NATIONAL DEVELOPMENT BANK
Empower. Transform. Succeed

60 Years

ANNUAL REPORT 2023/2024



WELCOME STATEMENT

Welcome to the Annual Report for 2022/2023 of the National Development Bank. As we reflect on our journey since 1964, we continue to adapt to Botswana's evolving needs. Our commitment to sustainable development and community empowerment remains strong, ensuring that all Batswana have access to vital financial services, especially in agricultural development.

In the past years, we have launched several initiatives aimed at enhancing financial literacy, promoting entrepreneurship, and supporting local businesses. These initiatives include workshops, mentorship programs, and access to loans, all designed to equip individuals with the necessary skills to thrive.

By fostering partnerships with various stakeholders, including government agencies, non-profits, and private sector players, we strive to create an inclusive financial ecosystem that benefits every citizen and drives economic growth across the nation. Our focus on innovation and technology has also allowed us to reach underserved communities, ensuring that no one is left behind in our mission for progress. As we move forward, we remain dedicated to empowering Batswana and contributing to the sustainable development of our beloved country.























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WHY WE EXIST

"Path Towards Sustainable Impact in Partnership with Our Stakeholders"

(E +T ⟶ S)

The formula for NDB's Path Towards Sustainable Impact in Partnership with Our Stakeholders" can be represented as (E +T➞S). The formula (E + T ➞ S) provides a framework for assessing NDB's business growth and impact, with each stage representing a critical milestone in the bank's journey towards sustainable development and success. By focusing on empowerment, transformation, and ultimately, success, NDB can effectively measure its progress and contributions to economic growth, social well-being, and environmental sustainability within Botswana and beyond.

EMPOWERMENT (E):

- Providing relevant financial services and financial education programs to local entrepreneurs and small businesses (Customers).
- Offering resources and support to foster economic development and job creation (Communities).
- Implementing training and capacity-building initiatives to empower employees and enhance their skills (Employees).

TRANSFORMATION (T):

- Partnering with agricultural cooperatives and renewable energy projects to promote sustainable practices (Communities).
- Innovating banking solutions and services to meet the evolving needs of customers (Customers).
- Collaborating with government stakeholders to align strategies and policies for sustainable development (Shareholders - Government).

Path Towards Sustainable Impact in Partnership with Our Stakeholders – (E +T ⟹ S)

SUCCESS (S):

- Increased business growth and prosperity among customers, leading to enhanced financial inclusion and economic empowerment (Customers).
- Improved socio-economic indicators within communities, such as reduced poverty rates and increased employment opportunities (Communities).
- Positive financial performance and impact on national development goals, reflecting the alignment with government priorities (Shareholders - Government).
- Enhanced reputation, employee satisfaction, and talent retention, demonstrating the bank's commitment to corporate social responsibility and employee wellbeing (Employees).
- Strengthened governance, strategic direction, and long-term sustainability, reflecting the board's oversight and leadership (Board Members).

Empower. Transform. Succeed



OUR VISION, MISSION & VALUES

For the Year 2023/2024

Vision	Mission	Values
To be the Agri bank that delivers food security	To Provide financial solutions that promote sustainability through partnerships.	▪ Teamwork ▪ Entrepreneurship ▪ Accountability ▪ My Customer Orientation

OUR FOOTPRINT

Since its establishment in 1964, National Development Bank has dedicated itself to serving Botswana comprehensively. 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.

4 Main Branches

23 Satelite Offices







BOARD OF DIRECTORS

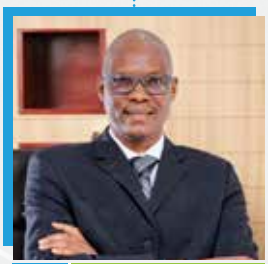
For the Year 2023/2024



Wilfred Mpai
Board Chairperson



Peo Pillar
Chairperson Finance & Audit Committee



Tom Mongale
Chairman Human Resources Committee



Patricia Malatsi
Board Member



Gerald Nthebolan
Board Member



Wandipa Kelobang
Board Member



Sylvester Tshomane
Co-opted Expert



Dr. Sayed Timuno
Co-opted Expert



Peter Tladinyane
Co-opted Expert



Mosimanegape Mogegeh
Co-opted Expert



Tekolo Modungwa
Co-opted Expert

EXECUTIVE MANAGEMENT

For the Year 2023/2024



Ogone Madisa
Chief Executive Officer



Jerry Mwendapole
Deputy Chief Executive Officer



Keitumetse Chideka
Head of Credit (Acting)



Neo Quashie
Head of Finance



Ntokozo Monamati
Legal Counsel and Board Secretary



Olebile Meswele
Head of Shared Services



Onalenna Babusi
Head of Strategy and Projects



Ontlametse Kgotlayame
Head of Internal Audit



Sethunya Gaolebogwe
Head of Client Services

THE CHAIRMAN'S STATEMENT

For the Year 2023/2024



Wilfred Mpai
Board Chairperson

The financial year 2023-2024 marked a significant milestone for the Bank in many respects. This was a pivotal period, marking exactly a year to the completion of the Banks two term strategy, code named Letsema (2019-2022) and Letsema Le Tsweletse (2022-2025).

From a strategic point of view, the Bank reaffirmed its commitment towards food and nutrition security and prioritized investment in the agric value chain with focus on investing in Horticulture, and Cereal or Grain production to meet local demand. In this regard, 80% of the year disbursements were targeted towards Agriculture with the remainder towards enabling sectors.

OPERATING ENVIRONMENT

Having to deal with socio-economic effects that preceded the COVID-19 period, 2023 was for the most part, from a macro-economic standpoint, a recovery period, with significant improvements only realised in the latter part of the year. Inflation stabilised within the BoB set parameters at 3.8% as at March 2024 from a high of 11.9% as at March 2023. The market also witnessed several policy rate cuts by the Central Bank following significant increases of up to 151 basis points recorded during 2022.

For the Bank, the heed to drive economic impact, at a time when job creation and food security are at their all-time high, has been understood and top priority for the NDB Board of Directors and Management. Key to this, NDB has strategically identified and committed to 'Value Chain Development' specifically the Agric- value chain.

THE CHAIRMAN'S STATEMENT (CONT.)

For the Year 2023/2024

> I am pleased to note that during this reporting period, NDB commenced its journey towards the transformation to an AgriBank. A Transaction Advisor was appointed in December 2023, with the advisory phase expected to conclude during 2024/25.

Furthermore, NDB, has from the financial year 2023, been entrusted with implementation of P500 million Temo Letlotlo programme which cover seasonal loans, tractor & fencing, supplementary irrigation and Household Food Security Grants to mention but a few. This is over and above special funds that have been administered by the bank such as the Horticulture Impact Accelerator Subsidy (IAS) fund all geared towards economic recovery and diversification.

PERFORMANCE DURING THE PERIOD

The Bank recorded a total profit of P56.6million, compared to a loss of -P49.8million in the previous year. This was realised owing to adoption of a handful of strategic focus areas that were geared towards turning the Bank from its loss-making status.

These initiatives included an aggressive stance towards fund raising and diversification of revenue streams, enhancements on the ongoing credit risk management process including the ECL model recalibration and addressing talent management issues.

APPRECIATION

On behalf of the Board of Directors, I wish to thank Management and Staff for their dedication and hard work in delivering the aforementioned pleasing results and implore them to continue to strive to complete the transformation. I wish to also extend my gratitude to the Shareholder, for the guidance and support rendered to the Bank through its support for NDB's position to an AgriBank and reiterate our commitment as the Board to see NDB to the transition success. The current strategy shall see the Bank ready its self to become an AgriBank and fully embrace the government's drive to food and nutrition security. Last but not least, I wish to thank the entire Board of Directors of NDB for their tireless service to the Bank to guide Management on the direction the Bank should take to attain sustainability.

CONCLUSION

The 2023/24 period is markedly a transition period as we emerged from Covid-19 and the Government of Botswana's intensified transformation through the Reset Agenda. Despite the challenges occasioned by the economic conditions post covid and delayed funding, the Bank remains committed to transitioning to an AgriBank, supporting the government desire to achieve food security and achieving financial sustainability. I am confident that the coming years will see sustained improved performance as the Bank shapes into an AgriBank.



Mr. W. Mpai
Chairman of the Board

CHIEF EXECUTIVE OFFICER'S REPORT

For the Year 2023/2024



Ogone Madisa
Chief Executive Officer

The 2023/24 period has been an exciting and transformative period for the National Development Bank. The period marks exactly a year before the completion of the Bank's 2022-2025 strategic agenda which is focused on creating alignment between Botswana's national priorities and the NDB mandate to be a significant contributor to the national agenda.

> Through the Letsema le Tsweletse strategy, NDB has committed towards enhancing financial access within the agric value chain and supporting sectors, by improving its efficiency and effectiveness whilst achieving sustainable returns.

CHIEF EXECUTIVE OFFICER'S REPORT (CONT.)

For the Year 2023/2024

1. OUR STRATEGIC PRIORITIES

- Fund Raising
- Review and Enhance Credit Risk Management
- Digitisation
- AgriBank Transformation
- Temo Letlolo
- Human Capital Optimisation

2. OUR STRATEGIC PRIORITIES FOR 2023/24

During the 2023/24 period, the Bank outlined several key priority areas targeted at improving the Bank's efficiency and sustainability.

2.1. Fund Raising

Fund raising remained top of priority for the Bank, as a critical enabler towards growing our business.

P200m

Capital Injection

2.2. Digitisation

NDB undertook a technology gap analysis and an assessment of its digital aspirations.

Developed Digital transformation roadmap that will see NDB Transform to a digital 1st AgriBank

The development of Cyber Security & regulatory framework commenced by 2023/24.

CHIEF EXECUTIVE OFFICER'S REPORT (CONT.)

For the Year 2023/2024

2.3. Temo Letlotlo

The Temo Letlotlo Programme is a government programme aimed at promoting cluster farming; encouraging graduation of farmers; with improved segmentation (farmer profiling) and improved monitoring. The Temo Letlotlo Programme was launched in 2023 with NDB responsible for administering the Fund.

P179.67m
Paid Out to Farmers and Beneficiaries

55,313
Farmers benifted

9493
Suppliers & Tractor owners

P23m
Paid towards subsidies for implements & Tractors

183
Beneficiaries from the subsidiaries

2.4. Review and Enhance Credit Risk Management

NDB commenced the review and enhancement exercise of its Credit Risk Management processes. This included the acquisition of a credit workflow system that manages Credit risk across the Credit value chain. The deployment of the system is expected to be completed in the next financial year.

The Bank transitioned from a logistic regression model to a Markov Chain model to calculate ECL. The recalibration led to a significant reduction in ECL provisions from P212.7 million in March 2023 to P93.5 million in March2024, contributing to a healthier loan book and profitability.

2.5. AgriBank Transformation

NDB has been directed to transition into an AgriBank (Presidential Directive CAB 5SP (B) 2021 REV. 1 dated 30th March 2022). The objective is to rationalize state owned enterprises, and transition NDB to a sustainable AgriBank that will house all Agric related funds.

The transformation of NDB into an Agri-Bank has officially commenced and is progressing steadily in alignment with the established project plan.

As part of ensuring readiness to transition into an AgriBank the Bank embarked on a review of the operating model with a view to strengthening the core functions (Sales & Credit) and completed the first phase This process is expected to be completed in the next financial year 2024/25.

2.6. Human Capital Optimisation - for core departments.

Through the Human Capital Optimisation Strategic Objective as envisioned under the Letsema Le Tsweletse Strategy, the Bank its Talent management Strategy brought to review its organisational structures, as well as it's employee value proposition, succession management retention strategies with emphasis on capacity development.

2.7. Talent Management

NDB has significantly advanced the execution of its talent management strategy. A thorough, bank-wide talent review process was conducted, encompassing detailed performance evaluations, as well as skills and competency assessments. This initiative was further complemented by the implementation of Personal Development Plans (PDPs) across the organization, alongside the strategic resourcing of mission-critical roles.

2.8. Sustainability – Green Finance

NDB has commenced the mobilisation of green finance and parallel to this, embarked on an accreditation exercise to the lobal Adaptation Fund.

CHIEF EXECUTIVE OFFICER'S REPORT (CONT.)

For the Year 2023/2024

This strategic focus area has been borne out of the recognition of the extent to which climate change has on Agri-Financing, cost of funding and, the need to catalyse implementation of adaptation and mitigation solutions. The Ban has for the period performed as follows;

P11m
Climate funds mobilized 55 Beneficiaries

Adaptation Fund Accreditation
Application is progressing and at 50%, 2nd submission reviewed by secretariat for NDB to incorporate comments.

3. FINANCIAL PERFORMANCE

The year under review was centred around "steadying the ship," with a strategic focus on maintaining stability. As a result, net advances remained flat, as we prioritized tightening our appetite across certain high-risk sectors and implemented changes to our repricing philosophy. Despite these adjustments, Interest Income saw a modest increase of 2.8%, reflecting resilience in the face of rate cuts and flat advances growth.

Our efforts in credit risk management proved successful, as evidenced by a notable reduction in default rates and a significant increase in collections, surpassing the P100 million mark. This culminated in a 42% year-on-year decline in non-performing loans, further demonstrating our commitment to prudent risk management.

The 99% growth in other income can be attributed to the Bank's successful revenue diversification strategy, particularly the onboarding of new funds and the growth in Bancassurance commissions. This diversification has been instrumental in enhancing our overall financial performance.

The Bank's financial results for the period have been favourable, driven by a successful balance sheet restructuring (including adjustments to the debt-equity mix), strong credit risk management practices, positive performance in key income lines, and significant writebacks on the cost line due to the recalibration of Expected Credit Loss (ECL) provisions.

These performance highlights serve as a testament to our unwavering commitment to our turnaround strategies and the tangible progress we have made in realizing our strategic objectives.

Key Financial Highlights

30% Growth in Total Asset Base

99% Increase in Non-Interest Revenue

23% Reduction in Total borrowings

63% Cost to Income Ratio

P200m Capital injection

3% Increase Interest Income

11% Decrease in Cost of Funding

P56m PBT

56% Reduction in ECL Charge

42% Decrease in NPL



Ogone Madisa
Chief Executive Officer



THE BOARD & CORPORATE GOVERNANCE

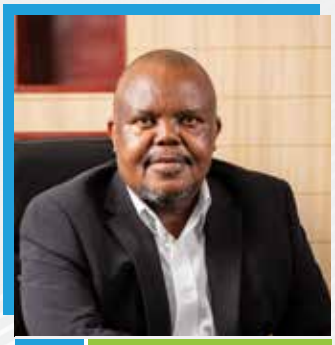
For the Year 2023/2024

The Board of Directors (Board) is responsible for ensuring the integrity and completeness of this report. With the support of the Finance and 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 00 2024.



THE BOARD & CORPORATE GOVERNANCE

For the Year 2023/2024



Wilfred Mpai
Board Chairperson
Age: 61

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 finally 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 Organization (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 1 December 2018.His tenure came to an end on 30 November 2021 however, he was reappointed as the Chairperson of the Board on 1 March 2022.



Gerald Nthebolan
Board Member
Age: 58

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 for the organization where he successfully formulated and implemented several IT projects aimed at contributing to the organization'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 30 November 2022 however he was reappointed into the Board 1 March 2023.



Tom Mongale
Chairman Human Resources Committee
Age: 58

Tom is Human Resources professional with years of experience in talent recruitment and selection, renumeration management, manpower planning, industrial relations, staff development safety and welfare. He also holds vast experience in Human Resources strategy and policy formulation. He is currently employed with the Morupule Coal Mine. He is a member and the Chairman of Sesiro Insurance Broker, which is a Debswana Insurance Company. He has served as the Chairperson of the Human Resources Committee of the Debswana Pension Fund. Tom 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.

THE BOARD & CORPORATE GOVERNANCE

For the Year 2023/2024



Wandipa Kelobang
Board Member
Age: 46

Wandipa is an Attorney of the High Court of Botswana with over 20 years' experience. She is a partner at Lawrence Khupe Attorneys (inc. Kelobang Godisang Attorneys), a firm which specializes 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 programs 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.



Peo Pillar
Chairperson Finance & Audit Committee
Age: 52

Peo is an experienced Chartered Accountant with 26 years' experience practical in Finance, Risk Management, external and internal audit. She is 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 chaired the chairperson of the Finance, Audit and Investment Committee. 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. She 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.



Patricia Malatsi
Board Member
Age: 55

Patricia is a highly accomplished professional with a distinguished background in economics, agriculture, and development planning. She is a currently the Chief Agricultural Economist at the Ministry of Agriculture. Her key responsibilities include 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 1 November 2023.

THE BOARD & CORPORATE GOVERNANCE

For the Year 2023/2024



Peter Tladinyane
Co-opted Expert
Age: 52

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 organizations 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 co-opted to the NDB Board on 1 May 2023.



Sylvester Tshomane
Co-opted Expert
Age: 45

Sylvester is currently the Senior Investment Officer at the Botswana Development Corporation. He is responsible for negotiation of term sheets and deal terms with promoters, coordinating due diligence reviews, preparing Investment Proposals for presentation to the Credit & Investment Committee and the Board Risk & Investment Committee, and managing a portfolio of existing investments. He was founder and Director of Khumo Capital (Pty) Ltd, a specialist investment firm from 2014 to 2022. He previously held senior positions such as Interim Chief Executive Officer at Pule Modisane Holdings and Portfolio Executive at Citizen Entrepreneurial Development Agency (CEDA). Sylvester was a Chairman of Finance & Audit Committee at the Botswana Vaccine Institute Limited, a Trustee of the BVI Staff Pension Fund, a Vice Chair of the ACCA Botswana Network Panel. He was also a member of a panel appointed by the Minister of Agricultural Development & Food Security to investigate allegations of maladministration, corruption and fraud at BAMB. Sylvester holds a BSc (Hons) Applied Accounting obtained from Oxford Brookes University in 2006 and obtained a qualification in Executive Management Development Program (Gordon Institute of Business Science). He is also a Fellow Chartered Accountant (Botswana Institute of Chartered Accountants), Fellow Chartered Certified Accountant (Association of Chartered Certified Accountants). He was co-opted to the NDB Board on 1 May 2023.



Dr. Sayed Timuno
Co-opted Expert
Age: 44

Dr Timuno is a macro econometric 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 Macro-economic 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 co-opted to the NDB Board on 1 May 2023.

THE BOARD & CORPORATE GOVERNANCE

For the Year 2023/2024



Mosimanegape Mogegeh
Co-opted Expert
Age: 47

Gape is an investment professional with more than 20 years of professional experience as a corporate finance practitioner. He is currently founder and Managing at Catapult Advisors, a financial advisory services business set up to exploit financial advisory services in the micro-lending market and more recently capital raising services in the local market established in 2010. Gape has vast experience and expertise in transaction structuring, financial analysis and modelling, valuations and portfolio management, corporate finance and advisory services. He was also founder and Director at Aleyo Advisors, a financial advisory services business set up to exploit financial advisory services in the micro-lending market 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. He previously held the position of Senior Manager at Deloitte & Touche from 2011 to 2015. 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 was co-opted to the NDB Board on 1 May 2023.



Tekolo Modungwa
Co-opted Expert
Age: 65

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 organizations including Botswana Telecommunications Corporation, Public Enterprise Evaluation and Privatization Agency, African Banking Corporation Holdings, Botswana Post, Botswana Meat Commission, 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 was co-opted to the NDB Board on 1 May 2023.



THE BOARD & CORPORATE GOVERNANCE

For the Year 2023/2024

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 behavior. 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 of Directors During the Reporting Period

Mr. W. Mpai	Board Chairperson
Mr. G. N. Nthebolan	
Mr. T. Mongale	Chairman Human Resources Committee
Ms. W. Kelobang	
Ms. P. Pillar	Chairperson Finance and Audit Committee
Ms. P. Malatsi *	
Coopted Directors	
Mr. S. Tshomane	
Mr. M. Mogegeh	
Ms. T. Modungwa	
Mr. P. Tladinyane	

* Joined the Board on 1st November 2023

THE BOARD & CORPORATE GOVERNANCE

For the Year 2023/2024

BOARD MEETING ATTENDANCE (INCLUDING SPECIAL MEETINGS)

Full Board Meeting Attendance

Meeting Date	Mr. W. Mpai	Mr. G. Nthebolan	Ms Wandipa Kelobang	Mr Tom Mongale	Ms Peo Pillar	Ms. P. Malatsi	Mr. S. Tshomane**	Mr. M. Mogegeh**	Ms. T. Modungwa**	Mr. P. Tladinyane**
19-April-23	P	P	P	P	P	*	*	*	*	*
11-July-23	P	P	P	P	P	*	*	*	*	*
01-Aug-23	P	P	P	A	P	*	*	*	*	*
13-Sept- 23	P	P	P	P	P	*	A	P	A	P
29-Sep-23	P	P	P	A	P	*	**	**	**	**
13-Oct 23	P	P	P	P	P	*	P	P	A	P
03-Nov-23	P	P	P	P	P	*	P	P	P	A
19-Dec-23	P	P	P	P	P	*	P	P	A	A
10 – Feb 24	P	P	P	A	P	P	P	P	P	A
26-Feb-24	P	P	P	P	P	P	P	P	P	P

* Term had not yet commenced.
** Co-opted Experts

Board Sub - Committees

The Board has a number of constituent Committees which deal with specific subject matters and make recommendations 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. It must be pointed out that during the period some of the Committees were suspended due to the retirement of some board members, this resulted in a limited number of Board Members being available to fully constitute all the Committees.

1. Finance and Audit Committee

The Finance and Audit Committee oversees the development and management of financial and accounting information as well as developing and managing the risks in that area. In particular, the Committee is responsible for monitoring the process according to which the financial information is developed, the efficiency of internal controls, the regulatory auditing of annual financial statements as carried out by the external auditors, and the independence of such external auditors. The Committee oversees the internal audit function and ensures the Bank has an independent internal auditor.

Finance and Audit Committee Composition

Ms. P. Pillar – Chairperson
Ms. W. Kelobang
Mr. S. Tshomane (Co-opted expert)

Finance and Audit Committee Meeting Attendance

Meeting Date	Ms Pillar	Ms Kelobang	Mr Tshomane
28 Apr 2023	P	P	*
14 Jun 2023	P	P	*
26 Jun 2023	P	P	*
30 Jun 2023	P	P	*
15 Aug 2023	P	P	P
8 Sep 2023	P	P	A
18 Oct 2023	P	P	P
8 Feb 2024	P	P	P
27 Mar 2024	P	P	P

* Not a member of the Committee Yet

THE BOARD & CORPORATE GOVERNANCE

For the Year 2023/2024

2. Human Resources Committee

The main role of the Committee is to advise the Board on Human Resource related issues and policies. It also monitors and ensures that the Hunan Resources related policies and strategies are efficiently implemented. The Committee periodically reviews reports from Management on significant changes to the organisational structure and makes recommendations to the Board.

Human Resources Committee Composition

Mr. T. Mongale – Chairperson
Mr. G. Nthebolan
Ms. T. Modungwa (Co-opted expert)
Mr. P. Tladinyane (Co-opted expert)

Human Resources Committee Meeting Attendance

Meeting Date	Mr Mongale	Mr Nthebolan	Ms Modungwa	Mr Tladinyane
3 Aug 2023	P	P	P	*
14 Aug 2023	P	P	P	P
10 Oct 2023	P	P	P	P
24 Oct 2023	P	P	P	A
28 Dec 2023	P	P	P	P
2 Feb 2024	P	P	P	A
19 Feb 2024	P	P	A	P

3. Credit Committee

The Committee's primary purpose is to provide oversite over the Banks Credit related activities, including considering and deciding on all loan applications which are above the Management Credit Committee's authorisation limits/ threshold. The Committee is also charged with ensuring the continued update and relevance of the Bank's Credit Risk Policy and periodically makes recommendations to the Board as necessary. It also decides on the sector allocations and monitors Management's compliance with the approved sector allocations at all times.

Credit Committee Composition

Mr. Wilfred Mpai – Chairperson
Mr. G. Nthebolan
Mr. T. Mongale
Mr. Mosimanegape Mogegeh (Co-opted expert)

Credit Committee Meeting Attendance

Meeting Date	Mr Mpai	Mr Mongale	Mr Nthebolan	Mr Mogegeh
13 Jul 2023	P	P	P	P
15 Aug 2023	P	P	P	P
18 Oct 2023	P	P	P	P
31 Jan 2024	P	P	P	P
29 Feb 2024	P	P	P	P
26 Mar 2024	P	A	P	P

4. Transformation Taskforce

This is an ad hoc Taskforce whose primary purpose is to assist the Board in establishing and monitoring implementation of the Bank's transformation agenda.

Transformation Taskforce Composition

Mr. W. Mpai – Chairperson

Mr. T. Mongale
Dr. S. Timuno (Co-opted expert)
Ms. O. Madisa
Mr. J Mwendapole

Meeting Date	Mr Mpai	Dr Timuno	Ms Madisa	Mr Mwendapole
30 Aug 2023	P	P	P	P
18 Oct 2023	P	P	P	P
6 Feb 2024	P	P	P	P

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MANAGEMENT COMMITEES

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 authorization 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. Asset and Liability Management 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 organizational 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 -offline is communicated to all staff and the public to promote integrity and precision of reporting.

BOARD EVALUATION

As part of best practice on corporate governance and good governance, the Board and its constituent Committees ought to be periodically evaluated. The evaluation is aimed at determining whether the Board and its Sub- Committees discharged their responsibilities. Further, its purpose is to assess the operations and decision-making processes of the as well as their overall effectiveness. For the current financial year, an independent Board performance evaluation of the Board and its Committees was conducted and the outcome of the evaluation was an overall performance of 81.4% for the Board Committees and 76.1% for the Board as a collective. An Action Plan has been developed to close the gaps identified which includes IT Governance, Enterprise-Wide Risk Management and People and Governance.

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.

THE BOARD & CORPORATE GOVERNANCE

For the Year 2023/2024

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

THE BOARD & CORPORATE GOVERNANCE

For the Year 2023/2024

STATEMENT OF COMPLIANCE

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.	Complaint	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.	Complaint	Issues of fraud and ethics are taken seri-ously 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 whis-tleblowing process which enables employ-ees and third parties to report any per-ceived or alleged irregular or unethical be-havior in a confidential and controlled envi-ronment through the Fraud Hotline. The effectiveness of the process is monitored and reported to the Finance & Audit Com-mittee.
2.	Boards and Directors		
2.1	The Board should act as the focal point for and custodian of corporate governance.	Complaint	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 gov-ernance structures.
2.2	The Board should appreciate that strategy, risk, performance, and sustainability are inseparable.	Complaint	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 leader-ship based on ethical foundation.	Complaint	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	Complaint	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 fi-nanced by the Bank commit to operating in an environmentally friendly manner. Fur-thermore, 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.	Complaint	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 Finance & Audit Committee and the Risk Committee.
2.6	The Board should ensure that the company has an effective and independent audit com-mittee.	Partially Complaint	The Board has a Finance & 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.

THE BOARD & CORPORATE GOVERNANCE

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King III Reference	King III Principle	Compliance Status	Application of Principle
2.	Boards and Directors (Cont.)		
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.
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
2.10	The Board should ensure that there is an effective risk-based internal audit.	Compliant	The Board, through its Finance & Audit Committee assess the adequacy of the Internal Audit department's resourcing and its effectiveness through quarterly perfor-mance 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 Communi-cation strategies and policies. On an annu-al basis, the Bank conducts a Stakeholder Satisfaction Survey to determine aware-ness and satisfaction of stakeholders.
2.12	The Board should ensure the integrity of the company's integrated report.	Compliant	The Board and the Finance & 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 Finance & 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 business rescue 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 mech-anisms 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.	Compliant	Board Directors are appointed by the Shareholder in accordance with the National Development Bank NDB Act.

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King III Reference	King III Principle	Compliance Status	Application of Principle
2.	Boards and Directors (Cont.)		
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	Complaint	The Bank has in place a formal induction programme 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.	Complaint	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.	Complaint	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.	Partially Complaint	The Board charter gives the Board the power to delegate certain functions to its Committees and the Committees operate within Committee charters. Some committees were however suspended during the period resulting in limited delegation by the Board to its Committees.
2.24	A governance framework should be agreed between the Group and its subsidiary boards.	Non-Complaint	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 Complaint	The renumeration of the Board is decided upon by the Shareholder. However, renumeration 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 Complaint	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.	Complaint	The Bank's renumeration policy is approved by the Board.
3.	Audit Committees		
3.1	The Board should ensure that the company has an effective and independent Audit Committee.	Partially Complaint	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 Complaint	The Bank's Finance & Audit Committee has comprised of adequality skilled non-executive directors, however the committee is not fully independent from the shareholder.
3.3	The Audit Committee should be chaired by an independ-ent non- executive director.	Partially Complaint	The Finance & Audit Committee is chaired by an Non-Executive director.
3.4	The Audit Committee should oversee integrated reporting.	Complaint	The Finance & 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 as-surance model is applied to provide a coordinated ap-proach to all assurance activ-ities.	Complaint	The Finance & 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 func-tion.	Partially Complaint	The Board, through its Finance & Audit Committee assess and reviews the adequacy of the finance department's functions, resources and its effectiveness during quarterly departmental updates made by Management. No formal review of the Fiance Function was conducted during the period.

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King III Reference	King III Principle	Compliance Status	Application of Principle
3.	Audit Committees (Cont.)		
3.7	The Audit Committee should be responsible for overseeing of Internal Audit.	Complaint	The Finance & Audit Committee oversees the Internal Audit.
3.8	The Audit Committee should be an integral component of the risk management pro-cess.	Complaint	The Board provides oversight over risk governance through the the Finance & 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.	Complaint	In terms of the Finance & 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.	Complaint	The Finance & Audit Committee reports to the Board on how it has discharged its duties and in turn the Board reports annually to the shareholder.
4.	The Governance of Risk		
4.1	The Board should be responsible for the governance of risk.	Complaint	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.	Complaint	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.	Complaint	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.	Complaint	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 assess-ments are performed on a continual basis.	Complaint	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 unpredict-able risks.	Complaint	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.	Complaint	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.	Complaint	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.	Complaint	The Board receives assurance from the Internal Audit Department and Management, through the Finance & Audit Committee a with regards to the adequacy of the risk management process.

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4.10	The Board ensures that the Group's Integrated Annual Report, as well as its public announcements where neces-sary, appropriately disclose risk-related information of importance to stakeholders.	Complaint	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 re-sponsible for information technology (IT) governance.	Complaint	The Board discharges its responsibility for IT governance and approves all IT related polices.
5.2	IT should be aligned with the performance and sus-tainability objectives of the company.	Complaint	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 respon-sibility for the implementa-tion of an IT gover-nance framework.	Complaint	The Board has delegated to Management the responsibility to implement IT Polices.
5.4	The Board should monitor and evaluate significant IT investments and expendi-ture.	Complaint	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.	Complaint	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.	Complaint	The Board has tasked Management with the responsibility of ensuring that processes are in place to ensure information assists are effectively managed.
5.7	A Risk Committee and Audit Committee should assist the board in carrying out its IT responsibilities.	Complaint	The Risk committee and the Finance and Audit committee do assist the Board in carrying out its IT oversight responsibilities.
6.	Compliance with Laws, Rules, Codes & Standards		
6.1	The Board should ensure that the company complies with applicable laws and considers adher-ence to non-binding rules, codes, and standards.	Partially Complaint	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.	Complaint	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.	Complaint	Compliance risk is a key area of focus of the Bank's risk management programme, 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.	Complaint	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.
7.	Internal Audit		
7.1	The Board should ensure that there is an effective risk-based Internal Audit.	Complaint	The Bank has a well-established and appropriately resourced Internal Audit function which reports to the Finance & Audit Committee and the Board.
7.2	Internal Audit should follow a risk-based approach to its plan.	Complaint	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 Finance & Audit Committee as being appropriately risk based.

THE BOARD & CORPORATE GOVERNANCE

For the Year 2023/2024

7.3	Internal Audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management.	Complaint	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.
King III Reference	**King III Principle**	**Compliance Status**	**Application of Principle**
7.	Internal Audit (Cont.)		
7.4	The Audit Committee should be responsible for overseeing Internal Audit.	Complaint	The Finance and Audit Committee is responsible for oversight of the internal audit function. The internal audit manager reports to the chair of the fiancé and audit committee.
7.5	Internal Audit should be strategically positioned to achieve its objectives.	Complaint	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.
8.	Governing Stakeholder Relationships		
8.1	The Board should appreciate that stakeholders' perceptions affect a company's reputation.	Complaint	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.	Complaint	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.	Complaint	The Board in making all its decisions takes into account the various stakeholder groupings.
8.4	Companies should ensure the equitable treatment of shareholders.	Complaint	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.	Complaint	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.	Complaint	The Board encourages Management to resolve disputes with customers, suppliers, employees, and regulators in an amicable, effective, and reasonable manner and in appropriate forums.
9.	Integrated Reporting & Disclosure		
9.1	The Board should ensure the integrity of the company's integrated report.	Complaint	The Board assisted The Finance & 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 Complaint	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 Complaint	The Bank will adopt fully fledged sustainability reporting in the future.

THE BOARD & CORPORATE GOVERNANCE

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Compliance and Risk Management

The Board sets out the overall risk policies and limits for all material risk types. The Board also determines the general principles for managing and monitoring risk, and it reviews the risk policies and limits annually.

NDB uses risk appetite as a strategic concept to determine its risk-based limits. Risk appetite represents the maximum risk the bank is prepared to assume in pursuit of its business targets. The risk appetite framework offers an overview of various risk dimensions and enables the bank to manage risk measurement across these dimensions in accordance with its overall risk policies.

The framework is based on an analysis of the current risk profiles of the bank and its major business units, and it is part of NDB's overarching Enterprise Risk Management (ERM) framework. It includes setting clear targets, limits and contingency plans in accordance with the risk policies. It also includes monitoring of risk levels. Key risk elements are identified on an on-going basis in a vigorous process driven by new products, procedures, risk measurement applications as well as economic developments.

Operational Risk

Operational risk is defined as: "Risk of loss resulting from inadequate or faulty internal procedures, human errors and system errors, or because of external events, including legal risks."

The Bank seeks to minimise its operational risks throughout the organisation by means of an extensive system of policies and control arrangements, which are designed to optimise procedures.

Assessing the Bank's operational risks in the IT field is considered an important area. The Bank's IT department and management regularly reviews IT security, including contingency plans for IT breakdowns etc., that are designed to ensure that operations can continue at a satisfactory level in case of extraordinary events. All IT systems running at NDB and from the bank's service providers must adhere to documented running schedules and guidelines. IT operations must be safe and stable, a requirement complied with through the greatest possible degree of automation and capacity adjustments. IT services run by service providers must be based on written agreements and follow the same ISO quality standards the bank subscribes to.

Internal Audit

Internal Audit (IA) is a separate independent department that reports to the Board and is supervised by the Board's Finance and Audit Committee. The function gives senior management and the Board a fair level of comfort that risk management and control procedures are in place, as well as their overall governance are adequately designed and functioning effectively. IA's work helps the Bank serve its clients more effectively through review and follow up of query resolution process. It delivers audits, as well as assurance and advisory reviews, that cover all key areas: strategy, credit, finance, client services and other supporting functions, including IT systems and processes. Its work is carried out in accordance with the Institute of Internal Auditors' International Professional Practices Framework which is inculcated in the Bank's Quality Assurance and Improvement Program as approved by the Board in the reporting period.

IA collaborates with Risk and Compliance, and governance functions within management as well as with the Bank's other independent oversight and accountability units. The function employs a flexible, risk-based audit plan as approved by the Finance and Audit Committee on an annual basis, to adjust its focus alongside changes in the Bank's business and the related risk landscape.



TESTIMONIAL - GREEN ENERGY TRANSITION

For the Year 2023/2024



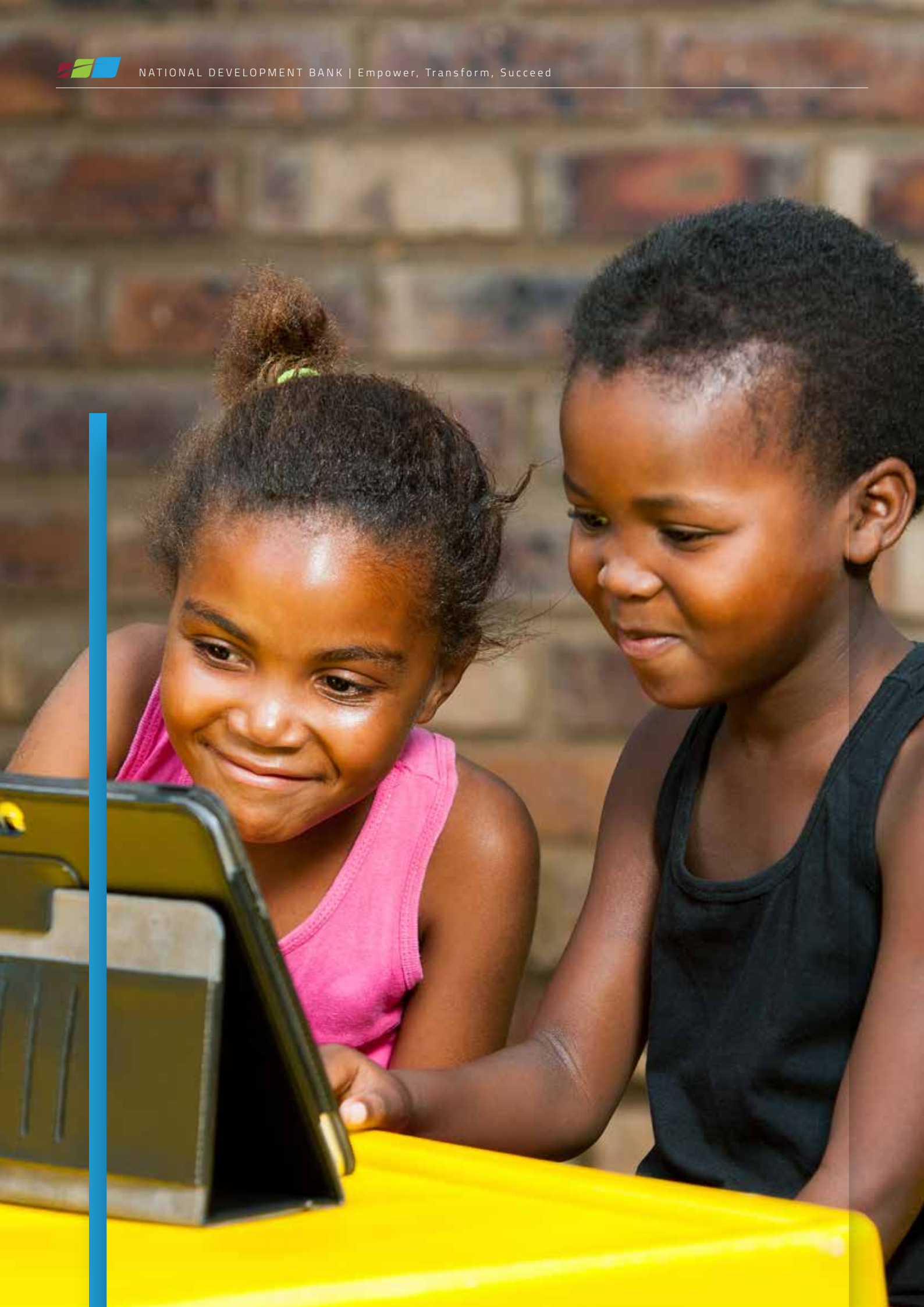
Allen Phemelo Boshwaen
Farmer - Golden Glade Farm

Testimonial

> I was extremely satisfied with the exceptional service provided by NDB. Their professionalism and attention to detail greatly contributed to a positive experience.

My name is Allen Phemelo Boswaeng, a former corporate executive turned farmer since 2022. I cultivate various crops, with a focus on peppers year-round. I discovered the Green Energy Transition Fund through a radio advertorial, which sparked my interest in sustainable practices. This fund not only supports my farming endeavours but also encourages the adoption of eco-friendly techniques within our agricultural community.

I was extremely satisfied with the exceptional service provided by NDB. Their professionalism and attention to detail greatly contributed to a positive experience. The team's commitment to customer satisfaction was evident, making my interaction with them both pleasant and efficient. I highly recommend their services.



CORPORATE SOCIAL INVESTMENT

For the Year 2023/2024

CORPORATE SOCIAL INVESTMENT

Our commitment to corporate social investment (CSI) goes beyond simply meeting obligations. We strive to make substantial and positive contributions to society. In this report, we will highlight the important initiatives and accomplishments we have made to empower women, social impact in Agricultural, and Promoting education through digitalisation.

1. WOMEN EMPOWERMENT

Together with 22 CEOs, Ogone Madisa is championing gender equality as a mentor in the ElevateHER program, where they are tasked with transforming the lives of 100 dynamic women in Botswana. This transformation spans critical areas such as Women's Education, Healthcare, Economic Empowerment, Leadership Development, and Sisterhood. Their guidance serves as a catalyst for lasting change, creating bundled solutions, imparting essential knowledge, instilling confidence, and fostering resilience in every mentee nation wide.

At the heart of this initiative is advocacy for vital health priorities, including regular checkups, mental health support, and early cancer detection. Financial literacy and inclusion are emphasised as essential tools for economic empowerment, while nurturing the next generation of female leaders and fostering a culture of collaboration strengthens the social fabric of communities. The ripple effects of ElevateHER extend far beyond the individual mentees, driving systemic change that benefits families, workplaces, and the broader economy.

As leaders participate in ElevateHER, they return to their organisations with renewed purpose and a deeper understanding of the national importance of gender equality. This revitalised leadership fosters cultures of empowerment, inclusivity, and growth, ensuring that the program's impact resonates across industries and sectors. ElevateHER is not just a mentorship program; it is a catalyst for national transformation, mobilising leaders to create a Botswana where every woman has the opportunity to succeed and contribute to the country's collective progress.

2. AGRICULTURAL SOCIAL IMPACT

a) Through a partnership with **Pandamatenga Farmers Association,** the bank has committed over P1 000 000 to refurbish the Pandamatenga Agricultural Grounds for over 5 years. This partnership aims to jointly embark on strategic initiatives that would improve the growth of the sector and bring other economic benefits within the region. Through this partnership, we have evidenced positive results which include: customised banking products and services that suit the farmer's needs; improved mechanisation of the agricultural sector within this region; increased grain production, as well as enhanced collaboration and sharing of knowledge between commercial farmers and small scale farmers. These efforts are done to cement the tagline to ensure that our farmers are ***empowered***.

b) As a bank we have also committed to offering, programmes of empowerment where we teach our farmers on various topics intended to empower them to sucess. We have held such discussions by organizing webinars in Ntsweletau, Gaborone and Pandamatenga.This was done in collaboration with other business organs, to offer them a holistic package. On the table for discussion was insurance, budgeting and business management. We believe education can be used as a tool for contribution to farmer development.

3. PROMOTING EDUCATIONAL DEVELOPMENT THROUGH DIGITILISATION

a) National Development Bank continues to support digital transformation. Currently we are supporting. schools being Botswelelo Primary school in Maun, and Mmapulane Primary School in Palapye, by providing internet connectivity. Currently we have expanded over P 107 601.96 to support this initiative.



BANCASSURANCE

For the Year 2023/2024

BANCASSURANCE

OBJECTIVE

National Development Bank Insurance Agency was established with the key strategic initiative of diversifying the Bank's income streams from interest based revenue to non-interest revenue. Our primary objective continues to focus on providing comprehensive, tailored financial solutions that integrate banking and insurance services. By streamlining our processes and innovating our product portfolio, we aim to deepen customer engagement and improve financial inclusivity.

AUDIENCE

The Bancassurance unit caters to a diverse range of audiences, including individual customers, and small and medium-sized enterprises. We offer personalized solutions that meet the varied risk management and financial planning needs of our clients. With dedicated teams focusing on understanding and anticipating customer needs, we have been successful in increasing our customer base and retention rates, leading to sustained value creation for our consumers and shareholders alike.



AVAILABLE PRODUCTS

Molemi-Morui insurance packages: This is a bundled-up insurance offering specifically developed for clients within the agricultural value chain and offering coverage for property, machinery workmen's compensation, electronic equipment and business interruption, Molemi Morui offers convenience through exemption of prerequisite underwriting and affordability through discounted coupon pricing.

Gomotsega Funeral Plan and Group Life Assurance: This product is a highly discounted funeral policy that covers both the nuclear and extended families especially for clients with low income.

Life Insurance Products: Offering protection and investment-oriented solutions, such as term life, whole life, and endowment plans designed to secure financial futures.

General Insurance products: Comprehensive coverage for Home, property, business, employees, travel, health and specialized insurance ensuring risk mitigation across various aspects of both individuals and businesses.



PEOPLE AND CULTURE

For the Year 2023/2024

PEOPLE AND CULTURE

01

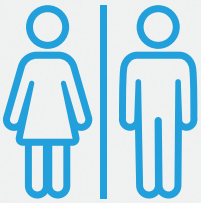
STAFF COMPLEMENT



214

02

GENDER SPLIT



63%
Female

37%
Male

03

ANALYSIS BY AGE



40%
Millenials

PEOPLE AND CULTURE

For the Year 2023/2024

Employee Engagement












PEOPLE AND CULTURE

For the Year 2023/2024

Human Resources

The Human Resources agenda for the 2023-2024 financial year was anchored on the Human Capital Strategy, whose Vision is to position NDB as a centre of excellence in People Management and Culture. Our Mission is to provide services and resources that empower NDB to fulfil its mandate. This strategy aligns with the Agri-Bank Transformation, emphasising talent acquisition, development, and retention to meet current and future needs. As part of this transformation, the department was realigned, creating distinct units for Organisational Development and Service Delivery, and introduced Human Resource Business Partnering to enhance efficiency.

Key Strategic Objectives

The HR strategy focused on five strategic objectives:

1. Cost-Effective HR Processes

Our aim under this objective was to pursue cost management while maintaining service quality. By managing resources efficiently, we achieved an overall expenditure reduction of 8% this year.

2. People Effectiveness and Performance

This objective emphasises cultivating a high-performance culture through a robust performance management system and transformative culture initiatives. Key actions included conducting Performance Management System (PMS) refreshers, automating and implementing Performance Development Plans (PDPs), and training change champions to facilitate organisational change. On this note an organisational change management is being implemented.

3. Leadership Optimisation

And implementing on the bank's talent management strategy. Succession plans were implemented, and performance development was tracked. The second talent review session is scheduled for May 2024.

4. Employee Wellness and Engagement

In response to a rise in wellness cases, a targeted strategy was developed to address employee health and well-being. An engagement survey was also conducted and requisite interventions put in place, underscoring our commitment to an engaged and healthy workforce.

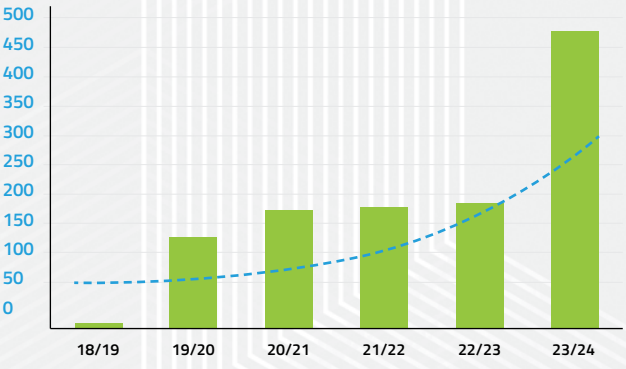
5. Service Delivery Optimisation

Under the Service Excellence pillar, our focus was on process optimisation, policy review, and governance enhancement. Key achievements included improving the Overall Risk Index and increasing the audit closure rate.

These objectives collectively aim to strengthen our employer brand, enhance employee experience, foster transformational leadership, and build a high-performing organisation.

DEMOGRAPHICS

Authorised Staff Complement Trend



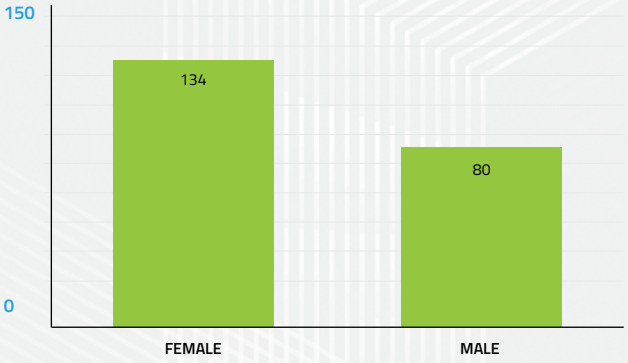
Following the restructuring exercise in 2018, which saw a reduction in authorised staff compliment, NDB's staff complement has grown steadily. In 2023/24, a significant increase occurred as the Bank was tasked with administering the government's Temo Letlotlo initiative, resulting in the creation of a Fund Administration Unit with over 200 authorised positions. However, full recruitment has been challenged by limited office space in remote areas.

PEOPLE AND CULTURE

For the Year 2023/2024

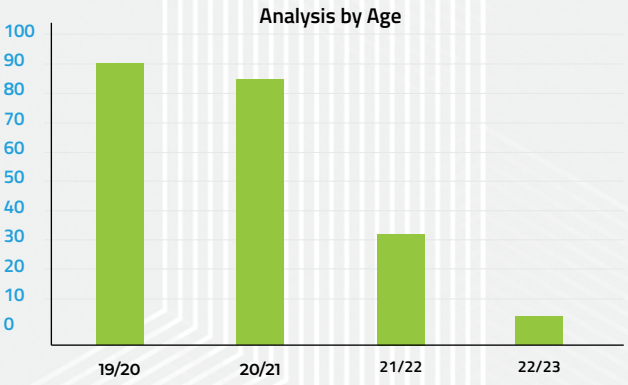
Employee Engagement

Head Count



As of the end of the 2023/24 financial year, our workforce is 63% female and 37% male. At the executive level, men represent 57%, while women hold 42% of these roles. Women primarily occupy management, supervisory, and specialist positions, reflecting our commitment to diversity and leadership representation across the organisation.

Workforce Demographics



Our workforce consists primarily of Millennials and Generation X employees. Generation X's independence, resourcefulness, and strong communication skills are complemented by Millennials' tech-savviness, collaboration, and social consciousness. To meet these groups' preferences, we offer flexible schedules, remote work options, career development, and wellness programmes, supporting their engagement and aligning with their values.

2024/25 OUTLOOK

In the coming financial year, the People and Culture team will prioritise reviewing the operating model for core departments, aligning with our Human Capital Optimisation strategy. Key focus areas include efficiency enhancement, customer centricity, innovation, workforce empowerment, robust risk management, sustainability, and agility.

We will also advance our Talent Management Strategy with continued departmental and Bank-wide talent reviews, targeted executive talent management training, and automation of the performance management system. Additional priorities include change management, rewards, employee wellness, engagement, and cultural transformation to foster a cohesive and productive work environment.

GOVERNANCE FOCUS

In the governance sphere, we will complete and secure approval for updated HR policies, disseminating these across all staff by the next quarter. Finalising outstanding audit recommendations and automated processes are also priority areas. On culture and change management, we will execute our Change Management Plan, develop a comprehensive Culture and Change Framework, and conclude the Operating Model Review Project. Stakeholder engagement will be key to gaining buy-in for these initiatives across the organisation.

CONCLUSION

This shift from traditional HR practices to a holistic People and Culture function represents a strategic transformation. The department will further focus on cultivating a positive workplace culture that aligns with NDB's values. By evolving into a strategic function, we aim to drive long-term success through innovation, employee experience, and retention, ensuring our workforce is empowered to meet organisational goals.

TESTIMONIAL - EMPOWER, TRANSFORM, SUCCEED

For the Year 2023/2024



Diau Molome
Facilities and Procurement

Testimonial

I started my job in 2001 over 21 years ago, as a temporary employee and i worked my way into various departments until i joined Facilities and Procurement where i am currently based.

When i started working there were many branches, but as we evolved and technology intensified we saw a reduction in the number of branches. As an employee i am grateful for the opportunity the benefit has afforded me. Especially that as Bank employees we are also given an opportunity to partake in other Government programmes. For instance, i have been able to access some programmes and today i boast of a substation number of livestock, despite only starting with 10.

There are so many benefits the Bank has afforded me, and opportunity to build wealth, have a home. Of more importance is the aspect of health where the Bank has made it a priority that they provide free health for its employees.

"The Bank is here 60 years later because of its commitment to employee growth, teamwork and dedication and i am proud of being part of the National Development Team."

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the Year 2023/2024



DIRECTORS' APPROVAL OF THE FINANCIAL STATEMENTS

For the Year 2023/2024



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 2024, 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 the International Financial Reporting 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.

The Board of Directors' responsibility includes:

- designing, implementing and maintaining internal control systems relevant to the preparation and fair presentation of these financial statements that are free from material mis statement, 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' responsibility also includes 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 Bank's ability to continue as a going concern, as disclosed in the note 1.2, and has no reason to believe that the 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, cashflows and financial position in accordance with the Financial Reporting Accounting Standards as issued by the International Accounting Standards.

Approval of the consolidated and separate annual financial statements:

The consolidated and separate annual financial statements set out on pages 7 - 82 which have been prepared on the going concern basis, were approved by the Board of Directors on 18 November 2024 and were signed on their behalf by:

Approval of financial statements

Mr Wilfred Mpai
Chairman, Board

Mr Mosimanegape O Mogegeh
Chairperson, Audit Committee

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INDEPENDENT AUDITOR'S REPORT

To the shareholder of National Development Bank
Report on the audit of the consolidated and separate financial statements

Qualified opinion

We have audited the consolidated and separate financial statements of National Development Bank ("the Bank") and its subsidiaries ("the Group") set out on pages 7 to 80, which comprise the consolidated and separate statements of financial position as at 31 March 2024, 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 31 March 2024, 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 74:05 of Botswana.

Basis for qualified opinion

Note 25 sets out the movement in the Expected Credit Loss Allowance compared to the prior year and includes an amount of (P 60,280) thousand (2023: P52,683 thousand) for both Group and Bank relating to the Expected Credit Loss allowance movement for loans and advances to customers. This resulted in an Expected Credit Loss allowance movement balance for the year ended 31 March 2024 of (P72,822) thousand for Group (2023: P32,045 thousand) and (P72,944) thousand for the Bank (2023: P31,842 thousand) as per the Statements of profit or loss and other comprehensive Income.

During the prior year's audit, we identified possible exceptions in the ECL model that precluded us from quantifying the full impact on the ECL allowance and related disclosures in the financial statements. The extent of the qualitative analyses required, coupled with the lack of available information necessary to correct the ECL model outputs, led us to estimate that the potential misstatement could be material to the ECL amount. Our audit opinion on the financial statements for the period ended 31 March 2023 was accordingly qualified.

As at 31 March 2024, management have taken corrective action in the current year with regards to the ECL model. We have obtained sufficient and appropriate audit evidence with regards to the closing balance of the ECL allowance in the current year's Statements of financial position as per Note 10 at an amount of (P 93,544) thousand for the Group and Bank. Since the opening Loans and advances balance, which includes the qualified ECL from the prior year, is included in determining the financial performance and cash flows of the Bank for the year ended 31 March 2024, we were unable to determine whether adjustments might have been necessary in respect of Expected Credit Losses to the below balances:

- The balance as reflected in Note 25 of (P60,280) thousand for both the Group and Bank (2023: P52,683 thousand) relating to Expected credit loss from loans and advances to customers which is part of the Expected Credit Loss balance as included in the Statements of profit or loss and other comprehensive income for the year ended 31 March 2024 at (P72,822) thousand for the Group (2023: P32,045 thousand) and at (P72,944) thousand for the Bank (2023: P31,842 thousand).
- The movement in expected credit loss allowance as disclosed in the Statements of cash flows at (P56,082) thousand for the Group (2023: P52,886 thousand), and at (P56,204) thousand for the Bank (2023: P52,683 thousand).
- The decrease / (increase) in loans and advances to customers as included in the Statements of cash flows at P56,549 thousand for the Group and Bank (2023: (P75,125) thousand for the Group and Bank).

Our audit opinion on the financial statements for the year ended 31 March 2024 is therefore qualified in respect of these matters.

Our opinion on the Statements of financial position is also qualified because of the possible effect of these matters on the comparability of the current year's closing balance of loans and advances of P 875,591 thousand for the Group and Bank and the corresponding balances for loans and advances of P 871,860 for the Group and Bank.

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INDEPENDENT AUDITOR'S REPORT

To the shareholder of National Development Bank
Report on the audit of the consolidated and separate financial statements

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. Except for the matter described in the Basis for qualified opinion section, we have determined that there are no other key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the Directors' approval of the financial statements and the Detailed income statements. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express 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 74:05 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

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.

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INDEPENDENT AUDITOR'S REPORT

To the shareholder of National Development Bank
Report on the audit of the 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.

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



Ernst & Young
Practicing member: Francois Roos
Partner
Certified Auditor
Membership number: CAP 0013 2024
Gaborone
13 December 2024

STATEMENT OF FINANCIAL POSITION

as at 31 March 2024

		Group		Bank	
Figures in Pula thousand	**Note(s)**	**2024**	**2023 Restated ***	**2024**	**2023 Restated ***
Assets					
Cash and cash equivalents	3	357,994	70,240	352,031	66,189
Placements with financial institutions	4	17,272	11,326	17,272	11,326
Current tax receivable	5	188	-	-	-
Other assets	6	45,217	18,235	48,760	19,341
Deferred tax	7	67	45	-	-
Right-of-use assets	8	7,163	2,696	7,163	2,696
Intangible assets	9	498	2,623	498	2,623
Loans and advances to customers	10	875,591	871,860	875,591	871,860
Property, plant and equipment	11	140,762	127,481	140,762	127,481
Investments in associates	12	225	320	225	320
Investments in subsidiaries	13	-	-	1,000	1,000
Total Assets		**1,444,977**	**1,104,826**	**1,443,302**	**1,102,836**
Equity and Liabilities					
Equity					
Un-recallable capital	15	789,689	497,689	789,689	497,689
Reserves	16	79,998	68,688	79,998	68,688
Retained earnings		(4,916)	(61,486)	(6,140)	(62,577)
		864,771	**504,891**	**863,547**	**503,800**
Liabilities					
Bank overdraft	3	47	29,107	47	29,107
Current tax payable	5	-	16	-	-
Employee obligations	17	16,726	10,455	16,518	10,455
Lease liabilities	8	7,432	3,254	7,432	3,254
Other liabilities	18	189,423	79,164	189,180	78,281
Borrowings	19	366,578	477,939	366,578	477,939
		580,206	**599,935**	**579,755**	**599,036**
Total Equity and Liabilities		**1,444,977**	**1,104,826**	**1,443,302**	**1,102,836**

The order of liquidity of assets and liabilities presented in the statement of financial position was changed from the order presented in prior year to align with the correct order of liquidity. The presentation enables improved understanding of the short-term financial position and supports effective decision-making and risk management by stakeholders. The amounts and descriptions of the assets and liabilities presented in the statement of financial position did not change.

STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

For the Year ended 31 March 2024

		Group		Bank	
Figures in Pula thousand	**Notes**	**2024**	**2023**	**2024**	**2023**
			Restated*		**Restated***
Interest revenue calculated using effective interest rate method	20	105,926	103,087	105,926	103,087
Interest expense calculated using effective interest rate method	21	(34,173)	(38,352)	(34,173)	(38,352)
Net interest income		71,753	64,735	71,753	64,735
Fee and commission income	22	43,796	21,978	40,954	19,575
Grant income	23	15,563	14,565	15,563	14,565
Total income from banking activities		131,112	101,278	128,270	98,875
Other income	24	3,906	3,968	3,906	3,968
Expected credit loss	25	72,822	(32,045)	72,944	(31,842)
Personnel expenses	26	(86,436)	(71,420)	(84,461)	(69,899)
Depreciation on property, plant and equipment and right-of-use assets	27	(5,233)	(4,546)	(5,233)	(4,546)
Amortisation	27	(2,125)	(2,661)	(2,125)	(2,661)
Other expenses	25	(57,328)	(43,944)	(56,769)	(43,877)
Operating profit/(loss) for the year		**56,718**	**(49,370)**	**56,532**	**(49,982)**
Share of loss of associate	12	(95)	(100)	(95)	(100)
Profit/(loss) for the year before taxation		56,623	(49,470)	56,437	(50,082)
Taxation	28	(53)	(296)	-	-
Total profit/(loss) for the year		**56,570**	**(49,766)**	**56,437**	**(50,082)**
Other comprehensive income not to be reclassified to profit or loss:					
Other comprehensive gain not to be reclassified to profit or loss:					
Gains on property revaluation		11,310	-	11,310	-
Other comprehensive income for the year	11	11,310	-	11,310	-
Total comprehensive income/(loss) for the year		**67,880**	**(49,766)**	**67,747**	**(50,082)**

***Refer to note 36 for details of the restatement.**

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 March 2024

Figures in Pula thousand	Un-recallable capital	Revaluation reserve	General risk reserve	Total reserves	Retained earnings	Total equity
Group						
Balance at 01 April 2022	**407,689**	**59,006**	**9,682**	**68,688**	**(11,720)**	**464,657**
Loss for the year	**-**	**-**	**-**	**-**	**(49,766)**	**(49,766)**
Total loss for the year	**-**	**-**	**-**	**-**	**(49,766)**	**(49,766)**
Issue of shares	**90,000**	**-**	**-**	**-**	**-**	**90,000**
Total contributions by and distributions to owners of company recognised directly in equity	**90,000**	**-**	**-**	**-**	**-**	**90,000**
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 of company recognised directly in equity	**292,000**	**-**	**-**	**-**	**-**	**292,000**
Balance at 31 March 2024	**789,689**	**70,316**	**9,682**	**79,998**	**(4,916)**	**864,771**
Notes	15	16	16			
Bank						
Balance at 01 April 2022	**407,689**	**59,006**	**9,682**	**68,688**	**(12,495)**	**463,882**
Loss for the year	-	-	-	-	(50,082)	(50,082)
Total Loss for the year	**-**	**-**	**-**	**-**	**(50,082)**	**(50,082)**
Issue of shares	90,000	-	-	-	-	90,000
Total contributions by and distributions to owners of company recognised directly in equity	**90,000**	**-**	**-**	**-**	**-**	**90,000**

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 March 2024

Figures in Pula thousand	Un-recallable capital	Revaluation reserve	General risk reserve	Total reserves	Retained earnings	Total equity
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 comprehensive income 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 of company recognised directly in equity						
Balance at 31 March 2024	**789,689**	**70,316**	**9,682**	**79,998**	**(6,140)**	**863,547**
Notes	15	16	16			

STATEMENT OF CASH FLOWS

For the Year ended 31 March 2024

		Group		Bank	
Figures in Pula thousand	**Notes**	**2024**	**2023**	**2024**	**2023**
Cash flows from operating activities					
Profit/(loss) before taxation		**56,623**	**(49,470)**	**56,437**	**(50,082)**
Adjustments for non-cash items:					
Depreciation	27	5,233	4,546	5,233	4,546
Amortisation	27	2,125	2,661	2,125	2,661
Gains on disposal of right-of-use assets	24	-	(336)	-	(336)
Movement in expected credit loss allowance	25	(56,082)	52,886	(56,204)	52,683
Loss on settlement of lease liability	24	-	214	-	214
Interest expense	22	34,173	38,352	34,173	38,352
Interest paid on borrowings	19	(6,350)	(7,477)	(6,350)	(7,477)
Other interest paid		(348)	(1,554)	(348)	(1,554)
Interest expense on lease liabilities	8	(495)	(350)	(495)	(350)
Share of loss of associate	12	95	100	95	100
Deposit interest income	20	(6,257)	(1,709)	(6,257)	(1,709)
Deposit interest income received		4,049	1,030	4,049	1,030
Grant income	23	(15,563)	(14,565)	(15,563)	(14,565)
Changes in working capital:					
Decrease/(increase) in loans and advances to customers	10	56,549	(75,125)	56,549	(75,125)
(Increase)/decrease in other assets	6	(28,971)	31,464	(31,286)	30,320
(Decrease)/increase in other liabilities	18	(4,969)	5,692	(4,329)	4,848
Increase in employee obligations	17	6,271	81	6,063	81
Cash generated from (used in) operations		**46,083**	**(13,560)**	**43,892**	**(16,363)**
Tax paid	5	(279)	(325)	-	-
Net cash from operating activities		**45,804**	**(13,885)**	**43,892**	**(16,363)**
Cash flows from investing activities					
Purchase of property, plant and equipment	11	(5,405)	(3,430)	(5,405)	(3,430)
Investments in placements with financial institutions	4	(5,946)	(80,000)	(5,946)	(80,000)
Redemption of placements with financial institutions	4	-	80,000	-	80,000
Proceeds from sales of right-of-use assets	8	-	642	-	642
Leasehold improvements	8	(240)	-	(240)	-
Net cash from investing activities		**(11,591)**	**(2,788)**	**(11,591)**	**(2,788)**
Cash flows from financing activities					
Capital injection from the Industry Support Facility	15	92,000	90,000	92,000	90,000
Funds received from the Government of Botswana	15	200,000	-	200,000	-
Repayments of borrowings	19	(7,551)	(80,083)	(7,551)	(80,083)
Principal repayments on lease liabilities	8	(1,848)	(1,709)	(1,848)	(1,709)
Net cash from financing activities		**282,601**	**8,208**	**282,601**	**8,208**

STATEMENT OF CASH FLOWS

		Group		Bank	
Figures in Pula thousand	**Note(s)**	**2024**	**2023 Restated ***	**2024**	**2023 Restated ***
Total cash movement for the year		**316,814**	**(8,465)**	**314,902**	**(10,943)**
Cash at the beginning of the year		41,133	49,598	37,082	48,025
Cash at the end of the year	3	**357,947**	**41,133**	**351,984**	**37,082**

SIGNIFICANT ACCOUNTING POLICIES

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

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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. 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 years, except for the amended presentation of assets and liabilities in order of liquidity and certain reclassifications, discussed in note 36.

The preparation of financial statements in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board, 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

We draw attention to the fact that for the year ended 31 March 2024, the Bank reported a profit of P56.4 million (2023: loss of P50 million), and as at 31 March 2024, the Bank had accumulated losses of P6.1 million (2023: accumulated losses of P62.5 million).

The Bank's liquid assets were P534 million as at 31 March 2024, reflecting a substantial improvement from P201 million in the prior year. This improved liquidity position ensures that the Bank holds sufficient liquid assets to meet its current liabilities due within the next 12 months, as disclosed in note 35. While liquidity has been managed effectively, it remains a high-risk area, and management continues to implement mitigation strategies to address this.

During the period under review, the Bank took significant steps towards its transition into an agricultural bank, a journey instigated by the directive of His Excellency Dr. Mokgweetsi Eric Keabetswe Masisi, President of the Republic of Botswana, made in February 2023. The focus for the shareholder is to ensure that the transition process is adequately resourced, safeguarding the Bank's future as a viable going concern.

The Bank's liquidity ratio as at 31 March 2024 was not below the internal limit, but management continues to monitor liquidity closely. Although the Bank did not end the year in a state of liquidity strain, ensuring sufficient liquidity remains a critical focus area due to the inherent risks in the current market environment.

Significant achievements during 2024 include:

- The receipt of a capital injection of P92 million from the Industry Support Facility and P200 million from the Government of Botswana, exceeding the initial budgeted amount.
- The borrowings from the Government of Botswana, as detailed in note 19, were restructured during the year, extending the maturity date by 10 years. As a result, annual repayments will be reduced, improving the Bank's liquidity position. The restructuring will save P56 million annually, with the original annual payment of P103 million now reduced to P47 million.
- The Bank's total assets of P1,44 billion exceed its total liabilities of P579 million, providing a solid equity position of P864 million. This, coupled with the capital support from the Government, ensures that the Bank remains a viable going concern.
- Furthermore, the Bank has received a legally enforceable letter of comfort dated 29 July 2024 from the Government of Botswana, its sole shareholder, confirming the provision of financial support as needed to ensure the Bank's continued operation as a going concern.

SIGNIFICANT ACCOUNTING POLICIES

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 carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non- Current Assets Held for sale and Discontinued Operations.

1.4 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.

Transactions and balances

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.

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.

SIGNIFICANT ACCOUNTING POLICIES

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.

1.6 Property, plant and equipment (continued)

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.

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

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

SIGNIFICANT ACCOUNTING POLICIES

1.6 Property, plant and equipment (continued)

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 programs 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.

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).

SIGNIFICANT ACCOUNTING POLICIES

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 Un-recallable capital and equity

Un-recalled 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.

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.

SIGNIFICANT ACCOUNTING POLICIES

For the Year ended 31 March 2024

1.12 Financial instruments (continued)

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.

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.

SIGNIFICANT ACCOUNTING POLICIES

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.

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.

SIGNIFICANT ACCOUNTING POLICIES

1.12 Financial instruments (continued)

- **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.

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.

SIGNIFICANT ACCOUNTING POLICIES

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.

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.

SIGNIFICANT ACCOUNTING POLICIES

1.12 Financial instruments (continued)

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.

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

1.14 Employee benefits

Pension contributions

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.

SIGNIFICANT ACCOUNTING POLICIES

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.

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.

SIGNIFICANT ACCOUNTING POLICIES

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 profit or loss.

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.

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.

SIGNIFICANT ACCOUNTING POLICIES

1.23 Significant judgements and sources of estimation uncertainty (continued)

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).

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.

SIGNIFICANT ACCOUNTING POLICIES

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.

1.23 Significant judgements and sources of estimation uncertainty (continued)

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.

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.

SIGNIFICANT ACCOUNTING POLICIES

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
- STER, monetary policy
- LTER, economic growth

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%

SIGNIFICANT ACCOUNTING POLICIES

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	2024	2025	2026	2027	2028	Long-term projection
Key driver	Scenario	%	%	%	%	%	%	%
Gross domestic product growth								
	Upside	15	1.0	3.0	4.0	4.5	5.0	5.0
	Base case	50	1.0	2.0	3.0	3.5	4.0	4.0
	Downside 1	25	1.0	1.0	2.0	2.5	3.0	3.0
	Downside 2	10	1.0	0.5	1.0	1.5	2.0	2.0
Unemployment rate								
	Upside	15	27.6	26.0	24.0	22.0	20.0	20.0
	Base case	50	27.6	27.0	26.0	25.0	24.0	24.0
	Downside 1	25	27.6	28.0	29.0	30.0	10.1	31.0
	Downside 2	10	27.6	29.0	30.0	31.0	32.0	32.0
Annual inflation rate								
	Upside	15	1.5	2.0	2.5	3.0	3.5	3.5
	Base case	50	1.5	1.8	2.0	2.2	2.5	2.5
	Downside 1	25	1.5	1.5	1.5	1.5	1.5	1.5
	Downside 2	10	1.5	1.0	0.5	0.5	0.5	0.5
Prime interest rate								
	Upside	15	5.5	5.0	4.5	4.0	3.5	3.5
	Base case	50	5.5	5.5	5.5	5.5	5.5	5.5
	Downside 1	25	5.5	6.0	6.5	7.0	7.5	7.5
	Downside 2	10	5.5	6.5	7.0	7.5	8.0	8.0
Consumer price index								
	Upside	15	105.0	107.0	109.0	111.0	113.0	113.0
	Base case	50	105.0	106.0	107.0	108.0	109.0	109.0
	Downside 1	25	105.0	105.5	106.0	106.5	107.0	107.0
	Downside 2	10	105.0	105.0	105.0	105.0	105.0	105.0
Short-term economic risk index								
	Upside	15	60.0	58.0	56.0	54.0	52.0	52.0
	Base case	50	60.0	60.0	60.0	60.0	60.0	60.0
	Downside 1	25	60.0	62.0	64.0	66.0	68.0	68.0
	Downside 2	10	60.0	65.0	70.0	75.0	80.0	80.0

SIGNIFICANT ACCOUNTING POLICIES

Results of the sensitivity analysis (continued)

			Actual			Forecast		
		Assigned weightings	2024	2025	2026	2027	2028	Long-term projection
Key driver	Scenario	%	%	%	%	%	%	%
Long-term economic risk index								
	Upside	15	70.0	68.0	66.0	64.0	62.0	62.0
	Base case	50	70.0	70.0	70.0	70.0	70.0	70.0
	Downside 1	25	70.0	72.0	74.0	76.0	78.0	78.0
	Downside 2	10	70.0	75.0	80.0	85.0	90.0	90.0
Labour market risk index								
	Upside	15	50.0	48.0	47.0	46.0	45.0	45.0
	Base case	50	50.0	50.0	50.0	50.0	50.0	50.0
	Downside 1	25	50.0	52.0	53.0	54.0	55.0	55.0
	Downside 2	10	50.0	55.0	57.0	59.0	60.0	60.0
Political risk index								
	Upside	15	40.0	38.0	36.0	34.0	32.0	32.0
	Base case	50	40.0	40.0	40.0	40.0	40.0	40.0
	Downside 1	25	40.0	42.0	44.0	46.0	48.0	48.0
	Downside 2	10	40.0	45.0	47.0	49.0	50.0	50.0
Short-term economic rate (monetary policy)								
	Upside	15	5.5	5.4	5.3	5.2	5.1	5.1
	Base case	50	5.5	5.5	5.5	5.5	5.5	5.5
	Downside 1	25	5.5	5.6	5.7	5.8	5.9	5.9
	Downside 2	10	5.5	6.0	6.2	6.4	6.5	6.5
Long-term economic rate (economic growth)								
	Upside	15	6.0	6.2	6.3	6.4	6.5	6.5
	Base case	50	6.0	6.0	6.0	6.0	6.0	6.0
	Downside 1	25	6.0	5.9	5.8	5.7	5.6	5.6
	Downside 2	10	6.0	5.5	5.5	5.3	5.2	5.2

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.

SIGNIFICANT ACCOUNTING POLICIES

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.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

	Group		Bank	
Figures in Pula thousand	**2024**	**2023**	**2024**	**2023**

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:
▪ Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12	01 January 2023	The impact of the standard is not material.
▪ Disclosure of accounting policies - Amendments to IAS 1 and IFRS Practice Statement 2	01 January 2023	The impact of the standard is not material.
▪ Definition of accounting estimates - Amendments to IAS 8	01 January 2023	The impact of the standard is not material.

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 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
▪ Presentation and accountability disclosures in financial statements IFRS 18	01 January 2027	Unlikely there will be a material impact
▪ Subsidiaries without public accountability IFRS 19	01 January 2027	Unlikely there will be a material impact
▪ Amendments to the classification and measurement of financial instruments - amendments to IFRS 9 and IFRS 7	01 January 2026	Unlikely there will be a material impact
▪ Lack of exchangeability - amendments to IAS 21	01 January 2025	Unlikely there will be a material impact
▪ Supplier finance arrangements - amendments to IAS 7 and IFRS 7	01 January 2024	Unlikely there will be a material impact
▪ Non-current liabilities with covenants - amendments to IAS 1	01 January 2024	Unlikely there will be a material impact
▪ Lease liability in a sale and leaseback	01 January 2024	Unlikely there will be a material impact

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

	Group		Bank	
Figures in Pula thousand	**2024**	**2023**	**2024**	**2023**

3. Cash and cash equivalents

Cash and cash equivalents consist of:				
Cash on hand	15	6	15	6
Bank balances	357,979	70,234	352,016	66,183
Bank overdraft	(47)	(29,107)	(47)	(29,107)
	357,947	**41,133**	**351,984**	**37,082**
Current assets	357,994	70,240	352,031	66,189
Current liabilities	(47)	(29,107)	(47)	(29,107)
	357,947	**41,133**	**351,984**	**37,082**

The Group has a total facility with Standard Chartered Bank Botswana Limited of P30 million (2023: P30 million) on the overdraft account. The facility attracts interest at a rate of prime plus 2% per annum (2023: prime plus 2% per annum), with interest payable at the end of each interest period monthly in arrears and calculated on the basis of the actual number of days elapsed in a 366-day year (2023: 365-day year).

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

Stanlib Investment Management Services (Pty) Ltd	1,777	1,585	1,777	1,585
African Alliance	5,284	146	5,284	146
Ipro Money Market Fund	10,211	9,595	10,211	9,595
	17,272	**11,326**	**17,272**	**11,326**
Split between non-current and current portions				
Current assets	17,272	11,326	17,272	11,326

Placements with financial institutions are part of the Group's money market activities and comprise of short-term placements with banks and other financial institutions. The Group's accumulated interest on Unit Trust Investments held with African Alliance, Ipro and Stanlib during the 2024 financial year was P945,484 (2023: P679,000), refer to note 21.

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 balances.

5. Current tax receivable/ (payable)

Normal tax	188	(16)	-	-
Net current tax payable				
Current assets	188	-	-	-
Current liabilities	-	(16)	-	-
	188	(16)	-	-

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 2024.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Figures in Pula thousand	Group 2024	Group 2023	Bank 2024	Bank 2023
5. Current tax receivable/ (payable) (continued)				
Tax paid				
Balance at the beginning of the year	(16)	-	-	-
Current tax recognised in profit or loss	(66)	(296)	-	-
Other movements	-	(45)	-	-
Balance at the end of the year	(197)	16	-	-
	(279)	**(325)**	**-**	**-**
6. Other assets				
Financial instruments:				
Rent debtors	1,455	1,115	1,455	1,115
Expected credit loss allowance for rent debtors	(1,024)	(948)	(720)	(745)
Rent debtors at amortised cost	431	167	735	370
Receivable from the Foot and Mouth Disease Relief Fund	4,101	2,079	4,101	2,079
Expected credit loss allowance on loan to Foot and Mouth Disease Relief Fund	(4,101)	-	(4,101)	-
Receivable from the Foot and Mouth Disease Relief Fund at amortised cost	-	2,079	-	2,079
Receivable from Temo Letlotlo Programme*	26,353	-	26,353	-
Interest subsidy receivable from the Botswana Government	3,037	3,230	3,037	3,230
Other receivables**	7,387	6,181	10,626	7,084
Non-financial instruments:				
VAT receivable	26	-	26	-
Staff loans fair valuation adjustment***	6,411	5,161	6,411	5,161
Prepayments****	1,572	1,417	1,572	1,417
Total other assets	**45,217**	**18,235**	**48,760**	**19,341**
Split between non-current and current portions				
Non-current assets	6,411	5,161	6,411	5,161
Current assets	38,806	13,074	42,349	14,180
	45,217	**18,235**	**48,760**	**19,341**

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

**Other receivables includes the management fees receivable (note 29) for the Industry Support Facility P2,117,948 (2023: P3,391,275), the Impact Accelerator Subsidy P1,292,000 (2023: P1,291,000) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH P346,575 (2023: P Nil). Management fees are due for receipt within a period of 12 months. The Bank's balance further includes the intercompany loan account with National Development Bank Insurance Agency Proprietary Limited, amounting to P3,968,393 (2023: P1,322,251).

***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 P1,379,971 (2023: P1,316,647).

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Figures in Pula thousand	Group 2024	Group 2023	Bank 2024	Bank 2023
6. Other assets (continued)				
Exposure to credit risk				
Reconciliation of expected credit loss allowances				
Opening balance at the beginning of the year	**(948)**	**(618)**	**(745)**	**(618)**
Reversal of expected credit loss allowance raised on rent debtors	25	-	25	-
Increase in expected credit loss allowance for trade receivables	(122)	(330)	-	(127)
Decognition of financial instruments	21	-	-	-
Recognition of expected credit loss allowance for receivable from the Foot and Mouth Disease Relief Fund	(4,101)	-	(4,101)	-
Closing balance at the end of the year	**(5,125)**	**(948)**	**(4,821)**	**(745)**

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	42,333	12,605	45,572	13,507
12 months expected credit losses - stage 1	-	-	-	-
Lifetime expected credit losses - stage 2	-	-	-	-
Credit impaired - stage 3	(5,125)	(948)	(4,821)	(745)
Total expected credit loss	(5,125)	(948)	(4,821)	(745)
Carrying amount	**37,208**	**11,657**	**40,751**	**12,762**

7. Deferred tax				
Deferred tax asset comprises of:				
Deferred tax asset - expected credit loss allowance	**67**	**45**	**-**	**-**

The deferred tax asset in 2024 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 2023. The deferred tax asset had a movement in its expected credit loss allowance worth P22,222, resulting in a closing balance of the deferred tax asset worth P66,891.

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 2024 (2023: 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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Figures in Pula thousand	Group 2024	Group 2023	Bank 2024	Bank 2023
Summary of unused accumulated tax losses				
Unused tax losses not recognised as deferred tax assets, with expiry date 30 June 2024	-	74,109	-	74,109
Unused tax losses not recognised as deferred tax assets, with expiry date 30 June 2026	36,454	36,454	36,454	36,454
Unused tax losses not recognised as deferred tax assets, with expiry date 30 June 2027	37,755	37,755	37,755	37,755
Unused tax losses not recognised as deferred tax assets, with expiry date 30 June 2028	26,298	25,824	26,298	25,824
Unused tax losses not recognised as deferred tax assets, with expiry date 30 June 2029	29,737	-	29,737	-
	130,244	**174,142**	**130,244**	**174,142**

7. Deferred tax

Unrecognised deferred tax asset from profit or loss				
Property, plant and equipment	(3,939)	(3,569)	(3,939)	(3,569)
Right-of-use assets	(1,576)	(593)	(1,576)	(593)
Lease liabilities	1,635	716	1,635	716
Intangible assets	240	(151)	240	(151)
Provision for bad debts excess of 1.5%	9,361	25,408	9,361	25,408
Accruals and prepayments	(326)	(312)	(326)	(312)
Unused accumulated tax losses	28,654	38,415	38,415	38,415
	34,049	59,914	34,049	59,914
Unrecognised deferred tax asset from other comprehensive income				
Revaluation reserve	(15,470)	(12,981)	(15,470)	(12,981)

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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

	Group		Bank	
Figures in Pula thousand	**2024**	**2023**	**2024**	**2023**

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

There are no variable payments mentioned in the lease which are subject to an index. Details pertaining to leasing arrangements, where the Group is lessee are presented below:

Right-of-use assets

Group and Bank	**2024**			**2023**		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Buildings	5,674	(2,190)	3,484	3,626	(1,687)	1,939
Motor vehicles	8,504	(4,825)	3,679	4,286	(3,529)	757
Total	**14,178**	**(7,015)**	**7,163**	**7,912**	**(5,216)**	**2,696**

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

2024	**Buildings**	**Motor vehicles**	**Total**
Cost	5,674	8,504	14,178
Accumulated depreciation and impairment	(2,190)	(4,825)	(7,015)
Net book value at 31 March 2024	**3,484**	**3,679**	**7,163**
Net book value at beginning of year	**1,939**	**757**	**2,696**
Additions	2,048	4,218	6,266
Depreciation	(503)	(1,296)	(1,799)
	3,484	**3,679**	**7,163**

2023	**Buildings**	**Motor vehicles**	**Total**
Cost	3,626	4,286	7,912
Accumulated depreciation and impairment	(1,687)	(3,529)	(5,216)
Net book value at 31 March 2023	**1,939**	**757**	**2,696**
Net book value at beginning of year	**2,276**	**2,526**	**4,802**
Disposals	-	(1,015)	(1,015)
Depreciation	(337)	(754)	(1,091)
	1,939	**757**	**2,696**

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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Figures in Pula thousand	Group 2024	Group 2023	Bank 2024	Bank 2023
8. Right-of-use assets and lease liabilities (continued)				
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.				
Within one year	2,711	1,318	2,711	1,318
Two to five years	5,971	2,660	5,971	2,660
	8,682	**3,978**	**8,682**	**3,978**
Reconciliation of lease liabilities				
Opening balance as at 1 April	3,254	4,749	3,254	4,749
(Gain)/loss on settlement of lease liability	-	214	-	214
Additions	6,026	-	6,026	-
Finance charges	495	350	495	350
Payments	(2,343)	(2,059)	(2,343)	(2,059)
Closing balance as at 31 March	**7,432**	**3,254**	**7,432**	**3,254**
Split between non-current and current portions				
Non-current liabilities	4,955	2,175	4,955	2,175
Current liabilities	2,477	1,079	2,477	1,079
	7,432	**3,254**	**7,432**	**3,254**
Principal payments on lease liabilities				
Interest expense on lease liabilities	495	350	495	350
Total cash outflow from leases	(2,343)	(2,059)	(2,343)	(2,059)
Loss on settlement of lease liability	-	214	-	214
	(1,848)	**(1,495)**	**(1,848)**	**(1,495)**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

	Group		Bank	
Figures in Pula thousand	**2024**	**2023**	**2024**	**2023**

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

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	**2024**			**2023**		
	Cost	**Accumulated amortisation**	**Carrying value**	**Cost**	**Accumulated amortisation**	**Carrying value**
Computer software	26,522	(26,024)	498	26,522	(23,899)	2,623

Reconciliation of intangible assets - Group and Bank - 2024

	Opening balance	**Amortisation**	**Total**
Computer software	**2,623**	**(2,125)**	**498**

Reconciliation of intangible assets - Group and Bank - 2023

	Opening balance	**Amortisation**	**Total**
Computer software	**5,284**	**(2,661)**	**2,623**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Figures in Pula thousand	Note(s)	Group 2024	Group 2023	Bank 2024	Bank 2023
10. Loans and advances to customers					
Financial instruments:					
Customers		879,465	1,022,450	879,465	1,022,450
Staff		89,670	62,073	89,670	62,073
Gross loans and receivables		969,135	1,084,523	969,135	1,084,523
Expected credit loss allowance		(93,544)	(212,663)	(93,544)	(212,663)
Carrying amount loans and advances to customers		**875,591**	**871,860**	**875,591**	**871,860**
Split between non-current and current portions					
Non-current assets		835,918	933,089	835,918	933,089
Current assets		133,217	151,434	133,217	151,434
		969,135	**1,084,523**	**969,135**	**1,084,523**

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. On the other hand, if a loan is in arrears more than 90 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

In determining the amount of expected credit losses, the 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" is used to depict "expected credit losses."

Internal credit grade	Description	Basis for recognising expected credit losses
Performing - Stage 1	Low risk of default and no amounts are past due.	12-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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

	Group		Bank	
Figures in Pula thousand	**2024**	**2023**	**2024**	**2023**

10. Loans and advances to customers (continued)

The maximum exposure to credit risk is the gross carrying amount of the loans as presented below. The Bank holds collateral and/or other credit enhancements against loans and advances to shield against its exposure to credit risk.

Group and Bank

				2024		
Sectors	**Estimated gross carrying amount at default**	**12 months expected credit losses** Expected credit losses Stage 1	**Lifetime expected credit losses** Expected credit losses Stage 2	**Credit impaired** Expected credit losses Stage 3	**Total expected credit losses**	**Carrying amount**
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)	(21,307)	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**

Group and Bank

				2023		
Sectors	**Estimated gross carrying amount at default**	**12 months expected credit losses** Expected credit losses Stage 1	**Lifetime expected credit losses** Expected credit losses Stage 2	**Credit impaired** Expected credit losses Stage 3	**Total expected credit losses**	**Carrying amount**
Property	228,112	(11,465)	(2,984)	(17,070)	(31,519)	196,593
Industrial	32,870	(3,046)	-	(7,590)	(10,636)	22,234
Retail	18,858	(2,394)	(1,221)	(3,948)	(7,563)	11,295
Agriculture	462,513	(22,117)	(8,265)	(66,837)	(97,219)	365,294
Commerce	162,578	(3,789)	(1,930)	(40,595)	(46,314)	116,264
Other loans and advances	179,592	(14,490)	(1,343)	(3,579)	(19,412)	160,180
Total	**1,084,523**	**(57,301)**	**(15,743)**	**(139,619)**	**(212,663)**	**871,860**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Figures in Pula thousand

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	2024 Stage 1 Gross carrying amount	Expected credit loss	Stage 2 Gross carrying amount	Expected credit loss	Stage 3 Gross carrying amount	Expected credit loss	Gross carrying amount	Total 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 srage 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**	**(27,661)**	**63,939**	**(13,838)**	**207,883**	**(52,045)**	**969,135**	**(93,544)**

The reconciliation for the comparative period ended 31 March 2023 has not been presented due to a change in the methodology for calculating expected credit losses. Management has determined that presenting this information would not provide a fair comparison and would result in undue cost and effort.

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

Opening balance in accordance with IFRS 9 Financial Instruments		212,663	173,297	212,663	173,297
Derecognition of financial assets due to impairment		(67,980)	(18,786)	(67,980)	(18,786)
Reversal of expected credit loss allowance	25	(60,280)	52,683	(60,280)	52,683
Suspended interest		9,141	5,469	9,141	5,469
Closing balance in accordance with IFRS 9 Financial Instruments		**93,544**	**212,663**	**93,544**	**212,663**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

	Group		Bank	
Figures in Pula thousand	**2024**	**2023**	**2024**	**2023**

10. Loans and advances to customers (continued)

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	**11,107**	**42,827**	**11,107**	**42,827**

Loan disbursements commitments comprise for committed advances of funds to customers at year end, but not yet disbursed at that date. 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.

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 2024, 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 ECL model has been updated in line with IFRS 9 Financial Instruments requirements, and the following financial impacts have been noted during the reporting period:

- Opening balance in accordance with IFRS 9 Financial Instruments: For the year 2024, the opening balance was P212 million.
- New assets originated or purchased totalled P230 million in loans and advances, with an expected credit loss (ECL) allowance of P10 million.
- Payments received on loans and advances totalled P163 million.
- Transfers between stages 1, 2, and 3 reflect changes in credit risk. Following the methodology change, most of the ECL is now allocated to Stage 3 (credit-impaired) at P52 million, Stage 1 (lower-risk) at P24 million, and Stage 2 (doubtful debts) at P18 million.
- The methodology change decreased gross carrying amounts by P115 million and reversed P61 million of the ECL allowance.
- Amounts written off and derecognised totalled P68 million, with a P68 million ECL reversal.
- The closing balance for the ECL model stood at P94 million in 2024, significantly reduced from the opening balance of P213 million, primarily driven by the derecognition and the effect of modification to the methodology.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

	Group		Bank	
Figures in Pula thousand	**2024**	**2023**	**2024**	**2023**

10. Loans and advances to customers (continued)

The transition from logistic regression to a more tailored approach in ECL modelling represents a significant enhancement in the Bank's risk management practices. This change reflects the Bank's commitment to developing models that are better aligned with its specific business model, data availability, and management needs. By employing a diverse range of actuarial and data science techniques, the Bank has created a more nuanced and adaptable ECL model.

The new methodology promises several key benefits:

- Improved accuracy: By incorporating both qualitative and quantitative client data in a more sophisticated manner, the model is likely to provide more accurate predictions of credit losses.
- Better alignment with business practices: The tailored approach ensures that the model reflects the unique characteristics of the Bank's credit policy more effectively.
- Enhanced interpretability: The new model is designed to be more intuitive, potentially improving management's understanding and decision-making processes.
- Flexibility: The use of various techniques allows for greater adaptability to changing market conditions and evolving business needs.

This methodological shift demonstrates the Bank's proactive approach to risk management and its dedication to maintaining robust financial practices. As the new model is implemented and refined, it should contribute to more informed credit decisions and improved overall risk assessment, ultimately strengthening the Bank's financial position and stakeholder confidence.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

11. Property, plant and equipment

Group and Bank	2024			2023		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land and buildings*	120,380	-	120,380	110,822	(1,184)	109,638
Leasehold properties	5,521	(340)	5,181	5,521	(340)	5,181
Motor vehicles	416	(416)	-	416	(416)	-
Office furniture and equipment	23,037	(15,637)	7,400	17,632	(12,771)	4,861
Freehold land	7,801	-	7,801	7,801	-	7,801
Total	**157,155**	**(16,393)**	**140,762**	**142,192**	**(14,711)**	**127,481**

*Land and buildings include both commercial and residential properties.

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

	Land and buildings	Leasehold properties	Motor vehicles	Office and furniture equipment	Freehold land	Total
Cost or revaluation	120,380	5,521	416	23,037	7,801	157,155
Accumulated depreciation and impairment	-	(340)	(416)	(15,637)	-	(16,393)
Net book value at 31 March 2024	**120,380**	**5,181**	**-**	**7,400**	**7,801**	**140,762**
Net book value at beginning of year	109,638	5,181	-	4,861	7,801	127,481
Revaluation 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**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group and Bank - 2023

	Land and buildings	Leasehold properties	Motor vehicles	Office and furniture equipment	Freehold land	Total
Cost or revaluation	110,822	5,521	416	17,632	7,801	142,192
Accumulated depreciation and impairment	(1,184)	(340)	(416)	(12,771)	-	(14,711)
Net book value at 31 March 2023	**109,638**	**5,181**	**-**	**4,861**	**7,801**	**127,481**
Opening balance	110,822	5,521	-	17,632	7,801	141,776
Additions	-	-	-	3,430	-	3,430
Depreciation	(644)	-	-	(2,811)	-	(3,455)
	109,638	**5,181**	**-**	**4,861**	**7,801**	**127,065**

Revaluations

The Group's land and buildings are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated 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 as per the requirements of IFRS 13 Fair Value Measurement, refer to note 32. 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. Refer to note 32 for information on the fair values pertaining to land and buildings, leasehold properties and freehold land.

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	(24,854)	(23,590)	(24,854)	(23,590)
Carrying value as at 31 March (cost basis)	**38,334**	**39,598**	**38,334**	**39,598**

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

12. Investments in associates Group and Bank

Name of company	Country	% ownership interest 2024	% ownership interest 2023	Carrying amount 2024	Carrying amount 2023
Propcorp Proprietary Limited	Botswana	33.33 %	33.33 %	225	320

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% (2023: 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 2023 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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

12. Investments in associates (continued)

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

	2024	2023
Balance at the beginning of the year	320	420
Share of loss for the period	(95)	(100)
Balance at the end of the year	**225**	**320**

Summarised financial information of material associates

Summarised Statement of Profit or Loss and Other Comprehensive Income

	Propcorp Proprietary Limited	
	2024	**2023**
Revenue	613	489
Other expenses	(579)	(456)
Profit before tax, depreciation and amortisation	34	33
Depreciation and amortisation	(333)	(333)
Loss from continuing operations	(299)	(300)
Total comprehensive loss	**(299)**	**(300)**

Summarised Statement of Financial Position

	Propcorp Proprietary Limited	
	2024	**2023**
Assets		
Non-current	744	1,077
Current	558	378
Total assets	**1,302**	**1,455**
Liabilities		
Non-current	169	202
Current	449	284
Total liabilities	**618**	**486**
Equity	**684**	**969**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

12. Investments in associates (continued)

Reconciliation of net assets to equity accounted investments in associates

	Propcorp Proprietary Limited	
	2024	**2023**
Interest in associates at percentage ownership	225	320
Carrying value of investment in associate	225	320
Investment at beginning of year	320	420
Share of loss for the year	(95)	(100)
Investment at end of year	**225**	**320**

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 2024**	**% holding 2023**	**Carrying amount 2024**	**Carrying amount 2023**
Development House Proprietary Limited	99.98%	99.98 %	5	5
National Development Bank Insurance Agency Proprietary Limited	100.00 %	100.00 %	1,000	1,000
			1,005	1,005
Impairment of investment in subsidiary			(5)	(5)
			1,000	**1,000**

Impairment

During the current period, the Bank 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 in the subsidiary was P5,000 before the recognition of the impairment. Following the assessment of the recoverable amount based on its value in use, the carrying amount was reduced to P Nil, resulting in an impairment charge of P5,000. The value in use was calculated using the discounted cash flow projections, which considered the subsidiary's limited revenue potential and rising operational costs.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

14. Changes in liabilities arising from financing activities

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

	Opening balances	Interest	Other-non cash movements	Cash-flows (interest and principal)	Total
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

Reconciliation of liabilities arising from financing activities - Group and Bank - 2023

	Opening balances	Interest	Other-non cash movements	Cash-flows (interest and principal)	Total
Borrowings	529,051	36,448	-	(87,560)	477,939
Lease liabilities	4,749	350	214	(2,059)	3,254
	533,800	36,798	214	(89,619)	481,193

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

15. Un-recallable capital

Authorised				
789,689 (2023: 497,689) Ordinary shares of no par value	**789,689**	**497,689**	**789,689**	**497,689**
Reconciliation of number of shares issued:				
Reported as at 01 April	497,689	407,689	497,689	407,689
Capital injection from the Industry Support Facility	92,000	90,000	92,000	90,000
Funds received from the Government of Botswana	200,000	-	200,000	-
	789,689	**497,689**	**789,689**	**497,689**
Issued				
Un-recallable capital	789,689	497,689	789,689	497,689

This consists of non-repayable funds invested by the Government of Botswana.

16. Reserves

General risk reserve*	9,682	9,682	9,682	9,682
Revaluation reserve**	70,316	59,006	70,316	59,006
	79,998	**68,688**	**79,998**	**68,688**

***General risk reserve**

In accordance with the National Development Bank Act, the general risk reserve is maintained to address operational funding requirements and unidentified risks arising from the Bank's operations. It is calculated based on the Bank's net profits and serves to ensure financial stability against potential future risks.

For the year ended 2024, there has been no movement in the general risk reserve compared to the prior year, reflecting a stable risk profile. No additional provisions were deemed necessary. The reserve remains part of the Bank's equity under reserves in the statement of financial position.

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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

17. Employee obligations

Reconciliation of employee obligations - Group - 2024

	Opening balance	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 balance	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**

Reconciliation of employee obligations - Group and Bank - 2023

	Opening balance	Additions	Utilised during the year	Total
Gratuity	7,344	11,421	(11,700)	7,065
Leave pay	3,030	5,497	(5,137)	3,390
	10,374	**16,918**	**(16,837)**	**10,455**
Split between non-current and current portions				
Non-current liabilities	12,153	7,065	12,051	7,065
Current liabilities	4,573	3,390	4,467	3,390
	16,726	**10,455**	**16,518**	**10,455**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

18. Other liabilities

Financial instruments:				
Trade payables	3,758	6,376	3,728	6,377
Agricultural credit guarantee scheme liabilities*	13,421	12,412	13,421	12,412
Other administrative liabilities	1,162	3,983	1,104	3,099
Deferred grant income**	154,779	39,551	154,779	39,551
Audit fees accruals	1,960	1,840	1,880	1,840
Customer liabilities***	2,344	2,693	2,344	2,693
Non-financial instruments:				
NDB Privatisation funds****	11,924	12,309	11,924	12,309
VAT payable	75	-	-	-
	189,423	**79,164**	**189,180**	**78,281**
Split between non-current and current portions				
Non-current liabilities	154,779	39,551	154,779	39,551
Current liabilities	34,644	39,613	4,401	38,730
	189,423	**79,164**	**189,180**	**78,281**

*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 - 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 current year and it has been reassessed using the market rate in the 2024 financial year.

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

****NDB privatisation funds represent dividends payable to the Botswana Government. The payment of such dividends have been deferred until such a time when the Bank's commercialisation project is complete. The Bank is entitled to use these amounts for its commercialisation project, should the need arise.

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, as a profit was anticipated after commercialising. No dividends had been declared and there are no terms and conditions for this provision. Previously the Bank had provided for shareholders' dividends, as a profit was anticipated after commercialising. No dividends has been declared and there are no terms and conditions for this provision.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

18. Other liabilities (continued)

Deferred grant income reconciliation

Group and Bank - 2024				
Opening balance	(39,551)	(54,116)	(39,551)	(54,116)
Grant income recognised (note 20)	15,563	14,565	15,563	14,565
Fair value adjustment to deferred grant income due to modification*	(130,791)	-	(130,791)	-
Closing balance	**(154,779)**	**(39,551)**	**(154,779)**	**(39,551)**

*The significant increase in the deferred grant income liability is due to the modification of borrowings as described in note 19.

19. Borrowings

Held at amortised cost				
Government of Botswana: Public Debt Service Fund	**160,463**	**216,668**	**160,463**	**216,668**
The P300 million borrowing from the Government of Botswana, through the Public Debt Service Fund, is repayable over a period of 20 years (2023: 10 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 (2023: 9 May 2028). This facility is unsecured.				
Government of Botswana: Revenue Stabilization Fund	**206,115**	**261,271**	**206,115**	**261,271**
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 (2023: 5 years). The loan had an initial grace period of 2 years during which interest was capitalised. The loan matures on 30 September 2036 (2023: 30 September 2026). This facility is unsecured.				
	366,578	**477,939**	**366,578**	**477,939**
Split between non-current and current portions				
Non-current liabilities	333,131	274,928	333,131	274,928
Current liabilities	33,447	203,011	33,447	203,011
	366,578	**477,939**	**366,578**	**477,939**

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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

19. Borrowings (continued)

Borrowings movement				
Opening balance	477,939	529,051	477,939	529,051
Interest charge for the year	33,331	36,448	33,331	36,448
Interest paid for the year	(6,350)	(7,477)	(6,350)	(7,477)
Capital repayments	(7,551)	(80,083)	(7,551)	(80,083)
Fair value adjustment to deferred grant income due to modification	(130,791)	-	(130,791)	-
Balance at the end of the year	**366,578**	**477,939**	**366,578**	**477,939**

Modification of borrowings

On 25 January 2024, the Ministry approved the Bank's request to restructure the above borrowings, granting a 10-year extension on both the Public Debt Service Fund and Revenue Stabilization Fund borrowings.

This restructuring will result in an annual payment reduction of P21 million for the Public Debt Service Fund borrowing and P34 million for the Revenue Stabilization Fund borrowing.

Due to this modification, it resulted in a fair value adjustment against the deferred grant income as per note 18. The Revenue Stabilization Fund borrowing was previously not recognised as part of the fair value measurement, which contributed to the significant increase in deferred grant income.

20. Interest revenue calculated using effective interest rate method

Revenue other than from contracts with customers				
Loans and advances	92,080	92,684	92,080	92,684
Government interest subsidy	7,589	8,694	7,589	8,694
Deposit interest income*	6,257	1,709	6,257	1,709
	105,926	**103,087**	**105,926**	**103,087**

*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

Borrowings from the Government of Botswana	33,330	28,971	33,330	28,971
Botswana Insurance Fund Management loans	-	7,477	-	7,477
Bank overdraft	118	1,187	118	1,187
Other interest expenses	230	367	230	367
Finance charges on lease liabilities	495	350	495	350
	34,173	**38,352**	**34,173**	**38,352**

22. Fee and commission income

Temo Letlotlo Programme - management fees	26,362	-	26,362	-
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH - management fees	347	-	347	-
Royalties received	8	-	8	-
Foot and Mouth Disease Relief Fund - management fees	503	520	503	520
Industry Support Facility - management fees	10,169	15,485	10,169	15,485
Life insurance commission	2,328	1,955	-	-
Loan administration fees	2,273	2,288	2,273	2,279
General insurance commission	514	439	-	-
Impact Accelerator Subsidy - management fees	1,292	1,291	1,292	1,291
	43,796	**21,978**	**40,954**	**19,575**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Figures in Pula thousand	Group 2024	Group 2023	Bank 2024	Bank 2023

22. Fee and commission income (continued)

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 programmes 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

Grant income from the Botswana Government	**15,563**	**14,565**	**15,563**	**14,565**

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.

24. Other income

Loss on settlement of lease liabillity		-	(214)	-	(214)
Gain on sale of right-of-use assets	8	-	336	-	336
Other		87	117	87	117
Rental income from commercial properties		3,819	3,729	3,819	3,729
		3,906	**3,968**	**3,906**	**3,968**

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 P3,818,540 (2023: P3,729,000) as rental income. The future undiscounted contractual cash flows from rental income are summarised below:

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

Group and Bank - 2023	0-1 month P'000	1-2 months P'000	3-12 months P'000	1-5 years P'000	Over 5 years P'000	Total P'000
Rental income from commercial properties	326	326	2,930	5,323	-	8,905

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Figures in Pula thousand		Group 2024	Group 2023	Bank 2024	Bank 2023
25. Operating profit/(loss) for the year					
Operating profit/(loss) for the year is stated after charging/(crediting) the following, amongst others:					
Movement in expected credit loss allowance					
Expected credit loss from other assets		4,198	203	4,076	-
Expected credit loss from loans and advances to customers					
Debt recoveries		(60,280)	52,683	60,280	52,683
		(16,740)	(20,841)	16,740	(20,841)
		(72,822)	**32,045**	**(72,944)**	**31,842**

*Refer to note 36 for the reclassification of debt recoveries. Debt recoveries were previously disclosed as other income under note 24.

Operating expenses are analysed by nature as follows:					
Expenses by nature					
Operating expenses are analysed by nature as follows:					
Accounting fees		300	66	-	-
Advertising		3,122	1,862	3,112	1,862
Agricultural Credit Guarantee Scheme contributions	18	6,710	5,674	6,710	5,674
Board of Directors' fees and expenses		1,686	891	1,646	891
Computer expenses		5,997	4,480	5,997	4,480
Consultancy and other expenses relating to commercialisation		3,673	6,864	3,651	6,864
Professional and management consultant's fee		497	485	497	485
External audit fees		1,893	2,381	1,813	2,381
Fund administration expenses		3,534	579	3,534	579
Insurance		1,5291	,424	1,529	1,424
Municipal expenses		1,187	1,072	1,187	1,072
Other expenses*		4,202	4,741	4,148	4,740
Consulting and professional fees		4,335	1,396	4,335	1,396
Recruitment expense		1,051	444	1,051	444
Repairs and maintenance		2,845	3,163	2,845	3,163
Subscriptions		1,006	593	1,006	593
Staff welfare		872	49	866	49
Telephone and fax		2,397	1,419	2,396	1,419
Training expenses		2,532	800	2,523	800
Travel expenses		3,856	2,202	3,819	2,202
Value added tax expenses		4,104	3,359	4,104	3,359
		57,328	**43,944**	**56,769**	**43,877**

*Other expenses include additional operating expenses not required to be separately disclosed in this note. For further details, please refer to the detailed income statement on page 83.

26. Personnel expenses				
Salaries and wages	61,087	52,702	59,627	51,181
Other staff costs	22,491	16,244	21,976	16,244
Pension contributions	2,858	2,474	2,858	2,474
	86,436	**71,420**	**84,461**	**69,899**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Figures in Pula thousand		Group 2024	Group 2023	Bank 2024	Bank 2023
27. Depreciation and amortisation					
Depreciation					
Property, plant and equipment	11	3,434	3,455	3,434	3,455
Right-of-use assets	8	1,799	1,091	1,799	1,091
		5,233	**4,546**	**5,233**	**4,546**
Amortisation					
Intangible assets	9	2,125	2,661	2,125	2,661
Total depreciation and amortisation					
Depreciation		5,233	4,546	5,233	4,546
Amortisation		2,125	2,661	2,125	2,661
		7,358	**7,207**	**7,358**	**7,207**
28. Taxation					
Major components of the tax expense					
Current					
Local income tax - current period		75	296	-	-
Deferred					
Deferred tax		(22)	-	-	-
		53	**296**	**-**	**-**
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:					
Profit/(loss) before tax		56,623	(49,470)	56,437	(50,082)
Tax at the applicable tax rate of 22% (2023: 22%)		12,457	(10,883)	12,416	(11,018)
Reconciling items:					
Tax effect of prior year recognised		-	161	-	-
Deferred tax not recognised		(25,867)	(12,718)	(25,867)	(12,718)
Accumulated tax losses expired		16,304	26,920	16,304	26,920
Non-deductible expenses: share of loss of associate		21	-	21	-
Non-deductible expenses: donations		3	20	1	20
Non-deductible expenses: penalties and interests*		552	-	547	-
Non-taxable income: grant income		(3,424)	(3,204)	(3,424)	(3,204)
Non-deductible expenses: other		7	-	2	-
		53	**296**	**-**	**-**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

		Group		Bank	
Figures in Pula thousand		**2024**	**2023**	**2024**	**2023**

28. Taxation (continued)

*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.

29. Funds administered by the Bank

The Bank administers funds on behalf of the Government of Botswana for the following funds and programmes: The Foot and Mouth Disease Relief Fund, the Industry Support Facility, the Impact Accelerator Subsidy, the Temo Letlotlo Programme and the Deutsche Gesellschaft fur 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 2024 amounted to P54 million (2023: P54 million) under the Foot and Mouth Disease Relief Fund, P209 million (2023: P325 million) under the Industry Support Facility and P97 million (2023: P75 million) under the Impact Accelerator Subsidy.

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

Management fee income	**23**	**38,673**	**17,296**	**38,673**	**17,296**
Management fee income receivable	**6**	**30,110**	**5,225**	**30,110**	**5,225**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

		Group		Bank	
Figures in Pula thousand		**2024**	**2023**	**2024**	**2023**

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 2024.

Un-recallable capital	15	789,689	497,689	789,689	497,689
General reserves	16	9,682	9,682	9,682	9,682
Retained earnings		(4,916)	(61,486)	(6,140)	(62,577)
Assets pledged as security		-	(29,107)	-	-
Intangible assets	9	(498)	-	(498)	-
Tier 1 capital		**793,957**	**416,778**	**792,733**	**415,687**
Unencumbered general provisions		15,273	14,710	15,312	14,710
Fixed asset revaluation reserve*	16	35,158	-	35,158	-
Tier 2 capital		**50,431**	**14,710**	**50,470**	**14,710**
Total capital		**844,388**	**431,488**	**843,203**	**430,397**
Less: Investment in associate	12	(225)	(320)	(225)	(320)
Total unimpaired capital		**844,163**	**431,168**	**842,978**	**430,077**
Risk weighted assets:					
On balance sheet assets		1,216,308	1,155,387	1,219,404	1,155,387
Off balance sheet assets		5,554	21,414	5,554	21,414
Total risk weighted assets		**1,221,862**	**1,176,801**	**1,224,958**	**1,176,801**
Capital adequacy ratio		69 %	37 %	69 %	37 %
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

	Group		Bank	
Figures in Pula thousand	**2024**	**2023**	**2024**	**2023**

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 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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Figures in Pula thousand		Group 2024	Group 2023	Bank 2024	Bank 2023
31. Related parties (continued)					
Related party balances					
Amounts receivable/(payable) included in other assets and other liabilities					
Agricultural Credit Guarantee Scheme	18	(13,421)	(12,412)	(13,421)	(12,412)
Foot and Mouth Disease Relief Fund - management fees receivable*	6	3,055	2,037	3,055	2,037
Industry Support Facility - management fees receivable	6	2,118	3,390	2,118	3,390
Foot and Mouth Disease Relief Fund - agency fees receivable*	6	1,046	543	1,046	543
Impact Accelerator Subsidy - management fees receivable	6	1,292	1,291	1,292	1,291
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH - management fees receivable	6	347	-	347	-
National Development Bank Insurance Agency Proprietary Limited - loan receivable	6	-	-	3,968	1,323
Temo Letlotlo Programme - management fees receivable	6	26,353	-	26,353	-
Water Utilities Corporation - rent receivable	6	883	582	883	582
Botswana Telecommunication Corporation - rent receivable	6	28	-	28	-
Department of Land and Housing - rent receivable	6	47	33	47	33
Botswana Postal Services - rent receivable	6	5	-	5	-
Regional Education Office - rent receivable	6	37	274	37	274
Department of Wildlife National Parks - rent receivable	6	287	127	287	127
		22,077	**(4,135)**	**26,025**	**(2,812)**

*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					
Public Debt Service Fund	19	160,463	216,668	160,463	216,668
Revenue Stabilization Fund	19	206,115	261,271	206,115	261,271
		366,578	**477,939**	**366,578**	**477,939**
Subsidies receivable from related parties					
Government of Botswana	6	3,037	3,194	3,037	3,194
Loan accounts owed by key management personnel					
Outstanding as at the year end		**7,963**	**11,406**	**7,963**	**11,406**

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

Figures in Pula thousand		Group 2024	Group 2023	Bank 2024	Bank 2023
31. Related parties (continued)					
Related party transactions					
Interest expense to related parties					
Public Debt Service Fund		2,861	2,236	2,861	2,236
Revenue Stabilization Fund		12,432	12,097	12,432	12,097
		15,293	**14,333**	**15,293**	**14,333**

The above interest expense pertains to normal interest on borrowings. Notional interest (the interest expense pertaining to fair value adjustments) amounts to P14,9 million (2023: P14,6 million) for the Public Debt Service Fund and P3.1 million (2023: P Nil) for the Revenue Stabilization Fund for both the Group and the Bank. Refer to note 21 for total interest expense.

Fees and commission income from related parties					
Foot and Mouth Disease Relief Fund	22	503	520	503	520
Industry Support Facility	22	10,169	15,485	10,169	15,485
Impact Accelerator Subsidy	22	1,292	1,291	1,292	1,291
Temo Letlotlo Programme	22	26,362	-	26,362	-
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	22	347	-	347	-
		38,673	**17,296**	**38,673**	**17,296**
Rent received from related parties					
Water Utilties Corporation		1,501	1,501	1,501	1,501
Botswana Telecommunication Corporation		39	38	39	38
Department of Land and Housing		1,089	1,007	1,089	1,007
Botswana Postal Services		315	306	315	306
Regional Education Office		570	516	570	516
		3,514	**3,368**	**3,514**	**3,368**
Administration fees paid to related parties					
Contribution to Agricultural Credit Guarantee Scheme		6,710	5,674	6,710	5,674
Personnel expenses reimbursements					
Foot and Mouth Disease Relief Fund		1,018	1,018	1,018	1,018
National Development Bank Insurance Agency Proprietary Limited		-	-	2,635	1,054
		1,018	**1,018**	**3,653**	**2,072**
Directors and key management personnel compensation					
Board of Directors sitting allowance		1,062	493	1,062	493
Short-term employment benefits		10,286	7,966	10,286	7,966
Termination benefits		4,442	2,653	4,442	2,653
		15,790	**11,723**	**15,790**	**11,112**
Subsidies received from the related parties					

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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Figures in Pula thousand		Group 2024	Group 2023	Bank 2024	Bank 2023
Subsidies received from the related parties					
Government of Botswana		**7,589**	**8,694**	**7,589**	**8,694**
Operating cost reimbursements					
Propcorp Proprietary Limited		**304**	**284**	**304**	**284**

31. Related parties (continued) Operating cost reimbursements

Propcorp Proprietary Limited		304	284	304	284
Grant income received from related parties					
Government of Botswana	20	**15,563**	**14,565**	**15,563**	**14,565**

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.

Grant income received from related parties					
Government of Botswana	23	**15,563**	**14,5651**	**5,563**	**14,565**

32. Fair value information

Fair value hierarchy

Financial assets and liabilities closely approximates its fair value. Please refer to 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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

	Group		Bank	
Figures in Pula thousand	2024	2023	2024	2023

32. Fair value information (continued)

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

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

2023

		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	-	-	122,620	122,620	122,620	-	-	122,620	122,620	122,620

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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

	Group		Bank	
Figures in Pula thousand	2024	2023	2024	2023

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 are 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 approximates 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 during the year. Following this modification, the carrying amount of the borrowings is assumed to approximate their fair value.

Fair value information – 1% sensitivity analysis

In the prior year, the fair value sensitivity for 2023 was reported as P Nil. After review, it has been recalculated using a 1% sensitivity, consistent with the analysis for 2024. The results are:

Land and buildings (non-financial assets):

The fair value of land and buildings as at 31 March 2023 was P123 million. A 1% change in their fair value would result in a P1.23 million adjustment. For the year ended 31 March 2024, the same 1% sensitivity was applied, resulting in an impact of P1.33 million, ensuring consistency in methodology across reporting periods.

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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 2023	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	Price/m2	P2,000/m2 - P2,800/m2	The higher the sales price, the higher the fair value.
Gaborone Residential properties	4,910 Sales comparison	Price/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 1,720 Sales Residential properties	1,720 Sales comparison	Price/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

32. Fair value information (continued)

31 March 2023	P '000 Valuation technique	Key unobservable input	Range per P/Sqm	Relationship of unobservable input to fair value
Gaborone				
Head Office building	84,475 Income approach	Rent/sqm and cap rate	Rent 70-400 and Cap rate 9.5%	The higher the rent, the higher the fair value. The lower the cap rate the higher the fair value.
Residential properties	5,220 Replacement cost method	Estimated cost to build a similar building	13,150 for building and 1,500 for land	The higher the cost, the higher the fair value.
Residential properties	4,870 Sales comparison	Price/sqm	2089	The higher the rent, the higher the fair value.
Francistown				
Commercial properties	20,230 Income approach	Rent/sqm and cap rate	Rent 80-300 and Cap rate 8% the fair value.	The higher the rent, the higher the fair value. The lower the cap rate the higher
Maun				
Commercial properties	2,667 Income approach	Rent/sqm and cap rate	Rent 27, 360 per month and Cap rate 9.07%	The higher the rent, the higher the fair value. The lower the cap rate the higher the fair value.
Residential properties	1,501 Sales comparison	Price/sqm	150-4750 per sqm	The higher the cost, the higher the fair value.
	118,963			

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

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

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.

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 internal grading system for customers. The Board Credit Committee is mandated to assess and decide on all loan applications which are above management limit of P5 million. The Committee assesses the credit quality of the 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% (2023: 37%) 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% (2023: 63%) of the loan portfolio. The maximum exposure to credit risk are 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. Other 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 and it now has more stringent policies which include discounting of property values as well as risk adjusted pricing.

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

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 believe 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 to 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, this 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		2024			2023		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Cash and cash equivalents	3	357,994	-	357,994	70,234	-	70,234
Placements with financial institutions	4	17,272	-	17,272	11,326	-	11,326
Other assets	6	42,333	(5,125)	37,208	12,605	(948)	11,657
Loans and advances to customers	10	969,135	(93,544)	875,591	1,084,523	(212,663)	871,860
Off balance sheet loan disbursement commitments	10	11,107	-	11,107	42,827	-	42,827
		1,397,841	**(98,669)**	**1,299,172**	**1,221,515**	**(213,611)**	**1,007,904**

Bank		2024			2023		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Cash and cash equivalents	3	352,031	-	352,031	66,189	-	66,189
Placements with financial institutions	4	17,272	-	17,272	11,326	-	11,326
Other assets	6	45,571	(4,821)	40,751	13,508	(745)	12,763
Loans and advances to customers	10	969,135	(93,544)	875,591	1,084,523	(212,663)	871,860
Off balance sheet loan disbursement commitments	10	11,107	-	11,107	42,827	-	42,827
		1,395,116	**(98,365)**	**1,296,752**	**1,218,373**	**(213,408)**	**1,004,965**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Figures in Pula thousand		Group 2024	Group 2023	Bank 2024	Bank 2023
33. Financial instruments and risk management (continued)					
Balances with banks					
Stanbic Bank of Botswana Limited		25,858	14,009	25,858	14,009
ABSA Bank of Botswana Limited		10,897	19,059	10,897	19,059
Standard Chartered Bank of Botswana Limited		99,401	23,813	99,401	23,813
First National Bank of Botswana Limited		35,364	10,732	29,402	6,681
Bank Gaborone Limited		91,823	742	91,823	742
First Capital Bank Botswana Limited		66,503	866	66,503	866
Access Bank Botswana Limited		28,132	1,013	28,132	1,013
Total balances with banks	**3**	**357,979**	**70,234**	**352,016**	**66,183**
Placements waith financial institutions					
Vunani Investment Management Services Proprietary Limited		1,777	1,585	1,777	1,585
African alliance		5,284	146	5,284	146
Ipro Money Market Fund		10,211	9,595	10,211	9,595
Total placements with financial institutions	**4**	**17,272**	**11,326**	**17,272**	**11,326**
Other assets, loans and advances to customers					
Other assets (gross carrying amount)	6	42,333	6,424	45,571	6,424
Loans and advances to customers (gross carrying amount)	10	969,135	1,084,523	969,135	1,084,523
Total other assets, loans and advances to customers		**1,011,468**	**1,090,947**	**1,014,707**	**1,090,947**
Off balance sheet assets					
Loan disbursements commitments		11,107	42,827	11,107	42,827
Total off balance sheet exposure	**10**	**11,107**	**42,827**	**11,107**	**42,827**

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	2024 Gross carrying amount	2024 Security	2023 Gross carrying amount	2023 Security
Property	192,014	352,970	133,852	258,806
Industrial	-	-	(64)	2,046
Retail	22,240	83,300	8,533	12,721
Agriculture	303,297	438,876	292,035	716,711
Commerce	16,740	45,034	21,861	35,870
Other loans and advances	77,930	136,575	139,702	169,360
	612,221	**1,056,755**	**595,919**	**1,195,514**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Figures in Pula thousand	Group 2024	Group 2023	Bank 2024	Bank 2023
33. Financial instruments and risk management (continued)				
Loans and advances to customers past due but not individually impaired				
Group and Bank	**2024 Gross carrying amount**	**Security**	**2023 Gross carrying amount**	**Security**
Property	62,760	184,745	70,570	96,644
Industrial	4,282	-	14,947	16,518
Retail	4,966	3,620	4,342	6,220
Agriculture	25,187	28,363	42,596	92,129
Commerce	24,948	35,033	73,740	85,358
Other loans and advances	27,015	44,164	31,985	40,408
	149,158	**295,925**	**238,180**	**337,277**
Loans and advances to customers individually impaired				
Group and Bank	**2024 Gross carrying amount**	**Security**	**2023 Gross carrying amount**	**Security**
Property	27,247	57,196	23,690	39,237
Industrial	20,485	53,160	17,986	25,150
Retail	3,556	1,255	5,982	5,967
Agriculture	65,558	91,612	127,881	416,135
Commerce	47,919	118,258	66,978	57,298
Other loans and advances	42,991	57,133	7,907	11,874
	207,756	**378,614**	**250,424**	**555,661**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Figures in Pula thousand

33. Financial instruments and risk management (continued)

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 6% (2023: 21%) 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 2024	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	282,021	594,911	(312,890)	282,021	-	100%	19,426
- Industrial	24,767	53,160	(28,393)	24,767	-	100%	5,700
- Retail	30,763	88,175	(57,413)	30,763	-	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**	**(791,352)**	**969,135**	**428,706**	**69%**	**98,669**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Figures in Pula thousand

33. Financial instruments and risk management (continued)

Group 2023	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 customers:							
- Property	228,112	394,687	(166,575)	228,112	-	100%	31,519
- Industrial	32,870	43,714	(10,844)	32,870	-	100%	10,636
- Retail	18,858	24,908	(6,050)	18,858	-	100%	7,563
- Agriculture	462,513	1,224,975	(762,462)	462,513	-	100%	97,219
- Commerce	162,578	178,526	(15,948)	162,578	-	100%	46,314
- Other loans and advances	179,592	221,642	(42,050)	179,592	-	100%	19,412
Other assets	12,605	-	-	-	12,605	0%	948
Cash and cash equivalents	70,234	-	-	-	70,234	0%	-
Placements with financial institutions	11,326	-	-	-	11,326	0%	-
Off balance sheet loan disbursements commitments	42,827	-	-	-	42,827	100%	-
Total	**1,221,515**	**2,088,452**	**(1,003,929)**	**1,084,523**	**136,992**	**89%**	**213,611**

Group 2023	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	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	-	-	-	45,571	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**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Figures in Pula thousand

33. Financial instruments and risk management (continued)

Bank 2023	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	228,112	394,687	(166,575)	228,112	-	100%	31,519
- Industrial	32,870	43,714	(10,844)	32,870	-	100%	10,636
- Retail	18,858	24,908	(6,050)	18,858	-	100%	7,563
- Agriculture	462,513	1,224,975	(762,462)	462,513	-	100%	97,219
- Commerce	162,578	178,526	(15,948)	162,578	-	100%	46,314
- Other loans and advances	179,592	221,642	(42,050)	179,592	-	100%	19,412
Other assets	13,508	-	-	-	13,508	0%	745
Cash and cash equivalents	66,189	-	-	-	66,189	0%	-
Placements with financial institutions	11,326	-	-	-	11,326	0%	-
Off balance sheet loan disbursements commitments	42,827	-	-	-	42,827	100%	-
Total	**1,218,373**	**2,088,452**	**(1,003,929)**	**1,084,523**	**133,850**	**89%**	**213,408**

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

Figures in Pula thousand

33. Financial instruments and risk management (continued)

The table below summarises the maturity profile of the Bank's financial assets and the undiscounted cash flows of its financial liabilities as at 31 March.

Group - 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	-	-	(22,645)	(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

Figures in Pula thousand

33. Financial instruments and risk management (continued)

Group - 2023		0-1 month	1-2 months	3-12 months	1-5 years	Over 5 years	Total contractual cash flows
Financial liabilities							
Borrowings	19	(102,831)	(20,339)	(82,492)	(318,099)	(20,340)	(544,101)
Bank overdraft	3	(29,107)	-	-	-	-	(29,107)
Other liabilities	18	-	-	(27,304)	(39,551)	-	(66,855)
Lease liabilities	8	(115)	(115)	(1,088)	(2,660)	-	(3,978)
Off balance sheet commitments							
Loan disbursements commitments	10	(42,827)	-	-	-	-	(42,827)
		(174,880)	**(20,454)**	**(110,884)**	**(360,310)**	**(20,340)**	**(686,868)**
Financial assets							
Cash and cash equivalents	3	70,240	-	-	-	-	70,240
Placements with financial institutions	4	11,326	-	-	-	-	11,326
Other assets	6	11,657	-	-	-	-	11,657
Loans and advances to customers (gross carrying amount)	10	41,225	-	110,209	194,523	738,566	1,084,523
		134,448	**-**	**110,209**	**194,523**	**738,566**	**1,177,746**
Total net financial assets/(liabilities)		**(40,432)**	**(20,454)**	**(675)**	**(165,787)**	**718,226**	**490,878**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Figures in Pula thousand

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

Figures in Pula thousand

33. Financial instruments and risk management (continued)

Bank - 2023

		0-1 month	1-2 months	3-12 months	1-5 years	Over 5 years	Total contractual cash flows
Financial liabilities							
Borrowings	19	(102,831)	(20,339)	(82,492)	(318,099)	(20,340)	(544,101)
Bank overdraft	3	(29,107)	-	-	-	-	(29,107)
Other liabilities	18	-	-	(26,421)	(39,551)	-	(65,972)
Lease liabilities	8	(115)	(115)	(1,088)	(2,660)	-	(3,978)
Off balance sheet commitments							
Loan disbursements commitments	10	(42,827)	-	-	-	-	(42,827)
		(174,880)	**(20,454)**	**(110,001)**	**(360,310)**	**(20,340)**	**(685,985)**
Financial assets							
Cash and cash equivalents	3	66,189	-	-	-	-	66,189
Placements with financial institutions	4	11,326	-	-	-	-	11,326
Other assets	6	12,763	-	-	-	-	12,763
Loans and advances to customers (gross carrying amount)	10	41,225	-	110,209	194,523	738,566	1,084,523
		131,503	**-**	**110,209**	**194,523**	**738,566**	**1,174,801**
Total net financial (liabilities)/assets		**(43,377)**	**(20,454)**	**208**	**(165,787)**	**718,226**	**488,816**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

33. Financial instruments and risk management (continued)

Interest rate risk

IInterest 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:

		Average effective interest		Carrying amount	
Group		**2024**	**2023**	**2024**	**2023**
Variable rate instruments:					
Assets					
Loans and advances to customers	10	10.52 %	10.73 %	894,775	1,007,969
Call accounts	3	0.46 %	0.46 %	55,015	63,219
				949,790	**1,071,188**
Liabilities					
Bank overdraft and callable borrowings	3	8.76 %	8.76 %	(47)	(29,107)
Net variable rate financial instruments				**949,743**	**1,042,081**
Fixed rate instruments:					
Assets					
Loans and advances to customers	10	7.31 %	8.46 %	74,360	76,554
Placements with financial institutions	4	4.32 %	5.78 %	17,272	11,326
				91,632	**87,880**
Liabilities					
Borrowings	19	2.88 %	7.20 %	(366,578)	(477,939)
Net fixed rate financial instruments				(274,946)	(390,059)

Variable rate instruments

A change in interest rate of 100 basis points in the annualised percentage rate would cause a change in interest income of P6,747,973 (2023: P6,520,230).

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.

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

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**	**901,402**	**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)		**468,387**	**396,384**	**864,771**	**466,128**	**397,419**	**863,547**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

35. Maturity analysis of assets and liabilities (continued)

2023

		Group			Bank		
Assets	**Within 12 month**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Cash and cash equivalents	3	70,240	-	70,240	66,189	-	66,189
Placements with financial institutions	4	11,326	-	11,326	11,326	-	11,326
Other assets	6	13,074	5,161	18,235	14,180	5,161	19,341
Deferred tax	7	-	45	45	-	-	-
Right-of-use assets	8	-	2,696	2,696	-	2,696	2,696
Intangible assets	9	-	2,623	2,623	-	2,623	2,623
Loans and advances to customers	10	109,002	762,858	871,860	109,002	762,858	871,860
Property, plant and equipment	11	-	127,481	127,481	-	127,481	127,481
Investments in associates	12	-	320	320	-	320	320
Investments in subsidiary	13	-	-	-	-	1,000	1,000
Total assets		**203,642**	**901,184**	**1,104,826**	**200,697**	**902,139**	**1,102,836**

		Group			Bank		
Liabilities	**Within 12 month**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Bank overdraft	3	29,107	-	29,107	29,107	-	29,107
Current tax payable	5	16	-	16	-	-	-
Employee obligations	17	3,390	7,065	10,455	3,390	7,065	10,455
Lease liabilities	8	1,079	2,175	3,254	1,079	2,175	3,254
Other liabilities	18	39,613	39,551	79,164	38,730	39,551	78,281
Borrowings	19	203,011	274,928	477,939	203,011	274,928	477,939
Total liabilities		276,216	323,719	599,935	275,317	323,719	599,036
Net assets/(liabilities)		**(72,574)**	**577,465**	**504,891**	**(74,620)**	**578,420**	**503,800**

NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

	Group		Bank	
Figures in Pula thousand	**2024**	**2023**	**2024**	**2023**

36. Reclassification of comparative amounts

During the current period, the Group identified that debt recoveries amounting to P24,841,000 previously classified as other income under note 24, were reclassified to the expected credit loss line item under note 25. This reclassification was made solely to improve presentation and ensure compliance with IFRS 9 Financial Instruments, where debt recoveries are considered part of expected credit losses.

The reclassification, which only affected line items within the statement of profit or loss and other comprehensive income, had no impact on the other comprehensive income, retained earnings, or any other primary financial statement.

The following adjustments were made to the comparative amounts for the year ended 31 March 2023:

Group - 2023	**Notes**	**As previously report**	**Reclassification adjustment**	**Restated amount**
Other income	24	24,809	(20,841)	3,968
Expected credit loss	25	(52,886)	20,841	(32,045)
Bank - 2023				
Other income	24	24,809	(20,841)	3,968
Expected credit loss	25	(52,683)	20,841	(31,842)

DETAILED INCOME STATEMENT

For the Year ended 31 March 2024

		Group		Bank	
Figures in Pula thousand	**Note(s)**	**2024**	**2023 Restated ***	**2024**	**2023 Restated ***
Interest income					
Government interest subsidy		7,589	8,694	7,589	8,694
Loans and advances		92,080	92,684	92,080	92,684
Deposit interest income		6,257	1,709	6,257	1,709
	20	**105,926**	**103,087**	**105,926**	**103,087**
Interest expense					
Interest expense					
	21	(34,173)	(38,352)	(34,173)	(38,352)
Net interest income		**71,753**	**64,735**	**71,753**	**64,735**
Fee and commission income	22	43,796	21,978	40,954	19,575
Other income	24	3,906	3,968	3,906	3,968
Expected credit loss	25	72,822	(32,045)	72,944	(31,842)
Expenses (Refer to page 89)		(151,122)	(122,571)	(148,588)	(120,983)
Operating profit/(loss)	**25**	**41,155**	**(63,935)**	**40,969**	**(64,547)**
Grant income	23	15,563	14,565	15,563	14,565
Share of loss of associate	12	(95)	(100)	(95)	(100)
Profit/(loss) before taxation		**56,623**	**(49,470)**	**56,437**	**(50,082)**
Taxation	28	(53)	(296)	-	-
Profit/(loss) for the year		**56,570**	**(49,766)**	**56,437**	**(50,082)**

*Refer to note 36 for details of the restatement.

DETAILED INCOME STATEMENT

For the Year ended 31 March 2024

		Group		Bank	
Figures in Pula thousand	**Note(s)**	**2024**	**2023**	**2024**	**2023**
			Restated *		**Restated ***
Other operating expenses					
Accounting fees		(300)	(66)	-	-
Advertising		(3,122)	(1,862)	(3,112)	(1,862)
Agricultural Credit Guarantee Scheme contributions		(6,710)	(5,674)	(6,710)	(5,674)
Amortisation		(2,125)	(2,661)	(2,125)	(2,661)
Annual conference costs		(213)	(246)	(213)	(246)
Annual report costs		(28)	25	(28)	25
Archive expenses		(330)	(771)	(330)	(771)
Auditor's remuneration - external audit	25	(1,893)	(2,381)	(1,813)	(2,381)
Auditor's remuneration - internal audit		(53)	(24)	(53)	(24)
Bad debts		-	(128)	-	(128)
Bank charges		(396)	(364)	(395)	(363)
Cleaning		(596)	(532)	(596)	(532)
Computer expenses		(5,997)	(4,480)	(5,997)	(4,480)
Consultancy and other expenses relating to commercialisation		(3,673)	(6,864)	(3,651)	(6,864)
Consulting and professional fees - internal legal fees		(4,335)	(1,396)	(4,335)	(1,396)
Consulting and professional fees - legal fees		(497)	(485)	(497)	(485)
Depreciation		(5,233)	(4,546)	(5,233)	(4,546)
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH net impact		(24)	-	(24)	-
Directors fees		(1,686)	(891)	(1,646)	(891)
Donations		(16)	(92)	(4)	(92)
Employee costs		(86,436)	(71,420)	(84,461)	(69,899)
Entertainment		(70)	(62)	(53)	(62)
Fund administration expenses		(3,534)	(579)	(3,534)	(579)
Hire		(625)	(141)	(625)	(141)
Insurance		(1,529)	(1,424)	(1,529)	(1,424)
Motor vehicle expenses		(497)	(334)	(497)	(334)
Municipal expenses		(1,187)	(1,072)	(1,187)	(1,072)
Other expenses		(49)	(209)	(48)	(209)
Penalties & interest		(23)	-	-	-
Postage		(113)	(149)	(113)	(149)
Printing and stationery		(186)	(329)	(186)	(329)
Public relations		(251)	(590)	(251)	(590)
Recruitment expense		(1,051)	(444)	(1,051)	(444)
Repairs and maintenance		(2,845)	(3,163)	(2,845)	(3,163)
Security		(732)	(795)	(732)	(795)
Staff welfare		(872)	(49)	(866)	(49)
Subscriptions		(1,006)	(593)	(1,006)	(593)
Telephone and fax		(2,397)	(1,419)	(2,396)	(1,419)
Training		(2,532)	(800)	(2,523)	(800)
Travel - local		(3,856)	(2,202)	(3,819)	(2,202)
Value Added Tax expense		(4,104)	(3,359)	(4,104)	(3,359)
		(151,122)	**(122,571)**	**(148,588)**	**(120,983)**

*Refer to note 36 for details of the restatement.



THE COVID-19 INDUSTRY SUPPORT FACILITY FUND

Special Purpose Financial Statements
for the year ended 31 March 2024

Directors' Responsibilities and Approval

Special Purpose Financial Statements for the year ended 31 March 2024



The Directors are responsible to maintain adequate accounting records of the Covid-19 Industry Support Facility ("the Fund") and are responsible for the content and integrity of the special purpose financial statements and related financial information included in this report. The External Auditor is engaged to express an independent opinion on the special purpose financial statements.

The special purpose financial statements are prepared ni accordance withcash receipts and disbursements basis as described in note .1 This basis is consistent with and in accordance with the International Public Sector Accounting Standards ("IPSAS").

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Fund and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Fund and all employees are required to maintain the highest ethical standards in ensuring the Fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management ni the Fund is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operatingriskcannotbe fullyeliminated, the Fundendeavourst ominimiseit by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

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

The External Auditor is responsible for independently auditing and reporting on the Fund's special purpose financial statements. The special purpose financial statements have been examined by the Fund's External Auditor and their report is presented on page 3-5.

The special purpose financial statements set out on pages 6 to 9, which have been prepared on the going concern basis, were approved by the board of Directors on 31 January 2025 and were signed on its behalf by:

Approval of special purpose financial statements

Mr Wilfred Mpai
Chairman, Board

Mr Mosimanegape O Mogegeh
Chairperson, Audit Committee

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of National Development Bank of Botswana
Report on the Audit of the Special Purpose Financial Statements

Opinion

We have audited the special purpose financial statements of The Covid-19 Industry Support Facility ("the Fund") set out on pages 6 to 9, which comprise the statement of receipts and payments for the year ended 31 March 2024, and the notes to the special purpose financial statements, which include a summary of significant accounting policies.

In our opinion, the special purpose financial statements give a true and fair view of the Fund's cash payments and receipts for the year ended 31 March 2024, in accordance with International Public Sector Accounting Standards ("IPSAS").

Basis for opinion

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

Other information

The directors of National Development Bank (the "directors") are responsible for the other information. The information comprises the information included in the document titled "The Covid-19 Industry Support Facility Special Purpose Financial Statements for the year ended 31 March 2024". Other information does not include the special purpose financial statements and our auditor's report thereon. Our opinion on the special purpose 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 special purpose 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 special purpose financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Special Purpose Financial Statements

The directors are responsible for the preparation of the special purpose financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as the directors determine is necessary to enable the preparation of the special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose financial statements, the directors are responsible for assessing the Fund'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 Fund or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting processes.

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose 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.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of National Development Bank of Botswana
Report on the Audit of the Special Purpose Financial Statements

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

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

Ernst + Young

Ernst & Young
Practicing member: Francois Roos
Partner
Certified Auditor
Membership number: CAP 0013 2025
Gaborone
31 January 2025

Statement of Receipts and Payments

Special Purpose Financial Statements for the year ended 31 March 2024

Figures in Pula thousand	Note(s)	2024	2023
Receipts			
Corpus fund received	2	-	28,000
Interest and fees income received	3	3,778	6,263
Repayment of loans and advances	4	139,091	132,134
		142,869	**166,397**
Payments			
ACGS payment		(1,993)	(2,141)
Administration expenses	5	(11,584)	(34,814)
Capitalisation - agriculture		(17,000)	(15,000)
Capitalisation - general Industry		(40,000)	(60,000)
Capitalisation - tourism		(35,000)	(15,000)
Interest paid		(27)	(23)
Grant of loans and advances	4	(25,943)	(29,561)
Refunds to customers	4	(583)	(2,782)
Total cash payments		**(132,130)**	**(159,321)**
Surplus during the year		**10,739**	**7,076**
Cummulative surplus balance carried forward		80,027	72,950
Cummulative surplus balance carried forward		**90,766**	**80,026**
Cash bank balance	6	90,766	80,027

Accounting Policies

Special Purpose Financial Statements for the year ended 31 March 2024

General information

The Fund is established to extend financial support to assist revival of the economy of the Republic of Botswana. The Government of Botswana entrusted the administration of the Fund with various Development Finance Institutions (DFI's) including the National Development Bank ("the Bank").

1. Basis of preparation

The special purpose financial statements have been prepared in accordance with the International Public Sector Accounting Standards under the cash basis of accounting and interpretations applicable to the public sector entities. The annual fianancial statements comply with IPSAS as issued by the International Public Sector Accounting Standards Board (IPSASB).The functional and presenation currency of the Fund is Botswana Pula, which is the currency of the primary economic environment in which the Fund operates. The accounting policies presented below have been consistently applied throughtout the period presented.

1.1 Property, plant and equipment

All property, plant and equipment are expensed at the time of acquisition.

1.2 Administration expenses paid

Expenses and payments are recognised on a cash basis when paid from the Fund's bank account.

1.3 Interest and fees received

Interest and fees income are recognised on a cash basis (when received in the Fund's bank account).

Fees deducted upfront at the time of disbursement and fees received from the customers separately are recognised under fees income received.

1.4 Advances to customers

Advances to customers are recorded on a disbursement basis when the Funds to customers are disbursed from the Fund's bank account. Repayment of advances to customers are recognised on a receipt basis when received in the Fund's bank account. The Bank is entrusted to provide advances to the below sectors:

- Travel and tourism
- General industry
- Agriculture

1.5 Cash and bank balances

Cash and bank balances represented funds held in the Fund's bank account.

1.6 Corpus funds

Corpus funds are funds received from the Government of Botswana to extend financial support fo customers operating in certain sectors. These funds are recognised when received in the Fund's bank account.

Notes to the Special Purpose Financial Statements

Special Purpose Financial Statements for the year ended 31 March 2024

Figures in Pula thousand	Note(s)	2024	2023
2. Corpus funds received			
General industry support		-	28,000
3. Interest and fees received			
Interest income received		2,390	5,500
Fees income received		954	856
Bank interest income		434	-
		3,778	**6,356**

4. Advances to customers

As part of supporting the Economic Recovery and Transformation Plan, the Governement had introduced the Covid-19 Industry Support Facility during 2020. Due to the magnitude and diverse nature of the eligible sectors,the facility will be administered by the below agencies;

- National Development Bank
- Local Enterprise Authority
- Citizen Entrepreneurial Development Agency
- Botswana Development Corporation

The National Development Bank signed a memorandum of understanding with the Government of Botswana to administer P 600 million towards the agricultural sector, general industry and tourism sectors. The bank received P 516 million (2023: 28 million) out of the above mandate as at the end of the period. The advances provided are unsecured and interest free except for the general industry sector for which the prevailing Bank of Botswana rate is applicable.

A reconciliation of the advances made out of the fund is as follows:			
Opening balances of advances		324,577	424,368
Disbursements during the period		25,943	29,561
Payments during the period		(139,091)	(132,134)
Accrued interest and other movements		3,302	(2,782)
Refunds to customers		583	-
		215,314	**324,577**
5. Administration expenses			
NDB management fees		11,441	34,873
Bank charges		35	33
Other charges collected		108	(92)
		11,584	**34,814**
6. Cash and current acconts			
Cash and bank balance represent funds held in the bank accounts by the Fund and administered by the Bank.			
Call and current accounts		92,146	80,027

7. Related party transactions

The Fund has related party relationships with the Government of Botswana and the National Development Bank. Management fees are charged by the Bank for the administration of the Fund in accordance with the Memorandum of Understanding held with the Government of Botswana.

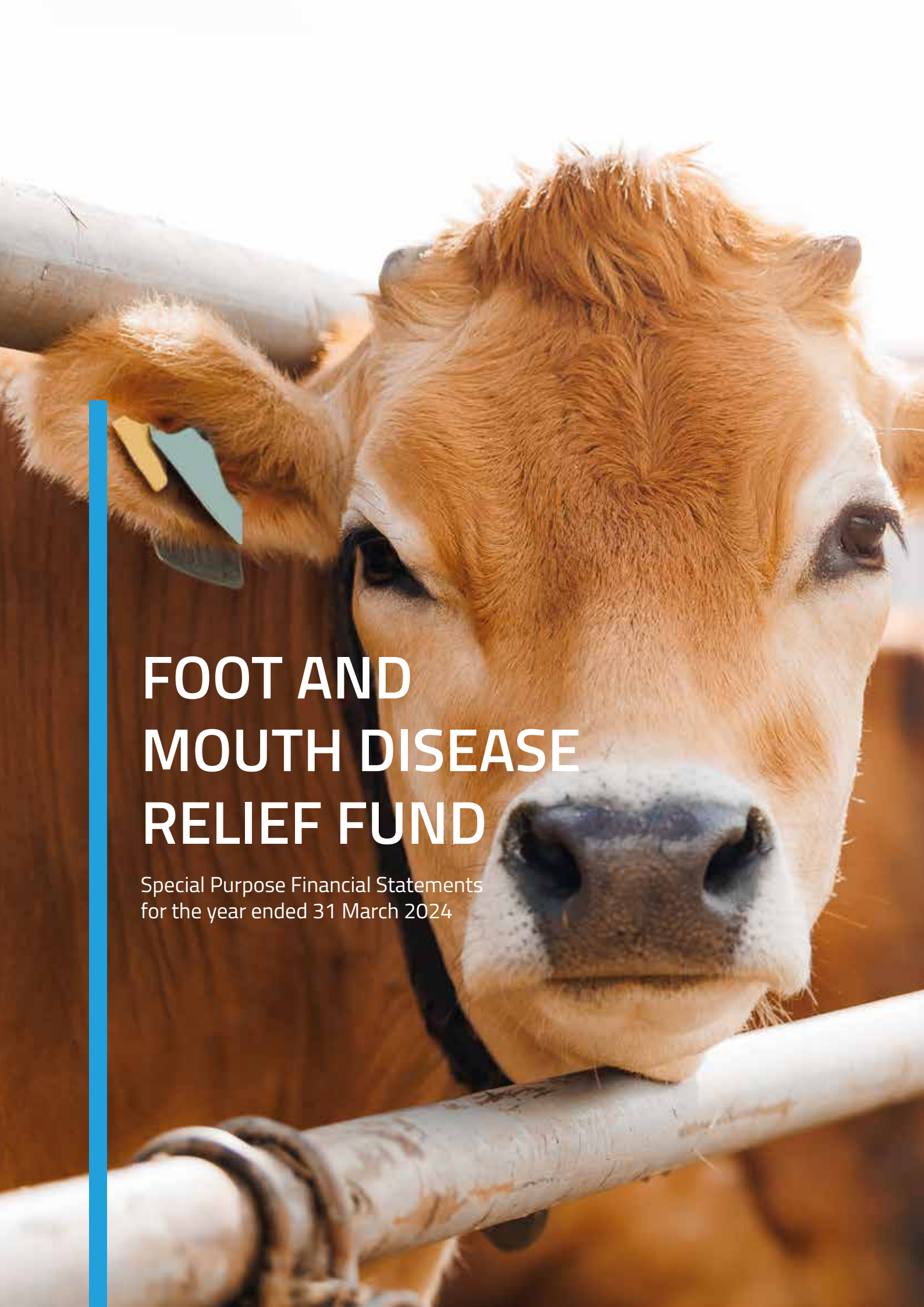
Notes to the Special Purpose Financial Statements

Special Purpose Financial Statements for the year ended 31 March 2024

Figures in Pula thousand	Note(s)	2024	2023
7. Related party transactions (continued)			
The reconciliation of management fees paid and payable by the Fund are as follows:			
Amounts due at the beginning of the period		3,390	22,779
Management fees charged		10169	15,484
Payments made		(11,441)	(34,873)
		2,118	**3,390**

8. Government Indemnity

In terms of the Memorandum of Understanding between the Government of Botswanaand National Development Bank, the Bank is not liable for any financial losses incurred as a result of bad and non-performing loans advanced by the Fund.



FOOT AND MOUTH DISEASE RELIEF FUND

Special Purpose Financial Statements
for the year ended 31 March 2024

Foot And Mouth Disease Relief Fund

Directors' Responsibilities and Approval

Financial Statements for the year ended 31 March 2024



The Directors are responsible to maintain adequate accounting records and are responsible for the content and integrity of the special purpose financial statements and related financial information included in this report. The External Auditor is engaged to express an independent opinion on the special purpose financial statements.

The special purpose financial statements are prepared in accordance with cash receipts and disbursements basis as described in note 1.

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

The Directors are of the opinion, based on the information and explanations given by Management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements.

However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

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

The External Auditor is responsible for independently auditing and reporting on the Fund's special purpose financial statements. The special purpose financial statements have been examined by the Fund's External Auditor and their report is presented on page 3 - 5.

The special purpose financial statements set out on pages 6 to 9, which have been prepared on the going concern basis, were approved by the board of Directors on 15 January 2025 and were signed on its behalf by:

Approval of financial statements

Mr Wilfred Mpai
Chairman, Board

Mr Mosimanegape O Mogegeh
Chairperson, Audit Committee

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of National Development Bank of Botswana
Report on the Audit of the Special Purpose Financial Statements

Opinion

We have audited the special purpose financial statements of Foot and Mouth Disease Relief Fund ("the Fund") set out on pages 6 to 9, which comprise the Statement of Receipts and Payments for the year ended 31 March 2024, and the notes to the special purpose financial statements, which include a summary of significant accounting policies.

In our opinion, the special purpose financial statements give a true and fair view of the Fund's cash payments and receipts for the year ended 31 March 2024, in accordance with International Public Sector Accounting Standards ("IPSAS").

Basis for opinion

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

Other information

The directors of National Development Bank (the "directors") are responsible for the other information. The information comprises the information included in the document titled "Foot and Mouth Disease Relief Fund Financial Statements for the year ended 31 March 2024". Other information does not include the special purpose financial statements and our auditor's report thereon. Our opinion on the special purpose 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 special purpose 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 special purpose financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Special Purpose Financial Statements

The directors are responsible for the preparation of the special purpose financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as the directors determine is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose financial statements, the directors are responsible for assessing the Fund'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 Fund or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting processes.

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose 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.

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INDEPENDENT AUDITOR'S REPORT

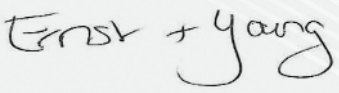
To the Board of Directors of National Development Bank of Botswana
Report on the Audit of the Special Purpose Financial Statements

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

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



Ernst & Young
Practicing member: Francois Roos Partner
Certified Auditor
Membership number: CAP 0013 2025 Gaborone
31 January 2025

Statements of Receipts and Payments

Special Purpose Financial Statements for the year ended 31 March 2024

		Group	Bank	
Figures in Pula thousand	**Note(s)**		**2024**	**2023**
Receipts				
Interest income			12	9
Net interest receipt			**12**	**9**
Advances repayments	5		88	579
Total cash receipts			**100**	**588**
Payments				
Administration expenses	2		4	1,540
Refunds to customers and other payments	5		2	46
Total cash payments			**6**	**1,586**
Gain/(deficit)			94	(998)
Cumulative surplus balance brought forward			1,475	2,473
Cumulative surplus balance carried forward			**1,569**	**1,475**
Represented by:			1,569	1,475
Cash and bank balances			**1,569**	**1,475**

Accounting Policies

Financial Statements for the year ended 31 March 2024



General information

The Fund is established to provide financial assistance to the farmers operating in the Foot and Mouth Disease affected areas in the Republic of Botswana. The Foot and Mouth Disease Relief Funds and the financial policies are governed through the Memorandum of Understanding with the Government of Botswana.

1. Basis of preparation

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards under the cash basis of accounting and interpretations applicable to public sector entities. The annual financial statements comply with IPSAS as issued by the International Public Sector Accounting Standards Board (IPSASB). The functional and presentation currency of the Fund is Botswana Pula, which is the currency of the primary economic environment in which the Fund operates. The accounting policies presented below are consistent with the previous period, unless otherwise stated.

1.1 Property, plant and equipment

All property, plant and equipment are expensed at the time of acquisition.

1.2 Administration expenses and payments

Expenses and payments are recognised on cash basis when paid from the Fund's bank account.

1.3 Interest income and receipts

Interest income and receipts are recognised on cash basis (when paid from the Fund's bank accounts).

1.4 Advances to customers

Advances to customers are recorded on a disbursement and receipt basis. Advances are repayable in accordance with the Memorandum of Understanding held with Government of Botswana. These advances are interest free and are secured over cattle pledged by the farmers.

1.5 Cash and bank balances

Cash and bank balances represent funds held in current and call bank accounts.

Notes to the Special Purpose Financial Statements

Financial Statements for the year ended 31 March 2024

Figures in Pula thousand	2024	2023
2. Administration expenses		
NDB Management fees (refer note 6)	-	1,534
Bank charges	4	6
	4	**1,540**
3. Cumulative Fund		
Balance brought forward	1,475	2,473
Gain/(deficit) for the year	94	(998)
Balance carried forward	**1,569**	**1,475**
4. Cash and bank balances		
Cash and bank balances represent funds held in call and current bank accounts.		
Call and current accounts	**1,569**	**1,475**

5. Advances to customers

The historic customers advances made is the financial assistance provided to the farmers in the Government of Botswana declared Foot and Mouth Disease affected regions. These disbursements are in accordance with Memorandum of Understanding held with the Government of Botswana which stipulates that no repayment is required until such time when these regions are classified as Foot and Mouth Disease free by the Government of Botswana.

A reconcilliation of the advances made is as follows:

Opening balance of advances	53,712	54,245
Repayments received during the year	(88)	(579)
Disbursements during the period	2	46
Closing balance of advances	**53,626**	**53,712**

The loans disbursed under the Fund have no fixed repayment terms and are not expected to occur until the Foot and Mouth Diseases restrictions have been lifted.

The loans are interest free and are secured by cattle pledged by the farmers.

6. Related party transactions

The Fund has a related party relationship with the Government of Botswana and the National Development Bank of Botswana(the Bank). Management fees are charged by the bank for the administration of the Fund in accordance with the Memorandum of Understanding held with the Government of Botswana. A fixed service fee of P 500,000 along with a variable fee of 3.5% based on the repayment activity and administration of the Fund is agreed as per the Memorandum of Understanding with the Government of Botswana.

The reconciliation of management fees paid and payable by the Fund are as follows:

Amounts due at the beginning of the year	2,579	2,575
Management fees charged	1,522	1,538
Payments made	-	(1,534)
Amounts due at the end of the year	**4,101**	**2,579**

7. Government indemnity

In terms of the Memorandum of Understanding between the Government of Botswana and National Development Bank of Botswana, the Bank is not liable for any financial losses incurred as result of bad and non-performing loans advanced by the Fund.