Annual Report
2024/2025

NATIONAL DEVELOPMENT BANK

Empower. Transform. Succeed

Who We Are

National Development Bank was established under an act of parliament in 1963. The Bank is owned by the Government of Botswana and operates under the control of a Board of Directors appointed by the Minister of Finance and Development Planning. In 1998, NDB became the first Bank in Africa to be certified under ISO 9001:2000 International Quality Standards.

NDB's main objective lies in providing a varied range of financial services to Botswana's business sector and the public at large while aiming to earn satisfactory returns on shareholder's funds.

Table of Contents

Welcome Statement

It is with great pride that I present this Annual Report under the theme: **"Catalysing Impact, Driving Sustainable Growth for the Future."** This theme resonates deeply with our journey and aligns with the spirit of Letsema le Tsweletse 2022–2025, where we committed ourselves to transforming Botswana's development path.

Over the past three years, the Bank's focus has been on agriculture and sustainability, guided by the rallying call #FeedTheNation. This focus laid the groundwork for Botswana's path to food security, ensuring that our interventions are not just financial, but catalytic in transforming lives and communities.

Our story has been one of partnership and innovation. Through bold initiatives such as the Green Energy Transition and the launch of the Temo Letlotlo Fund, we have made financing more accessible and affordable, particularly for our farmers and entrepreneurs. These partnerships reaffirm our belief that sustainable development requires collective action and shared responsibility.

Equally, the establishment of the NDB Insurance Agency in 2021 has been a milestone in strengthening the resilience of our agricultural sector. By providing comprehensive insurance solutions, we ensured that our farmers are not only empowered to produce but are also protected against unforeseen risks that threaten their livelihoods.

Looking ahead, we are inspired by the upcoming strategy and the call to "Empower, Transform, Succeed" our cornerstone since its launch in 2024. This renewed strategic direction challenges us to broaden our impact beyond agriculture, while continuing to strengthen sustainability, innovation, and inclusion as we cement our position as Botswana's leading Development Finance Institution.

This report is not just a record of financial performance, it reflects our mission to catalyse impact and drive sustainable growth. It is about how we stand alongside Batswana in shaping a future that is, sustainable, and inclusive. As we enter this new chapter, we remain steadfast in our commitment: to build on this momentum, to scale our impact, and to continue being a trusted partner in Botswana's journey of transformation.

Mission

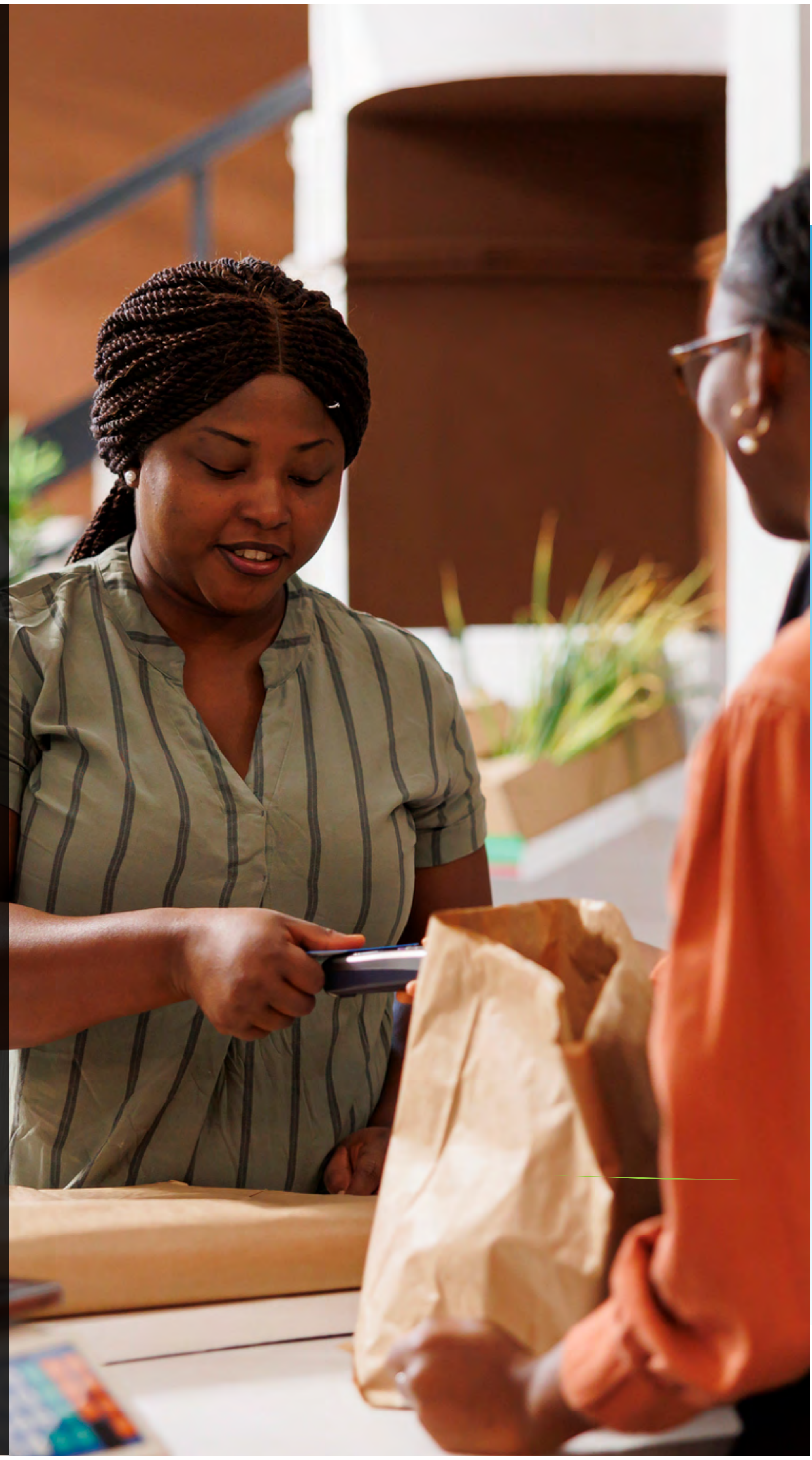
To provide **financial solutions** that promote sustainability through agility and strategic partnerships

Our Vision

To be the **leading catalyst** for sustainable economic development

Our Values

- Empowered Workforce
- Integrity in Every Action
- Stakeholder-Centred Excellence
- Transformative Solutions



Our Footprint:
Driving National Progress

The National Development Bank (NDB) has a strong and growing presence across the nation, with a network of branches, regional offices, and innovative digital platforms. We are committed to providing accessible financial solutions to individuals, businesses, and communities, ensuring that economic opportunities are available to all, regardless of location.

Our impact extends beyond financial services, focusing on key sectors such as agriculture, infrastructure, education, and small and medium-sized enterprises (SMEs). By supporting these sectors, we foster inclusive growth and contribute to the country's long-term development.

Through strategic partnerships with government agencies, development organisations, and international partners, we amplify our efforts and align with national priorities. These collaborations ensure that we meet the evolving needs of the economy and the people we serve.

Digital transformation is at the heart of our strategy. As we continue to expand our footprint, NDB remains focused on building a resilient, inclusive economy and supporting sustainable development for future generations.

Our Footprint

SINCE IT'S **ESTABLISHMENT IN 1964,** NATIONAL DEVELOPMENT BANK HAS DEDICATED ITSELF TO SERVING BOTSWANA COMPREHENSIVELY.

MAIN BRANCHES **4**

24

Satellite Offices

Over the years, it has evolved to meet the changing needs of the nation.

The launch of Temo Letlotlo in 2023 marked a significant step in enhancing service accessibility through satellite offices, which are strategically located to reach underserved areas.

This initiative aims to improve efficiency and responsiveness in customer service for Batswana, ensuring that more citizens can access vital financial services.

The bank continues to innovate, focusing on sustainable development and community empowerment.

Board Chairperson's Statement

The 2024/25 financial year marked the conclusion of the Bank's 2022–2025 corporate strategy, Letsema Le Tsweletse.

Over this period, the National Development Bank remained committed to delivering on it's development finance mandate and aligning with national priorities, with particular focus on food security and financial sustainability.

The year presented a difficult operating environment. Botswana's economy contracted by an estimated 3%, mainly due to the underperformance of the diamond sector. Fiscal constraints, and climate-related events such as declaration of drought and flooding in February 2025 added further pressure. Despite these challenges, the Bank recorded a profit of P12.4 million, compared to a budgeted loss of P12.7 million. The Bank recorded a reduction in expected credit losses, supported by enhancements to credit policies and model refinements.

Support for agricultural value chains was expanded, targeting both small-scale and commercial producers. This was done through tailored lending solutions, blended finance, and technical partnerships. NDB contributed insights to the national review of the Thuo Letlotlo programme. From the P900 million allocated toward the Temo Letlotlo initiative, the Bank disbursed funding of P710 million to support seasonal production loans, tractor and fencing packages, supplementary irrigation, and Household Food Security Grants. Collaboration with the Ministry of Lands and Agriculture continued, with joint efforts aimed at empowering, and transforming livelihoods for success in the economy.

Progress was also made in aligning the Bank's operations with national and international sustainability goals. A climate finance framework was adopted to guide future investment in green and climate-resilient projects, reinforcing the Bank's commitment to long-term sustainability responsibility.

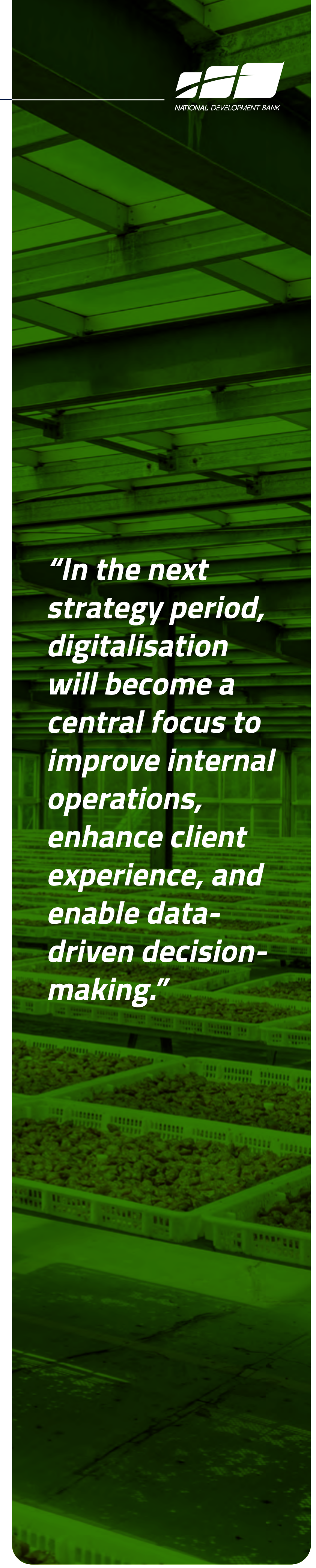
NDB continued it's digital transformation journey during the year. Although the full implementation of the ICT roadmap was rescheduled, key groundwork was completed. In the next strategy period, digitalisation will become a central focus to improve internal operations, enhance client experience, and enable data-driven decision-making.

From a governance perspective, the Board prioritised oversight of credit quality, risk management, cost efficiency, and performance monitoring. There was close collaboration with management to ensure the Bank remained stable while positioning itself for future growth.

As the Bank enters a new strategic cycle, there is an opportunity to deepen its green and agricultural development impact. Success will depend on innovation, strong internal collaboration, and effective strategic partnerships. Technical expertise, operational resilience, and a shared commitment to national development goals will be critical.

I extend my appreciation to the Board for it's guidance, to management and staff for their continued dedication, and to our clients and partners for their trust in the Bank. The progress we have made would not have been possible without the collective efforts of everyone involved.

Wilfred Mpai
Board Chairperson



"In the next strategy period, digitalisation will become a central focus to improve internal operations, enhance client experience, and enable data-driven decision-making."

Chief Executive Officer's Statement

Every transformation begins with courage; the courage to look inward, rebuild, and rise stronger.

For the National Development Bank, the financial year ended 31st March 2025 was such a year, one defined by resilience, renewal, and the determination to lead Botswana's next chapter of growth. This year also marked the conclusion of our strategic plan, Letsema Le Tsweletse. While the external environment remained challenging, the Bank focused on consistent delivery and made meaningful progress across our core priorities. We strengthened our developmental mandate, driving agricultural transformation, expanding access to finance, and anchoring the national agenda of sustainable growth.

Leading through transformation demands more than systems and numbers; it requires faith; in people, in purpose, and in the possibility of renewal. This was also the year we refined our identity into the promise that defines who we are: *'Empower. Transform. Succeed.'*

It is a belief that when people are empowered, transformation follows, and when transformation takes root, success is shared.

The loan book grew by 17.2%. This growth was anchored in agriculture (both Primary production and Value chain development), Tourism, Education, Logistics and Retail & Distribution across all sub segments (MSME, Commercial and Consumer/Retail). This reflects NDB's deliberate positioning toward high-impact sectors that promote food security, job creation, and inclusive growth. In light of this growth, asset quality improved while non-performing loans reduced as this concerted effort was made to improve our risk management processes across credit value chain.

Total assets closed the year at P1.49 billion, driven mainly by an expansion in loans and advances, this demonstrates the Bank's progress in rebuilding its financial strength.

The Liquidity Asset Ratio (LAR) remained strong at 17%, well above the minimum threshold demonstrating the Bank's capacity to meet its financial obligations.

We closed the year with a profit before tax of P13.1 million, this being the second year of recording a profit. The performance was supported by stronger income generation and lower ECL provisions on the back of strong credit management discipline. Cost-to-income ratio also improved to 94% mainly due to improved revenue generation.

The growth was anchored in agricultural finance, SME development, and sustainability-linked lending, reflecting NDB's deliberate repositioning toward high-impact sectors that promote food security, job creation, and inclusive growth.

The Bank continued to play an active role in administering the Temo Letlotlo programme which offers production loans, inputs, fencing, and irrigation subsidies; further cementing our partnership with the Ministry of Lands and Agriculture.

A new operating model was successfully implemented to streamline service delivery and enhance credit risk management across our core functions; the new roles were mostly resourced internally, affirming our capability to nurture home grown talent. The Bank continued to prioritise people and culture initiatives, completing our employee engagement action plans and saw improved staff participation in performance management and change initiatives.

The loan book grew by 17.2%. This growth was anchored in agriculture (both Primary production and Value chain development), Tourism, Education, Logistics and Retail & Distribution across all sub segments (MSME, Commercial and Consumer/Retail).

As part of our Digitalisation journey, foundational work was completed for focus areas including cybersecurity, data governance, and regulatory compliance to the Data Protection Act. We expect stronger execution of the digital agenda in the next strategy cycle.

We also maintained regulatory compliance and strengthened governance structures. The Bank retained its ISO 9001:2015 certification and adopted updated committee charters in line with regulatory expectations.

As we move into the next strategy period, our focus pillars will shift to business model transformation and sustainability, digitalisation and technology enablement, talent, culture and governance excellence, as well as strategic partnerships. We are taking forward the lessons of this cycle with clarity and confidence.

I would like to thank the Board for their support, and to recognise the commitment of our staff who continue to serve with professionalism and resilience. We also remain grateful to our clients, partners and stakeholders for the trust they place in us.

Ogone Madisa
Chief Executive Officer

NDB Board Members Profiles

The Board of Directors (Board) is responsible for ensuring the integrity and completeness of this report. With the support of the Audit Committee, the Board collectively assessed the report's content and believes that it provides a fair and balanced representation of the bank's performance and prospects. The report was approved by the Board on ** 2026.

Board Committees

CI Credit & Investment	CEG Compliance Ethics & Governance	RHR Remuneration & Human Resources	FA Finance & Audit	A Audit	T Transformation	R Risk

Wilfred Mpai
62

Board Chairman (Retired)

Wilfred is currently the Managing Consultant at Powerplay Consulting, a business turnaround, strategy development and execution consultancy. He has over 28 years' experience from corporate world, where he has held senior executive roles in blue-chip companies such as Debswana Diamond Company and Barclays Bank of Botswana. Within Barclays, Wilfred has been Finance Director, Regional Finance Director for Southern Africa, and Managing Director. While in Debswana, some of the executive roles he held include Group Management Accountant, Finance Manager, Support Services Manager and Group Services Manager. Wilfred is a Chartered Secretary (ACIS), a Chartered Certified Accountant (FCCA) and a fellow member of the Botswana Institute of Chartered Accountants (FCA). He was the Chairman of the Finance and Audit Committee of the Botswana Tourism Organisation (BTO), Independent Trustee of the Stanbic Staff Pension Fund, and is also an Independent Trustee and Chairman of Alexander Forbes Individual Member Retirement Fund. Wilfred was first appointed as the Chairman of the NDB Board on the 1st December 2018. Previously, his tenure came to an end on 30th November 2021 however, he was reappointed as the Chairperson of the Board on 1st March 2022. Wilfred's terms has come to an end as at the 28th of February 2025.

Tom Mongale
55

Chairperson Remuneration and Human Resources Committee (Retired)

Tom is a Human Resources professional with years of experience in talent recruitment and selection, remuneration management, manpower planning, industrial relations, staff development safety and welfare. He also holds vast experience in Human Resources strategy and policy formulation. He was previously employed with the Morupule Coal Mine. He is a member and the Chairman of Sesiro Insurance Broker board of Directors, which is a Debswana Insurance Company. Tom served as the Chairperson of the Human Resources Committee of the Debswana Pension Fund. He has been a key resource in various projects such as the Operations Review project which was aimed at rationalizing the functions and staffing levels within the Debswana mines. He was part of the Melt Down Response team within the Debswana mine wherein he provided and guided the project on key imperatives to be considered for successful response to the crises. Tom holds a Master of Strategic Management (MSc) obtained from the University of Derbyshire in 2004 and a Bachelor's Degree in Accounting and Public Administration obtained from the University of Botswana in 1994. He was appointed to the NDB Board on 1st March 2022. Tom tenure with the NBD Board came to an end on the 28th of February 2025.

Wandipa Kelobang
47

Chairperson Compliance, Governance and Ethics Committee (Retired)

Wandipa is an Attorney of the High Court of Botswana with over 20 years' experience. She is a partner at Kelobang Godisang Attorneys, a firm which specialises in providing legal services in corporate law. She is a specialist in capital markets and has worked for the African Development Bank as the Principal Legal Counsel where she provided legal support to the Staff Retirement Pension Fund. Her role included amongst other things liaising with investment managers in designing structures of new funds to invest in as well as assisting in the formulation of strategy and monitoring governance within activities of the Fund. She has also worked as Counsel for the World Bank where she provided legal support to various World Bank projects and programmes to ensure adherence to the Bank's policies. She is a member of the Law Society of Botswana. She holds a Master of Laws (LLM) from the Yale University of Law obtained in 2006 and a Bachelor of Laws (LLB) attained from the University of Botswana in 2003. Wandipa was appointed to the NDB Board on 1st March 2022, her term came to an end on the 28th of February 2025.

Peo Pillar
53

Chairperson Risk Committee (Retired)

Peo is an experienced Chartered Accountant with over 26 years' experience in Finance, Risk Management, external and internal audit. She was previously employed with the University of Botswana as Chief Finance Officer. She was the Chief Business Risk at Mascom Wireless, prior to leading the assurance function. Some of her successes include starting the Business Risk Management & Internal Audit department in Mascom, developing methodologies & processes for both functions and successfully leading financial accounting functions. Peo has served as a board member of Turnstar Holdings where she was the chairperson of the Finance, Audit and Investment Committee. Peo was a Council member and a Treasurer at Botswana Institute of Chartered Accountants and a Council member for Quality Surveyors Registration. She currently sits as member of the board of BPOMAS Sub Investment Committee and BPOMAS Property Holding (Pty). Peo holds an MBA in Financial Services obtained from the University of East London in 2012. She also holds a Bachelor of Commerce Accounting obtained from the University of Botswana in 1995. Her term came to an end on the 28th of February 2025.

NDB Board Members Profiles

continued

Board Committees

CI Credit & Investment | CEG Compliance Ethics & Governance | RHR Remuneration & Human Resources | FA Finance & Audit | A Audit | T Transformation | R Risk

Mosimanegape Mogegeh
48

Chairperson Audit Committee

Gape is an investment professional with more than 20 years of professional experience as a practitioner in the financial services sector. He is currently Founder and Managing Director at Catapult Advisors, a financial advisory services business established in 2010 to exploit financial advisory services in the micro-lending market and more recently broader corporate finance and advisory services in the local market. Gape has vast experience and expertise in corporate finance and advisory, including transaction structuring, financial analysis and modelling, due diligence, valuations and portfolio management. He was also founder and Director at Aleyo Advisors, a financial advisory services business and prior to that, a Co-Founder and Partner at Aleyo Capital, a private equity fund management business. Gape was a Consultant and later an Investment Principal at the Botswana Development Corporation (BDC). He previously held the position of Senior Manager at Deloitte & Touche from 2011 to 2015, and prior to that he was an Investment Professional at Inflection Capital in Johannesburg, South Africa. Gape started his professional career with African Alliance in fund pricing, and later joined Venture Partners Botswana, the first dedicated PE/VC fund manager in Botswana, as its first Analyst. He holds a Bachelor of Accounting degree from the University of Botswana and has attended a number of private equity courses offered by SAVCA, AVCA, EVCA, and NVCA, and a Mergers & Acquisitions course at the Amsterdam Institute of Finance. He has served on multiple portfolio boards across his various tenures in the investment management sector. He was appointed to the NDB Board on 1st May 2023.

Dr. Sayed Obonye Mboki Timuno
45

Chairperson Transformation Committee

Dr Timuno is a macroeconometric modelling and policy expert with over 16 years of experience in macroeconomic management and policy analysis, applied economics and economic research. He is currently the Director in the Research Department at the Ministry of Finance and Economic Development responsible for providing strategic and technical leadership in research work as well as high standard evidence based macroeconomic policy advice that is in line with principles of macroeconomic sustainability. He is also a Project Coordinator for the AfDB and African Economic Research Consortium (AERC) Africa-wide Scoping Study on Benchmark Economic Models for Macroeconomic Policy Management in Africa. Previously, Dr Timuno was a Principal Macroeconomist in the Macroeconomic Modelling and Forecasting Section, Division of Economic and Financial Policy, and a Senior Economist at the Ministry of Finance. He holds a PhD in Economics obtained from the University of Johannesburg in 2020, a Master of Arts in Economics from the University of the Western Cape in 2011 and a Bachelor of Arts in Economics from University of Botswana in 2005. He was appointed to the NDB Board on 1st May 2024.

Gerald N. Nthebolan
59

Board Member

Gerald is an information management specialist with vast experience in the Information Technology sector. He is a former Head of Information Management at Debswana Diamond Company where he provided strategic leadership, successfully formulated and implemented several IT projects aimed at contributing to the organisation's cost containment, agility and an improved control environment. He is a member of the Air Botswana Board of Directors and the Botswana International University of Science and Technology (BIUST). He is a former member of the Botswana Telecommunication Corporation (BTC) Board of Directors, the Debswana Anti- Retroviral Therapy Fund and the Debswana Corporate Centre Tender Board of Directors. In 1996, he attended the African Directors Programme at University of Stellenbosch. He holds an MBA from De Montfort University obtained in 2003 and a BSC(Hons) in Computer Science from Leicester, Polytechnic which he obtained in 1992. He was appointed to the NDB Board on the 1st October 2019, his tenure came to an end on 30th November 2022, however, he was re-appointed to the Board on the 1st March 2023.

Mmametsi Setlhare
55

Board Member

Mmametsi is currently the Head of Audit Services at Debswana Diamond Mining Company. She is a seasoned Internal Auditor Practitioner with more than 29 years' experience at senior and executive level in delivering and transforming Internal Audit and Risk Management functions. Her key expertise includes developing, implementation and monitoring of internal audit strategy, internal audit framework, internal audit improvement quality programmes, integrated combined assurance, internal control systems, governance, compliance programmes and risk management processes. Mmametsi held positions such as Country Head of Internal Audit at Banc ABC Botswana, Internal Audit Manager at Motor Vehicle Accident Fund, Head of Internal Audit at BCL Limited and Head of Audit Services Designate at Air Botswana. She is also an experienced Board member having served in various sectors working with large multinational and global organisations, state owned enterprises, private sector, and financial institutions including the Botswana International University of Science and Technology (BIUST), Botswana Gambling Authority, Letlole la Rona, Botswana Power Corporation (BPC) and Sebeo Investments Consortium. Mmametsi holds a Bachelor of Commerce (Accounting) obtained from the University of Botswana in 1994 and a Chartered Institute of Management Accountants (CIMA) from the Botswana Accountancy College in 2001. She was appointed to the NDB Board on 1st May 2024

NDB Board Members Profiles

continued

Board Committees

CI Credit & Investment	CEG Compliance Ethics & Governance	RHR Remuneration & Human Resources	FA Finance & Audit	A Audit	T Transformation	R Risk

Patricia Malatsi
56

Board Member (Retired)

Patricia is a highly accomplished professional with a distinguished background in economics, agriculture, and development planning. She is a currently employed at the Ministry of Justice and Correctional Services. She was previously the Chief Agricultural Economist at the Ministry of Agriculture. Her key responsibilities included coordinating and convening Early Warning Technical Committee meetings, consolidation of Early Warning Technical Committee meetings' reports on the state of water, food, agriculture and nutrition for submission to the Multi Sectoral Committee on Food Security and Poverty Reduction in the Ministry of Local Government. She has held senior positions including Chief Economist and Head of Planning Unit at the Ministry Employment, Labour Productivity and Skills Development, Chief Economist and Head of Planning Unit – Ministry of Health and Wellness, Chief Economist and Head of Planning Unit – Ministry of Environment, Wildlife and Tourism. Patricia holds a Master of Science Tropical Agricultural Development - (Agricultural Economics and Planning Option) from University of Reading, UK, a Post Graduate Diploma in Agricultural Economics from University of Reading, UK and Bachelor of Science (General Agriculture from University of Botswana. She was appointed to the NDB Board on 1st November 2023. Patricia resigned from the NDB board on the 19th of March 2025.

Sylvester K. Tshomane
46

Co-opted Board Member

Sylvester is currently employed as an Investment Principal at Botswana Development Corporation (BDC). He has over 15 years' experience in finance and investments, and this comprises engagements in corporate finance & advisory services; development finance; asset management; and private equity. Sylvester has completed various investment related programmes which include the Foundation Program for Practitioners in Venture Capital and Private Equity, Advanced Private Equity, Advanced Corporate Finance and Valuation and the 31st Annual Venture Capital Institute in the US. He has also completed board and governance programmes which include the 37th African Corporate Governance Conference and the Board Leadership & Corporate Governance Masterclass. Sylvester is Fellow Chartered Accountant and has fulfilled the requirements for an Executive Management Development Program at the Gordon Institute of Business Science, with a focus on banking and finance. He was co-opted to the NDB Board on 1st May 2020 and is a member of the Board Investment Committee.

Tekolo M. Modungwa
66

Co-opted Board Member (Retired)

Tekolo is Executive Board Chairperson for Women of Purpose International, a non-profit organization that provides support to women in the form of coaching, counselling, mentoring, and training. She has vast experience as a Human Resource Practitioner. She has held positions as a Managing Consultant at People Management Consultants, Group Talent Manager at Debswana Head Office, Transformation Project Manager at Diamond Trading Company Botswana, Executive Director Human Resources at Diamond Trading Company London, and Human Resources Manager at Botswana Diamond Valuing Company. Tekolo has also served in various Boards as an ordinary Board member and Chairperson in esteemed organisations including Botswana Telecommunications Corporation (BTC), Public Enterprise Evaluation and Privatisation Agency (PEEPA), African Banking Corporation Holdings, Botswana Post, Botswana Meat Commission (BMC), Botswana Institute of Research and Technology (BITRI) BA ISAGO University. Tekolo holds a Masters in Administrative Sciences from Postgraduate School of Administrative Sciences from Germany, Bachelor of Science in Public Administration and Political Sciences from University of Botswana and qualifications in Training of Management Trainer from Institute of Development Management, Botswana, Programme for Management Development from Gordon Institute of Business Development, RSA and Intensive Coaching Training from Results Coaching Systems, South Africa. She joined the Board on 1 May 2023.

Peter M. Tladinyane
53

Co-opted Board Member

Peter is a highly experienced Human Resources Practitioner with over 27 years of experience. He is currently the Director of Corporate Services at Botswana Communications Regulatory Authority (BOCRA). Peter operated at senior level for various organisations such as Standard Chartered Bank, Botswana Power Corporation (BPC) and Debswana Diamond Company. His major strength is development and implementation of Human Capital policies/initiatives and strategy, standards, and processes to turn around work environments. Peter is also a labour expert, presiding over industrial relations matters in Industrial Court as an Assessor representing Business Botswana. He was Chairperson of the Commonwealth Telecommunications Programme for Development & Training – United Kingdom in 2021. He was also a Board Member of the National Medical Board on Occupational Health and Safety at the Ministry of Employment, Productivity and Industrial Relations. Peter holds a Master of Management (Wits University) in 2005, a Bachelor of Social Sciences (Economics & Statistics) (University of Botswana), a Diploma in Statistics (University of Botswana), Certificate in Statistics (University of Botswana) and a Certificate in Human Resources (University of Pretoria). He was appointed to the NDB Board on 1st May 2023.

NDB Executive Management

Ogone Madisa
Chief Executive Officer

Keitumetse Chideka
Acting Head of Credit

Jerry Mwendapole
Deputy Chief Executive Officer

Neo Quashie
Head of Finance

Onalenna Babusi
Head of Strategy & Products

Peter Meswele
Head of Shared Services

Tebogo Selabe
Acting Head of Retail & Commercial

Ntokozo Monamati
Legal Counsel & Board Secretary

Lulu Maselwa
Acting Head of Internal Audit

The Board

The Board of Directors is the principal governing body of the Bank and is appointed by the Honorable Minister of Finance. It is tasked with governance, risk management as well as financial reporting responsibilities. In terms of the National Development Bank Act Cap 74:05, the Board shall consist of no less than four (4) Members or such members as the Minister may from time to time determine. All non- executive Members are drawn from a wide range of professional skills with the aim to ensure that the Board is balanced and remains relevant and effective for the Bank's operational and strategic direction. The positions of Chairman of the Board and the Chief Executive Officer are separately held with a clear division of duties in line with the King III Code.

The role of the Board is to give direction through the strategic plan, controls and monitors the Bank through the Executive as well as through policies and procedures, whilst ensuring that the appropriate interests of its shareholder and stakeholders are met. Over and above business and financial issues, the Board also deals with challenges and issues relating to corporate governance, corporate social responsibility, and corporate ethics.

The Board abides by its Board Charter, through which the Board Members commit to abide by the principles of good governance and good ethical behaviour. Furthermore, the Board periodically conducts a self- assessment to allow the Board Members to reflect and introspect with a view to improving the services they provide to the Board.

Composition of the Board Members

During the Reporting Period

Mr. W. Mpai *	Board Chairperson
Mr. T. Mongale *	Chairman of Remuneration and Human Resources Committee
Ms. W. Kelobang *	Chairperson of Compliance Ethics and Governance Committee.
Ms. P. Pillar *	Chairperson Risk Committee
Mr. M. Mogegeh	Chairperson Audit Committee
Dr. S Timuno	Chairperson Transformation Committee.
Mr. G. N. Nthebolan	
Ms. M. Setlhare	
Ms. P. Malatsi **	

Co-opted Board Members

Mr. S. Tshomane
Ms. T. Modungwa ***
Mr. P. Tladinyane

* Retired from Board on 28th February 2025
** Retired from Board on 19th March 2025
*** Retired from Board on 30th March 2025

Board Expertise

The Bank's board of directors provide skills and experience spanning many years, covering different sectors in order to ensure the most extensive oversight aligned with the Banks mandate. The boards expertise includes Audit and Compliance, Financial Services, Information Technology, Legal and Governance among others.

Skill	Information Technology	Human Resources	Audit	Risk	Banking / DFI Expertise	Governance	Finance / Accounting	Strategy	Law	Economics
Directors	1	3	2	1	3	7	3	6	1	2

Board Meeting Attendance

Full Board Meeting Attendance

Meeting Date	Mr. W. Mpai	Mr. G. Nthebolan	Ms W. Kelobang	Mr Tom Mongale	Ms P. Pillar	Ms. P. Malatsi	Mr. S Tshomane	Mr. M. Moogegeh	Ms. T. Modungwa	Mr. P. Tladinyane	Ms. M. Selthare	Dr. S. Timuno
17 April 2024	P	P	P	P	P	A	P	P	P	P	*	*
27 June 2024	P	P	P	P	P	A	P	P	A	P	P	P
5 July 2024	P	P	P	P	P	P	A	P	P	A	P	P
31 July 2024	P	P	P	P	P	A	P	P	P	P	P	P
28 August 2024	P	P	P	P	P	P	P	P	A	P	P	P
28 November 2024	P	P	P	P	P	P	A	P	A	P	P	P
6 December 2024	P	P	P	P	P	P	A	P	P	P	P	P
26 February 2025	P	P	A	P	P	P	P	P	P	P	P	P

* Term had not yet commenced

Board Sub - Committees

The Board has constituent Committees which deal with specific subject matters and report back to the Main Board. The Board Sub- Committees are governed by their own Charters which define scope of authority and composition, among other things. They are designated to interrogate issues in more detail than a Board would normally do, to ensure alignment of policy, process and practice. Below are the Committees and a brief description of their mandates.

During the period, the committees were reconstructed after a replenishment of Board Members. The reconstitution resulted in a change in the nomenclature of certain committees and the mandate of the respective committees to enhance the Board's oversight.

1. Audit Committee

Mr. Gape Mogegeh
(Chairperson)

The Audit Committee, previously the Finance and Audit Committee, oversees the development and management of the Bank's financial and accounting information, as well as the associated risk management. In particular, the Committee is responsible for monitoring the processes by which financial information is prepared assessing the effectiveness of internal controls, reviewing the statutory audit of annual financial statements conducted by external auditors and ensuring the independence of these auditors. The Committee also oversees the internal audit function and ensures the Bank has an independent internal auditor.

Finance and Audit Committee Composition (Prior to Reconstitution)

Ms. P. Pillar – Chairperson
Ms. W. Kelobang
Mr. T. Tshomane

Finance and Audit Committee Meeting Attendance

Meeting Date	Mr. P. Pillar	Ms. W. Kelobang	Mr. S. Tshomane
6 May 2024	P	P	P
06 June 2024	P	P	P

Audit Committee Composition

Mr. M. Mogegeh – Chairman
Ms. M. Selthare
Ms. P. Malatsi

Audit Committee Meeting Attendance

Meeting Date	Mr. M. Mogegeh	Ms. S. Setlhare	Ms. P. Malatsi
29 July 2024	P	P	A
27 September 2024	P	P	P
29.October 2024	P	P	P
24 November 2024	P	P	P
31 January 2025	P	P	P

2. Remuneration and Human Resources Committee

Mr. T. Mongale
(Chairperson)

The role of the Committee is to advise the Board on remuneration and human resource related issues and policies. It also monitors and ensures the effective implementation of human resources policies and strategies. The Committee periodically reviews reports from Management on significant changes to the organisational structure and makes recommendations to the Board.

The change in nomenclature is required to reflect that remuneration is a key risk factor the Board must consider. This includes ensuring that the remuneration structure does not incentivise risk taking behaviour among senior executives that may be detrimental to the bank.

Human Resources Committee Composition (Prior to reconstitution)

Mr. T. Mongale – Chairperson
Mr. G. Nthebolan
Ms. W. Kelobang
Mr. P. Tladinyane (Co-opted Director)

Human Resources Committee Meeting Attendance

Meeting Date	Mr. T. Mongale	Mr. G. Nthebolan	Ms. T. Modungwa	Mr. P. Tladinyane
2 April 2024	P	P	P	P
4 June 2024	P	P	P	P
11 June 2024	P	P	P	P

Remuneration and Human Resources Committee Composition

Mr. T. Mongale – Chairperson
Mr. G. Nthebolan
Ms. W. Kelobang
Mr. P. Tladinyane (Co-opted Director)

Remuneration and Human Resources Committee Meeting Attendance

Meeting Date	Mr. T. Mongale	Mr. G. Nthebolan	Ms. T. Modungwa	Mr. P. Tladinyane
30 July 2024	P	P	P	P
28 October 2024	P	P	P	P
27 November 2024	P	P	P	A
12 December 2024	P	P	A	A
30 January 2025	P	P	P	A

Board Sub- Committees

continued

3. Credit and Investment Committee

Mr. Wilfred Mpai
(Chairperson)

The Committee's primary purpose is to provide oversight of the Bank's credit-related activities, including the consideration and approval of all loan applications above the Management Credit Committee's authorisation threshold. The Committee is also responsible for ensuring the Bank's Credit Risk Policy remains current and relevant and periodically makes recommendations to the Board as necessary. Additionally, it determines on the sector allocations and monitors Management's compliance with the approved allocations at all times.

Credit Committee Composition (Prior to reconstitution)

Mr. Wilfred Mpai – Chairperson
Mr. G. Nthebolan
Mr. M. Mogegeh
Mr. T. Mongale

Credit and Investment Committee Meeting Attendance

Meeting Date	Mr. W. Mpai	Mr. G. Nthebolan	Mr. T. Mongale	Mr. M. Mogegeh
17 May 2024	P	P	P	P
20 June 2024	P	P	P	P

Credit Committee Composition

Mr. Wilfred Mpai – Chairperson
Mr. G. Nthebolan
Ms. W. Kelobang
Mr. S. Tshomane (Co-opted Director)

Credit Committee Meeting Attendance

Meeting Date	Mr. W. Mpai	Mr. G. Nthebolan	Mr. W. Kelobang	Mr. T. Tshomane
5 August 2024	P	P	P	P
25 September 2024	P	P	P	P
29 October 2024	P	P	P	P
30 January 2025	P	P	P	P

4. Transformation Committee

Dr. S. Timuno
(Chairperson)

The Committee was previously known as the Transformation Task Force, is an ad hoc group mainly established to assist the Board in setting up and monitoring the implementation of the Bank's transformation agenda. It has since been formalised as a substantive committee of the Board tasked with overseeing the Bank's transformation efforts and supervising its strategic projects. The Committee conducts quarterly regular meetings in line with the Board's annual schedule.

Transformation Committee Composition

Dr. S. Timuno – Chairperson
Mr. W. Mpai
Mr. T. Mongale
Mr. G. Nthebolan
Ms. T. Modungwa (Co-opted Member)

Transformation Committee Meeting Attendance

Meeting Date	Mr. W. Mpai	Dr. S. Timuno	Mr. G. Nthebolan	Mr. T. Mongale	Miss. T. Modungwa
30 July 2024	P	P	P	P	P
29 October 2024	P	P	P	P	P
31 January 2025	P	P	P	P	P

Board Sub- Committees

continued

5. Risk Committee

Ms. P. Pillar
(Chairperson)

The Committee is mandated to advise the Board on all matters related to risk, including the Bank's risk appetite, and to provide oversight of risk assessment systems and the Bank's risk culture. The Committee's mandate also includes oversight over capital and liquidity management.

Risk Committee Composition

Ms. P. Pillar. – Chairperson
Dr. S. Timuno
Mr. T. Mongale

Risk Committee Meeting Attendance

Meeting Date	Ms. P. Pillar	Dr. T. Timuno	Mr. T. Mongale
30 July 2024	P	P	P
28 October 2024	P	P	A
3 February 2025	P	A	P

6. Compliance, Governance and Ethics Committee

Ms. W. Kelobang
(Chairperson)

The Committee was established to oversee the organization's adherence to sound governance practices, regulatory compliance, and ethical standards. Its mandate includes ensuring the effectiveness of governance frameworks, monitoring compliance with laws and internal policies, promoting an ethical culture, and reviewing reports of misconduct or non-compliance. The committee supports the Board in safeguarding the organisation's integrity, accountability, and long-term sustainability.

Compliance, Governance and Ethics Committee Composition

Ms. W. Kelobang – Chairperson
Dr. S. Timuno
Mr. G. Nthebolan

Risk Committee Meeting Attendance

Meeting Date	Ms. W. Kelobang	Dr. S. Timuno	Mr. G. Nthebolan
28 October 2024	P	P	P
30 January 2025	P	P	P

Management Committees

1 Management Executive Committee

The main function of the Committee is to drive the Bank's performance as a whole pursuant to set standards and ensuring the implementation of the Bank's identified Strategy. The Management Executive Committee is chaired by the CEO. All Management sub- committees report to this Committee.

2 Management Credit Committee

The Management Credit Committee is mandated to assess and decide on all loan applications which are above the Head of Credit's authorisation limit. Furthermore, it reports to the Board Credit Committee on the various loans and business of the Bank. The Committee is charged with ensuring the continued update and relevance of the Bank's Credit Risk Policy and periodically makes recommendations for the amendment of the Policy to the Board Credit Committee as necessary.

3 Management Executive Committee

The Asset and Liability Committee is responsible for management of the Bank's balance sheet, by ensuring that returns are maximized, and risks are managed prudently. At the core of this function is ensuring that the business is adequately funded and able to meet its commitments as and when they become due. The Committee also sets tolerable levels of risk (risk appetite) on the allowable amount of interest rate, foreign exchange, and concentration risk that the Bank can be exposed to. ALCO is also responsible for the monitoring of the Bank's capital adequacy, to ensure adherence to the requirements of the Central Bank, as well as internally to ascertain that exposure to credit, market and operational risks are optimized.

4 Management Review

NDB is certified for ISO 9001:2008. One of the requirements of this Standard is to have a management review process, with the objective to review organisational performance. The emphasis of this is review is on the operations of the Bank as a whole, to ensure that all departments adhere to agreed service standards.

5 Executive Risk Forum

The Executive Risk Forum is part of the Enterprise Risk Management framework and is responsible for managing the Bank's strategic risks through continuous identification, analysis, monitoring and responding to the Bank's strategic risks. It articulates its risk appetite/ tolerance in policy and gains an understanding of the bank's significant risks through departmental risk reports at inherent and residual levels. The forum reports to the Board Risk Committee.

Fraud Prevention/Mitigation. The Bank has a Fraud Policy which guides the different ways for the fraud mitigation. Included as part of the policy is a whistle blowing mechanism code names "NDB Molomatsebe" which enables anonymous reporting of all forms of fraud or suspected fraud and irregularities. The management of the fraud line had been outsourced to external parties to ensure transparency, objectivity and independence. The Bank continues to ensure that the fraud tip-off line/hotline is communicated to all staff and the public to promote integrity and precision of reporting.

Board Training

Corporate governance best practice requires that the Board must be trained and upskilled. Further to this, the board undertook training in Governance, Risk and Compliance. This was a capacity building programme intended to ensure board effectiveness. The training was held in person and was the one of the earmarked training and development initiatives that was intended to strengthen the boards oversight capacity of the Bank.

Directors Declaration of Interest

The Board of Directors have a responsibility to avoid conflicts of interest with their duties. The NBD Act and the Board Charter require that Directors declare any their interests at every meeting throughout the year. Where actual or potential conflicts are declared, affected Directors are excluded from discussions and any decisions on the subject matter of the declared conflict.

Board Fees

The Board is entitled to fixed allowances per meeting which are determined by the Honorable Minister of Finance and Development Planning from time to time. The Directors were paid the set remuneration fee per meeting for all meetings attended during the period. The current fees as set out by the Minister are as follows:

Sitting Fees per meeting:

Chairperson:	P9500.00
Members:	P8500.00

Quarterly Retainer:

Chairperson	P 12 500
Members	P 11 000

Statement of Compliance

continued

The Board is satisfied that there was compliance in all material respects to all principles of good governance, as pronounced in King III Corporate Governance Code. Below is a summary of our assessment of where we have complied, or if not, our efforts to ensure full compliance.

KING III REFERENCE	KING III PRINCIPLE	COMPLIANCE STATUS	APPLICATION OF PRINCIPLE
1. Ethical Leadership & Corporate Citizenship			
1.1	**The Board should provide effective leadership based on an ethical foundation**	Compliant	The Board and its Committees recognize the responsibility of providing strategic direction to the Bank as well as its performance. The Board has accordingly adopted a Board Charter that sets out clearly the ethical foundation from which the Board should lead from. The Charter also encapsulates the requirements of the King III Code of Corporate Governance to ensure that the Board provides effective and ethical leadership.
1.2	**The Board should ensure that the company is and is seen to be a responsible corporate citizen.**	Compliant	The Board takes a keen interest in the corporate social responsibility agenda and ensuring that the Bank is a good corporate citizen. The Board ensures that projects financed by the Bank commit to operating in an environmentally friendly manner.
1.3	**The Board should ensure that the company's ethics are managed effectively.**	Compliant	Issues of fraud and ethics are taken seriously by the Board, with the Board leading from the top having developed a Board Ethics Policy to regulate ethical conduct at Board level. The Bank has a robust a whistleblowing process which enables employees and third parties to report any perceived or alleged irregular or unethical behaviour in a confidential and controlled environment through the Fraud Hotline. The effectiveness of the process is monitored and reported to the Audit Committee.

KING III REFERENCE	KING III PRINCIPLE	COMPLIANCE STATUS	APPLICATION OF PRINCIPLE
2. Boards and Directors			
2.1	**The Board should act as the focal point for and custodian of corporate governance.**	Compliant	The Board as the principal governing body of the Bank directs, governs, and ensures effective governance frameworks are in place for the Bank. This is done through the Board Charter and the Banks Governance structures which set out the Board's responsibilities and those of its sub governance structures.
2.2	**The Board should appreciate that strategy, risk, performance, and sustainability are inseparable.**	Compliant	The Board plays a prominent role in the strategy-development of the Bank's strategy. Risk and sustainability are key considerations for the Board in the strategy formulation process.
2.3	**The Board should provide effective leadership based on ethical foundation.**	Compliant	The Board directs the Bank's activities with integrity through its policies, codes, Charters and through its Directors' demonstrating transparency and accountability by declaring conflicts of interests in all Board and Committee meetings.
2.4	**The Board should ensure that the company is and is seen to be a responsible corporate citizen**	Compliant	The Board takes a keen interest in the corporate social responsibility agenda and ensures that the Bank is a good corporate citizen by making sure that projects financed by the Bank commit to operating in an environmentally friendly manner. Furthermore, the Bank despite its limited budget undertakes several corporate social responsibility initiatives.
2.5	**The Board should ensure that the company's ethics are managed effectively.**	Compliant	Issues of fraud and ethics are taken seriously by the Board. Management has been tasked by the Board with the responsibility of ensuring that ethics are managed effectively by consistently monitoring, assessing, and reporting compliance to required standards to the Audit Committee and the Risk Committee.
2.6	**The Board should ensure that the company has an effective and independent audit committee.**	Partially Compliant	The Board has an Audit Committee in place whose responsibilities are spelt out in the Board and Committee Charter. The Committee comprises of Non-Executive Directors. The Committee meets at a minimum on a quarterly basis and reports to the Board on a quarterly basis.
2.7	**The Board should be responsible for the governance of risk.**	Compliant	The Board monitors the Bank's risks in accordance with the Enterprise Risk Framework and reports on the top risks and the risk appetite statement are submitted to the Board for consideration on a quarterly basis.
2.8	**The Board should be responsible for Information Technology governance.**	Compliant	The Bank has robust IT governance frameworks and policies in place which have been approved by the Board.

Statement of Compliance

continued

KING III REFERENCE	KING III PRINCIPLE	COMPLIANCE STATUS	APPLICATION OF PRINCIPLE
2.9	**The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes, and standards.**	Partially Compliant	The Bank has in place a compliance function that ensures compliance to all laws, codes, and regulations applicable to the Bank. Compliance to Bank of Botswana Corporate Governance Guidelines has been limited due to the limited board composition.
2.10	**The Board should ensure that there is an effective risk-based internal audit.**	Compliant	The Board, through its Audit Committee assess the adequacy of the Internal Audit department's resourcing and its effectiveness through quarterly performance reports and updates presented by Management.
2.11	**The Board should appreciate that stakeholders' perceptions affect the company's reputation.**	Compliant	The Board manages stakeholders' holders in accordance with the Bank's Communication strategies and policies. On an annual basis, the Bank conducts a Stakeholder Satisfaction Survey to determine awareness and satisfaction of stakeholders.
2.12	**The Board should ensure the integrity of the company's integrated report.**	Compliant	The Board and the Audit Committee review the fairness and adequacy of the disclosures made in the Bank's Annual Report as guided by the King III Code of Corporate Governance.
2.13	**The Board should report on the effectiveness of the company's system of internal controls.**	Compliant	The Board through the Audit Committee oversees the effectiveness of the Bank's system of internal controls.
2.14	**The Board and its directors should act in the best interests of the company.**	Compliant	Upon being appointed into the Board, the directors are taken through an induction where they are made aware of their fiduciary duties to act in the best interests of the Bank and to avoid conflicts of interest in accordance with the NDB Act, Board and Committee Charter and the King III Code. Disclosures of directors' personal financial interests are made in every Board and Committee sitting.
2.15	**The Board should consider Judicial Management proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Companies Act (71 of 2008, as amended).**	Compliant	The Bank has in place the relevant mechanisms to ensure turnaround mechanisms are activated as soon as the Bank is financially distressed.
2.16	**The Board should elect a chairman of the board who is an independent non- executive director. The Chief Executive Officer of the company should not also fulfil the role of Chairman of the board.**	Compliant	The Chairman is an Independent Non-Executive Director. Consequently, the Chief Executive Officer is not the Chairman of the board.
2.17	**The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority.**	Compliant	The Bank has in place a defined delegation of authority framework.
2.18	**The Board should comprise a balance of power, with a majority of non-executive directors. Most non-executive directors should be independent.**	Partially Compliant	The Directors of the Board are wholly non-executive, and some are independent of the Bank.
2.19	**Directors should be appointed through a formal process.**	Partially Compliant	Board Directors are appointed by the Shareholder in accordance with the National Development Bank NDB Act.
2.20	**The induction of and ongoing training and development of directors should be conducted through formal processes.**	Compliant	The Bank has in place a formal induction programmeme and Director education and development takes place on an ongoing basis.
2.21	**The Board should be assisted by a competent, suitably qualified and experienced Company Secretary.**	Compliant	The Board is assisted by a qualified and experienced Secretary appointed by the Board in accordance with the NDB Act.
2.22	**The evaluation of the Board, its committees and the individual directors should be performed every year.**	Compliant	The Board and Board Committee Evaluation for the financial year ending March 2024 was conducted, with an outcome of 81.4% for the Committees and 76.1% for the Board.
2.23	**The Board should delegate certain functions to well- structured committees but without abdicating its own responsibilities.**	Compliant	The Board charter gives the Board the power to delegate certain functions to its Committees and the Committees operate within Committee charters.
2.24	**A governance framework should be agreed between the Group and its subsidiary boards.**	Partially Compliant	The Bank set up an insurance Agency During the period, The Bank is in the process of agreeing on governance framework with the subsidiary.
2.25	**Companies should remunerate directors and executives fairly and responsibly.**	Partially Compliant	The remuneration of the Board is decided upon by the Shareholder. However, remuneration of the Executives is determined by the Board fairly and responsibly. The remuneration of the Board is not commensurate with the work required of them.
2.26	**Companies should disclose the remuneration of each individual director and certain senior executives.**	Partially Compliant	Disclosure of director remuneration rates has been done. The Bank considers the remuneration of the top executives to be sensitive information.
2.27	**Shareholders should approve the company's remuneration policy.**	Compliant	The Bank's remuneration policy is approved by the Board.

Statement of Compliance

continued

KING III REFERENCE	KING III PRINCIPLE	COMPLIANCE STATUS	APPLICATION OF PRINCIPLE
3. Audit Committees			
3.1	**The Board should ensure that the company has an effective and independent Audit Committee.**	Partially Compliant	The Finance & Audit Committee comprises of Non-Executive Directors. The Committee meets quarterly and reports to the Board on a quarterly basis. The Committee was not fully independent from the shareholder during the period.
3.2	**Audit Committee members should be suitably skilled and experienced independent non-executive directors.**	Partially Compliant	The Bank's Audit Committee has comprised of adequately skilled non-executive directors, however the committee is not fully independent from the shareholder.
3.3	**The Audit Committee should be chaired by an independent non-executive director.**	Partially Compliant	For the majority of the period the under review the Audit Committee was Chaired by an independent Non Executive Director.
3.4	**The Audit Committee should oversee integrated reporting.**	Compliant	The Audit Committee oversee the Bank's financial reporting process, and review the content of the Annual Report, recommending same for issue by the Board.
3.5	**The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.**	Compliant	The Audit Committee gets regular and comprehensive assurance from the external auditor and Management in relation to matters such as financial reporting, legal compliance, risk and compliance, adequacy of internal controls and veracity of risk management processes
3.6	**The Audit Committee should satisfy itself of the expertise, resources and experience of the company's finance function.**	Partially Compliant	The Board, through its Audit Committee assess and reviews the adequacy of the finance department's functions, resources and its effectiveness during quarterly departmental updates made by Management.
3.7	**The Audit Committee should be responsible for overseeing of Internal Audit.**	Compliant	The Audit Committee oversees the Internal Audit.
3.8	**The Audit Committee should be an integral component of the risk management process.**	Compliant	The Board provides oversight over risk governance through the the Audit Committee which receives reports and presentations from Management and considers the effectiveness of the risk management process on the Bank's financial reporting.
3.9	**The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.**	Compliant	In terms of the Audit Committee's Charter and its mode of operation, the Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process, including receiving reports on the external auditor's findings during the annual audit. Appointment of the External Auditor is done by the Minister of Finance as set out in the National Development Bank Act.
3.10	**The Audit Committee should report to the board and shareholders on how it has discharged its duties.**	Compliant	The Audit Committee reports to the Board on how it has discharged its duties and in turn the Board reports annually to the shareholder.

Statement of Compliance

continued

KING III REFERENCE	KING III PRINCIPLE	COMPLIANCE STATUS	APPLICATION OF PRINCIPLE
4. The Governance of Risk			
4.1	**The Board should be responsible for the governance of risk.**	Compliant	The Board provides oversight over risk governance through quarterly reports presented to the Board by Management.
4.2	**The Board should determine the levels of risk tolerance.**	Compliant	The Board determines the levels of risk tolerance in accordance with the Enterprise Risk Management Framework.
4.3	**The Risk Committee or Audit Committee should assist the board in carrying out its risk responsibilities.**	Compliant	The Board provides oversight over risk governance.
4.4	**The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.**	Compliant	The Board has delegated to Management the responsibility to design, implement and monitor the risk management plan.
4.5	**The Board should ensure that risk assessments are performed on a continual basis.**	Compliant	Risk assessments are done and reported to the the Board on a quarterly basis.
4.6	**The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.**	Compliant	The Enterprise Risk Management Framework approved by the Board is being implemented to increase the probability of anticipating unpredictable risks.
4.7	**The Board should ensure that management considers and implements appropriate risk responses.**	Compliant	The Board receives assurance on a quarterly basis that risks facing the Bank are appropriately identified, managed and/or transferred and mitigated.
4.8	**The Board should ensure continual risk monitoring by management.**	Compliant	The Board receives assurance by way of quarterly updates that management continually monitors risks facing the Bank.
4.9	**The Board should receive assurance regarding the effectiveness of the risk management process.**	Compliant	The Board receives assurance from the Internal Audit Department and Management, through the Audit Committee with regards to the adequacy of the risk management process.
4.10	**The Board ensures that the Group's Integrated Annual Report, as well as its public announcements where necessary, appropriately disclose risk-related information of importance to stakeholders.**	Compliant	Risk-related information of importance to stakeholders is disclosed accordingly as and when the there is a need to do so.

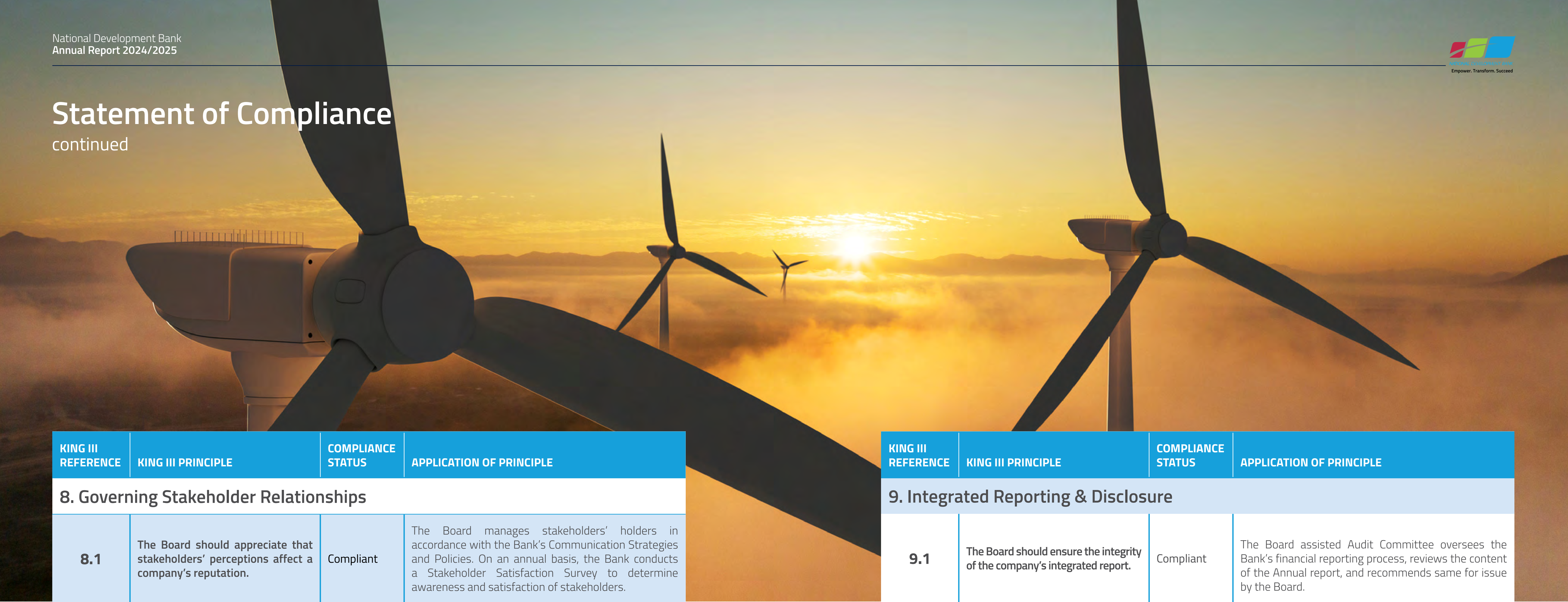
KING III REFERENCE	KING III PRINCIPLE	COMPLIANCE STATUS	APPLICATION OF PRINCIPLE
5. The Governance of Information Technology			
5.1	**The Board should be responsible for information technology (IT) governance.**	Compliant	The Board discharges its responsibility for IT governance and approves all IT related polices.
5.2	**IT should be aligned with the performance and sustainability objectives of the company.**	Compliant	The Bank's IT policies are designed to support the Bank's business strategy and with the aim of ensuring that the Bank operates effectively through digitalization and process automations.
5.3	**The Board should delegate to management the responsibility for the implementation of an IT governance framework.**	Compliant	The Board has delegated to Management the responsibility to implement IT Polices.
5.4	**The Board should monitor and evaluate significant IT investments and expenditure.**	Compliant	The Board monitors material IT investments through its consideration of the Bank's expenditure budget.
5.5	**IT should form an integral part of the company's risk management.**	Compliant	The risks associated with the Bank's IT infrastructure, applications and networks are identified, managed, and mitigated as a key element of the Bank's Enterprise Risk Management Framework which is overseen by the Risk Committee.
5.6	**The Board should ensure that information assets are managed effectively.**	Compliant	The Board has tasked Management with the responsibility of ensuring that processes are in place to ensure information assets are effectively managed.
5.7	**A Risk Committee and Audit Committee should assist the board in carrying out its IT responsibilities.**	**Compliant**	The Risk Committee and the Audit Committee do assist the Board in carrying out its IT oversight responsibilities.

Statement of Compliance

continued

KING III REFERENCE	KING III PRINCIPLE	COMPLIANCE STATUS	APPLICATION OF PRINCIPLE
6. Compliance with Laws, Rules, Codes & Standards			
6.1	**The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes, and standards.**	Partially Compliant	The Board ensures compliance to laws, codes, and regulations applicable to the Bank through its respective committees which oversees compliance. Compliance to Bank of Botswana Corporate Governance Guidelines has not been fully attained.
6.2	**The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.**	Compliant	The Board is made aware of applicable legislation and codes through presentations made by Management and the Board Secretary at Board and Committee meetings as well as through trainings.
6.3	**Compliance risk should form an integral part of the company's risk management process.**	Compliant	Compliance risk is a key area of focus of the Bank's risk management programmeme, and business unit heads actively consider compliance when compiling and reviewing the risk registers for their business units.
6.4	**The Board should delegate to management the implementation of an effective compliance framework and processes.**	Compliant	The Board has delegated to Management with the design and implementation of an effective compliance framework and processes to Management and the Board ensures implementation of compliance framework and processes.

KING III REFERENCE	KING III PRINCIPLE	COMPLIANCE STATUS	APPLICATION OF PRINCIPLE
7. Internal Audit			
7.1	**The Board should ensure that there is an effective risk-based Internal Audit.**	Compliant	The Bank has a well-established and appropriately resourced Internal Audit function which reports to the Audit Committee and the Board.
7.2	**Internal Audit should follow a risk-based approach to its plan.**	Compliant	The Internal Audit department's approach and coverage plan is informed by the Bank's risk registers, the audit plan of the external auditors and is endorsed annually by the Audit Committee as being appropriately risk based.
7.3	**Internal Audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management.**	Compliant	The Internal Audit Function provides an assessment of the companies effectiveness of internal controls quarterly for the Board in line with the areas that have been assessed for the quarter.
7.4	**The Audit Committee should be responsible for overseeing Internal Audit.**	Compliant	The Finance and Audit Committee is responsible for oversight of the internal audit function. The internal audit manager reports to the chair of the Audit Committee.
7.5	**Internal Audit should be strategically positioned to achieve its objectives.**	Compliant	The Internal Audit Department is well positioned at a strategic level to achieve its objectives, the leadership of the department is poised at executive level to ensure that strategic issues are dealt with adequately.



Statement of Compliance

continued

KING III REFERENCE	KING III PRINCIPLE	COMPLIANCE STATUS	APPLICATION OF PRINCIPLE
8. Governing Stakeholder Relationships			
8.1	**The Board should appreciate that stakeholders' perceptions affect a company's reputation.**	Compliant	The Board manages stakeholders' holders in accordance with the Bank's Communication Strategies and Policies. On an annual basis, the Bank conducts a Stakeholder Satisfaction Survey to determine awareness and satisfaction of stakeholders.
8.2	**The Board should delegate to management to proactively deal with stakeholder relationships.**	Compliant	The Board has delegated to Management the responsibility of engaging with the Bank's stakeholders.
8.3	**The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.**	Compliant	The Board in making all its decisions takes into account the various stakeholder groupings.
8.4	**Companies should ensure the equitable treatment of shareholders.**	Compliant	The Bank ensures that the shareholder is treated equitably.
8.5	**Transparent and effective communication with stake-holders is essential for building and maintaining their trust and confidence.**	Compliant	The Board and Management collaborate in ensuring that communication with the Bank's stakeholders is accurate, substantive, transparent and credible, recognising that such communication leads to trust and mutual respect and helps to ensure the Bank's. The Bank has a website and individually addressed emails through which communication is done.
8.6	**The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.**	Compliant	The Board encourages Management to resolve disputes with customers, suppliers, employees, and regulators in an amicable, effective, and reasonable manner and in appropriate forums.

KING III REFERENCE	KING III PRINCIPLE	COMPLIANCE STATUS	APPLICATION OF PRINCIPLE
9. Integrated Reporting & Disclosure			
9.1	**The Board should ensure the integrity of the company's integrated report.**	Compliant	The Board assisted Audit Committee oversees the Bank's financial reporting process, reviews the content of the Annual report, and recommends same for issue by the Board.
9.2	**Sustainability reporting and disclosure should be integrated with the company's financial reporting.**	Partially Compliant	In addition to providing Annual Financial Statements, the Bank's Annual report touches on some aspects of sustainability reporting, corporate social responsibility, and corporate governance. Additional work is ongoing to enhance the Bank's sustainability reporting.
9.3	**Sustainability reporting and disclosure should be independently assured.**	Not Compliant	The Bank will adopt fully fledged sustainability reporting in the future.

"The renewed strategic direction challenges us to broaden our impact beyond agriculture, while continuing to strengthen sustainability, innovation, and inclusion as we cement our position as Botswana's leading Development Finance Institution."

Compliance and Risk Management

Effective risk governance remains central to the Bank's stability and long-term sustainability. Ultimate accountability rests with the Board of Directors, which approves the Bank's risk framework, risk strategy, risk appetite framework, and key risk policies, while ensuring that appropriate governance structures, expertise, and resources are in place to support effective oversight.

A strong culture of regulatory compliance and ethical conduct underpins the Bank's governance framework. Compliance risk is managed through Board-approved policies, independent oversight structures, structured monitoring processes, and ongoing staff training and awareness programmes.

Risk Appetite and Enterprise Risk Management

At the heart of the Bank's governance framework is a clearly articulated risk appetite, which defines the level and types of risk the institution is prepared to accept in pursuing its strategic and developmental objectives. This appetite is translated into measurable limits, tolerance thresholds, and early warning indicators across all material risk categories. Performance against these parameters is monitored on an ongoing basis and reported regularly to the Board, enabling informed oversight and timely corrective action where necessary. Risk limits are reviewed at least annually to ensure continued alignment with the Bank's strategy and operating environment.

Risk management is embedded across the organisation through an integrated Enterprise Risk Management (ERM) framework. All material risks including credit, market, liquidity, operational, compliance, strategic, and reputational risks are identified, assessed, and managed through a structured approach supported by clear accountability across the three lines of defence. Stress testing and scenario analysis further enhance resilience by assessing the Bank's capacity to withstand adverse economic conditions.

Operational Risk and Resilience

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, human error, system failures, or external events, including legal risk. Managing this risk remains a priority and is supported by structured internal controls, ongoing monitoring, and continuous improvement initiatives.

Particular focus is placed on information technology governance, cybersecurity, data protection, and business continuity preparedness. Disaster recovery capabilities are tested periodically to ensure that critical operations can be sustained in the event of significant disruption. The Bank's commitment to quality, information security, and operational resilience is reinforced through maintenance of its certification to applicable ISO international quality management standards. Regular internal and external assessments support continuous improvement and alignment with global best practice.

Governing and Managing Internal Audit

Internal Audit (IA) is an independent function that reports to the Board and is supervised by the Board's Audit Committee. The function provides senior management and the Board with reasonable assurance that risk management and control procedures are in place, and that overall governance is adequately designed and functioning effectively. IA's work also supports Bank in serving its clients more effectively by reviewing and following up on query resolution processes. It conducts audits, as well as assurance and advisory reviews, that cut across all key areas, including strategy, credit, finance, client services and supporting functions, such as IT systems and processes.

Solutions Implemented to Support Business

Combined Assurance Model (Overview)

The Bank's combined assurance model aims to optimise the assurance coverage provided by management, internal assurance providers, and external assurance providers over key risk areas affecting the Bank. Within NDB, several assurance providers directly or indirectly provide the Board and Management with certain assurances on the effectiveness of controls designed to mitigate risks identified during the risk assessment process described in the operating environment. Collectively, the activities of these assurance providers constitute the Bank's combined assurance model.

The nature and significance of risks vary and will require assurance providers with the appropriate expertise and experience to confirm that risks are adequately mitigated. These assurance providers include external auditors, internal audit, regulators and other independent assurance functions.

Tip-Off Anonymous

The Bank has a whistleblowing line that provides a safe platform for all clients and staff to anonymously raise concerns regarding unethical behaviour. The Bank is committed to the highest standards of ethical, moral, and legal business conduct. Ethical business behaviour is the responsibility of every individual in the Bank and is reflected not only in the management of relationships with one another, but also with stakeholders.

The Banks Ethics Policy and related policies are a key component of its commitment to maintaining high standards of business and personal ethics in the conduct of its operations. In line with this commitment, the Bank expects employees and members of the public who may be aware of any unethical conduct of employees to come forward and communicate these concerns through the appropriate channels provided by the Bank, without any concerns or fear of victimisation. Wherever practical, and subject to any legal constraints, matters reported will be handled on a confidential basis.

The Ethics Line is a supplementary reporting mechanism through which concerns may be raised if for any reason, an employee is uncomfortable with using the normal business channels or dissatisfied with the response received through those channels. The system is available for use by all stakeholders.

Looking Ahead

In the coming year, internal audit will focus on:

1. Developing Whistleblowing Policy
2. Reviewing internal audit methodology
3. Developing Combined Assurance Framework & enhance its implementation
4. Establishing combined assurance forum

Corporate Social Responsibility

At NDB, Empower, Transform, Succeed is more than a tagline, it is the heartbeat of our social investments. In 2024/2025, we sharpened our focus on initiatives that equip the next generation, uplift women, and strengthen communities.

Bridging the Digital Divide

We extended digital access by supporting **Mmapulane Primary School** and **Botswelelo Primary School**, with a total investment of **P107,601.96** during the year. This initiative ensures that learners and educators have reliable internet connectivity, opening the door to digital resources, e-learning opportunities, and modern teaching tools. The programme directly benefits 708 students, helping to prepare the next generation for a knowledge-driven economy.

Fueling Youth Entrepreneurship

As part of **Global Entrepreneurship Week**, NDB proudly sponsored celebrations that attracted remarkable participation with **6,750** attendees physically and **77,500** virtually. This platform reaffirmed our belief in youth as Botswana's growth engine, encouraging innovation, business creation, and self-reliance. By supporting initiatives of this scale, we are actively contributing to a more sustainable and enterprising future for young Batswana.

Empowering Women to Lead

Though our partnership with **ElevateHer**, we turned intention into action. Our CEO, a woman leader rised up to the challenge to serve as a mentor on the program. This is to say, we acknowledge the gaps women face and responded to call to action, through this initiative we empower women, build confidence, resilience and leadership capacity, helping them claim their rightful place in Botswana's economy.

Investing in Agriculture and Community Growth

One of the highlights of the year was our sponsorship of the Chobe Agriculture Show, which celebrates the Pandamatenga harvest, one of the largest contributors to Botswana's food security and the biggest segment in the Bank's loan book. Our support for this event goes beyond financing; it is a demonstration of NDB's commitment to growing alongside our customers, transferring knowledge and empowering farmers. By standing with the agricultural community, we affirm that food security is not only a national priority but also a shared responsibility we embrace.

Engaging Stakeholders

As both sponsors and exhibitors at national expos, we created spaces to engage directly with clients and stakeholders. Beyond agriculture, we showcased our impact in tourism, commerce, and other sectors demonstrating that NDB is a committed partner in Botswana's development journey.

CSR Impact at a Glance

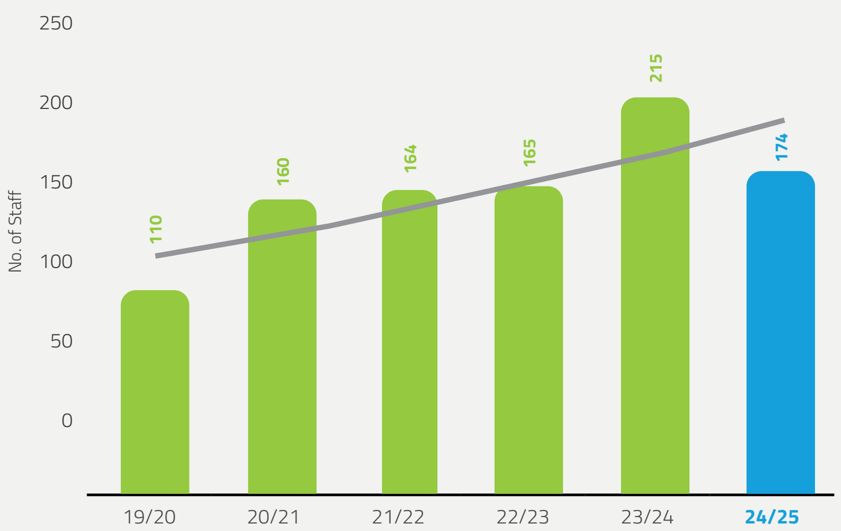
- **84,250 people reached** through Global Entrepreneurship Week (6,750 in-person; 77,500 virtual).
- **P107,601.96 invested** in digital access at Mmapulane and Botswelelo Primary Schools, benefiting 708 students.
- **107 women reached directly** through the ElevateHer partnership, with an estimated 100,000 women reached indirectly, including families, corporate colleagues and businesses.
- **P1 million (over 5years) committed to be Chobe Agriculture Show sponsorship** reinforcing NDB's role in food security and farmer empowerment.
- **Participation in national expos** strengthened community engagement and showcased NDB's diverse product offerings.

Human Resources

Since 2019/20, the National Development Bank (NDB) has experienced a steady growth in its staff complement, reflecting the Bank's expanding mandate and operational needs.

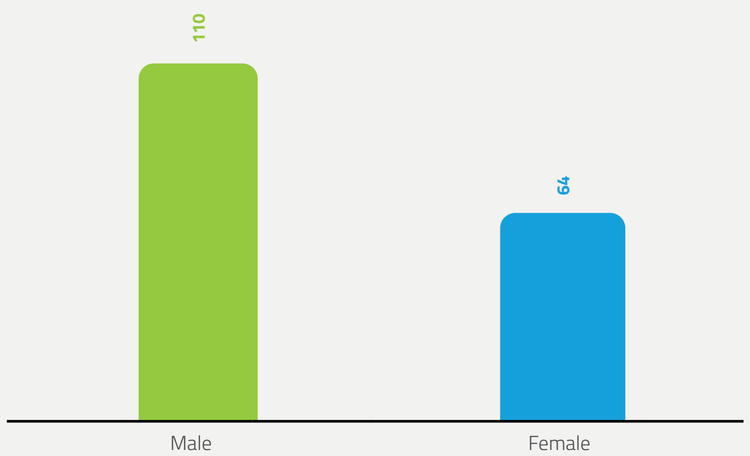
DEMOGRAPHICS

Authorised Staff Complement Trend



A notable increase in staffing occurred during the 2023/24 financial year, driven by the Bank's new responsibility to administer the Government's Temo Letlotlo initiative. This led to the establishment of a dedicated Fund Administration Unit, significantly increased the Bank's headcount.

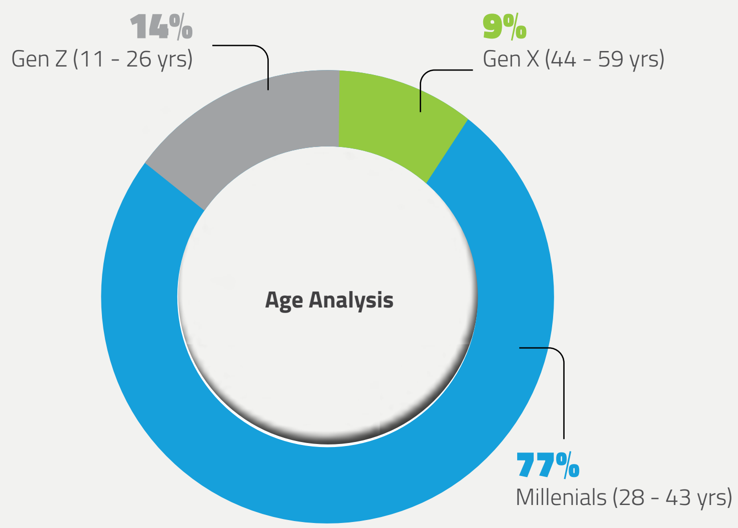
However, in December 2025, following a strategic review of the Bank's operating model, the staff complement declined due to organisational restructuring and redundancies aimed at enhancing operational efficiency. This reduction also coincided with the conclusion of the ISF Project, which had temporarily increased staffing requirements during its active phase.



As at the end of the 2024/25 financial year, women comprised 63% of the total workforce, while men representing 37%. At the executive leadership level, 62% of roles were held by women, while 38% by men, demonstrating strong female representation in top decision-making positions.

Women continue to lead across management, supervisory, and specialist roles, reflecting the Bank's ongoing commitment to gender diversity, equity, and inclusive leadership throughout the organisation.

Workforce Demographics



The Bank's workforce is now predominantly composed of Millennials and Generation Z respectively. Thus reflecting a shift toward a younger, digitally survey employee. As at the 2024/25 reporting period, there are no remaining Baby Boomers (ages 60–78), following the departure of the last employee from this generation.

Generation X continues to contribute valuable traits such as independence, resourcefulness, and strong communication skills, while Millennials bring technological fluency, collaborative working styles, and a strong sense of social responsibility.

National Development Bank (Botswana) Limited **Annual Report 2025**

Consolidated and Separate Annual Financial Statements

for the year ended 31 March 2025

Contents

Directors' Approval of the Financial Statements

for the year ended 31 March 2025

The Board of Directors of National Development Bank (the "Group") are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at 31 March 2025, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, the notes to the financial statements, and a summary of significant accounting policies in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the National Development Bank Act No 74:05 of Botswana.

The Board of Directors' responsibilities include:

- designing, implementing and maintaining internal control systems relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable in the circumstances.

The Board of Directors' responsibilities also include maintaining adequate accounting records and an effective system of risk management as well as supplementary schedules included in these financial statements.

The Board of Directors' responsibilities also include maintaining adequate accounting records and an effective system of risk management as well as supplementary schedules included in these financial statements.

The Board of Directors has made an assessment of the Group and Bank's ability to continue as a going concern, as disclosed in the note 1.2, and has no reason to believe that the Group and Bank will not be a going concern in the year ahead.

The External Auditors are responsible for providing reasonable assurance on whether the consolidated and separate annual financial statements give a true and fair view of the Bank's financial performance, cash flows and financial position in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Approval of the consolidated and separate annual financial statements:
The consolidated and separate annual financial statements set out on pages 53 to 130, which have been prepared on the going concern basis, were approved by the Board of Directors on 24/09/2025 and were signed on their behalf by:

Approval of the financial statements

Mr Mosimanegape O Mogegeh
Chairman, Board (Ag)

Ms Mmametsi Setlhare
Member, Board

Independent Auditor's Report

for the year ended 31 March 2025

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Partnership registered in Botswana
Registration No: 10829
VAT No: P03625401112
www.ey.com

Independent auditor's report
Firm of Chartered Accountants
Report on the audit of the consolidated and separate financial statements

We have audited the consolidated and separate financial statements of National Development Bank ("the Bank") and its subsidiaries ("the Group") set out on pages 53 to 130, which comprise the consolidated and separate statements of financial position as at March 31, 2025, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion section of our report, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of National Development Bank as at March 31, 2025, and its consolidated and separate financial performance and 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 National Development Act No 7 4:05 of Botswana.

Basis for qualified opinion - Expected Credit Losses and Comparability

As stated in Note 25, is an amount disclosed of P32,986 thousand (2024: P (60,280) thousand) for both Group and Bank relating to the Expected Credit loss from Loans and Advances to Customers which forms part of the total Expected Credit Loss allowance movement as presented on the Statement of Profit and Loss and Comprehensive Income for the year ended 31 March 2025 at P 1,228 thousand for Group (2024: (P 72,822) thousand) and at P1,371 thousand for the Bank (2024: (P 72,944) thousand).

The prior year audit opinion was qualified relating to the impact of the ECL charge to the Statement of Profit and Loss and Comprehensive Income along with the related cash flow movements and note numbers as a result of the 2023 qualification over the Loans and advances balance. Our audit opinion in the current period is qualified because of the possible effect of this matter on the comparability of the current period figures and corresponding figures specifically relating to the Expected Credit Loss disclosed in the Statement of Profit and Loss and Comprehensive Income and the movement in the expected credit loss allowance as well as the Decrease/ (increase) in loans and advances to customers disclosed in the Statement of Cash Flows.

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 Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with other ethical requirements that are relevant to our audit of the Group and Bank in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing the audit of the Group and Bank. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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.

Independent Auditor's Report

for the year ended 31 March 2025

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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.

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

Key audit matter (draft wording)	*How the matter was addressed in the audit*
Expected credit losses on loans and advances to customers (consolidated and separate financial statements) *Loans and advances to customers comprise a significant portion of the Group and Banks's total assets at Pl,043,149 thousand (2024: P875,591 thousand) representing 70% (2024: 61%) of the Group and Bank's total assets. The Group and Bank recognises an Expected Credit Losses (ECL allowance) on these loans and advances to customers.* *The ECL allowance is calculated on a modelled basis, which is inherently subjective and involves selecting appropriate models and assumptions for ECL measurement and significant management judgment and estimates in determining the inputs to the ECL models.* *Key judgments and estimates include:* ▪ *Determination of criteria for significant increases in credit risk (SICR).* ▪ *Establishment of the number and relative weightings of forward-looking scenarios for each product/market and the associated ECL.* ▪ *Appropriateness, completeness, and valuation of risk event overlays to capture risks not identified by the credit impairment models.* ▪ *Determination of management overlays.* ▪ *Estimation of probability of default (PD), exposure at default (EAD), and loss given default (LGD) parameters.* *In the current year, the primary factors influencing the ECL were the continued application of the models and the economic uncertainty stemming from slower economic growth. We believe that the interplay of these factors has heightened the associated risks.* *Consequently, we have identified the audit of the IECL allowance applied to Joans and advances to '!Customers at the reporting date as a key audit matter due to the significant auditor judgment required in assessing the aforementioned areas. This necessitated the involvement of our internal economic and quantitative specialists and increased discussions with management throughout the audit.* *The disclosures related to the £CL allowance for oans and advances to customers are detailed in the consolidated and separate financial statements:* ▪ *Note 1.23 - Significant Judgments and Sources of Estimation Uncertainty* ▪ *Note 1.12 - Financial instruments* ▪ *Note 10 - Loans and Advances to Customers* ▪ *Note 25 - Operating Profit for the Year* ▪ *Note 33 - Financial Instruments and Risk Management*	*Our audit procedures included, among others, the involvement of EY specialists to assist in performing our procedures where relevant:* ▪ *We evaluated the design and operating effectiveness of controls relevant to the Group's processes over ECL balances, including the judgments and estimates noted. This involved assessing:* ▪ *Credit monitoring.* ▪ *Controls over the a/location of assets into stages, including management's monitoring of stage effectiveness.* ▪ *Completeness and accuracy of data.* ▪ *Review and approval of multiple economic scenarios.* ▪ *Model governance, including model monitoring, validation, and review of postmodel adjustments.* ▪ *We assessed the stage a/location 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 stages 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 against the Group's modelling documentation.* ▪ *We assessed the design and application of macroeconomic forecasts and models adopted by management by evaluating the appropriateness of the macroeconomic forecasts included in the forward-looking information and scenario weightings, benchmarking these against external evidence and economic data.* ▪ *We performed an independent ECL quantification analysis on economic data and industry stresses, incorporating independently estimated economic impacts using third-party data as well as our own, to ascertain the reasonableness of the macroeconomic management adjustments.* ▪ *For the economic scenarios, in collaboration with our economists and modelling specialists, we challenged the completeness and appropriateness of the macroeconomic variables used as inputs to the model. Additionally, we involved economic specialists to evaluate the reasonableness of the base forecast for a sample of macroeconomic variables by benchmarking the forecast against various external sources.* ▪ *Regarding 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 to determine their appropriateness in prevailing market conditions.* ▪ *We involved our modelling specialists to evaluate the ECL model by assessing the reasonableness of the underpinning assumptions, inputs, and formulae used. This included assessing the appropriateness of model design, formulae, algorithms, alternative modelling techniques, and recalculating the PD, LGD, and £AD parameters, ultimately determining the provision for impairment.* ▪ *We assessed the adequacy of the disclosures by comparing them to the requirements of IFRS 9 - Financial Instruments.*

Independent Auditor's Report

for the year ended 31 March 2025

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Other information

The directors are responsible for the other information. The other information comprises the information included in the 86 page document titled "National Development Bank Consolidated and Separate Annual Financial Statements for the year ended 31 March 2025" which includes the Directors' Approval of the Financial Statements and the Detailed Income Statement.

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 the consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the National Development Bank Act No 7 4:05 of Botswana, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's and the Bank's financial reporting processes.
Auditor's responsibilities for the audit of the consolidated and separate financial statements

Independent Auditor's Report

for the year ended 31 March 2025

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Bank 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 Bank 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.

Firm of Certified AuditIrs
Practicing Member: Thomas Chitambo (CAPOOII 2026)
Gaborone
21 January 2026

Statement of Financial Position

As at 31 March 2025

		Group		Bank	
Figures in Pula thousand	**Note(s)**	**2025**	**2024**	**2025**	**2024**
Assets					
Cash and cash equivalents	3	178,512	357,994	173,411	352,031
Placements with financial institutions	4	37,930	17,272	37,930	17,272
Current tax receivable	5	211	188	-	-
Other assets	6	85,230	45,217	85,117	48,760
Deferred tax	7	35	67	-	-
Right-of-use assets	8	5,064	7,163	5,064	7,163
Intangible assets	9	1,553	498	1,553	498
Loans and advances to customers	10	1,043,149	875,591	1,043,149	875,591
Property, plant and equipment	11	136,361	140,762	136,321	140,762
Investments in associates	12	128	225	128	225
Investments in subsidiaries	13	-	-	1,000	1,000
Total Assets		**1,488,173**	**1,444,977**	**1,483,673**	**1,443,302**
Equity and Liabilities					
Equity					
Un-recallable capital	15	807,689	789,689	807,689	789,689
Reserves	16	79,998	79,998	79,998	79,998
Retained earnings/(accumulated losses)		7,575	(4,916)	4,000	(6,140)
		895,262	864,771	891,687	863,547
Liabilities					
Bank overdraft	3	-	47	-	47
Employee obligations	17	20,824	16,726	20,413	16,518
Lease liabilities	8	5,367	7,432	5,367	7,432
Other liabilities	18	215,323	189,423	214,809	189,180
Borrowings	19	351,397	366,578	351,397	366,578
		592,911	580,206	591,986	579,755
Total Equity and Liabilities		**1,488,173**	**1,444,977**	**1,483,673**	**1,443,302**

Statement of Profit or Loss and Other Comprehensive Income

for the Year ended 31 March 2025

		Group		Bank	
Figures in Pula thousand	**Note(s)**	**2025**	**2024**	**2025**	**2024**
Interest revenue calculated using effective interest rate method	20	108,242	105,926	108,242	105,926
Interest expense calculated using effective interest rate method	21	(33,203)	(34,173)	(33,203)	(34,173)
Net interest income		**75,039**	**71,753**	**75,039**	**71,753**
Fee and commission income	22	89,222	43,796	82,660	40,954
Grant income	23	39,195	15,563	39,195	15,563
Total income from banking activities		**203,456**	**131,112**	**196,894**	**128,270**
Other income	24	4,066	3,906	4,066	3,906
Expected credit loss	25	(970)	72,822	(1,113)	72,944
Personnel expenses	26	(96,616)	(86,436)	(94,308)	(84,461)
Depreciation expenses	27	(6,629)	(5,233)	(6,620)	(5,233)
Amortisation expenses	27	(806)	(2,125)	(806)	(2,125)
Other expenses	25	(89,239)	(57,328)	(87,876)	(56,769)
Operating profit for the year	**25**	**13,262**	**56,718**	**10,237**	**56,532**
Share of loss of associate	12	(97)	(95)	(97)	(95)
Profit for the year before taxation		**13,165**	**56,623**	**10,140**	**56,437**
Taxation	28	(674)	(53)	-	-
Total profit for the year		**12,491**	**56,570**	**10,140**	**56,437**
Other comprehensive gain not to be reclassified to profit:					
Gain on property revaluation		-	11,310	-	11,310
Other comprehensive income for the year	**11**	**-**	**11,310**	**-**	**11,310**
Total comprehensive income for the year		**12,491**	**67,880**	**10,140**	**67,747**

Statement of Changes in Equity

for the Year ended 31 March 2025

Figures in Pula thousand	**Un-recallable capital**	**Revaluation reserve**	**General risk reserve**	**Total reserves**	**Retained earnings/ (accumulated losses)**	**Total equity**
Group						
Balance at 01 April 2023	**497,689**	**59,006**	**9,682**	**68,688**	**(61,486)**	**504,891**
Profit for the year	-	-	-	-	56,570	56,570
Other comprehensive income	-	11,310	-	11,310	-	11,310
Total comprehensive income for the year	**-**	**11,310**	**-**	**11,310**	**56,570**	**67,880**
Issue of shares	292,000	-	-	-	-	292,000
Total contributions by and distributions to owners recognised directly in equity	**292,000**	**-**	**-**	**-**	**-**	**292,000**
Balance at 01 April 2024	**789,689**	**70,316**	**9,682**	**79,998**	**(4,916)**	**864,771**
Profit for the year	-	-	-	-	12,491	12,491
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**12,491**	**12,491**
Issue of shares	18,000	-	-	-	-	18,000
Total contributions by and distributions to owners recognised directly in equity	**18,000**	**-**	**-**	**-**	**-**	**18,000**
Balance at 31 March 2025	**807,689**	**70,316**	**9,682**	**79,998**	**7,575**	**895,262**
Notes	15	16	16			
Bank						
Balance at 01 April 2023	**497,689**	**59,006**	**9,682**	**68,688**	**(62,577)**	**503,800**
Profit for the year	-	-	-	-	56,437	56,437
Other comprehensive income	-	11,310	-	11,310	-	11,310
Total loss for the year	**-**	**11,310**	**-**	**11,310**	**56,437**	**67,747**
Issue of shares	292,000	-	-	-	-	292,000
Total contributions by and distributions to owners recognised directly in equity	**292,000**	**-**	**-**	**-**	**-**	**292,000**
Balance at 01 April 2024	**789,689**	**70,316**	**9,682**	**79,998**	**(6,140)**	**863,547**
Profit for the year	-	-	-	-	10,140	10,140
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**10,140**	**10,140**
Issue of shares	18,000	-	-	-	-	18,000
Total contributions by and distributions to owners recognised directly in equity	**18,000**	**-**	**-**	**-**		**18,000**
Balance at 31 March 2025	**807,689**	**70,316**	**9,682**	**79,998**	**4,000**	**891,687**
Notes	15	16	16			

Statement of Cash Flows

for the Year ended 31 March 2025

		Group		Bank	
Figures in Pula thousand	**Note(s)**	**2025**	**2024**	**2025**	**2024**
Cash flows from operating activities					
Profit before taxation		13,165	56,623	10,140	56,437
Adjustments for non-cash items and items presented separately:					
Depreciation	27	6,629	5,233	6,621	5,233
Amortisation	27	806	2,125	806	2,125
Movement in expected credit loss allowance	25	34,114	(56,082)	34,257	(56,204)
Interest expense	21	33,203	34,173	33,203	34,173
Interest paid on borrowings	19	(14,720)	(6,350)	(14,720)	(6,350)
Other interest paid		(686)	(348)	(686)	(348)
Interest paid on lease liabilities	8	(551)	(495)	(551)	(495)
Share of loss of associate	12	97	95	97	95
Deposit interest income	20	(7,080)	(6,257)	(7,080)	(6,257)
Deposit interest income received		8,679	4,049	8,679	4,049
Grant income	23	(39,195)	(15,563)	(39,195)	(15,563)
Changes in working capital:					
(Increase) / decrease in loans and advances to customers	10	(200,544)	56,549	(200,544)	56,549
Increase in other assets	6	(42,739)	(28,971)	(39,226)	(31,286)
Increase / (decrease) in other liabilities	18	11,094	(4,969)	10,823	(4,329)
Increase in employee obligations	17	4,098	6,271	3,895	6,063
Cash generated from (used in) operations		**(193,630)**	**46,083**	**(193,481)**	**43,892**
Tax paid	5	(665)	(279)	-	-
Net cash from operating activities		**(194,295)**	**45,804**	**(193,481)**	**43,892**
Cash flows from investing activities					
Purchase of property, plant and equipment	11	(129)	(5,405)	(81)	(5,405)
Purchase of Intangible assets	9	(1,861)	-	(1,861)	-
Investments in placements with financial institutions	4	(20,658)	(5,946)	(20,658)	(5,946)
Additions to leasehold improvements	8	-	(240)	-	(240)
Net cash from investing activities		**(22,648)**	**(11,591)**	**(22,600)**	**(11,591)**
Cash flows from financing activities					
Capital injection from the Industry Support Facility	15	18,000	92,000	18,000	92,000
Funds received from the Government of Botswana	15	-	200,000	-	200,000
Government Grant income received	18	54,000	-	54,000	-
Repayments of borrowings	19	(32,427)	(7,551)	(32,427)	(7,551)
Principal repayments on lease liabilities	8	(2,065)	(1,848)	(2,065)	(1,848)
Net cash from financing activities		**37,508**	**282,601**	**37,508**	**282,601**
Total cash movement for the year		**(179,435)**	**316,814**	**(178,573)**	**314,902**
Cash at the beginning of the year		357,947	41,133	351,984	37,082
Cash at the end of the year	**3**	**178,512**	**357,947**	**173,411**	**351,984**

Significant Accounting Policies

for the Year ended 31 March 2025

Corporate information

National Development Bank is a development financial institution domiciled in Botswana. The address of the Bank's registered office is National Development Bank, PO Box 225, Gaborone. The Bank is primarily involved in providing development finance to key sectors of the economy with a focus on the agriculture sector.

These financial statements comprise of the results of the Bank, its subsidiary and associate accounted for using the equity basis. These consolidated and separate financial statements were approved for issue by the Bank's Board of Directors on 24/09/2025.

1. Significant accounting policies

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

1.1 Basis of preparation

The financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS) and in the manner required by the National Development Bank Act No. 74:05 of Botswana. They are prepared under the historical cost convention except for the revaluation of certain assets, being land and buildings, which are carried at fair value. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied in the current and previous financial year.

The preparation of financial statements in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the National Development Bank Act No. 74:05 of Botswana requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of the judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1.23.

These financial statements comprise the results of the Bank, its subsidiary and its associate using equity accounting.

1.2 Going concern

The consolidated and separate annual financial statements have been prepared on a going concern basis. In making this assessment, the Directors considered the financial performance and position of both the Group and the Bank for the year ended 31 March 2025.

For the year, the Group recorded a profit of P12.5 million (2024: P56.6 million), while the Bank recorded a profit of P10.1 million (2024: P56.4 million) (refer to the Statement of Profit or Loss). At year-end, the Group's retained earnings were P7.5 million (2024: (P4.9 million)) and the Bank's retained earnings were P4 million (2024: (P6.1 million)) (refer to the Statement of Financial Position).

The Group and the Bank maintained adequate liquidity, with a liquidity asset ratio of 22% (2024: 20%), above the Bank of Botswana regulatory minimum of 10% (refer to Note 3). Cash and cash equivalents amounted to P178.5 million for the Group and P173.4 million for the Bank (Note 3), supporting short-term obligations.

It should be noted that the going concern assessment was originally prepared using forecast estimates available at the time, which anticipated slightly different balances compared to the final closing figures now reported. The difference reflects timing of information rather than an error in reporting.

Key Factors Supporting Going Concern

- Profitability in FY2025 was underpinned primarily by management fees from funds under administration, supplemented by grant income and other income sources.
- Loan book growth and portfolio management: Continued expansion of the loan book, coupled with stronger credit monitoring, supports sustainable earnings.
- The Bank has secured a commitment from a Development Finance Institution for a USD10 million facility (equivalent to approximately P136.9 million at 31 March 2025 exchange rate) and is in the process of engaging local financial institutions for additional funding.
- The Bank continues to benefit from government support, including extended repayment terms on borrowings and a legally enforceable letter of comfort dated 17 July 2024 from the Government of Botswana confirming financial support if required.

Based on these factors, the directors are satisfied that the Group and the Bank has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

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Significant Accounting Policies

for the Year ended 31 March 2025

1.3 Consolidation

Basis of consolidation

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

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

The results of subsidiaries are included in the consolidated and separate annual financial statements from the effective date of acquisition to the effective date of disposal.

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

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

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured 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 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.

Investments in subsidiaries in the separate financial statements

In the Bank's separate financial statements, investments in subsidiaries are measured at cost less any accumulated impairment losses, in accordance with IAS 27 Separate Financial Statements. This excludes investments that are classified as held for sale, which are accounted for in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, and are measured at the lower of carrying amount and fair value less costs to sell.

The Bank recently underwent a restructuring of the Credit, Client Services, and Operations departments. This strategic realignment had no impact on the recognition or measurement of investments in subsidiaries in the separate financial statements. However, any resulting changes in the operational structure and reporting lines have been reflected in the consolidated reporting, where applicable.

1.4 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are prepared in Botswana Pula, which is the Group's functional and presentation currency. Amounts presented are rounded off to the nearest thousand Botswana Pula.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within other income.

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1.5 Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. It generally accompanies a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method, except when the investment is classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net-assets of the associate, less any impairment losses.

The Group's share of post-acquisition profit or loss recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Losses in an associate in excess of the Group's interest in that associate, including any other unsecured receivables, are recognised only to the extent that the Group has incurred a legal or constructive obligation to make payments on behalf of the associate.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the Group and an associate are eliminated to the extent of the Group's interest therein. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group reduces its level of significant influence or loses significant influence, the Group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

1.6 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost. Costs include all the expenditures which are directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets.

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

Subsequent to initial recognition, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses, with the exception of land and buildings which are measured at revalued amounts. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

Revaluations are made with sufficient regularity, at least every 3 years, such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting year.

When buildings are revalued, any accumulated depreciation at the end date of the revaluation is eliminated against the gross carrying amount of the asset.

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

Significant Accounting Policies

for the Year ended 31 March 2025

1.6 Property, plant and equipment (continued)

Item	Depreciation method	Average useful life
Buildings	Straight line	Up to 50 years
Motor vehicles	Straight line	3 - 5 years
Office furniture and equipment	Straight line	2 - 5 years

The asset's residual value and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases in the carrying amount arising on revaluation of land and buildings are charged to other comprehensive income and debited against other reserves directly in equity. Decrease in excess of prior revaluation gain is recognised as an expense in the profit or loss.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

1.7 Intangible assets

Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their useful lives (five to ten years) on a straight-line basis.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs which are directly associated with the development of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads. Subsequent measurement of computer software is based on cost less accumulated amortisation.

1.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the 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 for impairment, assets are banked at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1.9 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of and identified asset for a period of time in exchange for consideration.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from leases is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rentals are recognised as revenue in the period in which they are earned.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

1.9 Leases (continued)

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentive received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented separately on the face of the statement of financial position (note 8) and are subject to impairment in line with the Bank's policy as described impairment of non-financial assets (accounting policy note 1.8).

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

1.10 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings from the shareholder at off-market rates are recognised at fair value. Any day-one gain or loss is recognised as equity.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

1.11 Unrecallable capital and equity

Un-recallable capital represents the portion of funds invested by the Government of Botswana, with the Group.

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

Other components of equity include the following:

- Revaluation reserve - comprises of gains and losses from the revaluation of land and buildings.
- General risk reserve - comprises of funds set aside by the Group in accordance with the National Development Bank Act. The funds are reserved to meet the operational funding requirements as they may arise.

Retained earnings includes both current and prior period retained profits/(losses).

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

1.12 Financial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are capitalised to the initial carrying amount if the financial asset/liability, as appropriate on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Significant Accounting Policies

for the Year ended 31 March 2025

1.12 Financial instruments (continued)

The Group recognises financial assets and liabilities when it becomes a party to the terms of the contract, which is the trade date or the settlement date.

Classification and measurement of financial instruments

On initial recognition, the Group classifies its financial assets into the following measurement categories:
- Amortised cost;
- Fair value through other comprehensive income; or
- Fair value through profit or loss.

The classification and subsequent measurement of non-equity financial assets depend on:
- The business model within which the financial assets are managed; and
- The contractual cash flow characteristics of the asset (that is, whether the cash flows represent solely payments of principal and interest).

Initial recognition and subsequent measurement of financial assets

On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument, or is based on a valuation technique whose inputs include only data from observable markets then the instrument should be recognised at the fair value derived from such observable market data.

For valuations that have made use of significant observable inputs, the difference between the model valuation and the initial transaction price (day-one profit) is recognised in profit or loss either on a straight-line basis over the term of the transaction, or over the reporting period until all model inputs will become observable where appropriate or released in full when previously unobservable inputs become observable.

Financial assets are subsequently measured at amortised cost

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

Business model assessment

The business model reflects how the Group manages the financial assets in order to generate cash flows and returns. The Group makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The factors considered in determining the business model include (i) how the financial assets' performance is evaluated and reported to management, (ii) how the risks within the portfolio are assessed and managed and (iii) the frequency, volume, timing for past sales, sales expectations in future periods, and the reasons for such sales. The Group reclassifies debt instruments when, and only when, the business model for managing those assets changes. Such changes are highly unlikely and therefore expected to be very infrequent. Loans and receivables are subsequently carried at amortised cost using the effective interest rate.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

In making the assessment of whether the contractual cash flows have SPPI characteristics, the Group considers whether the cash flows are consistent with a basic lending arrangement. That is, the contractual cash flows recovered must represent solely the payment of principal and interest. Principal is the fair value of the financial asset on initial recognition. Interest typically includes only consideration for the time value of money and credit risk but may also include consideration for other basic lending risks and costs, such as liquidity risk and administrative costs, together with a profit margin. Where the contractual terms include exposure to risk or volatility that is inconsistent with a basic lending arrangement, the cash flows would not be considered to be SPPI and the assets would be measured at fair value through profit or loss, as described below. In making the assessment, the Group considers, inter alia, contingent events that would change the amount and timing of cash flows, prepayment and extension terms, leverage features, terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements), and features that modify consideration of the time value of money (e.g. tenor mismatch). Contractual cash flows are assessed against the SPPI test in the currency in which the financial asset is denominated

1.12 Financial instruments (continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government bonds and corporate bonds. The Group classifies its debt instruments as follows:

Amortised cost - Financial assets are classified within this measurement category if they are held within a portfolio whose primary objective is the collection of contractual cash flows, where the contractual cash flows on the instrument are SPPI, and that are not designated at fair value through profit or loss. These financial assets are subsequently measured at amortised cost where interest is recognised as effective interest within interest and similar income using the effective interest rate method. The carrying amount is adjusted by the cumulative expected credit losses recognised.

Fair value through other comprehensive income - This classification applies to financial assets which meet the SPPI test, and are held within a portfolio whose objectives include both the collection of contractual cash flows and the selling of financial assets. These financial assets are subsequently measured at fair value with movements in the fair value recognised in other comprehensive income, with the exception of interest income, expected credit losses and foreign exchange gains and losses that are recognised within profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to net trading income in profit or loss.

Interest income from these financial assets is included as effective interest within interest and similar income using the effective interest rate method.

Fair value through profit or loss - Financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. Gains and losses on these instruments are recognised in gains and losses from banking and trading activities in profit or loss. The Group may also irrevocably designate financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income, as at fair value through profit or loss, if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise. These will be subsequently measured at fair value through profit or loss with gains and losses recognised as gains and losses from banking and trading activities or gains and losses from investment activities in profit or loss.

Initial recognition and subsequent measurement of financial liabilities

Most financial liabilities are held at amortised cost. That is, the initial fair value (which is normally the amount borrowed) is adjusted for premiums, discounts, repayments and the amortisation of coupon, fees and expenses to represent the effective interest rate of the liability.

Most financial liabilities are held at amortised cost are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

A financial liability may be designated at fair value through profit or loss if (i) measuring the instrument at fair value eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (ii) if the instrument belongs to a bank of financial assets or financial liabilities that are managed on a fair value basis, in accordance with a documented risk management or investment strategy. Own credit gains or losses arising from the valuation of financial liabilities designated at fair value through profit or loss are recognised in other comprehensive income and are not subsequently recognised in profit or loss

Expected credit losses (ECL) on financial assets

The Group uses a mixed approach to impairment where parameters are modelled at an individual financial instrument level or on a portfolio basis when they are only evident at this higher level. A collective approach will only be carried out when financial instruments share similar risk characteristics, which could include factors such as instrument type, collateral type, industry, geography and credit risk ratings. Credit losses are the present value of the difference between:
- All contractual cash flows that are due to the entity in accordance with the contract; and
- All the cash flows that the entity expects to receive.

Significant Accounting Policies

for the Year ended 31 March 2025

1.12 Financial instruments (continued)
Expected credit losses (ECL) on financial assets (continued)

The Group recognises expected credit losses based on unbiased forward-looking information. Expected credit losses are recognised on:

- Financial assets at amortised cost;
- Lease receivables;
- Debt instruments at fair value through other comprehensive income;
- Loan commitments not measured at fair value; and
- Financial guarantee contracts not measured at fair value.

IFRS 9 Financial Instruments requires entities to recognise ECL based on a stage allocation methodology, with such categorisation informing the level of provisioning required. In determining the forecasted credit losses over the duration of an exposure, recoveries expected to be received post the designated point of write-off are excluded.

The stage allocation is required to be performed as follows:

- Stage 1: Exposures where there has not been a significant increase in credit risk since initial recognition. For these exposures an expected credit loss is recognised based on the credit losses expected to result from default events that are possible within 12 months of the reporting date. Interest income is calculated based on the gross carrying value of these instruments.

- Stage 2: Exposures for which the credit risk has increased significantly since initial recognition. For these exposures lifetime expected credit losses should be recognised (i.e. credit losses from default events that are possible over the life of the instrument). The Group will assess whether a significant increase in credit risk has occurred based on (i) qualitative drivers including being marked as high risk or reflected on management's watch list; and (ii) quantitative drivers such as the change in the asset's cumulative weighted average lifetime Probability of Default (PD). Any exposure that is more than 30 days past due will also be included in this stage. Interest income is calculated based on the gross carrying value of these instruments.

- Stage 3: Exposures which are credit impaired. For these exposures, expected credit losses are based on lifetime losses. Assets are considered to be credit impaired when they meet the regulatory definition of default which includes unlikeliness to pay indicators as well as any assets that are more than 90 days past due. Interest income is calculated based on the carrying value net of the loss allowance.

Lifetime expected credit losses will no longer be recognised when there is evidence that the criteria is no longer met. This could include a history of timely payment performance. The low credit risk exemption in IFRS 9 Financial Instruments has not been adopted by the Group.

Determining a significant increase in credit risk since initial recognition

IFRS 9 Financial Instruments requires the recognition of 12-month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3). The Group used this methodology to assess if a significant increase in credit risk occurred based on quantitative and qualitative assessments:

Quantitative element

The borrower meets "unlikeliness to pay" criteria, which indicates the borrower is in significant financial difficulty. These are instances where the borrower is deceased or incapacitated, insolvent, in breach of financial covenants, etc. The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) throughout the Group's expected loss calculations, which takes into consideration quantitative data used to determine whether there has been a significant increase in credit risk since initial recognition.

1.12 Financial instruments (continued)
Expected credit losses (ECL) on financial assets (continued)

Qualitative element

Accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit risk monitoring.

Expected credit loss calculation

The measurement of expected credit losses must reflect:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money (represented by the effective interest rate); and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses comprise the unbiased probability weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. Expected credit losses are calculated (for both 12-months and lifetime losses) as a function of the following per the requirements of IFRS 9 Financial Instruments:

- Exposure at default (EAD) model: The estimated amount at risk in the event of a default (before any recoveries) including behavioural expectation of limit usage by customers in the various stages of credit risk;
- Probability of default (PD) model: The probability of default at a particular point in time, which may be calculated, based on the defaults that are possible to occur within the next 12 months; or over the remaining life, depending on the stage allocation of the exposure; and
- Loss given default (LGD) model: The difference between the contractual cash flows due and the cash flows expected to be received up until the designated point of write-off. These losses are discounted to the reporting date at the effective interest rate or in the case of financial guarantee contracts or loan commitments for which the EIR cannot be determined, a rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows. The expectation of cash flows takes into account cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The estimate reflects the amount and timing of cash flows expected from the enforcement of collateral less the costs of obtaining and selling the collateral. The collection of any cash flows expected beyond the contractual maturity of the contract is also included.

Lifetime expected credit losses (ECL) of financial instruments

For exposures in stage 2 and stage 3, the maximum lifetime over which expected credit losses should be measured, is the maximum contractual period over which the Group is exposed to credit risk. The Group estimates cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument. In rare cases when it is not possible to reliably estimate the expected life of a financial instrument, the Group uses the remaining contractual term of the financial instrument. Certain credit exposures include both a drawn and an undrawn component and the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to the contractual notice period. In this case, expected credit losses are measured over the period that the Group is exposed to credit risk, even if that period extends beyond the maximum contractual period. Within the Group, this applies to overdrafts, credit cards and other revolving products. These contracts are cancelable at very short notice and they have no fixed term, but credit may continue to be extended for a longer period and may only be withdrawn after the credit risk of the borrower increases, which could be too late to prevent losses. For these types of products, the expected life is based on the behavioural life, i.e. the period over which there is exposure to credit risk which is not expected to be mitigated by credit actions (e.g. limit decreases) even though the contract permits immediate limit decrease.

Forward looking information

Forward-looking information is factored into the measurement of the expected credit loss model through the use of multiple macroeconomic information that has been incorporated into the model, more specifically, into the determination of ECL and the intricacies of the ECL calculation. This was specifically reflected in the estimates of default rates under the PD model.

Significant Accounting Policies

for the Year ended 31 March 2025

1.12 Financial instruments (continued)

Write-off

The gross carrying amount of a financial asset shall be directly reduced (that is, written off) when the entity has no reasonable expectations of recovering it in its entirety, or a portion thereof. A write-off constitutes a derecognition event for accounting purposes.

Accounts are written-off the sooner of:
- Where less than one qualifying payment is received in the last 12 months; or
- It is not economically viable to keep the debt on the balance sheet.

Under IFRS 9 Financial Instruments, the Group applies the write-off assumptions consistently at both an individual account level and on a collective modelling basis. This means that the Group's LGD model includes only the present value of forecast recoveries on a pool of loans up until the designated point of write-off. Recoveries of amounts previously written-off are recognised as debt recoveries in the statement of comprehensive income as and when the cash is received (refer note 25).

Other liabilities

Classification

Other liabilities (note 18), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

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

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

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

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs.

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk. Refer to note 33 for details of risk exposure and management thereof.

Modification of financial instruments

Substantial modification of the terms of a financial liability shall be accounted for as the extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent (based on management best estimate) different from the discounted present value of the remaining cash flows of the original financial liability.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and such modification does not result in derecognition, the gross carrying amount of the financial asset shall be recalculated as the present value of the modified contractual cash flows discounted at the original effective interest rate (EIR) and a modification gain or loss recognised in the ECL (refer note 10 and note 25).

Derecognition

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

1.12 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents are stated at amortised cost which is deemed to be fair value. These comprises of balances for the bank and cash on hand.

For the purpose of the statement of cash flows, cash and cash equivalents comprises of bank balances, cash on hand and a bank overdraft. Additionally, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Bank overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

Financial assets

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

Financial liabilities

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

Reclassification

Financial assets

The Group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

1.13 Provisions and contingencies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the receivable can be measured reliably. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to the present value where the effect is material.

Significant Accounting Policies

for the Year ended 31 March 2025

1.14 Employee benefits

Pension contributions

The Group operates a defined contribution pension fund for its entire permanent citizen staff. This fund is registered under the Pension and Provident Funds Act (Chapter 27:03). The Group contributes 16% of the pensionable earnings of the members to the fund, and the employees contribute an additional 4% of their pensionable earnings. The Group's contributions are charged to the statement of comprehensive income in the year in which they accrue. Other than the regular contributions made in terms of the Rules of the Fund, the Group does not have any further liability to the fund.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

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

Short-term employee benefits, such as paid absences are accounted for on an accrual basis over the period which employees have provided services in the year.

1.15 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other in making financial or operating decisions. A number of transactions are entered into with related parties in the normal course of business. These transactions are carried out under the normal course of business, as summarised in note 31 to the financial statements.

1.16 Collateral

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future customer liabilities. Collateral received in the form of securities is not recorded on the statement of financial position. The Group considers only immovable property as collateral for measurement purposes against its credit risk exposure, in accordance with its expected credit loss (ECL) methodology. The immovable property collateral is disclosed at fair value, determined based on market values of the respective properties. These market values are derived from revaluation reports, which are required every three years for all loans and advances to customers.

1.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described notes 1.18 to 1.20.

1.18 Interest income and Government interest subsidy

Interest income

Interest income is recognised on all instruments measured at amortised cost and is recognised in the statement of comprehensive income on accruals basis, applying the effective interest method. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts.

When a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the effective rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Recognition of interest income is suspended for loans with an overdue of capital or interest for more than 90 days.

Government interest subsidy

Government interest subsidy is the difference between interest income recognised at prime and interest income recognised at the market rates from the Ministry of Agriculture and Food Security. The Government facilitates access to season loans by subsidising interest rates through the National Development Bank.

1.19 Fee and commission income

Unless included in the effective interest rate calculation, the Group recognises fee and commission income on an accrual basis when the service is rendered. Commissions and fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction. Portfolio, other management advisory and services fees are recognised based on the applicable service contract, usually on a time proportionate basis.

Loan origination fees are recognised as income in the period of receipt, including related direct costs.

Commission is recognised as revenue at a point in time based on the effective commencement or renewal dates of the related policies because once placement process is completed, the company will not be required to provide any further service.

1.20 Other income: rental income

Rental income from properties leased out under an operating lease is recognised in the statement of comprehensive income on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

1.21 Tax

Current tax assets and liabilities

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

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

Deferred tax liabilities and assets

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

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

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

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

Significant Accounting Policies

for the Year ended 31 March 2025

1.21 Tax (continued)

Tax expenses

Current and deferred taxes are recognised as income or 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.

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

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

1.22 Government grants

Government grants are recognised when there is reasonable assurance that:

- The Group will comply with the conditions attached to them; and
- The grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or profit already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as non-interest income in the statement of comprehensive income.

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

Accounting for Government loans at below-market interest rates

Where a loan is received from Government at below-market interest rate, the difference between the fair value of the loan and the amount received is recognised as a deferred government grant and recognised in other liabilities (the loan is split into the below-market element and the loan element). The loan is accounted for in accordance with IFRS 9 Financial Instruments.

1.23 Significant judgements and sources of estimation uncertainty

Key sources of estimation uncertainty

Leases - selection of appropriate discounting rate

Refer to note 8.

Expected credit losses (ECL) of financial assets

The consideration of credit risk is a fundamental process for the Group as it ultimately determines the impairment losses recognised from an accounting perspective. This section describes the processes and assumptions applied in estimating impairment under IFRS 9 Financial Instruments.

Approach to impairment of credit exposure

The measurement of ECL involves a significant level of complexity and judgement, including estimating the probability of default (PD), loss given default (LGD), a range of unbiased future economic scenarios, estimation of expected lives, and estimation of exposure at default (EAD) and assessing significant increases in credit risk.

1.23 Significant judgements and sources of estimation uncertainty (continued)
Expected credit losses (ECL) of financial assets (continued)

The purpose of estimating ECL is neither to estimate a worst-case scenario nor to estimate the best-case scenario. The estimate reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. In some cases, relatively simple modelling is considered to be sufficient, without the need to consider the outcome under different scenarios. For example, the average credit losses of a large bank of financial instruments with shared risk characteristics may be a reasonable estimate of the probability-weighted amount. In other situations, the identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes will be needed.

Under IFRS 9 Financial Instruments, the Group recognises ECL based on a stage allocation methodology, with such categorisation informing the level of provisioning required. The ECL allowance calculated on stage 1 assets reflects the lifetime losses associated with events of default that are expected to occur within 12 months of the reporting date (12- month ECL). Assets classified within stage 2 and stage 3 carry an ECL allowance calculated based on the lifetime losses associated with defaults that are expected to occur over the lifetime of the exposure (lifetime ECL). The assessment of whether an exposure should be transferred from stage 1 to stage 2, is based on whether there has been a significant deterioration in credit risk. This is a relative measure, where the credit risk at the reporting date is compared to the risk that existed upon initial recognition of the instrument. Exposures are classified within stage 3 if they are credit impaired.

The Group made use of the Discrete Time Markov Chain approach, which produces a transition matrix that defines the movements of accounts from one risk stage to another on a monthly basis. Three assumptions are made when using this approach:

- It is assumed that the future state of the defaulting process only depends on its current state.
- It is assumed that transitions can only occur at the end of the month.
- It is assumed that the Markov Chain considered is time homogenous.

For IFRS 9 Financial Instruments purposes, two distinct PD estimates are required:

- 12-month PD: the likelihood of accounts entering default within 12 months of the reporting date.
- Lifetime PD: the likelihood of accounts entering default during the remaining life of the asset.

The 12-month PD is used as basis for the calculation of the lifetime PD. A non-parametric survival analysis approach is used to indicate the probability on an annual basis. The survival analysis approach for cumulating probability assumes a constant hazard rate on an annual basis which is compounded.

For the purposes of credit modelling under IFRS 9 Financial Instruments, the PD is calculated on a point in time (PIT) basis and reflects the likelihood of default assessed based on the prevailing economic conditions at the reporting date, adjusted to take into account estimates of future economic conditions that are likely to impact the risk of default. PIT PDs do not equate to a long run average.

IFRS 9 Financial Instruments provides that financial assets should be written off, and accordingly derecognised, when the Group believes there to be no reasonable expectation of recovery. The Group has well-governed internal policies, which define how an individual account should be assessed for write-off, and which ensure that post write-off recoveries remain insignificant over the long run. Further, the policies are recalibrating over time, as and when actual recovery experience changes. Whilst the Group's write-off policy determines the point of derecognition at an individual account level, it also impacts the level of recoveries modelled on a collective basis for the purposes of determining LGDs to be applied at a portfolio level. Under IFRS 9 Financial Instruments, the Group applies the write-off assumptions consistently at both an individual account level and on a collective modelling basis. This means that the Group's LGD model includes only the present value of forecast recoveries on a pool of loans up until the designated point of write-off. Recoveries which are therefore forecast to be received post the point of write- off are excluded from the LGD model. Recoveries of amounts previously written off are recognised as an ECL gain in the statement of comprehensive income as and when the cash is received.

The Chain Ladder Approach is used when determining the LGD, which is a run-off triangle matrix that provides a pattern of recovery from the time of default. After the triangle is generated, the Chain Ladder Method is applied to extrapolate recoveries based on historical development factors. This method assumes that historical patterns will persist into the future.

In calculating LGD, losses are discounted to the reporting date using the EIR determined at initial recognition or an approximation thereof. For debt instruments, such as loans and advances, the discount rate applied is the EIR calculated on origination or acquisition date. For financial guarantee contracts or loan commitments for which the EIR cannot be determined, losses are discounted using a rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows (to the extent that such risks have not already been taken into account by adjusting the cash shortfalls).

Significant Accounting Policies

for the Year ended 31 March 2025

1.23 Significant judgements and sources of estimation uncertainty (continued)
Expected credit losses (ECL) of financial assets (continued)

The EAD model estimates the exposure that an account is likely to have at any stage of default in future. This incorporates both the amortising profile of a term loan, as well as behavioural patterns such as the propensity of the client to draw down on unutilised facilities in the lead up to a default event.

During the modelling of the EAD model, certain simplifications and assumptions were made:
- All loan contracts have been modelled to attract monthly payments;
- Annual interest rates given in the certain reports are accrued monthly at the effective monthly rate;
- No balances will be maintained for a loan beyond its loan term. Any balances on a loan are assumed to be paid in full by end of its outstanding term, and/or written off for periods beyond its term;
- The monthly repayment amount for each loan is assumed to be constant across the remaining months in the outstanding loan term;
- The annual non-payment penalty is accrued monthly at the effective monthly rate; and
- Probabilities of default for each segment will remain consistent for the entirety of the maximum outstanding term of the current loans with exposure.

Expert credit judgement may, in certain instances be applied to account for situations where known or expected risk factors have not been considered in the ECL assessment or modelling process, or where uncertain future events have not been incorporated into the modelled approach. Adjustments are intended to be short-term measures and will not be used to incorporate any continuous risk factors. The Group has a framework which is applied in the estimation and approval of management adjustments. The Group makes use of segmentation into 7 types of loans: agriculture, bonno, equity, property investments, commerce, industry manufacturing and retailing. These loans are further segmented into two categories namely: organisation or person. This is to take into account the characteristics of the customer.

Ratings assigned across each Retail portfolio are based on automated application and behavioural scoring systems. The underlying rating is calculated at point of application and updated monthly thereafter. The rating is used in decisions concerning underwriting and account management, and is used to calculate regulatory capital, economic capital and IFRS 9 Financial Instruments ECL. The methodology and data employed in the risk estimation and the rating processes can be summarised as follows:
- Internal risk estimates of PD, EAD and LGD are based on historical experience and are reliant on historical data.
  - a term structure, capturing typical default behaviour by the months since observation;
  - a behavioural model which incorporates client level risk characteristics; and
  - a macro-economic model that incorporates forward looking macro-economic scenarios.
- EADs are assigned at an account level and are based on the EAD pool to which the account has been assigned. EAD estimates incorporate all relevant data and information including account balances as well as utilised and unutilised limits, if present.
- LGDs are assigned at account level and are based on the LGD pool to which the account has been assigned. Relevant historical data used in LGD estimates include observed exposure at the point of default, recovery strategies, re-defaults, cure and write-off rates. The models make use of risk drivers such as loan-to-value (LTV) and attributes that describe the underlying asset.

Critical areas of judgement with regards to IFRS 9 Financial Instruments

Definition of a significant increase in credit risk

The Group uses various quantitative and qualitative measures as indicators of a significant increase in credit risk. The thresholds applied for each portfolio will be reviewed on a regular basis to ensure they remain appropriate. Where evidence of a significant increase in credit risk is not yet available at an individual instrument level, instruments that share similar risk characteristics are assessed on a collective basis.

Key drivers of a significant increase in credit risk include:
- Where the weighted average probability of default (PD) for an individual exposure or bank of exposures as at the reporting date evidences a material deterioration in credit quality, relative to that determined on initial recognition;
- Adverse changes in payment status, and where accounts are more than 30 days in arrears at reporting date. In certain portfolios a more conservative arrears rule is applied where this is found to be indicative of increased credit risk (e.g. 1 day in arrears);
- Accounts in the Retail portfolio which meet the portfolio's impairment high risk criteria; and
- The Group's watch list framework applied to the Wholesale portfolio, which is used to identify customers facing financial difficulties or where there are grounds for concern regarding their financial health.

1.23 Significant judgements and sources of estimation uncertainty (continued)

Definition of credit impaired
Assets classified within stage 3 are considered to be credit impaired, when an exposure is in default. Important to the Group's definition of default, is the treatment of exposures which are classified as within forbearance. Forbearance is a concession granted to a counterparty for reasons of financial difficulty that would not otherwise be considered by the Group. The definition of forbearance is not limited to measures that give rise to an economic loss (that is, a reduction in the counterparty's financial obligation).

Default within Wholesale and Retail is aligned with the regulatory definition, and therefore assets are classified as defaulted when either:
- The Group considers that the obligor is unlikely to pay its credit obligations without recourse by the Group to actions such as realising security; or
- The Group consents to a distressed restructuring / forbearance of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness of principal, interest or fees; or
- The customer is under debt review, business rescue or similar protection; or
- Advice is received of customer insolvency or death; or
- The oblige is past due 90 days or more on any credit obligation to the Group.

Determination of the lifetime of a credit exposure
The determination of initial recognition and asset duration (lifetime) are critical judgements in determining quantum of lifetime losses that apply. The date of initial recognition reflects the date that a transaction (or account) was first recognised on the statement of financial position. The PD recorded at this time provides the baseline used for subsequent determination of a significant increase in credit risk.

When determining the period over which the entity is expected to be exposed to credit risk, but for which the ECL would not be mitigated by the entity's normal credit risk management actions, the Group considers factors such as historical information and experience about:
- The period over which the entity was exposed to credit risk on similar financial instruments;
- The length of time for related defaults to occur on similar financial instruments following a significant increase in credit risk;
- The credit risk management actions that an entity expects to take once the credit risk on the financial instrument has increased, such as the reduction or removal of undrawn limits;
- Term lending: the contractual maturity date, reduced for behavioural trends where appropriate (such as, expected settlement and amortisation); and
- Revolving facilities: for Retail portfolios, asset duration is based on behavioural life and this is normally greater than contractual life. For wholesale portfolios, a sufficiently long period to cover expected life modelled and an attrition rate is applied to cater for early settlement.

Incorporation of forward-looking information into the IFRS 9 Financial Instruments modelling
The Group's financial instrument impairment models consume macroeconomic information to enable the models to provide an output that is based on forward-looking information. The forward-looking information are macro-economic variables and are obtained mostly from Bank of Botswana, and are reviewed and approved in accordance with the Group's macroeconomic governance framework. This review includes the testing of forecast estimates, the appropriateness of variables and probability weightings, as well as the incorporation of these forecasts into the ECL allowance. The forward-looking information used in the calculation of ECL allowance include:
- Annual inflation rate (IR)
- Prime interest rate
- Consumer price index (CPI)
- Short-term economic risk index
- Long-term economic risk index
- Labour market risk index
- Political risk index
- Short-Term Economic Rate (STER), monetary policy
- Long-Term Economic Rate (LTER), economic growth

Significant Accounting Policies

for the Year ended 31 March 2025

1.23 Significant judgements and sources of estimation uncertainty (continued)

Expected credit loss (ECL) sensitivity analysis

The Bank has performed a sensitivity analysis to assess the potential impact of various macroeconomic scenarios on its expected credit loss (ECL) allowance calculation. This analysis aims to provide insight into how fluctuations in key economic drivers could affect the credit loss allowance under different plausible economic conditions for the Botswana market.

The sensitivity analysis incorporates four primary economic scenarios:
- Upside - Favourable economic conditions with improvements in growth indicators and risk indices.
- Base case - Expected economic conditions based on current forecasts and market trends.
- Downside 1 - Moderate adverse conditions, indicating a slight deterioration in economic performance.
- Downside 2 - Severe adverse conditions, reflecting significant economic challenges.

Each scenario is weighted according to its perceived probability, as determined by the Bank's risk management and economic forecasting teams. The expected credit loss allowance is calculated by adjusting key macroeconomic drivers. The key macroeconomic drivers used in the sensitivity analysis are as follows:
- Gross domestic product (GDP) growth rate;
- Unemployment rate;
- Annual inflation rate;
- Prime interest rate;
- Consumer price index (CPI);
- Short-term and long-term economic risk indices;
- Labour market risk index;
- Political risk index; and
- Short-term and long-term economic rates (STER and LTER) (monetary policy and economic growth).

The above drivers are forecasted annually over a four year period from 2025 to 2028, along with long-term projections, to assess potential variations in the Bank's expected credit loss allowance. Below is a summary of the scenarios and their assigned weightings:

Scenario	Weighting
Upside	15%
Base case	50%
Downside 1	25%
Downside 2	10%

Results of the sensitivity analysis

The following table summarises the impact on the expected credit loss (ECL) allowance for each scenario across the specified economic drivers. The estimates assume that all other variables remain constant except the specified driver in each case.

			Actual		Forecast			
		Assigned weightings	2025	2026	2027	2028	2029	Long-term projection
Key driver	Scenario	%	%	%	%	%	%	%
Gross domestic product growth								
	Upside	15	1.0	2.5	3.5	4.0	4.0	3.0
	Base case	50	(0.9)	0.5	2.5	3.2	3.5	1.8
	Downside 1	25	(2.0)	(1.0)	0.5	1.5	2.0	0.2
	Downside 2	10	(3.5)	(2.0)	(0.5)	0.5	1.0	(0.9)
Unemployment rate								
	Upside	15	26.0	24.0	22.0	20.0	19.0	22.2
	Base case	50	27.0	26.0	25.0	24.0	23.0	25.0
	Downside 1	25	28.5	29.0	29.5	30.0	30.5	29.5
	Downside 2	10	30.0	31.0	32.0	33.0	34.0	32.0
Annual inflation rate								
	Upside	15	3.5	4.0	4.5	4.8	5.0	4.4
	Base case	50	3.7	4.2	4.5	4.8	5.0	4.4
	Downside 1	25	3.0	3.5	3.8	4.0	4.2	3.7
	Downside 2	10	2.5	3.0	3.5	4.0	4.2	3.4

1.23 Significant judgements and sources of estimation uncertainty (continued)

			Actual		Forecast			
		Assigned weightings	2025	2026	2027	2028	2029	Long-term projection
Key driver	Scenario	%	%	%	%	%	%	%
Prime interest rate								
	Upside	15	3.5	4.0	4.5	4.5	4.5	4.2
	Base case	50	3.5	4.0	4.5	4.5	4.5	4.2
	Downside 1	25	3.0	3.5	4.0	4.0	4.0	3.7
	Downside 2	10	2.5	3.0	3.5	3.5	3.5	3.2
Consumer price index								
	Upside	15	103.5	107.8	112.8	117.9	123.8	113.2
	Base case	50	103.7	108.1	112.9	118.2	124.1	113.4
	Downside 1	25	103.0	106.7	110.8	115.2	119.9	111.1
	Downside 2	10	102.5	105.6	109.3	113.8	118.4	109.9
Short-term economic risk index								
	Upside	15	58.0	56.0	54.0	52.0	50.0	54.0
	Base case	50	60.0	60.0	60.0	60.0	60.0	60.0
	Downside 1	25	62.0	64.0	66.0	68.0	70.0	66.0
	Downside 2	10	65.0	67.0	69.0	71.0	73.0	69.0
Long-term economic risk index								
	Upside	15.0	68.0	66.0	64.0	62.0	60.0	64.0
	Base case	50.0	70.0	70.0	69.0	68.0	67.0	68.8
	Downside 1	25.0	72.0	74.0	76.0	78.0	80.0	76.0
	Downside 2	10.0	75.0	78.0	82.0	86.0	90.0	82.2
Labour market risk index								
	Upside	15.0	49.0	48.0	47.0	46.0	45.0	47.0
	Base case	50.0	50.0	50.0	50.0	50.0	50.0	50.0
	Downside 1	25.0	52.0	53.0	54.0	55.0	56.0	54.0
	Downside 2	10.0	55.0	57.0	59.0	61.0	63.0	59.0
Political risk index								
	Upside	15.0	38.0	36.0	34.0	32.0	30.0	34.0
	Base case	50.0	40.0	40.0	40.0	40.0	40.0	40.0
	Downside 1	25.0	42.0	44.0	46.0	48.0	50.0	46.0
	Downside 2	10.0	45.0	47.0	49.0	51.0	53.0	49.0
Short-term economic rate (monetary policy)								
	Upside	15.0	5.4	5.3	5.2	5.1	5.0	5.2
	Base case	50.0	5.5	5.5	5.5	5.5	5.5	5.5
	Downside 1	25.0	5.7	5.8	5.9	6.0	6.1	5.9
	Downside 2	10.0	6.0	6.2	6.4	6.6	6.8	6.4
Long-term economic rate (economic growth)								
	Upside	15.0	6.2	6.4	6.6	6.8	7.0	6.6
	Base case	50.0	6.0	6.0	6.0	6.0	6.0	6.0
	Downside 1	25.0	5.8	5.6	5.5	5.4	5.3	5.5
	Downside 2	10.0	5.5	5.3	5.1	4.9	4.7	5.1

Significant Accounting Policies

for the Year ended 31 March 2025

1.23 Significant judgements and sources of estimation uncertainty (continued)

The sensitivity analysis highlights the importance of economic conditions in shaping the Bank's expected credit loss allowance's estimates and managing the related credit risk. Significant adverse scenarios, such as Downside 2, indicate potential increases in credit loss provisioning, primarily driven by deteriorating GDP, higher unemployment, and increased risk indices.

Revaluation of property, plant and equipment
The fair value of property, plant and equipment is determined using various valuation techniques, using assumptions based on market conditions existing at the reporting date. Key valuation parameters such as capitalisation rate, growth in market rentals, discount rate and comparable market rent are used to arrive at fair value. Details of the basis of valuation and key variables are given in note 11 and 32.

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

The Income Tax Act was amended during February 2016 to bring all parastatal entities and other state-owned enterprises, which had previously been exempted from income tax, to be within the ambit of the Act. The revised Act allows the Minister of Finance and Economic Development to exempt specific parastatal entities and state-owned enterprises from income tax. The Honourable Minister identified those entities which are to be exempted from income tax in the Income Tax (Bodies Corporate Exempt From Tax) Regulation, 2016 of 1 July 2016.

NDB's Status
The National Development Bank is not listed under the Income Tax (Bodies Corporate Exempt From Tax) Regulation, 2016 and is therefore subject to income tax in accordance with the Income Tax Act. As a result, the Bank recognises current and deferred tax in line with applicable tax laws and IFRS requirements.

The Botswana Unified Revenue Services (BURS) has not issued any guidelines as to any transitional arrangements which would apply in the first tax period for the newly taxable entities.

Accordingly, the Group has estimated the income tax liability for the first year of implementation based on management's best interpretation of the Income Tax Act as it may apply to the Group. This has required the Group to make a number of judgements in the calculation of its current and deferred tax charges and balances. The most significant of these judgements are:

- The income tax liability has been calculated based on the income for the full year financial year (although a possible interpretation of the Income Tax Act may indicate that this should be portion of the financial year).
- Capital allowances on property, plant and equipment existing at the beginning of the financial year have been calculated using the accounting book value of such property and equipment as at 31 March 2016 as proxy for cost in accordance with the Income Tax Act.
- The full cost of computer software has been claimed for income tax purposes.
- The Group claims specific provisions for bad debts against credit losses relating to the financial year in arriving at the taxable income for the year.

These judgements may be challenged by BURS during future financial periods, as and when income tax assessments are submitted, etc. Any changes in the recorded value of current and deferred income tax as a result of different views taken by BURS will be accounted for in the financial statements for the year when such changes occur.

2. New Standards and Interpretations

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Supplier finance arrangements - amendments to IAS 7 and IFRS 7	01 January 2024	No material impact expected other than expanded disclosures.
Non-current liabilities with covenants - amendments to IAS 1	01 January 2024	No material impact expected on the Group's borrowings.
Lease liability in a sale and leaseback IFRS 16	01 January 2024	No material impact expected.
Classification of Liabilities as Current or Non-current to IAS 1	01 January 2024	No material impact expected.

All effective standards and interpretations in the current year have been disclosed and those not included are not applicable to the Group.

2.2 Standards and interpretations not yet effective
The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 01 April 2025 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Lack of exchangeability - amendments to IAS 21	01 January 2025	No material impact expected.
Contracts referencing nature-dependent electricity to IFRS 9 and IFRS 7	01 January 2026	No material impact expected.
Amendments to the classification and measurement of financial instruments - amendments to IFRS 9 and IFRS 7	01 January 2026	No material impact expected on measurement; additional disclosures may be required.
Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 – Annual improvements to IFRS Accounting Standards Volume 11	01 January 2026	No material impact expected.
Presentation and accountability disclosures in financial statements IFRS 18	01 January 2027	Will not affect recognition or measurement, but will have a material impact on presentation and disclosure. The Group will need to present new subtotals in the statement of profit or loss (including operating profit), reclassify certain line items to new categories (operating, investing, financing), and provide enhanced note disclosures.
Subsidiaries without public accountability IFRS 19	01 January 2027	Not applicable, as the Group does not prepare subsidiary-only financial statements using this standard.

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

	Group		Bank	
Figures in Pula thousand	2025	2024	2025	2024
3 Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand	7	15	7	15
Bank balances	178,505	357,979	173,404	352,016
Bank overdraft	-	(47)	-	(47)
	178,512	**357,947**	**173,411**	**351,984**
Current assets	178,512	357,994	173,411	352,031
Current liabilities	-	(47)	-	(47)
	178,512	**357,947**	**173,411**	**351,984**

The expected credit loss for balances with banks is considered to be negligible due to the very low probability of default.

4 Placements with financial institutions

	Group 2025	Group 2024	Bank 2025	Bank 2024
Stanlib Investment Management Services (Pty) Ltd	1,813	1,777	1,813	1,777
African Alliance	5,556	5,284	5,556	5,284
Ipro Money Market Fund	10,856	10,211	10,856	10,211
Stanbic Bank	19,705	-	19,705	-
	37,930	**17,272**	**37,930**	**17,272**
Split between non-current and current portions				
Current assets	37,930	17,272	37,930	17,272

Placements with financial institutions are integral to the Group's money market activities and consist of short-term placements with banks and other financial institutions. For the year ended 31 March 2025, accrued interest on these placements amounts to P 953 thousand (2024: P 945 thousand) and has been included in the Deposit Interest Income of P 7,080 thousand (2024: P 6,257 thousand) as detailed in Note 20.

The cash balances and balances with banks and short-term investments are placed with local financial institutions. These institutions are not credit rated. The balances held with these institutions are considered fully recoverable. Due to the very low probability of default, no expected credit loss (ECL) allowance has been recognised for these balance.

5 Current tax receivable/ (payable)

	Group 2025	Group 2024	Bank 2025	Bank 2024
Normal tax	211	188	-	-
Net current tax payable				
Current assets	211	188	-	-
Current liabilities	-	-	-	-
	211	**188**	**-**	**-**

The tax balance due to the Group primarily arises from withholding tax credits accumulated on commissions earned by the subsidiary. These credits exceeded the subsidiary's tax liability for the year ended 31 March 2025.

	Group		Bank	
Figures in Pula thousand	2025	2024	2025	2024
5 Current tax receivable/ (payable) (continued)				
Tax paid				
Balance at the beginning of the year	188	(16)	-	-
Current tax recognised in profit or loss	(642)	(66)	-	-
Balance at the end of the year	(211)	(197)	-	-
	(665)	**(279)**	**-**	**-**
6 Other assets				
Financial instruments:				
Rent debtors *	1,200	1,455	1,200	1,455
Expected credit loss allowance for rent debtors	(623)	(1,024)	(462)	(720)
Rent debtors at amortised cost	577	431	738	735
Receivable from the Foot and Mouth Disease Relief Fund	5,630	4,101	5,630	4,101
Expected credit loss allowance on loan to Foot and Mouth Disease Relief Fund	(5,630)	(4,101)	(5,630)	(4,101)
Receivable from the Foot and Mouth Disease Relief Fund at amortised cost	-	-	-	-
Management fee receivable from				
Temo Letlotlo Programme**	55,492	26,353	55,492	26,353
Industry Support Facility	2,282	2,118	2,282	2,118
Impact Accelerator subsidy	2,492	1,292	2,492	1,292
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	923	347	923	347
Total Management fee receivables	61,189	30,110	61,189	30,110
Receivable from the Botswana Government***	12,978	3,037	12,978	3,037
Other receivables****	4,671	3,630	4,397	6,869
Non-financial instruments:	(37)	26	(37)	26
VAT receivable	5,068	6,411	5,068	6,411
Staff loans fair valuation adjustment*****	784	1,572	784	1,572
Prepayments******				
Total other assets	**85,230**	**45,217**	**85,117**	**48,760**
Split between non-current and current portions				
Non-current assets	5 068	6 411	5 068	6 411
Current assets	80 162	38 806	80 049	42 349
	85 230	**45 217**	**85 117**	**48 760**

*Rent debtors include receivables from related parties amounting to P1,020 thousand (2024: P1,287 thousand), and the breakdown has been presented in Note 31.

**The Temo Letlotlo Programme is the Botswana Government's flagship productivity-output-led and reward-based agro-ecological programmeme whose main aim is to improve food security at the household and national level. The main intention of the programme is to motivate farmers into a commercial way of operating. The programmeme has two components: household food security and national food security. The household food security component assists micro-scale farmers with a hundred per cent subsidy and targets the farming population with no wage or monthly income up to P2,500.

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

Figures in Pula thousand	Group 2025	Group 2024	Bank 2025	Bank 2024

6 Other assets (continued)

***Receivables from the Botswana Government include P3,237 thousand (2024: P3,037 thousand) for the interest subsidy amount accrued but not yet received in cash. Additionally, a balance of P9,741 thousand (2024: Nil) represents the Agricultural Credit Guarantee Scheme claims submitted but not yet received.

****Other receivables for the Bank's balance includes the intercompany loan account with National Development Bank Insurance Agency Proprietary Limited, amounting to P512 thousand (2024: P3,968 thousand) (Refer note 31).

*****Staff loan fair value adjustments reflect the deemed benefit to staff arising as a result of staff being given loans at below-market interest rates. This is amortised to the statement of comprehensive income as staff cost over the behavioural life of the corresponding staff loan category.

******Prepayments include computer licenses paid in advance of P683 thousand (2024: P1,380 thousand).

Exposure to credit risk				
Reconciliation of expected credit loss allowances				
Opening balance at the beginning of the year	**(5,125)**	**(948)**	**(4,821)**	**(745)**
Reversal of expected credit loss allowance raised on rent debtors	401	25	258	25
Increase in expected credit loss allowance for trade receivables	-	(122)	-	-
Derecognition of financial instruments	-	21	-	-
Recognition of expected credit loss allowance for receivable from the Foot and Mouth Disease Relief Fund	(1,529)	(4,101)	(1,529)	(4,101)
Closing balance at the end of the year	**(6,253)**	**(5,125)**	**(6,092)**	**(4,821)**

The expected credit losses for the financial instruments listed above are classified as Stage 3, representing lifetime expected credit losses and are therefore credit impaired. The maximum exposure to credit risk is the gross carrying amount of the other assets presented below. The Group does not hold collateral and/or other credit enhancements against other assets to shield against its exposure to credit risk. There were no transfers between stages during the current or previous year.

Estimated gross carrying amount at default	85,668	42,333	85,394	45,572
Credit impaired - stage 3	(6,253)	(5,125)	(6,092)	(4,821)
Total expected credit loss	(6,253)	(5,125)	(6,092)	(4,821)
Carrying amount	**79,415**	**37,208**	**79,302**	**40,751**

Figures in Pula thousand	Group 2025	Group 2024	Bank 2025	Bank 2024

7 Deferred tax

Deferred tax asset comprises of:				
Deferred tax asset - expected credit loss allowance	35	67	-	-

The deferred tax asset in 2025 arose from the expected credit loss allowance of the subsidiary, National Development Bank Insurance Agency Proprietary Limited. The deferred tax asset above originated in the year ended 31 March 2025. The deferred tax asset had a movement in its expected credit loss allowance worth P32 thousand, resulting in a closing balance of the deferred tax asset worth P35 thousand.

Deferred tax asset not recognised for the Bank

Management has not recognised a deferred tax asset for the Bank for the financial year ended 31 March 2025 (2024: P Nil) due to the Bank's recent and ongoing loss-making position. Given this, Management does not expect to generate taxable income in the near future.

Summary of unused accumulated tax losses				
Unused tax losses not recognised as deferred tax assets, with expiry date 30 June 2026	-	36 692	-	36 692
Unused tax losses not recognised as deferred tax assets, with expiry date 30 June 2027	28 527	38 009	28 527	38 009
Unused tax losses not recognised as deferred tax assets, with expiry date 30 June 2028	26 298	26 298	26 298	26 298
Unused tax losses not recognised as deferred tax assets, with expiry date 30 June 2029	29 737	29 737	29 737	29 737
	84 562	**130 736**	**84 562**	**130 736**

Unrecognised deferred tax assets *	2025	2024 (Restated)	2025	2024 (Restated)
Property, plant and equipment	1,543	(1,715)	1,543	(1,715)
Right-of-use assets	(1,114)	(1,576)	(1,114)	(1,576)
Lease liabilities	1,635	1,635	1,635	1,635
Intangible assets	(342)	(109)	(342)	(109)
Provision for bad debts excess of 1.5%	7,257	9,361	7,257	9,361
Accruals and prepayments	-	(326)	-	(326)
Unused accumulated tax losses	18,604	28,762	18,604	28,762
	27,583	**36,032**	**27,583**	**36,032**

* Prior-year figures have been restated to correct the value of unrecognised deferred tax assets arising from unused tax losses, property, plant and equipment, intangible assets and the revaluation reserve, which were previously misstated. The error was limited to the disclosure of the unrecognised deferred tax in this note and did not affect the amount included in the effective tax rate reconciliation in Note 28 as this was accurately disclosed in the prior year.

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

7 Deferred tax (continued)

Below are the prior-year reported amounts.

	Group and Bank 2024
Unused tax losses not recognised as deferred tax assets, with expiry date 30 June 2026	36,454
Unused tax losses not recognised as deferred tax assets, with expiry date 30 June 2027	37,755
Unused tax losses not recognised as deferred tax assets, with expiry date 30 June 2028	26,298
Unused tax losses not recognised as deferred tax assets, with expiry date 30 June 2029	29,737
Totals	**130,244**

Unrecognised deferred tax assets

Property, plant and equipment	(3,939)
Right-of-use assets	(1,576)
Lease liabilities	1,635
Intangible assets	240
Provision for bad debts excess of 1.5%	9,361
Accruals and prepayments	(326)
Unused accumulated tax losses	28,654
Totals	**34,049**

Unrecognized deferred tax liability	
Revaluation reserve	**(15,470)**

The error related solely to disclosures and had no impact on the primary financial statements.

8 Right-of-use assets and lease liabilities

The Group as a lessee

The Group has leased motor vehicles from Car Rentals Botswana Proprietary Limited (trading as AVIS Car Rental) and WesBank Vehicle Finance. The average lease term for leases with AVIS Car Rental is 5 years, whereas it is 3 years with WesBank Vehicle Finance. The lease liability for the leases with AVIS Car Rental was arrived at based on the remaining lease terms at the time of recognition, which was an average of 21 months. The Group has the option to purchase the motor vehicles at a nominal amount on completion of the lease term.

The Group has leased an office building for its Palapye branch from Jacinth Holdings Proprietary Limited, for which the lease term is 15 years. The lease liability for this lease was arrived at based on its remaining lease term of 68 months.The Group has also leased a building, Capricorn House, as the head office for the Temo Letlotlo Programme for a period of 5 years.

The lease agreements are renewable before the expiration of the contract to a further period agreed by both parties. The lease payments to be made under reasonably certain extension options are also considered for the lease liability calculation as at the year end.

There are no variable payments mentioned in the lease which are subject to an index.

8 Right-of-use assets and lease liabilities (continued)

Details pertaining to leasing arrangements, where the Group is lessee are presented below:

Right-of-use assets

Group and Bank	2025			2024		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	5,674	(2,889)	2,785	5,674	(2,190)	3,484
Motor vehicles	8,504	(6,225)	2,279	8,504	(4,825)	3,679
Total	**14,178**	**(9,114)**	**5,064**	**14,178**	**(7,015)**	**7,163**

Reconciliation of right-of-use assets - Group and Bank

2025

	Buildings	Motor vehicles	Total
Cost	5,674	8,504	14,178
Accumulated depreciation	(2,889)	(6,225)	(9,114)
Net book value at 31 March 2025	**2,785**	**2,279**	**5,064**
Net book value at beginning of year	**3,484**	**3,679**	**7,163**
Depreciation	(699)	(1,400)	(2,099)
	2,785	**2,279**	**5,064**

Reconciliation of right-of-use assets - Group and Bank

2024

	Buildings	Motor vehicles	Total
Cost	5,674	8,504	14,178
Accumulated depreciation	(2,190)	(4,825)	(7,015)
Net book value at 31 March 2025	**3,484**	**3,679**	**7,163**
Net book value at beginning of year	**1,939**	**757**	**2,696**
Depreciation	2,048	4,218	6,266
	(503)	(1,296)	(1,799)
	3,484	**3,679**	**7,163**

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

	Group		Bank	
Figures in Pula thousand	2025	2024	2025	2024

8 Right-of-use assets and lease liabilities (continued)

Lease liabilities

Lease liabilities have been included in the lease liabilities line item on the statement of financial position. Refer to note 33 for the maturity analysis on the lease liabilities.

Minimum lease payments due

Future cash outflows for which the Group is potentially exposed to but which are not reflected in the measurement of lease liabilities are summarised below according to the minimum lease payments due.

	Group 2025	Group 2024	Bank 2025	Bank 2024
Within one year	2,519	2,711	2,519	2,711
Two to five years	3,415	5,971	3,415	5,971
	5,934	**8,682**	**5,934**	**8,682**

	Group 2025	Group 2024	Bank 2025	Bank 2024
Reconciliation of lease liabilities				
Opening balance as at 1 April	7,432	3,254	7,432	3,254
Additions	-	6,026	-	6,026
Finance charges	551	495	551	495
Payments	(2,616)	(2,343)	(2,616)	(2,343)
Closing balance as at 31 March	**5,367**	**7,432**	**5,367**	**7,432**
Split between non-current and current portions				
Non-current liabilities	3,167	4,955	3,167	4,955
Current liabilities	2,200	2,477	2,200	2,477
	5,367	**7,432**	**5,367**	**7,432**
Principal payments on lease liabilities				
Interest expense on lease liabilities	551	495	551	495
Total cash outflow from leases	(2,616)	(2,343)	(2,616)	(2,343)
	(2,065)	**(1,848)**	**(2,065)**	**(1,848)**

Leases - Selection of appropriate discount rate

National Development Bank has entered into leases with third parties and as a consequence the rate implicit in the relevant lease is not readily determinable. Therefore, the Bank uses its incremental borrowing rate as the discount rate for determining its lease liabilities at the lease commencement date. The incremental borrowing rate is the rate of interest that the Bank would have to pay to borrow over similar terms which requires estimations when no observable rates are available.

National Development Bank consults with its main bankers to determine what interest rate they would expect to charge the Bank to borrow money to purchase a similar asset to that which is being leased.These rates are, where necessary, adjusted to reflect the creditworthiness of the entity entering into the lease and the specific condition of the underlying asset.

Additionally, the rentals (for both leases) are expected to be constant throughout the lease terms.

9 Intangible assets

Group and Bank	2025 Cost	2025 Accumulated amortisation	2025 Carrying value	2024 Cost	2024 Accumulated amortisation	2024 Carrying value
Computer software	28,383	(26,830)	1,553	26,522	(26,024)	498

Reconciliation of intangible assets - Group and Bank - 2025

	Opening balance	Additions		Total
Computer software	498	1,861	(806)	1,553

Reconciliation of intangible assets - Group and Bank - 2024

	Opening balance	Additions		Total
	2,623	-	(2,125)	498

	Group		Bank	
Figures in Pula thousand	2025	2024	2025	2024

10 Loans and advances to customers

	Group 2025	Group 2024	Bank 2025	Bank 2024
Financial instruments:				
Customers	1,062,963	879,465	1,062,963	879,465
Staff	79,555	89,670	79,555	89,670
Gross loans and receivables	1,142,518	969,135	1,142,518	969,135
Expected credit loss allowance	(99,369)	(93,544)	(99,369)	(93,544)
Carrying amount loans and advances to customers	**1,043,149**	**875,591**	**1,043,149**	**875,591**
Split between non-current and current portions				
Non-current assets*	925,041	753,540	925,041	753,540
Current assets*	118,108	122,051	118,108	122,051
	1,043,149	**875,591**	**1,043,149**	**875,591**

* Prior year numbers for current versus noncurrent assets have been reclassified to reflect a net basis presentation, transitioning from the previous gross basis. This adjustment enhances the comparability of financial statements between the current and prior periods.

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

	Group		Bank	
Figures in Pula thousand	2025	2024	2025	2024

10 Loans and advances to customers (continued)

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

Loans receivable are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for loans and advances is calculated based on twelve month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either twelve month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition.

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

Credit rating framework

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

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

The table below sets out the internal credit rating framework

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

The Bank's maximum exposure to credit risk is represented by the gross carrying amount of financial assets recognised in the statement of financial position, as presented below, together with off-balance sheet exposures such as undrawn commitments, which are disclosed separately in Note 10. The Bank holds collateral and other credit enhancements against loans and advances to customers to mitigate this exposure.

10 Loans and advances to customers (continued)

Group and Bank	2025					
	Gross carrying amount	12 months expected credit losses	Lifetime expected credit losses	Credit impaired	Total expected credit losses"	Carrying amount
		Expected credit losses Stage 1	Expected credit losses Stage 2	Expected credit losses Stage 3		
Property	348,350	(3,889)	(1,975)	(12,082)	(17,946)	330,404
Industrial	14,334	(373)	(149)	(3,965)	(4,487)	9,847
Retail	21,462	(865)	(50)	(1,734)	(2,649)	18,813
Agriculture	524,706	(12,022)	(2,851)	(17,644)	(32,517)	492,189
Commerce	102,034	(2,755)	(5,274)	(15,235)	(23,264)	78,770
Other loans and advances	131,632	(1,327)	(276)	(16,903)	(18,506)	113,126
Total	**1,142,518**	**(21,231)**	**(10,575)**	**(67,563)**	**(99,369)**	**1,043,149**

Group and Bank	2024					
	Gross carrying amount	12 months expected credit losses	Lifetime expected credit losses	Credit impaired	Total expected credit losses"	Carrying amount
		Expected credit losses Stage 1	Expected credit losses Stage 2	Expected credit losses Stage 3		
Property	282,021	(5,053)	(6,849)	(7,524)	(19,426)	262,595
Industrial	24,767	-	(691)	(5,009)	(5,700)	19,067
Retail	30,763	(1,913)	(1,147)	(1,184)	(4,244)	26,519
Agriculture	394,042	(14,384)	(2,198)	(19,886)	(36,468)	357,574
Commerce	89,607	(1,812)	(6,149)	(13,345)	(21,306)	68,301
Other loans and advances	147,935	(802)	(537)	(5,061)	(6,400)	141,535
Total	**969,135**	**(23,964)**	**(17,571)**	**(52,009)**	**(93,544)**	**875,591**

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

10 Loans and advances to customers (continued)

A reconciliation of changes in gross carrying amount and corresponding allowance for ECL by stage for each reporting sector is as follows:

Group and Bank	2025							
	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss	Gross Carrying amount	Expected credit loss
Opening balance as at 1 April 2024	697,313	(23,964)	63,939	(17,571)	207,883	(52,009)	969,135	(93,544)
New assets originated or purchased	390,158	(11,446)	45,740	(7,121)	3,944	(23,488)	439,842	(42,055)
Payments	(214,706)	(2,848)	(8,066)	9,395	(12,026)	(1,978)	(234,798)	4,569
Transfers to stage 1	24,084	(952)	(20,985)	800	(3,099)	152	-	-
Transfers to stage 2	(33,209)	2,646	34,571	(2,912)	(1,362)	266	-	-
Transfers to stage 3	(67,666)	14,358	(29,435)	6,668	97,101	(21,026)	-	-
Effect of modification to methodology	-	-	-	-	-	-	-	-
Amounts written off	(975)	975	(166)	166	(30,520)	30,520	(31,661)	31,661
Closing balance as at 31 March 2025	**794,999**	**(21,231)**	**85,598**	**(10,575)**	**261,921**	**(67,563)**	**1,142,518**	**(99,369)**

Group and Bank	2024							
	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss	Gross Carrying amount	Expected credit loss
Opening balance as at 1 April 2023	675,853	(57,301)	51,293	(15,743)	357,378	(139,619)	1,084,524	(212,663)
New assets originated or purchased	225,743	(9,011)	1,845	(432)	2,393	(620)	229,981	(10,063)
Payments	(103,355)	-	(7,627)	-	(51,868)	-	(162,850)	-
Transfers to stage 1	76,191	(20,808)	(16,730)	10,838	(59,461)	9,970	-	-
Transfers to stage 2	(13,626)	6,049	29,354	(15,749)	(15,728)	9,700	-	-
Transfers to stage 3	(47,931)	3,882	(4,906)	3,865	52,837	(7,747)	-	-
Effect of modification to methodology	(115,258)	52,921	11,704	(1,344)	(10,986)	9,625	(114,540)	61,202
Amounts written off	(304)	304	(994)	994	(66,682)	66,682	(67,980)	67,980
Closing balance as at 31 March 2024	**697,313**	**(23,964)**	**63,939**	**(17,571)**	**207,883**	**(52,009)**	**969,135**	**(93,544)**

10 Loans and advances to customers (continued)

The following table shows the movement in the expected credit losses for loans and advances:

	Group		Bank	
Figures in Pula thousand	**2025**	**2024**	**2025**	**2024**
Opening balance	93,544	212,663	93,544	212,663
Derecognition of financial assets due to impairment	(31,661)	(67,980)	(31,661)	(67,980)
Provision/ (reversal) of expected credit loss allowance	32,986	(60,280)	32,986	(60,280)
Suspended interest	4,500	9,141	4,500	9,141
Closing balance	**99,369**	**93,544**	**99,369**	**93,544**

Loans and advances have been advanced from the Bank to its customers and staff for terms ranging from 1 to 25 years at varying interest rates.

Off balance sheet:				
Loan disbursements commitments	37,531	11,107	37,531	11,107

Loan disbursement commitments represent advances approved for customers at year-end but not yet disbursed. Such commitments are normally made for a fixed period and are subject to certain conditions stipulated by the Group's internal credit policies. The Group withdraw from its obligations for the undrawn portion of the advances approved.

The commitments will be funded from both internally generated and externally borrowed funds.

The Bank does not issue guarantees or letters of credit.
Off-balance sheet exposures relate to undrawn loan commitments provided to customers. These commitments expose the Bank to credit risk similar to loans and advances to customers.

The table below summarises the Bank's off-balance sheet exposures and the related expected credit loss (ECL) allowance:

Undrawn loan commitments	37,531	11,107	37,531	11,107
ECL allowance	-	-	-	-
Net exposure	**37,531**	**11,107**	**37,531**	**11,107**

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

10 Loans and advances to customers (continued)

Changes to expected credit loss (ECL) modelling approach
In order to develop a more robust credit risk model, the Bank has taken on a different approach to its expected credit loss (ECL) modelling. Previously, the ECL and its component models, probability of default (PD), loss given default (LGD) and exposure at default (EAD), were developed using the logistic regression methodology. This method explicitly considers various types of client data, including quantitative and qualitative attributes in constructing the models.

For the financial year ended March 2025, the Bank changed its methodology to create models that were more fit for purpose, given:
- The Bank's business model;
- The type of client data that is consistently available; and
- Management reporting requirements.

Various coherent actuarial and data science techniques have been employed to create the different component models, together with the final ECL model. The models incorporate available qualitative and quantitative client data in a way that allows the unique characteristics of the Bank's credit policy to be effectively modelled, explained and understood intuitively.

The Bank updated its ECL methodology in the prior financial year . That update involved moving from a logistic regression framework to actuarial and data science–based models for probability of default (PD), loss given default (LGD) and exposure at default (EAD), together with enhanced forward-looking macroeconomic adjustments. The change was applied prospectively as a change in accounting estimate under IAS 8 and was fully disclosed in the FY2024 financial statements.

For the current financial year, the Bank has continued to apply the updated methodology. The reconciliation of the opening and closing expected credit loss (ECL) allowance is presented in the table above, which ties to the movement schedule on page 43. The modelling assumptions in Note 1.23 remain consistent with those adopted following the FY2024 methodology update.

11 Property, plant and equipment

The Bank's maximum exposure to credit risk is represented by the gross carrying amount of financial assets recognised in the statement of financial position, as presented below, together with off-balance sheet exposures such as undrawn commitments, which are disclosed separately in Note 10. The Bank holds collateral and other credit enhancements against loans and advances to customers to mitigate this exposure.

Group

	2025			2024		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land and buildings*	120,380	(1,204)	119,176	120,380	-	120,380
Leasehold properties	5,521	(635)	4,886	5,521	(340)	5,181
Motor vehicles **	416	(416)	-	416	(416)	-
Office furniture and equipment **	23,166	(18,668)	4,498	23,037	(15,637)	7,400
Freehold land	7,801	-	7,801	7,801	-	7,801
Total	**157,284**	**(20,923)**	**136,361**	**157,155**	**(16,393)**	**140,762**

*Land and Buildings include both commercial and residential properties.
** Certain assets within the motor vehicles and office furniture have been fully depreciated but remain in active use by the Group. These assets continue to contribute to the operations of the Group despite their carrying value being reduced to zero.

Reconciliation of property, plant and equipment - Group 2025

	Land and buildings	Leasehold properties	Motor vehicles	Office furniture and equipment	Freehold land	Total
Cost or revaluation	120,380	5,521	416	23,166	7,801	157,284
Accumulated depreciation	(1,204)	(635)	(416)	(18,668)	-	(20,923)
Net book value at 31 March 2025	119,176	4,886	-	4,498	7,801	136,361
Net book value at beginning of year	120,380	5,181	-	7,400	7,801	140,762
Additions	-	-	-	129	-	129
Depreciation	(1,204)	(295)	-	(3,031)	-	(4,530)
	119,176	4,886	-	4,498	7,801	136,361

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

11 Property, plant and equipment (continued)

Bank

	2025			2024		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land and buildings*	120,380	(1,204)	119,176	120,380	-	120,380
Leasehold properties	5,521	(635)	4,886	5,521	(340)	5,181
Motor vehicles **	416	(416)	-	416	(416)	-
Office furniture and equipment **	23,118	(18,660)	4,458	23,037	(15,637)	7,400
Freehold land	7,801	-	7,801	7,801	-	7,801
Total	**157,236**	**(20,915)**	**136,321**	**157,155**	**(16,393)**	**140,762**

*Land and Buildings include both commercial and residential properties.
** Certain assets within the motor vehicles and office furniture have been fully depreciated but remain in active use by the Bank. These assets continue to contribute to the operations of the Bank despite their carrying value being reduced to zero.

Reconciliation of property, plant and equipment - Bank 2025

	Land and buildings	Leasehold properties	Motor vehicles	Office furniture and equipment	Freehold land	Total
Cost or revaluation	120,380	5,521	416	23,118	7,801	157,236
Accumulated depreciation	(1,204)	(635)	(416)	(18,660)	-	(20,915)
Net book value at 31 March 2025	119,176	4,886	-	4,458	7,801	136,321
Net book value at beginning of year	120,380	5,181	-	7,400	7,801	140,762
Additions	-	-	-	81	-	81
Depreciation	(1,204)	(295)	-	(3,023)	-	(4,522)
	119,176	4,886	-	4,458	7,801	136,321

11 Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group and Bank 2024

	Land and buildings	Leasehold properties	Motor vehicles	Office furniture and equipment	Freehold land	Total
Cost or revaluation	120,380	5,521	416	23,037	7,801	157,155
Accumulated depreciation	-	(340)	(416)	(15,637)	-	(16,393)
Net book value at 31 March 2024	**120,380**	**5,181**	**-**	**7,400**	**7,801**	**140,762**
Opening balance	109,638	5,181	-	4,861	7,801	127,481
Revaluations surplus	11,310	-	-	-	-	11,310
Additions	-	-	-	5,405	-	5,405
Depreciation	(568)	-	-	(2,866)	-	(3,434)
	120,380	**5,181**	**-**	**7,400**	**7,801**	**140,762**

Revaluations

The Group's land and buildings are carried at revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses. Revaluations are performed every 3 years and in intervening years if the carrying amount of the land and buildings differs materially from their fair value.

Management engaged Belfort Holdings Proprietary Limited to carry out an assessment of the fair value of property, plant and equipment as at 31 March 2024, in accordance with IFRS 13 Fair Value Measurement and IAS 16 Property, Plant and Equipment. The appointed valuer is qualified to perform valuations in line with the RICS Appraisal and Valuation Manual and the Real Estate Institute of Botswana Standards.

No revaluation was performed in 2025, as the Group follows a three-year cycle. The fair value amounts determined as at 31 March 2024 continue to be applied in the current year.

Refer to Note 32 for details of the valuation techniques, key inputs, and fair value disclosures for land and buildings, including leasehold and freehold properties.

The carrying value of the revalued assets under the cost model would have been:

Purchase price: 1 December 2005	63,188	63,188	63,188	63,188
Less: Accumulated depreciation	(26,118)	(24,854)	(26,118)	(24,854)
Carrying value as at 31 March	**37,070**	**38,334**	**37,070**	**38,334**

The presentation of the property, plant and equipment note under the cost model has been revised for enhancements.

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

12 Investments in associates

Group and Bank

Name of company	Country	% ownership interest 2025	% ownership interest 2024	Carrying amount 2025	Carrying amount 2024
Propcorp Proprietary Limited	Botswana	33.33%	33.33%	128	225

Propcorp Proprietary Limited is a property investment company operating an underground parking facility exclusively for employee use. The company's principal place of business is Botswana, with its registered office located at Plot 50370, Fairgrounds East Wing, Acumen Park, Gaborone, Botswana.

The Bank holds 33.33% (2024: 33.33%) of the voting rights in Propcorp Proprietary Limited and has assessed that it exercises significant influence through its participation in the financial and operating policies of the company via board representation and involvement in key operational decisions.

The parking facility is considered essential for employee use rather than a revenue-generating asset. The associated risks include:
- Operational risk: Regular maintenance is required, including access control and security systems. Disruptions or necessary upgrades may affect employee satisfaction.
- Legal and regulatory risk: Compliance with local health and safety regulations is essential. Failure to comply with new standards could result in penalties or increased costs.
- Governance risk: As the Bank does not have full control, decisions by other shareholders may not always align with the Bank's preferences, introducing governance risks.
- Workforce changes: Variations in employee numbers may affect parking facility utilisation, leading to either overcapacity or underutilisation.

Risk developments:
- Maintenance and upgrades: During the year, additional costs were incurred for the installation of a new security system and repairs to the lighting infrastructure. These improvements aim to reduce operational risk but will lead to higher maintenance costs.
- Regulatory changes: New safety regulations required upgrades to comply with fire safety standards.
- Commitments and contingencies: Future capital expenditure may be required to meet regulatory changes or operational improvements. As of the reporting date, there are no contingent liabilities.

The results of Propcorp Proprietary Limited for the year ended 31 December 2024 were used for equity accounting purposes, in alignment with its financial year-end. No significant transactions were identified between Propcorp's financial statements and the Group's reporting date, and the use of these results was deemed appropriate for equity accounting, despite the different year-ends.

Summarised financial information of associate

The summarised financial information presented below for Propcorp (Proprietary) Limited is based on the entity's audited financial statements for the year ended 31 December 2024. These financial statements were prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs), as issued by the IASB, and on the historical cost basis. The summarised information has been extracted from those audited financial statements and reflects the associate's financial position, performance, and cash flows in line with its accounting policies.

12 Investments in associates (continued)

The reconciliation of the investment held at the reporting date is as follows:

	2025	2024
Balance at the beginning of the year	225	320
Share of loss for the period	(97)	(95)
Balance at the end of the year	**128**	**225**

Summarised financial information of material associates

Summarised Statement of Profit or Loss and Other Comprehensive Income	Propcorp Proprietary Limited 2025	Propcorp Proprietary Limited 2024
Revenue	560	613
Other expenses	(517)	(579)
Profit before tax, depreciation and amortisation	43	34
Depreciation and amortisation	(333)	(333)
Loss from continuing operations	(290)	(299)
Total comprehensive loss	**(290)**	**(299)**

Summarised Statement of Financial Position	Propcorp Proprietary Limited 2025	Propcorp Proprietary Limited 2024
Assets	411	744
Non-current	603	558
Current		
Total assets	1 014	1 302
Liabilities		
Non-current	126	169
Current	481	449
Total liabilities	**607**	**618**
Equity	**407**	**684**

Reconciliation of net assets to equity accounted the investments in associates	Propcorp Proprietary Limited 2025	Propcorp Proprietary Limited 2024
Interest in associates at percentage ownership	128	225
Carrying value of investment in associate	128	225
Investment at beginning of year	225	320
Share of loss for the year	(97)	(95)
Investment at end of year	128	225

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

13 Investments in subsidiaries

The following table lists the entities which are controlled by the Bank, either directly or indirectly.

Bank

Name of company	% holding 2025	% holding 2024	Carrying amount 2025	Carrying amount 2024
Development House Proprietary Limited	99.98%	99.98%	5	5
National Development Bank Insurance Agency Proprietary Limited	100%	100%	1,000	1,000
			1,005	1,005
Impairment of investment in subsidiary			(5)	(5)
			1,000	**1,000**

Impairment
The Bank has previously recognised an impairment loss on its investment in Development House Proprietary Limited, a subsidiary operating a parking facility in Gaborone, Botswana. The impairment was determined based on an assessment of the recoverable amount in accordance with IAS 36 Impairment of Assets.

The following factors led to the impairment recognition:
- Declining utilisation: The parking facility is exclusively for use by employees, and variations in the workforce have led to periods of under-utilisation.
- Increased operational costs: Additional costs incurred for security upgrades and compliance with new fire safety regulations have negatively impacted the subsidiary's performance.

The carrying amount of the investment was reduced to P Nil, resulting in an impairment charge of P5,000.

Current year assessment
The impairment assessment has been reviewed as at 31 March 2025, and management concluded there have been no changes to the assumptions or judgements applied. Accordingly, the previously recognised impairment remains appropriate, and no further impairment has been recognised in the current year.

In determining the impairment, the following estimates and judgements were used:
- Discount rate: A pre-tax discount rate of 10%, reflecting current market conditions and specific risks associated with the subsidiary.
- Projection period: Cash flows were projected over five years, considering the subsidiary's current operational capacity.
- Growth rate: A zero terminal growth rate was applied, given the subsidiary's focus on operational use rather than revenue generation.

There has been no changes in the assessment made above.

14 Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - Group and Bank - 2025

	Opening balances	Interest	Other non cash movements	Cash-flows (interest and principal)	Closing balance
Borrowings	366,578	31,966	-	(47,147)	351,397
Lease liabilities	7,432	551	-	(2,616)	5,367
	374,010	**32,517**	**-**	**(49,763)**	**356,764**

Reconciliation of liabilities arising from financing activities - Group and Bank - 2024

	Opening balances	Interest	Other non cash movements	Cash-flows (interest and principal)	Closing balance
Borrowings	477,939	33,331	(130,791)	(13,901)	366,578
Lease liabilities	3,254	495	6,026	(2,343)	7,432
	481,193	**33,826**	**(124,765)**	**(16,244)**	**374,010**

	Group		Bank	
Figures in Pula thousand	2025	2024	2025	2024
15 Un-recallable capital				
Issued shares				
807,689 (2024: 789,689) Ordinary shares of no par value	807,689	789,689	807,689	789,689
Reconciliation of number of shares issued:				
Reported as at 01 April	789,689	497,689	789,689	497,689
Capital injection from the Industry Support Facility	18,000	92,000	18,000	92,000
Funds received from the Government of Botswana	-	200,000	-	200,000
	807,689	**789,689**	**807,689**	**789,689**
Issued				
Issued Un-recallable capital	807,689	789,689	807,689	789,689

The Bank's un-recallable capital comprises issued shares held by the Government of Botswana. As at 31 March 2025, the issued share capital amounted to P18 million (2024: P292 million).

The issued shares are fully paid and represent capital contributions by the shareholder in line with the National Development Bank Act. No new shares were issued during the current year (2024: nil).

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

Figures in Pula thousand	Group 2025	Group 2024	Bank 2025	Bank 2024
16 Reserves				
General risk reserve*	9,682	9,682	9,682	9,682
Revaluation reserve**	70,316	70,316	70,316	70,316
	79,998	**79,998**	**79,998**	**79,998**

***General risk reserve**

In accordance with Section 24(2) of the National Development Bank Act, the Bank is mandated to transfer a portion of its net profit each year to a General Risk Reserve, which serves to mitigate unforeseen risks and contingencies. Historically, this provision has been made when the Bank records a positive net profit and when such a transfer is deemed necessary, based on the Bank's risk exposure, capital adequacy position, and overall financial performance.

For the year ended 31 March 2025, management assessed the Bank's risk profile as stable compared to the prior year, with no material changes in operational or credit risk exposures. Although the Bank recorded a marginal profit, this amount was fully appropriated toward capital restoration and liquidity preservation, in alignment with prudential considerations and the Board's resolution to prioritize balance sheet strengthening. As a result, no additional transfer to the General Risk Reserve was made for FY2025, and no further provisions were deemed necessary. The reserve continues to be classified as part of the Bank's equity under "Reserves" in the Statement of Financial Position.

The existing balance in the General Risk Reserve is considered adequate to cover potential unidentified risks. The Bank remains compliant with the intent of the NDB Act by maintaining this reserve within equity under "Reserves" in the Statement of Financial Position. Management will continue to review the reserve annually, taking into account profitability, capital requirements, and the prevailing risk environment before making any further transfers.

The reserve calculation is based on a combination of risk assessments, future projections, and regulatory guidance, ensuring compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board. No additional appropriations were made this year, as the Bank's existing balance is deemed sufficient to cover unforeseen risks, and no new risks materialised requiring an adjustment.

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the reserve is not tied to specific liabilities but remains available to meet potential operational needs or unforeseen future losses. The reserve is treated as part of Tier 1 capital, contributing to the Bank's capital adequacy in line with regulatory requirements.

****Revaluation reserve**

The revaluation reserve comprises of the accumulated revaluation surpluses arising from the revaluation of property (notes 11 and 32) and includes land and buildings, freehold land and leasehold properties. The revaluation reserve is treated as part of Tier 2 capital, contributing 50% to the Bank's capital adequacy in line with regulatory requirements

17 Employee obligations

Reconciliation of employee obligations - Group - 2025

	Opening balances	Additions	Utilised during the year	Total
Gratuity	12,153	11,459	(7,571)	16,041
Leave pay	4,573	2,737	(2,527)	4,783
	16,726	**14,196**	**(10,098)**	**20,824**

Reconciliation of employee obligations - Bank - 2025

	Opening balances	Additions	Utilised during the year	Total
Gratuity	12,051	11,281	(7,571)	15,761
Leave pay	4,467	2,608	(2,423)	4,652
	16,518	**13,889**	**(9,994)**	**20,413**

Reconciliation of employee obligations - Group - 2024

	Opening balances	Additions	Utilised during the year	Total
Gratuity	7,065	8,793	(3,705)	12,153
Leave pay	3,390	2,920	(1,737)	4,573
	10,455	**11,713**	**(5,442)**	**16,726**

Reconciliation of employee obligations - Bank - 2024

	Opening balances	Additions	Utilised during the year	Total
Gratuity	7,065	8,631	(3,645)	12,051
Leave pay	3,390	2,821	(1,744)	4,467
	10,455	**11,452**	**(5,389)**	**16,518**
Split between non-current and current portions				
Non-current liabilities	16,041	12,153	15,761	12,051
Current liabilities	4,783	4,573	4,652	4,467
	20,824	**16,726**	**20,413**	**16,518**

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

Figures in Pula thousand	Group 2025	Group 2024	Bank 2025	Bank 2024
18 Other liabilities				
Financial instruments:				
Trade payables	5,348	3,758	5,198	3,728
Agricultural credit guarantee scheme liabilities*	16,991	13,421	16,991	13,421
Other administrative liabilities	1,054	1,162	1,053	1,104
Audit fees accruals	2,216	1,960	2,132	1,880
Customer liabilities****	8,170	2,344	7,926	2,344
Non-financial instruments:				
NDB Privatisation funds*****	8,155	11,924	8,155	11,924
VAT payable	35	75	-	-
Deferred grant income – Restructuring***	35,888	-	35,888	-
Deferred grant income - Borrowings**	137,466	154,779	137,466	154,779
	215,323	**189,423**	**214,809**	**189,180**
Split between non-current and current portions				
Non-current liabilities	181,544	166,778	181,509	166,703
Current liabilities	33,779	22,645	33,300	22,477
	215,323	**189,423**	**214,809**	**189,180**

*The Agricultural Credit Guarantee Scheme is an insurance scheme for arable farming and horticulture loans with the Botswana Government. The Bank and its customers contribute equally to the premiums payable to the Botswana Government on an annual basis. The Government subsidises 85% of the repayments toward these loans in cases of severe drought, when customers are unable to repay their loans, thus reducing the credit risk on these loans.

**Deferred grant income - Borrowings As detailed in note 19, the Bank received two loan facilities from the Botswana Government under the Public Debt Service Fund and the Revenue Stabilization Fund. These loans were initially measured at fair value, with the difference between the fair value and the nominal amount recognised as deferred grant income. The Public Debt Service Fund and Revenue Stabilization Fund loans are amortised into grant income on a straight-line basis over the term of the loan, aligning the recognition of grant income with the related interest expense recorded using the Effective Interest Rate (EIR) method. The loan is repayable in semi-annual installments, with concessional interest rates applied over the extended repayment period. Due to rescheduling of the loan payments, a modification arose in the prior year and it has been reassessed using the market rate in the 2025 financial year.

***Deferred grant income – restructuring represents P 72 million received from the Government of Botswana in January 2025 under the COVID-19 Pandemic Relief Fund. In accordance with the Ministry's confirmation, 75% of the P 72 million has been recognized as grant income to support the Bank's restructuring and transformation initiatives, while the remaining P 18 million has been accounted for as a capital injection (refer to Note 15). Since the grant amount is designated for the Bank's restructuring and transformation initiatives, the entire amount of P54 million has been recorded as deferred grant income. Out of the P 54 million grant received, management has incurred P 18,112 thousand towards these initiatives (refer to Note 23); therefore, grant income has been recognized to the extent of the amount incurred during the year.

****Customer liabilities are credit balances remaining in customer accounts after all related debts have been settled. These credits are refundable to customers.

*****NDB privatization funds represent capital support provided by the Botswana Government to facilitate the Bank's commercialization/Agribank transition project in prior years. According to the Ministry's confirmation, the amount provided by the Botswana Government is to support the Bank's commercialization project; therefore, the Bank has accounted for this as deferred grant income. During the year, management incurred P3,679 thousand towards the commercialization project; consequently, this amount has been recognized as grant income, and the related expenses have been treated as expenses. Any amounts not yet applied are carried as deferred income and will be recognized in profit or loss as and when qualifying expenses are incurred.

At the time of reporting, commercialisation was no longer taking place as previously intended, however the funds have been agreed by Government to utilise for the purposes of converting into an agricultural bank.The Government has set a mandate for the Bank to transition to an agricultural bank. Previously, the Bank had provided for shareholders' dividends, anticipating profit after commercialisation. No dividends have been declared, and there are no terms and conditions for this provision.

Figures in Pula thousand	Group 2025	Group 2024	Bank 2025	Bank 2024
18 Other liabilities (continued)				
Opening balance	(154,779)	(39,551)	(154,779)	(39,551)
Grant income recognised (note 23)	39,195	15,563	39,195	15,563
Grant income received – Restructuring	(54,000)		(54,000)	
Grant income received – Agribank transition	(11,925)		(11,925)	
Fair value adjustment to deferred grant income due to modification*	-	(130,791)	-	(130,791)
Closing balance	**(181,509)**	**(154,779)**	**(181,509)**	**(154,779)**

*The significant increase in the deferred grant income liability is due to the modification of borrowings.

Figures in Pula thousand	Group 2025	Group 2024	Bank 2025	Bank 2024
19 Borrowings				
Held at amortised cost				
Government of Botswana: Public Debt Service Fund	154,743	160,463	154,743	160,463
The P300 million borrowing from the Government of Botswana, through the Public Debt Service Fund, is repayable over a period of 20 years in equal half-yearly installments. The loan had a two-year grace period during which interest was capitalised. The loan bears interest at 1% per annum and matures on 9 May 2038. This facility is unsecured.				
Government of Botswana: Revenue Stabilization Fund	196,654	206,115	196,654	206,115
Revenue Stabilization Fund loan of P250 million from the Ministry of Finance and Economic Development bears a fixed interest of 4.75% and has a maturity of 15 years. The loan had an initial grace period of 2 years during which interest was capitalised. The loan matures on 30 September 2036. This facility is unsecured.				
	351,397	**366,578**	**351,397**	**366,578**
Split between non-current and current portions				
Non-current liabilities	317,491	333,131	317,491	333,131
Current liabilities	33,906	33,447	33,906	33,447
	351,397	**366,578**	**351,397**	**366,578**

In accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, government loans received at concessional interest rates are initially recognised at fair value. The fair value at inception was determined using a discount rate of 9%, which reflects the market interest rate. The difference between the nominal value of the loan and its fair value at inception is treated as a government grant and recognised as deferred income, as per note 18. Subsequently, the loan is measured at amortised cost using the effective interest rate (EIR) method.

Figures in Pula thousand	Group 2025	Group 2024	Bank 2025	Bank 2024
Borrowings movement				
Opening balance	**366,578**	**477,939**	**366,578**	**477,939**
Interest charge for the year	31,966	33,331	31,966	33,331
Interest paid for the year	(14,720)	(6,350)	(14,720)	(6,350)
Capital repayments	(32,427)	(7,551)	(32,427)	(7,551)
Fair value adjustment to deferred grant income due to modification	-	(130,791)	-	(130,791)
Balance at the end of the year	**351,397**	**366,578**	**351,397**	**366,578**

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

	Group		Bank	
Figures in Pula thousand	2025	2024	2025	2024

19 Borrowings (continued)

Modification of borrowings

The debt restructuring concluded in January 2024 remained in effect throughout the year ended 31 March 2025. Under the revised terms, maturity was extended by ten years and the Bank continues to make an annual instalment of approximately P47 million in line with the new schedule. No additional modifications were made to the borrowing terms during the current year. The revised profile reduced near term cash outflows and supported liquidity management

20 Interest revenue calculated using effective interest rate method

Revenue other than from contracts with customers

Figures in Pula thousand	Group 2025	Group 2024	Bank 2025	Bank 2024
Loans and advances	92,837	92,080	92,837	92,080
Government interest subsidy	8,325	7,589	8,325	7,589
Deposit interest income*	7,080	6,257	7,080	6,257
	108,242	**105,926**	**108,242**	**105,926**

*Deposit interest income consists of interest income derived from both placements with financial institutions (note 4) and fixed deposits (note 3).

21 Interest expense calculated using effective interest rate method

Figures in Pula thousand	Group 2025	Group 2024	Bank 2025	Bank 2024
Borrowings from the Government of Botswana	31,966	33,331	31,966	33,331
Bank overdraft	-	117	-	117
Other interest expenses	686	230	686	230
Finance charges on lease liabilities	551	495	551	495
	33,203	**34,173**	**33,203**	**34,173**

22 Fee and commission income

Figures in Pula thousand	Group 2025	Group 2024	Bank 2025	Bank 2024
Temo Letlotlo Programme - management fees	68,807	26,362	68,807	26,362
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH - management fees	515	347	515	347
Royalties received	14	8	14	8
Foot and Mouth Disease Relief Fund - management fees	511	503	511	503
Industry Support Facility - management fees	7,633	10,169	7,633	10,169
Life insurance commission	5,243	2,328	-	-
Loan administration fees	3,980	2,273	3,980	2,273
General insurance commission	1,319	514	-	-
Impact Accelerator Subsidy - management fees	1,200	1,292	1,200	1,292
	89,222	**43,796**	**82,660**	**40,954**

All revenue has been recognised at a point in time.

Management fees received, refer to note 29, consist of contractual income derived from administering the funds and programmemes of the Temo Letlotlo Programme, the Impact Accelerator Subsidy, the Foot and Mouth Disease Relief Fund, the Industry Support Facility, and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

23 Grant income

Figures in Pula thousand	Group 2025	Group 2024	Bank 2025	Bank 2024
Grant income - Concessional rate Borrowings *	17,313	15,563	17,313	15,563
Grant income - Restructuring **	18,112	-	18,112	-
Grant income - Agribank transition ***	3,770	-	3,770	-
	39,195	**15,563**	**39,195**	**15,563**

* Grant income is recognised in relation to concessional loans received from the Government of Botswana, as detailed in note 19. The Bank benefits from subsidised interest rates of 1% on the Public Debt Service Fund facility and 4.75% on the Revenue Stabilization Fund facility, following the modification of these borrowings. The standard interest rate under normal conditions is 9%. Deferred grant income, as disclosed in note 18, is amortised to profit or loss over the respective loan terms, ensuring alignment between the recognition of grant income and the corresponding interest expense.

Both facilities remain at these concessional rates (1% and 4.75%) under the following conditions:
- Adherence to the repayment schedules, with all payments made on time;
- Exclusive use of the loans for the designated projects as per the agreement with the Ministry of Finance;
- Any default in payment or misuse of funds may trigger a reversion to the 9% market interest rate; and
- The Ministry reserves the right to review and adjust the loan terms in the event of significant financial changes or default by the Bank.

** Restructuring Grant: The Bank received P72 million from the Government of Botswana in January 2025 of which P54 million is towards grant income to support the Bank's restructuring and transformation initiatives(refer to Note 18) and accounted for as deferred grant. During the year, management incurred P18,112 thousand for these initiatives, leading to the recognition of grant income equivalent to the expenses incurred.

*** Agribank transition Funds: This represents capital support from the Botswana Government for the Bank's commercialization/ Agribank transition project in prior years and accounted for as Deferred Grant income (refer to Note 18). For the current year, management incurred P3,679 thousand related to the commercialization project, which has been recognized as grant income, with the corresponding expenses recorded accordingly.

The recognition is consistent with IAS 20.12, which requires systematic recognition of grant income over the periods in which the related expenses are incurred. The remaining P36 million of the ISF balance is carried as deferred income (see Note 18) and will be recognised in future periods as further qualifying expenditure is incurred.

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

	Group		Bank	
Figures in Pula thousand	2025	2024	2025	2024
24 Other income				
Other	184	87	184	87
Rental income from commercial properties	3 882	3 819	3 882	3 819
	4 066	**3 906**	**4 066**	**3 906**

Bank as a lessor

The Bank leases office spaces to various tenants. There are no restrictions placed in the leases by the lessee. The Bank recognised P3,882,418 (2024: P3,818,540) as rental income. The future undiscounted contractual cash flows from rental income are summarised below:

Group and Bank - 2025	0-1 month	1-2 months	3-12 months	1-5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000	P'000
Rental income from commercial properties	325	325	2,561	2,173	-	5,384

Group and Bank - 2024	0-1 month	1-2 months	3-12 months	1-5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000	P'000
Rental income from commercial properties	281	281	2,654	2,107	-	5,323

25 Operating profit for the year

	Group		Bank	
Figures in Pula thousand	2025	2024	2025	2024
Movement in expected credit loss allowance				
Expected credit loss from other assets	1,128	4,198	1,271	4,076
Expected credit loss from loans and advances to customers	32,986	(60,280)	32,986	(60,280)
Debt recoveries	(33,144)	(16,740)	(33,144)	(16,740)
	970	(72,822)	1,113	(72,944)

25 Operating profit for the year (continued)

Operating profit for the year is stated after charging/(crediting) other income (note 24), personnel expenses (note 26), depreciation expense (note 27), amortisation expense (note 27), expected credit losses (Note 25) and the following are expenses by nature:

	Group		Bank	
Figures in Pula thousand	2025	2024	2025	2024
Operating expenses are analysed by nature as follows:				
Accounting fees	330	300	-	-
Advertising	2,812	3,122	2,457	3,112
Agricultural Credit Guarantee Scheme contributions	8,496	6,710	8,496	6,710
Board of Directors' fees and expenses	2,439	1,686	2,335	1,646
Computer expenses	7,613	5,997	7,613	5,997
"Consultancy and other expenses relating to commercialisation"	248	3,673	-	3,651
Professional and management consultant's fee	739	497	739	497
External audit fees	2,435	1,893	2,351	1,813
Fund administration expenses	-	3,534	-	3,534
Insurance	1,991	1,529	1,991	1,529
Municipal expenses	1,168	1,187	1,168	1,187
Consulting and professional fees	11,393	4,335	11,393	4,335
Recruitment expense	840	1,051	840	1,051
Repairs and maintenance	3,621	2,845	3,621	2,845
Subscriptions	583	1,006	583	1,006
Staff welfare	702	872	681	866
Telephone and fax	3,240	2,397	3,238	2,396
Restructuring and Agribank transition expenses	1,971	2,532	1,961	2,523
Transition Expenses*	21,881	-	21,881	-
Travel expenses	5,604	3,856	5,557	3,819
Value added tax expenses	4,324	4,104	4,324	4,104
Other expenses	6,809	4,202	6,647	4,148
	89,239	**57,328**	**87,876**	**56,769**

*The Government of Botswana has provided aid to the National Development Bank with instructions to utilize the funds for restructuring and privatization initiatives. The grant received from the Government has been recognized as deferred grant income, as detailed in Note 18. During the reporting period, management incurred expenses related to the restructuring and privatization efforts; consequently, grant income has been recognized as revenue in Note 23.

Agribank transition expenses primarily consist of payments made to employees as part of separation packages during the year. Agribank transition expenses mainly include payments to consultants for services rendered and other misc consts for travel etc. A detailed breakdown of these expenses is provided below.

	Group 2025	Group 2024	Bank 2025	Bank 2024
Separation package paid to employees	17,021	-	17,021	-
Consultant expenses	3,078	-	3,078	-
Travel expenses	1,129	-	1,129	-
Other expenses	653	-	653	-
	21,881	**-**	**21,881**	**-**

26 Personnel expenses

	Group 2025	Group 2024	Bank 2025	Bank 2024
Salaries and wages	71,997	61,087	69,865	59,627
Other staff costs	21,452	22,491	21,276	21,976
Pension contributions	3,167	2,858	3,167	2,858
	96,616	**86,436**	**94,308**	**84,461**

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

		Group		Bank	
Figures in Pula thousand		2025	2024	2025	2024
27 Depreciation and amortisation expense					
Depreciation					
Property, plant and equipment	11	4,530	3,434	4,522	3,434
Right-of-use assets	8	2,099	1,799	2,099	1,799
		6,629	**5,233**	**6,621**	**5,233**
Amortisation expense					
Intangible assets	9	806	2,125	806	2,125
Total depreciation and amortisation					
Depreciation		6,629	5,233	6,621	5,233
Amortisation		806	2,125	806	2,125
		7,435	**7,358**	**7,427**	**7,358**
28 Taxation					
Major components of the tax expense					
Current					
Local income tax - current period		642	75	-	-
Deferred					
Deferred tax		32	(22)	-	-
		674	**53**	**-**	**-**

Reconciliation of the tax expense

The tax on the operating loss differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group 2025	Group 2024	Bank 2025	Bank 2024
Profit/(loss) before tax	13,165	56,623	10,140	56,437
Tax at the applicable tax rate of 22% (2024: 22%)	2,896	12,457	2,231	12,416
Reconciling items:				
Deferred tax not recognised	(8,449)	(25,867)	(8,449)	(25,867)
Accumulated tax losses expired	10,158	16,304	10,158	16,304
Non-deductible expenses: share of loss of associate	20	21	20	21
Non-deductible expenses: donations	4	3	4	1
Non-deductible expenses: penalties and interest*	-	552	-	547
Non-taxable income: grant income	(8,623)	(3,424)	(8,623)	(3,424)
Non-deductible expenses: other	4,668	7	4,659	2
	674	**53**	**-**	**-**

*The Bank and its subsidiary incurred penalties and interest charges due to the late payment of taxes and non-compliance with certain tax regulations. These amounts represent additional tax liabilities for the financial year and ensure that taxable income is accurately presented, with no deductions for non-deductible expenses.

The Bank did not recognise any deferred tax asset in respect of these losses in prior periods.

		Group		Bank	
Figures in Pula thousand		2025	2024	2025	2024

29 Funds administered by the Bank

The Bank administers funds on behalf of the Government of Botswana for the following funds and programmemes: The Foot and Mouth Disease Relief Fund, the Industry Support Facility, the Impact Accelerator Subsidy, the Temo Letlotlo Programme and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

The Foot and Mouth Disease Relief Fund, the Industry Support Facility and the Impact Accelerator Subsidy maintains separate sets of financial statements. The total assets as at 31 March 2025 amounted to P54 million (2024: P54 million) under the Foot and Mouth Disease Relief Fund, P169 million (2024: P209 million) under the Industry Support Facility and P145 million (2024: P97 million) under the Impact Accelerator Subsidy.

The details of the transactions carried out by the bank are as follows:

		Group 2025	Group 2024	Bank 2025	Bank 2024
Management fee income	22	78,666	38,673	78,666	38,673
Management fee income receivable	6	61,189	30,110	61,189	30,110

30 Capital management

Capital adequacy and the use of regulatory capital are monitored by Bank of Botswana on a monthly basis. The Central Bank has set the minimum requirement at 12.5%. The ratio calculation involves the application of designated risk weightings based on an estimate of credit, market and other risks associated with broad categories of transactions and counterparties. The Bank is not a regulated commercial bank and therefore is not subject to the externally imposed capital requirements. However, the Bank uses the guidelines set by the Central Bank to manage its capital.

During the current financial year the Group adjusted for assets pledged as security in arriving at the capital adequacy ratio as at 31 March 2025.

		Group 2025	Group 2024	Bank 2025	Bank 2024
Un-recallable capital	15	807,689	789,689	807,689	789,689
General reserves	16	9,682	9,682	9,682	9,682
Retained earnings/ accumulated losses		7,575	(4,916)	4,000	(6,140)
Intangible assets	9	(1,553)	(498)	(1,553)	(498)
Tier 1 capital		**823,393**	**793,957**	**819,818**	**792,733**
Unencumbered general provisions		17,847	15,273	17,841	15,312
Revaluation reserve*		35,158	35,158	35,158	35,158
Tier 2 capital		**53,005**	**50,431**	**52,999**	**50,470**
Total capital		**876,399**	**844,388**	**872,817**	**843,203**
Less: Investment in associate	12	(128)	(225)	(128)	(225)
Total unimpaired capital		**876,271**	**844,163**	**872,689**	**842,978**
Risk weighted assets:					
On balance sheet assets		1,408,960	1,216,308	1,408,541	1,219,404
Off balance sheet assets		18,765	5,554	18,765	5,554
Total risk weighted assets		**1,427,725**	**1,221,862**	**1,427,306**	**1,224,958**
Capital adequacy ratio		61%	69%	61%	69%
Regulatory capital adequacy ratio		12.50%	12.50%	12.50%	12.50%

*The Group makes use of the Bank of Botswana guideline, whereby 50% of its fixed asset revaluation reserve is included as tier 2 capital.

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

Figures in Pula thousand

31 Related parties

The Group has related party relationships with the Government of Botswana, its directors, key management personnel, its subsidiary and its associate. Transactions with related parties are carried out in the ordinary course of business.

As the Bank's shareholder is the Government of Botswana, all state-owned entities are considered related parties to the Bank and Group due to their relationship with the Government

Relationships	Percentage ownership	Entity
Parent entity	100%	Government of Botswana through: Ministry of Finance and Development Planning Ministry of Agricultural Development and Food Security Ministry of Environment Natural Resources Conservation and Tourism
Subsidiaries	99.98%	Development House Proprietary Limited
	100%	National Development Bank Insurance Agency Proprietary Limited - Refer to note 13.
Associates	33.33%	Propcorp Proprietary Limited - Refer to note 12.
Government entities		Agricultural Credit Guarantee Scheme Foot and Mouth Disease Relief Fund Industry Support Facility Impact Accelerator Subsidy Temo Letlotlo Programme Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH Water Utilities Corporation Botswana Telecommunication Corporation Botswana Postal Services Regional Education Office Department of Wildlife National Parks Department of Land and Housing

31 Related parties (continued)

Related party balances

Amounts receivable/(payable) included in other assets and other liabilities

Figures in Pula thousand		Group 2025	Group 2024	Bank 2025	Bank 2024
Agricultural Credit Guarantee Scheme	18	(16,991)	(13,421)	(16,991)	(13,421)
Foot and Mouth Disease Relief Fund - management fees receivable*	6	5,630	4,101	5,630	4,101
Industry Support Facility - management fees receivable	6	2,282	2,118	2,282	
Impact Accelerator Subsidy - management fees receivable	6	2,492	1,292	2,492	1,292
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH - management fees receivable	6	923	347	923	347
National Development Bank Insurance Agency Proprietary Limited - loan receivable	6	-	-	512	3,968
Temo Letlotlo Programme - management fees receivable	6	55,492	26,353	55,492	26,353
Water Utilities Corporation - rent receivable	6	595	883	595	883
Botswana Telecommunication Corporation - rent receivable	6	79	28	79	
Department of Land and Housing - rent receivable	6	52	47	52	47
Botswana Postal Services - rent receivable	6	-	5	-	5
Regional Education Office - rent receivable	6	206	37	206	37
Department of Wildlife National Parks - rent receivable	6	88	287	88	287
		50,848	**22,077**	**51,360**	**23,899**

*An expected credit loss allowance was recognised on receivable amounts due from the Foot and Mouth Disease Relief Fund as per note 6. The receivable figure disclosed in this note is the gross carrying amount.

Amounts owed to the Government of Botswana through

		Group 2025	Group 2024	Bank 2025	Bank 2024
Public Debt Service Fund	19	154,743	160,463	154,743	160,463
Revenue Stabilization Fund	19	196,654	206,115	196,654	206,115
		351,397	**366,578**	**351,397**	**366,578**
Subsidies receivable from related parties					
Government of Botswana	6	12,978	3,037	12,978	3,037
Loan accounts owed by key management personnel					
Outstanding as at the year end		10,603	7,963	10,603	7,963

Loan accounts owed by key management personnel are offered at an interest rate of 4.5% and is repayable within an average period of 6 years.

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

		Group		Bank	
Figures in Pula thousand		2025	2024	2025	2024
31 Related parties (continued)					
Related party transactions					
Interest expense to related parties					
Public Debt Service Fund		2,495	2,861	2,495	2,861
Revenue Stabilization Fund		12,158	12,432	12,158	12,432
		14,653	**15,293**	**14,653**	**15,293**

The above interest expense pertains to normal interest on borrowings. Notional interest (the interest expense pertaining to fair value adjustments) amounts to P11.12 million (2024: P14.9 million) for the Public Debt Service Fund and P6.16 million (2024: P3.1 million) for the Revenue Stabilization Fund for both the Group and the Bank. Refer to note 21 for total interest expense.

		Group		Bank	
Figures in Pula thousand		2025	2024	2025	2024
Fees and commission income from related parties					
Foot and Mouth Disease Relief Fund	22	511	503	511	503
Industry Support Facility	22	7,633	10,169	7,633	10,169
Impact Accelerator Subsidy	22	1,200	1,292	1,200	1,292
Temo Letlotlo Programme	22	68,807	26,362	68,807	26,362
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	22	515	347	515	347
		78,666	**38,673**	**78,666**	**38,673**
Rent received from related parties					
Water Utilities Corporation		1,501	1,501	1,501	1,501
Botswana Telecommunication Corporation		50	39	50	39
Department of Land and Housing		1,092	1,089	1,092	1,089
Botswana Postal Services		322	315	322	315
Regional Education Office		530	570	530	570
		3,495	**3,514**	**3,495**	**3,514**
Administration fees paid to related parties					
Contribution to Agricultural Credit Guarantee Scheme		10,417	6,710	10,417	6,710
Personnel expenses reimbursements					
Foot and Mouth Disease Relief Fund		1,018	1,018	1,018	1,018
National Development Bank Insurance Agency Proprietary Limited		-	-	2,136	2,635
		1,018	**1,018**	**3,154**	**3,653**

		Group		Bank	
Figures in Pula thousand		2025	2024	2025	2024
31 Related parties (continued)					
Directors and key management personnel compensation					
Board of Directors sitting allowances		1,689	1,062	1,689	1,062
Short-term employment benefits		11,547	10,286	10,898	10,286
Termination benefits*		3,331	4,442	3,064	4,442
		16,567	**15,790**	**15,651**	**15,790**

*Termination benefits for directors and key management personnel were not disclosed in the prior year's financial statements and have now been included for comparatives to ensure compliance with disclosure requirements and enhance comparability.

		Group		Bank	
Figures in Pula thousand		2025	2024	2025	2024
Subsidies received from the related parties					
Government of Botswana	20	8,325	7,589	8,325	7,589
Operating cost reimbursements					
Propcorp Proprietary Limited		283	304	283	304

The operating cost reimbursements from the Bank are payments made in line with the agreement held with Propcorp Proprietary Limited to make contributions toward the running costs. These payments do not constitute to further equity investments into Propcorp Proprietary Limited and are appropriately expensed in the Bank's financial statements. Refer to notes 12 and 13 for a reconciliation of the movement in investments in subsidiaries and associates for the period.

		Group		Bank	
Figures in Pula thousand		2025	2024	2025	2024
Grant income received from related parties					
Government of Botswana	23	39,195	15,563	39,195	15,563

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

32 Fair value information

Fair value hierarchy

Financial assets and liabilities closely approximate their fair value. Please refer to the categories of financial assets and liabilities in note 33.

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

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

Level 3: Unobservable inputs for the asset or liability.

Financial and non-financial assets and liabilities measured at fair value

2025		Group					Bank				
		Level 1	Level 2	Level 3	Total	Carrying amount	Level 1	Level 2	Level 3	Total	Carrying amount
Non-financial assets											
Land and buildings *	11	-	-	131,863	131,863	131,863	-	-	131,863	131,863	131,863

2024		Group					Bank				
		Level 1	Level 2	Level 3	Total	Carrying amount	Level 1	Level 2	Level 3	Total	Carrying amount
Non-financial assets											
Land and buildings *	11	-	-	133,362	133,362	133,362	-	-	133,362	133,362	133,362

There has been no movement between the fair value hierarchy levels of the above line items during the year.

* It consists of land and buildings amounting to P 119,176 thousand (2024: P 120,380 thousand), leasehold properties of P 4,886 thousand (2024: P 5,181 thousand), and freehold land of P 7,801 thousand (2024: P 7,801 thousand). The fair value assessment was performed in the prior year; therefore, the movement in asset balances from the prior year to the current year is attributed to depreciation charged. This movement is disclosed in Note 11.

32 Fair value information (continued)

Financial assets and liabilities at amortised cost

Cash and cash equivalents (including the bank overdraft)
Due to its short-term nature, the carrying amount approximates the fair value.

Other assets and other liabilities, including employee obligations
The nominal value of receivables and payables is assumed to approximate their fair values.

Placements with financial institutions
Due to its short-term nature, the carrying amount approximates the fair value.

Loans and advances to customers
The loans and advances to customers are recognised at amortised cost. The fair value is determined for disclosure purposes by discounting the future expected cash flows using contractual interest rates which closely approximate its carrying amount. The credit risk will be approximated by the carrying values of defaulted and impaired accounts.

Borrowings
Borrowings are initially recognised at fair value, calculated using a market-related discount rate, and subsequently measured at amortised cost under the effective interest rate method. The difference between the initial fair value and the nominal amount is recognised as deferred grant income. As noted in note 19, the borrowings were modified and remeasured at fair value in the prior year. Following this modification, the carrying amount of the borrowings continues to approximate their fair value.

Fair value information – 1% sensitivity analysis
In both 2024 and 2025, management applied a 1% sensitivity to the key unobservable input used in valuing land and buildings, being the discount rate. The recalculated impact of this sensitivity was below reporting materiality thresholds, and therefore disclosed as Nil in both years. Accordingly, a 1% increase (decrease) in the discount rate would not have resulted in a material change in the reported fair value of land and buildings.

Land and buildings (non-financial assets):
The fair value of land and buildings as at 31 March 2025 was P131.8 million (2024: P133 million), consistent with Note 11.

1% sensitivity was applied by management, resulting in an impact of P1.32 million (2024 - P1.33 million), ensuring consistency in methodology across reporting periods.

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

32 Fair value information (continued)

Information about valuation techniques and inputs used to derive level 3 fair values on land and buildings

Land and buildings
Management engaged Belfort Holdings Proprietary Limited, to carry out an assessment of the fair value of property, plant and equipment as at 31 March 2024 as per the requirements of IFRS 13 Fair Value Measurement and IAS 16 Property, Plant and Equipment. The aforementioned independent valuer appointed is qualified for the valuations in accordance with the RICS Appraisal and Valuation Manual, and the Real Estate Institute of Botswana Standards.

Group and Bank

31 March 2025	P '000	Valuation technique	Key unobservable input	Range per P/Sqm	Relationship of unobservable input to fair value
Gaborone Head Office building	89,446	Income approach	Rent/m2 and capitalisation rate	Building's rent: P70-P400/m2 Land's rent: P1,200/m2 Capitalisation rate: 7%	The higher the rent, the higher the fair value. The lower the cap rate, the higher the fair value.
Gaborone Residential properties	5,375		Rent/m2	P2,000/m2 - P2,800/m2	The higher the sales price, the higher the fair value.
Gaborone Residential properties	4,910	Sales comparison	Rent/m2	P2,000/m2 - P2,800/m2	The higher the sales price, the higher the fair value.
Francistown Commercial properties	23,730	Income approach	Rent/m2 and capitalisation rate	Building's rent: P80-P250/m2 Land's rent: P1,000/m2 Capitalisation rate: 11%	The higher the rent, the higher the fair value. The lower the cap rate, the higher the fair value.
Maun Commercial properties	3,000	Income approach	Rent/m2 and capitalisation rate	Rent: P34,560 Capitalisation rate: 11%	The higher the rent, the higher the fair value. The lower the cap rate, the higher the fair value.
Maun Residential properties	1,720	Sales comparison	Rent/m2	P250/m2 - P1,200/m2	The higher the sales price, the higher the fair value.
	128,181				

Palapye property, under leasehold properties (note 11), with a cost of P5,521,171, is not included in the above summary.

32 Fair value information (continued)

Group and Bank

31 March 2024	P '000	Valuation technique	Key unobservable input	Range per P/Sqm	Relationship of unobservable input to fair value
Gaborone Head Office building	89,446	Income approach	Rent/m2 and capitalisation rate	Building's rent: P70-P400/m2 Land's rent: P1,200/m2 Capitalisation rate: 7%	The higher the rent, the higher the fair value. The lower the cap rate, the higher the fair value.
Gaborone Residential properties	5,375	Sales comparison	Rent/m2	P2,000/m2 - P2,800/m2	The higher the sales price, the higher the fair value.
Gaborone Residential properties	4,910	Sales comparison	Rent/m2	P2,000/m2 - P2,800/m2	The higher the sales price, the higher the fair value.
Francistown Commercial properties	23,730	Income approach	Rent/m2 and capitalisation rate	Building's rent: P80-P250/m2 Land's rent: P1,000/m2 Capitalisation rate: 11%	The higher the rent, the higher the fair value. The lower the cap rate, the higher the fair value.
Maun Commercial properties	3,000	Income approach	Rent/m2 and capitalisation rate	Rent: P34,560 Capitalisation rate: 11%	The higher the rent, the higher the fair value. The lower the cap rate, the higher the fair value.
Maun Residential properties	1,720	Sales comparison	Rent/m2	P250/m2 - P1,200/m2	The higher the sales price, the higher the fair value.
	128,181				

Palapye property, under leasehold properties (note 11), with a cost of P5,521,171, is not included in the above summary.

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

32 Fair value information (continued)

Valuation techniques

Replacement cost method
The estimated cost of erecting or constructing a modern substitute building of the same gross internal floor area and ancillary works together with the relevant professional fees and other associated expenses directly related to the construction of the property and site works assuming:
- The building will be used for the same purpose as the subject property;
- That the works will be undertaken by an average competent contractor over the stipulated period;
- That a reasonable allowance will be made for inflation and contingencies that would occur during the construction period;
- That account will be taken of any incidental losses that an owner might suffer as a result of the rebuilding of the property including the loss of rent where the building is leased or deprivation of use and cost of alternative accommodation; and
- That no value shall be attributed to land.

Sales comparison approach
This approach adopts the principle that the value of one property may be derived by comparing it directly with market transactions for similar properties. Adjustments are made considering the age of the property, location and other relevant factors.

Income approach
This approach calculates the value of a property by dividing the net operating income of a property by its capitalisation rate. Costs of maintenance and repair and how efficiently a property is used are important factors considered when using this approach.

33 Financial instruments and risk management

Financial risk management

Overview

National Development Bank has various risk exposures emanating from the day to day conduct of financial intermediation. The key risks are:
- Credit risk (counterparty risk);
- Liquidity risk; and
- Market risk (interest rate risk).

It is the Board of Directors' responsibility to ensure that there is an effective risk management framework in place and sufficient controls to mitigate the eventualities of unwarranted exposure. The Board of Directors have established the Risk and Audit Committees and Asset and Liability Committee (ALCO) to ensure that there is sufficient financial risk identification, measurement, monitoring and mitigation and reporting to shareholders. To this end the Risk and Audit Committee has approved policies, and set limits and controls for the various facets of risk management.

The Asset and Liability Management (ALM) framework has been put in place to ensure that the Bank's profitability is sustainable and resilient. This requires the Asset and Liability Committee (ALCO) to take a long-term approach, incorporating internal and external expectations and factors in its strategic decisions.

On a continuous basis, the Risk and Audit Committee reviews the risk management policies of the Bank to ensure that they are relevant to the current market situation and consistent with the Bank's strategic objectives.

Credit risk
Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises principally from the Bank's loans and advances to customers, investment securities and other market placements.

Credit risk is subject to a variety of external factors. These may include structural changes in the economy, deterioration in the performance of concerned sectors, as well as changes in anticipated financial performance by the counterparty. To assess the credit quality and viability of projects, the following factors are considered: financial viability, economic viability and management capability. The Bank requires security and contributions to mitigate its credit risk.

33 Financial instruments and risk management (continued)

Customer accounts (loans and advances to customers) consists of large numbers of customers. Ongoing credit evaluation is performed on the financial condition of the customer accounts. As part of credit risk management, loans are also renegotiated or restructured as required.

The Bank does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Bank defines counterparties as having similar characteristics if they are related entities.

The Board of Directors has approved the Credit Risk Policy that sets a framework for loan assessment, monitoring, collection and valuation.

To the extent possible, this Credit Risk Policy addresses risk adjusted pricing and risk adjusted capital allocation methodologies. The Credit Risk Policy sets upper limits for credit concentration as follows; agriculture 60%, property 40%, commerce 15%, retail 10% and industrial 5%. Credit concentration levels by sector are constantly monitored at the Assets and Liabilities Committee (ALCO), and remedial strategies to dilute the concentrations are considered. A rigorous assessment of both specific and general portfolio is carried out every quarter. The methodology applied is in line with the requirements of IFRS 9 Financial Instruments.

There are no independent ratings or an internal grading system for customers. The Board Credit Committee is mandated to assess and decide on all loan applications which are above the management limit of P5 million. The Committee assesses the credit quality of a customer, taking into account its financial position, past experience and other factors. The compliance with credit limits by customers is regularly monitored by the credit risk division.

Significant concentrations of credit risk are within the agricultural industry sector, as the Bank provides 44 % (2024: 44%) of its loans to this sector. Other loans are mainly distributed to sectors such as the property, industrial, retail, and commerce sectors, which comprise about 38% (2024: 38%) of the loan portfolio. The maximum exposure to credit risk is the loans given to farmers, as future productivity and incomes cannot be readily determined. However, the Government of Botswana, through the Agricultural Credit Guarantee Scheme, subsidises the repayment of these loans in cases of severe drought where the customers are unable to repay their loans, thus reducing the credit risk on these loans. Ot her loans are generally highly collateralised to ensure recoveries of loans in the event of default. The security/collateral value is more than the value of the loan on application. Due to the economy not performing in the past few years, the Bank has not been able to recover part or all of the collateral provided, and a decision was made to provide for the loans where payment or recoveries are highly improbable and to tighten credit checks during the issuance of new credit loans. The Bank's credit risk assessment has been revamped, risk-adjusted, and it now has more stringent policies, which include discounting of property values as well as risk-adjusted pricing.

Off-balance sheet exposures

In addition to the loans and advances recognised in the statement of financial position, the Bank has undrawn loan commitments that expose it to credit risk. These commitments are subject to expected credit loss (ECL) assessment in accordance with IFRS 9.

Collateral

The Bank obtains collateral in the form of deeds of undertaking or certificates of indebtedness, which can be called upon if the counterparty is in default under the agreed terms. Collateral includes agricultural land and developments, residential land and developments, agricultural equipment and livestock. Currently, there is no formal process to carry out periodic valuations of securities held. However, regular visits are carried out to inspect projects and ensure securities held are in existence and, where relevant, in good condition.

Individual loans, which are known to be uncollectible, are written off by reducing the carrying amount directly. If the probability of them not being collected is highly probable, a high or full provision may be made to such loans. The other loans are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these loans, the estimated impairment losses are recognised in a separate provision for impairment. The Bank considers whether there is evidence of impairment if any of the following indicators are present:
- Significant financial difficulties of the customer;
- Probability that the customer will enter bankruptcy or financial reorganisation; and
- Default or delinquency in payments (more than 90 days overdue).

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

33 Financial instruments and risk management (continued)

Loans and advances for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash. A loan is written off when the Bank has exhausted all its recovery efforts and believes there is no further value to be derived. Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are recognised under expected credit losses in the statement of profit or loss.

Investment securities and other money market placements

ALCO has approved placement and settlement limits with which the Bank should make money market placements and settle foreign currency trades. The limits are adhered to at all times, and compliance with the limits is monitored by ALCO on a monthly basis. The placement limits and settlement limits are reviewed annually by ALCO using the various counterparty annual reports, external credit ratings, and any ad-hoc information deemed appropriate for credit limit sanctioning.

The Bank makes short-term placements with reputable financial institutions to reduce its credit risk. Deposits and placements are placed with different banks for diversification, which minimises the risk associated with placements with one financial institution.

The Bank's quantitative credit risk assessments and classification of assets and liabilities are disclosed in note 33 of these financial statements.

	Group		Bank	
Figures in Pula thousand	2025	2024	2025	2024

33 Financial instruments and risk management (continued)

Group		2025			2024		
		Gross carrying amount	2025	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Cash and cash equivalents	3	178,512	-	178,512	357,994	-	357,994
Placements with financial institutions	4	37,930	-	37,930	17,272	-	17,272
Other assets	6	85,668	(6,253)	79,415	42,333	(5,125)	37,208
Loans and advances to customers	10	1,142,518	(99,369)	1,043,149	969,135	(93,544)	875,591
Off balance sheet loan disbursement commitments	10	37,531	-	37,531	11,107	-	11,107
		1,482,159	**(105,622)**	**1,376,537**	**1,397,841**	**(98,669)**	**1,299,172**

Bank		2025			2024		
		Gross carrying amount	2025	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Cash and cash equivalents	3	173,411	-	173,411	352,031	-	352,031
Placements with financial institutions	4	37,930	-	37,930	17,272	-	17,272
Other assets	6	85,394	(6,092)	79,302	45,572	(4,821)	40,751
Loans and advances to customers	10	1,142,518	(99,369)	1,043,149	969,135	(93,544)	875,591
Off balance sheet loan disbursement commitments	10	37,531	-	37,531	11,107	-	11,107
		1,476,784	**(105,461)**	**1,371,323**	**1,395,117**	**(98,365)**	**1,296,752**

		Group 2025	Group 2024	Bank 2025	Bank 2024
Balances with banks					
Stanbic Bank of Botswana Limited		35,468	25,858	35,468	25,858
ABSA Bank of Botswana Limited		13,878	10,897	13,878	10,897
Standard Chartered Bank of Botswana Limited		30,836	99,401	30,836	99,401
First National Bank of Botswana Limited		22,535	35,365	17,434	29,402
Bank Gaborone Limited		40,898	91,823	40,898	91,823
First Capital Bank Botswana Limited		30,058	66,503	30,058	66,503
Access Bank Botswana Limited		4,832	28,132	4,832	28,132
Total balances with banks	**3**	**178,505**	**357,979**	**173,404**	**352,016**
Placements with financial institutions					
Vunani Investment Management Services Proprietary Limited		1,813	1,777	1,813	1,777
African Alliance		5,556	5,284	5,556	5,284
Ipro Money Market Fund		10,856	10,211	10,856	10,211
Treasury Bills with Stanbic Bank		19,705	-	19,705	-
Total placements with financial institutions	**4**	**37,930**	**17,272**	**37,930**	**17,272**

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

Figures in Pula thousand		Group 2025	Group 2024	Bank 2025	Bank 2024
33 Financial instruments and risk management (continued)					
Other assets, loans and advances to customers					
Other assets (gross carrying amount)	6	85,668	42,333	85,394	45,572
Loans and advances to customers (gross carrying amount)	10	1,142,518	969,135	1,142,518	969,135
Total other assets, loans and advances to customers		**1,228,186**	**1,011,468**	**1,227,912**	**1,014,707**
Off balance sheet assets					
Loan disbursements commitments		37,531	11,107	37,531	11,107
Total off balance sheet exposure	10	**37,531**	**11,107**	**37,531**	**11,107**

Distribution of loans and advances to customers were as follows:

Loans and advances to customers that were neither past due nor impaired

Group and Bank	2025 Gross carrying amount	2025 Security	2024 Gross carrying amount	2024 Security
Property	276,875	436,947	192,014	352,970
Industrial	2,607	-	-	-
Retail	15,947	63,245	22,240	83,300
Agriculture	409,857	271,578	303,297	438,876
Commerce	31,352	42,027	16,740	45,034
Other loans and advances	58,361	68,198	77,930	136,575
	794,999	**881,995**	**612,221**	**1,056,755**

Loans and advances to customers past due but not individually impaired

Group and Bank	2025 Gross carrying amount	2025 Security	2024 Gross carrying amount	2024 Security
Property	14,012	22,620	62,760	184,745
Industrial	425	-	4,282	-
Retail	792	747	4,966	3,620
Agriculture	51,101	16,248	25,187	28,363
Commerce	16,673	1,208	24,948	35,033
Other loans and advances	2,595	14,850	27,015	44,164
	85,598	**55,673**	**149,158**	**295,925**

33 Financial instruments and risk management (continued)

Loans and advances to customers individually impaired Group and Bank

Group and Bank	2025 Gross carrying amount	2025 Security	2024 Gross carrying amount	2024 Security
Property	57,463	156,778	27,247	57,196
Industrial	11,302	4,850	20,485	53,160
Retail	4,723	1,255	3,556	1,255
Agriculture	63,748	116,995	65,558	91,612
Commerce	54,009	127,778	47,919	118,258
Other loans and advances	70,676	153,324	42,991	57,133
	261,921	**560,980**	**207,756**	**378,614**

Collateral and other credit enhancements

The Bank holds both movable and immovable properties as collateral; however, the expected credit loss allowance is calculated solely based on immovable property. Consequently, only immovable properties have been considered for the analysis below and they are included at their fair values.

During the year, the Bank recovered an average of 4% (2024: 6%) of the security value from the sale of immovable properties held as collateral.

The fair value of collateral and credit enhancements held were as follows:

Group 2025

	Maximum exposure to credit risk	Immovable property collateral	Surplus collateral	Total collateral	Net exposure	% of exposure subject to collateral requirements	Associated ECL
Loans and advances to customers:							
- property	348,350	616,345	(267,995)	348,350	-	100%	17,946
- Industrial	14,334	4,850	9,484	4,850	(9,484)	34%	4,487
- Retail	21,462	65,247	(43,785)	21,462	-	100%	2,649
- Agriculture	524,706	404,821	119,885	404,821	(119,885)	77%	32,517
- Commerce	102,034	171,013	(68,979)	102,034	-	100%	23,264
- Other loans and advances	131,632	236,372	(104,740)	131,632	-	100%	18,506
Other assets	85,668	-	-	-	85,668	0%	6,253
Cash and cash equivalents	178,512	-	-	-	178,512	0%	-
Placements with financial institutions	37,930	-	-	-	37,930	0%	-
Off balance sheet loan disbursements commitments	37,531	-	-	-	37,531	0%	-
Total	**1,482,159**	**1,498,648**	**(356,130)**	**1,013,149**	**210,272**	**68%**	**105,622**

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

33 Financial instruments and risk management (continued)

The fair value of collateral and credit enhancements held were as follows:

Group 2024

	Maximum exposure to credit risk	Immovable property collateral	Surplus collateral	Total	Net exposure	% of exposure subject to collateral requirements	Associated ECL
Loans and advances to customers:							
- property	282,021	594,911	(312,890)	282,021	-	100%	19,426
- Industrial	24,767	53,160	(28,393)	24,767	-	100%	5,700
- Retail	30,762	88,175	(57,413)	30,762	-	100%	4,244
- Agriculture	394,042	558,851	(164,809)	394,042	-	100%	36,468
- Commerce	89,607	198,325	(108,718)	89,607	-	100%	21,306
- Other loans and advances	147,936	237,872	(89,936)	147,936	-	100%	6,400
Other assets	42,333	-	-	-	42,333	0%	5,125
Cash and cash equivalents	357,994	-	-	-	357,994	0%	-
Placements with financial institutions	17,272	-	-	-	17,272	0%	-
Off balance sheet loan disbursements commitments	11,107	-	-	-	11,107	100%	-
Total	**1,397,841**	**1,731,294**	**(762,159)**	**969,135**	**428,706**	**69%**	**98,669**

Bank 2025

	Maximum exposure to credit risk	Immovable property collateral	Surplus collateral	Total	Net exposure	% of exposure subject to collateral requirements	Associated ECL
Loans and advances to customers:							
- property	348,350	616,345	(267,995)	348,350	-	100%	17,946
- Industrial	14,334	4,850	9,484	4,850	(9,484)	34%	4,487
- Retail	21,462	65,247	(43,785)	21,462	-	100%	2,649
- Agriculture	524,706	404,821	119,885	404,821	(119,885)	77%	32,517
- Commerce	102,034	171,013	(68,979)	102,034	-	100%	23,264
- Other loans and advances	131,632	236,372	(104,740)	131,632	-	100%	18,506
Other assets	85,394	-	-	-	85,394	0%	6,092
Cash and cash equivalents	173,411	-	-	-	173,411	0%	-
Placements with financial institutions	37,930	-	-	-	37,930	0%	-
Off balance sheet loan disbursements commitments	37,531	-	-	-	37,531	0%	-
Total	**1,476,784**	**1,498,648**	**(356,130)**	**1,013,149**	**204,897**	**69%**	**105,461**

33 Financial instruments and risk management (continued)

Bank 2024

	Maximum exposure to credit risk	Immovable property collateral	Surplus collateral	Total	Net exposure	% of exposure subject to collateral requirements	Associated ECL
Loans and advances to customers:							
- property	282,021	594,911	(312,890)	282,021	-	100%	19,426
- Industrial	24,767	53,160	(28,393)	24,767	-	100%	5,700
- Retail	30,762	88,175	(57,413)	30,762	-	100%	4,244
- Agriculture	394,042	558,851	(164,809)	394,042		100%	36,468
- Commerce	89,607	198,325	(108,718)	89,607	-	100%	21,306
- Other loans and advances	147,936	237,872	(89,936)	147,936	-	100%	6,400
Other assets	45,572	-	-	-	45,572	0%	4,821
Cash and cash equivalents	352,031	-	-	-	352,031	0%	-
Placements with financial institutions	17,272	-	-	-	17,272	0%	-
Off balance sheet loan disbursements commitments	11,107	-	-	-	11,107	100%	-
Total	**1,395,117**	**1,731,294**	**(762,159)**	**969,135**	**425,982**	**69%**	**98,365**

Liquidity risk
Liquidity risk is the risk that the Bank will not be able to meet its financial obligations as they fall due.

To mitigate against liquidity risk, the Bank has in place a Liquidity Risk Management Policy which has set limits on the minimum proportion of funds available to meet loan drawdown and funding of maturing borrowings. Maturity Gap Analysis ensures that the Bank plans liquidity requirements around the maturities. The matching and controlled mismatching of contractual maturities of assets and liabilities is a critical function which the Bank monitors on a day to day basis. The Bank has through ALCO established a liquidity funding crisis plan to augment the Liquidity Risk Management Policy.

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

33 Financial instruments and risk management (continued)

The liquidity gap analysis presented below for financial assets has been prepared using carrying values rather than undiscounted contractual cash flows. This presentation aligns with management's internal liquidity monitoring. For financial liabilities, undiscounted contractual maturities have been disclosed, in line with IFRS 7 requirements.

Group 2025

		0-1 month	1-2 months	3-12 months	1-5 years	Over 5 years	Total contractual cash flows
Financial liabilities	19	-	(9,673)	(37,474)	(188,588)	(345,150)	(580,885)
Borrowings	18	(33,779)	-	-	-	-	(33,779)
Other liabilities	8	(213)	(213)	(2,093)	(3,415)	-	(5,934)
Lease liabilities							
Off balance sheet commitments		(37,531)	-	-	-	-	(37,531)
Loan disbursements commitments	10						-
		(71,523)	**(9,886)**	**(39,567)**	**(192,003)**	**(345,150)**	**(658,129)**
Financial assets							
Cash and cash equivalents	3	178,512	-	-	-	-	178,512
Placements with financial institutions	4	37,930	-	-	-	-	37,930
Other assets (gross carrying amount)	6	85,668	-	-	-	-	85,668
Loans and advances to customers (gross carrying amount)	10	5,972	-	122,092	238,974	775,480	1,142,518
		308,082	**-**	**122,092**	**238,974**	**775,480**	**1,444,628**
Total net financial assets/ (liabilities)		**236,559**	**(9,886)**	**82,525**	**46,971**	**430,330**	**786,499**

33 Financial instruments and risk management (continued)

Group 2024

		0-1 month	1-2 months	3-12 months	1-5 years	Over 5 years	Total contractual cash flows
Financial liabilities	19	-	(9,673)	(37,474)	(188,589)	(392,298)	(628,034)
Borrowings	3	(47)	-		-	-	(47)
Other liabilities	18	-	-	(22,645)	(154,779)	-	(177,424)
Lease liabilities	8	(254)	(244)	(2,213)	(5,971)	-	(8,682)
Off balance sheet commitments							
Loan disbursements commitments	10	(11,107)	-	-	-	-	(11,107) -
		(11,408)	**(9,917)**	**(62,332)**	**(349,339)**	**(392,298)**	**(825,294)**
Financial assets							
Cash and cash equivalents	3	357,994	-	-	-	-	357,994
Placements with financial institutions	4	17,272	-	-	-	-	17,272
Other assets (gross carrying amount)	6	42,333	-	-	-	-	42,333
Loans and advances to customers (gross carrying amount)	10	9,325	-	123,892	186,254	649,664	969,135
		426,924	**-**	**123,892**	**186,254**	**649,664**	**1,386,734**
Total net financial assets/ (liabilities)		**415,516**	**(9,917)**	**61,560**	**(163,085)**	**257,366**	**561,440**

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

33 Financial instruments and risk management (continued)

Bank 2025

		0-1 month	1-2 months	3-12 months	1-5 years	Over 5 years	Total contractual cash flows
Financial liabilities	19	-	(9,673)	(37,474)	(188,588)	(345,150)	(580,885)
Borrowings	18	(33,300)	-	-	-	-	(33,300)
Other liabilities	8	(213)	(213)	(2,093)	(3,415)	-	(5,934)
Lease liabilities							
Off balance sheet commitments		(37,531)	-	-	-	-	(37,531)
Loan disbursements commitments	10						-
		(71,044)	**(9,886)**	**(39,567)**	**(192,003)**	**(345,150)**	**(657,650)**
Financial assets							
Cash and cash equivalents	3	173,411	-	-	-	-	173,411
Placements with financial institutions	4	37,930	-	-	-	-	37,930
Other assets (gross carrying amount)	6	85,394	-	-	-	-	85,394
Loans and advances to customers (gross carrying amount)	10	5,972	-	122,092	238,974	775,480	1,142,518
		302,707	**-**	**122,092**	**238,974**	**775,480**	**1,439,253**
Total net financial assets/ (liabilities)		**231,663**	**(9,886)**	**82,525**	**46,971**	**430,330**	**781,603**

33 Financial instruments and risk management (continued)

Bank 2024

		0-1 month	1-2 months	3-12 months	1-5 years	Over 5 years	Total contractual cash flows
Financial liabilities							
Borrowings	19	-	(9,673)	(37,474)	(188,589)	(392,298)	(628,034)
Bank overdraft	3	(47)	-	-	-	-	(47)
Other liabilities	18	-	-	(22,477)	(154,779)	-	(177,256)
Lease liabilities	8	(254)	(244)	(2,213)	(5,971)	-	(8,682)
Off balance sheet commitments							
Loan disbursements commitments	10	(11,107)	-	-	-	-	(11,107)
							-
		(11,408)	**(9,917)**	**(62,164)**	**(349,339)**	**(392,298)**	**(825,126)**
Financial assets							
Cash and cash equivalents	3	352,031	-	-	-	-	352,031
Placements with financial institutions	4	17,272	-	-	-	-	17,272
Other assets (gross carrying amount)	6	45,572	-	-	-	-	45,572
Loans and advances to customers (gross carrying amount)	10	9,325	-	123,892	186,254	649,664	969,135
		424,200	**-**	**123,892**	**186,254**	**649,664**	**1,384,010**
Total net financial assets/ (liabilities)		**412,792**	**(9,917)**	**61,728**	**(163,085)**	**257,366**	**558,884**

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

33 Financial instruments and risk management (continued)

Interest rate risk
Interest rate risk is the risk that changes in interest rates will affect the Bank's income or the value of its financial instruments.

As with liquidity risk management, the management has set limits on the level of mismatch on interest rate re-pricing that may be undertaken. The re-pricing Gap Analysis ensures that the Bank should not have an asset sensitive or liability sensitive position in any time bucket that is not consistent with the strategic view of ALCO. This is monitored on a daily basis

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

Group		Average effective interest rate		Carrying amount	
		2025	2024	2025	2024
Variable rate instruments: Assets					
Loans and advances to customers	10	10.05%	10.52%	1 106 743	894 775
Call accounts	3	0.60%	0.46%	64 354	55 015
				1 171 097	**949 790**
Liabilities					
Bank overdraft and callable borrowings	3	0.00%	8.76%	-	(47)
Net variable rate financial instruments				**1 171 097**	**949 743**
Fixed rate instruments: Assets					
Loans and advances to customers	10	5.52%	7.31%	35 775	74 360
Placements with financial institutions	4	5.52%	4.32%	37 930	17 272
				73 705	**91 632**
Liabilities					
Borrowings	19	2.88%	2.88%	(351,397)	(366,578)
Net fixed rate financial instruments				**(277,692)**	**(274,946)**

Variable rate instrument
A change in interest rate of 100 basis points in the annualised percentage rate would cause a change in interest income of P 8,934,045 (2024: P6,747,973).

34. Events after the reporting period

The Bank has reviewed its operating model, and was approved by the Board of Directors. It is currently in the early implementation stages. The company has ongoing fundraising efforts as described in the going concern section 1.2.

35 Maturity analysis of assets and liabilities

2025

		Group			Bank		
Assets		**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Cash and cash equivalents	3	178,512	-	178,512	173,411	-	173,411
Placements with financial institutions	4	37,930	-	37,930	37,930	-	37,930
Current tax receivable	5	211	-	211	-	-	-
Other assets	6	80,162	5,068	85,230	80,049	5,068	85,117
Deferred tax	7	-	35	35	-	-	-
Right-of-use assets	8	-	5,064	5,064	-	5,064	5,064
Intangible assets	9	-	1,553	1,553	-	1,553	1,553
Loans and advances to customers		118,108	925,041	1,043,149	118,108	925,041	1,043,149
Property, plant and equipment	11	-	136,361	136,361	-	136,321	136,321
Investments in associates	12	-	128	128	-	128	128
Investments in subsidiary	13	-	-	-	-	1,000	1,000
Total assets		414,923	1,073,250	1,488,173	409,498	1,074,175	1,483,673

		Group			Bank		
Liabilities		**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Employee obligations	17	4,783	16,041	20,824	4,652	15,761	20,413
Lease liabilities	8	2,200	3,167	5,367	2,200	3,167	5,367
Other liabilities	18	33,779	181,544	215,323	33,300	181,509	214,809
Borrowings	19	33,906	317,491	351,397	33,906	317,491	351,397
Total liabilities		74,668	518,243	592,911	74,058	517,928	591,986
Net assets		**340,255**	**555,007**	**895,262**	**335,440**	**556,247**	**891,687**

Notes to the Consolidated and Separate Annual Financial Statements

for the Year ended 31 March 2025

35 Maturity analysis of assets and liabilities

2024

		Group			Bank		
Assets		**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Cash and cash equivalents	3	357,994	-	357,994	352,031	-	352,031
Placements with financial institutions	4	17,272	-	17,272	17,272	-	17,272
Current tax receivable	5	188	-	188	-	-	-
Other assets	6	38,806	6,411	45,217	42,349	6,411	48,760
Deferred tax	7	-	67	67	-	-	-
Right-of-use assets	8	-	7,163	7,163	-	7,163	7,163
Intangible assets	9	-	498	498	-	498	498
Loans and advances to customers	10	122,051	753,540	875,591	122,051	753,540	875,591
Property, plant and equipment	11	-	140,762	140,762	-	140,762	140,762
Investments in associates	12	-	225	225	-	225	225
Investments in subsidiary	13	-	-	-	-	1,000	1,000
Total assets		536,311	908,666	1,444,977	533,703	909,599	1,443,302

		Group			Bank		
Liabilities		**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Bank overdraft	3	47	-	47	47	-	47
Employee obligations	17	4,573	12,153	16,726	4,467	12,051	16,518
Lease liabilities	8	2,477	4,955	7,432	2,477	4,955	7,432
Other liabilities	18	34,644	154,779	189,423	34,401	154,779	189,180
Borrowings	19	33,447	333,131	366,578	33,447	333,131	366,578
Total liabilities		75,188	505,018	580,206	74,839	504,916	579,755
Net assets/(liabilities)		461,123	403,648	864,771	458,864	404,683	863,547

Detailed Income Statement (Unaudited)

for the Year ended 31 March 2025

		Group		Bank	
Figures in Pula thousand		**2025**	**2024**	**2025**	**2024**
Interest income					
Government interest subsidy		8,325	7,589	8,325	7,589
Loans and advances		92,837	92,080	92,837	92,080
Deposit interest income		7,080	6,257	7,080	6,257
	20	**108,242**	**105,926**	**108,242**	**105,926**
Interest expense					
Interest expense	21	(33,203)	(34,173)	(33,203)	(34,173)
Net interest income		**75,039**	**71,753**	**75,039**	**71,753**
Fee and commission income	22	89,222	43,796	82,660	40,954
Other income*	24	4,066	3,906	4,066	3,906
Expected credit loss*	25	(970)	72,822	(1,113)	72,944
Expenses (Refer to page 82)		(193,290)	(151,122)	(189,610)	(148,588)
Operating profit/(loss)	25	**(25,933)**	**41,155**	**(28,958)**	**40,969**
Grant income	23	39,195	15,563	39,195	15,563
Share of loss of associate	12	(97)	(95)	(97)	(95)
Profit/(loss) before taxation		**13,165**	**56,623**	**10,140**	**56,437**
Taxation		(674)	(53)	-	-
Profit/(loss) for the year		**12,491**	**56,570**	**10,140**	**56,437**

Detailed Income Statement (Unaudited)

for the Year ended 31 March 2025

		Group		Bank	
Figures in Pula thousand		2025	2024	2025	2024
Other operating expenses					
Accounting fees		(330)	(300)	-	-
Advertising		(2,812)	(3,122)	(2,457)	(3,112)
Agricultural Credit Guarantee Scheme contributions		(8,496)	(6,710)	(8,496)	(6,710)
Amortisation		(806)	(2,125)	(806)	(2,125)
Annual conference costs		(191)	(213)	(191)	(213)
Annual report costs		(15)	(28)	(15)	(28)
Archive expenses		(183)	(330)	(183)	(330)
Auditor's remuneration - external audit	25	(2,435)	(1,893)	(2,351)	(1,813)
Auditor's remuneration - internal audit		(72)	(53)	(72)	(53)
Bad debts		(31)	-	-	-
Bank charges		(428)	(396)	(428)	(395)
Cleaning		(784)	(596)	(783)	(596)
Computer expenses		(7,613)	(5,997)	(7,613)	(5,997)
Consultancy and other expenses relating to commercialisation		(248)	(3,673)	(248)	(3,651)
Consulting and professional fees - internal legal fees		(11,393)	(4,335)	(11,393)	(4,335)
Consulting and professional fees - legal fees		(780)	(497)	(780)	(497)
Depreciation		(6,629)	(5,233)	(6,620)	(5,233)
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH net impact		(30)	(24)	(30)	(24)
Directors fees		(2,439)	(1,686)	(2,335)	(1,646)
Donations		(20)	(16)	(17)	(4)
Employee costs	26	(96,616)	(86,436)	(94,308)	(84,461)
Entertainment		(10)	(70)	(10)	(53)
Fund administration expenses		-	(3,534)	-	(3,534)
Hire		(965)	(625)	(965)	(625)
Insurance		(1,991)	(1,529)	(1,991)	(1,529)
Motor vehicle expenses		(619)	(497)	(619)	(497)
Municipal expenses		(1,168)	(1,187)	(1,168)	(1,187)
Other expenses		(1,349)	(49)	(991)	(48)
Penalties and interest		-	(23)	-	-
Postage		(210)	(113)	(210)	(113)
Printing and stationery		(515)	(186)	(505)	(186)
Public relations		(402)	(251)	(402)	(251)
Recruitment expense		(840)	(1,051)	(840)	(1,051)
Repairs and maintenance		(3,621)	(2,845)	(3,621)	(2,845)
Security		(955)	(732)	(955)	(732)
Staff welfare		(702)	(872)	(664)	(866)
Subscriptions		(583)	(1,006)	(583)	(1,006)
Telephone and fax		(3,240)	(2,397)	(3,238)	(2,396)
Training		(1,961)	(2,532)	(1,961)	(2,523)
Separation package paid to employees		(17,021)	-	(17,021)	-
Transition related consultant expenses		(3,078)	-	(3,078)	-
Transition related travel expenses		(1,129)	-	(1,129)	-
Transition related other expenses		(653)	-	(653)	-
Travel - local		(5,604)	(3,856)	(5,557)	(3,819)
Value Added Tax expense		(4,323)	(4,104)	(4,323)	(4,104)
		(193,290)	**(151,122)**	**(189,610)**	**(148,588)**

Notes

NATIONAL DEVELOPMENT BANK

Empower. Transform. Succeed

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