over the short, medium and long term. Our material matters which will be solidified with the next reporting include macroeconomic factors, increased regulatory landscape, new technologies, partnerships, talent and people, market competition, brand and reputation. The material matters will be approved by the Board as the outcome of our materiality determination process.

Our Integrated Thinking and Reporting Process

In compiling this report, Management factored in our regulatory environment, key board discussions and resolutions, our strategic journey and progress, the operating environment and future focus areas, amongst others. A team comprising Business Relations & Marketing, Company Secretariat, Legal & Compliance and Finance worked together to produce the content of this report. Additional information was obtained from subject matter experts and business units including, but not limited to Risk Management, Internal Audit, Credit, Strategy & Projects, Human Resources and Information & Technology. To ensure the integrity of our report, oversight and reviews were provided by the Executive Management Committee ( Exco) through the leadership of the Managing Director, supported by assurance from Internal Audit and Risk Management, and final approval by the Board of Directors.

Our integrated thinking is aligned to our strategy and business plans, and it is intended that material matters will form part of the agenda and be considered or approved at meetings and annual strategy engagement sessions between Senior Management and the Board, after the development and implementation of our ESG Policy and accompanying processes is complete. More information on materiality and our stakeholder engagement is contained in the subsequent pages of this report.

Our consolidated annual financial statements were audited and assured by our external auditors, Ernst & Young (EY), reviewed by Bank of Botswana through a trilateral process and approved by the Board of Directors.

Approval by the Board of Directors

The Board acknowledges its responsibility towards the integrity of the bank’s external reporting. This report provides all matters as at the reporting date, that are material to the bank’s ability to create and preserve value or that may erode or result in the erosion of value in the short, medium and long term. The Board is satisfied that this Integrated Report represents a fair view of our performance, strategy, governance and risk management for the reporting period, and that disclosures required by section 215 of the Companies Act have been made and/or complied with. Accordingly, the Board approved this report on 26 May 2025.

Dr. V.B. Mogano ( Independent Board Chairperson)	P. Tafa (Managing Director)
G.M. Bakwena ( Non-Executive Director)	K.N. Moloyi (Lead Independent Director)
S. Lenong (Independent Non-Executive Director)	M.W. Mogotsi (Independent Non-Executive Director)
E.T. Rakhudu (Independent Non-Executive Director)	J. Kimani (Independent Non-Executive Director)
P.D. Letebele (Independent Non-Executive Director)	

Regulatory World and Disclosures

The report, which is produced in accordance with applicable reporting and governance requirements, is intended to provide stakeholders with a view of how the Bank and its subsidiaries continue to create value and sustainable operations in the short, medium and long term. An integrated report is a concise communication about how an organisation’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.

Reporting Framework	Integrated Report	Financial Statements	What is Disclosed
Banking Act, Cap. 46:04	✓	✓	Information on financial records, financial position, audited annual accounts including balance sheet and profit and loss statements, returns, statement of assets and liabilities, auditors, responsibilities of Directors and Other Officers of the Bank, and publication of information generally.
Companies Act, Cap. 42:01	✓	✓	Information on Directors and Secretaries, major transactions if any, delegation of powers, appointment of directors, accounting records, audit and disclosure by companies, auditors report, preparation and registration of financial statements, contents of annual report, and securities.
Financial Reporting Act No. 02 of 2022	✓	✓	Information on certified public auditor, financial reporting, auditing standards, auditor’s report, and corporate governance.
International Integrated Reporting Framework	✓	N/A	Information on the Bank’s integrated reporting, efficient allocation of capital, value creation, data and communication, accountability and stewardship, the capitals that a company uses or affects (financial, manufactured, intellectual, human, social and relationship, and natural),
International Financial Reporting Standards	✓	✓	Information on financial reporting, accounting standards, communication between the Bank and stakeholders, transparency, comparability and trust in financial reporting, sustainability disclosures, and informed decision making.
Bank of Botswana Guidelines on Corporate Governance For Banks	✓	✓	Information on the board of directors and senior management officials of the Bank, board composition, appointments, board of director and senior management responsibilities, governance and group structures, disclosures, board evaluation.
Basel Committee on Banking Supervision Corporate Governance Principles for Banks	✓	N/A	Information on board composition, qualification and board responsibilities, board structures and practices, senior management, risk management, compliance and internal audit functions, compensation, and disclosures.
Botswana Stock Exchange Sustainability Disclosure Guidance	✓	✓	Information on sustainable performance, risks and opportunities, business leadership, governance and management practices.
Botswana Stock Exchange Listing Requirements		✓	Information about the issuer (bank), the annual report, financial information, information about directors and management, and routine disclosures.
King Code on Corporate Governance, 2016 (King IV)	✓	✓	Information on leadership, ethics, corporate citizenship, strategy, performance and reporting, governing structures and delegation, governance functional areas, and stakeholder relationships.

# Pilediwa is Delivering

In our inaugural Integrated Report, we introduced you to our corporate strategy Pilediwa. BBS Bank is pleased to report that the strategy is delivering the desired results as the 2024 results demonstrate. Outstanding results have been achieved on all the four strategic themes of Pilediwa:

1 Financial	
Deliverables	Achievements
<ul style="list-style-type: none"><li>▪ Increase market share in loans and deposits</li><li>▪ Increase revenue</li></ul>	<ul style="list-style-type: none"><li>▪ Capital Adequacy Ratio of 23.5% against a target of 20.07%</li><li>▪ Liquid Asset Ratio of 15.6% against a target of 15.05%</li><li>▪ CIR of 72% against a target of 92%</li><li>▪ NFI of P54.5m against a target of P37.9m</li><li>▪ Profit After Tax of P40.4m against a target of P5.6m</li></ul>

2 Internal processes	
Deliverables	Achievements (Transformation)
	<div><div><ul style="list-style-type: none"><li>a. Strategy operationalisation<ul style="list-style-type: none"><li>▪ Transformation Risk Management</li><li>▪ Segmentation Strategy</li><li>▪ IT Strategy</li><li>▪ Digital Strategy</li></ul></li></ul></div><div><ul style="list-style-type: none"><li>b. Payment Systems<ul style="list-style-type: none"><li>▪ BACH Integration</li><li>▪ RTGS Payments</li><li>▪ SWIFT</li><li>▪ FOREX</li><li>▪ Money Market</li><li>▪ BISS Upgrade</li></ul></li></ul></div></div>
	Achievements (Digitisation and Automation)
	<ul style="list-style-type: none"><li>▪ Card Management</li><li>▪ Corporate Internet Banking</li><li>▪ Wire Waya Cardless Cash</li><li>▪ Pay to Number</li><li>▪ Lebotha Digital Wallet and Virtual Accounts</li><li>▪ MNO Payments (Orange Money, Mascom MyZaka and BTC Smega)</li></ul>
	Achievements (Credit Risk Management)
	<ul style="list-style-type: none"><li>▪ NPL Ratio on a downward trend from 6.3% to 5.51%</li><li>▪ Re-calibration of Credit Model to include Ipechetse</li><li>▪ Optimisation of the Auction Process for sales execution &amp; Properties In Possession</li></ul>
	Achievements (IT Optimisation)
	<ul style="list-style-type: none"><li>▪ Upgrade digital banking system</li><li>▪ Automated Patch Management</li><li>▪ Implementation of Security Operations Centre</li><li>▪ Cyber security assessment and remediation</li></ul>

3 Customer	
Deliverables	Achievements
<ul style="list-style-type: none"><li>▪ Improve product development</li><li>▪ Improve Customer Value Proposition</li></ul>	<div><div><ul style="list-style-type: none"><li>a. Services<ul style="list-style-type: none"><li>▪ Lebotha Wallet</li><li>▪ Wire Waya (Cardless Cash Withdrawal)</li><li>▪ FOREX</li><li>▪ Pay to Number</li><li>▪ Card Management</li><li>▪ Corporate Internet Banking</li><li>▪ MNO Payments</li></ul></li></ul></div><div><ul style="list-style-type: none"><li>b. Products<ul style="list-style-type: none"><li>▪ Current Account</li><li>▪ Business Current Account</li><li>▪ Maatla Funeral Cover</li></ul></li></ul></div></div>

4 Learning and Growth	
Deliverables	Achievements
<div><div><ul style="list-style-type: none"><li>a. Organisational Change</li><li>b. Talent and People<ul style="list-style-type: none"><li>▪ Innovation Committee</li><li>▪ Change Management Committee</li><li>▪ Research Committee</li><li>▪ CSR Committee</li><li>▪ Succession Planning</li><li>▪ Adopt a Branch/Department Program</li><li>▪ MD's Quarterly Staff Engagement Forum</li><li>▪ Financial Literacy Training for Staff</li><li>▪ Employee Health and Wellness Programme</li></ul></li></ul></div></div>	<ul style="list-style-type: none"><li>▪ Improving organisational culture</li><li>▪ Improved internal engagement</li><li>▪ Sustained training covering all areas of the bank</li><li>▪ Enhancement of staff welfare offering</li><li>▪ Implementation of the optimal structure</li><li>▪ Development &amp; review of Performance Management Policies</li><li>▪ Implementation of the Change Management plan</li><li>▪ Development of Succession plans for Tier 1 &amp; 2</li><li>▪ Adopt a branch/department</li><li>▪ Quarterly MDs staff roadshow</li><li>▪ Quarterly HR staff roadshow</li><li>▪ Continuation of an Employee wellness programme</li></ul>

5 Risk and Compliance	
Deliverables	Achievements
<div><div><ul style="list-style-type: none"><li>a. Risk Maturity Journey<ul style="list-style-type: none"><li>▪ Operationalisation of Risk Committees</li><li>▪ FCM Implementation</li><li>▪ AML Awareness Campaign</li><li>▪ Compliance Training and Awareness</li><li>▪ Establishment of CDD Unit</li><li>▪ Establishment of Whistleblowing Platform</li><li>▪ Review and Approval of Organisational Risk Appetite</li><li>▪ Review and Approval of Risk Framework and Policies</li></ul></li></ul></div></div>	<ul style="list-style-type: none"><li>▪ Terms of Reference for the Business Operational Risk Forum have been approved and a platform was provided where risk management was discussed, as a way of implementing the risk management framework. Monthly meetings were held, with cross functional teams allowing for an integrated approach and response to risks facing the Bank. An improvement has been noted in the risk culture of the Bank.</li><li>▪ The FCM Module was implemented during the year, strengthening the automation in the AML/CFT area.</li><li>▪ Capacity building initiatives were implemented coupled with assessment to evaluate understanding of the content provided and to build competence across the Bank.</li><li>▪ A Customer Due Diligence Unit has been established and capacitated to ensure that customer data is kept pertinent.</li><li>▪ A whistleblowing line has been established and is operational, for both internal and external customers.</li><li>▪ A comprehensive review of the Risk Appetite Statement is scheduled for 2025.</li><li>▪ The review cycle for policies is 2 and 3 years, being in 2025 and 2026. A batch of policies are planned for review in 2025. While in 2024 the Board approved a Funds Transfer Pricing Policy, which is under implementation.</li></ul>

6 What to expect in 2025	
Deliverables	Achievements
<ul style="list-style-type: none"><li>▪ VISA Prepaid Card</li><li>▪ T24 Upgrade</li><li>▪ Business Intelligence Tools</li><li>▪ Development of an ESG Strategy*</li><li>▪ Listing BBS Bank on the main BSEL counter</li></ul>	<p>*An Environmental Social Governance Strategy is top priority for BBS Bank. Work has begun to develop one in 2025 and its guidance will help deliver a much more comprehensive 2025 Integrated Report with measurements of important metrics across the entire bank.</p>



# Corporate Social Responsibility That Sustains

As a bank, we believe in living out the principle of *noblesse oblige*, that is, “privilege entails responsibility” because we are in a better position, thanks to our shareholders and customers, to be able to assist our communities, where we can. Therefore, we are pleased to report that we have a Corporate Social Responsibility Strategy (CSR Strategy) that was approved by the Board, and is in action.

## Our CSR Strategy is anchored on the following pillars:



### Business Partnering

- Collaborate with business partners and communities on initiatives
- Tap into arts and creative industries to boost the Bank's brand



### Education and Innovation

- Development of human resources through financial literacy education
- Identify and support research areas related to Botswana's development
- Support Letswai Primary School in Zutshwa



### Environment

- Identify and support environmental protection programs
- Undertake cleaning campaigns



### Social and Health matters

- Identify social welfare programs to partner with including those focused on youth development.
- Support initiatives that promote social cohesion or nationhood.
- Undertake a blood donation drive



### Economic Development

- Support rural development initiatives
- Support developmental initiatives with BBS Bank partners



### Staff Participation

During the year, BBS Bank staff engaged in several community engagements through their own initiative and enterprise. Such initiatives helped to strengthen the public's affinity with the brand.

The initiatives included an environment cleaning exercise in Gaborone which was attended by businesses around BBS Bank Head Office and community leaders including the then area Member of Parliament for Gaborone South and Councillors.

In partnership with the National Blood Transfusion Centre, BBS Bank also carried out a blood donation drive in Gaborone, Francistown, Maun, Serowe and Selibe Phikwe. Blood collection points were stationed near these BBS Bank offices with Staff and passers by dropping in to donate blood. Botswana's blood bank is always constrained and the gesture by BBS Bank was welcomed by the National Blood Transfusion Centre. Blood supplies are critical for saving lives of patients suffering from life threatening diseases as well as supporting complex medical and surgical procedures.

During the year, BBS Bank staff also donated stationery, shoes and socks to students of Letswai Primary School in Zutshwa, Kgalagadi North. BBS Bank adopted the school in 2013 including building a fully fitted library worth P1.2 million at the time.

### Financial Literacy with Masheleng

BBS Bank believes that it has a duty to educate its customers and Batswana in general on financial literacy matters and not just sell them products and services. To achieve this, we partnered with Masheleng Production on a financial literacy show that airs on Botswana Television once every week in the evenings. The show has attracted significant viewership. It is also helping to establish the new brand in the market.

The show covers a range of topics with experts drawn from the Bank and externally. Issues discussed on the show in 2024 include anti-money laundering, household festive spending, value of digital banking, the risks of having a bad credit record, getting out of debt, savings and post-Christmas financial obligations.

Each 24-minute episode is divided into three segments:

- Street Interviews** - The first segment gathers public opinions on a topic.
- Studio Interview** - In the second segment, a BBS Bank expert or an independent specialist provides insights on issues raised in the street interviews.
- Game Show** - The third segment is an interactive game, where participants answer questions related to the episode's topic. This game segment also sets the show apart from similar financial literacy programs on Botswana Television, which are sponsored by competing banks.





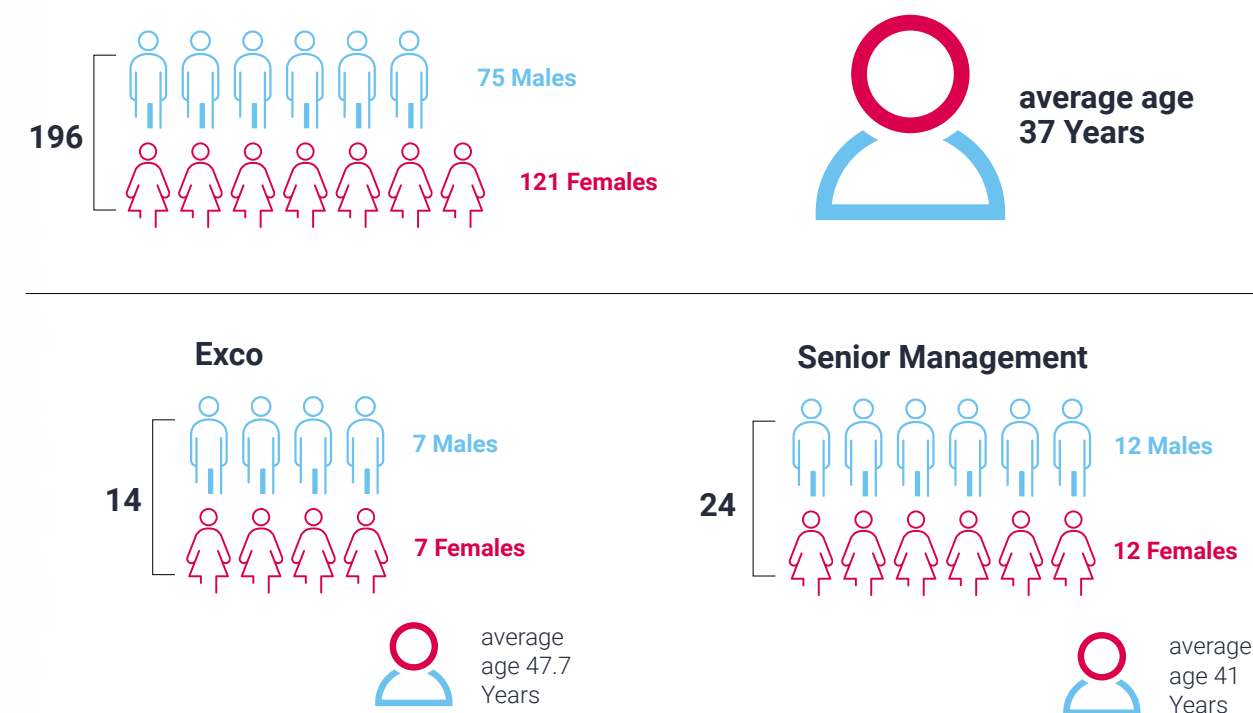
# Our people are the Bank

We do not mean the above lightly. That is why we have been able to produce a synergy far greater than our individual efforts as demonstrated by the results.

As colleagues, we not only work together but are on a journey to reach the summit together. We support, motivate and push each other for our collective success. We invested in our talent to build our leadership capability and grow our talent, whilst also ensuring that diversity and inclusion is embraced in our workforce. In 2024, the Bank ensured that vital staff touch points were attended to as is illustrated below.

## Staff Demographics

The Bank believes in a sense of belonging, inclusion and diversity, a strategic objective on the people agenda. Diversity representation at BBS Bank in respect of gender demonstrates progress, where we see 50% females and 50% males at both an EXCO and senior management level. The Bank had a total staff headcount of 196 by December 2024, with an average age of 37 amongst our workforce, whilst the average age at is 47 years and 41 for EXCO and Senior Management respectively.



The Bank also engaged

**47** interns

23 Males 24 Females

Across different areas of the Bank who are absorbed into full time employment as and when opportunities arise, if they meet requirements. The average age of our interns is currently 31, whilst the youngest intern is 22.



## Staff Engagement

Each quarter, our Managing Director visited operations across the country to update staff on the performance of the Bank and to share views with staff on what was going right, what else needed to be done and how they were faring at a personal level.

In addition to the above, in a bid to promote open communication, members of the EXCO team were assigned to business areas that they are not directly responsible for so that they can engage with them on matters of concern or how the Bank can improve. These "Patron" meetings are held monthly with feedback discussed at EXCO meetings for any intervention.

Heads of Departments are still required to hold meetings with their own departments. Such meetings continued to be held throughout 2024.

The Staff Townhall, the first of which was held in 2023, is proving to be a hit with staff. The sessions are held in February of each year and all the Bank's employees from across the country are bussed into Gaborone. The agenda typically includes a two-way talk on the Bank's progress, a motivational talk by an inspiring individual from whose life lessons are drawn that can be related to the work environment, breakaway session on topics such as risk management, customer service as well as personal financial management. The day is then rounded off with a relaxed atmosphere in the evening.

This year we had a truly inspiring guest Hein Wagner whose motivational talk is delivered under the theme "Man with vision." Hein was born blind but has not let what would be viewed as a limitation by the able-bodied affect his life. He was sent off to boarding school where he thrived, he worked in a formal corporate environment, he is married, lives in Sweden and travels the world alone delivering his talks.

His life experiences deeply moved staff members, and his message was very powerful: No matter what the challenges are, you can succeed if you put your mind to it. Equally, as a new bank in a very competitive environment, BBS Bank can rise above any challenge.

Change management initiatives also continued during the year spearheaded by our Change Management Committee. We are still in transition, and it will be so for a while. Therefore, it is important that we have our pulse on the views of staff to manage them and expectations accordingly. Change Management activities were conducted throughout the year covering areas such as adapting to change and embedding BBS Bank Values which is a critical component to our performance management process and company culture.

The Managing Director concluded the year with a virtual staff wide meeting that focused on areas such as:

- Refreshing staff on the Bank's Mission, Vision and Mission
- Financial performance of the Bank
- Outlining achievements delivered in the year as driven by the Pilediwa Strategy
- Staff welfare matters
- Stakeholder Engagement activities carried out during the year and why they were done.

Staff had the opportunity to engage with the Managing Director on her address and were left generally enthused by the progress made in 2024.



### Training

As we strive to be an employer of choice, we continue to invest in our staff by ensuring that employee skills are enhanced through training. The training spend as a % of staff costs is 1,36% in 2024. In our bid to equip staff to deliver on our company strategy, various training interventions for staff was implemented ranging from soft skills, technical skills, regulatory focused training and leadership training, all of which was both internal and externally focused.

### Remuneration

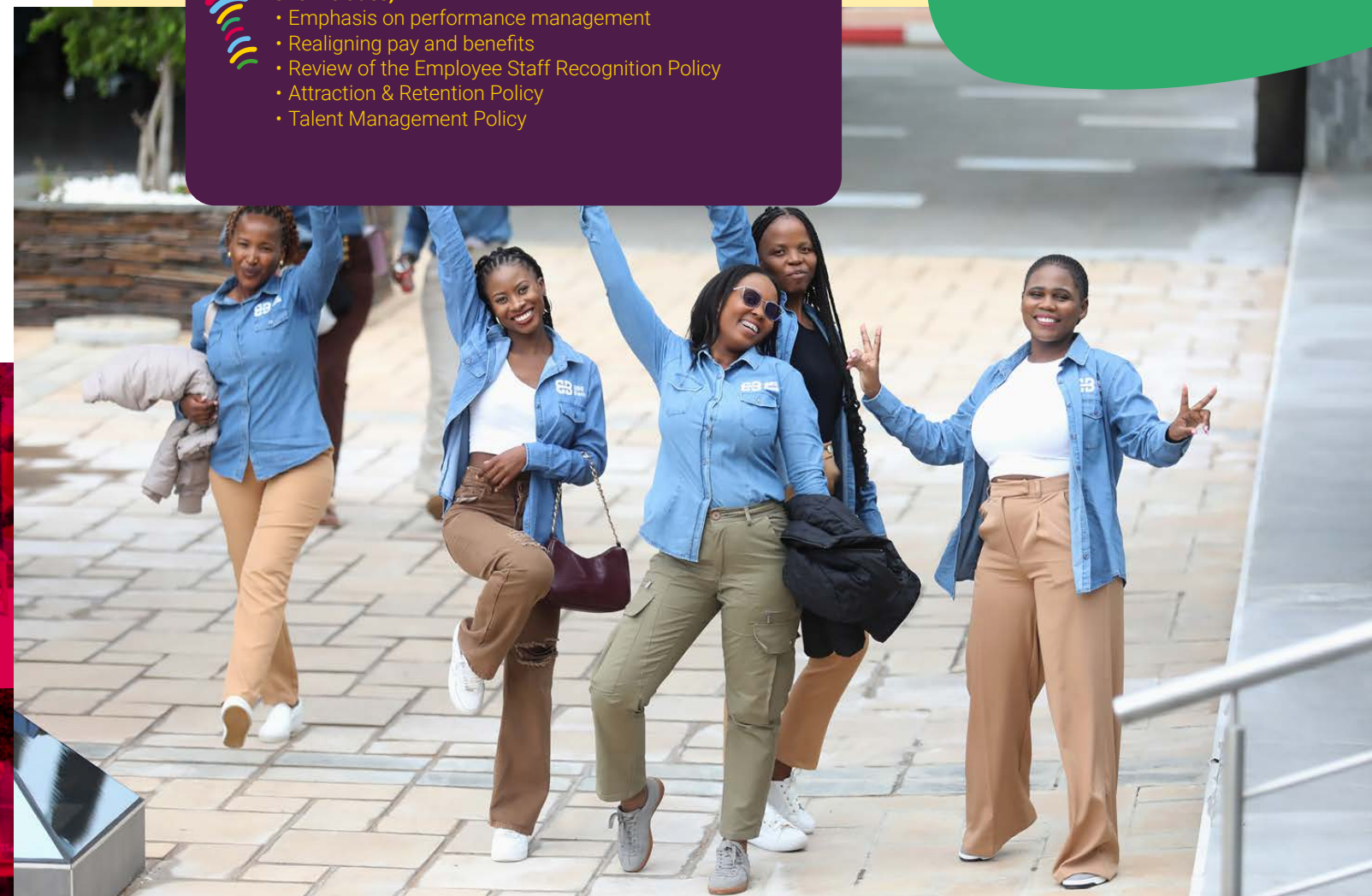
As we thrive to build a high-performance culture, as well as attract and retain talent, we engaged a human resources consultant to overhaul the Incentives and Performance Management Policy, which is critical to the delivery of our Pilediwa strategy. The policy seeks to outline both the financial and non financial rewards for all staff, with an alignment to performance. The policy also outlines the Short-Term Incentive (STI) which includes; annual performance bonuses and non - monetary awards. Long-Term Incentive (LTI) plans which also form a key component of the policy are also included for purposes of talent retention, this incentive plan includes; long term cash incentive and share option schemes. The policy benchmark is in line with best practise and subject to the performance of the Bank.

The Bank also participated in an annual salary survey through Tsa Badiri consultancy (Kornferry), to ensure that the Banks' pay philosophy is aligned and competitive in the market. The Bank's total guaranteed package approach includes; basic salary, pension and or gratuity, medical insurance and social insurances. In terms of consideration of annual package adjustments, consideration is based on the Banks performance and financial position.



#### Key considerations for the Bank's remuneration for 2025 includes;

- Emphasis on performance management
- Realigning pay and benefits
- Review of the Employee Staff Recognition Policy
- Attraction & Retention Policy
- Talent Management Policy





# Chairman's Statement



**Dr. Vincent Bino Mogano**  
BBS Bank Board Chairman

On behalf of the BBS Bank Board of Directors, I am pleased to report that our Pilediwa Strategy is delivering the intended results. It has laid the foundation for a successful retail bank that has enabled us to emerge from a succession of lean years in fair shape. From a loss of P21.3 million in the prior year, the BBS Bank Group recorded a profit of P38.4 million during the year under review. We are back, thanks to your support.

Without a doubt, for the Board, this has also been a very interesting year as we gained greater understanding of our shareholders, customers and future customers through various interactions. Therefore, it has been a year of deep reflection and new insights into how we can ensure that our strategy connects, adapts and evolves to surpass your expectations.

## Governance

I am pleased that during the year under review the Board worked hard to entrench the right corporate governance culture that is founded on internationally recognised principles, applicable local legislation and policies.

Having the right foundation has also made it easy to attract sound talent to our Board. Therefore, during the year, we were joined by four new Board Members being Ms. Ewetse Rakhudu, a lawyer and retired central banker with decades of experience, Mr. Mmoloki W. Mogotsi, who is a Chartered Accountant and senior corporate leader in the fast moving consumer goods industry thus bringing unique business perspectives to the Bank, Mr. John Kimani, a retired commercial banker with vast expertise in operations and information technology, and Ms. Pulane D. Letebele a Chartered Accountant and former Auditor General of the Republic of Botswana. We are pleased to have such diverse talent and experience on our Board.

## Board Performance Evaluation

For the Board to be effective, it also must measure its performance. It is an entrenched culture and practice that is done annually as a matter of course. To ensure independence, the performance assessment was facilitated by an independent expert. The overall results were pleasing with only minor gaps needing to be closed. These are being addressed through continuous training for Directors.

## Board Engagements

The Board also kept abreast with developments in the Bank through various engagements and quarterly meetings. It also got to appreciate the efforts and vision of staff after being invited to the 2024 Staff Townhall.

Management kept the Board updated as the strategy was being implemented by holding a mid-term strategy review session and sharing budget considerations for our input.

## Listing on the Stock Exchange

The successful evolution of the business lies in realising that its full potential can be achieved by leveraging available growth opportunities. One such opportunity is migrating from the current Serala Over-the-Counter platform (OTC) and listing the Bank on the main bourse of the Botswana Stock Exchange.

Management will put together a stakeholder engagement programme where we will explain the benefits of listing in detail, the timelines involved and decisions required from Shareholders.

## Dividend and Share Price

We are sure that upper most in Shareholder's minds will be whether the Bank will pay out a dividend now that a profit has been made. Our opinion is that it is still early to pay out a dividend. While it is pleasing that we have made a profit, it is modest and there are further investments that need to be made for the Bank to be strong. The time to pay dividends will come and hopefully, it is not too far off.

Related to the above, is the issue of the share price which declined to under P1 over time. The share price is improving, having grown more than 38% to now 68t per share I urge you to continue exercising patience.

Despite the above situation, I would like to express the great satisfaction and appreciation of the Board with the handsome manner that the Bank has been treated by its Shareholders over the years. BBS Bank is enroute to becoming a great asset for the country, thanks to their innate optimism.

## Conclusion

I would like to assure Shareholders that we have a very strong team in place comprising the Board, Management and Staff, who all approach their clearly defined but complementary roles with the right determination and thoroughness. We have struck a progressive tone which promises well for the Bank's future. Indeed, we are forging ahead.

Thank you,

Vincent Mogano, Ph.D.  
**Chairman**



# Pego ya ga Modulasetilo

Mo boemong jwa Khuduthamaga ya BBS Bank, ke itumelela go le begela gore moalo wa rona wa go godisa kgwebo wa Pilediwa, o ntshitse maduo a a kgatlhisang. Moalo o dirile gore re nne le motheo o o re kgontshitseng go nna le ngwaga o montle morago ga dingwaga tsa leshekere. Go tswa mo tatlhegelong ya P21.3 million ngwaga tlola, kgwebo ya rona e dirile poelo ya P38.4 million mo ngwageng o re o sekasekang. Re boetse mo maemong a mantle ntateng ya kemonokeng ya lona.

Kwa ntle ga pelaelo epe, Khuduthamaga le yone e ne ya tlhologanya le go feta dikeletso tsa babeeletsi ba rona, badirisi ba ditlamelo ba gompieko le ba isago morago ga go nna re kopana le bone makgetlho a le mmalwa. Ka jalo, e nniile ngwaga wa go itshekatsheka mo go tseneletseng le dithuto tse di sha tsa gore re ka tlhomamisa jang gore moalo wa kgwebo o lomagana jang, o itepatepanya e bile o pota ka kwa ditsholofelo tsa lona jang.

## Tsamaiso

Ke itumelela gore mo ngwageng o re o sekasekang o, Khuduthamaga e ne ya itoma molomo wa tlase fela thata go tlhomamisa gore tsamaiso e e lolameng e bile e ikaegile ka matshego a a maleba le melao, e jwelella mo komponeng.

Go nna le motheo o o siameng gape go dirile gore go nne motlhofo go ngoka maloko a a motia a Khuduthamaga. Ka jalo, mo ngwageng o, re ne ra nna le maloko a masha e leng Mme Ewetse Rakhudu yo o nang le dithuto tsa molao e bile a dirile ka lobaka lo lo leele kwa go Mmadibanka (Bank of Botswana), Rre Mmoloki W. Mogotsi, yo e leng moitsaanape wa tsa madi e bile e le mogolwane mo mhameng wa itsholelo wa dithoto tse di dirisiwang thata ke sechaba (FMCG) ka jalo a re thusa go leba dilo mo bankeng ka tsela e e haphegileng, Rre John Kimani yo o e leng moitsaanape wa tsa maranyane e bile a berekile e le mogolwane mo dibankeng ka lobaka, le Mme Pulane Letebele yo e leng moitsaanape wa madi e bile a kile a dira e le modupi mogolo wa dibuka tsa Puso ya Botswana. Re itumelela thata go nna le maitsaanape a a anameng jaana le kitso e e tseneletseng mo khuduthamageng ya rona.

## Tshekatsheko ya go dira ga Khuduthamaga

Go re Khuduthamaga e ntshe maduo a mantle, e tshwanetse ya nna e itshekatsheka. Se, ke ngwao le tsamaisa e e dirwang ngwaga le ngwaga. Go tlhomamisa gore maduo a go itshekatsheka ga a kgotlhelesege, tshekatsheko e e dirwa ke moitsaanape yo o ikemetseng ka nosi. Maduo a a sobokilweng a ne a kgatlhisa mme go na le diphatlha tse e seng tsa sepe fale le fale tse di tlhokanang le go kabiwa. Se se dirwa ka go rutuntsha maloko a Khuduthamaga gangwe le gape.

## Ditiro tsa Khuduthamaga

Khuduthamaga e ne ya nna e butse ditsebe ka tse di diragalang mo bankeng ka go tsenelela mediro le go tshwara diphuthego tsa yone. E ne gape ya nna le sebaka sa go iponela ka matlho maiteko le tebelopele ya babereki ka go nna bontlha bongwe jwa modiro wa bone wa botlhe wa 2024. Botsamaisi le jone bo ne jwa tlhomamisa gore Khuduthamaga e itse gore moalo wa kgwebo o tsamaya jang mo bokopanong jwa go o sekaseka le go arogana maele a gore madi a go tsamaisa kgwebo a kgaogantswe jang. Khuduthamaga e ne ya ntsha maikutlo le megopolo ya yone mo go tse.

## Go ikwadisa mo seelong se se golwane sa diabe

Go atlegela pele ga kgwebo jaaka e ntse e gola go ka nonotshiwa gape ke go tswela ga yone e batla metlhale e mengwe ya go gola. Nngwe ya yone ke go tswa mo le sekaleng se se kwa tlase sa Serala sa ba Botswana Stock Exchange re ya kwa go se se kwa go dimo.

Botsamaisi bo tla lo itsise gore re tla kopana le lona leng go bua ka botlalo ka bo mosola jwa go fudugela kwa seelong se se kwa go dimo, gore go elediwa gore go diragale leng le ditshwetso tse lo tla kopiwang gore lo di tseye lo le beng ba kompone.

## Morokotso le boleng jwa diabe

Re tlhologanya sentle gore babeeletsi ba ipotsa gore a banka e tla ba duela morokotso kana jang jaaka go dirilwe dipoelo. Tshekatsheko ya rona ke gore nako ga e ise e fitlhe ya gore banka e ka duela morokotso. Le ntswa go itumedisa gore re dirile dipoelo, ga di a nona e bile go santse go na le dingwe tse re tshwanetseng go di duelela gore banka e e itsetsepele sentle. Nako ya go duela morokotso e tlaatla mme tsholofelo ke gore e fela fa.

Kgang e e tsamaelanang le e ke ya gore boleng jwa seabe bo ne jwa wela kwa tlase ga Pula e le nngwe mo tsamaong ya nako. Re dumela thata gore ka jaanong re tsentse mo tirisong mekono e tlhokwang ke banka, boleng jwa seabe bo tla oketsega mo tsamaong ya nako. Ke kopa gore lo seka lwa fela pelo.

Le fa seemo se ntse jaana, ke eletsa go lo leboga mo boemong jwa Khuduthamaga ka fa lo tswang kgakala ka teng lo tshegeditse banka. Banka ya BBS e mo tseleng ya go nna sekgantshwane sa Botswana ntateng ya tumelo ya lona mo go yone.

## Bokhutlo

Ke batla go tlhomamisetse babeeletsi gore re na le setlhophha se se motia se akaretsa Khuduthamaga, Botsamaisi le Bodiredime botlhe ba dira ka bonokopila. Re agile mowa wa bojamongo, selo se se supang bokamoso jo bo ntle jwa banka. E le ruri re gatetse pele.

Ke a leboga,



Vincent Mogano, Ph.D.  
**Modulasetilo**



# Managing Director's Statement



At BBS Bank, we always believed that the Bank would turn the corner. However, we would not have achieved this without your support. The results we are presenting to you will no doubt make for inspiring reading that we can go far if we continue working as a team.

Ms. Pedzani Tafa  
Managing Director

## Finance Performance

Our business recorded a profit after taxation of P38.4 million for the year ended 31 December 2024, representing a significant improvement compared to a loss of P21.3 million reported for the year ended December 31, 2023. This marks its first profit since demutualisation in 2018.

This improved performance is primarily attributed to the P11.5 million profit from the sale of one of the Bank's properties.

Excluding this item, the adjusted profit stands at P26.9 million, which is still an improvement over the prior year. Detailed figures on this wonderful performance are in subsequent pages of this report.

## Staff Appreciation

It is important that at the outset, I highlight the immense contribution of BBS Bank employees to the growth we are celebrating.

This past year, we spent a lot of days and long nights implementing new banking systems, embedding sound risk management practices and aligning our compliance to new regulations, as well as launching of new products and services. Not once, did I receive reports of a loss of energy or enthusiasm regarding the hard work that was being done. For that, I would like to express my profound thanks to the entire Purple Team.

## Staff Welfare and Engagement

The Bank did much to ensure that staff welfare was prioritised. You will read in detail in the relevant section of this report the types of training, offered internally or externally, that staff undertook as well as many other initiatives to boost morale.

There is a recognition in the Bank that impactful output cannot be expected of staff if they are not strengthened in any way. Ours is also a relationship of "give and take" that is founded on mutual respect and forms one of our core pillars in Pilediwa.

## Our commitment to customers

As the economy and expectations of our customers evolve, there can be no standing still for BBS Bank. Therefore, we are committed to becoming a household name catering for mass-segment banking customer needs. BBS Bank has the building blocks to do this being its present offerings spanning Nomad Digital Banking, Personal Loans, Insurance Covers, Building Loans, Savings Accounts, Current Accounts including Business and Youth Current Accounts, and Forex Services. We will be rolling out more exciting products and services in the coming financial year.

In the position we now occupy as Botswana's first and only home-grown commercial bank, we are aware that if we do not meet the needs of our customers, other banks whose supremacy we are challenging will most assuredly push us to the rear. However, I would like to assure our customers that we are up for the challenge because through a combination of hard work, good management, patience, fore thought and shrewd business decisions, we have shown that we were able to produce a synergy far greater than our individual efforts as our 2024 results show.

## Stakeholders

One of my most gratifying excursions during the year under review was my direct engagements with BBS Bank stakeholders throughout the country. Your support, enthusiasm, suggestions of how we can serve you better, amongst others, gave us much food for thought. The sessions were truly mind expanding. We continue to distil the suggestions and will act on some of them in the fullness of time.

I look forward to giving you an update in the 2025 meetings on the progress your bank is making and on its dreams for the future. One of the biggest, being to list on the main board of the Botswana Stock Exchange as the Board Chairman states.

## Community Partnerships

We are back in full force to partnering with our communities in various initiatives through our Corporate Social Responsibility (CSR) program. The BBS Bank CSR Committee is made up of younger staff members and is led by an equally young person, Audrey Ramosweu. It developed a strategy for the





next three years and several initiatives were rolled out during the year, including a blood donation drive in the lead up to the festive season. These are reported on in detail in the relevant section of this report.

#### Rebranding

Another exciting development during the year has been the rebranding of our premises throughout the country and offsite spots. Our buildings now carry the new bold brand that heralds our presence in the local banking market. "BBS Bank" is a full word or name on its own that pays homage to our founding heritage. Therefore, the "BBS" in "BBS Bank" is not to be elongated in the name of the predecessor entity.

#### Strategic Outlook

The Group remains committed to implementing its Corporate Strategy, designed to steer the organisation through the ongoing transition period and into the future. This strategy which includes transformation initiatives, aims not only to expand the business but also to ensure that it performs well. Central to this strategic roadmap is the unwavering focus on generating enhanced shareholder value.

As at the reporting date, the Group made considerable progress in executing key projects designed to enhance its banking capabilities. These efforts have been carried

out with the objective of improving the Group's market competitiveness and strengthening its foundational operations.

By focusing on long-term results and optimising shareholder returns, the Group is on track to achieve its goals of **prolonged prosperity and wealth creation**.

#### Appreciation

To express my appreciation to the Board for support during the year. We look forward to continued and constructive relations.

All in all, this has been a good year for the Bank where the business was well monitored, business models continued to be remodelled, and staff moulded into a cohesive unit.

Thank you,

Pedzani Tafa  
**Managing Director**

## Pego ya ga Mookamedi

Re le babereki ba banka ya BBS, e sale re nnile le tumelo ya gore e tla dira sentle jaaka go diragetse. Mme re kabo re sa fitlhelela se kwa ntle ga kemo nokeng ya lona. Re dumela gore maduo a re lo a rolelang a, a tla lo itumedisa e bile a supa fa re ka kgona go le gontsi fa re gata mmogo.

#### Maduo

Kgwebo ya rona, e dirile poelo ya P38.4 million mo ngwageng o wetseng ka Sedimonthole a le masome a mararo le motso, ngwaga e le wa 2024. Se ke koketsego e tona ka gore ka ngwaga wa 2023, re ne ra gatisa tatlhagelo ya P21.3 million. Ke lantlha re dira poelo e sale re fetola kgwebo go nna banka ka 2018.

Maduo a mantle a, a dirilwe segolobogolo ke dipelo morago ga thekiso ya nngwe ya dikago tsa banka ka P11.5 million.

Le fa madi a tse a ntshiwa mo mading a dipelo, re ntse re dira poelo ya P26.9 million e le yone e supang fa re dirile botoka thata fa go tshwantshannwa le ngwaga o o fetileng. Dintlha ka botlalo tsa maduo a a nametsang pelo a di mo ditsebung tse di latelang tsa pego e.

#### Go akgola Bodiredi

Go botlhokwa gore di tloga, ke gatelele go dira ga natla ga babereki ba banka ya BBS mo kgolong e re e itumelelang e.

Mo ngwageng o sa tswang go feta re ne ra rwala masigo ka tlhogo re tsenya mo tirisong maranyane a banka, ditsamaiso tse di lolameng e bile di sireletsa banka ka bo yone, babeeletsi le badirisi ba ditlamelo tsa banka le go tsenya mo tirisong ditlamelo tse di sha. Mo go direng tiro e kanakana e, ga ke ise ke bone ba lapa kana, go lapisega le go wela tlase ga maikemisetsa go aga banka. Ke ka moo ke batlang go ba phophotha magetla le go ba leboga go menagane, babereki ba, ba banka e mmala o selaole.

#### Tlhokomelo ya Bodiredi le go itekodisana

Banka e ne ya dira go tlala ka diatla go bona gore babereki ba tlhokomelesega sentle. Lo tla bala dintlha tse ka botlalo mo karolong e e maleba ya pego e ka tse re di dirileng, di akaratse le dithuto tse ba neng ba di tsena, di dirwa kwa ntle le mo teng ga banka.

Re a lemoga re le banka gore babereki ga ba kake ba ntsha ga tshwene fa ba sa tiisiwe moko ka tsela epe. Ya rona kamano ke ya neelano e agetswe mo go tlotlaneng, se e le nngwe ya matshego a moalo wa rona wa kgwebo wa Pilediwa.

#### Maitlamo a rona mo badirising ba ditlamelo tsa rona

Jaaka seemo sa itsholelo le tsholofelo tsa badirisi ba ditlamelo di fetoga, banka ya BBS ga e na nako ya go ipona tsapa. Ka re le banka e nosi e tlhologang mo Botswana, fa re sa kgone go diragatsa dikeletso tsa badirisi ba ditlamelo tsa rona dibanka tse dingwe di ka re direla mathata. Mme ke na le tumelo ya gore re eme sentle go itepatepanya le kgwetlho epe ka gore re dira ka natla, ka tsamaiso e e lolameng, re na le telebelopele e bile re tsaya ditshwetso tsa kgwebo tse di

botlhale. Ke ka moo re neng ra kgona go le gontsi ka 2024. Maduo a rona a supa se.

#### Ba bangwe ba re nang le kamano le bone

Sengwe gape se se neng sa ntlhatswa pelo mo ngwageng o fetileng e ne ya nna bokopano jwame le ba re dirisanyang nabo lefatshe ka bophara, ba akaretsa bana le diabe. Kemonokeng, matlhagatlhaga le megopolo ya lona ya gore re ka tokafatsa ditirelo tsa rona jang, magareng ga tse dingwe, di ne tsa re thusa go nonotsha megopolo ya rona. Re tswelletse ka go tlhotlha megopolo le go itlama go diragatsa e e nang le moro fa nako e ntse e tsamaya.

Ke ipaakanyetsa go lo fa tekodiso ka 2025 ka tse banka e di kgonneng le tse e ikaelelang go di dira isago. Nngwe ya tse di tona ke go hudusetse diabe tsa banka kwa seelong se se fa godimo kwa go ba Botswana Stock Exchange.

#### Tirisanyo le sechaba

Re simolotse gape go thusa makgotla a farologanyeng a a tlhokang. Komiti e e lebaganyeng le se e na le badiri ba e leng banana e bile e eteletswe pele ke monana o mongwe e bong Audrey Ramosweu. E dule ka lenaneo la dingwaga tse tharo le le nang le mananeo a le mmalwa a le tla a diragatsang mme mangwe a ne a dirwa ngwaga o ne o . A akaretsa go abiwa ga madi ke babereki ba banka pele go iwa keresemoseng. Tsotlhe tse re di bega ka botlalo mo karolong e e maleba ya pego e.

#### Tebego e ncha

Nngwe ya tse re di dirileng ngwaga o e ne ya nna go fetola ka fa madirelo a rona a lebegang ka teng lefatshe lotlhe. Dikago tsa rona jaanong di bonwa ka mebala le lotshwao le le sha e bile di bonala sentle. "BBS Bank" ke leina le feletse mme le tlotla ditso tsa banka tse e leng motheo wa yone. Ka jalo, "BBS" o mo "BBS Bank" ga a tshwanela go taolosiwa a bidiwa ka leina la mokgatlho o o neng o le teng pele ga banka e nna teng.

#### Tebelopele

Re ikemiseditse go tswelela re diragatsa moalo wa rona wa kgwebo, o ka one re ikaeletseng go e isa kwa pele. Moalo o, o o akaretsang maano a le mmalwa, go ikaeletswe ka one go atolosa kgwebo le go tlhomamisa gore e dira bontle. Konokono ya moalo o ke go tlhomamisa gore babeeletsi ba a ungelwa.

Ka nako ya fa re ntsha pego e, kgwebo e ne e segile tema e e bonalang mo go tsenyeng mo tirisong mananeo a le mmalwa. Tse tsotlhe di diragadiwa go tlhomamisa gore kgwebo e emelana le phadisanyo e e mashetla le go tiisa ditsamaiso tsa yone.



Ka go tsepamisa matlho mo go ntsheng maduo a mantle go ya pele le gore babeeletsi ba boelwe, kgwebo e mo tseleng ya go fitlhelela maikemisetso a yone a go godisa ba e dirisanyang nabo.

#### Ditebogo

Ke eletsa ka go wetsa ka go isa malebo a Botsamaisi kwa Khuduthamageng go bo ba ne ba re eme nokeng mo go tlhatswang pelo ngwaga o. Re solofela gore tirisanyo mmogo e, e tla tswelela.

Fa re wetsa, o e nnile ngwaga o monamagadi mo bankeng e kgwebo ya yone e neng e tsamaisiwa sentle, ditsamaiso di tlhabololwa le bodiredi bo lomangwa gore bo nne seope sengwe.

Ke a leboga,



Pedzani Tafa  
**Mookamedi**



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- Up to 85% financing of your Purchase Orders.
- Loan terms from 30 to 120 days, with a grace period if needed.
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# Head of Finance's Report



Head, Finance  
Hildah Mhaladi

## Foreword

The Group demonstrated significant progress in 2024, successfully executing key elements of our transformation strategy. This resulted in a commendable turnaround, achieving a Group profit after tax of P38.5 million, a substantial improvement from the P21.3 million loss reported in 2023. This performance underscores the positive impact of our strategic initiatives and the dedication of our Board, Management, and Staff.

Key drivers of this success included robust growth in Net Interest Income, primarily driven by expansion in our unsecured loan portfolio. While navigating challenging local economic conditions marked by contraction in key sectors like diamond mining, the Group maintained a strong financial position, strengthened its capital base, and ensured adequate liquidity. We remain focused on enhancing operational effectiveness, managing risks prudently, and continuing our growth trajectory to deliver sustainable value to our shareholders.

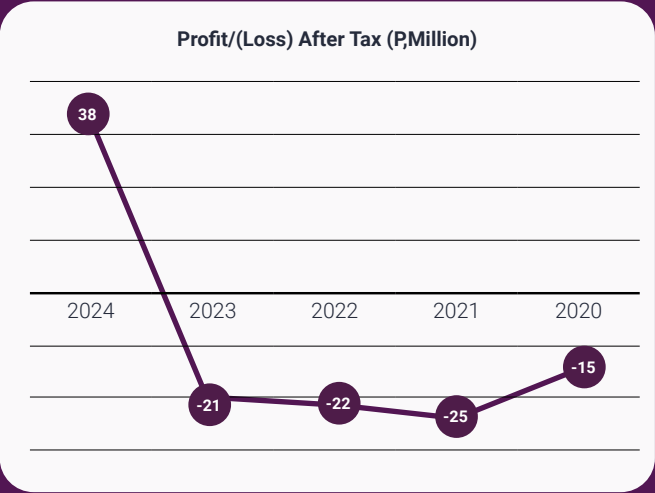
## Operating Environment

The Group continuously monitors the operating environment, including global and local economic trends to inform our operations and strategy. Globally, economic growth is projected to remain stable but subdued at 3.3% for 2025 and 2026, with declining inflation expected. Locally, the Botswana economy faced headwinds, contracting by 3.3% in Q3 2024, largely due to a 16.1% decline in diamond mining output year-on-year up to Q3. Significant fiscal deficits are forecast in 2025, highlighting the need for economic diversification. Public Administration & Defence remained the largest GDP contributor in 2024. These challenging conditions, particularly the uncertainty surrounding diamond exports, require careful navigation. Despite this environment, the Group remains committed to implementing its strategic objectives.

## Financial Performance Review

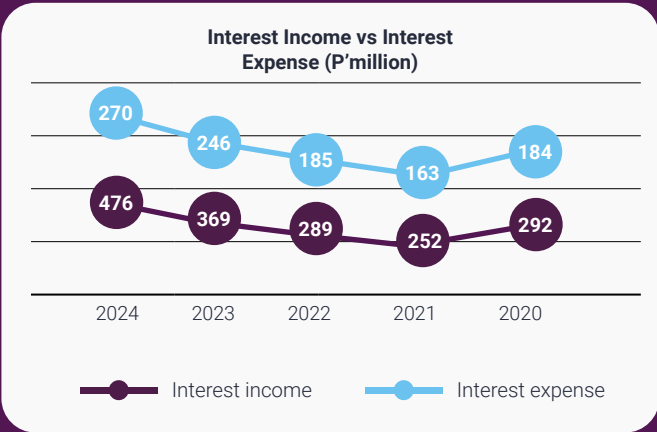
### Profitability

The Group achieved a profit after tax of P38.4 million, a significant turnaround from the loss of P21.3 million reported for the year ended 31 December 2023. This improvement reflects the initial successes of our corporate strategy. It also marks the first year the Group has reported a profit since demutualisation in 2018.



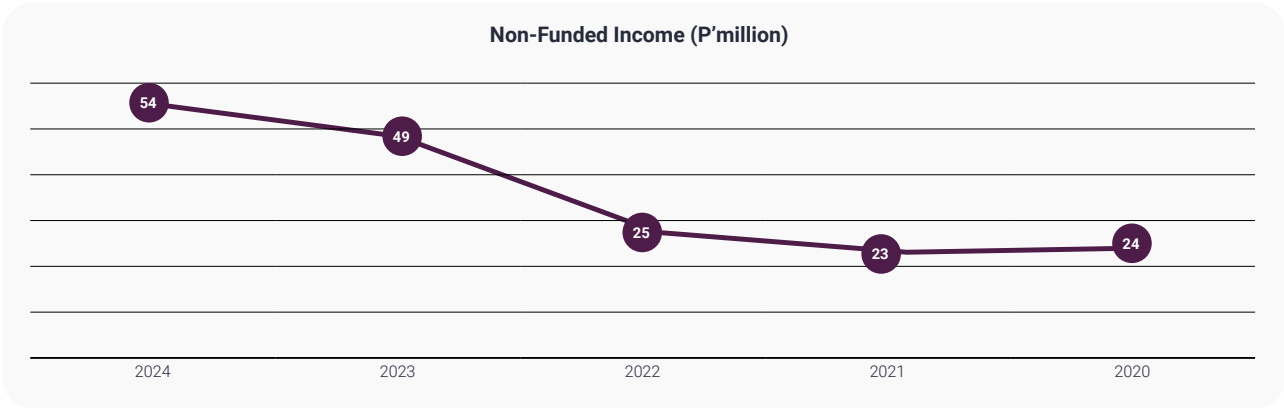
### Net Interest Income (NII)

NII grew significantly by 68% year-on-year, increasing from P122.3 million to P206.4 million. This growth was primarily driven by a P154.6 million contribution to interest income from the strategically expanded unsecured loan book. Interest expense increased by 9% to P269.7 million, mainly due to an expanded deposit base needed to fund asset growth. Despite this, the net interest position remained strong, demonstrating the Group's ability to capitalise on the growing demand for its credit products.



### Non-Funded Income

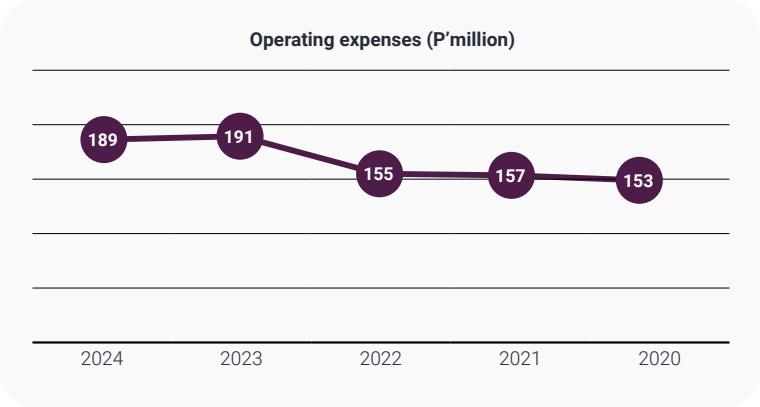
- Net Fee and Commission Income declined by 14%, or P37.8 million. This decrease was primarily attributable to a reduction in insurance commissions from the Insurance Agency, which was driven by lower loan disbursements. The subdued loan disbursements were influenced by a strategic approach to asset growth during the year.
- Although there has been a marginal increase in fees from services and products introduced subsequent to obtaining the Banking license in 2022, as well as enhancements to the digital banking platform, these revenue streams have not yet achieved the targeted levels. This is largely due to low transaction volumes and limited activity across our digital platforms.
- The Group remains committed to increasing the volume of Current and Savings Accounts (CASA), aiming to positively impact this income stream in the upcoming year.
- Other Income rose substantially from P5.3 million to P16.6 million, boosted by profits from the disposal of properties.



### Operating Expenses

Operating expenses (excluding ECL and impairments) decreased modestly by 1%, totalling P189 million. While additional transformation expenses contributed to an increase in operating costs, this was offset by a reduction in personnel expenses, which decreased from P101.1 million to P93.1 million. The prior year's personnel expenses included a one-off staff exit cost of P15.5 million.

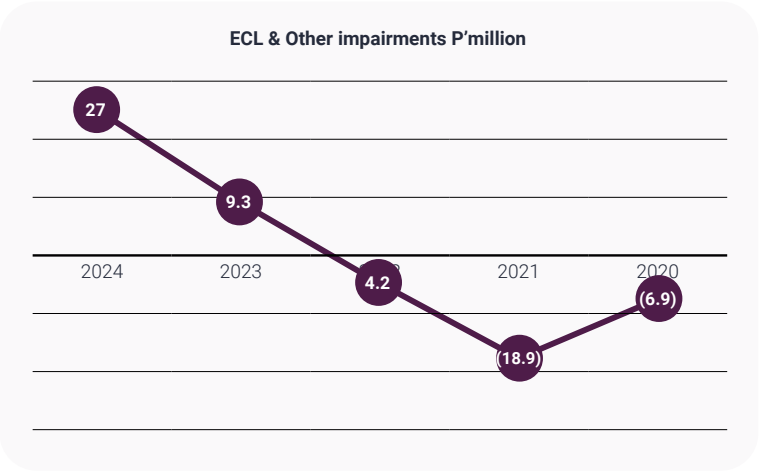
**1% ↓** | **P189 million**  
(2023: 191 million)



### Expected Credit Losses & Other Impairments

Charges for Expected Credit Losses (ECL) increased from P6.0 million to P19.1 million, primarily driven by the unsecured loan segment. Other portfolios experienced modest fluctuations. Additionally, impairments on Properties in Possession (PIPs) increased from P3.3 million to P7.9 million, reflecting challenges in attracting competitive bids that align with current market values.

**▲** | **P14.1 million**  
(2023: P5.4 million)

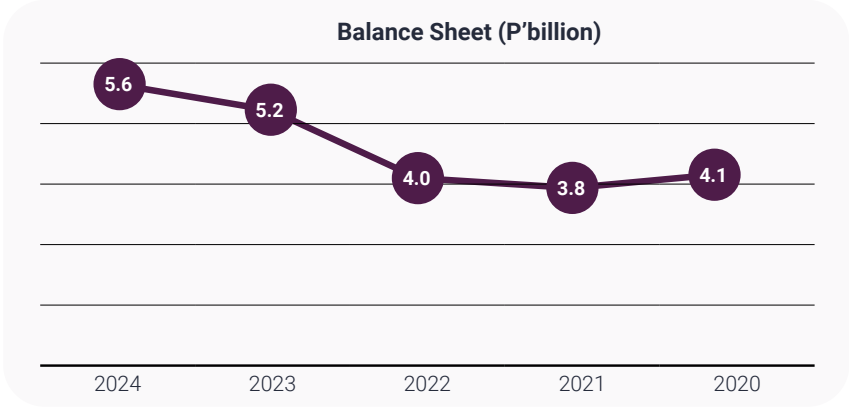


### Balance Sheet Strength

#### Total Assets

The Group maintained a strong financial position, with total assets growing by 8% from P5.2 billion to P5.6 billion year-on-year.

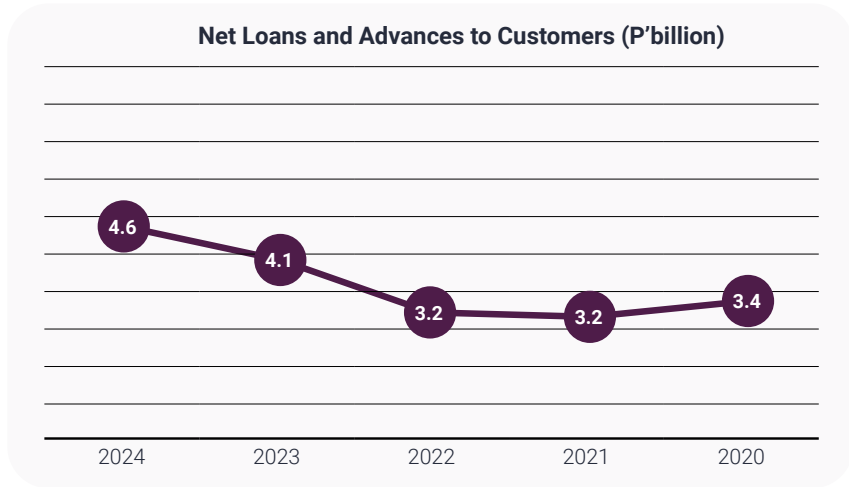
**▲** | **P5.6 billion**  
(2023: P5.2 billion)



#### Net loans and Advances to customers

Net loans and advances increased from P4.1 billion to P4.6 billion. This growth was largely attributable to the unsecured loan portfolio, which expanded by 70% during the year. Mortgages and other products remained stable, showing resilience in a competitive market.

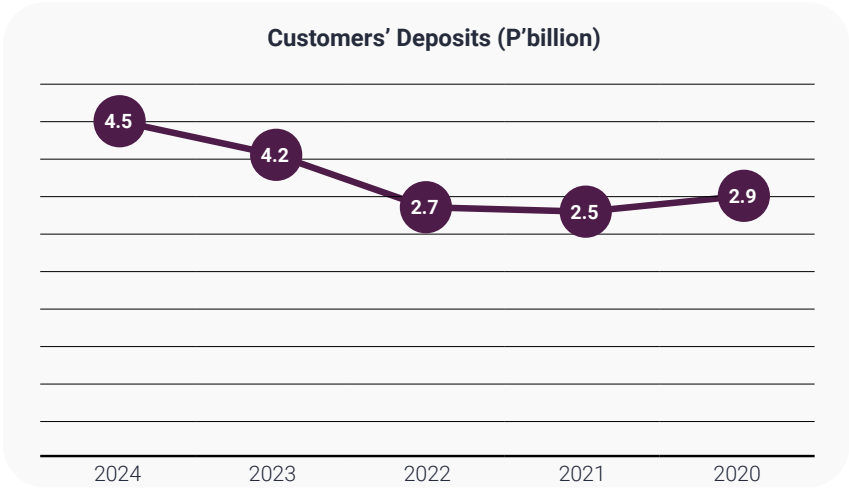
**▲** | **P4.6 billion**  
(2023: P4.1 billion)



#### Customers' Deposits

Customer deposits grew by 6%, from P4.2 billion to P4.5 billion, reflecting continued support from retail and corporate customers. Expanding our current and savings account base remains a key focus for 2025 to manage funding costs effectively.

**▲** | **P4.5 billion**  
(2023: P4.2 billion)

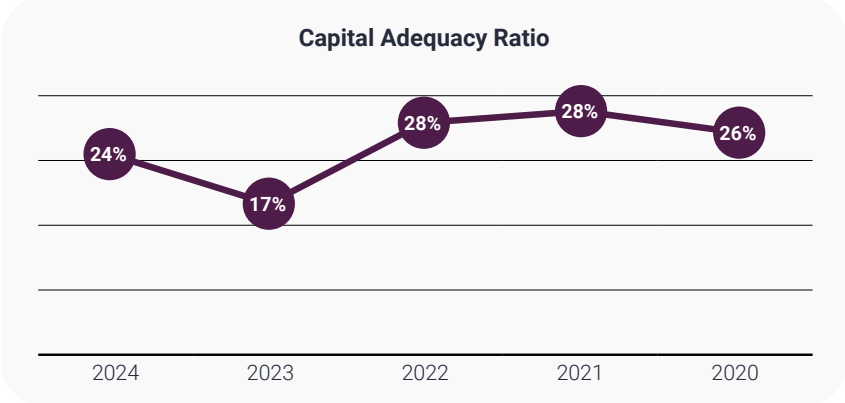




## Capital Management and Liquidity

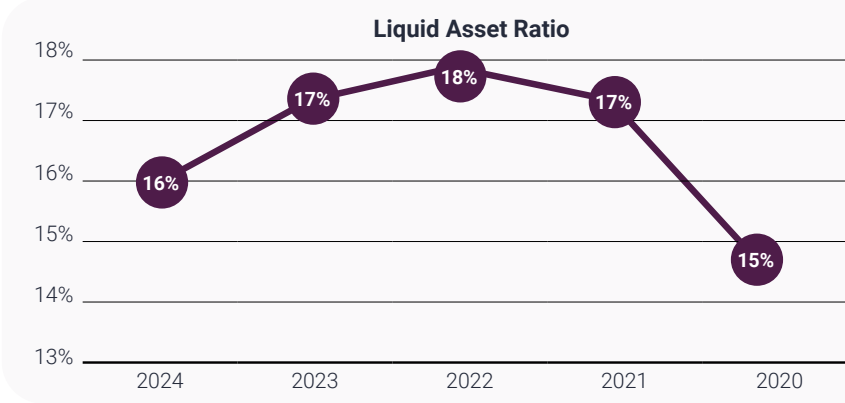
### Capital Adequacy

The Group significantly strengthened its capital position, with the Capital Adequacy Ratio increasing from 17.2% to 23.5%. This was achieved through the conversion of P91 million in debentures to Tier II capital and the addition of a P100 million Tier II facility, demonstrating prudent capital management and ensuring sufficient capacity to support growth.



### Liquidity

The Group's liquidity remains robust, with a Liquid Asset Ratio of 15.6%, well above the 10% statutory minimum. This strong position ensures we can meet obligations and navigate market volatility.



### Outlook

Entering the third year of our transformation strategy, the Group will continue executing its turnaround plan. Our focus remains on enhancing return on investment, operational effectiveness, and pursuing sustainable growth. Key priorities for 2025 include optimizing our funding mix by growing current and savings accounts, managing credit quality diligently, and leveraging our strengthened capital base to support strategic initiatives. While mindful of the economic challenges, we are confident in our strategy and our ability to navigate the evolving landscape to achieve prolonged prosperity and optimize shareholder returns.

Thank You

Hildah Mhaladi  
Head of Finance

## Forex

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**currency**  
at a time

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the foreign  
currency for  
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**3631642/3631691** to get our  
daily rates.



# BBS Bank Governance Philosophy

The Board continued to uphold the highest standards of corporate governance and set the tone from the top through exemplary leadership, and exhibiting the values and behaviours expected of all stakeholders of the Bank. It is our firm belief that high standards of governance, ethical conduct, integrity will foster a responsible culture and business practices that will promote sustainability of the business and value creation for all stakeholders.

## Our Governance Objectives

We have committed to continuous improvement of our corporate governance practices and policies, and to promote ethical and/or effective leadership to attain the four governance outcomes of Ethical Culture, Good Performance, Legitimacy and Effective Control as espoused by the King IV Code of Corporate Governance.



### Ethical Culture

The Board assumes responsibility for the Banks's ethical culture as required by the Board Charter. The Board has approved various governing documents including the Code of Ethics Policy, which requires ethical banking practices and conduct in our actions, and consciousness of their impact on the clients, the society and the environment. A Conflict of Interest and Related Party Dealings Policy is also in place and it requires Directors and Officers of the Bank to avoid situations that may place them in a position of potential conflict, relative to their obligations towards the Bank. Directors are required to disclose potential or actual conflict, perceived or real, upon appointment and thereafter at each Board or Committee meeting with respect to matters on the agenda. A Director does not participate in a matter in which he or she is conflicted. To manage any potential conflicts and insider dealing, transactions of Board members or their related parties with the Bank, including

credit transactions are mandated to be at arm's length and no preferential treatment is given than that which is available to ordinary members of the public. Both Directors and Senior Management are subject to the continuous fit and proper requirements, that entail annual declarations (including conflict of interest and outside directorships) in terms of the Bank of Botswana Guidelines on Corporate Governance for Banks. Employees are required to exhibit the BBS Bank values in their daily work and to treat customers fairly. The Bank has in place policies that guide employee behaviour and ethics, and in addition, unethical conduct is reported through our anonymous Tip-Offs hotline in line with our Whistleblower Policy. Employees are enjoined to declare interests over potential or real conflicts, such as employment of relatives, procurement matters and declaration of gifts and hospitalities.

### Good Performance

The Board is accountable for the performance of the Bank, and any outcomes of the Bank's activities and outputs on the society, economy and the environment in which we operate. The Board continues to oversee the execution of our 'Pilediwa' strategy, that was approved by the Board at the beginning of our commercial banking journey. The strategy, whose objective is to turnaround the financial performance and embed commercial banking capabilities,

is monitored quarterly at each board meeting. The relevance of the assumptions is tested and validated by the Board of Directors at our annual strategy and budget session, to ensure that the business plans remain adaptable. In line with the Pilediwa Strategy, Management implements the business plan and tracks performance against key indicators, which are reportable to the Board.

### Legitimacy

The Bank continued to embrace the building and maintenance of trust from all our stakeholders through a stakeholder inclusive approach, that strives to understand and balance the needs, interests and expectations of our stakeholders. A Stakeholder Management Policy is in place and recognises the need for maintaining open channels of communication. Through our stakeholder engagement plan, we sit down with regulators and industry players to deliberate on issues of mutual interest. We meet with investors and shareholders to create understanding of our journey, our performance and future plans. Through our distribution channels and branches, we engage with our clients to collect valuable insights and feedback, that helps us to co-create lasting banking solutions and enriched customer experience. Complaints, queries and compliments are tracked and feedback taken as an opportunity to

enhance our offerings, efficiencies and approach. Separate engagement plans exist for the different stakeholder groupings, and we have commissioned annual Townhalls to engage with employees, in addition to the adopt-a-branch initiative where each executive team member has adopted a business unit and/or branch to parent and guide on strategy, performance, operational issues and other developments within the Bank. The responsibility for the overall stakeholder engagement resides with executive management, with reliance on different functions to engage with their relevant stakeholders on an ongoing basis. More information on stakeholder analysis, groupings, engagement plans, their interests and needs, material matters, and capitals affected is shared under the Stakeholder Engagement section of this report.

### Effective Control

In line with the corporate governance requirements, the Board oversees and monitors the adequacy of the control environment, relative to the nature and size of operations and the risks that the Bank faces. The Board is ultimately responsible for the effective control through available governance practices, sub-committee structures and

policies, which are supported by the combined assurance work of the lines of defence being internal audit, compliance and risk functions. Quarterly reports are made to the board by these functions, for oversight and informed decision making, indicating how the functions have been able to create or preserve value.



Key Board Focus Areas in 2024

In pursuit of value creation and guided by our strategic plan, the Board continued from our 2023 Integrated Report and invested time on:

a. Leadership Changes and Succession Planning

i.Board Changes

Succession planning is one of the key functions of the Board as a whole, assisted by the Board Human Resources, Remuneration and Nominations Committee. The balance of skills, experience, qualification and diversity attributes is continuously monitored and remediated where gaps are identified. The retirement of Directors upon term expiry and recruitment of new ones is underpinned by Board continuity which is fostered through succession planning. This succession planning takes into account any skills needs and their alignment to the strategic intent of the Bank. The Board considered the retirement of directors Messers V. Ramalepa and D. Kalyanaraman respectively, whose three-year term had expired and were retiring. To fill the vacancies, the board considered the appointment of Ms. T. Rakhudu and Mr. M. Mogotsi, whose resolution was individually passed by the shareholders at the 2023 AGM. The board also considered the resignation of Messers B. Mzizi and L. Maseng respectively, who were replaced by Mr. J. Kimani and Ms. P. Letebele. Their appointments form part of the Agenda for the 2024 annual general meeting. All these appointments were to ensure continuity and improve capacity strength especially in the identified areas of accounting, financial reporting and audit practice, legal and regulatory, board leadership, banking, strategy and information technology and generally to comply with regulatory requirements. The Bank had to remediate the level of related party representation on the board by appointing additional independent non-executive directors. The Bank also remediated the membership of the Audit Committee to ensure that it is comprised of independent members by appointing additional independent non-executive directors. These changes led to the re-composition of board committees, which is disclosed in detail at the ‘Board Committees’ section of this report. Lastly, the board considered the re-election of Dr. V. Mogano and Ms. K. Moloyi whose term is coming to an end, and being eligible have both offered themselves for re-appointment. The re-election of retiring directors will also be considered at the 2024 annual general meeting.

ii. Executive Management Changes

Regarding Executive Management, the Board also oversaw the recruitment of Head of Credit, following the retirement of the then Head Credit, Ms. Susan Ntsima. The role was succeeded by Mr. Pako Moshaga who commenced duty on 11 July 2024. The Board also considered the recruitment for the role of Chief Operations Officer, a new role in the structure, which was assumed by Mr. Elly Odhong` on 6 January 2025. The profile of both Mr. Moshaga and Mr. Odhong is contained at the ‘Executive Management Profiles’ section of this report.

**Capitals Affected :** Human, Intellectual, Social and Relationship  
**Stakeholders :** Board, Employees, Shareholders and Regulators

b. Executive Management Succession Planning and Talent Management

In line with its responsibilities, the Board approved the development and implementation of succession plans for the role of Managing Director. Readiness levels have been assessed, and talent conversations held with potential successors to determine their developmental areas and monitor progress. The Board also provided oversight on the executive management succession plans, with routine reports from Management. More information on succession planning and talent management is provided under the HR report.

**Capitals Affected :** Human, Intellectual, Social and Relationship  
**Stakeholders :**Board and Employees

c. Strategy Execution

2024 marked the second year of implementation of our Pilediwa strategy. Strategy Execution and Monitoring was made a key agenda item for board meetings and it enabled the board to closely monitor the subject, to receive key reports, dashboards, and progress updates on the execution of the commercial strategy. The board was able to provide insights and collaborated with Management on shaping the ultimate results for the year and hedging the associated risks. The Board believes that the strategy plan is suitable to enable sustainable growth and to achieve the plans and targets set by the Bank.

**Capitals Affected :** Human, Intellectual  
**Stakeholders :** Board and Employees

d. Volatile Operating Environment

i.Capital

We experienced volatility in our capital adequacy ratio, dropping from 26% at the beginning of the year to 19% in Q1, due to the aggression in asset growth and implementation of our strategic initiatives. This affected our ability to maintain the trajectory and impacted our targets as we applied our risk management controls. This coincided with the time when fund raising in the market was challenging due to our infancy journey. However, we were able to successfully raise Tier II Capital amounting to P150 000 000, enabling a spirited resumption of the strategy execution from Q2 of 2024. Despite lagging on initial targets, the Bank managed to deliver a healthy financial performance, as shown in our financial performance report. Management has begun the process of reviewing our risk appetite statement and capital thresholds to reflect our circumstances and the environment. Despite this, the Bank remained compliant with the prudential capital adequacy ratio of 12.5%.

ii. Liquidity

There was general market liquidity challenges from Q3 of 2024 until end of the financial year. This was primarily driven by aggressive deposit rates from the competition, cashflow challenges by businesses and customers, cashflow challenges on the side of Government, continued low yield from diamonds sales, below expected performance of Government board auctions, amongst other. This drove the deposit rates to unaffordable rates and put the Bank under pressure to relentlessly defend maturities and hunt for new ones are rates beyond our appetite.

iii. Changes in Government and Geo-Political Developments

2024 was an election year for Botswana, which saw the ushering in of a new government and changed of power from the ruling Botswana Democratic Party to Umbrella for Democratic Change. It was the first time since independence in 1966 that a different party won national elections, and the change brought uncertainties over the priorities and policies of the new government, and their eventual impact on the Bank’s strategy. Many other countries held elections like South Africa which also for the first time saw a loss of popular vote by the ruling African National Congress, leading to a Government Unity. This also needed close monitoring due to the importance of South Africa as a key trading partner. The USA is one of the countries that went for national elections and welcomed a new President, Mr. Donald Trump, whose multiple executive orders, ranging from immigration, sanctions, withdrawal of funding to some countries and sectors, tariff wars stirred panic and uncertainty about the new world order. The implications of sociopolitical tensions, such as the Ukraine/ Russia, Gaza/Israel, Israel/Iran, Syria, and the Middle East wars added to the volatility. Despite these challenges, the Bank delivered impressive financial results and created value from the second year of implementing the strategy.

iv. Credit Risk

There was a rise in non-performing loans due to the introduction and acceleration of new unsecured loan product ‘Ipechetse’. Stress also showed on the mortgage book as some customers have never fully recovered from covid-19 impact and there were separation exercise by some sectors. The mortgage growth rate remains behind target mainly due to shortage of affordable low cost to medium cost housing in the local market. We have strengthened our credit origination and collection processes to minimize the loss and improve recoveries, as well as making adequate provisions.

V. Technology

The board continued to pay close attention to cyber security, as a material threat to the Bank’s transformation and architecture. An IT Strategy was approved by the Board which covers a review of systems and applications, IT department structure, operating model, disaster recovery and business continuity management, data analytics, IT policies, document management, cyber security, data privacy and process automation amongst others, and it is undergoing implementation.

**Capitals Affected :**Human, Intellectual, Social and Relationship  
**Stakeholders :** Board, Employees, Regulators, Customers, Shareholders

Focus Areas for the Board in 2025

The board will continue to closely monitor and focus will be on these key areas, amongst others:

Strategy execution	Macroeconomic factors	Implementation of IT Strategy
Cyber Security and Data Protection	ESG Strategy	HR Strategy
Listing Process	Regulatory matters	Business growth avenues

Key Board Discussions and Approvals

In line with its mandate, the Board considered and/or resolved on these key matters, all aimed at creating, protecting and minimising the risk of value erosion for our stakeholders during the reporting period:

Jan-Mar	Apr-Jun	July-Sep	Oct-Dec
<b>Discussed</b> the results of the board performance and evaluation exercise.	<b>Discussed</b> stakeholder engagement report and activities	<b>Attended</b> the annual board corporate governance training, and performed board evaluations.	<b>Attended</b> the annual board strategy and budget exercise
<b>Discussed</b> the balance of skill, knowledge and experience in the board.	<b>Discussed</b> the monetary policy changes and impact on strategy, people and culture matters, performance of BBS Insurance Agency and product offerings.	<b>Approved</b> the 2023 Internal Capital Adequacy Assessment Process (ICAAP), Funds Transfer Pricing (FTP) Policy, Capital Plan, revised Asset and Liability Management Policy and Market Risk Management Framework	<b>Reviewed</b> the strategy assumptions and <b>approved</b> budget for 2025

<b>Discussed</b> the AML/CFT Agreed Upon Procedures outcomes.	<b>Discussed</b> and approved the half year review plan	<b>Approved</b> the IT Strategy	<b>Approved</b> Internal Audit Plan, Combined Assurance Framework, Risk Appetite Statement, Capital Plan
<b>Discussed</b> strategy implementation and progress against targets.	<b>Discussed</b> regulatory matters from the Special Purpose and AML/CFT onsite examinations	<b>Discussed</b> Strategy Implementation and Monitoring	<b>Approved</b> a syndicated revolving facility for the mining sector
<b>Considered</b> the external auditor contract extension	<b>Approved</b> a facility for utility purposes	<b>Approved</b> the consolidated half year financials and publications	<b>Discussed</b> business performance and <b>approved</b> the independent auditor full year audit plan
<b>Approved</b> the appointment of new directors.	<b>Approved</b> the revised Credit Policy	<b>Approved</b> the P2Bn Supplementary Programme Memorandum	<b>Discussed</b> the amendments, impact and plan for the Data Protection Act of 2024
<b>Approved</b> the Annual Financial Statements, Going Concern Assessment and accompanying reports	<b>Approved</b> the Corporate Social Responsibility (CSR) Strategy	<b>Discussed</b> the Performance Management and Incentives Policy	<b>Discussed</b> the progress updates on the Bank of Botswana Onsite Examination matters
<b>Approved</b> procurements to upgrade core banking system	<b>Discussed</b> the actions from the 2023 Board Alignment Session	<b>Approved</b> the Code of Conduct Policy	<b>Approved</b> the Performance Management and Incentives Policy
<b>Approved</b> succession planning for the role of Managing Director	<b>Discussed</b> and debriefed on 2023 AGM proceedings feedback	<b>Approved</b> the recruitment of new independent non-executive directors	<b>Considered</b> employee reward and recognition incentives
<b>Approved</b> governance documents such as Disciplinary Policy, Procurement Policy, Internal Audit Charter, Pillar II Report and BBS Bank Constitution	<b>Approved</b> the revision of organizational structure to include role of COO	<b>Approved</b> the revision of board remuneration, subject to shareholder resolution	<b>Adopted</b> the Board Performance and Evaluation Report
<b>Held</b> the annual general meeting and all key resolutions were passed.	<b>Approved</b> board committee re-composition, following retirements and appointment of new directors	<b>Discussed</b> the business performance and financial projections	<b>Discussed</b> business expansion strategies, and listing journey
<b>Attended</b> staff Townhall	<b>Approved</b> the re-alignment of tenure for executive management contracts	<b>Discussed</b> the new Combined Assurance Framework	<b>Discussed</b> the updates on rebranding exercise, Masheleng financial literacy TV program and stakeholder engagements
	<b>Approved</b> the re-appointment of Company Secretary, Head of Internal Audit and Head of Finance	<b>Discussed</b> partnerships with Government and the government agenda	<b>Approved</b> the annual work plan for 2025
	<b>Discussed</b> the remuneration of non-executive directors		
	<b>Discussed</b> disaster recovery architecture, ALCO Matters, enterprise-wide risk and strategy execution		



## Our Governance Structure

Our Board of Directors functions within a clearly defined governance framework, which enables delegation of authority and clear lines of responsibility, while allowing the Board to retain effective control. We maintain a unitary structure, and the Board continued to be supported by three (3) sub-committees, each mandated to provide thorough deliberation, recommendations and specific expert guidance on matters affecting the business and strategic activities. The Board has delegated and entrusted to Executive Management, through the Managing Director, the operational management of the Bank, with close monitoring of performance against set targets. In accordance with the Bank of Botswana Guidelines on Corporate Governance for Banks of 2022 the Board retains the responsibility for the ethical leadership, oversight and long-term success of the Bank and to ensure that sound governance practices are embedded across all business operations. The Board is satisfied that it has fulfilled its responsibilities in accordance with applicable regulations, the BBS Bank Constitution and the Board Charter.

## Responsibilities of the Board

In terms of Governance, the Board has four main governance responsibilities, all of which are geared towards the creation of value, the preservation of value and mitigating the erosion of value for stakeholders:

### Strategy

The Board sets and steers the group's strategy and its short-, medium- and long-term direction towards realising the group's core purpose and values,

### Policy and Planning

The Board approves policies, frameworks, budgets, plans and procedures that help the group deliver on the strategy and proceed in the set direction.

### Monitoring and Oversight of Strategy Execution

The Board oversees and monitors the implementation and execution of strategy by Senior Management.

### Accountability and Transparency

The Board ensures accountability for organisational performance and transparency through, among other things, reporting and disclosures.

## Delegation of Authority

Being the custodian of corporate governance, the Board works with a delegation of authority framework comprising of charters, terms of reference, policies and frameworks. The detailed roles and limits of responsibilities are documented in each individual policy, charter or terms of reference. In accordance with King IV, the Board ensures that its role, responsibilities, membership requirements, committees and procedural conduct are documented in a charter, which it regularly reviews, to guide its effective functioning. The Board Charter provides an overview of how the business of the Bank is to be conducted by the Board in accordance with the principles of good governance. Comprehensive management papers and reports are submitted to the Board for each meeting to facilitate constructive discussion of the business operations. Committee Chairpersons submit their respective reports to the Board after each committee meeting. The Board Committees established by the Bank are the Audit Committee, the Risk and Compliance Committee, and the Human Resources, Remuneration and Nominations Committee, supported by the Executive Management Committee and other operational Management sub-committees. These enable Management and the Committees to account to the Board over the delegated mandates. To this end, the Board is satisfied that the arrangements for delegation within its own structures promote independent judgment and assist with the balance of power and the effective discharge of duties, contribute to role clarity and the effective exercise of authority and responsibilities.

### Board And Committee Structure



## Board Composition and Diversity

The Bank maintains a unitary Board structure, and the roles of Board Chairperson and Managing Director are distinct and separate. Pursuant to our Constitution, the minimum number of Directors is five (5) while the maximum number is nine (9), the majority of whom should be independent non-executive Directors. Independence is determined if the board concludes that there is no interest, position, association or relationship which when judged from the perspective of a reasonable and informed third (3rd) party, is likely to influence unduly or cause bias in decision-making in the best interest of the Bank. The Board Charter requires that the Board should be constituted in such a way that it can successfully discharge its duties with distinction and the Board regularly considers whether its size, diversity and demographics makes it effective. The Bank of Botswana Guidelines on Corporate Governance for Banks requires BBS Bank to have an adequate number of board members, proportionate to the size, complexity, and risk profile of the Bank, and an appropriate composition of board members who are capable of exercising judgement independent of the views of management or any external interests.

### a. Independence

A Board skills matrix is maintained and reviewed regularly to ensure that at all times, the Board skills and experience are rightly balanced. As at the reporting date, the Board comprised a full complement of nine (9) directors, seven (7) of whom are independent, one (1) is non-executive and one (1) is executive. The board is proud that the majority of its members are independent non-executive, representing a positive score of 78%.

### Independence

		Executive
7	1	1
Independent non-executive directors		Non-executive

b. Balance of Skills, Qualifications and Experience

The appropriate mix of skills and expertise ensures that the board as a whole, is well equipped to guide and drive strategy and thereby create and protect value. The skills represented include commercial banking, legal and regulatory compliance, human resources, risk management, assets and liability management, strategy and board leadership, project management, information and technology, accounting, audit practice, financial reporting, stakeholder relations and governance, with experience from diverse sectors and industries.

Skills Experience Qualification	Banking	Legal	Regulatory	Human Resources	Risk Management	ALCO	Strategy Leadership Governance Stakeholder Management	Information & Technology Project Management	Accounting Financial Reporting Audit Practise
Members	V.B. Mogano P. Tafa S. Lenong J. Kimani	E.T. Rakhudu	E.T. Rakhudu V.B. Mogano P. Tafa S. Lenong J. Kimani G.M. Bakwena	K.N. Moleyi E.T. Rakhudu P. Tafa S. Lenong P. Letebele	E.T. Rakhudu V.B. Mogano P. Tafa S. Lenong J. Kimani G.M. Bakwena M.W. Mogotsi K.N. Moleyi	V.B. Mogano P. Tafa S. Lenong J. Kimani G.M. Bakwena M.W. Mogotsi	V.B. Moagno E.T. Rakhudu P. Tafa S. Lenong J. Kimani G.M. Bakwena M.W. Mogotsi K.N. Moleyi P.D. Letebele	J. Kimani G.M. Bakwena S. Lenong	S. Lenong P.D. Letebele M.W. Mogotsi G.M. Bakwena
Exco Support	P. Tafa E. Odhong D.T. Phagane P. Moshaga P. Semele R. Moilwa L. Medupe K. Balopi S.H. Showa T. O'Reilly P. Moyo C. Moleyi A. Samu	D.T. Phagane S.H. Showa	P. Tafa D.T. Phagane S.H. Showa H. Mhaladi P. Moyo E. Odhong R. Moilwa P. Moshaga	P. Tafa L. Medupe	P. Tafa K. Balopi P. Moyo E. Odhong H. Mhaladi D.T. Phagane R. Moilwa P. Moshaga C. Moloi S.H. Showa T. O'Reilly A. Samu L. Medupe	P. Tafa R. Moilwa E. Odhong H. Mhaladi P. Moshaga K. Balopi T. O'Reilly	P. Tafa E. Odhong D.T. Phagane S.H. Showa P. Moyo P. Semele R. Moilwa K. Balopi H. Mhaladi T. O'Reilly A. Samu C. Moloi L. Medupe P. Moshaga	A. Samu P. Moyo	H. Mhaladi P. Semele P. Moyo K. Balopi

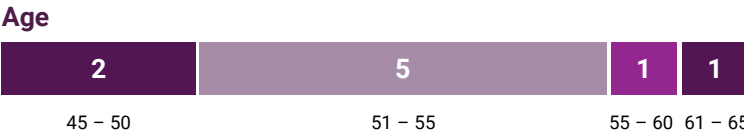
c. Gender

Whilst the Bank has not specified any diversity targets, the recruitment always strive to improve representation on gender and age. Out of the nine (9) directors, the majority are female (5 female board members representing a complement score of 56%) whilst the four (4) are male at 44%. This is a significant improvement from prior year where we had men in the majority and women in the minority. In 2023, the ratio stood at Male 67% : Female 33%. The close monitoring of board skills, dynamics and ownership of the nomination process by the Board enables the creation of these positive attributes and value. Additionally, our leadership positions of Board Audit Committee Chairperson, HR, Remuneration & Nominations Committee Chairperson, Lead Independent Director and Managing Director are all held by female persons.

Gender	Board	Percentage	Exco	Percentage
F	5	56	7	50
M	4	44	7	50
Total	9	100	14	100

d. Age

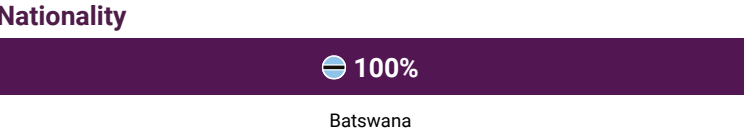
The Board is conscious of the need to balance age and experience in governance, in order to maintain effectiveness and create value in the interest of our bank. From this complement of nine (9) directors two (2) board members are aged 45 and below. Our board member age range is 39 – 62 years as at the date of reporting, with an average age of 53 years, which indicates the right balance of age and experience.



Our strategy is to have a diverse board composition that includes both experienced directors and younger members who may bring fresh perspective or tech-expertise. This is expected to drive good governance and more balanced decision making, as experience and fresh perspective co-exist and leverages on the strength of each other. There are mandatory retirement age and term limits imposed by law. For example, the Companies Act requires that a natural person should not be under the age of 18 to qualify for appointment as a director. The Bank of Botswana Guidelines on Corporate Governance for Banks requires a director to cease holding office upon reaching the age of 75, unless regulatory approval is obtained to serve beyond this age. The Bank has adopted these rules into its nomination process.

e. Other

Whilst there is no requirement nor set target on nationality, we have leveraged on our indigenous-ness, to have our complement of board members purely as local citizens. This is one of the attributes that sets us apart and differentiate us from the market. On an annual basis, the board considers whether its size, diversity, demographics, age and gender representation are appropriate for its effectiveness. Accordingly, the Board is satisfied that its composition reflects the appropriate mix of expertise, knowledge, experience, independence and diversity, which is deemed appropriate to drive the delivery of the strategy.



Board Tenure

Directors` tenure of office is a term of three (3) years, renewable for another maximum period of two three (3) year periods. The rotation of Directors is done every three years. A Director holds office until his or her resignation, rotation, retirement and disqualification or removal. Consistent with the prudential requirements, a Director must retire and cease to hold office upon reaching the age of 75, and can only serve beyond such age subject to regulatory approval. There is currently no Director who have served beyond the 9 year period and/or whose length of service is deemed to impair his or her independence.

Director Years on Board	Mogano	Tafa	Moleyi	Bakwena	Lenong	Rakhudu	Mogotsi	Kimani	Letebele
	3.2	2.5	3.2	4.8	2.0	1.1	1.1	0.7	0.7



## Board Profiles



01 Vincent Mogano



02 Koziba N. Molyi



07 Sejo Lenong



10 Pulane D. Letebele



03 Pedzani Tafa



04 Geoffrey Moamodi Bakwena



08 Lehuka Ignatius Maseng



11 Mmoloki M. Mogotsi



05 Victor Ramalepa



06 Duraiswamy Kalyanaraman



09 Ewetse T. Rakhudu



12 John Kimani

## Board Profiles (continued)

### 01 Dr. Vincent B. Mogano (M)<sup>(53)</sup> Independent Non-Executive Board Chairman

MA (Economics), BA (Economics),  
D. Phil (Research Methodology &  
Evaluation), MDP

Dr. Mogano was appointed to the board of BBS Bank on 29 April 2022 as an independent non-executive director. He worked as an Economist for Bank of Botswana between 1996-2001, then moved to Stanbic Bank Botswana as Market Risk Manager, a position he held from December 2001 to June 2007, before he became the Treasurer for National Development Bank between 2007 and 2011. He has also worked as Director of Policy Advocacy for Business Botswana and now provides research moderation with Botswana Open University. Dr. Mogano was the Chairperson of the Audit Committee and Chairperson of the Risk and Compliance Committee, before he ascended to the role of Board Chairperson in June 2023.

**Committee Membership:** None  
**Years on the Board:** 3.2 Years

**External Directorships:**

*Theatre of Faith:* The Worlds Institute of Science

### 04 Mr. Geoffrey Moamodi Bakwena (M)<sup>(53)</sup> Non-Executive Director

MBA, BCom (Accounting), Fellow CSSA,  
PGDC ERM

Mr. Bakwena is a non-executive director of BBS Bank since July 2020. He was re-elected in April 2023 and he is currently on his second tenure. He has served at several senior leadership roles across many sectors including Chief Executive Officer of Stockbrokers Botswana, worked for Botswana Stock Exchange, Atilo Capital and currently Dimension Data. He has served as non-executive director for MVA Fund, Botswana Stock Exchange and currently sits on the board of Botswana Privatization Asset Holdings as non-executive director. Mr. Bakwena is also the Chairperson of our Risk and Compliance Committee.

**Committee Membership:** Risk and Compliance Committee (Chairperson); HR, Remuneration and Nominations Committee

**Years on the Board:** 4.8 Years

**External Directorships:**

Botswana Privatisation Asset Holdings

### 02 Ms. Koziba N. Moloyi (F)<sup>(58)</sup> Lead Independent Non-Executive Director

B.Com, PGD (Human Resource  
Management), PGD (Administration)

Ms. Moloyi joined the board of BBS Bank on 29 April 2022 and she is currently the Chairperson of the Human Resources, Remuneration and Nominations Committee. She was elected the Lead Independent Director (LID) in July 2023. A human resource practitioner by profession, Ms. Sedimo held several HR positions within Botswana Housing Corporation (BHC) from 1992 until her retirement in 2016. She is currently pursuing private entrepreneurship and farming.

**Committee Membership:** HR, Remuneration and Nominations Committee (Chairperson); Risk and Compliance Committee.

**Years on the Board:** 3.2 Years

**External Directorships:**

Buze Investments (Pty) Ltd  
Falko Seed Farm

### 05 Mr. Victor Ramalepa (M)<sup>(48)</sup> Independent Non-Executive Director

LLB, Attorney, Notary Public,  
Conveyancer, Member (Law Society of Botswana)

Mr. Ramalepa retired on 23 May 2024, after serving as a board member from 30 April 2021. He is the Managing Partner of Ramalepa Attorneys, a private law firm that he set up in 2011. He was worked for other private practices such as Sebego Sharma Attorneys and Modimo & Associates before establishing own practice. He has held several board positions including Botswana Bureau of Standards (BoBS) and Botswana Ash (Pty) Ltd.

**Ex-Committee Membership:** HR, Remuneration and Nominations Committee; Risk and Compliance Committee

**Years on the Board at Retirement:** 3.0 Years

**External Directorships:**

Honey & Moons (Pty) Ltd  
Lerakong Holdings (Pty) Ltd  
Ramalepa Attorneys

### 03 Ms. Pedzani Tafa (F)<sup>(56)</sup> Managing Director

MBA, BA (Env. Sci & Eng.), Dip. Financial  
Management, Ass. Diploma in Banking  
Executive Director

Ms. Tafa joined the Bank as Managing Director of BBS Bank on 4 January 2023. She is an ex-officio executive director of the Bank. Her career spans over 31 years in commercial banking, holding various senior leadership positions from Stanbic Bank Botswana as Head Executive Banking, then Standard Chartered Bank Botswana as Head of Retail Banking and Cluster Head Customer Experience Process & Governance respectively, and Chief Operations Officer for Botswana Savings Bank before joining the Purple Bank.

**Committee Membership:** Risk and Compliance Committee

**Years on the Board:** 2.5 Years

**External Directorships:**

Maswikiti Investments (Pty) Ltd  
Petimore (Pty) Ltd  
Magrey Holdings (Pty) Ltd

### 06 Mr. Duraiswamy Kalyanaraman (M)<sup>(67)</sup> Independent Non-Executive Director

BSc (Physics), CA, Fellow (BICA), Fellow (Institute of Chartered Accountants-India), Chartered Management Accountant, Associate (Institute of Chartered Management Accountants-India), Associate (Indian Institute of Bankers)

Mr. Kalyanaraman also retired from the board on 23 May 2024, after completing his tenure which started on 30 April 2021. He is a Chartered Accountant and Auditor by profession, and he was Group Finance Manager for Derek Brink Holdings, a Fast Moving Consumer Goods (FMCG) Conglomerate. He is deeply experienced in accounting, company due diligence and valuations, Auditing and Finance, Budgeting and Costing, MIS Reporting, IFRS Reporting and Treasury Function. His previous jobs in other entities include being an Audit Supervisor in an audit firm and Chief Accountant for the Pula Holdings Group of Companies (Botswana).

**Ex-Committee Membership:** Audit Committee; HR, Remuneration and Nominations Committee

**Years on the Board:** 3.0 Years

**External Directorships:** None

## Board Profiles (continued)

### 07 Ms. Sejo Lenong (F)<sup>(46)</sup> Independent Non-Executive Director

B. Acc, ACCA, FCCA, FCA, LDP

Ms. Lenong was appointed to the board of BBS Bank on 12 June 2023, bringing with her a wealth of experience in audit practice, accounting, financial reporting, risk management, commercial banking, assets and liabilities management, credit risk management, project management and strategy implementation. She is an experienced CFO and currently holds the same position for a mobiletelecoms company. Before that, she was a CFO for Bank Gaborone for at least decade. She has worked for Deloitte & Touché as Audit Senior before joining the Banking industry. Ms. Lenong is the Chairperson of Board Audit Committee and a member of the Risk and Compliance Committee. Upon her appointment, she became a member of the HR, Remuneration and Nominations Committee and she has been invited to attend one of its meetings after she ceased to be a member, to leverage on her insights. During the period, Ms. Lenong was also invited to some meetings of the Risk and Compliance Committee in line with King IV and the Bank's Board Charter that recognises that board members may attend any committee meeting as an observer.

**Committee Membership:** Audit Committee (Chairperson); Risk and Compliance Committee

**Years on the Board:** 2.0 Years

**External Directorships:**

Curlonse Investments (Pty) Ltd

### 08 Mr. Lehuka Ignatius Maseng (M)<sup>(53)</sup> Independent Non-Executive Director

BSc (Compt. Sci), MDP, ICT  
Certifications

Mr. Maseng resigned on 5 June 2024, after a brief s appointment as a director of the Bank on 12 June 2023. He is an ICT professional and has held positions of IT Manager, Chief Information Officer and Head of Information Governance & Architecture at FNB Botswana, before retiring into private business. He was a member of the Risk and Compliance Committee and, the HR, Remuneration and Nominations Committee respectively.

**Ex-Committee Membership:** Risk and Compliance Committee; HR, Remuneration and Nominations Committee

**Years on the Board:** 0.9 Years

**External Directorships:**

Valdez Systems (Pty) Ltd  
Ebiz Info Systems  
Brown-Daisy

### 09 Ms. Ewetse T. Rakhudu (F)<sup>(63)</sup> Independent Non-Executive Director

Master of Business Administration  
(MBA), Bachelor of Laws (LLB)

Ms. Rakhudu is a legal professional and a longtime central banker. She was appointed to the board of BBS Bank on 23 May 2024. Her illustrious career includes State Counsel with Attorney Generals Chambers before joining private practice and then becoming a Magistrate. She later joined Bank of Botswana as Assistant Manager and Board Secretary in 1991 and rose through the ranks to become Head of the Board Secretariat, Director Human Resources, Director Payments and Settlements and General Manager. She retired in May 2023 as General Counsel, a position she held since March 2018. In addition to her extended experience in central banking, prudential regulation and corporate governance, Ms. Rakhudu has held numerous governance and board leadership positions across different industries. These include United Nations Electoral Observer in the 1994 Mozambique elections, member of the National Advisory Board on HIV/AIDS in the Workplace, board member at BOMAID, Deputy Chairperson of the National Labour Advisory Board, board member and Chairperson of Botswana Power Corporation (BPC).

**Committee Membership:** Risk and Compliance Committee; HR, Remuneration and Nominations Committee

**Years on the Board:** 1.1 Years

**External Directorships:** None

### 10 Ms. Pulane Dibuseng Letebele (F)<sup>(62)</sup> Independent Non-Executive Director

B.A (Economics), ACCA

Ms. Letebele joined BBS Bank as a director on 23 October 2024. She is a former Auditor General for the Government of Botswana, and a professional auditor with more than 30 years' experience. Her expertise in strategy, audit practice and financial management were acquired within the Office of the Auditor General and the public service where she held several positions and ultimately ascended to Auditor General, a role that she held from 2014 until her retirement in 2023.

**Committee Membership:** Audit Committee HR, Remuneration and Nominations Committee

**Years on the Board:** 0.7 Years

**External Directorships:**

Ramokoroga (Pty) Ltd

### 11 Mr. Mmoloki M. Mogotsi (M)<sup>(40)</sup> Independent Non-Executive Director

Business & Commerce (Accounting),  
B. Compt Honours, PGD (Accounting  
Sciences), ACPA (BICA), CA (SA)

Mr. Mogotsi was appointed to the board of BBS Bank on 23 May 2024. He is a Chartered Accountant and a distinguished member of the South Africa Institute of Chartered Accountants (SAICA), as well as an Associate Member of the Botswana Institute of Chartered Accountants (BICA). Mr. Mogotsi has over 15 years of robust international experience in financial leadership, having held strategic roles across South Africa and Botswana. His career spans key sectors including mining, retail and the public sector, where he has consistently delivered value through sound financial governance and strategic insight. He has served as Finance Director for Cummins Botswana and Famous Brands Botswana, also representing both multinational organisations as a member of their respective Boards of Directors. He held several finance related positions within the Cummins group of companies such as Financial Planning & Analysis Manager (Southern Africa), Financial Analyst – Cummins Africa & Middle East and Financial Controller for Cummins Morocco.

**Committee Membership:** Audit Committee; HR, Remuneration and Nominations Committee

**Years on the Board:** 2.0 Years

**External Directorships:**

Neo Afrique Investments (Pty) Ltd  
Native Edge Operations Afrique (Pty) Ltd.

### 12 Mr. John Kimani (M)<sup>(61)</sup> Independent Non Executive Director

Executive Development Programme, Post  
Gra. Dip. In Management Studies, ITIL

Mr. Kimani was appointed to the board of BBS Bank on 23 October 2024. He is a professional banker and business leader with over 34 years of experience in commercial banking and technology operations. He has held senior leadership roles across many banking institutions including Standard Chartered Bank Kenya, BMS/TS Botswana, IT Integrators Botswana, Head of Corporate & Treasury Operations at Barclays Bank Botswana, Africa Regional Head of Payments, Strategy, Risk & Operations at Barclays Africa (now Absa) based in South Africa, Chief Information Officer at Standard Chartered Bank Botswana, Chief Operating Officer at Access Bank Botswana (formerly BancABC), and Regional Chief Operating Officer at Access Bank PLC for East Africa Region based in Kenya before his retirement in 2024.

**Committee Membership:** Audit Committee Risk and Compliance Committee

**Years on the Board:** 0.7 Years

**External Directorships:**

Triumph Lane (Pty) Ltd



Rotation and Retirement

Only non-executive directors are subject to rotation, whilst executive director tenure is aligned to contract of employment. Unless otherwise agreed to by the Board, termination of employment of an Executive Director with the Bank results in the automatic termination of a director’s tenure as a Director. The Board has implemented the arrangements for periodic, staggered rotation of non-executive directors. In the 2023 reporting period, Mr. G.M. Bakwena’s retirement and re-appointment was staggered as a way for remediating the risk of directors’ term lapsing at the same time. The risk has since been mitigated by the different appointment dates, as no more than two (2) directors share the same appointment period. In 2024, two (2) non-executive directors, Dr. V.B. Mogano and Ms. K.N. Moloyi are up for retirement by rotation, and are eligible for re-election. The full details are contained in the AGM Notice which is attached to this report.

During the period, Mr. V. Ramalepa and Mr. D. Kalyanaraman respectively, retired from the board after completing their tenure of office. More information on the retired directors is reflected at the board profile section of this report.

Board Performance Evaluation

As part of its work plan, the board routinely evaluates its performance and that of its members for effectiveness. Any identified areas of improvement are documented and tracked with management actions for resolution. During the reporting period, our Board executed a performance evaluation exercise that was facilitated by an independent, external consultant. The evaluation was in the form of a questionnaire and forms that is completed electronically by the participants. The report from the evaluation was presented and adopted by the board at its meeting, for ownership. The overall board performance was scored at 4.27 out of 5 (85%), which is an outstanding performance. This was driven by good ratings on elements such as strong governance structures (90%), strong legal and regulatory compliance (93%) and individual board member performance (90%). The members felt that the governance structures are strong and this demonstrated that the board is functioning effectively and that there is clarity in roles, responsibilities and decision-making process. In addition, Legal and regulatory received high marks, thus reflecting the board’s commitment to comply with regulatory standards and ensure high ethical conduct. The strong individual performance score indicated that members actively contributed to the Board’s effectiveness.

Areas of improvement included the finalisation and implementation of the IT Strategy, training of board members on integrated reporting, and to implement mechanisms that measure the quality of stakeholder relationships. The IT Strategy has since been developed and approved by the board, and its implementation is underway. Integrated reporting and other emerging topics have been included in the board training plan for 2025. On measurement of the quality of stakeholder relationship, a consultant has been engaged to assist with solidifying our stakeholder management and integrated reporting strategy which will address all issues associated with integrated reporting. In the meantime, a stakeholder analysis report, together with the identification material stakeholder grouping, their needs and interests, assessment of the quality of each stakeholder relationship, relevant capitals, material matters and engagement plans is documented in this report.

Going forward, the board will undertake the performance evaluations in alternate years, in line with good governance to give the board an opportunity to remediate and embed prior year gaps. Nonetheless, the Board is satisfied that the evaluation supports the continued improvement of its performance and effectiveness. The evaluation also enables the Board to identify necessary developmental needs for itself, for the committees and individual members, based on the results of the performance assessment.

The Board Committees

In accordance with the delegated arrangements, the board has established and it is supported by the following committees which have their own formalised and approved terms of reference. The Board is satisfied that the Committees are appropriately constituted regarding the skills required by each committee. In addition, board members are at liberty to attend committee meetings in which they are not members, as observers, subject to relevant protocols:

Board Audit Committee

Composition	Purpose	Focus Areas
<b>Members</b>  S. Lenong ( <i>Chairperson</i> )  M.W. Mogotsi  P.D. Letebele  J. Kimani	<ul style="list-style-type: none"><li>Consider the effectiveness of the combined assurance model</li><li>Consider and make recommendations on the appointment, remuneration and rotation of external auditors</li><li>Define the policy for non-audit services</li><li>Evaluate the going concern assessment and statement of internal control</li><li>Consider for remediation accounting treatments, management letter issues and external auditor’s report on financial statements</li><li>Recommend the approval of financial statements for publication to stakeholders</li><li>Oversee compliance with regulation, law and company policies</li><li>Oversee the effectiveness of risk management, related strategies and policies</li></ul>	<ul style="list-style-type: none"><li>capital adequacy and capital planning tool</li><li>Going concern assessment and financial performance</li><li>Prudential and key ratios</li><li>Review of budget and strategy</li><li>Financial performance, capital management</li><li>Accounting policies and adequacy of internal controls</li><li>Management Representation Letters for audit issues</li><li>Tracking of open audit issues</li><li>Auditor independence and performance</li><li>Independent auditor appointment</li><li>Remediation of audit issues</li><li>In camera meetings with internal and external auditors</li><li>combined assurance framework</li><li>internal audit charter and internal audit plan</li></ul> <p>The Committee is satisfied that it has fulfilled its mandate for the year, as required by the terms of reference.</p> <b>Future Focus Areas for FY2025</b> <ul style="list-style-type: none"><li>Continuation of positive Financial Performance and key ratios</li><li>Committee Skills complement, independence and succession planning</li><li>Internal Audit function resourcing IT Auditor)</li><li>Review of the effectiveness of the Internal Audit and Finance functions, and auditor and disclosures</li><li>Oversee implementation of combined assurance framework</li><li>Committee report towards IR</li></ul>
<b>Management Attendees</b>  Managing Director  Head Finance  Head Internal Audit  Head Company Secretariat, Legal and Compliance		
<b>Invitees</b>  Ernst & Young		
Number of Meetings Held:4		

During the year, the Audit Committee has held closed sessions with the Head Internal Audit, External Auditors and the Head Finance individually and in the absence of Management, to discuss matters that may not be suitable for an open forum. The sessions are held in March board meeting sessions. Appropriate feedback from these engagements is discussed with the Managing Director in a closed session. The Committee has found these sessions to be insightful and provide non-executive directors with an opportunity to test thoughts and strengthen governance and the Committee’s effectiveness.

Board HR, Remuneration and Nominations Committee

Composition	Purpose	Focus Areas
<b>Members</b> K. N. Moloyi ( <i>Chairperson</i> ) G.M. Bakwena E.T. Rakhudu M.W. Mogotsi P.D. Letebele  <b>Management Attendees</b> Managing Director Head Company Secretariat, Legal and Compliance Head Human Resources  <b>Invitees</b> Board Evaluation Consultant  HR Consultant  Director Recruitment Firm  Number of Meetings Held:4	<ul style="list-style-type: none"><li>▪ Nomination of new directors and re-election of directors</li><li>▪ Succession planning for Board and Non-Executive Directors</li><li>▪ Recruitment for Managing Director, succession planning and performance evaluation</li><li>▪ Review training and development needs for directors</li><li>▪ Consider and recommend diversity targets in respect of gender or age representation needed on the Board, including the proposed number of Committees and membership</li><li>▪ Consider and recommend to the Board the removal of Directors for misconduct and other criteria for disqualification or removal from office</li><li>▪ Advise the Board on the remuneration of Non-Executive Directors</li><li>▪ Oversee the effectiveness of the HR function</li><li>▪ Oversee the creation and implementation of performance management policies and culture</li><li>▪ review organisational structure</li><li>▪ review of remuneration policies and practices</li><li>▪ oversee the implementation of HR Policies</li></ul>	<ul style="list-style-type: none"><li>▪ Succession planning for Board and Executive Management</li><li>▪ Change management process</li><li>▪ Board skills assessment and committee reconstitution</li><li>▪ Board evaluation exercise and effectiveness organisational structure and separation exercise</li><li>▪ Managing Director performance</li><li>▪ Recruitment and nomination of board members review of HR Policies recruitment of Head Credit and COO</li></ul> <p>The Committee is satisfied that it has fulfilled its mandate for the year, as required by the terms of reference.</p> <b>Future Focus Areas for FY2025</b> <ul style="list-style-type: none"><li>▪ Employee wellness and value proposition</li><li>▪ HR strategy</li><li>▪ Performance Management</li><li>▪ Committee report</li><li>▪ Board evaluation</li><li>▪ Remuneration implementation report</li></ul>

\*The consultants were invited to deliver their reports.

Board Risk and Compliance Committee

Composition	Purpose	Focus Areas
<b>Members</b> G. Bakwena ( <i>Chairperson</i> ) P. Tafa S. Lenong J. Kimani E.T. Rakhudu K.N. Moloyi  <b>Attendees</b> Head Risk Head Company Secretariat, Legal and Compliance Head Strategy and Projects Head Treasury Head Information Technology Head Credit Chief Operations Officer  <b>Invitees</b> Head Finance Head Internal Audit Number of Meetings Held:4	<ul style="list-style-type: none"><li>▪ Oversight of the strategies for capital and liquidity</li><li>▪ Management review of the internal risk</li><li>▪ Appetite framework and risk policies</li><li>▪ Recognising material risks and ensuring that appropriate risk management culture, practices, policies, resources and systems are in place and are functioning effectively</li><li>▪ Provide guidance regarding the level of exposures suitable for the Bank and to ensure that</li><li>▪ Management implements procedures and controls necessary to comply with applicable policies oversight over the compliance with applicable laws and regulation review and guide on any material legal matters oversee credit matters and ALCO issues</li><li>▪ Oversee IT Strategy implementation monitor strategy execution</li></ul>	<ul style="list-style-type: none"><li>▪ Review of the risk policies and frameworks</li><li>▪ Review of the appetite statement Pillar III report and ICAAP</li><li>▪ ALCO report, including capital, credit and liquidity issues oversight on strategy execution and implementation review of new legislation and bank readiness for compliance viz, Data Protection Act,</li><li>▪ Effectiveness of the IT infrastructure, DR and BCP capabilities and upgrade of core systems</li></ul> <p>The Committee is satisfied that it has fulfilled its mandate for the year, as required by the terms of reference.</p> <b>Future Focus Areas for FY2025</b> <ul style="list-style-type: none"><li>▪ Ongoing compliance with legal and prudential requirements</li><li>▪ Committee report</li><li>▪ Strategy Execution</li><li>▪ IT Strategy and cybersecurity, and data protection</li><li>▪ Transformational risk registers and remediation</li><li>▪ ALCO strategies and effectiveness</li><li>▪ Oversight of credit risk management</li><li>▪ Continue the Integrated Reporting assessment, gap analysis, embedding and reporting</li><li>▪ Oversee implementation of open regulatory findings</li></ul>



Director Appointments and Changes

The Bank has a formal policy on the nomination and appointment of Directors. A skills gap analysis, strategy, regulatory requirements, operating environment and the results of the Board evaluation exercise are some of the factors we use to identify specific skills that are required on the board. The HR, Remuneration and Nominations Committee presides over the recruitment and makes recommendations to the Board. The decision by the Board is then submitted for regulatory vetting and approval, before shareholders make a decision to appoint through an ordinary resolution. During the year, the shareholders passed a resolution to appoint Ms. E.T. Rakhudu and Mr. M.W. Mogotsi, whose wealth of experience started to make positive impact early in board deliberations. The board also appointed Mr. J. Kimani and Ms. P.D. Letebele as board members in terms of the Constitution, subject to shareholder approval.

Director	Change	Dates
B. Mzizi	Resigned	29 January 2024
D. Kalyanaraman	Retired	23 May 2024
V. Ramalepa	Retired	23 May 2024
E.T. Rakhudu	Appointed	23 May 2024
L. Maseng	Resigned	5 June 2024
J. Kimani	Appointed	23 October 2024
P.D. Letebele	Appointed	23 October 2024
M.W. Mogotsi	Appointed	23 May 2024

Training and Development

The newly appointed directors are provided with an induction session comprising of interactions with Management and exposure to the business functions of the Bank. Specific corporate governance training is included that is aimed at enhancing directors` understanding and awareness of their duties. In addition to that, our board members benefit from a Director training and development program that is executed annually. that exposes Directors to ad-hoc training on corporate governance and other topical areas. During the year, directors received comprehensive training on corporate governance which was facilitated externally and the topics covered were informed by the feedback sessions, training needs, the results of the performance evaluation exercise and general skills needs that were observed. The topics covered included cyber security, governance of Information & Technology, data protection strategies, Serving on the board, Board composition, Understanding board processes (minutes, meeting calender, pack circulation etc), responsibilities of a director, director independence, corporate culture, Ethics and trust, Stakeholder relationship, crisis management, ESG, DEI, Strategy implementation risk, psychological safety, imposter syndrome, hubris, and multi-general boards etc. The directors also received regular briefings and awareness on legal, governance and regulatory developments such as Data Protection Act, Beneficial ownership, MoPR Changes, BSE Sustainability Disclosure of 2024, share price trade, AML/CFT issues, Deeds Registry Act amendments and others through quarterly Management reports.

The board is satisfied with the training and awareness provide to the board members and that it leads to continuous improvement and effectiveness.

Ethical Leadership and Culture

The Board is the focal point and custodian of ethical conduct and it ensures that an appropriate tone is set at the top. All Directors understand their fiduciary duty to act with care and in the best interest of the Bank and to exercise their powers for a lawful purpose. High ethical standards and integrity are required from each board member without compromise, and regardless of position. Directors commit to ethical practices in business dealings with the Bank and with stakeholders, and the Bank demands a continuous commitment to the improvement and maintenance of ethical culture. The BBS Bank Code of Ethics and Conduct Policy and the Conflict of Interest and Related Parties Dealing Policy supported by other policies and frameworks, guides directors, employees and other stakeholders on the desired ethical conduct to promote consistent behaviours across all business units and levels of authority. Ethical conduct is required to be exhibited in daily activities and decision making, supplemented by the mindset change programme. A Whistleblowing Policy is in place, that resulted in the implementation of an anonymous whistleblowing hotline in partnership with Deloitte Consulting.

All Directors are required to disclose matters that may result in perceived or real conflict of interest, including a declaration of outside interests or positions. A declaration form is completed at each Board and Committee meeting reflecting direct or indirect conflict with respect to matters on the agenda. A Director is excused when such matter is considered.

Succession Planning

In terms of the Board Charter, the Board is required to have a succession plan in place for its membership, the Board Chair, the Managing Director, and other Executive Directors. This plan should provide for identification, mentorship and development of future candidates. For the reporting period, the Board reviewed and sanctioned succession plans for the role of Managing Director and for the board itself. The plans are reviewed at least once annually to ensure that they remain relevant to the changing needs and circumstances of the Bank. The plans consider both long-term planning and emergency situations.

Board Leadership

Board Chair

The Board Chair is appointed by the Board of Directors amongst the Independent Non-Executive members. The Board Chair is also subject to retirement by rotation and can be removed as part of the board and committee restructuring and skills alignment. During the year, Dr. Mogano continued to lead the board business and demonstrated high ethical standards.

The Board is required to assess the continued independence and effectiveness of the Board Chair at least once annually. The Board is satisfied that the Board Chair has remained independent and that no interest, position, association or relationship has been identified which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause biasness in decision-making on the part of the Chairman. The term of office for the role of Board Chair is similar to other non-executive directors.

Lead Independent Director

The role of Lead Independent Director (LID) was created pursuant to King IV Recommended Practises and the Corporate Governance Review that was conducted by Botswana Accountancy Oversight Authority (BAOA) on the Bank during the 2022 financial year. The role, together with its responsibilities, are set out in the Board Charter. During the period, Ms. Moloyi continued as the lead independent director. Some of the responsibilities for this role includes strengthening the role of the Board Chair and providing leadership in instances where the Chairman is deemed to be conflicted, to oversee and lead the performance evaluation of the Board Chair, to be an avenue of communication for other board members on any issues relating to the Board Chair and achieve a balance of power and reinforce accountability mechanisms. Our Board Charter seeks to ensure a balance of power and authority at Board level, since no one individual has unfettered decision-making powers.

Managing Director

The Manging Director is appointed by the Board and is responsible for leading Executive Management in formulating and establishing business objectives and strategies that are approved by the Board. Our roles of Managing Director and that of Board Chair are separate and distinct. The Managing Director provides leadership in the implementation of strategies and policy making and the overall running of the Bank. The Managing Director remains accountable to the Board on the progress made towards achieving strategic plans. The board, through the HR, Remuneration and Nominations Committee executes a formal evaluation of the performance of the Managing Director against agreed key performance targets at least once annually or at such agreed intervals per the HR Policies. Ms. Pedzani Tafa continued to lead the Management team and employees as the Managing Director. The employment of the Managing Director and other executive officers is under a renewable, fixed term contract of not more than five (5) years. The employment is subject to regulatory vetting and board sanction. A three (3) months written notice is required to be served by either party to terminate the contract or payment of salary in lieu thereof. The appointment, re-appointment and succession planning for the role are matters for the Board.

Company Secretary

Mr. Dimpho T. Phagane continued to be our Company Secretary and directors have access to his services. Mr. Phagane is neither a member of the Board nor associated with any shareholder. He continued to act as the source of guidance to Board Members, including access to legal and other independent professional advice when required. He is responsible for board administration, liaison with regulators and other stakeholder, and ensures compliance with applicable requirements,

including sound corporate governance practices. The Board evaluation exercise includes the assessment of the competence, qualification, performance, and effectiveness of the company secretary. The Board has concluded that Mr. Phagane is competent to carry out his duties including validation of his qualifications, experience, and knowledge and that he has discharged his responsibilities effectively. The Board has also satisfied itself that an arm’s length relationship exists between itself, and the Company Secretary as required by the Board Charter.

Board and Committee Meeting Attendance

The Board and Committees are scheduled to meet four (4) times in a financial year, unless where special meetings are required as dictated by the demands of the business. All Directors are expected to attend scheduled board and committee meetings. In line with the Bank of Botswana Guidelines on Corporate Governance for Banks, failure by a director to attend 75% of the scheduled Board or Committee meetings will affect his or her fitness and probity to continue as a director. The quorum in meetings comprises of a simple majority of directors required to attend. The Board is satisfied with the level of attendance of meetings by members, and its discharge of the responsibilities as set out in the Board Charter.

As part of its governance planning the Board with the assistance of the Company Secretary and Managing Director, develops a meeting calendar for the financial year, and forward plan which details out key matters to be considered at each quarter. During the financial year, the Board and Committees held an aggregate of 23 meetings, relative to a total of 27 meetings in 2023, and 49 meetings in the 2022 financial year.

Director	Board	Audit Committee	HR, Remuneration and Nominations Committee	Risk and Compliance Committee	2023 AGM	Stakeholder Engagements, Induction, Recruitments
B. Mzizi*	1/11	--	-	-	1/1	-
V.B. Mogano	11/11	3/4	-	-	1/1	3
G.B. Bakwena	11/11	2/4	3/4	4/4	1/1	1
K. N. Moloyi	11/11	-	4/4	4/4	1/1	3
D. Kalyanaraman**	3/11	1/4	-1/4	-	1/1	-
V. Ramalepa***	3/11		1/4	1/4	-	-
P. Tafa	11/11	4/4/	4/4/	4/4	1/1	6
S. Lenong	11/11	4/4	3/4	3/4	-	1
L. Maseng^	3/11		1/4	1/4	-	1
E.T. Rakhudu^^	5/11	2/4	-	2/4	-	-
M.W. Mogotsi^^^	5/11	2/4	3/4			
J. Kimani`	1/11	1/4	-	1/4	-	-
P.D. Letebele``	1/11	1/4	-	1/4	-	-

P.S. The board meetings include Annual Strategy & Budget meeting, Annual Board Training, and Annual Board Evaluation sessions.  
\*B. Mzizi resigned on 29 January 2024.  
\*\*V.D. Kalyanaraman retired on 23 May 2024.  
\*\*\*V. Ramalepa retired on 23 May 2024.  
^L. Maseng resigned on 5 June 2023  
^^E.T. Rakhudu was appointed on 23 May 2024.  
^^^M.W. Mogotsi was appointed on 23 May 2024.  
`J. Kimnai was appointed on 23 October 2024.  
``P.D. Letebele was appointed on 23 October 2024.

Directors’ Remuneration Practices in 2024

The remuneration of Directors continued to be governed by the Directors Remunerations and Expenses Policy that is approved by the Board. The Policy aims to attract and retain skilled and experienced individuals that will help create, increase and preserve value, subject to affordability. The fees are aligned to the size and operations of the Bank and are reviewed regularly with a view to determine their relevance and competitiveness. This includes a benchmark against peers in the Banking and financial services industry. In line with the King IV Code of Corporate Governance, the underlying consideration is to ensure that the remuneration is fair and responsible. The remuneration structure for Non-Executive Directors comprises of a retainer that is payable quarterly in advance, a meeting sitting fee, and Directors incidental expenses. The Chairman of the Board is paid a premium on the retainer and meeting fees whilst the Chairpersons of Committees receive a premium on the sitting fees only. During the year under review, a total of **P1 462 000.00** was paid towards Board fees compared to P1,473,250.00 in 2023 and P1,929,000.00 in 2022. This excludes related or incidental expenses. The structure of the fees for the reporting period is:

Director	Total Fees (2024)	Total Fees (2023)	Total Fees (2022)
B. Mzizi	15 000	229 500	491 000
V.B. Mogano	331 000	270 000	326 500
G.M. Bakwena	187 000	205 500	277 000
K. N. Moloyi	248 500	226 250	303 000
V. Ramalepa	52 000	153 000	272 500
D. Kalyanaraman	52 000	181 500	259 000
S. Lenong	182 500	108 500	-
L. Maseng	64 500	99 000	-
P. Tafa*	-	-	-
E.T. Rakhudu	121 500	-	-
M.W. Mogotsi	114 000	-	-
J. Kimani	47 000	-	-
P.D. Letebele	47 000	-	-
Total (BWP)	1 462 000	1 473 250	1 929 000

\*Executive Directors do not earn board fees as they are employees of the company.



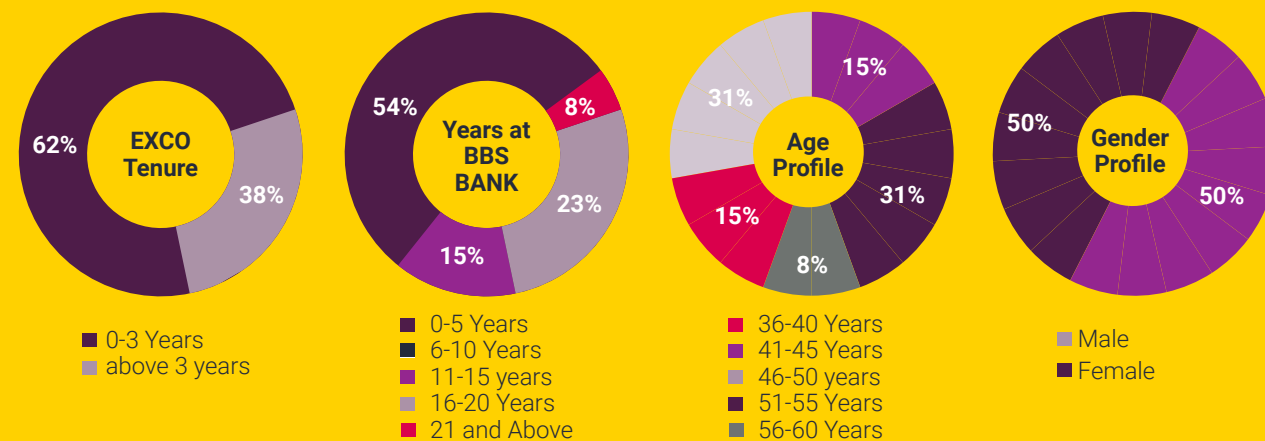
## Executive Management Profiles



### Our Executive Management

The Managing Director supported by the members of the Executive Management Committee (Exco), is accountable for the implementation of the strategy and for the performance of the Bank. The skills and experience of the members underpin the Bank's ability to deliver its strategy. Executive Management comprises a diverse and experienced team.

The Board is satisfied with the overall mix of experience, knowledge, skill and diversity of the Executive Management Team and its ability to support the Board in delivering the strategy. As at the reporting date - the executive management comprised of 14 professionals, 7 females and 7 males, with an average age of 47.7 years.



### Executive Management Profiles (continued)

01



**Pedzani Tafa** <sup>(56)</sup> (F)  
**Managing Director**

MBA, BA (Env. Sci & Eng.), Dip. Financial Management, Ass. Diploma in Banking

Pedzani was appointed as Managing Director of BBS Bank on 4 January 2023. She is an ex-officio executive director of the Bank. She has over 31 years of commercial banking experience, holding various senior leadership positions in some local banks. Before joining BBS Bank, she was Chief Operations Officer for Botswana Savings Bank, Cluster Head Customer Experience Process & Governance and ultimately Head of Retail Banking for Standard Chartered Bank Botswana and Head Executive Banking for Stanbic Bank Botswana.

Tenure Exco: 2.5 Yrs  
Tenure BBS Bank: 2.5 Yrs

02



**Elly Onyando Odhong** <sup>(52)</sup> (M)  
**Chief Operations Officer\***

MA. - Leading Innovation & Change Management, Dip. Customer Relationship Management, Associate Chartered Institute of Bankers (ACIB)

Elly joined BBS Bank on 6 January 2025, as its Chief Operating Officer, form Commercial International Bank (Kenya) where he was the Head of Retail and Consumer Banking. Before this, Elly was the Head of Strategy, Monitoring & Evaluation for East Africa with Diamond Trust Bank, Head of Retail Banking and Head of Distribution respectively with Gulf African Bank in Kenya, and Head of Strategy & Investor Relations at Stanbic Bank Kenya and Stanbic Bank South Sudan. Elly is a widely experienced banker, across many regions in Africa, and he is an Associate Member of the Chartered Institute of Bankers (ACIB).

Tenure Exco: 0.3 Yrs  
Tenure BBS Bank: 0.3 Yrs  
\*Appointed 6 January 2025

03



**Sipho Hector Showa** <sup>(49)</sup> (M)  
**Head Business Relations and Marketing**

MBA, LLB (Attorney, Notary Public, Conveyancer), BA (Eng), PGD (Education), Executive Development Programme (USB)

Sipho first joined BBS Bank in March 2005-October 2010 as Head of Corporate Affairs with overall responsibility for Board Secretarial, Administration/Procurement, Human Resources, Communications and Marketing functions. He has also studied short courses in finance and strategic management. He re-joined the Bank in November 2011. Sipho has worked for the Botswana Government as a Broadcaster and Journalist, Debswana as Corporate Communications Officer and Botswana Insurance Holdings Limited as Group Director for Corporate Services. He is former Board Chairman of Old Mutual Botswana Short Term Insurance Company, former non-executive director for Old Mutual Botswana Insurance Holdings Company former Chairman of Mutual and Federal Insurance Company Botswana, former Board Member of Masiela Trust Fund, former Chairman of Botswana Building Society Pension Fund and former Board Member, Botswana National Youth Council.

Sipho is currently a Non-Independent Director for the Botswana Football League (BFL). He is also independent Chairman of AB InBEV/Kgalagadi Brewery Limited's Smart Drinking Compliance Committee (SMCC), an advisory committee that oversees risks (reputational, legislative, policy/compliance, marketing etcetera) for AB InBEV/Kgalagadi Brewery Limited's diverse products to avoid any adverse impact on the entity's bottom line.

Tenure Exco: 19.7 Yrs  
Tenure BBS Bank: 19.7 Yrs

## Executive Management Profiles (continued)

04

**Palesa Audrey Semele** <sup>(52)</sup> (F)**Head Internal Audit***ACCA, FCCA (UK), FCA(Botswana),*

Palesa holds the position of Head of Internal Audit for BBS Bank since August 2012. She is a Chartered Accountant with expansive experience spanning over 25 years in Audit, Accounting and Risk Management. She has worked for one of the 4 big audit firms (Ernst and Young) where she held various roles from Audit Junior to Senior in Charge. She worked as a Principal Internal Auditor at Botswana Development Corporation. She was the Head of Internal Audit at Stanbic Bank. She is a fellow member of Botswana Institute of Chartered Accountants (FCA), a fellow member of Association of Chartered Certified Accountants, UK (FCCA) and a member of the Institute of Internal Auditors.

Ms. Semele served as the Chairperson of the Board of Directors of Botswana Investment and Trade Centre (BITC).

Tenure Exco: 13.9 Yrs  
Tenure BBS Bank: 13.9 Yrs

05

**Punah Gabanapelo Moyo** <sup>(52)</sup> (F)**Head Projects and Strategy***MSc (Strategic Management), FCIS (Corporate Governance and Accounting), Diploma Acc. and Business Studies, Internal Audit Technician.*

Punah is the Bank's Head of Projects and Strategy since November 2010. She has over 30 years of banking experience, specifically in areas of audit, assurance, project management and transformation, banking operations and strategy. She has previously held various positions within Barclays Bank (now Absa) such as Acting Head of Internal Audit, Senior Audit Manager, Assurance Officer and Personal Banker between 1991-2010. She is an Executive Director of the BBS Insurance Company Limited and a member of the Institute of Chartered Secretaries and Administrators (ICSA).

Tenure Exco: 13.6 Yrs  
Tenure BBS Bank: 13.6 Yrs

06

**Thelma O'Reilly** <sup>(54)</sup> (F)**Head Banking***MSc (Real Estate), BA (Env. Science), Diploma in Banking, Executive Development Programme (USB)*

Thelma joined BBS Bank in July 2004 as Head of Mortgages and then promoted to Head of Banking in 2009. Before that she worked for Standard Chartered Bank between 2002 - June 2004 as Business Development Manager and Botswana Housing Corporation as Senior Sales Officer from 1994-2002. Ms. O'Reilly is a member of the Botswana Institute of Bankers.

Tenure Exco: 20.10 Yrs  
Tenure BBS Bank: 20.10 Yrs

## Executive Management Profiles (continued)

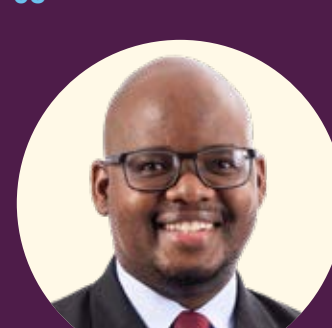
07

**Rebatho Moilwa** <sup>(47)</sup> (M)**Head Treasury***MSc (Strategic Management), BA (Economics and Statistics), Associate Diploma in Banking, ACI Dealing Certificate*

Rebatho has over 20 years' experience in the financial services sector with over 10 years' experience in senior management roles in Treasury, Global Markets and Risk while also having worked regionally in countries such as Mozambique, Zambia and Zimbabwe. Rebatho has been involved in the commencement of operations of the four out of the nine commercial banks in Botswana with two being greenfield operations and two being brownfield operations. He is a member of the Botswana Institute of Banking and Finance He is a former Non-Executive Director and Chairperson of the HR Committee at BR Properties Pty Ltd a subsidiary of Botswana Railways. Rebatho is currently part of the team that is working on the entrepreneurship ecosystem as part of the MIT REAP Botswana Team to drive innovation driven enterprises.

Tenure Exco: 4 Yrs  
Tenure BBS Bank: 4 Yrs

08

**Dimpho Tlamele Phagane** <sup>(41)</sup> (M)**Head Company Secretariat, Legal and Compliance***ELP, MDP, LLB, Chart. Sec (CGISA), PGC (ERM), CoP, ACAMS Certificate, Cert. (Corporate Finance)*

Dimpho joined BBS Bank as Head Company Secretary, Legal and Compliance in June 2021. He has 16 years of experience as a governance, risk, legal and compliance professional across many industries. Before joining BBS Bank, he held several positions within Bank Gaborone including Compliance and Governance Manager, Legal and Compliance Manager and Acting Head Risk and Compliance. He was previously Legal Advisor for BIHL Insurance Company, worked for Attorney Generals Chambers and MVA Fund. Dimpho enjoys continuous learning and personal development, and during the year he completed an Executive Leadership Programme with the University of Oxford. He is a Chartered Company Secretary and a member of the Compliance Institute of Southern Africa, a member of the Chartered Governance Institute of Southern Africa, a member of the Chartered Institute of Arbitrators (UK), a member of the Global Association of Risk Professionals, and a member of the Chartered Governance Institute (UK).

Tenure Exco: 3.11 Yrs  
Tenure BBS Bank: 4.11 Yrs



## Executive Management Profiles (continued)

09

**Hildah Mhaladi** <sup>(40)</sup> (F)**Head Finance**

ACCA, FCCA (UK), FCA(Botswana), AAT

Hildah is BBS Bank's Head of Finance since August 2021. She is a Chartered Accountant with over 13 years' experience in Auditing, Accounting and Taxation. Prior to joining the Bank, she was with KPMG Botswana where she started her career as an Audit Assistant in 2009 and progressed through the ranks, holding various roles within the firm until she was promoted to the position of Senior Audit Manager in 2019. Her strong foundation in external auditing, particularly in banking audits, equips her with the skills needed to drive financial excellence and promote sustainable growth for financial institutions through the implementation of effective financial strategies and risk management practices. Apart from her portfolio management responsibilities, she was the Head of Audit and Assistant Qualified Person Responsible for Training (QPRT), working closely with BICA on matters pertaining to training and practical experience. She continued these responsibilities at BBS Bank. She is a fellow member of the Botswana Institute of Chartered Accountants (FCA) and a Fellow of the Association of Chartered Certified Accountants, UK FCCA. She is currently pursuing the Chartered Banker MBA program to further enhance her expertise in the banking sector.

Tenure Exco: 3.9 Yrs  
Tenure BBS Bank: 3.9 Yrs

10

**Candy Moloi** <sup>(43)</sup> (F)**Head Operations**

BA (Social Sciences), Associate Diploma in Banking

Candy started working for BBS Bank in April 2005. She rose through the ranks to become Payments Manager in 2010, Operations Manager in 2014 and progressed to become Head of Operations in 2021. She is an Associate member of the Botswana Institute of Banking and Finance and BBS Staff Pension Fund Board trustee.

Tenure Exco: 4 Yrs  
Tenure BBS Bank: 20 Yrs

11

**Kagiso Balopi** <sup>(46)</sup> (M)**Head Risk**

FCCA (UK), FCA(Botswana) ACCA (UK), MDP (USB), B. Acc.

Kagiso was appointed as BBS Bank's Head of Risk in March 2023. He served as Head of Risk and subsequently Director Risk for Botswana Savings Bank, from February 2019-March 2023. Before that he worked for NBFIRA from 2009-2019 holding successive positions from Senior Accountant, Finance & Administration Manager, Head of Finance and Head of Risk. Kagiso started his career at Deloitte & Touche, where he served from 2003 – 2008 in the audit division. He was previously a member of the board for Botswana Privatisation Asset Holdings, maiden Board Member and Chairperson of the Finance Audit and Risk Committee of Botswana Medicines Regulatory Authority (BOMRA), co-opted member of the Finance Risk & Audit Committee of Botswana Institute for Technology Research and Innovation (BITRI) and served as the Treasurer for Botswana Christian Health & AIDS Intervention Program (BOCHAIP).

Tenure Exco: 2.4 Yrs  
Tenure BBS Bank: 2.4 Yrs

## Executive Management Profiles (continued)

12

**Anderson Wabo Samu** <sup>(55)</sup> (M)**Head Information Technology**

MSc (Information Technology Management), SLDP, BSc (Applied Business Computing)

Anderson was appointed as the BBS Bank's Head of Information Technology in March 2023. He previously served as Head of IT for Botswana Life Insurance Limited from October 2016. Before that he was Head of GTIS Operations for Stanbic Bank Botswana from June 2016 - September 2016, having been Head of GTIS (Infrastructure Manager) for Absa Bank between August 2015 - May 2016, IT Manager (Projects) still with Absa Bank from 2009 – 2011. He started his career as IT Technician with Absa Bank in 2000.

Tenure Exco: 2.2 Yrs  
Tenure BBS Bank: 2.2 Yrs

13

**Lebogang Dudu Medupe** <sup>(48)</sup> (F)**Head Human Resources**

MPA – Public Administration (HRM), BA (Public Administration &amp; Political Science), Management Development Programme (USB)

Lebogang joined BBS Bank in January 2024 as Head of Human Resources. Prior to joining BBS Bank, she worked for MRI Botswana as the Head of Human Resources, Letshego Botswana also the Head of Human Resources. She has also worked for Botswana Life Insurance Limited where she was the Senior Human Resources Business Partner (Human Resources Manager) as well as Standard Chartered Bank where she was the Human Resources Relationship Manager for Consumer Banking. Lebogang is a member of the Society for Human Resources Management (SHRM, USA).

Tenure Exco: 1.4 Yrs  
Tenure BBS Bank: 1.4 Yrs

14

**Pako Moshaga** <sup>(37)</sup> (M)**Head Credit**

B. Finance, Cert. ERM, Masters in Innovation, Leadership &amp; Management (Ongoing)

Pako joined BBS Bank on 11 July 2024 as Head Credit, coming from Access Bank where he held two roles: Corporate Credit Manager and Acting Head of Credit amongst others. He has held other management positions in the Banking sector such as Credit Origination Manager at FNB Botswana, Credit Origination Manager and Relationship Manager respectively at Stanbic Bank.

Tenure Exco: 0.9Yrs  
Tenure BBS Bank: 0.9 Yrs

## Governance Functional Areas

### Internal Audit

The Internal Audit Department forms an integral part of the Bank's internal control environment. It supports the Board Audit Committee by independently evaluating the effectiveness of risk management, internal controls and governance processes of the Bank. The performance of the department is monitored by the committee and quarterly reports were received detailing out identified control deficiencies and potential corrective actions to be undertaken by management. The department remained free from all conditions that could threaten the ability of the internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing and report content.

In fulfilling their role, the Internal Audit Department governed itself by adherence to the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing and the Code of Ethics.

#### The following were the 2024 Board Audit Committee focus areas and material decisions regarding internal audit:

- Review and approval of the annual Internal Audit Charter and Internal Audit Plan.
- Approval of the Combined Assurance Model Framework after consultation with Risk and Compliance Departments to maintain a cooperative assurance approach that eliminates duplication of work.
- Approval of the Combined Assurance Forum Terms of Reference.
- Follow up on engagement findings and corrective actions and ensuring that they were periodically reported to management and the Board Audit Committee including any corrective actions not effectively implemented.
- The Committee is satisfied with the experience and expertise of the Head of Internal Audit and competency in fulfilling their responsibilities during the reporting period.
- Reviewed the internal audit annual report which summarised the results and themes observed as part of internal audit activities for the year 2024.
- In addition to the above, the committee confirmed the organizational independence of the internal audit activity.

The Board Audit Committee remains committed to upholding high standards of corporate governance and will continue to monitor and enhance the effectiveness of the Internal Audit Department and alignment to best practice and regulatory requirements.

#### Key focus areas for the Committee with respect to Internal Audit Department for 2025 include:

- Resourcing of the department and ensuring that they continue to invest in talent and skill development.
- Ensuring conformance to the new Global Internal Auditing Standards.
- Ensuring that the Combined Assurance Model Framework is applied to provide a coordinated approach to assurance activities.
- Approval of an evaluation methodology to be used to evaluate Internal Audit Function aligned to the Global Internal Audit Standards.
- Monitoring remediation of both internal and external audit findings.

### Compliance

The activities of the compliance function are overseen by the Risk and Compliance Committee. The purpose of the compliance function is to facilitate and monitor the effective management of compliance risk within the Bank, in particular to ensure that the Bank complies with applicable compliance requirements, including but not limited to legislation, prudential requirements, internal policies, contractual obligations and others. The compliance function, which is led by the Head of Company Secretariat, Legal and Compliance has a seat at the table and has unrestricted access to the Board. The function embeds a compliance culture through advice, guidance and awareness exercises on compliance obligations. The Board has approved a Compliance Policy which is reviewed regularly to align with changing circumstances. The policy stance is zero tolerance to non-compliance and action is taken to address any exceptions. A compliance program and plan exist that guides the activities of the function, and regular reports are submitted to the Board at its quarterly meetings. Key compliance focus areas for the Bank included preparatory works for compliance with the new Data Protection Act, remediation and progress reports on the Bank of Botswana Onsite Examinations covering Special Purpose, AML/CT/PF and Consumer Compliance, the BSE Sustainability Disclosure Guidance, the Companies (Amendment) Act, extensive training on AML/CFT/PF matters comprising general and role based interventions, closed monitoring of customer due diligence workstreams, revision of regulatory universe and compliance risk management plans, compliance culture trainings, compliance monitoring reviews, risk assessment, support of business units and various transformational projects, guidance on new products and services, implementation of the AML/CFT system, policy revision, interaction between the Bank and regulators, and other new requirements that were published during the year.

Financial crime continued to receive heightened attention of the board, with enhanced interaction with regulators and training to staff, management and the board and testing of their knowledge. Training that was spread through the year covered key topics such as Beneficial Ownership, Suspicious Activity or Transaction Identification and Reporting, Customer Due Diligence, Transaction Monitoring, Foreign Accounts Tax Compliance Act (FATCA), Ultimate Beneficial, Confidentiality Training, Financial Intelligence Act Training and general AML/CFT/PF training. The Bank continued to comply with its licensing conditions and the requirements of the Financial Intelligence Act. Risk assessments are conducted to assess the extent to which the Bank's activities expose it to financial crime risk and mitigating controls are implemented. For the coming year, our focus areas include embedding compliance monitoring, proactive partnership with business to cement compliance culture, capacitating the compliance function, data protection and privacy, accelerating the remediation of regulatory issues, and bedding of the issues associated with the anti-money laundering system and reporting. The board is satisfied with the qualifications, experience and independence of the Head Company Secretariat, Legal and Compliance and the effectiveness of the compliance function.

### Information and Technology

Information Technology remains pivotal in driving the Bank's digital transformation journey, placing great emphasis on agility, scalability and innovation while maintaining competitiveness in alignment with the Bank's strategic intent. For the period under review, the functional efforts reflect ongoing commitment to enhance the Bank's IT infrastructure and security posture, ensuring that operational risks are managed effectively while fostering technological advancements to better serve our clients and improve efficiency. The Bank prioritized the deployment of a hybrid hosting architecture that blends cloud and on-premises hosting with advanced disaster recovery capabilities to ensure maximum availability and seamless business continuity. Additionally, cybersecurity remained a central priority, evidenced by the development and implementation of comprehensive policies and processes that align with international cybersecurity standards and frameworks, as well as the introduction of advanced cybersecurity tools to strengthen threat detection, monitoring, and response capabilities. Key areas of focus for the next reporting period include the development of data governance and classification capabilities, the upgrade of the core banking system and automation of key business processes amongst others.

### Other Areas of Governance Oversight

#### Subsidiary Governance

Pursuant to good governance practice, the Board of BBS Bank has overall responsibility for governance across the group. Our governance practices are integrated across the group, ensuring consistency of governance processes and frameworks. Accordingly, BBS Bank Limited, as the parent company to BBS Insurance Agency Limited and Pula Pele Limited, was able to exercise appropriate governance oversight over its subsidiaries while maintaining the independence and the legal and governance responsibilities that apply to each subsidiary. The group prepares consolidated reporting for the group, as detailed out in our financial statements.

#### Shareholder Rights

The shares issued by BBS Bank are of the same class of shares and ordinary shares. All shareholders are treated equitably and all ordinary issued shares rank equally and have the same voting, dividend and other rights. The Constitution does not contain any defensive mechanisms or share ownership ceilings, and there are no restrictions on the number of shares that may be held by a single shareholder, other than in those instances prescribed by law. No shareholder has any priority rights and there are no multiple voting shares or shares that have no voting rights.

## Our Application of King IV Code of Corporate Governance and Disclosures

The King IV Code is a set of voluntary principles, that embody the aspirations of the journey towards good corporate governance. It recognizes that a one-size-fits-all approach to the application of the principles is logically undesirable, "because the types of businesses and activities carried out by organizations are so varied". In line with the spirit and intent of King IV Code, the board is alive to the danger of mindlessly implementing the recommended practices as if they were law, resulting in corporate governance becoming a mere compliance burden, because mindless compliance and quantitative approach is not the aim of the Code. The principles are thus applied in accordance and commensurate with the nature and size of operations, the risk that the Banks faces, the resources and the impact on the triple context in which the Bank operates.

In making the disclosures, the King IV Code directs that "there is no need to disclose whether each principle has been implemented or not, as this is quantitative and does not necessarily add to the quality of the disclosure. There is also no need to disclose against the outcomes, as it can be left to the user to draw inferences from the narrative provided." Duplication of King IV disclosures should be avoided by making use of cross referencing.

We have provided a summary of the 16 core principles of King IV with reference to pages and sections in our integrated report, showing detailed information of how the principles have been applied in our practices, guided by materiality, to enable stakeholders to make an informed assessment of the quality of our governance.



Theme Area	Principle	Integrated Report Referencing
Leadership, Ethics and Corporate Citizenship	<b>Principle 1:</b> The governing body should lead ethically and effectively	<ul style="list-style-type: none"> <li>The tone for ethical organizational culture and leadership: Page 52 (Our Governance Philosophy), Page 53 (Ethical Culture), Page 70 (Ethical Leadership &amp; Culture)</li> <li>Arrangements for managing conflicts of interest: Page 70 (Leadership &amp; Culture), Policy), Page 70 (Conflict of Interest &amp; Related Party Dealings Policy)</li> <li>Responsibility for steering and setting the direction of the Bank: Page 53 (Effective Control), Page 58 (Responsibilities of the Board)</li> <li>Attendance of meetings of the governing body and its committees: Page 56 (Key Board Discussions), Page 67 (Board Committees), Page 70 (Board and Committee Meeting Attendance)</li> <li>Code of Conduct: Page 70 (Code of Conduct and Ethics Policy)</li> <li>Arrangements for performance evaluations of the board and its committees: Page 66 (Board Performance Evaluations), Page 36 (Chairman's Statement)</li> </ul>
	<b>Principle 2:</b> The governing body should govern ethics of the organization in a way that supports the establishment of an ethical culture	<ul style="list-style-type: none"> <li>Code of Conduct and Ethics that articulates and gives effect to direction for organizational ethics: Page 53 (Ethical Culture), Page 70 (Code of Ethics and Conduct Policy)</li> <li>Arrangement for governing and managing ethics: Page 53 (Ethical Culture), Page 70 (Ethical Leadership &amp; Culture)</li> <li>Protected disclosure and whistleblowing mechanisms: Page 53 (Whistleblowing Policy), Page 53 (Anonymous Tip-Off hotline)</li> </ul>
	<b>Principle 3:</b> The governing body should ensure that the organization is and seen to be a responsible corporate citizen	<ul style="list-style-type: none"> <li>Oversight of the Bank's core purpose and values, strategy and conduct on being responsible corporate citizen: Page 40 (Managing Director's Statement), Page 9 (Responsible Banking and Sustainability), Page 40 (Community Partnerships)</li> <li>Oversight of the Bank's activities and outputs: Page 53 (Legitimacy)</li> <li>Arrangements for managing and governing responsible corporate citizenship: Page 20 (Engagement with our Stakeholders), Page 30 (Corporate Social Responsibility that Sustains)</li> <li>Key areas of focus and planned focus areas: Page 56 (Key Board Discussions and Approvals)</li> </ul>
Strategy, Performance and Reporting	<b>Principle 4:</b> The governing body should appreciate that the organization's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process	<ul style="list-style-type: none"> <li>Responsibility for organizational performance and setting the direction through strategy: Page 58 (Responsibilities of the Board), Page 26 (Our Business Model and Six Capitals), Page 25 (Our Purpose), Page 40 (MD Statement: Financial Performance)</li> <li>Oversight of the implementation of strategy and operational plans: Page 54 (Strategy Execution), Page 28 (Pilediwa is Delivering), Page 56 (Focus Areas for 2025)</li> <li>Oversight of performance, the Bank's solvency and liquidity and its status as a going concern: Page 53 (Good Performance), Page 91 (Transformational Risks), Page 26 (Strategy Outlook), Page 56 (Focus Areas), Page 46 (Head of Finance)</li> </ul>
	<b>Principle 5:</b> The governing body should ensure that reports issued by the organization enable stakeholders to make informed assessments of the organization's performance, and its short-, medium- and long-term prospects	<ul style="list-style-type: none"> <li>Approval of management's determination of reporting frameworks and standards: Page 9 (Board Approval), Page 58 (Responsibilities of the Board: Accountability &amp; Transparency)</li> <li>Oversight that financial statements and other reports are issued in compliance with applicable requirements: Page 92 (Annual Financial Statements), Page 95 (Directors' Responsibility Statement), Page 96 (Director's Report)</li> <li>Oversight over the issuance of an integrated report as a standalone or part of another report: Page 9 (Board Approval), Page 26 (Our Integrated Thinking) and Page 26 (Approval by the Board of Directors), Page 36 (Chairman's Statement)</li> <li>Determination of materiality for deciding the nature of information to be included in external reports: Page 26 (Materiality)</li> <li>Oversight over the integrity of external reports: Page 26 (Materiality Determination) Page 27 (Approval by the Board of Directors), Page 95 (Directors' Responsibility Statement), Page 54 (Key Board Focus Areas for 2024)</li> </ul>

Governing Structures and Delegation	<b>Principle 6:</b> The governing body should serve as the focal point and custodian of corporate governance in the organization	<ul style="list-style-type: none"> <li>Our Governance Objectives: Page 52</li> <li>Setting and steering the strategic direction: Page 54 (Strategy Execution), Page 56 (Key Board Focus Areas for 2024)</li> <li>The board's responsibilities, membership and procedural conduct are documented in a Board Charter, Page 53 (Ethical Culture), Page 58 (Delegation of Authority)</li> <li>Development, Review and Approval of Key Governance Documents: Page 56 (Key Board Discussions and Approvals)</li> <li>Number of meetings held during the reporting period: Page 67 (The Board Committees), Page 72 (Board and Committee Meeting Attendance)</li> <li>Fulfilment of responsibilities in accordance with the charter: Page 58 (Our Governance Structure)</li> </ul>
	<b>Principle 7:</b> The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities effectively	<ul style="list-style-type: none"> <li>Board Composition: Page 58 (Our Governance Structure), Page 59 (Board Composition and Diversity)</li> <li>Whether the board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence: Page 61 (Board Composition and Diversity (Other))</li> <li>Targets for race and gender representation in the board and progress made against targets: Page 60-61 (Board Composition and Diversity)</li> <li>Categorization of each member as executive, non-executive or independent: Page 62-65 (Board Profiles)</li> <li>Qualifications and experience of board members: Page 60 (Balance of Skills, Qualifications and Experience), Page 64-65 (Board Profiles)</li> <li>Each member's period of service and Age: Page 61 (Board Tenure), Page 61 (Age), Page 64-65 (Board Profiles)</li> <li>Other board and professional positions held by directors: Page 64-65 (Board Profiles)</li> <li>Whether the board chairperson is independent non-executive: Page 64 (Board Profiles), Page 59 (Independence), Page 71 (Board Leadership)</li> <li>Appointment of a lead independent non-executive director: Page 71 (Lead Independent Director), Page 64 (Board Profiles)</li> <li>Succession Planning for the Board Chairperson: Page 54 (Leadership Changes and Succession Planning), Page 70 (Director Appointment and Changes), Page 71 (Succession Planning)</li> </ul>
	<b>Principle 8:</b> The governing body should ensure that its arrangements for delegation within its own structures promote independent judgment, and assist with balance of power and the effective discharge of its duties	<ul style="list-style-type: none"> <li>Page 58 (Delegation of Authority)</li> <li>Page 58 (Our Governance Structure)</li> <li>The overall role of each committee, its composition and membership: Page 67-69 (The Board Committees)</li> <li>External advisers or invitees that attended committee meetings: Page 67-69 (The Board Committees)</li> <li>Key focus areas during the reporting period: Page 54 (Key Board Focus Areas for 2024), Page 56-57 (Key Board Discussions and Approvals), Page 67-69 (The Board Committees)</li> <li>Number of meetings held during the reporting period and attendance: Page 67-69 (The Board Committees), Page 72 (Board and Committee Meeting Attendance)</li> <li>Whether committees are satisfied that they have fulfilled their responsibilities in accordance with its terms of reference: Page 67-69 (The Board Committees)</li> </ul>
	<b>Principle 9:</b> The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and individual members, support continued improvement in its performance and effectiveness	<ul style="list-style-type: none"> <li>Description of performance evaluation undertaken during the reporting period, and overview of evaluation results and actions: Page 66 (Board Performance Evaluation), Page 37 (Chairman's Statement)</li> <li>Whether the board is satisfied that the evaluation improves its performance and effectiveness: Page 66 (Board Performance Evaluation)</li> </ul>

	<b>Principle 10:</b> The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities	<ul style="list-style-type: none"><li>▪ Page 58 (Delegation of Authority)</li><li>▪ Page 58 (Our Governance Structure)</li><li>▪ Page 71 (Board Leadership)</li><li>▪ Page 74 (Executive Management Profiles)</li><li>▪ Notice period stipulated in the CEO’s contract of employment and contractual condition relating to termination: Page 71 (Managing Director),</li><li>▪ Other professional commitments of the CEO: Page 64 (Board Profiles)</li><li>▪ Succession planning for the CEO: Page 54 (Executive Management Succession Planning &amp; Talent Management), Page 56 (Key Board Discussions and Approvals), Page 68 (HR, Remuneration and Nominations Committee Focus Areas),</li></ul>
Governance Functional Areas	<b>Principle 11:</b> The governing body should govern risk in a way that supports the organization in setting and achieving its strategic objectives	<ul style="list-style-type: none"><li>▪ Overview of arrangements for managing and governing risk: Page 67 (The Board Committees), Page 80-85 (Our Risk Management Framework), Page 50-51 (Pilediwa is Delivering)</li><li>▪ Key areas of focus during the reporting period: Page 54-55 (Key Board Focus Areas in 2024), Page 56-57 Key Board Discussions and Approvals), Page 67 (The Committees)</li><li>▪ Monitoring of the effectiveness of risk management and outcomes addressed: Page 54-55 (Key Board Focus Areas in 2024), (Page 56-57 Key Board Discussions and Approvals), Page 67 (The Committees)</li><li>▪ Planned risk management focus areas: Page 56 (Focus Areas for the board in 2025), Page 67 (The Board Committees-Focus Areas)</li></ul>
	<b>Principle 12:</b> The governing body should govern technology and information in a way that supports the organization setting and achieving its strategic objectives	<ul style="list-style-type: none"><li>▪ Overview of arrangements for governing and managing information and technology: Page 81 (Governance Functional Areas), Page 69 (Risk and Compliance Committee), Page 56 (Key Board Discussions and Approvals), Page 88 (Corporate Risk Profile), Page 91 (Transformational Risks)</li><li>▪ Key areas of focus during the period: Page 54-55 (Key Board Focus Areas in 2024), Page 67 (Risk and Compliance Committee), Page 91 (Transformational Risks)</li><li>▪ Monitoring the effectiveness of technology and information management: Page 67 (Risk and Compliance Committee), Page 54-55 (Key Board Focus Areas in 2024), Page 56-57 Key Board Discussions and Approvals)</li><li>▪ Planned areas of future focus: Page 56 (Focus Areas for the board in 2025), Page 67 (The Board Committees-Focus Areas)</li></ul>
	<b>Principle 13:</b> The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organization being ethical and good corporate citizen	<ul style="list-style-type: none"><li>▪ Overview of arrangements for governing and managing compliance: Page 80 (Governance Functional Areas), Page 67 (Risk and Compliance Committee)</li><li>▪ Key areas of focus during the period: Page 54-55 (Key Board Focus Areas in 2024), Page 56-57 (Key Board Discussions and Approvals), Page 67 (The Board Committees-Focus Areas)</li><li>▪ Monitoring the effectiveness of compliance management: Page 54-55 (Key Board Focus Areas in 2024), Page 56-57 (Key Board Discussions and Approvals),</li><li>▪ Planned areas of focus: Page 67 (The Board Committees), Page 56 (Focus Areas for the board in 2025)</li></ul>
	<b>Principle 14:</b> The governing body should ensure that the organization remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and possible outcomes in the short, medium and long term	<ul style="list-style-type: none"><li>▪ Overview of the Remuneration Policy, the Remuneration report with a background statement, main remuneration policy provisions: Page 35 (Remuneration)</li><li>▪ Implementation report showing remuneration awarded to members of the board and executive management: Page 35 (Remuneration), Page 73 (Remuneration Practices in 2024)</li></ul>

	<b>Principle 15:</b> The governing body should ensure that assurance services and functions enable effective control environment, and that these support the integrity of information for internal decision making and of the organization’s external reports	<ul style="list-style-type: none"><li>▪ Combined assurance: Page 80 (Governance Functional Areas), Page 56-57 (Key Board Discussions and Approvals)</li><li>▪ Internal Audit: Page 80 (Governance Functional Areas-Internal Audit)</li><li>▪ Assurance of external reports: Page 9 ( Board Approval), Page 56-57 (Key Board Discussions and Approvals), Page 96 (Responsibilities of the Board), Page Page 67 (The Board Committees-Focus Areas 98 (Director’s Report), Page 95 (Directors’ Responsibility Statement), Page 97 (Independent Auditor’s Report)</li></ul>
Stakeholder Relationships	<b>Principle 16:</b> In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organization over time	<ul style="list-style-type: none"><li>▪ Overview of arrangements for managing and governing stakeholder relationships: Page 40 (Managing Director’s Statement), Page 20 (Engagement with Our Stakeholders), Page 22 (A Glance at Our Stakeholders)</li><li>▪ Key areas of focus during the period: Page 56-57 (Key Board Discussions and Approvals), Page 67 (The Board Committees), Page 48 (Staff Engagement), Page 40 (Managing Director’s Statement)</li><li>▪ Monitoring the effectiveness of stakeholder management: Page 22 (A Glance at Our Stakeholders)</li><li>▪ Future areas of focus: Page 22 (A Glance at Our Stakeholders)</li><li>▪ Page 24 (What our Stakeholders Say)</li></ul>
	<b>Principle 17:</b> The governing body of an institutional investor organization should ensure that responsible investment is practiced by the organization to promote the good governance and the creation of value by the companies in which it invests	<ul style="list-style-type: none"><li>▪ Not Applicable</li></ul>





# Our Risk Management Framework

We have adopted an enterprise-wide approach to risk management. This approach can be defined as a process that enables BBS Bank to effectively deal with varied types of risks and opportunities, thus increasing stakeholder value, which is a departure from a “silo” approach.

## Risk Governance

In discharging the responsibility of creating value, the BBS Bank Board (“Board”) is conscious that the Bank’s purpose, business model, strategy, risks and opportunities, performance and sustainable development are inseparable. Through the risk oversight and support delegated to the Risk & Compliance Committee, the Board ensures that the Bank is adequately guided through determination of strategic intents and objectives and in attainment of such goals.

In our qualitative risk appetite statement, a zero-tolerance approach has been expressed towards breaches in compliance to relevant laws, regulations, ethics and corporate citizenry. Our combined assurance model promotes an effective control environment that provides accurate and timely information for enabling informed decisions.

## Risk Philosophy and Culture

Our approach to risk management is as follows:

### Balancing risk and return

- BBS Bank takes risk in line with the requirements of stakeholders.
- The Bank takes risk within our risk appetite, consistent with our approved strategy.
- The Bank avoids taking risks which have a high probability of causing financial distress.
- The Bank treats risks not in isolation but integrated through Enterprise-wide Risk Management (ERM).

### Responsibility

- BBS Bank takes individual responsibility to ensure risk taking is disciplined and focused, particularly within our area of authority.
- takes account of social responsibilities and commitments to customers in taking risk to produce a return.

### Accountability

- BBS Bank only takes risk within agreed parameters and where there is appropriate infrastructure and resource.
- The Bank ensures risk-taking is transparent, controlled and reported.
- Everyone in the Bank is a risk manager.

### Anticipation

- BBS Bank seeks to anticipate material future risks and ensure awareness of all known risks and take necessary action.

### Competitive advantage

- BBS Bank seeks to achieve competitive advantage through efficient and effective risk management and control.

## Key risk management principles

- In order to achieve BBS Bank Ltd’s business objectives, risks must be considered and managed enterprise wide.
- Risk management is integral to the strategic planning process, business decision making and day-to-day operations.
- Risks are identified, analysed, responded to, monitored and reported on, in accordance with BBS Bank Ltd’s policies and procedures.
- Risk responses must be tailored to each particular business circumstance.
- Management must regularly assess the status of risks and risk responses.



## Corporate Risk Profile, Risk Appetite Statement & Mitigations – December 2024

#	Risk	2024	Trend	Outlook 2025	Risk Appetite Statement	Rating	Mitigations
1	Liquidity & Funding Risk	●	↔	●	1. Loans to Deposit Ratio 2. Liquid Assets/Total Deposits	■	1. Enhancement of customer value proposition. 2. Aggressively driving corporate & retail deposit.
2	Credit Risk	●	↓	●	1. Credit Loss Ratio 2. Net Performing Loans 3. Arrears as a % of total portfolio	■	1. Diversification & growth of loan book. 2. Enhanced collections and recoveries of NPLs. 3. Management of ECLs within acceptable losses.
3	Governance & Compliance Risk (AML/CFT Risk)	●	↓	●	1. Non-compliance with KYC requirements 2. Deviations from Corporate Governance guidelines	■	1. Improving the internal control environment.
4	Consumer Compliance Risk	●	↔	●	1. Regulatory fines incurred	■	1. Improving the internal control environment.
5	Project Risk	●	↔	●	1. Projects in the Red status	■	1. Implementation of projects within Time, Cost & Scope. 2. Development of project plans to guide project implementation. 3. Monitoring planned milestones through the PSC.
6	Market Risk	●	↓	●	1. Interest Rate Repricing Gap	■	1. Raising a long-term floating facility.
7	Information Technology Risk	●	↔	●	1. ATM % Uptime	■	1. Implementation of a Disaster Recovery. Site 2. Development & implementation of an IT Strategy. 3. Core Banking System upgrade & ERP implementation.
8	Financial Reporting & Taxation Risk	●	↔	●	1. Errors in the financial statements	■	1. Implementation of an ERP system to support processes. 2. Implementation of a reconciliation system and attestation process.
9	Business/ Strategic Risk	●	↓	●	1. Return On Equity 2. Return On Assets 3. Cost to Income Ratio	■	1. Diversification & growth of the loan book. 2. Enhancement of customer value proposition.
10	Capital Risk	●	↓	●	1. Capital Adequacy Ratio	■	1. Tier II Capital Injection.

### KEY

↑ Deteriorating risk rating into the foreseeable future    ↓ Improving risk rating into the foreseeable future    ↔ Constant risk rating into the foreseeable future  
 ● Low Risk    ● Medium Risk    ● High Risk    ■ Within acceptable risk appetite level    ■ Cautionary    ■ Outside the acceptable risk appetite level

## BBS Bank Ltd's Risk Universe

Risks identified are categorised by sources to facilitate the determination of root cause and subsequently to assign responsibility for responses. The following list represents BBS Bank Ltd's risk universe:

Level 1 Risk	Assigned Risk Owner	Board Oversight Committee	Management Oversight Committee
Business & Strategic Risk	Head of Projects and Strategy	Risk and Compliance Committee	Operational Risk Management Committee
Brand & Reputational Risk	Head of Business Relations and Marketing	Risk and Compliance Committee	Operational Risk Management Committee
Credit Risk	Head of Credit	Risk and Compliance Committee	Credit Risk Management Committee
Market Risk	Head of Treasury	Risk and Compliance Committee	Asset and Liability Management Committee
Liquidity & Funding Risk	Head of Treasury	Risk and Compliance Committee	Asset and Liability Management Committee
Legal Risk	Head of Company Secretariat, Legal and Compliance	Risk and Compliance Committee	Operational Risk Management Committee
Governance & Compliance Risk	Head of Company Secretariat, Legal and Compliance	Risk and Compliance Committee	Operational Risk Management Committee
Operational Risk	Head of Risk	Risk and Compliance Committee	Operational Risk Management Committee
Capital Risk	Head of Finance	Risk and Compliance Committee	Asset and Liability Management Committee
Financial Reporting & Taxation Risk	Head of Finance	Risk and Compliance Committee	Operational Risk Management Committee
Information Technology Risk	Head of IT	Risk and Compliance Committee	Operational Risk Management Committee
People Risk	Head of Human Resources	Human Resources, Nominations, & Remuneration Committee	Operational Risk Management Committee
Projects and Transformation Risk	Head of Projects & Strategy	Risk and Compliance Committee	Operational Risk Management Committee
Corporate Sustainability Risk	Head of Projects & Strategy	Risk and Compliance Committee	Operational Risk Management Committee

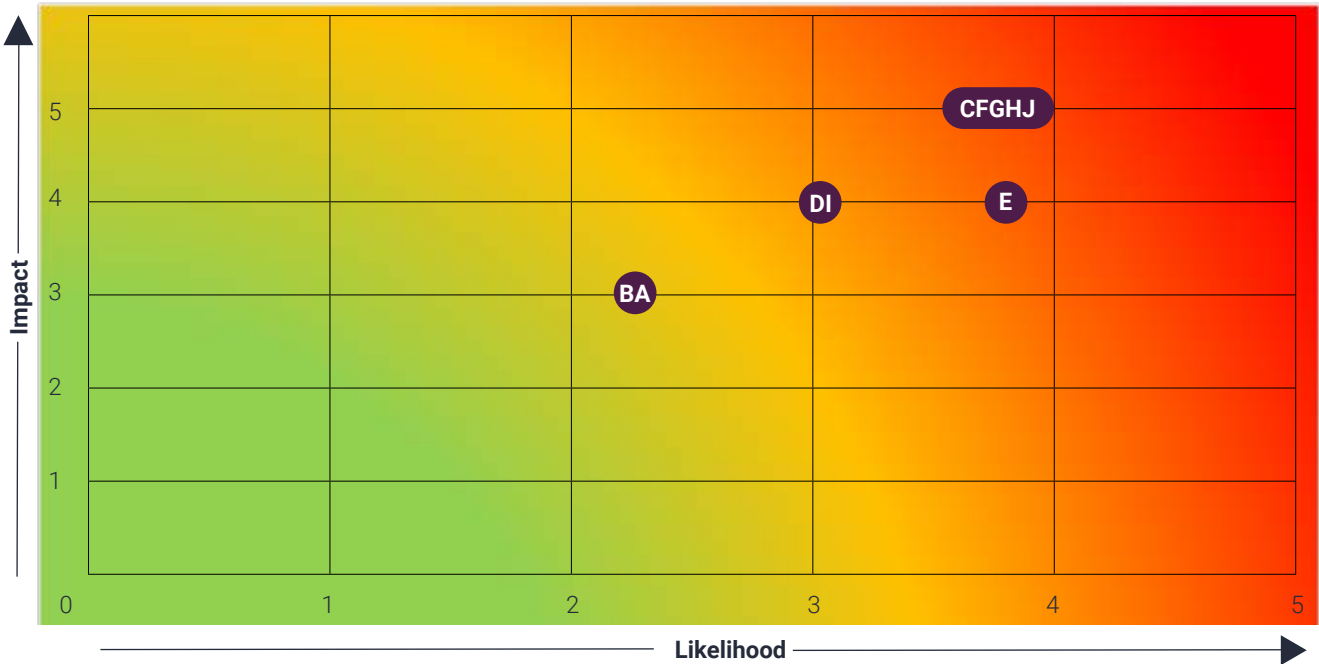
## Risk Management Strategy

A Risk Management Strategy is in place to support the roll-out of the Corporate Strategic Plan. Out of a 5-level maturity profile, the Bank is profiled at level 3 and strives to reach level 4 in 2025. Focus in 2025 will be:

1. Creation of value and prevention of losses.
2. Intelligent risk-taking aligned with the corporate strategic plan.
3. Building awareness of enterprise-wide risk management among staff members across the Bank.
4. Integrating risk management tools and data across the Bank in a standardized manner.
5. Proactive risk-informed decision-making using analytics and improving operational & financial performance.
6. Highly customised decision-support tools.



Risk Heat Map



REF	TOP RISKS
A	Business/Strategic Risk
B	Capital Risk
C	Project Risk
D	Information Technology Risk
E	Market Risk
F	Credit Risk
G	Consumer Compliance Risk
H	Liquidity & Funding Risk
I	Financial Reporting & Taxation Risk
J	Governance & Compliance Risk

Transformational Risks

In support of the transformational journey, BBS Bank has mapped transformational risks to promote the successful roll-out of the Pilediwa Strategic Plan. Steady progress has been attained in applying initiatives to enhance the internal control environment. The following themes were derived in addressing the risk mitigations of managing risks and opportunities:

- Technology as an enabler
- Regulatory & External Environment
- Value Proposition
- Astute Risk Management
- Change Management
- Partnership Strategy

Achievements/Challenges

Achievements

- An improvement has been realised in the risk management culture across the Bank, which was influenced by the Business Operational Risk Forum conducted monthly. This forum brings together various teams across functions to discuss risks & opportunities in an integrated manner and maps prioritization and cost-effective treatment measures. Teams appreciate risks & opportunities from the same lense and embraced a focused approach towards solutions.
- During the year under review the Board approved a Funds Transfer Pricing Policy. The Funds Transfer Pricing (FTP) is an internal pricing mechanism which charges business units and branches for using funding and credits business units and branches for generating funding. The FTP mechanism is designed to allow each business unit or branch to identify the liquidity value of its assets and liabilities and to price external products accordingly.
- Achievement of strategic intents and initiatives. Through the transformational strategy roll-out, an improvement has been noted in key financial and non-financial metrices for the year. Profitability attained for the year, exceeded the planned strategic goal.

Challenges

- Balancing transformational and “business as usual” requirements, and to further incorporate risk management practices consistently into daily tasks.
- The vacancy rate in the Risk Department and other areas of the Bank were high. A phased recruitment approach has been adopted to ensure a balance between business growth and staff onboarding.

Benefits realised from our risk management practices

- a. Decision-making is informed by the enterprise-wide risk management processes adopted by the Bank.
- b. Enhanced effectiveness in business processes, operational excellence and delivery of business needs through selected strategies.

- c. Improved returns to the Bank, greater predictability of performance and business resilience.
- d. Our internal control environment promoted:
  - I. compliance to relevant statutes, regulations, internal policies and procedures.
  - II. assurance that significant risks have been identified that matter in rolling out the strategic plan.
- e. The Bank is pleased that the benefits of risk management have been met, and recognise that there are improvement areas, which will be implemented in the ensuing year and soon.
- f. At BBS Bank we recognise that the Bank’s core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

Ethics

Through the direction and guidance provided by the Board, BBS Bank has set-up and nurtured an ethical culture to drive ethics in the Bank. The Bank is dedicated towards a proactive approach to creating an ethical work environment and empowering staff members to conduct themselves in an ethical way. A strong ethics tone at the top has been established by the Board.

Following the implementation of the Ethics & Fraud Line (whistle-blowing line) in 2023, the Board carried out a survey on whether the line was achieving its purpose of detecting and deterring fraud unethical business practices. Areas of focus of the survey included:

- Awareness of the reporting channels.
- Employee perception on the level of complacency about ethics in the workplace; and
- Willingness to report and confidence that the employees have on the Bank to report.

The results reveal that BBS Bank has outperformed the Botswana Benchmark through this Fraud & Ethics Engagement Survey carried out by Deloitte. Management is implementing the recommended improvement areas.

Toll-free number – 16147 to report unethical and unbecoming practices, such as:

- Theft
- Fraud
- Bribery/Corruption
- Misconduct/Unethical behaviour
- Money laundering

A proactive approach has taken by BBS Bank, of preventing rather than detecting undesirable practices within the workplace.

# Annual Financial Statements

## Consolidated and Separate Financial Statements

for the year ended 31  
December 2024





# General Information

<b>Company name</b>	BBS Bank Limited		
<b>Company registration number</b>	BW00001057162		
<b>Country of incorporation and domicile</b>	Botswana		
<b>Nature of business and principal activities</b>	Banking and Insurance services		
<b>Directors</b>		Appointed	Resigned/ Retired
	Dr. Vincent B. Mogano - Chairman		
	Mrs. Koziba N. Mologyi-Sedimo		
	- Lead Independent Director		
	Mrs. Pedzani Tafa - Managing Director		
	Mr. Victor Ramalepa		23/05/2024
	Mr. Duraiswamy Kalyanaraman		23/05/2024
	Mr. Geoffrey M. Bakwena		
	Mr. Lehuka I. Maseng		05/06/2024
	Mrs. Sejo Lenong		
	Mr. Bernard Mzizi		29/01/2024
	Mr. Mmoloki W. Mogotsi	23/05/2024	
	Ms. Ewetse T. Rakhudu	23/05/2024	
	Mr. John Kimani Muiruri	23/10/2024	
	Ms. Pulane Dibuseng Letebele	23/10/2024	
<b>Registered office</b>	Plot 13108-112, Corner Of Lemmenyane Drive and Segoditshane Way, Broadhurst, Gaborone, Botswana		
<b>Business address</b>	Plot 13108-112, Corner Of Lemmenyane Drive and Segoditshane Way, Broadhurst, Gaborone, Botswana		
<b>Postal address</b>	P.O. Box 40029 Gaborone, Botswana		
<b>Auditors</b>	Ernst & Young Plot 22 Khama Crescent P.O Box 41015 Gaborone, Botswana		
<b>Secretary</b>	Dimpho Phagane Plot 13108-112 Corner of Lemmenyane Drive and Segoditshane Way, Broadhurst, Gaborone, Botswana		

BBS Bank Limited

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

Index

	Page*
Directors' Responsibility Statement	95
Directors' Report	96
Independent Auditor's Report	97 - 100
Statements of Financial Position	101
Statements of Profit or Loss and Other Comprehensive Income	102
Statements of Changes in Equity	103
Statements of Cash Flows	104
Material Accounting Policies	105 - 125
Notes to the Consolidated And Separate Financial Statements	126 - 196

\*Page numbers have been updated to align with the format of the report

BBS Bank Limited

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

Directors’ Responsibility Statement

The directors are required in terms of the Companies Act of Botswana to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate financial statements give a true and fair view of the Group and Company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”) and in compliance with the Companies Act (CAP 42:01), Banking Act (CAP 46:04) and the Insurance Industry Act (Cap:46:01).

The consolidated and separate financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable judgements and estimates.

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

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

The directors have made an assessment of the ability of the Group and Company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The External auditors are responsible for independently auditing and reporting on the Group and Company's consolidated and separate financial statements. The consolidated and separate financial statements have been examined by the Group and Company's External auditors and their report is presented on pages 97 to 100.

The consolidated and separate financial statements set out on pages 101 to 196, which have been prepared on the going concern basis, were approved by the Board of Directors on 27 March 2025 and were signed on their behalf by:

Approval of financial statements

		
Dr. Vincent B. Mogano Chairperson - Board	Mrs. Pedzani Tafa Managing Director	Mrs. Sejo Lenong Chairperson - Board Audit Committee

\*Page numbers have been updated to align with the format of the report



BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Directors’ Report

The directors have pleasure in submitting their report on the consolidated and separate financial statements of BBS Bank Limited for the year ended 31 December 2024.

1. Business activities

The Bank obtained its commercial banking license on 06 October 2022, after changing its name from BBS Limited to BBS Bank Limited on 06 September 2022, to facilitate the issuance of the Banking license. Following the acquisition of the Banking license, the Bank began its journey to transition into a commercial bank in January 2023. This journey involved transitioning into a fully-fledged bank, focusing on developing banking capabilities and introducing a wide array of banking services and products.

The Bank established an Insurance Agency, BBS Insurance Agency Limited on 08 June 2022 as part of its long-term strategic plan to diversify its portfolio and offerings.

2. Financial results and position

The Group and Company's financial results and position are reflected in the financial statements set out on pages 101 to 196.

3. Stated capital

The issued capital of the Group and Company comprised of 487,453 (2023: 487,453) ordinary shares at the end of the year. The detail on shareholding is presented on note 44 of the financial statements.

4. Related parties interests in shares

Mr. Geoffrey M. Bakwena (non-executive director), Mrs. Pedzani Tafa (Executive Director) and some members of Executive Management are BBS Bank Limited shareholders. The other directors do not hold shares directly or indirectly in the Group and Company.

5. Dividends

The Bank did not declare or pay any dividend during the current and previous years. The Bank's wholly owned subsidiary, BBS Insurance Agency Limited, declared and paid dividend to the Bank amounting to P12.130 million during the current year (2023: P nil). This dividend is included in Other income in the Bank's separate financial statements.

6. Directorate

The directors in office during the year and up to the date of this report are as follows:

Directors	Office	Designation	Nationality	Changes
Dr. Vincent B. Mogano	Chairman	Non-executive	Motswana	
Mrs. Koziba N. Moloji-Sedimo	Lead Independent Director	Non-executive	Motswana	
Mrs. Pedzani Tafa	Managing Director	Executive	Motswana	
Mr. Victor Ramalepa	Director	Non-executive	Motswana	Retired 23 May 2024
Mr. Duraiswamy Kalyanaraman	Director	Non-executive	Indian	Retired 23 May 2024
Mr. Geoffrey M. Bakwena	Director	Non-executive	Motswana	
Mr. Lehuka I. Maseng	Director	Non-executive	Motswana	Resigned 05 June 2024
Mrs. Sejo Lenong	Director	Non-executive	Motswana	
Mr. Bernard Mzizi	Director	Non-executive	Motswana	Resigned 29 January 2024
Mr. Mmoloki W. Mogotsi	Director	Non-executive	Motswana	Appointed 23 May 2024
Ms. Ewetse T. Rakhudu	Director	Non-executive	Motswana	Appointed 23 May 2024
Mr. John Kimani Muiruri	Director	Non-executive	Motswana	Appointed 23 October 2024
Ms. Pulane Dibuseng Letebele	Director	Non-executive	Motswana	Appointed 23 October 2024

7. Events after the reporting date

Management has evaluated all events and transactions that occurred subsequent to the date of the financial statements but before the date of issuance of these financial statements and has determined that there were no material subsequent events to report.

\*Page numbers have been updated to align with the format of the report

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Independent Auditor’s Report



To the Shareholders of BBS Bank Limited

Report on the Audit of the Cosolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of BBS Bank Limited and its subsidiary (the Group) and company set out on pages 101 to 196, which comprise the consolidated and separate statement of financial position as at 31 December 2024, and the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of material accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the group and company as at 31 December 2024, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act (CAP 42:01) and Banking Act (CAP 46:04).

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 Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with other ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Botswana, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

Resident Partner: B Ndwapi (Managing Partner)  
A full list of Partners is available from this office and the Register of Companies  
Independent member of Ernst & Young Global Limited.

\*Page numbers have been updated to align with the format of the report

Independent Auditor’s Report



The Key Audit Matters applies equally to the audit of the consolidated and separate financial statements.

Key audit matter	How the matter was addressed in the audit
<p><b>Expected credit losses on mortgage loans and advances to customers (Consolidated and separate financial statements)</b></p> <p>Loans and advances to customers comprise a significant portion of the Group and Company’s total assets at P4.6 billion (2023: P4.1 billion) representing 82% (2023: 79%) of the Group and Company’s total assets. The Group and Company recognises an Expected Credit Losses (ECL allowance) on these loans and advances to customers.</p> <p>The ECL allowance is calculated using a modelled basis. The preparation of the ECL model is inherently subjective and involves significant management judgement and estimates in determining the inputs into the ECL models, including the use of management quantitative specialists in the design and execution of these models. These judgements and estimates include:</p> <ul style="list-style-type: none"><li>• Choosing appropriate models and assumptions for the measurement of ECL</li><li>• Determining criteria for significant increase in credit risk (SICR)</li><li>• Establishing the number and relative weightings of forward- looking scenarios for each type of product/ market and the associated ECL</li><li>• Establishing groups of similar financial assets for the purposes of measuring the ECL; and</li><li>• Appropriateness, completeness and valuation of risk event overlays to capture risks not identified by the credit impairment models</li><li>• The determination of management overlays</li><li>• Estimation of the probability of default (PD), exposure at default (EAD) and loss given default (LGD) parameters.</li></ul> <p>In the current year, the primary factors influencing the Expected Credit Loss (ECL) were the continued growth in unsecured loans and advances to customers, along with the economic uncertainty emanating from slower economic growth. We believe that the interplay of these factors has heightened the associated risks.</p> <p>Therefore, we have identified the audit of the expected credit loss (ECL) allowance applied to loans and advances to customers at the reporting date as a key audit matter due to the extent of auditor judgment required in assessing the above areas of judgement. This necessitated the involvement of our internal economic and quantitative specialists and increased discussions with management during the audit.</p> <p>The disclosures associated with the ECL allowance of loans and advances to customers are set out in the consolidated and separate financial statements:</p> <ul style="list-style-type: none"><li>• Note 1.1 - Significant accounting judgements, estimates and assumptions</li><li>• Note 10 - Loans and advances to customers</li><li>• Note 27 - Expected credit losses</li><li>• Note 2 - Financial instruments and risk management</li></ul>	<p>Our procedures included the following, amongst others, and we involved EY specialists to assist us in performing our procedures where relevant:</p> <ul style="list-style-type: none"><li>• We evaluated the design and operating effectiveness of controls relevant to the Group’s processes over ECL balances, including the judgements and estimates noted, involving EY specialists to assist us in performing our procedures to the extent it was appropriate. These included:<ul style="list-style-type: none"><li>◦ credit monitoring.</li><li>◦ controls over the allocation of assets into stages such as management’s monitoring of stage effectiveness.</li><li>◦ completeness and accuracy of data.</li><li>◦ review and approval of multiple economic scenarios.</li><li>◦ model governance, including model monitoring, model validation and review and approval of post model adjustments.</li></ul></li><li>• We evaluated the data inputs used in calculating the PD, EAD and LGD parameters by reconciling these inputs to the core banking system.</li><li>• We assessed the stage allocation for a sample of loans and individual exposures against the SICR triggers identified by management. We further evaluated the criteria used to allocate financial assets to stage 1, 2 or 3 in accordance with IFRS 9. We reperformed the staging distribution for a sample of financial assets and assessed the reasonableness of staging downgrades applied by management by comparing it to the Group’s modelling documentation.</li><li>• We assessed the design and application of macro-economic forecasts and models adopted by the management expert by assessing the appropriateness of the macro-economic forecasts included in the forward-looking information and scenario weightings by benchmarking these against external evidence and economic data.</li><li>• We performed an independent ECL quantification analysis on economic data and industry stresses which incorporates independently estimated economic impacts using third party as well as our own data to ascertain the reasonability of the macro-economic management adjustments.</li><li>• For the economic scenarios –in collaboration with our economists and modelling specialists, we also challenged the completeness and appropriateness of the macro-economic variables used as inputs to the model. Additionally, we involved economic specialists to assist us in evaluating the reasonableness of the base forecast for a sample of macro-economic variables by benchmarking the forecast to a variety of external sources.</li><li>• Management overlays – We challenged the completeness and appropriateness of overlays used for risks not captured by the models for the unsecured loan book. Our procedures included evaluating the underpinning assumptions and judgments as to whether they are appropriate in prevailing market conditions.</li><li>• We engaged our modelling specialists to evaluate the ECL model by assessing the reasonableness of underpinning assumptions, inputs and formulae used. This included a combination of assessing the appropriateness of model design, formulae and algorithms, alternative modelling techniques and recalculating the PD, LGD and EAD parameters and ultimately the provision for impairment.</li><li>• We assessed the adequacy of the disclosures by comparing these to the requirements of IFRS 9 Financial Instruments.</li></ul>



Other Information

The directors are responsible for the other information. The other information comprises the information included in the 103-page document titled “BBS Bank Limited Consolidated and Separate Financial statements for the year ended 31 December 2024”, which includes the General Information, Directors’ Responsibility Statement and the Directors’ Report which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated or the separate financial statements and our auditor’s report thereon.

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act (CAP 42:01) and Banking Act (CAP: 46:04), and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and 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 or company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Company’s financial reporting processes.

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.

Resident Partner: B Ndwapu (Managing Partner)  
A full list of Partners is available from this office and the Register of Companies  
Independent member of Ernst & Young Global Limited.

\*Page numbers have been updated to align with the format of the report



BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Independent Auditor’s Report



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 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 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 and separate financial statements. We are responsible for the direction, supervision and performance of the group and company audit. We remain solely responsible for our audit opinion.

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

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

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

Ernst & Young  
Firm of Certified Auditors  
Practicing member: Thomas Chitambo (CAP 0011 2025)  
Gaborone  
31 March 2025

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Statements of Financial Position as at 31 December 2024

		Group		Company	
Figures in Pula thousand	Note(s)	2024	2023	2024	2023
<b>Assets</b>					
Cash and cash equivalents	4	508,143	366,036	502,775	345,087
Financial investments	5	200,382	472,102	200,382	472,102
Balance due from related company	6	-	-	1,099	3,756
Non-current assets held for sale	7	-	12,593	-	12,593
Other assets	8	68,560	68,897	63,447	67,931
Properties-in-possession	9	14,002	26,580	14,002	26,580
Current tax receivable	23	-	68	65	68
Loans and advances to customers	10	4,643,141	4,071,336	4,643,141	4,071,336
Right-of-use assets	11	9,610	8,926	9,610	8,926
Deferred tax asset	12	7,623	11,650	7,623	11,650
Intangible assets	13	34,214	24,660	34,214	24,660
Property and equipment	14	99,235	98,402	99,235	98,402
Investments in subsidiary	15	-	-	100	100
<b>Total Assets</b>		<b>5,584,910</b>	<b>5,161,250</b>	<b>5,575,693</b>	<b>5,143,191</b>
<b>Liabilities</b>					
Customer deposits	16	4,456,227	4,211,083	4,464,406	4,211,676
Borrowings	17	256,009	271,198	256,009	271,198
Balance due to other banks	18	50,074	-	50,074	-
Debentures	19	204,121	102,235	204,121	102,235
Lease liabilities	20	15,878	14,700	15,878	14,700
Other liabilities	21	77,813	75,475	76,545	74,766
Withholding tax	22	2,152	2,498	2,224	2,629
Current tax payable	23	170	-	-	-
<b>Total Liabilities</b>		<b>5,062,444</b>	<b>4,677,189</b>	<b>5,069,257</b>	<b>4,677,204</b>
<b>Equity</b>					
Stated capital - Ordinary shares	24	487,453	487,453	487,453	487,453
Retained earnings/(Accumulated losses)		35,013	(3,392)	18,983	(21,466)
<b>Total Equity</b>		<b>522,466</b>	<b>484,061</b>	<b>506,436</b>	<b>465,987</b>
<b>Total Equity and Liabilities</b>		<b>5,584,910</b>	<b>5,161,250</b>	<b>5,575,693</b>	<b>5,143,191</b>

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Statements of Profit or Loss and Other Comprehensive Income

Figures in Pula thousand	Note(s)	Group		Company	
		2024	2023	2024	2023
Interest income using effective interest rate	25	476,036	369,407	475,333	369,233
Interest expense	26	(269,626)	(246,419)	(269,628)	(246,445)
Net interest income		206,410	122,988	205,705	122,788
Fee and commission income	29	40,560	46,132	25,056	21,837
Fee and commission expense	29	(2,775)	(2,277)	(2,775)	(2,277)
Net fee and commission income		37,785	43,855	22,281	19,560
		244,195	166,843	227,986	142,348
Other income	30	16,693	5,327	30,537	7,036
Total income		260,888	172,170	258,523	149,384
Expected credit losses	27	(19,097)	(6,056)	(19,097)	(6,056)
Other impairment losses	28	(7,863)	(3,287)	(7,863)	(3,287)
Personnel expenses	31	(93,054)	(101,121)	(91,618)	(100,184)
Depreciation and amortisation	32	(14,798)	(12,522)	(14,798)	(12,522)
Other expenses	33	(80,798)	(77,394)	(80,671)	(77,297)
Total expenses		(215,610)	(200,380)	(214,047)	(199,346)
Profit/(loss) before taxation		45,278	(28,210)	44,476	(49,962)
Taxation	34	(6,873)	6,862	(4,027)	11,650
Profit/(loss) for the year		38,405	(21,348)	40,449	(38,312)
Other comprehensive income		-	-	-	-
Total comprehensive profit/(loss) for the year		38,405	(21,348)	40,449	(38,312)
Earnings per share					
Basic and diluted earnings/(loss) per share (thebe)	36	7.88	(4.38)		

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Statements of Changes in Equity

Figures in Pula thousand	Ordinary shares	Retained earnings/ (Accumulated losses)	Total equity
Group			
Balance at 01 January 2023	487,453	17,956	505,409
Total comprehensive loss for the year	-	(21,348)	(21,348)
Balance at 01 January 2024	487,453	(3,392)	484,061
Total comprehensive profit for the year	-	38,405	38,405
Balance at 31 December 2024	487,453	35,013	522,466
Note(s)	24		
Company			
Balance at 01 January 2023	487,453	16,846	504,299
Total comprehensive loss for the year	-	(38,312)	(38,312)
Balance at 01 January 2024	487,453	(21,466)	465,987
Total comprehensive profit for the year	-	40,449	40,449
Balance at 31 December 2024	487,453	18,983	506,436
Note(s)	24		



**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Statements in Cash Flows**

		Group		Company	
Figures in Pula thousand	Note(s)	2024	2023	2024	2023
<b>Cash flows from operating activities</b>					
Interest receipts	46	472,754	363,757	472,051	363,583
Commission receipts	46	35,209	41,665	19,705	17,370
Interest payments	46	(281,772)	(216,475)	(281,774)	(216,501)
Commission payments	29	(2,774)	(1,862)	(2,774)	(1,862)
Other income	46	5,231	5,327	6,945	7,036
Dividend income	46	-	-	12,130	-
Cash payments to employees and suppliers	46	(170,307)	(168,719)	(168,744)	(167,685)
Proceeds from sale of properties in possession		4,715	6,964	4,715	6,964
Income tax paid		(2,608)	(4,894)	3	(68)
<b>Net cash generated from operating activities before changes in working capital</b>		<b>60,448</b>	<b>25,763</b>	<b>62,257</b>	<b>8,837</b>
<b>Changes in working capital:</b>					
Decrease/(increase) in other assets		337	(6,646)	4,484	(5,786)
Decrease/(increase) in balance due from related company		-	-	2,657	(2,720)
Increase in loans and advances to customers	46	(595,160)	(838,378)	(595,160)	(838,378)
Increase in customers' deposits	46	259,219	1,459,374	266,805	1,457,479
Increase in other liabilities	46	7,717	43,797	7,158	43,399
(Decrease)/increase in withholding tax		(346)	1,161	(405)	1,291
Receipt of balances from other banks		50,000	-	50,000	-
<b>Net cash (used in)/generated from operating activities</b>		<b>(217,785)</b>	<b>685,071</b>	<b>(202,204)</b>	<b>664,122</b>
<b>Cash flows from investing activities</b>					
Purchase of property and equipment	14	(7,505)	(6,458)	(7,505)	(6,458)
Proceeds from non-current assets held for sale		24,197	-	24,197	-
Purchase of intangible assets	13	(9,736)	(12,396)	(9,736)	(12,396)
New placements of financial investments	46	(1,529,749)	(2,223,726)	(1,529,749)	(2,223,726)
Maturities of financial investments	46	1,799,791	2,197,900	1,799,791	2,197,900
<b>Net cash generated from/(used in) investing activities</b>		<b>276,998</b>	<b>(44,680)</b>	<b>276,998</b>	<b>(44,680)</b>
<b>Cash flows used in financing activities</b>					
Repayment of borrowings	17	(15,158)	(313,976)	(15,158)	(313,976)
New debentures issued	19	100,000	-	100,000	-
Payment of lease liabilities	20	(1,948)	(1,471)	(1,948)	(1,471)
<b>Net cash generated from/(used in) financing activities</b>		<b>82,894</b>	<b>(315,447)</b>	<b>82,894</b>	<b>(315,447)</b>
<b>Total cash movement for the year</b>		<b>142,107</b>	<b>324,944</b>	<b>157,688</b>	<b>303,995</b>
Cash and cash equivalents at the beginning of the year		366,036	41,092	345,087	41,092
<b>Total cash and cash equivalents at the end of the year</b>		<b>4</b>	<b>508,143</b>	<b>366,036</b>	<b>502,775</b>
			<b>345,087</b>		

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Material Accounting Policies****1. Reporting entity**

The Company and it's subsidiary are limited liability companies incorporated and domiciled in Botswana. The address of the Group and Company's registered office is Plot 13108-112 Broadhurst, Gaborone. The Company is primarily involved in the provision of banking services while the subsidiary is involved in offering insurance agency services. These financial statements represent the Group's consolidated and separate financial statements. The consolidated and separate financial statements were approved for issue by the Directors on 27 March 2025.

**1.1 Basis of preparation**

These consolidated and separate financial statements for the year ended 31 December 2024 have been prepared on a going concern basis in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and in compliance with the Companies Act (CAP 42:01), Banking Act (CAP 46:04) and Insurance Industry Act (CAP46:01).

These accounting policies are consistent with those applied in the previous year unless otherwise stated.

**Comparative financial information**

The comparative financial information considered in these financial statements relate to the audited financial information for the year ended 31 December 2023.

**Functional and presentation currency**

The financial statements are presented in Botswana Pula, which is the Group and Company's functional and presentation currency. Except where otherwise indicated, financial information presented in Botswana Pula has been rounded to the nearest thousand.

**Significant accounting judgements, estimates and assumptions**

The preparation of the Group and Company's consolidated and separate financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

**Significant judgements**

In the process of applying the Group and Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated and separate financial statements.

**Impairment losses on financial assets**

In determining the expected credit losses, the Group and Company makes the following judgments:

**Significant increase in credit risk (SICR)**

In assessing whether a significant increase in credit risk (SICR) has occurred for an exposure since initial recognition, the Group and Company considers both quantitative and qualitative information and analysis. In doing so, the Group and Company makes judgements about the appropriate indicators used as SICR triggers. The triggers that the Group and Company has determined as appropriate include the 15-day backstop and other qualitative factors, such as moving a customer/facility to the watch list, or the account becoming forborne.

**Multiple economic scenarios**

The Group and Company in its measurement of ECLs makes judgements about the type and number of macroeconomic scenarios in order to reflect the Group and Company's exposure to credit risk. For example, the Group and Company has determined that 3 scenarios are appropriate -baseline, optimistic and pessimistic.

**Definition of Default**

Significant judgement exists with regards to when an asset is considered to have defaulted, and the resulting definition of default against which parameters of ECL model such as PD, LGD and EAD are evaluated.

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Material Accounting Policies

1.1 Basis of preparation (continued)

The determination of management overlays

The determination of management overlays arises where model outputs may not fully capture actual customer behaviour or prevailing economic conditions. In such cases, management applies overlays, which involve significant judgement to align ECL estimates with the specific circumstances.

Other judgements in the determination of ECL include:

Development of ECL models, including the segmentation of products, the various formulas and the choice of inputs, for example which inputs are relevant for the particular exposures in particular regions.

For explanations of the inputs, assumptions and estimation techniques used in measuring ECL refer to accounting policy note 1.8 and Note 2 - Financial instruments and risk management.

Going concern

Management has made an assessment of the Group and Company's ability to continue as a going concern and is satisfied that the Group and Company has the resources to continue in business for the foreseeable future. There are significant judgements involved in the assessment of whether the going concern assumption remains appropriate.

This going concern basis applied presumes that resources will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

Residual values of property and equipment

Residual values of property and equipment are based on current estimates of the values of these assets at the end of their useful lives. The estimated residual values of the properties have been determined based on available market information.

The residual value of an asset may be less than or equal to the asset's carrying amount. In this case, the asset's depreciation is nil until the carrying amount exceeds the residual value. Depreciation methods, useful lives and residual values are in line with industrial averages and are reviewed at each reporting date and adjusted if necessary.

Collateral valuation

The Group and Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in the form of non-financial assets. The fair value of collateral is generally assessed, at a minimum, at inception and subsequently, every three years in line with the company's credit policy.

Non-financial collateral, such as real estate, are valued at open market values by professional independent valuers who have been appointed as the Group and Company's panel. The panel of valuers is reviewed every three years in line with the Company's credit policy. Refer to Note 2.

Useful life of property and equipment

Judgement is required in determining the assets' useful lives of property and equipment. The estimated useful lives range between three to thirty years. There have been no changes in the estimated useful lives from those applied in the previous financial year. Refer to Note 14 and 32.

Useful life of intangible assets - computer software

Judgement is required in determining the useful lives of intangible assets. The assessment of useful lives is reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

There has been no change in the estimated useful lives for all intangible assets from those applied in the previous year. Refer Note 13 and 32.

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Material Accounting Policies

1.1 Basis of preparation (continued)

Determination of the lease term for lease contracts with renewal and termination options (Group and Company as a lessee)

The Group and Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group and Company have several lease contracts that include extension and termination options. The Group and Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group and Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Estimating the incremental borrowing rate

The Group and Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group and Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group and Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group and Company estimates the IBR using observable inputs such as market interest rates when available.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Although tax losses can be utilised for a period of five years, judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies (see Note 12).

Valuation of properties in possession

The Group and Company hold properties in possession with the intention to sell in the short to medium term. These properties are stated at the lower of the cost of repossession and net realizable value.

The determination of net realizable value involves significant judgment and estimation, as it is based on both independent valuation reports and the latest market prices of similar properties. Management exercises judgment in assessing market conditions, comparable sales, and the liquidity of these assets to ensure that the carrying amounts do not exceed recoverable amounts.

Any adjustments required to align the carrying amount with the most recent valuation are recognized following the valuation process, particularly when recoverable amounts are lower than carrying amounts. These estimates involve inherent uncertainties due to market fluctuations and property-specific factors.

For impairment assessment purposes, properties in possession are valued by professional independent valuers every three years. Refer to Note 9.

1.2 Consolidation

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank ("the Company") and its subsidiary (jointly "the Group") as at 31 December 2024.The Bank consolidates a subsidiary when it controls it.

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

The results of the subsidiary are included in the consolidated financial statements from the effective date of acquisition to the effective date of disposal. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. Investments in subsidiaries are measured at cost less accumulated impairment losses in the company's financial statements.



BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Material Accounting Policies

1.2 Consolidation (continued)

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

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

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

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

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

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group and Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Investment in subsidiary in the separate financial statements

In the Company's separate financial statements, investment in subsidiary is carried at cost less any accumulated impairment losses.

1.3 Interest

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

Interest income and expense presented in profit or loss includes interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis. Interest income and expense are recognised in profit or loss for all interest bearing financial instruments on an accrual basis using the effective interest method.

Amortised cost and gross carrying amount

The amortised cost of a financial asset and a financial liability is the amount at which the asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

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

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

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Material Accounting Policies

1.4 Fees and commission

The Group and Company earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group and Company expects to be entitled in exchange for providing the services.

The Group and Company apply IFRS 15 Revenue from Contracts with Customers. IFRS 15, contains a single model that establishes a five-step approach to revenue recognition. Revenue is recognised when (or as) a performance obligation is transferred to the customer.

The Group and Company's contracts do not include multiple performance obligations. When the Bank provides a service to its customers, consideration is generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Group and Company have generally concluded that they are the principal in its revenue arrangements because they typically control the services before transferring them to the customer.

Fee and commission income from providing services where performance obligations are satisfied at a point in time

Services provided where the Group and Company's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. This relates to service fees such as financial reference letters, dishonoured payment charged monthly in line with the Group and Company's tariff guide, transaction income charged monthly in line with the Group and Company tariff guide, Commission income on mortgage and unsecured personal loan insurance referral fees based on agreed margins with the brokers.

Fee and commission income from services where performance obligations are satisfied over time

Performance obligations satisfied over time include loan administration fees where the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs.

The fee is charged once off and collected upfront. It is deferred and amortized over the term of the loan. I.e., the fee received up front is treated as a contract liability under IFRS 15 and subsequently, release to profit or loss over the life of the loan.

The fee is intended to cover administrative processes performed on the loan during its tenure. e.g., sending monthly statements, collecting payments, maintaining the records and attending to ad hoc requests/inquiries and other items.

Unearned fees and commission are recognized under Other liabilities and represent the Group and Bank's obligation to transfer services to a customer for which the Group and Company has received consideration from the customer.

1.5 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Board of Directors. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Group and Company.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

1.6 Leases

Operating leases

The Group and Company leases a variety of properties. Rental agreements typically include fixed periods over which the items are leased, which are individually negotiated and contain a wide range of different terms and conditions. The Group and Company assesses whether a contract contains a lease at inception of the contract.

The Group and Company defines short term leases as any lease that has a lease term of 12 months or less and where the terms of the lease contain:

- no extension periods that the Group and Company will reasonably exercise which would result in the lease term being longer than 12 months; and
- no purchase option in the lease contract

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Material Accounting Policies

1.6 Leases (continued)

The Group and Company considers the following assets as low value assets: printers, and office furniture. These are assessed as low value assets on the following basis:

- The underlying asset is not highly dependent on, or highly interrelated with, other assets; and
- These assets have individual values that are not significant when compared to our other leased assets.

Group and Company as lessee

At inception, the Group and Company recognises a right-of-use asset (ROUA) and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases and leases of low value assets.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the Group and Company's incremental borrowing rate.

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

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made.

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

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

Right-of-use assets

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

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Material Accounting Policies

1.6 Leases (continued)

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

For right-of-use assets which are depreciated over their useful lives, the useful lives are presented in the following table:

Item	Depreciation method	Average useful life
Leasehold property	Straight line	5 - 10 years or remaining useful life

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

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

Subsequent measurement

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

Group and Company as lessor

The Group and Company is a lessor for properties. These leases have an average life of three years with a renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. Refer to note 30 for rental income recognised during the year. When a lease is terminated before the lease period has expired, any payment required by the lessee by way of penalty is recognised as income in the year in which the termination takes place.

1.7 Taxation

Tax expenses

- Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
  - a business combination.

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

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

Current tax assets and liabilities

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

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). Deferred tax is provided in full, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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



BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Material Accounting Policies

1.7 Taxation Tax expenses (continued)

Deferred tax assets and liabilities are recognised on a gross basis in the statement of financial position unless (1) the entity has a legally enforceable right to set off Current tax receivable against current tax liabilities and (2) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority. In the instance of group, deferred tax assets and liabilities can be offset between different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, where permitted by the tax authority.

1.8 Financial instruments

Financial assets and liabilities are classified at amortised cost or held at fair value through profit or loss or at fair value through other comprehensive income. Management determines the classification of its financial assets and liabilities at initial recognition or, where appropriate, at the time of reclassification. All the Group and Company's financial assets and liabilities are at amortised cost.

Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and debt securities classified as financial assets held at fair value through other comprehensive income are initially recognised on the trade date (the date on which the Group and Company commits to purchase or sell the asset). Financial assets held at amortised cost are recognised on settlement date (the date on which cash is advanced to the borrowers).

All financial instruments are initially recognised at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets which are not subsequently measured at fair value through profit or loss.

In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses unobservable inputs, the difference between the transaction price and the valuation model is not recognised immediately in profit or loss but is amortised or released to profit or loss as the inputs become observable, or the transaction matures or is terminated.

Financial assets held at amortised cost

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

In assessing whether the contractual cash flows have SPPI characteristics, the Group and Company consider 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 and Company consider:

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

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

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Material Accounting Policies

1.8 Financial instruments (continued)

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

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

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cash flows ("hold to collect") are recorded at amortised cost.

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

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

Financial liabilities held at amortised cost

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

Subsequent measurement

Financial assets and financial liabilities held at amortised cost are subsequently measured at amortised cost using the effective interest method. Foreign exchange gains and losses are recognised in profit or loss.

Derecognition of financial instruments

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

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

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

Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires and this is evaluated both qualitatively and quantitatively.

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Material Accounting Policies****1.8 Financial instruments (continued)**

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the carrying amount is recognized in profit or loss.

**Offsetting of financial assets and financial liabilities**

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

Income and expenses are presented on a net basis only when permitted under IFRSs.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are disclosed at amortised cost in the statement of financial position.

For the purpose of the statement of cashflows, cash and cash equivalents consists of cash and short-term deposits as defined above net of outstanding overdrafts as they are considered an integral part of the company's cash management.

**Customer deposits**

Amounts due to customers on savings and fixed deposit accounts are initially recorded at the fair value of the consideration received. Such accounts are subsequently measured at amortised cost. All savings accounts are repayable on demand. Fixed deposits are repayable on maturity.

**Financial investments**

Fixed deposit investments are held with regulated banks that have risk ratings above “non-investment grade – Baa3, per Moody’s ratings”, with original maturities of one month or more from the acquisition date, that are subject to an insignificant risk of changes in their fair value and are used by the Group and Company in the management of its loan commitments. Other financial assets such as Bank of Botswana certificates are held with the central bank.

The amounts invested are not available for use in the Banks day to day operations.

Investments are measured at amortised cost in the statement of financial position and there are no investments to be classified as cash and cash equivalents.

**Loans and advances to customers**

The Group and Company holds mortgage, unsecured personal and short-term loans and advances to customers to collect contractual cash flows. These are initially recorded at the fair value of the amounts disbursed and are subsequently measured at amortised cost. Short term loans are for periods between twelve and sixty months and are secured by paid up and subscription savings. Unsecured personal loans are for a period of 120 months.

**Other financial liabilities**

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

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

- Borrowings
- Balance due to other banks
- Debentures
- Other liabilities

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Material Accounting Policies****1.8 Financial instruments (continued)****Collateral repossessed**

The Group and Company's policy is to assess repossessed assets to determine whether they are best utilized for internal operations or should be disposed of. If a repossessed asset is determined to be useful for the Group and Company's internal operations, it is transferred to the appropriate asset category at the lower of its repossessed value or the carrying value of the original secured asset.

If a repossessed asset is not useful for internal operations, the Group and Company classify it as a Property In Possession. Such assets are measured at the lower of their carrying amount. The Group and Company actively market these assets for disposal through public auctions or private sales within a reasonable period, in line with regulatory and operational guidelines.

Since obtaining its commercial banking license on 06 October 2022, the Bank, in the normal course of business, engages external agents to recover funds from repossessed assets, primarily through auctions, to settle outstanding debts. Any surplus funds are returned to the respective customers/obligors. Consequently, residential properties undergoing legal repossession processes are not recognized on the Bank's balance sheet.

**Credit impairment**

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

- The Group and Company's criteria for assessing if there has been a significant increase in credit risk; and
- Development of expected credit loss models, including the choice of inputs relating to macroeconomic variables.

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

**Expected credit losses**

Expected credit losses are determined for all financial debt instruments that are classified at amortised cost.

The Group and Company recognises loss allowances for ECL on the following financial instruments:

- Financial assets that are debt instruments, such as mortgage, short term and unsecured personal loans and advances to customers.
- Lease receivables;
- and loan commitments issued.

No impairment loss is recognised on equity investments and financial assets measured at fair value through other comprehensive income.

An expected credit loss represents the present value of expected cash shortfalls over the residual term of a financial asset. 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 and Company expects to receive over the contractual life of the instrument.

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

The Group and Company calculates expected credit losses for all its loans and advances measured at amortised cost at individual level. The population was segmented by product (mortgage loans and related commitments, short term and unsecured personal loans) and was further segmented by product class being corporate and retail loans. For material portfolios, the estimate of expected cash shortfalls is determined by multiplying the probability of default (PD) with the loss given default (LGD) with the expected exposure at the time of default (EAD). There may be multiple default events over the lifetime of an instrument. For less material other financial instruments such as Other debtors, the Group and Company has adopted a simplified approach based on historical roll rates or loss rates and forward looking information.



BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Material Accounting Policies

1.8 Financial instruments (continued)

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

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

The Bank conducts quarterly reassessment of the key economic indicators used in its ECL models. In 2023 Q3, the annual growth rate of the Nominal Value Added produced in Botswana increased by 3.1%, marking a decrease of 5.3 percentage points from the previous quarter. This shift in growth is largely influenced by price changes, accounting for 2.9 percentage points, and a decrease in the growth of the volume of goods and services produced in Botswana contributing 2.4 percentage points. The annual growth rate of Real GDP in 2023 is 0.5% Please refer to the forward-looking assumptions incorporated into the ECL calculation below, along with the applied scenarios.

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Material Accounting Policies

The following tables show the forward-looking assumptions incorporated in the ECL calculation:

Group and Company - 2024

	Government Final Consumption, Total			Gross Fixed Capital Formation, Total			Public Administration and Defence		
	Average Annual Growth %			Average Annual Growth %			Average Annual Growth %		
	NG			NI			RGov		
	Probability 20%	Probability 60%	Probability 20%	Probability 20%	Probability 60%	Probability 20%	Probability 20%	Probability 60%	Probability 20%
	Optimistic	Baseline	Pessimistic	Optimistic	Baseline	Pessimistic	Optimistic	Baseline	Pessimistic
2024	3.27	3.18	3.09	(16.34)	(27.03)	(37.72)	4.33	3.56	2.79
2025	3.37	2.72	2.07	35.45	6.92	(21.61)	7.06	4.70	2.33
2026	4.31	3.37	2.42	41.89	13.02	(15.85)	7.99	5.31	2.62
2027	5.39	4.33	3.27	42.74	13.86	(15.02)	8.71	5.79	2.87
2028	6.12	5.03	3.95	42.85	13.98	(14.90)	9.35	6.27	3.20
2029	6.46	5.37	4.29	42.87	13.99	(14.88)	9.85	6.66	3.47

Group and Company - 2023

	Government Final Consumption, Total			Gross Fixed Capital Formation, Total			Public Administration and Defence		
	Average Annual Growth %			Average Annual Growth %			Average Annual Growth %		
	NG			NI			RGov		
	Probability 20%	Probability 60%	Probability 20%	Probability 20%	Probability 60%	Probability 20%	Probability 20%	Probability 60%	Probability 20%
	Optimistic	Baseline	Pessimistic	Optimistic	Baseline	Pessimistic	Optimistic	Baseline	Pessimistic
2023	9.14	8.45	7.76	2.64	0.99	(0.67)	(13.38)	(14.62)	(15.86)
2024	11.28	6.52	1.77	59.27	40.04	20.81	17.61	7.09	(3.43)
2025	17.38	12.21	7.03	49.14	26.33	3.52	25.62	24.00	2.37
2026	14.82	9.49	4.17	41.53	17.64	(6.24)	24.96	13.26	1.57
2027	14.80	9.43	4.07	50.88	26.76	2.64	24.44	12.72	1.00
2028	15.61	10.24	4.87	47.99	23.80	(0.38)	24.06	12.33	0.60

The following table outlines the impact of the multiple scenarios on the allowance. The table shows both the contribution to total ECL of each probability weighted scenario in addition to the total incremental effect on ECL of applying multiple economic scenarios compared to ECL that would have resulted from applying a 100% weighting to the base case scenario.

Group and Company

2024	Gross	ECL	Net	ECL Coverage ratio
Loans and advances	P'000	P'000	P'000	
Base scenario	3,324,001	(55,542)	3,268,459	1.67 %
Upside scenario	3,324,001	(47,211)	3,276,790	1.42 %
Adverse scenario	3,324,001	(69,428)	3,254,573	2.09 %

Group and Company

2023	Gross	ECL	Net	ECL Coverage ratio
Loans and advances	P'000	P'000	P'000	
Base scenario	3,279,289	(53,873)	3,225,416	1.64 %
Upside scenario	3,279,289	(45,791)	3,233,498	1.40 %
Adverse scenario	3,279,289	(67,339)	3,211,950	2.05 %

Material Accounting Policies

1.8 Financial instruments (continued)

\*Most economic time series are not stationary when expressed in their original units of measurement and even after deflation or seasonal adjustment they will typically still exhibit trends, cycles, random-walking, and other non-stationary behaviour. Stationarity Validity is required to forecast the macro-economic variables to incorporate forward-looking information into the ECL.

The period over which cash shortfalls are determined is generally limited to the maximum contractual period for which the Group and Company is exposed to credit risk.

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

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

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

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

Instrument	Location of expected credit loss
Financial assets held at amortised cost	Loss allowances: netted against gross carrying value (1)
Loan commitments	Provisions for liabilities and charges (2)
Financial guarantees	Provisions for liabilities and charges (2)

1.

Purchased or originated credit impaired assets do not attract an expected credit loss allowance on initial recognition. An expected credit loss allowance will be recognised only if there is an increase in expected credit losses from that considered at initial recognition.
2.

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

Recognition

12 months expected credit losses (Stage 1)

Expected credit losses are recognised at the time of initial recognition of a financial instrument and represent the lifetime cash shortfalls arising from possible default events up to 12 months into the future from the reporting date. Expected credit losses continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit impaired. At each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, an entity shall use the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses.

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.

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 allowance is recognised for default events that may occur over the lifetime of the asset.

Material Accounting Policies

1.8 Financial instruments (continued)

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

The Group and Company uses the criteria below for determining whether there has been a significant increase in credit risk:

Quantitative factors

- a backstop of 30 days past due.

The following are indicative of significant increase in credit risk (SICR):

Qualitative factors

- if client is restructured.
- if client falls in the watch list or high care list.
- expired accounts with an outstanding balance greater than zero.
- liquidated accounts with an outstanding balance greater than zero.

The triggers underlying significant increase in credit risk (SICR) relates to all factors that will move an account from Stage 1 to Stage 2. To make that assessment, an entity shall compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increase in credit risk since initial recognition. SICR can be established based on qualitative triggers or a quantitative assessment. Currently, no measures have been developed to quantitatively measure SICR. In future the Group and Company will use the movement in the PD. This is because the underlying supporting information required to do so is not reasonably available without undue cost. Qualitative factors assessed include those linked to current credit risk management processes, such as lending placed on non-purely precautionary early alert (and subject to closer monitoring).

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

Credit impaired (or defaulted) exposures (Stage 3)

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

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

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



BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Material Accounting Policies

1.8 Financial instruments (continued)

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

Loss allowances 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 allowances 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.

For accounts in Stage 1 and Stage 2 the effective interest is recognised on the gross carrying amount, that is the outstanding exposure excluding the loss allowance. The Expected Credit Losses of the recognised revenue will be provided for as part of credit loss provisions on the statement of financial position and any movements to the provisions would be a gain / loss for bad debt / impairment in profit or loss.

For accounts in Stage 3 the effective interest is recognised on amortised cost, that is the outstanding exposure less the loss allowance. Interest revenue is recognised on what is expected to be paid.

Expert credit judgement

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

Credit quality description	Default grade mapping	Category
Strong/Low risk	R1	Standard
Satisfactory	R2 to R5	Special mention/Watch list
High risk	R6 to R9	Substandard or Doubtful or Loss

The Group and Company's scorecard PDs are mapped to a master scale in order to ensure consistency and ability to compare different ratings. Where no default risk exists R1 to R5 represents normal, healthy exposures while R6 to R9 represent high-risk of defaulted borrowers.

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

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

For financial assets which are not individually significant but comprise many homogenous loans that share similar characteristics, statistical estimates and techniques are used, as well as credit scoring analysis.

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

Expert credit judgment is also applied to determine whether any post-model adjustments are required for credit risk elements which are not captured by the models. Where there is need a management overlay is adjusted to the model results.

Modified financial instruments

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

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Material Accounting Policies

1.8 Financial instruments (continued)

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

If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognised, an entity shall assess whether there has been a significant increase in the credit risk of the financial instrument in line with the requirements of IFRS 9 by evaluating,

- a) the risk of a default occurring at the reporting date (based on the modified contractual terms); and
- b) the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

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 and Company or a third party including government sponsored programmes or a conglomerate of credit institutions.

Forbearance may include debt restructuring such as new repayment schedules, payment deferrals, tenor extensions, interest only payments, lower interest rates, forgiveness of principal, interest or fees, or relaxation of loan covenants.

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

Write-offs of credit impaired instruments and reversal of impairment

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

Improvement in credit risk or curing

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

For financial assets within stage 2, these can only be transferred to stage 1 when they are no longer considered to have experienced a significant increase in credit risk.

Where significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to stage 1 when the original PD based transfer criteria are no longer met.

Where instruments were transferred to stage 2 due to an assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to stage 1. This includes instances where Management actions led to instruments being classified as stage 2, requiring that action to be resolved before loans are reclassified to stage 1. A forborne loan can only be removed from the disclosure (cured) if the loan is performing (stage 1 or 2) and a period of 3 months is met.

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Material Accounting Policies

1.8 Financial instruments (continued)

In order for a forborne loan to become performing, the following criteria have to be satisfied:

- A cure event is recognised when an account moves from default to non-default by repaying full payment of arrears under normal or revised terms and conditions.
- The cure rule will be applied to defaulted accounts to avoid multiple defaults, i.e. accounts should be kept in 'watch list/ special mention' (Stage 2) for monitoring for an additional number of consecutive months after a cure event takes place. To prevent relapses, an account is monitored in a worse status before curing. The account cures if the client reduced the capital amount with additional payments.

1.9 Properties in possession

Properties in possession consist of residential and commercial properties repossessed from defaulting mortgage loan bond holders. Such properties are held with the express intention to sell in the short to medium term and are recorded at the lower of cost of repossession and net realisable value. Technically properties in possession qualify as inventories under IAS 2 - Inventories. Cost of repossession is determined with reference to the outstanding capital balance on the mortgage loan at the date of default. The net realisable value is determined with reference to current market values for comparable properties net of estimated marketing and selling expenses.

The repossessed properties are advertised through property agencies who in turn hold auctions to sell the properties on behalf of the Group and Company. These properties are revalued every three years in line with the Group and Company's credit policy. Additionally, these are evaluated for impairment on an annual basis. Any impairment identified is recognised in profit or loss.

These properties were repossessed before the Bank obtained its license to trade as a commercial bank.

1.10 Property and equipment

Recognition and measurement

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

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and are recognised net within other income in profit or loss.

Subsequent cost

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

Depreciation

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

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

Item	Depreciation method	Average useful life
Freehold and leasehold property	Straight line	50-80 years
Leasehold property	Straight line	the lower of 50 years or remaining lease period
Equipment, furniture and fittings	Straight line	4-5 years
Motor vehicles	Straight line	6-8 years
Computer hardware	Straight line	3-5 years

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Material Accounting Policies

1.10 Property and equipment (continued)

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

Capital work-in-progress represent the amount of expenditure recognised during construction. Assets remain in work in progress until they have become available for use or commissioned, whichever is the earlier date. At that time these assets are transferred to the appropriate class of property and equipment as additions and depreciated.

Repairs and maintenance

Repairs and maintenance costs are recognised in profit or loss during the financial period in which these costs are incurred. The cost of a major renovation is included in the carrying amount of the related asset when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing asset will flow to the Group and Company and the renovation replaces an identifiable part of the asset. The costs of major renovations not completed as at the reporting date will be accounted for as part of work in progress until such a time the project is available to be commissioned. Major renovations are depreciated over the remaining useful life of the related asset or until the next major renovations, whichever period is shorter.

Derecognition of property and equipment

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

1.11 Intangible assets

Software acquired by the Group and Company is stated at cost less accumulated amortisation and accumulated impairment losses. Costs associated with maintaining computer software programmes are recognised in profit or loss as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group and Company and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as capital improvement and added to the original cost of the software. Computer software acquisition costs recognised as intangible assets are amortised using the straight line method over their useful lives from the date on which it is available for use. The estimated useful life assigned to computer software is three to five years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

Derecognition of Intangible assets

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

1.12 Impairment of non-financial assets

Assets that are subject to amortisation and depreciation 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). In determining value in use, the estimated future cash flows are discounted using a current market interest rate, which rejects the asset's specific risks. An impairment loss is recognised in profit or loss.

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

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

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



**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Material Accounting Policies****1.13 Retirement benefits**

The Group and Company operates a defined contribution pension fund for all its permanent citizen staff. This fund is registered under the Retirement Funds Act, 2022. The Group and Company contributes to the fund 15% of the pensionable earnings of the members and the employees contribute 7% of their pensionable earnings. The Group and Company's contributions are recognised in profit or loss in the period in which they accrue. Other than regular contributions made in terms of the rules of the fund, the Group and Company does not have any further liability to the fund.

**1.14 Related party transactions**

All related party transactions are carried out on normal commercial terms and in the ordinary course of business except for staff loans which are granted at concessionary rates.

**1.15 Other employee benefits****Short-term employee benefits**

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

Employees' entitlement to annual leave and other benefits is recognised when they accrue to employees. An accrual is recognised for the estimated liability for annual leave and other benefits because of services rendered up to the reporting date and is based on undiscounted current wage and salary rates.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and Company has a present legal or constructive obligation to pay this amount as a result of past service provided by employees and the obligation can be estimated reliably. Other employee benefits liabilities are recorded as part of other liabilities. Refer to note 21.

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

**Termination benefits**

Employees on contract receive terminal gratuities in accordance with their contracts of employment. An accrual is recognised for the estimated liability towards such employees up to the reporting date. All other employees are members of the Group and Company's pension scheme and do not qualify for such terminal gratuities.

**1.16 Prepayments and deposits**

Prepayments and deposits consist of amounts paid to third parties either in advance or to comply with contractual requirements. These amounts are recognised at the original amount paid and include deposits on lease properties, insurance and license prepayments.

**1.17 Stated capital**

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

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

**1.18 Dividends**

Dividends are recognised as a liability in the year in which they are declared.

**1.19 Earnings per share**

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

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Material Accounting Policies****1.20 Loan commitments**

The Group and Company recognize a loss allowance on financial commitments in line with the requirements of IFRS 9 – Financial Instruments. Financial commitments primarily comprise undrawn loan commitments and financial guarantees issued to customers. These commitments expose the Group and Company to potential credit risk, as borrowers may utilize these facilities in the future. The Expected Credit Loss (ECL) model is applied to measure impairment on these financial commitments, considering the probability of drawdown, historical default rates, and forward-looking macroeconomic factors. The loss allowance is recognized in accordance with the staging criteria of IFRS 9, with provisions recorded in line with the assessed credit risk at each reporting date.

**1.21 Segmental reporting**

As at the reporting date, BBS Bank Limited had no separate segments for consideration by the Managing Director. As such, the main business of the Company was evaluated as a whole by the Chief Operating Decision Maker (CODM). The Chief Operating Decision Maker of the Company is considered to be the Managing Director. Following the issuance of the commercial banking license, the Bank is restructuring its business model to introduce new banking products and services which will be key for the definition and identification of its operating segments/business units. As at the reporting date no separate segments had been identified. As part of the transition, the company will identify separate identifiable segments based on its products and services. The Executive Management Committee will monitor the operating results of the business units separately for purposes of making decisions about resource allocation and the performance assessment. Segment performance will be based on profit or loss and measured consistently with profit or loss in the consolidated financial statements. Segments are identified according to the nature of their respective products and services and their related target markets.

**1.22 Non-current assets held for sale**

The Group and Company's non-current assets are measured at cost less accumulated depreciation and any accumulated impairment losses. The Group and Company does not apply fair value measurement to non-current assets except where required by relevant accounting standards.

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management

Financial risk management

Introduction and overview

The Group and Company has adopted an Enterprise-wide approach to risk management which is in compliance with the directive on Revised International Convergence of Capital Standards for Botswana (Basel II) risk framework. The Enterprise-wide Risk Management (ERM) approach can be defined as a process that enables organisations to effectively deal with varied types of risks and opportunities, thus increasing stakeholder value. In terms of the ERM Framework, the Group and Company has identified material risks (called Level 1 risks) to which it is exposed and assigned risk ownership of these risks to various members of the senior management team. For monitoring and reporting purposes, the Executive Committee and the Board use a set of Key Risk Indicators (KRIs) of inherent risk across the predefined risk categories, assessing if they are within tolerances, and if the trend is increasing, stable, or decreasing. These are tracked in a common reporting format. High risk indicators and action plans are tracked by the various committees with update reporting to the Board at least quarterly or as requested.

In terms of the ERM Framework, risks identified are categorised by sources to facilitate the determination of root cause and subsequently to assign responsibility for responses.

Risk governance is designed according to the three ‘lines of defence’ as per best banking practice.

The 3 lines of defence in terms of the ERM Framework and risk culture

The level of the Group and Company's profitability is directly derived from how successfully the Group and Company manages and prices for risk.

- The first line is the ‘business’. This refers to both customer-facing staff as well as staff in back offices and operational departments. All departments are directly responsible to identify and manage all risks that will or can materialise in the course of doing business. This includes the mentioning of risk management in each policy and procedure and making sure procedures are designed to include checks and balances through internal control activities and the separation of duties as much as possible. It also includes performing risk self-assessments, keeping track of risk events, monitoring and reporting. Departmental heads also need to ensure risk related Key Performance Indicators (KPIs) are embedded in staff job descriptions and performance management documents.
- The second line of defence are the various sections in the Risk Function. These units play a supporting and controlling role for the benefit of the first line of defence, ensuring necessary risk activities are executed with the necessary detail and quality. The second line of defence is considered ‘part of Management’; and
- The third line of defence is the Internal Audit functions. The Internal Audit Department is not considered as ‘part of Management’ and works independently, objectively and reports to the Board Audit Committee.

The basis of the Group and Company's Enterprise Risk Management Process is a continuous cycle anchored in the 5 steps of identify, analyse, respond, monitor and report as shown below. Within each step of the process, regular and meaningful communication is essential to improve the likelihood of success. By viewing this cycle as a continual loop, managers are reminded of the need for thoughtful and regular feedback, as improvement is critical to successful risk management.

Step 1 – Identify risks

For each business objective, it is necessary to identify the key risks that might impede the achievement of the respective business objectives. Risk identification should be performed as part of all major decision making processes and is the responsibility of all risk owners. Identified risks should be documented in the Risk Control Self Assessment immediately to be assessed in step 2.

Step 2 – Analyse risks

Risks are assessed or analysed in terms of likelihood of occurrence and the impact when the risk occurs. The assessment is done on a likelihood of occurrence rating multiplied by impact rating matrix before taking into consideration the impact of controls and after taking into account the effect of mitigating controls.

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Step 3 – Respond to the risks

Risks can be dealt with in various ways. The risk response options encompass all possible management responses to risk, whether viewed as opportunities, uncertainties or hazards. The risk response options and examples of activities under each option are outlined below:

- Mitigate
- Avoid
- Transfer
- Accept
- Exploit

Step 4 – Monitor risks

The monitoring and review of the risk profile and the risk response plans is a continuous process. The purpose of the review is to:

- provide assurance that risks are being managed as expected;
- assess whether the risk response plans remain relevant; and
- ensure that the risk profile anticipates and reflects changed circumstances and new exposures.

Risk monitoring consists of a combination of regular communication, periodic reviews or audits and evaluation by independent executives at appropriate levels at Group and Company. Assurance techniques include:

- periodic or random testing of controls, risks and control environment
- quality assurance reviews
- post-implementation reviews
- performance appraisals

Risk response should be measured in terms of efficiency and effectiveness. Efficiency measures the cost of implementing risk management responses in terms of time, money and resources, whereas effectiveness measures the relative degree to which the responses reduce the impact or likelihood of the risk occurring.

To maximise efficiency and effectiveness of risk responses, monitoring and reporting should be integrated with existing business processes and reporting as far as possible.

Step 5 – Report on the risks

While everyone in the Group and Company is responsible for enterprise risk management in their respective areas, some staff have specific responsibilities. The policy and design for enterprise risk management is driven by the Board and managed by the enterprise risk management team.

The reporting structure ensures that risk response gaps are addressed and the risk responses are operating effectively under changing conditions. Enterprise risk management activities should be monitored and reported upwards throughout Group and Company.

Governance

Role of the Internal Audit Department

The role of the Internal Audit Department is to assist the Group and Company in achieving its objective of improving governance and risk management through the enhancement of enterprise-wide risk management and improving operational efficiency. The mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. The function provides reasonable assurance to the Board on the adequacy and effectiveness of the Bank's internal controls, risk management, financial reporting systems, safeguarding of corporate resources and that the Bank complies with all the relevant laws and regulations.

Role of the Board

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The Board is responsible for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group and Company.



BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

The Board has the following sub committees:

- Audit Committee
- Human Resources, Remuneration and Nominations Committee
- Risk and Compliance Committee

The above Board Sub-committees and Board convene on a quarterly basis. The Group and Company's Board and its committees are comprised of eight Non-Executive Directors and one Executive Director. Management reports risk management matters to the Board Risk and Compliance Committee.

The Group's enterprise-wide risk framework is aligned to the directive on Revised International Convergence of Capital Standards for Botswana (Basel II) as issued by Bank of Botswana and is premised on three pillars:

- Pillar I: Minimum Capital Requirements
- Pillar II: Supervisory Review Process
- Pillar III: Market Disclosure

Basel II ensures that banks hold sufficient capital in line with their risk management process and risk exposures. The Group and Company remains well capitalised and its capital is reflective of the underlying economic risks it is exposed to as well as operating well within the set Risk Appetite.

The Group and Company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

Credit risk

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

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to Senior Management. The Risk Department is responsible for oversight of the Group and Company's credit risk, including:

- Formulating credit policies in consultation with the business units, covering collateral requirements, credit assessments, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the Credit underwriting unit which reports to the Head of Credit. Larger facilities require approval by the Credit Approvals Committee and the Credit Risk Management Committee. Any loans which are more than 5% of the Group and Company's capital require approval by the Board of Directors.
- Reviewing and assessing credit risk. The Group and Company assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals of facilities are subject to the same review process.
- Limiting concentration of exposure to counterparties, geographies and industries (for loans and advances).
- Developing and maintaining the Group and Company's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment allowances may be required against specific credit exposures. The responsibility for setting risk grades lies with the Credit Risk Management Committee.

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

- Developing and maintaining the Group and Company's processes for measuring ECL. This includes processes for:
  - initial approval, regular validation and back-testing of the models used;
  - determining and monitoring significant increase in credit risk; and
  - incorporation of forward-looking information.

The Group and Company has Board-approved policies in place that provide guidance on the classification and measurement of financial instruments. The policy also provides guidance on the methodology of calculating expected credit losses. The Group and Company has developed models which are used to calculate expected credit losses of financial instruments in line with IFRS 9 - Financial Instruments.

- Reviewing compliance of business units with agreed exposure limits, including those for sector and individual exposure. Reports are provided to the Board every quarter.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

The Group and Company performs an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group and Company groups its loans into Stage 1, Stage 2, Stage 3 as described below:

- Stage 1: When loans are first recognised, the Group and Company recognises an allowance based on 12 months ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2. Reclassifications from Stage 2 are however subject to 'cooling off' period of 3 months;
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group and Company records an allowance for the Lifetime Expected Credit Loses (LTECLs). Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. Reclassifications from stage 3 are however subject to a 'cooling off" period of 3 months.
- Stage 3: Loans are considered credit impaired. The Group and Company records an allowance for the life-time expected credit loss.

For management of credit risk, the Group and Company structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored by the Credit Approvals Committee which reports to the Credit Risk Management Committee and ultimately to the Board Risk and Compliance Committee. The Board approves management's lending limits and monitors loans and advances that are not performing.

The credit risk exposures relating to recognised financial assets are as follows:

		Group 2024	Group 2023	Company 2024	Company 2023
	Note	P'000	P'000	P'000	P'000
Bank balances (including balances with central bank)	4	470,129	356,137	464,761	335,188
Financial investments	5	200,382	472,102	200,382	472,102
Balance due from related party	6	-	-	1,099	3,756
Loans and advances to customers	10	4,643,141	4,071,336	4,643,141	4,071,336
Other assets*	8	11,765	8,331	6,655	7,366
		5,325,417	4,907,906	5,316,038	4,889,748

\*Included in other assets are Visa settlement debtors and fee and commission receivables, which were previously classified under other debtors within non-financial instruments.

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****2. Financial instruments and risk management** (continued)

These have been reclassified as financial instruments in the current year, with a corresponding reclassification applied to the prior year for comparability.

The above table represents a worst-case scenario of credit risk exposure to the Group and Company at 31 December 2024 and 31 December 2023, without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above 87% of the total maximum exposure is derived from loans and advances to customers (2023: 83%) and 4% represents investment with banks and other financial institutions (2023: 10%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group and Company resulting from both its mortgage loans and advances to customers' portfolio and debt securities based on the following:

- Short term loans and balances are fully secured; and
- Mortgage loans and advances to customers are backed by collateral;

**Loans and advances to customers – On Balance Sheet**

Group and Company - 2024			Stage 2 Non-Performing (past due)	Stage 3 Non-Performing	Total
	Notes	Stage 1 Performing	Stage 2 Performing		
Assets at amortised cost individually impaired		P'000	P'000	P'000	P'000
Standard		3,884,979	-	56,967	3,954,309
Special mention/Watch list		180,566	342	256,061	458,302
Substandard		2,902	-	37,594	54,291
Doubtful		7	-	80,451	80,458
Loss		-	-	176,431	176,431
Gross carrying amount		4,068,454	342	350,622	4,723,791
ECL impairment allowance	10	(9,345)	(1)	(1,736)	(80,650)
Net loans and advances		4,059,109	341	348,886	4,643,141

Group and Company - 2023				Stage 2 Non-Performing (past due)	Stage 3 Non-Performing	Total
	Notes	Stage 1 Performing	Stage 2 Performing	P'000	P'000	P'000
Assets at amortised cost individually impaired		P'000	P'000	P'000	P'000	P'000
Standard		3,411,041	-	18,548	7,850	3,437,439
Special mention/Watch list		29,312	35,847	272,026	24,018	361,203
Substandard		2,668	-	68,667	15,093	86,428
Doubtful		181	-	39	106,619	106,839
Loss		27	-	1	141,060	141,088
Gross carrying amount		3,443,229	35,847	359,281	294,640	4,132,997
ECL impairment allowance	10	(6,019)	(216)	(2,391)	(53,035)	(61,661)
Net loans and advances		3,437,210	35,631	356,890	241,605	4,071,336

Gross carrying amount increased by 14.00% from P4.133 billion to P4.732 billion as at 31 December 2024, while ECL increased by 31.00% from P61.661 million to P80.650 million. The Group and Company reports exposures based on the impairment stage at the end of the reporting period. The reconciliation distinguishes between the existing book and new business as this provides meaningful information to the user in gaining an understanding of the performance of advances overall.

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in accounting policy note 1.8.

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****2. Financial instruments and risk management** (continued)**Management overlay**

Across unsecured and mortgage loans, management applied judgement to recognise an additional ECL (in the form of an overlay). For the mortgage book, the overlay was applied across all the Stages as management were cognisant of the limitations of the model specifically relating to limitations of the model to capture emerging risks due to inherent limitations of modelling based on past performance. For the unsecured loans, the overlay was applied due to data limitations, inability to accurately model emerging risks due to inherent limitations of modelling based on past performance. Management have been able to accumulate sufficient data to model the unsecured loans ECL in quarter two of 2025. Management applied judgement in determining the level of expected credit losses for unsecured loans, taking into consideration forward looking indicators and macro economic factors that impact the industry within which the Group and Company operate in. The Management overlay relating to risk identified on the mortgage loan amounted to P1.486 (2023: P 0.540 million), while overlay considered for unsecured personal loans amounted to P24.366 million (2023: P 7.486million).

	2024	2023
Impairment (ECL ) coverage ratio	1.71 %	1.49 %
Stage 3 coverage ratio	22.86 %	18.00 %
<b>Non performing loans ratio</b>	<b>2024</b>	<b>2023</b>
Non performing loans (NPL) ratio	5.23 %	6.00 %

**Mortgage loans and advances to customers - On Balance sheet**

Group and Company - 2024			Stage 2 Non- Performing (past due)	Stage 3 Non- Performing	Total
	Notes	Stage 1 Performing	Stage 2 Performing		
Assets at amortised cost individually impaired		P'000	P'000	P'000	P'000
Standard		2,517,631	-	55,892	11,653
Special mention/Watch list		173,386	342	241,976	21,299
Substandard		-	-	30,882	13,786
Doubtful		-	-	-	74,981
Loss		-	-	-	165,610
Gross carrying amount		2,691,017	342	328,750	287,329
ECL impairment allowance	10	(560)	(1)	(1,505)	(53,287)
Net loans and advances		2,690,457	341	327,245	234,042

Group and Company - 2023				Stage 2 Non- Performing (past due)	Stage 3 Non- Performing	Total
Notes	Stage 1 Performing	Stage 2 Performing				
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000	P'000	
Standard	2,594,563	-	18,330	7,848	2,620,741	
Special mention/Watch list	7,115	35,847	264,968	24,000	331,930	
Substandard	-	-	66,459	15,089	81,548	
Doubtful	-	-	-	104,367	104,367	
Loss	-	-	-	140,703	140,703	
Gross carrying amount	2,601,678	35,847	349,757	292,007	3,279,289	
ECL impairment allowance	(768)	(216)	(2,302)	(50,601)	(53,887)	
Net loans and advances	2,600,910	35,631	347,455	241,406	3,225,402	

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****2. Financial instruments and risk management** *(continued)*

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in accounting policy note 1.8.

	2024	2023
Impairment (ECL ) coverage ratio	1.67 %	1.64 %
Stage 3 coverage ratio	18.55 %	17.33 %

**Short-term loans and advances to customers - On Balance sheet**

Group and Company - 2024						
	Notes	Stage 1 Performing	Stage 2 Performing	Stage 2 Non- Performing (past due)	Stage 3 Non- Performing	Total
<b>Assets at amortised cost individually impaired</b>		<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Standard		47,254	-	1,072	362	48,688
Special mention/Watch list		7,076	-	633	17	7,726
Substandard		2,902	-	206	9	3,117
Doubtful		7	-	-	4	11
Loss		-	-	-	120	120
<b>Gross carrying amount</b>		<b>57,239</b>	<b>-</b>	<b>1,911</b>	<b>512</b>	<b>59,662</b>
ECL impairment allowance	10	153	-	(1,505)	(222)	(383)
<b>Net loans and advances</b>		<b>57,086</b>	<b>-</b>	<b>1,903</b>	<b>290</b>	<b>59,279</b>

Group and Company - 2023						
	Notes	Stage 1 Performing	Stage 2 Performing	Stage 2 Non- Performing (past due)	Stage 3 Non- Performing	Total
<b>Assets at amortised cost individually impaired</b>		<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Standard		33,599	-	218	-	33,817
Special mention/Watch list		21,558	-	1,030	18	22,606
Substandard		2,668	-	294	4	2,966
Doubtful		181	-	39	8	228
Loss		27	-	1	110	138
<b>Gross carrying amount</b>		<b>58,033</b>	<b>-</b>	<b>1,582</b>	<b>140</b>	<b>59,755</b>
ECL impairment allowance	10	(152)	-	(9)	(127)	(288)
<b>Net loans and advances</b>		<b>57,881</b>	<b>-</b>	<b>1,573</b>	<b>13</b>	<b>59,467</b>

	2024	2023
Impairment (ECL ) coverage ratio	0.64 %	0.48 %
Stage 3 coverage ratio	43.36 %	90.71 %

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****2. Financial instruments and risk management** *(continued)***Unsecured loans and advances to customers - On Balance sheet**

Group and Company - 2024						
	Notes	Stage 1 Performing	Stage 2 Performing	Stage 2 Non- Performing (past due)	Stage 3 Non- Performing	Total
<b>Assets at amortised cost individually impaired</b>		<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Standard		1,320,094	-	3	348	1,320,445
Special mention/Watch list		104	-	13,452	17	13,573
Substandard		-	-	6,506	-	6,506
Doubtful		-	-	-	5,466	5,466
Loss		-	-	-	10,701	10,701
<b>Gross carrying amount</b>		<b>1,320,198</b>	<b>-</b>	<b>19,961</b>	<b>16,532</b>	<b>1,356,691</b>
ECL impairment allowance	10	(8,632)	-	(223)	(16,059)	(24,914)
<b>Net loans and advances</b>		<b>1,311,566</b>	<b>-</b>	<b>19,738</b>	<b>473</b>	<b>1,331,777</b>

Group and Company - 2023						
	Notes	Stage 1 Performing	Stage 2 Performing	Stage 2 Non- Performing (past due)	Stage 3 Non- Performing	Total
<b>Assets at amortised cost individually impaired</b>		<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Standard		782,879	-	-	2	782,881
Special mention/Watch list		639	-	6,028	-	6,667
Substandard		-	-	1,914	-	1,914
Doubtful		-	-	-	2,244	2,244
Loss		-	-	-	247	247
<b>Gross carrying amount</b>		<b>783,518</b>	<b>-</b>	<b>7,942</b>	<b>2,493</b>	<b>793,953</b>
ECL impairment allowance	10	(5,099)	-	(80)	(2,307)	(7,486)
<b>Net loans and advances</b>		<b>778,419</b>	<b>-</b>	<b>7,862</b>	<b>186</b>	<b>786,467</b>

	2024	2023
Impairment (ECL ) coverage ratio	1.84 %	0.94 %
Stage 3 coverage ratio	97.14 %	92.54 %



**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

## Notes to the Consolidated And Separate Financial Statements

### 2. Financial instruments and risk management (continued)

#### Mortgage loans and advances to customers – Off Balance Sheet

Off balance sheet mortgage loans advances pertain to the loan commitments disclosed as per note 21.

Group and Company - 2024	Notes	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired		P'000	P'000	P'000	P'000
Standard		88,226	-	-	88,226
<b>Gross carrying amount</b>		<b>88,226</b>	<b>-</b>	<b>-</b>	<b>88,226</b>
ECL impairment allowance	21	(32)	-	-	(32)
		<b>(32)</b>	<b>-</b>	<b>-</b>	<b>(32)</b>

Group and Company - 2023	Notes	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired		P'000	P'000	P'000	P'000
Standard		83,558	-	-	83,558
<b>Gross carrying amount</b>		<b>83,558</b>	<b>-</b>	<b>-</b>	<b>83,558</b>
ECL impairment allowance	21	(66)	-	-	(66)
		<b>(66)</b>	<b>-</b>	<b>-</b>	<b>(66)</b>

#### Unsecured corporate loans and advances - Off Balance Sheet

Group and Company - 2024	Notes	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired		P'000	P'000	P'000	P'000
Standard		100,000	-	-	100,000
<b>Gross carrying amount</b>		<b>100,000</b>	<b>-</b>	<b>-</b>	<b>100,000</b>

During the 2024 financial year, the Group and Company approved two new P50 million credit facilities. One facility is fully guaranteed by the government, which significantly reduces default risk. The other is a revolving credit line provided to an established, financially sound corporate, whose strong balance sheet and shareholder support contribute to a low probability of default. Based on this analysis, the estimated credit losses remain negligible, and as a result, no ECL allowance has been recognised on these commitments.

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

## Notes to the Consolidated And Separate Financial Statements

### 2. Financial instruments and risk management (continued)

#### Amounts arising from ECL

#### Movements in gross exposures

The following table shows a reconciliation from the opening to the closing balance of the gross exposures by class of financial instrument.

#### Loans and advances to customers

Group and Company - 2024	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
<b>Balance as at 31 December 2023</b>	<b>3,443,229</b>	<b>395,128</b>	<b>294,640</b>	<b>4,132,997</b>
Transfers:				
To stage 1	197,861	(145,807)	(52,054)	-
To stage 2	(135,060)	181,860	(46,800)	-
To stage 3	(55,248)	(80,274)	135,522	-
Net re-measurement of gross exposure: Accounts changed staging				
Transfer to stage 1	(30,530)	-	-	30,530
Transfer to stage 2	-	(9,700)	-	(9,700)
Transfer to stage 3	-	-	(14,271)	(14,271)
Net re-measurement of gross exposure: No change in staging	(238,392)	(16,569)	(17,094)	(272,055)
New financial assets originated	1,040,209	31,406	5,827	1,077,442
Financial assets that have been derecognised	(153,615)	(5,080)	(1,397)	(160,092)
<b>Balance as at 31 December 2024</b>	<b>4,068,454</b>	<b>350,964</b>	<b>304,373</b>	<b>4,723,791</b>

Group and Company - 2023	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
<b>Balance as at 31 December 2022</b>	<b>2,672,695</b>	<b>335,160</b>	<b>284,659</b>	<b>3,292,514</b>
Transfers:				
To stage 1	123,197	(101,273)	(21,924)	-
To stage 2	(186,577)	228,107	(41,530)	-
To stage 3	(55,557)	(63,214)	118,771	-
Net re-measurement of gross exposure: Accounts changed staging				
Transfer to stage 1	(29,864)	-	-	(29,864)
Transfer to stage 2	-	(20,864)	-	(20,864)
Transfer to stage 3	-	-	(17,779)	(17,779)
Net re-measurement of gross exposure: No change in staging	(174,807)	(11,120)	(11,171)	(197,098)
New financial assets originated	1,204,966	35,373	(12,122)	1,228,217
Financial assets that have been derecognised	(110,824)	(7,041)	(4,264)	(122,129)
<b>Balance as at 31 December 2023</b>	<b>3,443,229</b>	<b>395,128</b>	<b>294,640</b>	<b>4,132,997</b>

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Mortgage loans and advances to customers

Group and Company - 2024	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
Balance as at 31 December 2023	2,601,678	385,604	292,007	3,279,289
Transfers:				
To stage 1	193,123	(141,137)	(51,986)	-
To stage 2	(128,146)	174,946	(46,800)	-
To stage 3	(38,564)	(77,059)	115,623	-
Net re-measurement of gross exposure: Accounts changed staging				
Transfer to stage 1	(29,973)	-	-	(29,973)
Transfer to stage 2	-	(9,590)	-	(9,590)
Transfer to stage 3	-	-	(5,434)	(5,434)
Net re-measurement of gross exposure: No change in staging	(186,097)	(16,511)	(17,128)	(219,736)
New financial assets originated	374,791	16,618	1,771	393,180
Financial assets that have been derecognised	(95,795)	(3,779)	(724)	(100,298)
Balance as at 31 December 2024	2,691,017	329,092	287,329	3,307,438

Group and Company - 2023	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
Balance as at 31 December 2022	2,603,299	333,843	284,234	3,221,376
Transfers:				
To stage 1	122,577	(100,800)	(21,777)	-
To stage 2	(186,544)	228,074	(41,530)	-
To stage 3	(45,832)	(62,962)	108,794	-
Net re-measurement of gross exposure: Accounts changed staging				
Transfer to stage 1	(29,553)	-	-	(29,553)
Transfer to stage 2	-	(20,862)	-	(20,862)
Transfer to stage 3	-	-	(7,861)	(7,861)
Net re-measurement of gross exposure: No change in staging	(158,629)	(11,109)	(11,201)	(180,939)
New financial assets originated	378,822	25,925	(14,340)	390,407
Financial assets that have been derecognised	(82,462)	(6,505)	(4,312)	(93,279)
Balance as at 31 December 2023	2,601,678	385,604	292,007	3,279,289

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Short-term loans and advances to customers

Group and Company - 2024	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
Balance as at 31 December 2023	58,033	1,582	140	59,755
Transfers:				
To stage 1	563	(559)	(4)	-
To stage 2	(524)	524	-	-
To stage 3	(9,350)	(374)	9,724	-
Net re-measurement of gross exposure: Accounts changed staging				
Transfer to stage 1	(160)	-	-	(160)
Transfer to stage 2	-	(1)	-	(1)
Transfer to stage 3	-	-	(9,842)	(9,842)
Net re-measurement of gross exposure: No change in staging	(3,667)	(44)	(24)	(3,735)
New financial assets originated	22,133	1,183	620	23,936
Financial assets that have been derecognised	(9,789)	(400)	(102)	(10,291)
Balance as at 31 December 2024	57,239	1,911	512	59,662

Group and Company - 2023	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
Balance as at 31 December 2022	54,854	1,292	157	56,303
Transfers:				
To stage 1	476	(473)	(3)	-
To stage 2	(33)	33	-	-
To stage 3	(9,241)	(252)	9,493	-
Net re-measurement of gross exposure: Accounts changed staging				
Transfer to stage 1	(167)	-	-	(167)
Transfer to stage 2	-	(2)	-	(2)
Transfer to stage 3	-	-	(9,594)	(9,594)
Net re-measurement of gross exposure: No change in staging	(5,522)	(11)	39	(5,494)
New financial assets originated	43,490	1,506	(48)	44,948
Financial assets that have been derecognised	(25,824)	(511)	96	(26,239)
Balance as at 31 December 2023	58,033	1,582	140	59,755

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****2. Financial instruments and risk management** (continued)**Unsecured loans and advances to customers**

Group and Company - 2024	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
<b>Balance as at 31 December 2023</b>	<b>783,518</b>	<b>7,942</b>	<b>2,493</b>	<b>793,953</b>
Transfers:				
To stage 1	4,175	(4,111)	(64)	-
To stage 2	(6,390)	6,390	-	-
To stage 3	(7,334)	(2,841)	10,175	-
Net re-measurement of gross exposure: Accounts changed staging				
Transfer to stage 1	(397)	-	-	(397)
Transfer to stage 2	-	(109)	-	(109)
Transfer to stage 3	-	-	1,005	1,005
Net re-measurement of gross exposure: No change in staging	(48,628)	(14)	58	(48,584)
New financial assets originated	643,285	13,605	3,436	660,326
Financial assets that have been derecognised	(48,031)	(901)	(571)	(49,503)
<b>Balance as at 31 December 2024</b>	<b>1,320,198</b>	<b>19,961</b>	<b>16,532</b>	<b>1,356,691</b>

Group and Company - 2023	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
<b>Balance as at 31 December 2022</b>	<b>14,542</b>	<b>25</b>	<b>268</b>	<b>14,835</b>
Transfers:				
To stage 1	144	-	(144)	-
To stage 3	(484)	-	484	-
Net re-measurement of gross exposure: Accounts changed staging				
Transfer to stage 1	(144)	-	-	(144)
Transfer to stage 3	-	-	(324)	(324)
Net re-measurement of gross exposure: No change in staging	(10,656)	-	(9)	(10,665)
New financial assets originated	782,654	7,942	2,266	792,862
Financial assets that have been derecognised	(2,538)	(25)	(48)	(2,611)
<b>Balance as at 31 December 2023</b>	<b>783,518</b>	<b>7,942</b>	<b>2,493</b>	<b>793,953</b>

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****2. Financial instruments and risk management** (continued)**Loss allowance**

The following table shows a reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument.

**Loans and advances to customers**

Group and Company - 2024	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
<b>Balance as at 31 December 2023</b>	<b>6,019</b>	<b>2,607</b>	<b>53,035</b>	<b>61,661</b>
Transfers:				
To stage 1	9,414	(1,047)	(8,367)	-
To stage 2	(87)	4,334	(4,247)	-
To stage 3	(90)	(582)	672	-
Net re-measurement of loss allowance: Accounts changed staging				
Transfer to stage 1	(9,363)	-	-	(9,363)
Transfer to stage 2	-	(3,382)	-	(3,382)
Transfer to stage 3	-	-	13,690	13,690
Net re-measurement of loss allowance: No change in staging	(661)	(447)	12,797	11,689
New financial assets originated	4,469	277	3,238	7,984
Financial assets that have been derecognised	(356)	(23)	(1,250)	(1,629)
<b>Balance as at 31 December 2024</b>	<b>9,345</b>	<b>1,737</b>	<b>69,568</b>	<b>80,650</b>

Group and Company - 2023	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
<b>Balance as at 31 December 2022</b>	<b>729</b>	<b>1,149</b>	<b>49,842</b>	<b>51,720</b>
Transfers:				
To stage 1	7,583	(433)	(7,150)	-
To stage 2	(33)	6,253	(6,220)	-
To stage 3	(40)	(257)	297	-
Net re-measurement of loss allowance: Accounts changed staging				
Transfer to stage 1	(7,545)	-	-	(7,545)
Transfer to stage 2	-	(4,756)	-	(4,756)
Transfer to stage 3	-	-	5,278	5,278
Net re-measurement of loss allowance: No change in staging	63	367	9,572	10,002
New financial assets originated	5,372	308	2,437	8,117
Financial assets that have been derecognised	(110)	(24)	(1,021)	(1,155)
<b>Balance as at 31 December 2023</b>	<b>6,019</b>	<b>2,607</b>	<b>53,035</b>	<b>61,661</b>

Exposures that are in the existing book can move directly from stage 3 to stage 1 if the curing requirements have been met in a reporting period. The current year movement in the ECL for stage 2 advances is split between exposure where there has been a change in the measurement basis from 12 months to lifetime ECL. Transfers on the existing book are reflected separately and new business originated during the financial year and settlements. The indicators of significant increase in credit risk are explained in Accounting policy note 1.8 Financial Instruments.



**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****2. Financial instruments and risk management** (continued)**Mortgage loans and advances to customers**

Group and Company - 2024	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
<b>Balance as at 31 December 2023</b>	<b>768</b>	<b>2,518</b>	<b>50,601</b>	<b>53,887</b>
Transfers:				
To stage 1	9,351	(1,003)	(8,348)	-
To stage 2	(44)	4,291	(4,247)	-
To stage 3	(14)	(552)	566	-
Net re-measurement of loss allowance: Accounts changed staging				
Transfer to stage 1	(9,325)	-	-	(9,325)
Transfer to stage 2	-	(3,404)	-	(3,404)
Transfer to stage 3	-	-	2,642	2,642
Net re-measurement of loss allowance: No change in staging	(297)	(446)	12,730	11,987
New financial assets originated	139	113	10	262
Financial assets that have been derecognised	(18)	(11)	(667)	(696)
<b>Balance as at 31 December 2024</b>	<b>560</b>	<b>1,506</b>	<b>53,287</b>	<b>55,353</b>

Group and Company - 2023	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
<b>Balance as at 31 December 2022</b>	<b>455</b>	<b>1,136</b>	<b>49,635</b>	<b>51,226</b>
Transfers:				
To stage 1	7,537	(430)	(7,107)	-
To stage 2	(33)	6,253	(6,220)	-
To stage 3	(10)	(255)	265	-
Net re-measurement of loss allowance: Accounts changed staging				
Transfer to stage 1	(7,499)	-	-	(7,499)
Transfer to stage 2	-	(4,756)	-	(4,756)
Transfer to stage 3	-	-	5,265	5,265
Net re-measurement of loss allowance: No change in staging	161	367	9,568	10,096
New financial assets originated	172	219	177	568
Financial assets that have been derecognised	(15)	(16)	(982)	(1,013)
<b>Balance as at 31 December 2023</b>	<b>768</b>	<b>2,518</b>	<b>50,601</b>	<b>53,887</b>

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****2. Financial instruments and risk management** (continued)**Short-term loans and advances to customers**

Group and Company - 2024	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
<b>Balance as at 31 December 2023</b>	<b>152</b>	<b>9</b>	<b>127</b>	<b>288</b>
Transfers:				
To stage 1	3	(3)	-	-
To stage 2	(1)	1	-	-
To stage 3	(24)	(2)	26	-
Net re-measurement of loss allowance: Accounts changed staging				
Transfer to stage 1	(2)	-	-	(2)
Transfer to stage 2	-	1	-	1
Transfer to stage 3	-	-	(6)	(6)
Net re-measurement of loss allowance: No change in staging	(8)	(1)	12	3
New financial assets originated	59	5	75	139
Financial assets that have been derecognised	(26)	(2)	(12)	(40)
<b>Balance as at 31 December 2024</b>	<b>153</b>	<b>8</b>	<b>222</b>	<b>383</b>

Group and Company - 2023	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
<b>Balance as at 31 December 2022</b>	<b>165</b>	<b>9</b>	<b>127</b>	<b>301</b>
Transfers:				
To stage 1	3	(3)	-	-
To stage 3	(27)	(2)	29	-
Net re-measurement of loss allowance: Accounts changed staging				
Transfer to stage 1	(3)	-	-	(3)
Transfer to stage 3	-	-	(27)	(27)
Net re-measurement of loss allowance: No change in staging	(22)	-	7	(15)
New financial assets originated	113	9	15	137
Financial assets that have been derecognised	(77)	(4)	(24)	(105)
<b>Balance as at 31 December 2023</b>	<b>152</b>	<b>9</b>	<b>127</b>	<b>288</b>

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****2. Financial instruments and risk management** (continued)**Unsecured loans and advances to customers**

Group and Company - 2024	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
<b>Balance as at 31 December 2023</b>	<b>5,099</b>	<b>80</b>	<b>2,307</b>	<b>7,486</b>
Transfers:				
To stage 1	60	(41)	(19)	-
To stage 2	(42)	42	-	-
To stage 3	(52)	(28)	80	-
Net re-measurement of loss allowance: Accounts changed staging				
Transfer to stage 1	(36)	-	-	(36)
Transfer to stage 2	-	21	-	21
Transfer to stage 3	-	-	11,054	11,054
Net re-measurement of loss allowance: No change in staging	(356)	-	55	(301)
New financial assets originated	4,271	159	3,153	7,583
Financial assets that have been derecognised	(312)	(10)	(571)	(893)
<b>Balance as at 31 December 2024</b>	<b>8,632</b>	<b>223</b>	<b>16,059</b>	<b>24,914</b>

Group and Company - 2024	Stage 1	Stage 2	Stage 3	Total
Assets at amortised cost individually impaired	P'000	P'000	P'000	P'000
<b>Balance as at 31 December 2022</b>	<b>109</b>	<b>4</b>	<b>80</b>	<b>193</b>
Transfers:				
To stage 1	43	-	(43)	-
To stage 3	(3)	-	3	-
Net re-measurement of loss allowance: Accounts changed staging				
Transfer to stage 1	(43)	-	-	(43)
Transfer to stage 3	-	-	40	40
Net re-measurement of loss allowance: No change in staging	(76)	-	(3)	(79)
New financial assets originated	5,087	80	2,245	7,412
Financial assets that have been derecognised	(18)	(4)	(15)	(37)
<b>Balance as at 31 December 2023</b>	<b>5,099</b>	<b>80</b>	<b>2,307</b>	<b>7,486</b>

**Write-offs**

The contractual amount outstanding on financial assets that were written off during the period ended 31 December 2024 and that are still subject to enforcement activity is P13.008 million (2023: P 0.413 million).

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****2. Financial instruments and risk management** (continued)**Modified financial assets**

There were no modifications to the original contractual cash flows on financial assets during the current or previous year.

**Credit-impaired financial assets - loans and advances to customers**

The following table shows a reconciliation of changes in net carrying amount of credit-impaired loans and advances to customers.

	2024	2023	2024	2023
	P'000	P'000	P'000	P'000
<b>Opening balance</b>	<b>294,640</b>	<b>284,649</b>	<b>294,640</b>	<b>284,649</b>
Change in allowance for impairment	(17,117)	(11,216)	(17,117)	(11,216)
Classified as credit-impaired during the year	127,036	114,014	127,036	114,014
Transferred to not credit-impaired during the year	(100,186)	(92,807)	(100,186)	(92,807)
<b>Closing balance</b>	<b>304,373</b>	<b>294,640</b>	<b>304,373</b>	<b>294,640</b>

**Credit-impaired financial assets - mortgage loans and advances to customers**

The following table shows a reconciliation of changes in net carrying amount of credit-impaired mortgage loans and advances to customers.

	2024	2023	2024	2023
	P'000	P'000	P'000	P'000
<b>Opening balance</b>	<b>292,007</b>	<b>284,234</b>	<b>292,007</b>	<b>284,234</b>
Change in allowance for impairment	(17,128)	(11,202)	(17,128)	(11,202)
Classified as credit-impaired during the year	111,962	111,550	111,962	111,550
Transferred to not credit-impaired during the year	(99,512)	(92,575)	(99,512)	(92,575)
<b>Closing balance</b>	<b>287,329</b>	<b>292,007</b>	<b>287,329</b>	<b>292,007</b>

<b>Number of Credit- impaired mortgage loans and advances</b>	770	773	<b>770</b>	<b>773</b>
Net repayments - recoveries	(1,509)	(639)	(1,509)	(639)

	Stage 3 - 2024		Stage 3 - 2023	
	Gross carrying amount	ECL	Gross carrying amount	ECL
	P '000	P '000	P '000	P '000
<b>Less than:</b>				
90 dpd (for Stage 3)	38,430	51,212	47,497	5,719
<b>More than:</b>				
90 dpd (for Stage 3)	248,899	2,075	244,510	44,882
<b>Total</b>	<b>287,329</b>	<b>53,287</b>	<b>292,007</b>	<b>50,601</b>
<b>Break down of Stage 3 exposures:</b>				
No longer impaired but in cure period	38,430	51,212	47,497	5,719
Other	248,899	2,075	244,510	44,882
<b>Total</b>	<b>287,329</b>	<b>53,287</b>	<b>292,007</b>	<b>50,601</b>

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****2. Financial instruments and risk management** (continued)

	2024	2023	2024	2023
	P'000	P'000	P'000	P'000
<b>Opening balance</b>	140	147	140	147
Change in allowance for impairment	(47)	(5)	(47)	(5)
Classified as credit-impaired during the year	458	37	458	37
Transferred to not credit-impaired during the year	(39)	(39)	(39)	(39)
<b>Closing balance</b>	<b>512</b>	<b>140</b>	<b>512</b>	<b>140</b>
<b>Number of Credit- impaired short-term loans and advances</b>	9,596	9,907	9,596	9,907

	Stage 3 - 2024		Stage 3 - 2023	
	Gross carrying amount	ECL	Gross carrying amount	ECL
	P '000	P '000	P '000	P '000
<b>Less than:</b>				
90 dpd (for Stage 3)	-	-	-	-
<b>More than:</b>				
90 dpd (for Stage 3)	512	222	140	127
<b>Break down of Stage 3 exposures:</b>				
No longer impaired but in cure period	-	-	-	-
Other	512	222	140	127

**Credit-impaired financial assets - unsecured loans and advances to customers**

	2024	2023	2024	2023
	P'000	P'000	P'000	P'000
<b>Opening balance</b>	2,493	268	2,493	268
Change in allowance for impairment	58	(9)	58	(9)
Classified as credit-impaired during the year	14,616	2,427	14,616	2,427
Transferred to not credit-impaired during the year	(635)	(193)	(635)	(193)
<b>Closing balance</b>	<b>16,532</b>	<b>2,493</b>	<b>16,532</b>	<b>2,493</b>
<b>Number of credit impaired - unsecured loans and advances to customers</b>	140	33	140	33

	Stage 3 - 2024		Stage 3 - 2023	
	Gross carrying amount	ECL	Gross carrying amount	ECL
	P '000	P '000	P '000	P '000
<b>More than:</b>				
90 dpd (for Stage 3)	16,532	16,059	2,493	2,307
<b>Break down of Stage 3 exposures:</b>				
No longer impaired but in cure period	-	-	-	-
Other	16,532	16,059	2,493	2,307

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****2. Financial instruments and risk management** (continued)**Bank balances**

The Group and Company held bank balances of P470 million as at 31 December 2024 (2023: P 356 million) which represents its maximum credit exposure on these assets. The Bank balances are held with licensed financial institutions and consist of current, call and fixed deposit accounts. Management has set exposure limits for the different financial institutions to minimise credit risk on bank balances.

Reputable financial institutions are used for investing and cash handling purposes. All money market instruments and cash equivalents are placed with financial institutions registered in Botswana. Banks in Botswana are not rated but are subsidiaries of major international or foreign registered institutions and are regulated by Bank of Botswana.

**Collateral**

The Group and Company holds collateral against loans and advances to customers in the form of mortgage interests over property, cash and guarantees. Estimates of collateral fair values are assessed at the time of borrowing and are updated every three years or when a loan is individually assessed as impaired or when the customer requests further facilities against the same bond.

The following table sets out the types of collateral held against different types of financial assets.

Type of credit exposure	Note	Type of collateral held
Mortgage loans and advances to customers	10	Property
Short term loans and advances to customers		Cash deposit

**Mortgage lending**

The following tables stratify credit exposures from mortgage loans and advances to customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral.

		2024	2023	2024	2023
	Note	P'000	P'000	P'000	P'000
<b>LTV ratio</b>					
Less than 60%		1,360,995	1,364,645	1,360,995	1,364,645
60 - 70%		483,175	509,466	483,175	509,466
70 - 80%		581,304	569,989	581,304	569,989
80 - 90%		776,279	722,424	776,279	722,424
More than 90%		105,685	112,765	105,685	112,765
<b>Total</b>	10	<b>3,307,438</b>	<b>3,279,289</b>	<b>3,307,438</b>	<b>3,279,289</b>

		2024	2023	2024	2023
	Note	P'000	P'000	P'000	P'000
<b>Loan commitments</b>					
Less than 60%		83,104	79,419	83,104	79,419
60 - 70%		2,060	790	2,060	790
70 - 80%		1,443	1,062	1,443	1,062
80 - 90%		1,589	968	1,589	968
More than 90%		30	1,319	30	1,319
<b>Total</b>	37	<b>88,226</b>	<b>83,558</b>	<b>88,226</b>	<b>83,558</b>



**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****2. Financial instruments and risk management (continued)**

An estimate of the fair value of collateral and other tangible security enhancements held against financial assets is summarised as follows:

	2024	2023	2024	2023
	P'000	P'000	P'000	P'000
<b>Collateral for loans and advances to customers</b>				
Against Stage 2 and 3 facility - Property	1,413,696	1,513,800	1,413,696	1,513,800
Against Stage 1 loans facility - Property	5,729,167	5,687,076	5,687,076	5,687,076
Against short-term loans not impaired - cash deposit	115,144	248,528	115,144	248,528
<b>Total</b>	<b>7,258,007</b>	<b>7,449,404</b>	<b>7,215,916</b>	<b>7,449,404</b>
Carrying amount as a proportion of collateral cover	47 %	46 %	47 %	46 %
	2024	2023	2024	2023
	P'000	P'000	P'000	P'000
<b>Loan commitment</b>				
Against general impairment - property (Stage 1)	405,241	310,136	405,241	310,136
Carrying amount as a proportion of collateral cover	22 %	42 %	22 %	42 %

The tables below show maximum exposure to credit risk by class of financial assets. They also show the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates) and the net exposure to credit.

**Fair value of collateral and credit enhancements held**

Group and Company - 2024	Maximum exposure to credit	Cash	Collateral (Property/ Guarantee)	Total collateral	Net exposure	Associated ECL
	P'000	P'000	P'000	P'000	P'000	P'000
<b>Financial assets</b>						
Cash and cash equivalents	470,129	-	-	-	470,129	-
Financial investments	200,382	-	-	-	200,382	-
Loans and advances to customers	4,643,141	115,144	7,142,863	7,258,007	(2,614,866)	(80,650)
Other assets	11,765	-	-	-	11,765	-
<b>Total assets</b>	<b>5,325,417</b>	<b>115,144</b>	<b>7,142,863</b>	<b>7,258,007</b>	<b>(1,932,590)</b>	<b>(80,650)</b>
Loan commitments (Corporate loans)	100,000	-	50,000	50,000	50,000	-
Loan commitments (Mortgage loans)	88,226	-	405,241	405,241	(317,014)	(32)
	<b>188,226</b>	<b>-</b>	<b>455,241</b>	<b>455,241</b>	<b>(267,014)</b>	<b>(32)</b>

**Fair value of collateral and credit enhancements held**

Group and Company - 2023	Maximum exposure to credit	Cash	Collateral (Property/ Guarantee)	Total collateral	Net exposure	Associated ECL
	P'000	P'000	P'000	P'000	P'000	P'000
<b>Financial assets</b>						
Cash and cash equivalents	356,137	-	-	-	356,137	-
Financial investments	472,102	-	-	-	472,102	-
Loans and advances to customers	4,071,336	248,528	7,200,876	7,449,404	(3,378,068)	61,661
Other assets*	8,331	-	-	-	8,331	-
<b>Total assets</b>	<b>4,907,906</b>	<b>248,528</b>	<b>7,200,876</b>	<b>7,449,404</b>	<b>(2,541,498)</b>	<b>61,661</b>
Loan commitments	83,558	-	301,136	301,136	(217,578)	(66)
	<b>83,558</b>	<b>-</b>	<b>301,136</b>	<b>301,136</b>	<b>(217,578)</b>	<b>(66)</b>

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****2. Financial instruments and risk management (continued)**

\*Included in other assets are Visa settlement debtors and fee and commission receivables, which were previously classified under other debtors within non-financial instruments.

These have been reclassified as financial instruments in the current year, with a corresponding reclassification applied to the prior year for comparability.

The tables below provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECL when the expected value of the collateral, measured using multiple economic scenarios, is greater than the LGD. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is lower than fair value at the reporting date.

The Group and Company holds collateral to mitigate credit risk, primarily in the form of property, cash, and other securities. The quality of collateral is assessed based on market valuation, enforceability, and liquidity. Property collateral is regularly revalued to ensure alignment with prevailing market conditions.

While the Group and Company considers collateral in its credit risk assessment, loss allowances are recognised in accordance with expected credit loss (ECL) requirements, irrespective of the collateral held. Collateral serves as a risk mitigation measure rather than a substitute for recognising potential credit losses. The adequacy and enforceability of collateral are continuously monitored to ensure it remains effective in reducing credit risk exposure.

**Type of collateral or credit enhancement for stage 3 assets****Fair value of collateral and credit enhancements held the base case scenario**

Group and Company - 2024	Maximum exposure to credit	Property	Other	Surplus collateral	Total collateral	Net exposure	Associated ECL
	P'000	P'000	P'000	P'000	P'000	P'000	P'000
<b>Mortgage loans and advances to customers</b>							
Residential mortgages	258,915	573,507	-	-	573,507	(314,592)	49,837
Corporate mortgages	28,414	77,833	-	-	77,833	(49,419)	3,450
<b>Total financial assets at amortised cost</b>	<b>287,329</b>	<b>651,340</b>	<b>-</b>	<b>-</b>	<b>651,340</b>	<b>(364,011)</b>	<b>53,287</b>

**Fair value of collateral and credit enhancements held the base case scenario**

Group and Company - 2023	Maximum exposure to credit	Property	Other	Surplus collateral	Total collateral	Net exposure	Associated ECL
	P'000	P'000	P'000	P'000	P'000	P'000	P'000
<b>Mortgage loans and advances to customers</b>							
Residential mortgages	272,326	605,234	-	-	605,234	(332,908)	48,637
Corporate mortgages	19,681	51,259	-	-	51,259	(31,578)	1,964
<b>Total financial assets at amortised cost</b>	<b>292,007</b>	<b>656,493</b>	<b>-</b>	<b>-</b>	<b>656,493</b>	<b>(364,486)</b>	<b>50,601</b>

BBS Bank Limited

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Concentration of credit risk from loans and advances

The Group and Company monitors credit risk concentration by sector and geographic location. An analysis of concentration of credit risk from loans and advances and loan commitments is shown below.

	Mortgage loans and advances to customers		Loan commitments	
	2024	2023	2024	2023
	P'000	P'000	P'000	P'000
Carrying amount or amount committed				
Concentration by sector	3,307,438	3,279,289	88,226	83,558
Residential	3,060,084	3,020,065	80,892	81,065
Commercial	247,354	259,224	7,334	2,493
	3,307,438	3,279,289	88,226	83,558
Concentration by location				
Urban	3,224,725	3,189,402	86,102	83,166
Rural	82,713	89,887	2,124	392
	3,307,438	3,279,289	88,226	83,558

Liquidity risk

Liquidity risk involves the inability to fund growth in assets, managing unplanned changes in funding sources and to meet obligations when required without incurring additional costs or incurring a cash flow crisis. Liquidity risk includes the following underlying risks:

- Loss of confidence in the Group and Company by the market;
- Systemic problems;
- Unplanned withdrawal of committed borrowing facilities;
- Maturity mismatch of assets and liabilities; and
- Change in regulation.

Liquidity management encompasses an overall balance sheet approach, which consolidates all sources and uses of liquidity, while aiming to maintain a balance between liquidity and profitability (cost of funding). That is, to measure, monitor and manage on-balance sheet liquidity mismatch risk incorporating off-balance sheet or contingent liquidity risk. The Head of Treasury is responsible for managing Liquidity Risk on a daily basis. Assets and Liabilities Management Committee (ALCO) provides oversight over Liquidity Risk with monthly reporting to it.

The Contingency Funding Plan (CFP) helps to ensure that the Group and Company can prudently and efficiently manage extraordinary and unexpected fluctuations in liquidity. The objectives of the Contingency Funding Plan are as follows:

- To ensure that the Group and Company meets all its statutory and regulatory requirements within the stipulated times;
- To ensure that the Group and Company meets its business obligations promptly and within committed deadlines;
- To safeguard and preserve the reputation of the Group and Company;
- To ensure that the interests of all key stakeholders are protected and preserved;
- To prevent adverse impact on the profitability of the Group and Company; and
- To lay down specific levels of escalation so that any liquidity problem receives timely appropriate attention.

BBS Bank Limited

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

The analysis of the net funding requirements involves the construction of a maturity ladder and the calculation of a net cumulative surplus or deficit over specified time periods. The net funding requirement is determined by analysing future cash flows based on assumptions concerning the future behaviour of on-balance sheet and off-balance sheet assets and liabilities.

The Group and Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Group and Company must be able to identify and assess liquidity risk of significant business activities and concentration to a particular source of funding such as large depositors/funding providers, investment account holders, wholesale market funding or holdings of a particular asset class. The Group and Company must consider bank specific and market-wide liquidity stressed scenarios separately and in combination. It shall also consider the system-wide interactions and feedback effects due to the high interconnectedness of financial markets.

The ratios during the year were, as follows:

Liquidity ratios

Advances to deposits ratios	2024	2023
Year-end	104 %	80 %
Maximum	104 %	84 %
Minimum	88 %	76 %
Average	96 %	82 %

The Group and Company stresses the importance of current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of core customer current accounts and savings accounts, together with term funding with a remaining term to maturity in excess of one year.

Stress testing

In accordance with the Group and Company's policy, the liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group and Company. In developing the scenarios, an environmental scan is done through research, the media and conversations with informed observers of the Botswana banking industry. The purpose is to look for probable or already emerging events which could have significant impacts on the Banking industry and/or Group and Company over the short to medium term (i.e. 1 to 3 years). The Group and Company uses a range of stress testing methodologies such as sensitivity and scenario analysis to ensure that its stress testing programme is comprehensive.

The ALM function conducts scenario stress testing to evaluate the adequacy of the Group and Company's funding sources in meeting unexpected outflows arising from both entity-specific stress events and broader market shocks. Assumptions and scenarios related to stress testing, along with available sources of stress funding, are reviewed annually or as required by the Risk and Compliance Committee or ALCO.

Stress testing involves identifying a range of plausible adverse events that, while unlikely, could significantly impact the Group and Company's funding position.

Scenarios are categorized into two main types:

- Business-as-usual scenarios (Normal business conditions);
- Stress scenarios (Company-specific stress scenarios or market-wide stress scenarios).

The Group measures whether there is an adequate level of diversification of funding by monitoring diversification by term (e.g. short, medium and long term), source (e.g. Government, Corporates, Retail) and instrument (e.g. investment securities).

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

## Notes to the Consolidated And Separate Financial Statements

### 2. Financial instruments and risk management (continued)

There are a number of liquidity management techniques, which contribute to the overall soundness of the Group and Company's liquidity. These include:

- Ensure effective cash management in order to meet daily liquidity requirement;
- Maintain adequate diversification of funding;
- Building strong relationships with providers of funding; and
- Incorporating liquidity costs in internal pricing, performance measurement and new product approval.

The Group and Company's approach to managing liquidity is to ensure, as far as possible, that it will always have enough liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group and Company's reputation. The Group and Company is exposed to daily calls on its available cash resources from deposits withdrawals, loan draw downs and commitments as and when they fall due.

Experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high degree of certainty.

The Group and Company sets limits on the minimum proportion of maturing funds available to meet such calls and borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The liquidity position of the Group and Company is monitored on a daily basis. For regulatory purposes, the Banking Act, requires the Group and Company to maintain certain proportions of its liabilities in liquid assets. The Group and Company also submits a monthly report to the Bank of Botswana which includes the liquidity position.

#### Exposure to liquidity risk

The Group and Company was liquid as at 31 December 2024 with a total statutory liquid assets to deposits ratio of 15.57% (31 December 2023: 17.32%) compared to a Bank of Botswana required minimum of 10%.

The liquidity requirement is managed in accordance with the Banking Act which states that every Group and Company shall, after making provisions to meet its liabilities, from day to day hold an amount in cash or on authorised deposits or in approved investments as security for prompt repayment of fixed period and subscription shares and of deposits, loans and overdrafts and for the payment of interest accrued thereon.

The Board of Directors sets limits on the level of risk that may be accepted. The Banking Act sets limits within which the Group and Company should operate as regards to concentrations of assets and liabilities. However, use of this limit regime does not prevent losses outside of these limits in the event of more significant market movements.

The table below discloses the undiscounted cash flows of the Group and Company's assets and liabilities on the basis of their earliest possible contractual maturity. The Group and Company's expected cash flows on some financial assets and liabilities vary significantly from contractual cash flows. For example, demand deposits from customers are expected to maintain a stable and increasing balance, and unrecognised loan commitments are not all expected to be drawn down immediately. Also, retail mortgage loans have an original contractual maturity of up to 30 years but with lower average expected maturities as customers take advantage of early repayment periods. As part of the management of its liquidity risk arising from financial liabilities, the Group and Company holds liquid assets comprising cash and cash equivalents to meet liquidity requirements.

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

## Notes to the Consolidated And Separate Financial Statements

### 2. Financial instruments and risk management (continued)

The summary of the Group and Company's contractual liquidity gap position is as follows:

Company - 2024	On demand	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000	P'000
<b>Assets</b>						
Cash and cash equivalents	470,129	-	-	-	-	470,129
Financial investments	200,401	-	-	-	-	200,401
Other assets	11,765	-	-	-	-	11,765
Loans and advances to customers	67,067	133,715	594,167	2,936,592	4,843,376	8,574,917
<b>Total assets</b>	<b>749,362</b>	<b>133,715</b>	<b>594,167</b>	<b>2,936,592</b>	<b>4,843,376</b>	<b>9,257,212</b>
<b>Liabilities</b>						
Customers' deposits	1,480,673	1,064,541	1,791,438	34,753	21,395	4,392,800
Borrowings	7,128	5,468	113,340	162,066	-	288,002
Balance due to other banks	50,154	-	-	-	-	50,154
Debentures	-	-	15,830	71,855	247,845	335,530
Lease liabilities	296	864	2,328	12,604	3,645	19,737
Other liabilities	35,489	-	-	-	-	35,489
<b>Total liabilities</b>	<b>1,573,740</b>	<b>1,070,873</b>	<b>1,922,936</b>	<b>281,278</b>	<b>272,885</b>	<b>5,121,712</b>
<b>Commitments</b>	<b>125,491</b>	<b>31,159</b>	<b>31,576</b>	<b>-</b>	<b>-</b>	<b>188,226</b>
<b>Net liquidity gap</b>	<b>(949,869)</b>	<b>(968,317)</b>	<b>(1,360,345)</b>	<b>2,655,314</b>	<b>4,570,491</b>	<b>3,947,274</b>

Company - 2023	On demand	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000	P'000
<b>Assets</b>						
Cash and cash equivalents	356,137	-	-	-	-	356,137
Financial investments	100,192	101,471	278,244	-	-	479,907
Other assets*	8,331	-	-	-	-	8,331
Loans and advances to customers	58,492	116,524	519,107	2,541,577	4,735,776	7,971,476
<b>Total assets</b>	<b>523,152</b>	<b>217,995</b>	<b>797,351</b>	<b>2,541,577</b>	<b>4,735,776</b>	<b>8,815,851</b>
<b>Liabilities</b>						
Customers' deposits	869,140	129,189	2,649,856	706,010	17,500	4,371,695
Borrowings	8,084	5,471	24,459	284,067	4,388	326,469
Debentures	1,122	1,141	4,583	124,905	-	131,751
Lease liabilities	229	694	1,914	11,313	4,628	18,778
Other liabilities**	31,607	-	-	-	-	31,607
<b>Total liabilities</b>	<b>910,182</b>	<b>136,495</b>	<b>2,680,812</b>	<b>1,126,295</b>	<b>26,516</b>	<b>4,880,300</b>
<b>Commitments</b>	<b>4,201</b>	<b>61,960</b>	<b>17,396</b>	<b>-</b>	<b>-</b>	<b>83,557</b>
<b>Net liquidity gap</b>	<b>(391,231)</b>	<b>19,540</b>	<b>(1,900,857)</b>	<b>1,415,282</b>	<b>4,709,260</b>	<b>3,851,994</b>

\*Included in other assets are Visa settlement debtors and fee and commission receivables, which were previously classified under other debtors within non-financial instruments.

These have been reclassified as financial instruments in the current year, with a corresponding reclassification applied to the prior year for comparability.

\*\*Included in other liabilities are insurance premiums payable and unclaimed balances, which were previously classified under "others" within non-financial instruments.

These have been reclassified as financial instruments in the current year, with a corresponding reclassification applied to the prior year for comparability.



Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Company - 2024	On demand	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000	P'000
<b>Assets</b>						
Cash and cash equivalents	464,761	-	-	-	-	464,761
Financial investments	200,401	-	-	-	-	200,401
Balance due from related company	1,095	-	-	-	-	1,095
Other assets	6,655	-	-	-	-	6,655
Loans and advances to customers	67,067	133,715	594,167	2,936,592	4,843,376	8,574,917
<b>Total assets</b>	<b>739,979</b>	<b>133,715</b>	<b>594,167</b>	<b>2,936,592</b>	<b>4,843,376</b>	<b>9,247,829</b>
<b>Liabilities</b>						
Customers' deposits	1,480,673	1,064,541	1,791,438	34,753	21,395	4,392,800
Borrowings	7,128	5,468	113,340	162,066	-	288,002
Balance due to other banks	50,154	-	-	-	-	50,154
Debentures	-	-	15,830	71,855	247,845	335,530
Lease liabilities	296	864	2,328	12,604	3,645	19,737
Other liabilities	35,429	-	-	-	-	35,429
<b>Total liabilities</b>	<b>1,573,680</b>	<b>1,070,873</b>	<b>1,922,936</b>	<b>281,278</b>	<b>272,885</b>	<b>5,121,652</b>
<b>Commitments</b>	<b>125,491</b>	<b>31,159</b>	<b>31,576</b>	<b>-</b>	<b>-</b>	<b>188,226</b>
<b>Net liquidity gap</b>	<b>(959,192)</b>	<b>(968,317)</b>	<b>(1,360,345)</b>	<b>2,655,314</b>	<b>4,570,491</b>	<b>3,937,951</b>

Company - 2023	On demand	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000	P'000
<b>Assets</b>						
Cash and cash equivalents	335,188	-	-	-	-	335,188
Financial investments	100,192	101,471	278,244	-	-	479,907
Balance due from related company	3,756	-	-	-	-	3,756
Other assets*	7,366	-	-	-	-	7,366
Loans and advances to customers	58,492	116,524	519,107	2,541,577	4,735,776	7,971,476
<b>Total assets</b>	<b>504,994</b>	<b>217,995</b>	<b>797,351</b>	<b>2,541,577</b>	<b>4,735,776</b>	<b>8,797,693</b>
<b>Liabilities</b>						
Customers' deposits	869,732	129,189	2,649,856	706,010	17,500	4,372,287
Borrowings	8,084	5,471	24,459	284,067	4,388	326,469
Debentures	1,122	1,141	4,583	124,905	-	131,751
Lease liabilities	229	694	1,914	11,313	4,628	18,778
Other liabilities**	31,538	-	-	-	-	31,538
<b>Total liabilities</b>	<b>910,705</b>	<b>136,495</b>	<b>2,680,812</b>	<b>1,126,295</b>	<b>26,516</b>	<b>4,880,823</b>
<b>Commitments</b>	<b>4,201</b>	<b>61,960</b>	<b>17,396</b>	<b>-</b>	<b>-</b>	<b>83,557</b>
<b>Net liquidity gap</b>	<b>(409,912)</b>	<b>19,540</b>	<b>(1,900,857)</b>	<b>1,415,282</b>	<b>4,709,260</b>	<b>3,833,313</b>

\*Included in other assets are Visa settlement debtors and fee and commission receivables, which were previously classified under other debtors within non-financial instruments.

These have been reclassified as financial instruments in the current year, with a corresponding reclassification applied to the prior year for comparability.

\*\*Included in other liabilities are insurance premiums payable and unclaimed balances, which were previously classified under "others" within non-financial instruments.

These have been reclassified as financial instruments in the current year, with a corresponding reclassification applied to the prior year for comparability.

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

As at 31 December 2024, the Group and Company report a cumulative negative net liquidity gap based on contractual maturities for the next 12 months. While this contractual liquidity gap exists, the Group and Company's deposit base has historically demonstrated stability, with customer deposits exhibiting sticky behavior. Additionally, the Group and Company have introduced new short-term financial products with maturities of less than 12 months, sought additional capital funding, and will tap into existing funding programs to raise further capital.

Management continues to actively monitor liquidity risk and remains confident that the measures implemented will ensure the Group and Company meets its short-term funding obligations while sustaining long-term growth.

Market risk

The Group and Company has developed a framework for the management of Interest Rate in the Banking Book (IRRBB). IRRBB is the risk that the Group and Company's financial position will be exposed to the adverse movements in interest rates. IRRBB arises when there is a mismatch between the maturity profiles of Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL). Interest rates are managed principally through monitoring interest rate gaps and by having pre- approved limits for re-pricing bands. The impact of rate changes is measured, managed, monitored and reported on a monthly basis by ALCO. The adverse impact generated from the shock is related to regulatory capital in order to assess the magnitude of the impact.

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Treasury Department in its day-to-day monitoring activities. Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from non-trading activities. The Group and Company in derivatives to manage and hedge it's own risk.

The overall objective of interest rate risk management is to maintain stability of net interest income (NII) over time. This is seen as being consistent with maximising shareholder value.

Potential changes in net interest income are quantified by applying potential interest rate movements to the cumulative mismatch position in each defined time band. The gap model assumes that the derived potential rate movements will occur by way of an overnight rate shock to all maturities along the yield curve.

The potential rate change applied to a particular gap depends on whether the gap is asset-sensitive (more assets re-pricing than liabilities) or liability-sensitive (more liabilities re-pricing than assets). The risk to an asset-sensitive position is that rates will fall. If this occurs, more assets will re-price at a faster rate than liabilities, thereby squeezing the net interest margin and reducing NII. The risk to a liability-sensitive position is that rates will rise also causing a squeeze as higher borrowing costs are not offset by an equivalent earnings rate on assets.

The Group and Company is negatively affected by lower interest rates due to the asset sensitivity of its statement of financial position.

Interest rate profile

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

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 and Company aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income.

The scenarios are run only for assets and liabilities that represent the major interest-bearing positions. Financial instruments subject to interest rate risk are summarised as follows:

Group and Company	2024	2023
	P'000	P'000
Total financial assets	5,313,652	4,806,779
Total financial liabilities	(4,966,431)	(4,584,516)
	<b>347,221</b>	<b>222,263</b>

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****2. Financial instruments and risk management (continued)**

The table below presents the Group and Company's sensitivity to a 200-basis point (bps) change in interest rate assuming that all other variables remain constant:

	2024		2023	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
	P'000	P'000	P'000	P'000
<b>Scenario:</b>				
+200 bps	6,944	6,944	4,445	4,445
-200 bps	(6,944)	(6,944)	(4,445)	(4,445)

An interest rate shock approach is used to express interest rate risk in the Banking book in terms of Pillar II capital. A shock of 200 basis points is applied. The shock percentage used is reconsidered annually in accordance with the ICAAP. Simulations are conducted monthly to ensure that bank's exposure remains within management-approved risk limits.

An increase of 200 basis points (bps) in interest rates would result in an increase of P6.944 million (2023: P 6.944 million) in Profit Before Tax (PBT) and P4.445 million (2023: P 4.445 million) in total equity. Conversely, a decrease of 200 bps would result in a decrease of P6.944 million (2023: P 6.944 million) in PBT and P4.445 million (2023: P 4.445 million) in total equity. The impact is based on the net financial assets position of P347.2 million (2023: P 222.3 million), reflecting the repricing effect on interest-earning assets and interest-bearing liabilities.

The profile of assets and liabilities and the interest sensitivity gap is as follows:

Group - 2024	0 - 3 months	3 - 12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000	P'000
<b>Assets</b>						
Cash and cash equivalents	470,129	-	-	-	-	470,129
Financial investments	200,382	-	-	-	-	200,382
Loans and advances to customers	4,637,574	1,678	262	154	3,473	4,643,141
<b>Total assets</b>	<b>5,308,085</b>	<b>1,678</b>	<b>262</b>	<b>154</b>	<b>3,473</b>	<b>5,313,652</b>
<b>Liabilities</b>						
Customers' deposits	3,193,652	1,250,044	12,113	418	-	4,456,227
Borrowings	5,484	4,068	8,190	238,267	-	256,009
Balance due to other banks	50,074	-	-	-	-	50,074
Debentures	-	3,121	10,000	-	191,000	204,121
<b>Total liabilities</b>	<b>3,249,210</b>	<b>1,257,233</b>	<b>30,303</b>	<b>238,685</b>	<b>191,000</b>	<b>4,966,431</b>
<b>Net interest sensitivity gap</b>	<b>2,058,875</b>	<b>(1,255,555)</b>	<b>(30,041)</b>	<b>(238,531)</b>	<b>(187,527)</b>	<b>347,221</b>

Company - 2024	0 - 3 months	3 - 12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000	P'000
<b>Assets</b>						
Cash and cash equivalents	464,761	-	-	-	-	464,761
Financial investments	200,382	-	-	-	-	200,382
Loans and advances to customers	4,637,574	1,678	262	154	3,473	4,643,141
<b>Total assets</b>	<b>5,302,717</b>	<b>1,678</b>	<b>262</b>	<b>154</b>	<b>3,473</b>	<b>5,308,284</b>
<b>Liabilities</b>						
Customers' deposits	3,196,431	1,255,444	12,113	418	-	4,464,406
Borrowings	5,484	4,068	8,190	238,267	-	256,009
Balance due to other banks	50,074	-	-	-	-	50,074
Debentures	-	3,121	10,000	-	191,000	204,121
<b>Total liabilities</b>	<b>3,251,989</b>	<b>1,262,633</b>	<b>30,303</b>	<b>238,685</b>	<b>191,000</b>	<b>4,974,610</b>
<b>Net interest sensitivity gap</b>	<b>2,050,728</b>	<b>(1,260,955)</b>	<b>(30,041)</b>	<b>(238,531)</b>	<b>(187,527)</b>	<b>333,674</b>

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****2. Financial instruments and risk management (continued)**

Group - 2023	0 - 3 months	3 - 12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000	P'000
<b>Assets</b>						
Cash and cash equivalents	263,341	-	-	-	-	263,341
Financial investments	200,669	271,433	-	-	-	472,102
Loans and advances to customers	4,060,274	137	891	1,612	8,422	4,071,336
<b>Total assets</b>	<b>4,524,284</b>	<b>271,570</b>	<b>891</b>	<b>1,612</b>	<b>8,422</b>	<b>4,806,779</b>
<b>Liabilities</b>						
Customers' deposits	1,527,634	2,454,652	215,087	9,045	4,665	4,211,083
Borrowings	9,267	75,941	103,128	82,862	-	271,198
Debentures	-	102,235	-	-	-	102,235
<b>Total liabilities</b>	<b>1,536,901</b>	<b>2,632,828</b>	<b>318,215</b>	<b>91,907</b>	<b>4,665</b>	<b>4,584,516</b>
<b>Net interest sensitivity gap</b>	<b>2,987,383</b>	<b>(2,361,258)</b>	<b>(317,324)</b>	<b>(90,295)</b>	<b>3,757</b>	<b>222,263</b>

Company - 2023	0 - 3 months	3 - 12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000	P'000
<b>Assets</b>						
Cash and cash equivalents	242,392	-	-	-	-	242,392
Financial investments	200,669	271,433	-	-	-	472,102
Loans and advances to customers	4,060,274	137	891	1,612	8,422	4,071,336
<b>Total assets</b>	<b>4,503,335</b>	<b>271,570</b>	<b>891</b>	<b>1,612</b>	<b>8,422</b>	<b>4,785,830</b>
<b>Liabilities</b>						
Customers' deposits	1,527,634	2,454,652	215,087	9,045	4,665	4,211,083
Borrowings	9,267	75,941	103,128	82,862	-	271,198
Debentures	-	102,235	-	-	-	102,235
<b>Total liabilities</b>	<b>1,536,901</b>	<b>2,632,828</b>	<b>318,215</b>	<b>91,907</b>	<b>4,665</b>	<b>4,584,516</b>
<b>Net interest sensitivity gap</b>	<b>2,966,434</b>	<b>(2,361,258)</b>	<b>(317,324)</b>	<b>(90,295)</b>	<b>3,757</b>	<b>201,314</b>

The Group and Company has three types of contracts as described below:

- Variable - All these instruments reprice on the first bucket as they change interest rate or reprice immediately.
- Floating - These reprice on reprice dates in line with the repricing dates stated in their contracts/pricing supplements.
- Fixed - These reprice at maturity in line with the reinvestment risk nature of a maturing instrument.

**Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group and Company manage currency risk by monitoring net positions in each currency, including foreign exchange positions of subsidiaries and both accounting and economic hedges.

The Group and Company do not impose specific limits on the net positions held in any currency but employ risk management strategies to mitigate potential exposure.

The Group and Company's strategy is to monitor positions on a daily basis and apply hedging strategies to ensure it manages itself against currency risk. Positions are maintained within established limits by either balancing the assets and liabilities in the relevant currencies, or taking out foreign currency swaps and converting the exposures into the Botswana Pula.

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****2. Financial instruments and risk management** (continued)

The Group and Company converts the notes into fixed rate Botswana Pula exposures with the floating rate and principal of the hedged item matched by those of the hedging instrument. The Group and Company considers the hedge as a hedge of more than one risk and does not split the interest rate from the principal for hedge accounting purposes.

**Currency sensitivity analysis**

The table represents the impact of a 10% appreciation of each foreign currency against the Botswana Pula (BWP) based on the Group and Company's exposure to foreign currency-denominated assets and liabilities. A positive amount indicates a potential increase in profit before tax (PBT) and equity, while a negative amount reflects a potential decrease. Conversely, if the Botswana Pula appreciates (i.e., the listed foreign currencies depreciate against the BWP), the impact would be the opposite of what is shown in the table.

The Group and Company's total net exposure to each currency is as follows:

	2024	2023
	P'000	P'000
<b>Currency</b>		
EUR	907	-
GBP	367	-
USD	319	-
ZAR	411	-

	2024			2023		
	Change in currency rate	Effect on profit before tax	Effect on equity	Change in currency rate	Effect on profit before tax	Effect on equity
	%	P'000	P'000	%	P'000	P'000
<b>Currency</b>						
EUR	+10	(6)	(6)	+10	-	-
GBP	+10	(2)	(2)	+10	-	-
USD	+10	(2)	(2)	+10	-	-
ZAR	+10	55	55	+10	-	-

**Capital Risk**

The policy framework represents the capital management approach to be followed by the Group and Company to ensure alignment with the principles of the Internal Capital Adequacy Assessment Process (ICAAP) detailed by the Bank of Botswana. The purpose of the Capital Management Framework is to provide a clearly defined, documented and mandatory approach and principles in the capital planning process. As indicated throughout this document, Capital is managed by the Group and Company through the use of target capital ranges set above the regulatory minimum thereby creating a buffer. The size of the buffer is derived from stress testing to ensure the capital base can sustain unforeseen events affecting the Group's capital base or risk weighted assets.

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****2. Financial instruments and risk management** (continued)**Capital Management**

To monitor the adequacy of its capital, the Group and Company uses ratios prescribed by Bank of Botswana, per the Basel Capital Adequacy Framework (Basel II). These ratios measure Capital adequacy by comparing the Group and Company's eligible capital with its reported assets and commitments at weighted amounts to reflect their relative risk (risk weighted assets).

For prudential purposes, Tier 1 Capital consists of Ordinary shares together with the statutory and retained earnings reserves. The Group and Company's policy is to maintain a strong capital base so as to sustain growth for the business.

The Group and Company has complied with regulatory capital requirements. The ratio was 23.46% as at 31 December 2024, (2023: 17.20%) the minimum capital adequacy ratio set by Bank of Botswana was 12.5% at the reporting date.

	2024	2023
	P'000	P'000
<b>Capital base</b>		
Stated capital	487,453	487,453
Other revenue reserves	(3,385)	17,956
Regulatory adjustment	(41,837)	(38,940)
<b>Tier I capital</b>	<b>442,231</b>	<b>466,469</b>
Unpublished current year's profit/(loss)	38,405	(21,348)
Subordinated loans	194,013	-
Collective impairment	9,255	6,234
<b>Tier II capital</b>	<b>241,673</b>	<b>(15,114)</b>
<b>Total capital</b>	<b>683,904</b>	<b>451,355</b>
<b>Risk weighted assets</b>		
Credit risk weighted assets	2,756,263	2,489,861
Operational risk weighted assets	157,806	133,645
Market risk weighted assets	1,464	-
<b>Total risk weighted assets</b>	<b>2,915,533</b>	<b>2,623,506</b>
Capital adequacy ratio	23.46 %	17.20 %
Regulatory requirement	12.5 %	12.5 %

**Classification of assets and liabilities**

The tables below set out the Group and Company's classification of assets and Liabilities. These are not presented at their fair value on the Group and Company's statement of financial position for which fair value approximates the carrying amounts.

The carrying amounts of the financial instruments are deemed to approximate fair value.

**Cash and cash equivalents, investments with banks, balances due from related company and other assets and liabilities**

Cash and cash equivalents, investments with banks, balances due from related company and other financial assets and liabilities are short-term in nature, as such, the carrying amounts are deemed to closely approximate fair value.

**Short-term loans and advances to customers**

The fair value of short-term loans and advances is deemed to closely approximate the carrying value. This is due to the instruments included in this classification bearing variable rate. The instruments are for a period not exceeding five years and reprice in line with changes in prime lending rate.



BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Unsecured loans and advances to customers

The fair value of short-term loans and advances is deemed to closely approximate the carrying value. This is due to the instruments included in this classification bearing variable rate. The instruments are for a period not exceeding ten years and reprice in line with changes in prime lending rate.

Mortgage loans and advances to customers

The carrying amount of loans and advances is deemed to closely approximate the carrying value. This is due to the instruments included in this classification bearing variable rate and only an insignificant portion bearing fixed rate. Loans bearing variable rates reprice in line with changes in prime lending rate.

Deposits and borrowings

Deposits are generally of a short-term nature where the impact of discounting would be negligible. Borrowings includes bonds which are linked to the Monetary Policy Rate (MoPR). They reprice in line with changes in the Monetary Policy Rate. For both deposits and borrowings, the counterparties are not related to the Bank and terms were concluded on market terms, hence, the carrying amount approximates market values.

Debentures

The carrying amount of debentures is deemed to closely approximate the fair value as their pricing is aligned to the prime-lending rate. Therefore, they reprice in line with changes in the prime lending rate.

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Notes to the Consolidated And Separate Financial Statements

2. Financial instruments and risk management (continued)

Financial assets and liabilities by category

The disclosed fair value of these financial assets and liabilities measured at amortised cost approximate their carrying value because of their short-term nature except for loans, advances and leases which are at variable interest rates.

Group - 2024		At amortised cost	Other non-financial assets/ Liabilities	Current non current assets and liabilities	Assets and liabilities	Total carrying amount
	Note	P'000	P'000	P'000	P'000	P'000
Cash and cash equivalents	4	470,129	-	470,129	-	470,129
Financial investments	5	200,382	-	200,382	-	200,382
Other assets	8	11,765	56,795	29,393	39,167	68,560
Loans and advances to customers	10	4,643,141	-	794,948	3,848,193	4,643,141
		5,325,417	56,795	1,494,852	3,887,360	5,382,212
Customer deposits	16	4,456,227	-	4,336,652	119,575	4,456,227
Borrowings	17	256,009	-	125,936	130,073	256,009
Balance due to other banks	18	50,074	-	50,074	-	50,074
Debentures	19	204,121	-	15,830	188,291	204,121
Other liabilities	21	35,489	42,324	77,813	-	77,813
		5,001,920	42,324	4,606,305	437,939	5,044,244

Group - 2023		At amortised cost	Other non-financial assets/ Liabilities	Current non-current assets and liabilities	Assets and liabilities	Total carrying amount
	Note	P'000	P'000	P'000	P'000	P'000
Cash and cash equivalents	4	356,137	-	356,137	-	356,137
Financial investments	5	472,102	-	472,102	-	472,102
Other assets*	8	8,331	60,566	29,758	39,139	68,897
Loans and advances to customers	10	4,071,336	-	694,123	3,377,213	4,071,336
		4,907,906	60,566	1,552,120	3,416,352	4,968,472
Customer deposits	16	4,211,083	-	3,648,777	562,306	4,211,083
Borrowings	17	271,198	-	38,014	233,184	271,198
Debentures	19	102,235	-	6,846	95,389	102,235
Other liabilities**	21	31,607	43,868	50,080	25,395	75,475
		4,616,123	43,868	3,743,717	916,274	4,659,991

\*Included in other assets are Visa settlement debtors and fee and commission receivables, which were previously classified under other debtors within non-financial instruments.

These have been reclassified as financial instruments in the current year, with a corresponding reclassification applied to the prior year for comparability.

\*\*Included in other liabilities are insurance premiums payable and unclaimed balances, which were previously classified under "others" within non-financial instruments.

These have been reclassified as financial instruments in the current year, with a corresponding reclassification applied to the prior year for comparability.

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****2. Financial instruments and risk management** (continued)

Company - 2024		At amortised cost	Other non-financial assets/ Liabilities	Current non current assets and liabilities	Assets and liabilities	Total carrying amount
	Note	P'000	P'000	P'000	P'000	P'000
Cash and cash equivalents	4	464,761	-	464,761	-	464,761
Financial investments	5	200,382	-	200,382	-	200,382
Balance due from related company	6	1,099	-	1,099	-	1,099
Other assets	8	6,655	56,792	24,280	39,167	63,447
Loans and advances to customers	10	4,643,141	-	794,948	3,848,193	4,643,141
		<b>5,316,038</b>	<b>56,792</b>	<b>1,485,470</b>	<b>3,887,360</b>	<b>5,372,830</b>
Customer deposits	16	4,464,406	-	-	4,464,406	4,464,406
Borrowings	17	256,009	-	125,936	130,073	256,009
Balance due to other banks	18	50,074	-	50,074	-	50,074
Debentures	19	204,121	-	15,830	188,291	204,121
Other liabilities	21	35,429	41,116	76,545	-	76,545
		<b>5,010,039</b>	<b>41,116</b>	<b>268,385</b>	<b>4,782,770</b>	<b>5,051,155</b>

Company - 2023		At amortised cost	Other non-financial assets/ Liabilities	Current assets and liabilities	Non current assets and liabilities	Total carrying amount
	Note	P'000	P'000	P'000	P'000	P'000
Cash and cash equivalents	4	335,188	-	335,188	-	335,188
Financial investments	5	472,102	-	472,102	-	472,102
Balance due from related company	6	3,756	-	3,756	-	3,756
Other assets*	8	7,366	60,565	28,792	39,139	67,931
Loans and advances to customers	10	4,071,336	-	691,892	3,379,444	4,071,336
		<b>4,889,748</b>	<b>60,565</b>	<b>1,531,730</b>	<b>3,418,583</b>	<b>4,950,313</b>
Customer deposits	16	4,211,676	-	3,648,777	562,899	4,211,676
Borrowings	17	271,198	-	38,014	233,184	271,198
Debentures	19	102,235	-	6,846	95,389	102,235
Other liabilities**	21	31,538	43,228	49,371	25,395	74,766
		<b>4,616,647</b>	<b>43,228</b>	<b>3,743,008</b>	<b>916,867</b>	<b>4,659,875</b>

\*Included in other assets are Visa settlement debtors and fee and commission receivables, which were previously classified under other debtors within non-financial instruments.

These have been reclassified as financial instruments in the current year, with a corresponding reclassification applied to the prior year for comparability.

\*\*Included in other liabilities are insurance premiums payable and unclaimed balances, which were previously classified under "others" within non-financial instruments.

These have been reclassified as financial instruments in the current year, with a corresponding reclassification applied to the prior year for comparability.

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****3. New Standards and Interpretations****3. 1 Standards and interpretations effective and adopted in the current year**

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

**Supplier finance arrangements - amendments to IAS 7 and IFRS 7**

The amendment applies to circumstances where supplier finance arrangements exist. These are arrangements whereby finance providers pay the suppliers of the entity, thus providing the entity with extended payment terms or the suppliers with early payment terms. The entity then pays the finance providers based on their specific terms and conditions. The amendment requires the disclosure of information about supplier finance arrangements that enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows as well as on the entity's exposure to liquidity risk.

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

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

The impact of the amendment is not material.

**Classification of liabilities as Current or Non-current and Non-current liabilities with covenants - amendments to IAS 1**

The amendment applies to the classification of liabilities with loan covenants as current or non-current. If an entity has the right to defer settlement of a liability for at least twelve months after the reporting period, but subject to conditions, then the timing of the required conditions impacts whether the entity has a right to defer settlement. If the conditions must be complied with at or before the reporting date, then they affect whether the rights to defer settlement exists at reporting date. However, if the entity is only required to comply with the conditions after the reporting period, then the conditions do not affect whether the right to defer settlement exists at reporting date. If an entity classifies a liability as non-current when the conditions are only required to be met after the reporting period, then additional disclosures are required to enable the users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period.

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

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

The impact of the amendment is not material.

**Lease liability in a sale and leaseback - amendments to IFRS 16**

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

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

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

The impact of the amendment is not material.

**3.2 Standards and interpretations not yet effective**

The Group and Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group and Company's accounting periods beginning on or after 01 January 2025 or later periods:

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Notes to the Consolidated And Separate Financial Statements

3. New Standards and Interpretations (continued)

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

It is expected that the amendment will not have a material impact on the Group and Company's consolidated and separate financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

This is a new standard which may be applied by subsidiaries which do not have public accountability. It is a disclosure only standard and provides for reduced disclosures for qualifying subsidiaries to apply, while still remaining compliant with the recognition, measurement and presentation requirements of IFRS accounting standards. The reduced disclosures provided in IFRS 19 may be applied by the subsidiary in their consolidated, separate or individual financial statements, provided that the ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS accounting standards. A subsidiary has public accountability, and may not apply IFRS 19, if its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market, or if it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

The effective date of the amendment is for years beginning on or after 01 January 2027.

The group and company expects to adopt the amendment for the first time in the 2027 consolidated and separate financial statements.

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

IFRS 18 Presentation and Disclosure in Financial Statements

This is a new standard which replaces IAS 1 Presentation of Financial Statements and introduces several new presentation requirements. The first relates to categories and subtotals in the statement of financial performance. Income and expenses will be categorised into operating, investing, financing, income taxes and discontinued operations categories, with two new subtotals, namely "operating profit" and "profit before financing and income taxes" also being required. These categories and sub totals are defined in IFRS 18 for comparability and consistency across entities. The next set of changes requires disclosures about management-defined performance measures in a single note to the financial statements. These include reconciliations of the performance measures to the IFRS defined subtotals, as well as a description of how they are calculated, their purpose and any changes. The third set of requirements enhance the guidance on grouping of information (aggregation and disaggregation) to prevent the obscuring of information.

The effective date of the amendment is for years beginning on or after 01 January 2027.

The group and company expects to adopt the amendment for the first time in the 2027 consolidated and separate financial statements.

Given the nature of the Group and Company's financial reporting, the adoption of IFRS 18 is expected to have a significant impact on the Annual Financial Statements (AFS), particularly in terms of financial statement presentation and required disclosures. Management is currently assessing the impact of the standard on the Group and Company's financial statements.

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Notes to the Consolidated And Separate Financial Statements

3. New Standards and Interpretations (continued)

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards.

Annual Improvements to IFRS Accounting Standards - Volume 11 - Hedge Accounting by a First-time Adopter - Amendment to reduce inconsistency in wording of the requirements in IFRS 9 Financial Instruments in relation to hedge accounting requirements for a first-time adopter.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The group and company expects to adopt the amendment for the first time in the 2026 consolidated and separate financial statements.

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

Amendments to IFRS 7 Financial Instruments: Disclosures

Annual Improvements to IFRS Accounting Standards - Volume 11 - Gain or loss on derecognition - Amendment to delete an obsolete reference that remained in IFRS 7 after the publication of IFRS 13 Fair Value Measurement, as well as to improve consistency of wording of the requirements of IFRS 7 with IFRS 13 concepts regarding disclosure of a gain or loss on derecognition.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The group and company expects to adopt the amendment for the first time in the 2026 consolidated and separate financial statements.

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

Amendments to IFRS 9 Financial Instruments

Annual Improvements to IFRS Accounting Standards - Volume 11 - Derecognition of lease liabilities. The amendment clarifies that if a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to recognise any resulting gain or loss in profit or loss.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The group and company expects to adopt the amendment for the first time in the 2026 consolidated and separate financial statements.

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

Amendments to IFRS 9 Financial Instruments

Annual Improvements to IFRS Accounting Standards - Volume 11 - Transaction price. The amendment clarifies that trade receivables must be measured initially, in accordance with IFRS 9, at the amount determined by applying IFRS 15 Revenue from Contracts with Customers.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The group and company expects to adopt the amendment for the first time in the 2026 consolidated and separate financial statements.

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



BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Notes to the Consolidated And Separate Financial Statements

3. New Standards and Interpretations (continued)

Amendments to IFRS 10 Consolidated Financial Statements

Annual Improvements to IFRS Accounting Standards - Volume 11 - Determination of a 'de facto agent'. The amendment is to clarify whether a party acts as a de facto agent in assessing control of an investee.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The group and company expects to adopt the amendment for the first time in the 2026 consolidated and separate financial statements.

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

Amendments to IAS 7 Statement of Cash flows

Annual Improvements to IFRS Accounting Standards - Volume 11 - Cost method - Amendment to replace the term 'cost method' with 'at cost' following the earlier removal of the definition of cost method from IFRS Accounting Standards.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The group and company expects to adopt the amendment for the first time in the 2026 consolidated and separate financial statements.

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

Amendments to IFRS 9 and IFRS 7: Amendments to the Classification and Measurement of Financial Instruments.

The amendments clarify the classification of financial assets with environmental, social and corporate governance (ESG) and similar features, as such features could affect whether the assets are measured at amortised cost or fair value. The amendment also clarifies the date on which a financial asset or financial liability is derecognised in cases where liabilities are settled through electronic payment systems.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The group and company expects to adopt the amendment for the first time in the 2026 consolidated and separate financial statements.

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

Lack of exchangeability - amendments to IAS 21

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

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

The Group and Company expects to adopt the amendment for the first time in the 2025 consolidated and separate financial statements.

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

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Notes to the Consolidated And Separate Financial Statements

3. New Standards and Interpretations (continued)

Amendments to IFRS 9 and IFRS 7: Contract referencing nature-dependent electricity

Contracts referencing nature-dependent electricity are contracts that expose an entity to variability in the underlying amount of electricity because the source of electricity generation depends on uncontrollable natural conditions. This variability is typically associated with renewable electricity sources, such as sun and wind. This amendments will enable entities to better reflect these contracts in their financial statements by clarifying the application of the own-use exception, permitting an entity to apply hedge accounting when these contracts are used as hedging instruments; and introducing new disclosure requirements to help users of financial statements understand the effects these contracts have on the amount, timing and uncertainty of an entity's future cash flows and financial performance.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The group and company expects to adopt the amendment for the first time in the 2026 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group and company's consolidated and separate financial statements. The Group and Company has assessed the applicability of the amendment and determined that its financial instruments and contracts are not significantly affected by these changes.

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements**

	Group		Company	
Figures in Pula thousand	2024	2023	2024	2023
<b>4. Cash and cash equivalents</b>				
<b>Cash and cash equivalents</b>				
Cash and cash equivalents consist of:				
Cash on hand	38,014	9,899	38,014	9,899
Bank balances (including balances with central bank)	467,397	263,341	462,029	242,392
Balances with foreign banks (call and current accounts)	2,732	-	2,732	-
Statutory reserve	-	92,796	-	92,796
<b>Cash and cash equivalents for the purposes of the statement of cash flows</b>	<b>508,143</b>	<b>366,036</b>	<b>502,775</b>	<b>345,087</b>

The balance held in the statutory reserve is non-interest bearing.

The Group and Company have assessed the Expected Credit Loss (ECL) on bank balances and statutory reserves in accordance with IFRS 9 – Financial Instruments. These balances are held with reputable financial institutions that have high credit ratings and a historically low probability of default.

In addition to historical default data, the Group has also considered forward-looking information (FLI), including macroeconomic indicators and counterparty-specific risks, in assessing potential credit losses. Based on this analysis, the estimated credit losses remain negligible, and as a result, no ECL allowance has been recognised on these balances.

The Group continuously monitors the creditworthiness of its counterparties, as well as evolving economic conditions, to ensure that any emerging risks are appropriately incorporated into its ECL assessment.

The Group and Company previously maintained a statutory reserve with the Bank of Botswana in accordance with regulatory requirements (2023: P 92.7 million). These balances were subject to regulatory restrictions and were not available for general use by the Group and Company or for transfer to other entities within the Group. The restriction was imposed as part of the Bank of Botswana's monetary policy framework, and these reserves were not to be utilized for lending or operational activities. As at 31 December 2024, the statutory reserve balance is nil, as the Bank of Botswana granted a temporary waiver of this requirement.

**5. Financial investments**

Investments with banks - redeemable within one year*	100,419	472,102	100,419	472,102
Bank of Botswana Certificates**	99,963	-	99,963	-
	<b>200,382</b>	<b>472,102</b>	<b>200,382</b>	<b>472,102</b>

\*The balance represents short-term placements with other banks, classified as financial investments. These placements have a maturity period of 28 days and earn interest at market rates. Given their short tenure and placement with a reputable financial institution, they are considered highly liquid and carry minimal credit risk.

\*\*As at 31 December 2024 Bank of Botswana certificates amounting to P100 million (2023: P Nil) were pledged with Bank of Botswana maturing on 8 January 2025 for use of the credit facilities (intra day trading facilities), effective 30 December 2024. Bank of Botswana Certificates (BOBCs) are instruments used to absorb excess liquidity in the Banking system. The Bank purchases a paper from Bank of Botswana at a discount and then on maturity date the Bank credits it with the full amount. They are a monetary policy tool used by the Bank of Botswana and are also used as collateral for the Credit Facility with the Bank of Botswana both on daylight and overnight exposures.

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements**

	Group		Company	
Figures in Pula thousand	2024	2023	2024	2023

**6. Balance due from related company**

Balance due from related party	-	-	1,099	3,756
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The balance relates to amounts payable with respect to fees charged by BBS Bank Limited for support services offered during the year. The balance is recoverable within a period of twelve months.

No expected credit loss allowance was recognised in the current or previous reporting date.

**7. Non-current assets held for sale**

At the beginning of the financial year, the Group and Company held two properties that met the criteria for Non-Current Assets held for sale. During the year, the Group and Company secured buyers for both properties. The disposal was effected as part of the transition from Building Society to Commercial Banking to optimize and adhere to the requirements of the Banking Act.

**Non-current assets held for sale**

Land and buildings	-	12,593	-	12,593
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**Reconciliation of assets held for sale**

Balance at beginning of year	12,593	13,832	12,593	13,832
Transfer from property and equipment	142	-	142	-
Transfer from freehold and leasehold property	-	(1,239)	142	(1,239)
Transfer to freehold and leasehold property	(12,735)	-	(12,735)	-
<b>Balance at end of year</b>	<b>-</b>	<b>12,593</b>	<b>-</b>	<b>12,593</b>

**8. Other assets****Financial instruments:**

Visa settlements debtors	4,085	6,637	4,083	6,637
Fee and commission receivable	5,108	965	-	-
Rental debtors	2,572	729	2,572	729
	<b>11,765</b>	<b>8,331</b>	<b>6,655</b>	<b>7,366</b>

**Non-financial instruments:**

Prepayments	13,575	14,458	13,570	14,457
Prepayment - off market staff loans	42,056	45,080	42,056	45,080
Other debtors*	1,164	1,028	1,166	1,028
	<b>56,795</b>	<b>60,566</b>	<b>56,792</b>	<b>60,565</b>
	<b>68,560</b>	<b>68,897</b>	<b>63,447</b>	<b>67,931</b>

\*Included in other assets are Visa settlement debtors and fee and commission receivables, which were previously classified under other debtors within non-financial instruments.

These have been reclassified as financial instruments in the current year, with a corresponding reclassification applied to the prior year for comparability.

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements**

Figures in Pula thousand	Group		Company	
	2024	2023	2024	2023
<b>9. Properties-in-possession</b>				
Balance at beginning of the year	26,580	36,831	26,580	36,831
De-recognition of properties in possession	(6,492)	(10,251)	(6,492)	(10,251)
Impairment charge during the year	(6,086)	-	(6,086)	-
<b>Balance at end of year</b>	<b>14,002</b>	<b>26,580</b>	<b>14,002</b>	<b>26,580</b>
Number of properties in possession - residential	24	31	24	31
<b>Proceeds from sale of properties in possession</b>				
Movement in properties in possession	12,578	10,251	12,578	10,251
Impairment/losses on properties in possession 28	(7,863)	(3,287)	(7,863)	(3,287)
	<b>4,715</b>	<b>6,964</b>	<b>4,715</b>	<b>6,964</b>

The properties-in-possession represent premises repossessed by the Group and Company. These properties are held with the intention to sell in the short to medium term and are stated at the lower of cost of repossession and net realizable value. The Group and Company anticipate recovering the carrying amount within a period of five years, contingent upon market interest. As per the Group's internal policy, independent valuations of these properties are conducted by a third-party valuer every three years for impairment assessment purposes. Any necessary adjustments to align the carrying amount with the most recent valuation reports are made following the valuation process where recoverable amounts are lower than carrying amounts. A register of these assets is maintained by the Group and is accessible for inspection.

The Group and Company recognized an impairment loss on these properties during the reporting period. In accordance with IFRS Accounting Standards, and in addition to considering independent valuations, the carrying amount of each property is evaluated for impairment by comparing it to its net realizable value (NRV). When a valid offer exists, NRV is determined based on the accepted selling price, and an impairment loss is recorded if the carrying amount exceeds this amount. For properties without offers, management considered the current economic conditions and the challenges in the property market, adopting a prudent approach by assuming a deterioration in property values and estimating an impairment loss for these properties. This evaluation informed the overall impairment assessment, which was applied to determine the impairment for properties lacking active offers.

**10. Loans and advances to customers**

Short-term loans and advances to customers	59,662	59,755	59,662	59,755
Unsecured loans and advances to customers	1,356,691	793,953	1,356,691	793,953
Mortgage loans and advances to customers	3,307,438	3,279,289	3,307,438	3,279,289
<b>Gross loans and advances to customers</b>	<b>4,723,791</b>	<b>4,132,997</b>	<b>4,723,791</b>	<b>4,132,997</b>
<b>Less ECL impairment allowance</b>				
Short-term loans and advances to customers	(383)	(288)	(383)	(288)
Unsecured loans and advances to customers	(24,914)	(7,486)	(24,914)	(7,486)
Mortgage loans and advances to customers	(55,353)	(53,887)	(55,353)	(53,887)
<b>Total expected credit losses</b>	<b>(80,650)</b>	<b>(61,661)</b>	<b>(80,650)</b>	<b>(61,661)</b>
<b>Net loans and advances to customers</b>	<b>4,643,141</b>	<b>4,071,336</b>	<b>4,643,141</b>	<b>4,071,336</b>
Amount to be recovered within one year	794,949	694,123	794,949	694,123
Amount to be recovered after one year	3,928,842	3,438,874	3,928,842	3,438,874
	<b>4,723,791</b>	<b>4,132,997</b>	<b>4,723,791</b>	<b>4,132,997</b>

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****10. Loans and advances to customers (continued)**

Figures in Pula thousand	Group		Company	
	2024	2023	2024	2023
<b>a) Reconciliation of expected credit loss allowance (ECL) on loans and advances to customers.</b>				
Balance at beginning of year*	(61,661)	(51,720)	(61,661)	(51,720)
ECL Impairment allowance	(18,989)	(9,941)	(18,989)	(9,941)
Impairment allowance	(14,139)	(5,387)	(14,139)	(5,387)
Unrecognised interest on impaired loans*	(4,850)	(4,554)	(4,850)	(4,554)
	<b>(80,650)</b>	<b>(61,661)</b>	<b>(80,650)</b>	<b>(61,661)</b>

ECL per stage is disclosed under note 2.

Short-term loans and advances to customers are for periods between twelve and sixty months, bear interest at 16.01% (2023: 6.00% per annum) and are secured by paid up savings, subscription savings and fixed deposits.

Unsecured loans and advances to customers are for periods up to 120 months, bear interest between 14.01% to 23.51% (2023:15.5% to 24.0%).

Mortgage loans are granted up to a maximum period of thirty years. The gross loans and advances with a variable rate amount to P3.299 billion (2023: P 3.277 billion) and P8 million (2023: P 10 million) are at fixed rates of interest.

Interest is charged at rates between 7.51% and 11.01% (2023: 6.01% and 13.26%) per annum and loans are secured by a first mortgage bond against the financed property. The rate of interest on staff mortgage loans is 3.0% (2023: 3.1%) per annum. The group lends up to 90% of the market value of the property being financed.

\*Unrecognized interest on impaired loans represents the interest income forgone on credit-impaired financial assets. This is calculated as the difference between the interest calculated on the gross carrying amount of the loan and the interest income that would have been recognized based on the net amortized cost of the asset, which is adjusted for expected credit losses.

**11. Right-of-use assets**

Group and Company	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	P'000	P'000	P'000	P'000	P'000	P'000
Right-of-use assets	23,296	(13,686)	9,610	20,169	(11,243)	8,926

**Reconciliation of right-of-use assets - Group and Company - 2024**

	Opening balance	Additions	Depreciation	Total
	P'000	P'000	P'000	P'000
Right-of-use assets	8,926	3,126	(2,442)	9,610

\*\* The remeasurement resulted from the revision of contractual payments of some leases the Group and Company has entered into. The related lease liability has been remeasured by discounting the revised lease payments using the initial discount rate and this resulted in the reduced Right-of-use asset at the reporting date. Right-of-use assets are held by the Group and Company for use for a period more than twelve months.

**Reconciliation of right-of-use assets - Group and Company - 2023**

	Opening balance	Additions	Remeasurement of ROU**	Depreciation	Total
	P'000	P'000	P'000	P'000	P'000
Right-of-use assets	10,643	651	(366)	(2,002)	8,926



**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements**

	Group		Company	
Figures in Pula thousand	2024	2023	2024	2023

**11. Right-of-use assets** (continued)

All the other leases not included above are either short term leases or qualify for the low-value asset exemption and the Group and Company expenses these costs on a straight line basis.

\*\* The remeasurement resulted from the revision of contractual payments of some leases the Group and Company has entered into. The related lease liability has been remeasured by discounting the revised lease payments using the initial discount rate and this resulted in the reduced Right-of-use asset at the reporting date. Right-of-use assets are held by the Group and Company for use for a period more than twelve months.

The following amounts are recognised in profit or loss:

	Group		Company	
	P'000	P'000	P'000	P'000
Depreciation expense of right-of -use assets	2,442	2,002	2,442	2,002
Interest expense on lease liabilities	1,264	1,119	1,264	1,119
Expense relating to leases of low-value- assets (included in other expenses)	978	741	978	741
<b>Total amount recognised in profit or loss</b>	<b>4,684</b>	<b>3,862</b>	<b>4,684</b>	<b>3,862</b>

The Group and Company had total cash outflows for leases amounting to P2.926 million (including leases of low value items) (2023: P 1,557 million).

**12. Deferred tax asset**

The deferred tax asset and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. These balances pertain solely to the Company and have been offset in the statement of financial position as follows:

Deferred tax liability	(7,017)	(6,138)	(7,017)	(6,138)
Deferred tax asset	14,640	17,788	14,640	17,788
<b>Total net deferred tax asset</b>	<b>7,623</b>	<b>11,650</b>	<b>7,623</b>	<b>11,650</b>
<b>Reconciliation of deferred tax asset / (liability)</b>				
Tax losses available for set off against future taxable income	9,507	14,280	9,507	14,280
Temporary difference on tangible fixed assets	(1,677)	(1,031)	(1,677)	(1,031)
Temporary difference on right of use assets	227	376	227	376
Temporary difference on prepaid expenditure	(5,245)	(4,845)	(5,245)	(4,845)
Temporary difference on lease liability	(2)	(260)	(2)	(260)
Temporary difference on deferred revenue	4,906	3,127	4,906	3,127
Other temporary differences	(93)	3	(93)	3
<b>Closing Balance</b>	<b>7,623</b>	<b>11,650</b>	<b>7,623</b>	<b>11,650</b>
<b>Non-current</b>	<b>7,623</b>	<b>11,650</b>	<b>7,623</b>	<b>11,650</b>

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements****12. Deferred tax asset** (continued)

The Group and Company have unutilised tax losses of P43.2 million (2023: P 64.9 million) available for offset against future taxable profits. A deferred tax asset has been recognised only to the extent that the Group and Company consider it probable that future taxable profits will be available against which these tax losses can be utilised. The following table summarises the Group and Company's tax loss carryforwards by year of expiry and the portion recognised/unrecognized.

Tax Year	Year of Expiry	Tax losses brought forward	Tax losses recognised	Utilised tax losses	Balance/Tax losses carried forward
		P'000	P'000	P'000	P'000
2024	2028	64,909	-	(21,697)	43,212
2023	2028	-	64,909	-	64,909

Management has assessed the recoverability of the deferred tax asset as at the reporting date by considering the Group's performance during the year under review and the ongoing strategic initiatives designed to sustain future profitability. To support this assessment, Management prepared detailed financial forecasts spanning the next three years, incorporating anticipated revenue growth, cost optimisation measures, and other relevant factors. Based on these projections, Management expects to generate sufficient taxable profits to utilise the assessed tax losses prior to their expiration in five years (ending in 2028).

**13. Intangible assets**

Group and Company	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	P'000	P'000	P'000	P'000	P'000	P'000
Computer software, other	59,956	(37,699)	22,257	45,420	(31,873)	13,547
Work-in-progress	11,957	-	11,957	11,113	-	11,113
<b>Total</b>	<b>71,913</b>	<b>(37,699)</b>	<b>34,214</b>	<b>56,533</b>	<b>(31,873)</b>	<b>24,660</b>

**Reconciliation of intangible assets - Group and Company - 2024**

	Opening balance	Additions	Transfers from work in progress	Adjustments**	Amortisation	Total
	P'000	P'000	P'000	P'000	P'000	P'000
Computer software, other	13,547	1,461	13,075	-	(5,826)	22,257
Work-in-progress	11,113	8,275	(13,075)	5,644	-	11,957
	<b>24,660</b>	<b>9,736</b>	<b>-</b>	<b>5,644</b>	<b>(5,826)</b>	<b>34,214</b>

**Reconciliation of intangible assets - Group and Company - 2023**

	Opening balance	Additions	Transfers	Adjustments**	Amortisation	Total
	P'000	P'000	P'000	P'000	P'000	P'000
Computer software, other	10,422	556	8,366	(977)	(4,820)	13,547
Work-in-progress	7,639	11,840	(8,366)	-	-	11,113
	<b>18,061</b>	<b>12,396</b>	<b>-</b>	<b>(977)</b>	<b>(4,820)</b>	<b>24,660</b>

Notes to the Consolidated And Separate Financial Statements

13. Intangible assets (continued)

\*\*This relates to write off of intangible assets which were no longer generating economic benefits for the Group and Company.

The useful life of intangible assets is 3 - 5 years.

Included in intangibles balance cost above is P29.0 million (2023: P 24.0 million) relating to fully amortized assets which are still in use.

As at the reporting date, Work in Progress (WIP) amounted to P11.957 million (2023: P 11.113 million). The Work in Progress consists of an upgrade of the Bank’s core banking system, the procurement of an ERP system, enhancements to the digital channels platform and IT network security initiatives.

Intangible assets are held by the Group and Company for use for a period more than twelve months. Intangible assets held by the Group and Company are not internally generated.

14. Property and equipment

Group	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
	P'000	P'000	P'000	P'000	P'000	P'000
Freehold and leasehold property	89,113	(22,529)	66,584	84,610	(20,734)	63,876
Equipment, furniture and fittings	54,517	(46,413)	8,104	49,490	(43,643)	5,847
Motor vehicles	1,086	(858)	228	1,086	(805)	281
Computer hardware	30,860	(26,291)	4,569	30,678	(24,379)	6,299
Capital - Work in progress	19,750	-	19,750	22,099	-	22,099
Total	195,326	(96,091)	99,235	187,963	(89,561)	98,402

Reconciliation of property and equipment - Group and Company - 2024

	Opening balance	Additions	Transfers	Adjustments**	Amortisation	Total
	P'000	P'000	P'000	P'000	P'000	P'000
Freehold and leasehold property	63,876	3,593	910	-	(1,795)	66,584
Equipment, furniture and fittings	5,847	3,542	1,485	-	(2,770)	8,104
Motor vehicles	281	-	-	-	(53)	228
Computer hardware	6,299	182	-	-	(1,912)	4,569
Capital - Work in progress	22,099	188	(2,395)	(142)	-	19,750
	98,402	7,505	-	(142)	(6,530)	99,235

Reconciliation of property and equipment - Group and Company - 2023

	Opening balance	Additions	Transfers	Depreciation	Total
	P'000	P'000	P'000	P'000	P'000
Freehold and leasehold property	64,077	121	1,239	(1,561)	63,876
Equipment, furniture and fittings	7,519	749	-	(2,421)	5,847
Motor vehicles	116	233	-	(68)	281
Computer hardware	5,131	2,511	307	(1,650)	6,299
Capital - Work in progress	19,562	2,844	(307)	-	22,099
	96,405	6,458	1,239	(5,700)	98,402

Notes to the Consolidated And Separate Financial Statements

14. Property and equipment (continued)

As at the reporting date, Capital Work in Progress (WIP) amounted to P19.750 million (2023: P 22.099 million) and pertains to the construction of a new head office in Gaborone's Central Business District. The project is yet to commence, and a final completion date has not yet been determined.

The Group and Company owns several freehold and leasehold properties. The leasehold properties each has a lease term of fifty years. A register of the assets is kept with the Group and Company and is available for inspection at the following address Plot 13108-112 Broadhurst, Gaborone, Botswana.

Fair value of assets

Freehold and leasehold land and buildings were valued by an independent professional property valuer in March 2022 at an open market value of P178 million. In terms of the Group and Company's internal policy, the valuation by an independent valuer is conducted every three years.

The Group and Company acts as lessor of leasehold land and buildings. These leases have an average life of between three and five years with a renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. The Group and Company has classified these leases as operating leases because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets. The lessor retains title of the property and only facilitate rental through lease agreements with lessee.

A total of P3.9 million was earned as rental income in the current year (2023: P 5.0 million).

Property and equipment are held by the Group and Company for use for a period more than twelve months.

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Notes to the Consolidated And Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2024	2023	2024	2023

15. Investment in subsidiary

BBS Insurance Agency Limited is a 100% owned subsidiary company of BBS Bank Limited. It was incorporated in Botswana on 28 July 2021 and started trading on 08 June 2022. The Company does not have any regulatory restrictions to use its subsidiary’s assets and its cash balances. BBS Insurance Agency Limited has paid up capital of P100,000.

Investments in subsidiary	-	-	100	100
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The investment in subsidiary is for a period more than twelve months.

16. Customer deposits

Fixed deposits	3,064,956	2,858,810	3,070,356	2,858,810
Savings accounts	831,672	821,294	834,451	821,887
Notice deposits	457,313	440,129	457,313	440,129
Accrued interest	76,775	90,850	76,775	90,850
Current accounts	25,511	-	25,511	-
	4,456,227	4,211,083	4,464,406	4,211,676

Fixed deposits have a term ranging from twelve months to sixty months and earn interest at between 1.76% and 2.06% (2023: 1.76% and 2.31%) per annum paid on a monthly basis.

Savings deposits are repayable on demand. They earn interest at 0.10% and 2.51% (2023:0.10% and 3.01%) Indefinite period savings earn interest at the BBS Bank prime lending rate less 0.5% being 5.51% (2023: 6.01%) per annum.

Notice deposits are invested for a period of not less than 18 months and may be redeemed subject to 3 months’ notice. Early redemption is permitted with a proportionate forfeiture of interest accrued.

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Notes to the Consolidated And Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2024	2023	2024	2023

17. Borrowings

Gross future cash flows				
Unsecured long term bonds	288,002	326,468	288,002	326,468
Total borrowings	288,002	326,468	288,002	326,468
Less: future interest payments				
Unsecured long term bonds	(31,993)	(55,270)	(31,993)	(55,270)
	(31,993)	(55,270)	(31,993)	(55,270)
Carrying amount due at the reporting date	256,009	271,198	256,009	271,198
Borrowings repayable within one year				
Unsecured long term bonds	125,936	38,014	125,936	38,014
Borrowings repayable after one year				
Unsecured long term bonds	130,073	233,184	130,073	233,184
Carrying amount due at the reporting date	256,009	271,198	256,009	271,198
Principal balance				
Unsecured long term bonds	250,463	265,621	250,463	265,621
Accrued interest				
Unsecured long term bonds	5,546	5,577	5,546	5,577
Carrying amount due at the reporting date	256,009	271,198	256,009	271,198
Reconciliation of cashflow during the year				
Opening balance	271,198	589,193	271,198	589,193
Repayment during the year	(15,158)	(313,976)	(15,158)	(313,976)
Interest paid during the year	(22,196)	(44,382)	(22,196)	(44,382)
Interest charged during the year	22,165	40,363	22,165	40,363
Carrying amount at the end of the year	256,009	271,198	256,009	271,198

Below is a summary of the borrowing facilities issued by the Bank as of the reporting date;

31 December 2024

Number	Maturity date	Amount	Type	Interest rate per annum
		P'000		
BBS007	26 August 2025	86,700	Fixed	9%
BBS010	27 December 2028	116,426	Fixed	8% reducing balance method
BBS011	16 September 2027	25,000	Fixed	7.25%
BBS012	09 August 2026	64,470	Floating	Monetary policy rate plus 6.36%

31 December 2023

Number	Maturity date	Amount	Type	Interest rate per annum
		P'000		
BBS007	26 August 2025	86,700	Fixed	9%
BBS010	27 December 2028	116,426	Fixed	8% reducing balance method
BBS011	16 September 2027	25,000	Fixed	7.25%
BBS012	09 August 2026	64,470	Floating	Monetary policy rate plus 6.36%



**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements**

	Group		Company	
Figures in Pula thousand	2024	2023	2024	2023

**17. Borrowings** (continued)**Unsecured long term – bonds**

BBS012 is the only bond listed on the Botswana Stock Exchange Limited.

BBSBL issued a 5-year Bond amounting to P64,470 million, BBS012 on 9 August 2021. Interest is determined at the beginning of the period as the Monetary Policy rate (MoPR) plus 6.36% as published by Bank of Botswana. The interest payment dates are on 9th February and 9th August commencing on 9th February 2022.

**18. Balance due to other banks**

<b>Gross future cash flows</b>				
Balance due to other banks	50,154	-	50,154	-
<b>Total balances due to other banks</b>	<b>50,154</b>	<b>-</b>	<b>50,154</b>	<b>-</b>
<b>Less: future interest payments</b>				
Balance due to other banks	(80)	-	(80)	-
	<b>(80)</b>	<b>-</b>	<b>(80)</b>	<b>-</b>
<b>Carrying amount due at the reporting date</b>	<b>50,074</b>	<b>-</b>	<b>50,074</b>	<b>-</b>
<b>Amounts repayable within one year</b>				
Balance due to other banks	50,074	-	50,074	-
<b>Principal balance</b>				
Balance due to other banks	50,000	-	50,000	-
<b>Accrued interest</b>				
Balance due to other banks	74	-	74	-
<b>Carrying amount due at the reporting date</b>	<b>50,074</b>	<b>-</b>	<b>50,074</b>	<b>-</b>
<b>Reconciliation of cashflow during the year</b>				
Receipts from other banks	50,000	-	50,000	-
Interest charged during the year	74	-	74	-
<b>Carrying amount at the end of the year</b>	<b>50,074</b>	<b>-</b>	<b>50,074</b>	<b>-</b>

Facility	Date of Issuance	Maturity date	Amount	Type	Interest rate per annum
			P'000		
Balances due to other banks	20-Dec-24	13-Jan-25	50000	Fixed	4.50%

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements**

	Group		Company	
Figures in Pula thousand	2024	2023	2024	2023

**19. Debentures**

Debentures	10,000	101,000	10,000	101,000
Debentures - Tier II capital facilities	191,000	-	191,000	-
Accrued interest on debentures	3,121	1,235	3,121	1,235
	<b>204,121</b>	<b>102,235</b>	<b>204,121</b>	<b>102,235</b>
<b>Gross future cash flows</b>				
- within one year	15,830	6,846	15,830	6,846
- in second to fifth year inclusive	71,855	124,906	71,855	124,906
- later than five years	247,845	-	247,845	-
<b>Total gross debentures</b>	<b>335,530</b>	<b>131,752</b>	<b>335,530</b>	<b>131,752</b>
<b>Less: future interest payments</b>				
- within one year	12,709	6,846	12,709	6,846
- in second to fifth year inclusive	61,855	22,671	61,855	22,671
- later than five years	56,845	-	56,845	-
<b>Total interest payments</b>	<b>131,409</b>	<b>29,517</b>	<b>131,409</b>	<b>29,517</b>
<b>Total net debentures</b>	<b>204,121</b>	<b>102,235</b>	<b>204,121</b>	<b>102,235</b>

**Reconciliation of cashflow during the year**

Opening balance	102,235	102,235	102,235	102,235
New debentures issued	100,000	-	100,000	-
Interest paid during the year	(7,106)	(6,828)	(7,106)	(6,828)
Interest charged during the year	8,992	6,828	8,992	6,828
<b>Carrying amount at year end</b>	<b>204,121</b>	<b>102,235</b>	<b>204,121</b>	<b>102,235</b>

During the current year, the P41 million and P50 million facilities were converted into Tier II capital facilities. Additionally, the Bank issued a new Tier II capital facility of P100 million. Claims on both the principal and interest of these facilities are subordinate to those of other creditors and depositors. These facilities are intended to support loan book growth and optimise the Bank's capital structure.

Below is a summary of the debenture facilities issued by the Bank as of the reporting date;

Facility	Date of Issuance	Maturity date	Amount Type	Interest rate per annum
			P'000	
Tier II capital debenture	17-Oct-24	14-Oct-34	100,000.00	BBS Bank Prime lending rate plus 2%
Tier II capital debenture	10-May-24	26-Apr-34	41,000.00	Monetary policy rate plus 6.61%
Tier II capital debenture	10-Oct-24	25-Apr-31	50,000.00	BBS Bank Prime lending rate plus 2%
Debenture	26-Apr-18	25-Oct-26	10,000.00	Monetary policy rate plus 4.11%

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements**

	Group		Company	
Figures in Pula thousand	2024	2023	2024	2023

**20. Lease liabilities**

<b>Reconciliation of lease liabilities</b>				
Opening balance	14,700	15,886	14,700	15,886
Additions	3,126	651	3,126	651
Lease interest expense	1,264	1,119	1,264	1,119
Payments (interest and principal)	(3,212)	(2,590)	(3,212)	(2,590)
Remeasurement of lease liability*	-	(366)	-	(366)
<b>Closing balance</b>	<b>15,878</b>	<b>14,700</b>	<b>15,878</b>	<b>14,700</b>

<b>Payments of lease liabilities</b>				
Lease interest expense	1,264	1,119	1,264	1,119
Payments (interest and principal)	(3,212)	(2,590)	(3,212)	(2,590)
<b>Repayment of principal portion of lease liability</b>	<b>(1,948)</b>	<b>(1,471)</b>	<b>(1,948)</b>	<b>(1,471)</b>

\*The remeasurement resulted from the revision of contractual payments of some leases the Group and Company has entered into. The related lease liability has been remeasured by discounting the revised lease payments using the initial discount rate and this resulted in the reduced lease liability at the reporting date.

<b>Minimum lease payments due</b>				
- within one year	3,488	2,836	3,488	2,836
- in second to fifth year inclusive	12,604	11,309	12,604	11,309
- later than five years	3,645	4,590	3,645	4,590
Total undiscounted lease liability	19,737	18,735	19,737	18,735
less: future finance charges	(3,859)	(4,035)	(3,859)	(4,035)
<b>Present value of minimum lease payments</b>	<b>15,878</b>	<b>14,700</b>	<b>15,878</b>	<b>14,700</b>

<b>Present value of minimum lease payments due</b>				
- within one year	2,387	1,802	2,387	1,802
- in second to fifth year inclusive	10,137	8,743	10,137	8,743
- later than five years	3,354	4,155	3,354	4,155
<b>carrying amount</b>	<b>15,878</b>	<b>14,700</b>	<b>15,878</b>	<b>14,700</b>

The Group and Company has entered into various leases for office space as it operates from various locations. The duration of the leases range between five to ten years with an option to renew. The incremental borrowing rate to discount the leases was 7.44% (2023:7.44%). The leases are subject to escalations between 6% and 10% on anniversary. Interest expense relating to lease liabilities is disclosed under note 26.

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements**

	Group		Company	
Figures in Pula thousand	2024	2023	2024	2023

**21. Other liabilities**

<b>Financial instruments:</b>				
Insurance premiums payable	5,617	1,631	5,601	1,602
Unclaimed balances	6,138	7,027	6,138	7,027
Accounts payable	2,944	4,586	2,944	4,586
Accrued expenses***	20,758	18,297	20,714	18,257
Loan commitments issued- expected credit loss*	32	66	32	66
	<b>35,489</b>	<b>31,607</b>	<b>35,429</b>	<b>31,538</b>

<b>Non-financial instruments:</b>				
Deferred administration fees**	32,755	28,382	32,755	28,382
Others	1,263	2,097	649	1,665
Payroll liabilities****	8,306	13,389	7,712	13,181
	<b>42,324</b>	<b>43,868</b>	<b>41,116</b>	<b>43,228</b>
	<b>77,813</b>	<b>75,475</b>	<b>76,545</b>	<b>74,766</b>

<b>Reconciliation of deferred administration fees</b>				
<b>Opening balance</b>	<b>28,382</b>	<b>18,291</b>	<b>28,382</b>	<b>18,291</b>
Additional administration fees deferred during the year	9,724	14,558	9,724	14,558
Administration fees released to profit or loss during the year	(5,351)	(4,467)	(5,351)	(4,467)
<b>Closing balance</b>	<b>32,755</b>	<b>28,382</b>	<b>32,755</b>	<b>28,382</b>

\*Expected credit losses on loan commitments was classified as stage 1 in the current and previous year.

\*\* Income from opening balance recognised during the year was P 3.786 million (2023: P 2.522 million).

\*\*\*Accrued expenses include amounts payable to creditors for goods and services supplied such as security, utilities and cleaning services.

\*\*\*\*Payroll liabilities is made up of leave, gratuity and provision for terminal benefits.

\*\*Included in other liabilities are insurance premiums payable and unclaimed balances, which were previously classified under "others" within non-financial instruments.

These have been reclassified as financial instruments in the current year, with a corresponding reclassification applied to the prior year for comparability.

<b>Maturity analysis - Deferred administration fees</b>				
- within one year	2,120	2,987	2,120	2,987
- in second to fifth year inclusive	13,722	9,570	13,722	9,570
- later than five years	16,913	15,825	16,913	15,825
<b>carrying amount</b>	<b>32,755</b>	<b>28,382</b>	<b>32,755</b>	<b>28,382</b>

Other liabilities other than deferred administration fees and gratuity are held for a period less than twelve months.

Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2024	2023	2024	2023
<b>Reconciliation of the expected credit loss allowance (ECL) on loan commitments</b>	Loss allowance	Loss allowance	Loss allowance	Loss allowance
<b>Opening balance</b>	<b>66</b>	<b>19</b>	<b>66</b>	<b>19</b>
Impairment allowance - (decrease)/increase	(34)	47	(34)	47
<b>Closing balance</b>	<b>32</b>	<b>66</b>	<b>32</b>	<b>66</b>

22. Withholding tax

Withholding tax	2,152	2,498	2,224	2,629
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This relates to withholding tax on interest paid to the Group and Company's customers and which is due to Botswana Unified Revenue Service.

Withholding tax is payable within a period of less than one month.

23. Current tax receivable/(payable)

Withholding tax credits	191	68	65	68
Corporate tax payable	(361)	-	-	-
	<b>(170)</b>	<b>68</b>	<b>65</b>	<b>68</b>

24. Stated capital

<b>Authorised</b>				
Ordinary shares at no par value	487,453	487,453	487,453	487,453
<b>Issued</b>				
Ordinary	487,453	487,453	487,453	487,453
<b>Ordinary shares</b>				
Balance at the beginning of the year	487,453	487,453	487,453	487,453
<b>Balance at the end of the year - fully paid</b>	<b>487,453</b>	<b>487,453</b>	<b>487,453</b>	<b>487,453</b>

As at 31 December 2024, shares amounting to P3.6 million (2023: P 3.7 million) were held in the Group and Company Trust Account with the Botswana Stock Exchange. These shares are for shareholders who did not have CSDB accounts as at the time of registering the shares in the Serala over the counter board (OTC) of the Botswana Stock Exchange Limited.

Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2024	2023	2024	2023

25. Interest income using effective interest rate

Cash and cash equivalents and financial investments	27,491	38,711	26,788	38,537
Unsecured personal loans	154,563	31,018	154,563	31,018
Mortgage loans and advances	278,528	284,878	278,528	284,878
Short term loans and advances	9,670	8,093	9,670	8,093
Interest on staff loans arising from fair value adjustments	10,633	11,261	10,633	11,261

<b>Gross interest income</b>	<b>480,885</b>	<b>373,961</b>	<b>480,182</b>	<b>373,787</b>
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**Unrecognised interest on impaired loans\*\***

Mortgage loans and advances	(4,823)	(4,538)	(4,823)	(4,538)
Short term loans and advances*	(23)	(13)	(23)	(13)
Unsecured personal loans	(3)	(3)	(3)	(3)

	<b>(4,849)</b>	<b>(4,554)</b>	<b>(4,849)</b>	<b>(4,554)</b>
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<b>Net interest income</b>	<b>476,036</b>	<b>369,407</b>	<b>475,333</b>	<b>369,233</b>
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Cash and cash equivalents and financial investments	27,491	38,711	26,788	38,537
Unsecured personal loans	154,560	31,015	154,560	31,015
Mortgage loans and advances	273,705	280,340	273,705	280,340
Short term loans and advances	9,647	8,080	9,647	8,080
Interest on staff loans arising from fair value adjustments	10,633	11,261	10,633	11,261

<b>Net interest income</b>	<b>476,036</b>	<b>369,407</b>	<b>475,333</b>	<b>369,233</b>
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\* Includes interest revenue recognition on staff debtors-loans of P0.003 million (2023: P0.003 million).

\*\*Unrecognized interest on impaired loans represents the interest income forgone on credit-impaired financial assets. This is calculated as the difference between the interest calculated on the gross carrying amount of the loan and the interest income that would have been recognized based on the net amortized cost of the asset, which is adjusted for expected credit losses.

All Interest is calculated at contractual rate which approximates the effective interest rate.

26. Interest expense

Unsecured long term bonds	22,060	38,773	22,060	38,773
Term loans	105	1,590	105	1,590
Debentures	8,992	6,828	8,992	6,828
Notice deposits	7,870	11,451	7,870	11,451
Fixed deposits	198,330	150,668	198,330	150,668
Savings deposits	31,005	35,990	31,007	36,016
Lease interest	1,264	1,119	1,264	1,119

<b>Total interest expense</b>	<b>269,626</b>	<b>246,419</b>	<b>269,628</b>	<b>246,445</b>
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Interest expense is calculated using the effective interest rate method, whereas lease interest expense is determined based on the incremental borrowing rate (IBR).



**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements**

	Group		Company	
Figures in Pula thousand	2024	2023	2024	2023

**27. Expected credit losses****Expected credit losses on financial assets****Impairment allowance**

Expected credit loss allowance - loans and advances to customers	14,139	5,387	14,139	5,387
Expected credit loss allowance - mortgage loans commitment	(34)	47	(34)	47
Staff loans write-off	-	59	-	59
	<b>14,105</b>	<b>5,493</b>	<b>14,105</b>	<b>5,493</b>

**Write-down on mortgage loans**

Loss on mortgage loans de-recognised from collateral sold at auction during the year	6,131	1,126	6,131	1,126
Recoveries of amounts previously written off	(1,139)	(563)	(1,139)	(563)
	<b>4,992</b>	<b>563</b>	<b>4,992</b>	<b>563</b>
	<b>19,097</b>	<b>6,056</b>	<b>19,097</b>	<b>6,056</b>

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. 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. The inputs and models used for calculating ECLs may not always capture all characteristics of the market or underlying customer behaviour at the date of the financial statements. To reflect this, qualitative adjustments or overlays maybe applied on a temporary basis when these differences are materially significant.

**28. Other impairment losses****Loss incurred on sale of non-financial assets and valuation**

Loss on disposal of property in possession during the year	1,777	2,297	1,777	2,297
Loss on write-down of non-financial assets	6,086	990	6,086	990
	<b>7,863</b>	<b>3,287</b>	<b>7,863</b>	<b>3,287</b>

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements**

	Group		Company	
Figures in Pula thousand	2024	2023	2024	2023

**29. Net fee and commission income****A. Disaggregation of fee and commission income**

Fee and commission income from contracts with customers falls within the scope of IFRS 15 - Revenue from contracts with customers. Revenue recognition is disaggregated by major type of services below.

**Fee and commission income**

Administration fees	8,855	10,833	5,898	5,561
Account services	4,431	4,747	4,433	4,747
Transactional	9,143	5,814	9,143	5,814
Commissions	18,131	24,738	5,582	5,715
	<b>40,560</b>	<b>46,132</b>	<b>25,056</b>	<b>21,837</b>

**Fee and commission expense**

Interbank transaction fees	(1,160)	(1,689)	(1,160)	(1,689)
Partnership commission	(1,615)	(588)	(1,615)	(588)
	<b>(2,775)</b>	<b>(2,277)</b>	<b>(2,775)</b>	<b>(2,277)</b>

**Net fee and commission income**

	<b>37,785</b>	<b>43,855</b>	<b>22,281</b>	<b>19,560</b>
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**B. Contract balances**

Information about contract liabilities from contracts with customers is shown below.

Contract liabilities which are included in other liabilities	32,755	28,382	32,755	28,382
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The contract liabilities primarily relate to the non-refundable upfront administration fees received from customers on opening loan accounts or obtaining further advances. This is recognised on a straight-line basis over the remaining term of a loan.

**C. Performance obligations and revenue recognition policies**

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group and Company recognises revenue when all performance obligations have been satisfied.

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements**

	Group		Company	
Figures in Pula thousand	2024	2023	2024	2023

**29. Net fee and commission income** (continued)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Fee and commission income from administration fees of loans and advances	This relates to fee and commission income related to the loans and advances to customers of the Group and Company based on 1.25% for mortgage loans, 1.25% for short-term loans and 1.10% for unsecured loans.	Revenue from administration fees is recognised on a straight-line basis over the remaining term of a loan. The amounts to be recognised in future months are recognised as other liabilities.
Fee income from account services	This relates mainly to service fees, such as financial reference letters and dishonored payment fees charged monthly in line with the Group and Company tariff guide.	The fees are recognised as the services are performed and received.
Transactional income	This relates mainly to transaction fees charged monthly in line with the Group and Company tariff guide.	The fees are recognised as the services are performed and received.
Commission income	This relates to commission fees on Mortgage customers insurance referral fees based on agreed margins with the brokers.	The fees are recognised as the services are performed and received.

**30. Other income**

Rental income	3,886	5,031	3,901	5,041
Profit on sale of non-current assets held for sale	11,462	-	11,462	-
Dividend income	-	-	12,130	-
Sundry income	870	296	2,569	1,995
Profit on exchange differences	424	-	424	-
Trading and Revaluation Income	51	-	51	-
	<b>16,693</b>	<b>5,327</b>	<b>30,537</b>	<b>7,036</b>

**31. Personnel expenses**

<b>Employee costs</b>				
Salaries and wages	71,573	63,332	70,555	62,543
Pension fund contributions	6,371	6,224	6,339	6,222
Post-employment benefits - gratuity	4,554	4,139	4,216	4,049
Leave pay provision charge	1,367	3,074	1,319	3,018
Fair value adjustments-off market staff loans	9,189	8,819	9,189	8,819
Staff rationalisation costs	-	15,533	-	15,533
	<b>93,054</b>	<b>101,121</b>	<b>91,618</b>	<b>100,184</b>

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements**

	Group		Company	
Figures in Pula thousand	2024	2023	2024	2023

**32. Depreciation and amortisation****Depreciation**

Property and equipment	6,530	5,700	6,530	5,700
Right-of-use assets	2,442	2,002	2,442	2,002
	<b>8,972</b>	<b>7,702</b>	<b>8,972</b>	<b>7,702</b>

**Amortisation**

Intangible assets	5,826	4,820	5,826	4,820
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**Total depreciation and amortisation**

Depreciation	8,972	7,702	8,972	7,702
Amortisation	5,826	4,820	5,826	4,820
	<b>14,798</b>	<b>12,522</b>	<b>14,798</b>	<b>12,522</b>

**33. Other expenses**

Directors fees*	1,717	1,640	1,717	1,640
Audit fees - current year	2,104	2,058	2,057	2,013
Advertising and marketing	6,687	3,737	6,631	3,737
Computer maintenance expenses	74	1,778	74	1,778
Insurance	3,729	3,228	3,721	3,228
Legal and professional fees	1,098	1,153	1,098	1,153
Consulting and professional fees	5,647	10,659	5,647	10,659
License fees	20,253	19,906	20,251	19,906
Repairs and maintenance	3,937	4,172	3,937	4,172
Printing and stationery	1,441	1,545	1,441	1,545
Telephone and postage	7,540	7,680	7,540	7,680
Travel and subsistence costs	2,309	1,509	2,309	1,499
Office supplies	1,493	2,157	1,493	2,137
Security expenses	3,767	2,864	3,767	2,864
Subscriptions	10,514	4,987	10,501	4,978
Water & electricity	1,336	1,846	1,336	1,846
Loss on exchange differences	-	11	-	11
Other expenses	1,735	2,767	1,734	2,754
VAT expense - unclaimed portion	5,417	3,697	5,417	3,697
	<b>80,798</b>	<b>77,394</b>	<b>80,671</b>	<b>77,297</b>

Printing and stationery includes expenses relating to short-term leases of printers amounting to P0.928 million (2023: P 0.741 million) and to leases of low-value assets of P0.050 million (2023: P Nil).

\*Directors fees consist of sitting fees of P1.462 million (2023: P 1.474 million) and other directors' expenses of P0.153 million (2023: P 0.166 million).

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements**

	Group		Company	
Figures in Pula thousand	2024	2023	2024	2023

**34. Taxation**

<b>Major components of the tax expense</b>				
<b>Current</b>				
Local income tax - current period	2,846	4,788	-	-
<b>Deferred</b>				
Current year	4,027	(11,650)	4,027	(11,650)
	<b>6,873</b>	<b>(6,862)</b>	<b>4,027</b>	<b>(11,650)</b>
<b>Reconciliation of the accounting profit and tax expense</b>				
Reconciliation between accounting profit and tax expense				
Operating profit/(loss) before tax	45,278	(28,210)	44,476	(49,962)
Tax at the applicable tax rate of 22% (2023: 22%)	9,961	(6,206)	9,785	(10,992)
Less: fair value expenses on staff loans not deductible for tax purposes	2,022	1,940	2,022	1,940
Add: income not taxable for tax purposes	(5,110)	(2,598)	(7,780)	(2,598)
<b>Income tax charge</b>	<b>6,873</b>	<b>(6,864)</b>	<b>4,027</b>	<b>(11,650)</b>
<b>Effective tax rate</b>	<b>15 %</b>	<b>24 %</b>	<b>9 %</b>	<b>23 %</b>

**35. Dividend declared**

No dividend was declared or paid by the Bank in the current or previous year. The Bank's wholly owned subsidiary, BBS Insurance Agency Limited declared dividend to the Bank amounting to P12.130 million during the current year (2023: P -).

**36. Basic and diluted earnings/(loss) per share (thebe)**

Earnings per share are calculated by dividing the net profit/(loss) attributable to equity holders of the Group and Company by the weighted average number of ordinary shares during the year.

Earnings/(loss) attributed to shareholders	38,405	(21,348)
Weighted average number of ordinary shares outstanding during the year (thousands)	487,453	487,453
Basic and diluted earnings/(loss) per share (thebe)	7.88	(4.38)

No instruments at the reporting date were considered to have a dilutive effect on the ordinary share value and as a result no difference was recognised between the basic and dilutive earnings per share for the current or prior financial year.

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements**

	Group		Company	
Figures in Pula thousand	2024	2023	2024	2023

**37. Commitments and leasing arrangements**

<b>Commitments</b>				
Commitment in respect of corporate loans approved but not yet disbursed	100,000	-	100,000	-
Commitment in respect of mortgages approved but not yet disbursed	88,226	83,558	88,226	83,558
	<b>188,226</b>	<b>83,558</b>	<b>188,226</b>	<b>83,558</b>
Mortgage commitments are for a period not exceeding 12 months.				
Capital expenditure - approved but not yet committed	18,636	3,500	18,636	3,500
Capital expenditure - approved and committed	15,600	4,200	15,600	4,200

Capital commitments relate primarily to the upgrade of the Bank's core banking system and the implementation of a new ERP designed to automate the Bank's processes. These commitments will be financed through funds raised from customer deposits and borrowings.

**Group and Company as lessee**

The Group and Company have entered into commercial leases for premises and equipment, with an average lease term of between three and five years. There are no restrictions placed upon the lessee by entering into these agreements.

The Group and Company have several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and to align with the Group and Company's business needs. Based on management's assessment, it has been determined that the extension options are reasonably certain to be exercised, and termination options will not be exercised. Accordingly, these periods have been included in the lease term and the corresponding lease liabilities and right-of-use assets have been recognized.

As a result, there are no undiscounted potential future rental payments relating to extension or termination options that are excluded from the lease term.

**Operating leases – Group and Company as lessor**

The Group and Company acts as lessor of premises. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. Rental income recognised by the Group and Company during the year is P3.886 million (2023: P5.031 million).

Future minimum lease payments under non–cancellable operating leases as at 31 December were, as follows:

Within one year	1,607	4,179	1,619	4,191
After one year but not more than five years	37	2,714	85	2,763
	<b>1,644</b>	<b>6,893</b>	<b>1,704</b>	<b>6,954</b>



**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements**

	Group		Company	
Figures in Pula thousand	2024	2023	2024	2023

**38. Related parties****Related party balances**

BBS Bank Limited ("the Bank") has a wholly owned subsidiary, BBS Insurance Agency (Proprietary) Limited ("the Subsidiary"). The Subsidiary is fully controlled by the Bank and is consolidated in the Group's financial statements. The principal activity of BBS Insurance Agency is to provide insurance brokerage services. The Bank and its Subsidiary conduct transactions in the normal course of business, including the provision of support services by the Bank to the Subsidiary. All transactions are carried out at arm's length and are eliminated in the consolidated financial statements.

BBS Bank Limited transacts part of its business with related parties including directors and parties related to or under the control of the directors.

Details of related party transactions of BBS Bank Limited are set out below:

**Amounts due to related parties****Key management personnel of the Group and Company****Savings accounts**

Executive Management	195	467	195	467
Non-executive directors	6	-	6	-
	<b>201</b>	<b>467</b>	<b>201</b>	<b>467</b>

**Current accounts**

Executive Management	479	-	479	-
Non-executive directors	18	-	18	-
	<b>497</b>	<b>-</b>	<b>497</b>	<b>-</b>

**Interest expense on savings accounts**

BBS Insurance Agency Limited	-	-	8	26
Executive Management	13	-	13	-
	<b>13</b>	<b>-</b>	<b>21</b>	<b>26</b>

**Paid up, subscription and indefinite period paid up savings**

Held by the BBS Bank Limited Directors	61	50	61	50
Executive Management	2,117	2,149	2,117	2,149
	<b>2,178</b>	<b>2,199</b>	<b>2,178</b>	<b>2,199</b>

**Interest expense on paid up, subscription and indefinite period paid up savings**

Executive Management	26	25	26	25
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**Ordinary shares**

Held by the BBS Bank Limited Non-executive directors	103	104	103	104
Executive Management	580	459	580	459
	<b>683</b>	<b>563</b>	<b>683</b>	<b>563</b>

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements**

	Group		Company	
Figures in Pula thousand	2024	2023	2024	2023

**38. Related parties (continued)****Other related parties****Indefinite period paid-up savings**

Botswana Privatisation Asset Holdings	70,762	70,757	70,762	70,757
Botswana Police Staff Savings and Loans Guarantee Scheme	178,051	168,823	178,051	168,823
	<b>248,813</b>	<b>239,580</b>	<b>248,813</b>	<b>239,580</b>

**Interest expense on Indefinite period paid-up savings**

Botswana Privatisation Asset Holdings	996	1,129	996	1,129
Botswana Police Staff Savings and Loans Guarantee Scheme	2,500	2,693	2,500	2,693
	<b>3,496</b>	<b>3,822</b>	<b>3,496</b>	<b>3,822</b>

**Debentures**

Motor Vehicle Accident Fund	41,000	41,000	41,000	41,000
Botswana Privatisation Asset Holdings	150,000	50,000	150,000	50,000
	<b>191,000</b>	<b>91,000</b>	<b>191,000</b>	<b>91,000</b>

The terms and conditions are as disclosed per note 19

**Interest expense on debentures**

Motor Vehicle Accident Fund	983	2,772	983	2,772
Botswana Privatisation Asset Holdings	2,564	3,380	2,564	3,380
	<b>3,547</b>	<b>6,152</b>	<b>3,547</b>	<b>6,152</b>

**Ordinary shares**

Motor Vehicle Accident Fund	36,793	36,793	36,793	36,793
Botswana Privatisation Asset Holdings	73,464	73,464	73,464	73,464
Botswana Police Staff Savings and Loans Guarantee Scheme	44,823	44,823	44,823	44,823
	<b>155,080</b>	<b>155,080</b>	<b>155,080</b>	<b>155,080</b>

Motor Vehicle Accident Fund, Botswana Privatisation, Asset Holdings and Botswana Police Staff savings loans guarantee scheme are related parties through their shareholding relationship with the entity.

**Amounts due from related parties****Key management personnel of the Group and Company****Mortgages**

Non-Executive Directors	1,602	1,620	1,602	1,620
Executive Management	25,230	27,843	25,230	27,843
	<b>26,832</b>	<b>29,463</b>	<b>26,832</b>	<b>29,463</b>

**Short-term loans**

Non-Executive Directors	9	-	9	-
Executive Management	277	148	277	148
	<b>286</b>	<b>148</b>	<b>286</b>	<b>148</b>

**Unsecured personal loans**

Executive Management	5,135	3,346	5,135	3,346
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**Amount receivable from related company**

BBS Insurance Agency Limited	-	-	1,095	3,756
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Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2024	2023	2024	2023
<b>38. Related parties (continued)</b>				
Advances are made to employees on concessionary terms in accordance with the conditions of employment.				
Advances to Directors and parties related thereto are in the normal course of business and considered to be adequately secured.				
Advances to related parties at concessionary rates of interest are valued at the present value of expected future repayments of the advances discounted at a pre-tax discount rate that equates to the interest rate charged on similar loans to non-related parties.				
During the period under review, the entity was owed management fees by a related party and also settled certain liabilities on its behalf, as disclosed in the Group and Company's financial statements.				
Amount due from related company is considered to be a low credit risk and has not been impaired as the related party is a subsidiary controlled by the Group.				
<b>Expected credit losses on balances due from key management personnel of the Group and Company</b>				
<b>Mortgages</b>				
Non-Executive Directors	3	4	3	4
Executive Management	-	2	-	2
	<b>3</b>	<b>6</b>	<b>3</b>	<b>6</b>
<b>Unsecured personal loans</b>				
Executive Management	504	29	504	29

Expected credit losses on related party loans and advances were classified as Stage 1 at the reporting date.

Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2024	2023	2024	2023
<b>Related party transactions</b>				
<b>Amounts paid to related parties</b>				
Non-Executive Directors - remuneration fees and other expenses	1,717	1,640	1,717	1,640
Executive Management - interest expense	26	25	26	25
	<b>1,743</b>	<b>1,665</b>	<b>1,743</b>	<b>1,665</b>
<b>Amounts received from related parties</b>				
Non-Executive Directors	17	12	17	12
Executive Management	108	111	108	111
BBS Insurance Agency Limited	1,699	1,699	1,699	1,699
BBS Insurance Agency Limited	12,130	-	12,130	-
BBS Insurance Agency Limited	11	-	11	-
	<b>13,965</b>	<b>1,822</b>	<b>13,965</b>	<b>1,822</b>
During the financial year ended 31 December 2024, the Group and Company engaged in transactions involving the settlement of liabilities on behalf of the entity by a related party. These transactions were conducted in the normal course of business and at arm's length terms.				
<b>Related Party</b>	<b>Nature of Relationship</b>	<b>Description of Transaction</b>	<b>Amount P'000</b>	<b>Settlement Terms</b>
BBS Bank Limited	Parent Company	Audit fees	42.84	repaid within 60 days
BBS Bank Limited	Parent Company	Payroll	969.00	repaid within 60 days
<b>Executive Management</b>				
Gross emoluments of the key management personnel are analysed as follows:				
Salaries, allowances and other short-term benefits	17,096	14,492	17,096	14,492
Post-employment benefits	4,725	6,284	4,725	6,284
	<b>21,821</b>	<b>20,776</b>	<b>21,821</b>	<b>20,776</b>

Key management personnel for the Group and Company have been defined as members of Executive Committee of BBS Bank Limited.

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Notes to the Consolidated And Separate Financial Statements

39. Going concern assessment

The Group and Company recorded a profit of P38 million (2023: loss of P21 million) and P40 million (2023: loss of P38 million) respectively for the year ended 31 December 2024 and as of that date its total assets exceeded total liabilities by P522 million (2023: P 484 million) and P506 million (2023: P 466 million), representing a cumulative increase of P38 million (2023: cumulative decrease of P21 million) and P40 million (2023: cumulative decrease of P38 million) from the previous year. The liquid assets ratio stood at 15.56% (2023: 17.32%) at the reporting date which is above the regulatory threshold of 10%.

It marks the first year the group has made profit since 2018 with liquidity and capital adequacy ratios (CAR) exceeding the Bank of Botswana prudential limits. The Group closed the period with a CAR of 23.46% which is above the regulatory limit of CAR is 12.5%.

Credit risk

The Group and Company continues to carry out stress testing of all its credit risk elements. Estimates and conclusions by Management are continuously scrutinized based on historical events and current estimates of upcoming events.

There have been no significant changes to assumptions and modelling conclusions applied in the Group and Company's Financial Statements for the year ended 31 December 2024.

Strategic outlook

The Group and Company remain committed to its Corporate Strategy, designed to steer the organisation through the ongoing transition period and into the future. This strategy which includes transformation initiatives, aims not only to expand the business but also to turn around the loss-making position of the Group and Company. Central to this strategic roadmap is the unwavering focus on generating enhanced shareholder value.

As at the reporting date, the Group and Company made considerable progress in executing key projects designed to enhance its banking capabilities. These efforts have been carried out with the objective of improving the Group and Company's market competitiveness and strengthening its foundational operations.

With a sharp focus on operational effectiveness and progressive strategy, the Group and Company is well-equipped to navigate the evolving business landscape. By focusing on long-term results and optimising shareholder returns, the Group and Company are on track to achieve its goals of prolonged prosperity and wealth creation.

Forecasted financial position and performance

Considering where the Bank is with its transformation journey, the performance of the Group and Company is expected to show further improvement and recovery beyond 2024 following operationalisation of the key transformation initiatives.

Ratios such as the cost to income ratio and loans to deposits ratio will remain elevated and will improve with the diversification of the assets base and introduction of diversified income streams and non-maturing deposits. Management is aware of this and will ensure that the necessary initiatives to mitigate the negative impact are implemented to ensure that the Group and Company continue to operate with no threat to its existence in the foreseeable future.

Local economic outlook for 2025

According to data from Statistics Botswana, the local economy contracted by 3.3% in Q3 2024 with the non-diamond mining sector growing by 4.2%. The contraction was mainly on the back of the decline in diamond mining which shrunk by 16.1% year on year up to Q3 2024. The significant fiscal deficit forecast for 2024/2025 and 2025/2026 at 9% and 7% respectively of GDP is on account of reduced contribution from mineral resources underscoring the urgent need to grow other economic sectors.

In Q3 2024, Public Administration & Defence was the major contributor to GDP at 18.7 percent, followed by Wholesale & Retail at 12.5 percent, Construction at 12.2 percent, Mining & Quarrying at 9.2 percent. Based on the previous prints of GDP we forecast a contraction in the final GDP figures for 2024 and it will be equally challenging to attain meaningful growth in 2025 as it seems the challenges the main buyers of diamonds being China still have economic headwinds to overcome.

BBS Bank Limited

(Registration number BW00001057162)  
Consolidated And Separate Financial Statements for the year ended 31 December 2024

Notes to the Consolidated And Separate Financial Statements

39. Going concern assessment (continued)

The overall economic situation remains challenging and uncertain on the growth prospects. The Group and Company do take note of the operating environment. The Group and Company are in the process of raising additional capital. This is crucial if the situation deteriorates further beyond current circumstances. There will be a continuous review of the prevailing economic situation.

Management remains cautious and will prioritize resource allocation diligently. The key strategic focus remains on the transformational journey to enhance the Group and Company's returns and ensure long-term sustainability.

Management has assessed the ability of the Group and Company to continue as a going concern and has no reason to believe that the business will not be a going concern in the year ahead. Management is of the view that the conditions that have been identified do not raise doubt about the entity's ability to continue as a going concern.

As a result, the Group and Company's financial statements for the year ended 31 December 2024 have been prepared on a going concern basis.

40. Events after the reporting date

Management has evaluated all events and transactions that occurred subsequent to the date of the financial statements but before the date of issuance of these financial statements and has determined that there were no material subsequent events to report.

41. Litigation

BBS Bank Limited remains a defendant in only two significant litigation matters which arose from its normal day to day operations. These are claims by Southern African Furniture Manufacturers (SAFCO) and its subsidiaries Dwinchi (Pty) Ltd and Mohan (Pty) Ltd for approximately P40.55 million, in respect of damages incurred and for replacement of movable property which they allege the Company (BBS Bank Limited) wrongfully sold in 2005. This matter has been ongoing since November 2015 and is going through the judicial process. Management believe that the defence against the claim will be successful.

42. Compliance with the Banking Act

BBS Bank Limited is governed by the Banking Act (CAP 46:04).

43. Segment information

As at the reporting date, BBS Bank Limited had no separate segments for consideration by the Managing Director. As such, the main business of the Company was evaluated as a whole by the Chief Operating Decision Maker (CODM). The Chief Operating Decision Maker of the Company is considered to be the Managing Director. Following the issuance of the commercial banking license, the Bank is restructuring its business model to introduce new banking products and services which will be key for the definition and identification of its operating segments/business units. As at the reporting date no separate segments had been identified. As part of the transition, the company will identify separate identifiable segments based on its products and services. The Executive Management Committee will monitor the operating results of the business units separately for purposes of making decisions about resource allocation and the performance assessment. Segment performance will be based on profit or loss and measured consistently with profit or loss in the consolidated and separate financial statements.



**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements**

Figures in Pula thousand	Group		Company	
	2024	2023	2024	2023

**44. Shareholder information**

	No of shares held - 2024	% holding - 2024		
Botswana Privatisation Asset Holding (Pty) Ltd	73,464	15.07 %		
Botswana Police Staff Savings and Loans Guarantee Scheme	44,823	9.20 %		
Mr Derek Brink	38,011	7.80 %		
Motor Vehicle Accident Fund	36,793	7.55 %		
Ms Rita Brink	35,341	7.25 %		
Mr Simon Hirschfeld	13,191	2.71 %		
Estate of late Abdul Joseph	12,191	2.50 %		
Botlhale Investments (Pty) Ltd	11,966	2.45 %		
Ms Lerie Brink	11,037	2.26 %		
Others	210,636	43.21 %		
<b>Total shareholding</b>	<b>487,453</b>	<b>100 %</b>		
	No of shares held - 2023	% holding - 2023		
Botswana Privatisation Asset Holding (Pty) Ltd	73,464	15.07 %		
Botswana Police Staff Savings and Loans Guarantee Scheme	44,823	9.20 %		
Mr Derek Brink	38,011	7.80 %		
Motor Vehicle Accident Fund	36,793	7.55 %		
Ms Rita Brink	35,341	7.25 %		
Mr Simon Hirschfeld	13,191	2.71 %		
Estate of late Abdul Joseph	12,191	2.50 %		
Botlhale Investments (Pty) Ltd	11,966	2.45 %		
Ms Lerie Brink	11,037	2.26 %		
Others	210,636	43.21 %		
<b>Total shareholding</b>	<b>487,453</b>	<b>100 %</b>		

**45. Tax (paid)/refunded**

Balance at beginning of the year	68	(38)	68	-
Current tax recognised in profit or loss	(2,846)	(4,788)	-	-
Balance at end of the year	170	(68)	(65)	(68)
<b>Tax paid</b>	<b>(2,608)</b>	<b>(4,894)</b>	<b>3</b>	<b>(68)</b>

**46. Cash flow workings****Interest receipts**

Total interest income	476,036	369,407	475,333	369,233
Unrecognised interest on impaired loans	4,850	4,554	4,850	4,554
Movement in accrued interest - investments with banks and other financial institutions	1,678	1,757	1,678	1,757
Movement in accrued interest - Mortgage loans and advances to customers	859	(698)	859	(698)
Movement in accrued interest - unsecured loans and advances	(30)	16	(30)	16
Movement in accrued interest - short-term loans and advances	(6)	(18)	(6)	(18)
Interest income - off market staff loans	(10,633)	(11,261)	(10,633)	(11,261)
	<b>472,754</b>	<b>363,757</b>	<b>472,051</b>	<b>363,583</b>

**BBS Bank Limited**

(Registration number BW00001057162)

Consolidated And Separate Financial Statements for the year ended 31 December 2024

**Notes to the Consolidated And Separate Financial Statements**

Figures in Pula thousand	Group		Company	
	2024	2023	2024	2023

**46. Cash flow workings (continued)**

<b>Commission receipts</b>				
Fee and commission income	40,560	46,132	25,056	21,837
Administration fees released to profit or loss during the year	(5,351)	(4,467)	(5,351)	(4,467)
	<b>35,209</b>	<b>41,665</b>	<b>19,705</b>	<b>17,370</b>
<b>Interest payments</b>				
Total interest expense	(269,626)	(246,419)	(269,628)	(246,445)
Accrued interest - debentures	1,886	-	1,886	-
Accrued interest - borrowings	43	(4,019)	43	(4,019)
Accrued interest - customer deposits	(14,075)	33,963	(14,075)	33,963
	<b>(281,772)</b>	<b>(216,475)</b>	<b>(281,774)</b>	<b>(216,501)</b>
<b>Commission payment</b>				
Interbank transactional fees	(2,775)	(2,277)	(2,775)	(2,277)
Partnership commission released to profit or loss during the year	1	415	1	415
	<b>(2,774)</b>	<b>(1,862)</b>	<b>(2,774)</b>	<b>(1,862)</b>
<b>Other income</b>				
Other income	16,693	5,327	30,537	7,036
Profit on sale of non-current assets held	(11,462)	-	(11,462)	-
Dividend income	-	-	(12,130)	-
	<b>5,231</b>	<b>5,327</b>	<b>6,945</b>	<b>7,036</b>
<b>Cash payments to employees and suppliers</b>				
Employee costs	(93,054)	(101,121)	(91,618)	(100,184)
Other expenses	(80,798)	(77,394)	(80,671)	(77,297)
Intangible assets written off	(5,644)	977	(5,644)	977
Fair value adjustments - off market staff loans	9,189	8,819	9,189	8,819
	<b>(170,307)</b>	<b>(168,719)</b>	<b>(168,744)</b>	<b>(167,685)</b>
<b>Change in other liabilities</b>				
Movement in other liabilities	2,332	39,377	1,773	38,979
Expected credit losses - Commitments	34	(47)	34	(47)
Deferred administration fees released to profit or loss during the year	5,351	4,467	5,351	4,467
	<b>7,717</b>	<b>43,797</b>	<b>7,158</b>	<b>43,399</b>

Notes to the Consolidated And Separate Financial Statements

Figures in Pula thousand	Group		Company	
	2024	2023	2024	2023
<b>46. Cash flow workings (continued)</b>				
<b>Change in loans and advances to customers</b>				
Movement in loans and advances to customers	(571,805)	(830,542)	(571,805)	(830,542)
Movement in accrued interest	(859)	700	(859)	700
Staff mortgage impairment	(9,189)	(8,819)	(9,189)	(8,819)
Partnership commission released to profit and loss during the year	(1)	(415)	(1)	(415)
Expected credit loss allowance - loans and advances to customers	(14,139)	(5,387)	(14,139)	(5,387)
Loss on mortgage loans de-recognised	(6,089)	(1,126)	(6,089)	(1,126)
Unrecognised interest on impaired loans	(4,850)	(4,554)	(4,850)	(4,554)
Staff loan written off	-	(59)	-	(59)
Gain on disposal of property in possession	1,139	563	1,139	563
Interest income - off market staff loans	10,633	11,261	10,633	11,261
	<b>(595,160)</b>	<b>(838,378)</b>	<b>(595,160)</b>	<b>(838,378)</b>
<b>Financial investments</b>				
New placements of investments	(1,529,749)	(2,223,726)	(1,529,749)	(2,223,726)
Maturities of investments	1,799,791	2,197,900	1,799,791	2,197,900
<b>Net cash flows generated from/(used in) financial investments</b>	<b>270,042</b>	<b>(25,826)</b>	<b>270,042</b>	<b>(25,826)</b>
<b>Change in customers' deposits</b>				
Movement in customer deposits	245,144	1,493,337	252,730	1,491,442
Movement in accrued interest	14,075	(33,963)	14,075	(33,963)
<b>Cashflows from customers</b>	<b>259,219</b>	<b>1,459,374</b>	<b>266,805</b>	<b>1,457,479</b>

Notes

**BBS BANK LIMITED**  
(Incorporated in the Republic of Botswana)  
Company Registration Number: BW00001057162  
BSE Share Code ISIN: BW0000001965

Invitation to Shareholders

Dear Shareholder,

**BBS BANK LIMITED ANNUAL GENERAL MEETING: THURSDAY 26 JUNE 2025**

I am pleased to invite you to the BBS Bank Limited (“BBS Bank”, “the Bank” or “the Company”) annual general meeting (AGM), to be held as hybrid meeting on Thursday 26 June 2025 at 09h00. The hybrid meeting is intended to enable shareholders who are unable to be present in person at the venue, to attend remotely.

We have attached the summarized consolidated annual financial statements of the Bank, and the notice of the AGM, accompanied by explanatory notes and a proxy form. The Consolidated Annual Financial Statement and the BBS Bank 2024 Integrated Report are available on our website, that is, [www.bbs.co.bw](http://www.bbs.co.bw) or at our offices. You can also obtain a copy by sending an email to the Investor Relations Office at [bbs@bbs.co.bw](mailto:bbs@bbs.co.bw).

We have provided, on the ‘Notes to the Notice of the AGM’ section of the notice, information on how to participate in the AGM, submission of proxy forms, voting instructions and/or sending of queries in advance.

The AGM provides an opportunity for shareholders to engage with the Board Members and Management. I look forward to your participation.

Yours Sincerely,

**Vincent B. Mogano (Dr.)**  
Board Chairman

**BBS BANK LIMITED**  
(Incorporated in the Republic of Botswana)  
Company Registration Number: BW00001057162  
BSE Share Code ISIN: BW0000001965

**NOTICE OF ANNUAL GENERAL MEETING**

**Notice is Hereby Given** that the 2024 Annual General Meeting (“AGM”) of shareholders of BBS Bank Limited (Hereinafter “BBS Bank” or “the Bank”) will be held at **Avani Hotel & Resort Conference Centre, Plot 4727, Chuma Drive, Gaborone** and virtually, through electronic participation on **Thursday 26 June 2025 at 09h00**.

**Purpose of the AGM**

The purpose is to transact the business set out in this notice of the AGM (“Notice”), to consider and if deemed fit, to adopt, pass, with or without modification the resolutions set out in this notice, and to transact any other business as may be transacted at the AGM or raised by shareholders and to answer any questions put forth by shareholders in terms of the Companies Act Cap. 42:01 as amended (“the Act”) and the Constitution of BBS Bank (“Constitution”), regarding the affairs and business of the Bank.

**AGENDA**

**Ordinary Business**

**1.** To read the notice convening the meeting and confirm the presence of a quorum in accordance with the Constitution.

In terms of Article 71 of the BBS Bank Constitution, a quorum for a meeting of shareholders is constituted if those shareholders or their proxies who are present or who have casted postal votes are between them able to exercise a majority of the votes to be cast on the business to be transacted by the meeting.

**2. Ordinary Resolution Number 1: Minutes of the Previous Meeting**

To receive and adopt the minutes of the AGM held on 23 May 2024.

“RESOLVED THAT the Minutes of the AGM held on 23 May 2024 be and are hereby adopted”.

**3. Presentation of Consolidated Annual Financial Statements and Reports**

The audited Annual Consolidated Financial Statements of the Bank (as approved by the Board of Directors of BBS Bank) for the year ended 31 December 2024, including the report of directors and auditors will be presented to the shareholders.

The consolidated annual financial statements are contained in the Bank’s integrated report, in terms of section 215 of the Companies Act.

*\*The full set of audited financial statements of the Bank for the year ended 31 December 2024 and integrated report can be accessed on the Bank’s website ([www.bbs.co.bw](http://www.bbs.co.bw)), and can be obtained free of charge upon request from the Investor Relations Office by emailing to [bbs@bbs.co.bw](mailto:bbs@bbs.co.bw) and will also be emailed to shareholders.*

**IMPORTANT NOTE: ORDINARY RESOLUTIONS**

The voting rights required for the approval of an ordinary resolution by shareholders is more than 50% of the voting rights exercised for each resolution.

**4. Re-Election of Non-Executive Directors retiring by rotation**

To consider and appoint by way of separate resolutions the following directors who retire by rotation in terms of the Constitution and Board Charter of BBS Bank, and being eligible and available, offer themselves for re-election. The Board Charter requires retirement and rotation of directors at the end of their 3-year term. Dr. Mogano and Ms. Moloyi were first appointed to the Board on 29 April 2022, and they will retire at this AGM. The Board Charter additionally requires that rotation of board members should be structured so as to retain valuable skills, to have continuity of knowledge and experience and to introduce persons with new ideas and expertise. Directors who retire and being eligible are entitled to offer themselves for re-election.

In terms of the BBS Bank Board Nominations Policy, nomination for re-election of a director should be considered on the basis of a director’s performance, including attendance at meetings of the Board and its committees. The results of the skills gap analysis and Board evaluation exercise reveal that the Board is satisfied with the knowledge, skill, experience and performance of Dr. Mogano and Ms. Moloyi respectively. Their longer service on the board helps to strengthen the board’s understanding of the business and oversight responsibilities. The Board has on the recommendation of the HR, Remuneration and Nominations Committee considered their continued independence and concluded that both Dr. Mogano and Ms. Moloyi continued to exhibit independence and objectivity in decision making and handling board affairs. Coupled with the results of the board evaluation, attendance at meetings, knowledge and their contributions, the Board recommends Dr. Mogano and Ms. Moloyi respectively to the Shareholders for re-election. The re-election contributes to the Bank’s strategy and promotes the maintenance of a balance of skill and experience in the board.



4.1. Ordinary Resolution 2: V.B. Mogano

“RESOLVED THAT Dr. Vincent Bino Mogano, who retires by rotation in terms of the Constitution of BBS Bank, and being eligible and available, offers himself for re-election, be and is hereby re-elected as a Director.”

4.2. Ordinary Resolution 3: K.N. Moloyi

“RESOLVED THAT Ms. Koziba Ntema Moloyi, who retires by rotation in terms of the Constitution of BBS Bank, and being eligible and available, offers herself for re-election, be and is hereby re-elected as a Director.”

Biographical profiles of Dr. Mogano and Ms. Moloyi respectively are set out in Annexure A to this Notice.

5.Confirmation of Election of Non-Executive Directors

To consider and elect by way of separate resolutions the following directors who have been appointed by the Board in terms of clause 93.2 of the BBS Bank Constitution. In terms of clause 93.2 of the Constitution the board may, subject to the Banking Act appoint suitable persons to be directors of the Company, and to discharge the functions of a director, contingent upon a resolution and/or ratification by the holders of the majority of ordinary shares at the next annual general meeting. Following regulatory approvals, the Board appointed Mr. John Kimani Muiruri (“Mr. Kimani”) and Ms. Pulane Dibuseng Letebele as independent non-executive directors effective 23 October 2024, subject to a resolution of the shareholders.

The appointment of Mr. Kimani and Ms. Letebele was intended to enhance the balance of skills and experience, particularly in the areas of banking, strategy, information technology, accounting, financial reporting and audit practice. The appointment also enabled the Bank to remedy regulatory matters with respect to related party representation on the board, independent non-executive directors and enhancing membership of Committees such as the Audit Committee.

5.1. Ordinary Resolution 4: J. Kimani Muiruri

“RESOLVED THAT the appointment by the Board of Mr. John Kimani Muiruri, as a director of BBS Bank be and is hereby confirmed, and that Mr. John Kimani Muiruri be and is hereby elected as a director.”

5.2. Ordinary Resolution 5: P.D. Letebele

“RESOLVED THAT the appointment by the Board of Ms. Pulane Dibuseng Letebele, as a director of BBS Bank be and is hereby confirmed, and that Ms. Pulane Dibuseng Letebele be and is hereby elected as a director.”

Biographical profiles of Mr. Kimani and Ms. Letebele respectively are set out in Annexure A to this Notice

6. Remuneration of Auditors for the Reporting Period

To consider and ratify the remuneration of external auditors Ernst & Young for the year ended 31 December 2024, as approved by the BBS Bank Board of Directors.

6.1. Ordinary Resolution 6: Ernst & Young

“RESOLVED THAT the remuneration of Ernst & Young, amounting to BWP2,104m for the year ended 31 December 2024 (2023: BWP2,058m) be and is hereby ratified.”

7.Appointment of External Auditors

Section 191 of the Companies Act mandates the Bank as a public company to appoint an auditor to hold office from the conclusion of the meeting until the conclusion of the next annual meeting and to audit the financial statements of the company and, if the company is required to complete group financial statements, those group financial statements, for the accounting period next after the meeting. Section 22 of the Banking Act requires BBS Bank to appoint, annually and at its own expense, an independent auditor, acceptable to the Central Bank who shall make a report to the Bank's shareholders on the annual balance sheet and profit and loss account, in accordance with the requirements in the Companies Act and with generally accepted accounting standards in Botswana, and such other directives and guidelines as the Central Bank may from time to time issue. The Bank of Botswana Guidelines on Bank's Audit Committees, Annual Independent External Audit and Publication of Audited Financial Statements requires the external audit firm to rotate every five years, the lead auditor or coordinating partner or the partner responsible for reviewing the audit. The Financial Reporting Act also requires that a certified auditor be appointed for a term not exceeding five years. If the appointment of an auditor comes to an end either before or after the five-year period, a re-tendering process must take place. The current external auditors Ernst & Young were appointed in 2020 and their term of five (5) years has come to an end in December 2024. Pursuant to the above requirements, a procurement process was executed leading to the appointment of a successful bidder, after a competitive process. Based on the recommendation of the Audit Committee, wherein technical expertise, experience and capacity of external auditor were considered, the Board recommends to the shareholders that PwC Botswana be appointed as the new auditors of the Company.

7.1.Ordinary Resolution 7: PwC Botswana

“RESOLVED THAT PwC Botswana be and is hereby appointed as the external auditor of the Company, and to hold office until the conclusion of the next annual general meeting.”

IMPORTANT NOTE: NON-BINDING ADVISORY VOTES

Non-binding advisory votes are put to shareholders in the same manner as ordinary resolutions. Therefore, the percentage of voting rights that is required for ordinary resolutions 6 and 7 to be adopted is more than 50% of the voting rights exercised for each resolution. However, if the resolutions are voted against by 25% or more of the voting rights exercised, then the Board will initiate engagement with the concerned shareholders.

8.Non-Binding Advisory Vote of the Remuneration Policy and its Implementation

King IV recommends that a company may table its remuneration policy and implementation report for separate non-binding advisory votes by shareholders at the AGM, in the same manner as an ordinary resolution. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation. These resolutions are of an advisory nature only and a failure to pass either one or both will not be binding on the Board and will have no legal consequences relating to existing arrangements. However, whilst these resolutions are non-binding, the Board will consider the results of the votes when reviewing and/or considering amendments to the Company’s Remuneration Policy and its implementation in future.

In the event that any of the ordinary resolutions or both, are voted against by 25% (twenty five percent) or more of the voting rights exercised in relation thereto, the Board will implement measures including the engagement with the relevant shareholders as to the reasons thereof, and set out the manner and timing of such engagement. A highlight of the remuneration policy of the Company and its implementation components is incorporated in the human resources section of the integrated report.

8.1. Ordinary Resolution Number 8: Remuneration Policy

“RESOLVED THAT the Remuneration Policy of the Company as set out in the Integrated Report be and is hereby endorsed by way of a non-binding advisory vote.”

8.2. Ordinary Resolution Number 9: Implementation Report

“RESOLVED THAT the implementation of the Remuneration Policy of the Company as set out in the Integrated Report be and is hereby endorsed by way of a non-binding advisory vote.”

IMPORTANT NOTE: SPECIAL RESOLUTIONS

The percentage of voting rights required for the approval of special resolutions is at least 75% of the voting rights exercised for each resolution.

9. Remuneration of Non- Executive Directors

Clause 98.1 of the BBS Bank Constitution entitles the Board (other than executive directors) to receive such sums as fees for their services as directors and on such terms as the Company in a general meeting may determine from time to time. The Board acknowledges the additional responsibilities and time commitments for non-executive directors since the commencement of the implementation of the transformation strategy. The Bank is now subject to more requirements and its risk has increased. The current board fees were set in 2018 when the building society was converting into a company. The fees have remained the same and have never been revised to date, despite a change in circumstances.

The remuneration is designed to reward directors for their leadership and to incentive them to achieve the company's strategic goals. King IV™ recommends that the Board should ensure that the company remunerates fairly, responsibly, and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium, and long term. The Bank has an HR, Remuneration and Nominations Committee (“committee”) whose responsibility includes the review of the remuneration to ensure that it is fair, affordable, competitive, and aligned with the company's objectives. The remuneration committee has performed a benchmark of compensation packages of directors of similar organizations in the Banking industry, financial services industry, listed companies and state-owned entities<sup>1</sup>. It is important for the company to remain competitive in attracting and retaining top talent and the calibre of individuals necessary to direct the company successfully, without being overly generous.

The fee paid to directors for the financial year ended 31 December 2024 is set out in the governance section of the Integrated Report. The Board proposes an adjustment to the fees payable as set out below. If approved, the fees shown below will be payable to non-executive directors until the next passing of a resolution at annual general meeting.

9.1. Special Resolution 1: Approval of Remuneration of Non-Executive Directors

“RESOLVED THAT pursuant to the Constitution, the Company be and is hereby authorized to remunerate the non-executive directors for their services rendered as directors, in accordance with the scale of remuneration set out below;

Role	Current Retainer	Proposed Retainer	Current Board Fee Per Meeting	Proposed Board Fee Per Meeting	Current Committee Chair Fee	New Committee Fee Chair	Current Committee Member Fee	Proposed Committee Member Fee
Board Chair	60 000	150 000	12 000	13 200	-	-	-	-
Lead Independent Director	45 000	49 500	9 500	10 450	-	-	-	-
Board Member	30 000	33 000	7 500	8 250	-	-	-	-
Committee Chair	-	-	-	-	7 000	7 700	-	-
Committee Member							6 000	6 600

Remuneration principles:

\*Board chair remuneration (sitting fee) to principally be the highest as a function of the role and to compensate for exclusion (in some cases) from sitting on Board Sub-Committees;

\*All other Board members to be remunerated equally, regardless of experience or tenure on the Board;

\*Sub-Committee chair's remuneration to be higher than regular Committee members;

<sup>1</sup>Grant Thornton Benchmark in 2022, PwC Remuneration Survey in 2024, Institute of Directors of Southern Africa (IoDSA) NED Fee Guide, Presidential Directive on Review of Sitting Allowances and Introduction of Retainer Fees, December 2023

*\*The level of remuneration is to be standard across all Board-Committees;*  
*\*Retainer fee to be maintained as part of the remuneration structure*  
*\*To pay a separate sitting fee for board and committee meetings*  
*\*Ad hoc engagements to be covered by the retainer*  
*\*Travel costs to be paid according to an out-of-pocket expense, subject to prior approval in each instance.*  
*\*Other' remuneration is to be limited as far as possible*  
*\*An across board adjustment of 10% on both retainer and sitting fee.*  
*\*An additional adjustment to Board Chair retainer, in line with the responsibilities of the role and to compensate for exclusion on committees.*

Additional information on the benchmark and outcome of director remuneration survey is set out in Annexure B to this Notice.

9. Any Other Business

To transact any other business which may be transacted at the AGM, including answering questions put forth by Shareholders regarding the affairs and business of the Bank.

10.Adjournment of AGM by Chairperson

NOTES TO THE NOTICE OF THE AGM

1.Registration and Attendance

- 1.1. **Electronic Registration:** Shareholders may attend either virtually or in-person (physically) at the venue. To attend the AGM, shareholders should access the link "BBS Bank 2024 Annual General Meeting Registration" in the BBS Bank website for registration and verification purposes. Upon successful verification, a notification with the AGM details will be sent to the Shareholder. On the day of the meeting, Shareholders should start logging in from 08h00.
- 1.2. **Registration and Attendance at the Venue:** Shareholders who wish to attend the AGM in-person, and who have not registered online, will be able to register at the venue from 08h00 to 08h45. In order to register at the venue, shareholders will be required to provide identification, as more fully set out at the 'identification' section below.
- 1.3. **Electronic Attendance:** once registration is confirmed, shareholders wishing to attend virtually will be required to connect to the AGM through a virtual link and follow relevant prompts. Attendees may be required to complete all relevant fields including title, first name, last name, contact details and email address for verification and before the commencement of the meeting.
- 1.4. **Disclaimer:** BBS Bank, its directors, employees, transfer secretaries or advisors will not be responsible for loss of network connectivity or other network failure due to insufficient data, airtime, internet bandwidth, network provider challenges and/or power outages and/or any other cause that could limit or prevent any shareholder or proxy from participating in and/or voting at the AGM.

2.Proxies and Voting

- 1.1. Shareholders are urged to consult clauses on proxies and proxy forms as outlined in the BBS Bank Constitution, a copy of which is available on the Bank's website by accessing the link "BBS Bank Constitution". The Constitution will also be emailed to Shareholders. The clauses are paraphrased in the "Notes" section of this Notice.
- 1.2. A shareholder is entitled to attend (and vote, if applicable) at the meeting. A shareholder may appoint a proxy to attend and participate at the meeting in the place of the shareholder. A proxy need not be a shareholder of the Bank.

Proxy Forms must be received by the Company Secretary 48 HOURS before the start of the meeting either by email at [bbs@bbs.co.bw](mailto:bbs@bbs.co.bw) , or delivered at BBS Bank Head Office 4th Floor (see location details in the "Contact Information" section below) or at any BBS Bank Branch across the country.

- 1.3. The Chairperson may accept or reject a proxy form which is completed and/or received other than in the accordance with these instructions.

This Notice of the AGM which includes the form of proxy with additional notes and instructions, will also be available on the BBS Bank website [www.bbs.co.bw](http://www.bbs.co.bw) . It will also be emailed to shareholders. Alternatively, a copy may be requested from the Company Secretary by emailing [bbs@bbs.co.bw](mailto:bbs@bbs.co.bw).

- 1.4. As stated above, the Form of Proxy or other authority appointing the Proxy must be delivered to BBS Bank Limited, Plot 13108-12, Corner of Lemmenyane and Segoditshane Roads, Broadhurst, Gaborone. Such can also be posted (at the risk of the shareholder) to BBS Bank Limited at P.O. Box 40029, Gaborone, or emailed to BBS Bank Limited at [bbs@bbs.co.bw](mailto:bbs@bbs.co.bw) and must be duly received by the Bank at least 48 hours before the date of the meeting.

3.Identification

Shareholders and proxies will be required to provide proof of identification reasonably satisfactory before attending or participating in the meeting. Shareholders may be required to log in using their share account or identity numbers (National Identity Card numbers 'Oming' for citizens and Passport numbers for non-citizens).

4.Questions

To facilitate engagement and asking of questions between shareholders attending in-person and those attending virtually, the Bank will allow questions to be raised at the meeting by shareholders attending in person first and then by shareholders attending electronically. Shareholders attending virtually can also submit their questions by way of text via the electronic meeting chat box.

The Bank would like to respond to as many shareholders` questions as possible. Therefore, shareholders are encouraged to submit their questions prior to the meeting, at least 48 hours before the date of the meeting to [bbs@bbs.co.bw](mailto:bbs@bbs.co.bw) to ensure that all questions are addressed at the AGM.

By order of the Board.

Dimpho Phagane  
Company Secretary

ANNEXURE A

Summary of Biographical Profile of Directors to be considered for re- election.

**Dr. Vincent B. Mogano (M) (53)**  
MA (Economics), BA (Economics), D. Phil (Research Methodology & Evaluation), MDP

Dr. Mogano was appointed to the board of BBS Bank on 29 April 2022 as an independent non-executive director. He worked as an Economist for Bank of Botswana between 1996-2001, then moved to Stanbic Bank Botswana as Market Risk Manager, a position he held from December 2001 to June 2007, before he became the Treasurer for National Development Bank between 2007 and 2011. He has also worked as Director of Policy Advocacy for Business Botswana and now provides research moderation with Botswana Open University. Dr. Mogano was the Chairperson of the Audit Committee and Chairperson of the Risk and Compliance Committee, before he ascended to the role of Board Chairperson in June 2023.

**Ms. Koziba N. Moloyi (F) (58)**  
B.Com, PGD (Human Resource Management), PGD (Administration)

Ms. Moloyi joined the board of BBS Bank on 29 April 2022 and she is currently the Chairperson of the Human Resources, Remuneration and Nominations Committee. She was elected the Lead Independent Director (LID) in July 2023. A human resource practitioner by profession, Ms. Sedimo held several HR positions within Botswana Housing Corporation (BHC) from 1992 until her retirement in 2016. She is currently pursuing private entrepreneurship and farming.

Summary of Biographical Profile of Directors to be considered for election.

**Mr. John Kimani Muiruri (M) (61)**  
Executive Development Programme, Post Gra. Dip. In Management Studies, ITIL

Mr. Kimani was appointed to the board of BBS Bank on 23 October 2024. He is a professional banker and business leader with over 34 years of experience in commercial banking and technology operations. He has held senior leadership roles across many banking institutions including Standard Chartered Bank Kenya, BMS/TS Botswana, IT Integrators Botswana, Head of Corporate & Treasury Operations at Barclays Bank Botswana, Africa Regional Head of Payments, Strategy, Risk & Operations at Barclays Africa (now Absa) based in South Africa, Chief Information Officer at Standard Chartered Bank Botswana, Chief Operating Officer at Access Bank Botswana (formerly BancABC), and Regional Chief Operating Officer at Access Bank PLC for East Africa Region based in Kenya before his retirement in 2024.

**Ms. Pulane Dibuseng Letebele (F) (62)**  
B.A.(Economics), ACCA

Ms. Letebele joined BBS Bank as a director on 23 October 2024. She is a former Auditor General for the Government of Botswana, and a professional auditor with more than 30 years’ experience. Her expertise in strategy, audit practice and financial management were acquired within the Office of the Auditor General and the public service where she held several positions and ultimately ascended to Auditor General, a role that she held from 2014 until her retirement in 2023.

ANNEXURE B

Additional Information on the remuneration of non-executive directors

The remuneration of directors is governed by the BBS Bank Director Remuneration & Expenses Policy (hereinafter “the Policy”). The Policy recognizes that remuneration of directors must reflect the importance and professional nature of the board work and attract and retain qualified individuals. The objectives of the Policy are to identify how the Company complies with best remuneration practices, to promote accountability and transparency in remunerating the directors, to provide remuneration in a manner that will attract, retain and motivate suitably qualified persons as board members, to align the interests of non-executive directors with the interests of BBS Bank shareholders, and lastly to ensure that remuneration reflects performance. The Policy is supported by the Companies Act and the Constitution of BBS Bank which provide for the underlying recognition that remuneration of directors must consider the nature of service, complexity of tasks, time commitment, risk, financial performance and affordability. In terms of Principle 14 of the King IV Code of Corporate Governance for South Africa (“King Code”) which the Bank subscribes to, remuneration of directors should be fair and responsible, and it should be commensurate with the size and operations of the company. The Policy echoes this principle and says that the review of fees for board members is concerned with determining their competitiveness relative to market trends. The Policy requires that the fees be reviewed at least every two years to determine their relevance. The fees have not been reviewed since 2018, despite the evolution of both the company and the external environment. The Bank has in some instances struggled to attract talent due to below market rate remuneration, adversely impacting the delivery of strategy. However, the failure to review the fees over the years is understandable due to the circumstances and financial position of the company.

In line with the Policy and best practise, a review of the remuneration was initiated to determine its relevance, its competitiveness, its fairness and its ability to attract talent relative to nature of operations, responsibilities and performance of the company. A benchmark was performed against industry peers and other sectors through independent consultants Grant Thornton in 2022 and subsequently PwC Remuneration Survey in 2024. Guidance was sought from Institute of Directors of Southern Africa (IoDSA) NED Fee Guide, Presidential Directive on Review of Sitting Allowances and Introduction of Retainer Fees of December 2023, the Institute of Directors of Southern Africa (IoDSA) Guidance for Remuneration Committees – The Remuneration Policy 2020.

The benchmark generally highlighted that non-executive directors (NEDs) are responsible for making critical strategic decisions and for overseeing the management of a company without the benefit of observing the business on a full-time basis. They also carry significant potential risk and liability. This requires particular skills, knowledge, experience, and business judgement, for which they need to be fairly remunerated. However, determining fair remuneration is complicated due to the fact that non-executive Directors’ contributions are made in a number of different ways, requiring different time commitments; there is no consistency on the prescribed number and duration of standing meetings per annum; and there is no uniform method of remunerating non-executive Directors. The reports recommended that ideally a flat remuneration structure is to be adopted by BBS Bank to maintain simplicity; however, a “sitting fee” may also be paid to provide for variable time commitments and to align with market practice. In order to attract and retain persons with the relevant skills and competence the non-executive Directors’ remuneration should be reviewed every two years and benchmarked against local peers where possible. Inflation linked increases may be agreed annually between benchmarking exercises, as is the general accepted practice in Botswana and the Region. That factors specific to BBS Bank need to be considered in order to determine an appropriate remuneration structure for the Bank. A robust performance evaluation system for the Board, a well-functioning, independent Remuneration Committee, and competent external advisors will all play an important role in determining the appropriate levels of remuneration for each of the Directors. That Board Chair remuneration (sitting fee) to principally be the highest as a function of the role and to compensate for exclusion (in some cases) from sitting on Board Sub-Committees. That all other Board members to be remunerated equally, regardless of experience or tenure on the Board. That Sub-Committee chair’s remuneration to be higher than regular Committee members. That the level of remuneration is to be standard across all Sub-Committees. That retainer fee to be included as part of the remuneration structure. That the Bank should pay a separate sitting fee per sitting, including additional ad hoc sittings. That travel costs be paid according to an out-of-pocket expense, subject to prior approval by the Board in each instance. Lastly that ‘Other’ remuneration is to be limited as far as possible.



PROXY FORM  
BBS BANK LIMITED

(Incorporated in the Republic of Botswana)  
Company Registration Number: BW00001057162  
BSE Share Code ISIN: BW0000001965

**This proxy form is for use by certificated shareholders (if any) and dematerialised shareholders registered in their own name as at the record date of the AGM i.e. 18 May 2025.**

This proxy form is for the BBS Bank AGM to be held on 26 June 2025 at 09h00 at Avani Hotel & Resort Conference Centre, Plot 4727, Chuma Drive, Gaborone and via electronic communication (Refer to the notes to the notice of the AGM).

I/We ..... (full names) of (address) .....

..... and contact number ..... being the holder of (insert number of shares) ..... shares in the company

hereby appoint:

1. .... or failing him/her;
2. .... of failing him/her;
3. the Chairperson of the AGM, as my/our proxy to attend, speak and vote on my/our behalf at the AGM that will be held for the purpose of considering and, if deemed fit, passing, with or without modifications, the ordinary and special resolutions to be proposed at the meeting and at each adjournment thereof, and to vote for and/or against the ordinary and special resolutions and/or to abstain from voting in respect of shares of the ordinary shares registered in my/our names in accordance with the following instructions:

		For	Against	Abstain
Ordinary Resolutions				
1.	Ordinary Resolution 1: Re- election of V.B. Mogano			
2.	Ordinary Resolution 2: Re- election of K.N. Moloyi			
3.	Ordinary Resolution 3: Confirm the appointment of J. Kimani Muiruri			
4.	Ordinary Resolution 4: Confirm the appointment of P.D. Letebele			
5.	Ordinary Resolution 5: Appointment of PwC Botswana as external auditors			
6.	Ordinary Resolution 6: Non-binding advisory vote on Remuneration Policy			
7.	Ordinary Resolution 7: Non-binding advisory vote on Implementation Report			
Special Resolutions				
8.	Special Resolution 1: Approval of Remuneration of Directors			

**Insert X or a tick in the relevant space above according to cast your vote.**

On a show of hands or voice, a shareholder entitled to vote is eligible for one vote irrespective of the number of shares that they hold or represent.

On a poll, a shareholder entitled to vote is eligible for the proportion of votes equivalent to the number of shares held or represented. A poll may be demanded by a shareholder or shareholders representing not less than 10 (ten) percent of the total voting rights of all shareholders having the right to vote at the meeting, or by a shareholder or shareholders holding the shares that confer a right to vote at a meeting and on which the aggregate amount paid up is not less than 10 (ten) percent of the total amount paid up on all shares that confer that right.

Signed at (place)..... On this (day)..... day of (month)..... 2025.

Signature .....

Assisted by (where applicable) ..... (state relationship and full names)

Contact Information

BBS Bank Limited

Incorporated in the Republic of Botswana)  
Company Registration Number: BW00001057162  
BSE Share Code ISIN: BW0000001965

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Transfer Secretary

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