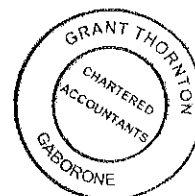


Bank SBI Botswana Limited
Annual financial statements
for the year ended 31 March 2021



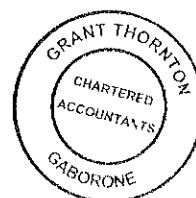
Bank SBI Botswana Limited

(Registration number BW00000449537)

Annual Financial Statements for the year ended 31 March 2021

General Information

| | |
|---|---|
| Country of incorporation and domicile | Botswana |
| Nature of business and principal activities | Commercial Banking |
| Directors | Subbaramaiah Rajapur Ramesh Ketane Sithole Landrick Oteng Sianga Suresh Vishwanath Pramod Pal Pankaj Arora |
| Registered office | Plot 50370 Fairgrounds Gaborone Botswana |
| Business address | 2nd Floor Exponential Plot 54351 Central Business District Gaborone Botswana |
| Postal address | P O Box 1172 Gaborone Botswana |
| Holding company | State Bank of India (SBI) incorporated in India Chartered Accountants |
| Secretary | R K Accountants (Proprietary) Limited |
| Bank registration number | BW00000449537 |
| Date of incorporation | 27 January 2006 |



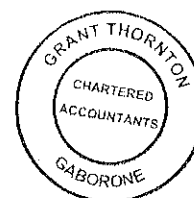
Bank SBI Botswana Limited

(Registration number BW00000449537)

Annual Financial Statements for the year ended 31 March 2021

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| The following supplementary information does not form part of the annual financial statements and is unaudited: | |
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The Board of Directors
Bank SBI Botswana Limited
P O Box 505243
Gaborone Station Post Office
Gaborone
Botswana

Chartered Accountants

Grant Thornton
Acumen Park, Plot 50370
Fairgrounds, Gaborone
P O Box 1157
Gaborone, Botswana

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[linkedin.com/company/GrantThornton-Botswana](https://www.linkedin.com/company/GrantThornton-Botswana)
twitter.com/GrantThorntonBW

05 May 2021

Report on the Financial Statements

We have reviewed the accompanying financial statements of Bank SBI Botswana Limited, which comprise of the Balance Sheet as at 31 March 2021 and the Profit & Loss account for the year then ended and accompanying notes and accounting policies prepared in accordance with the International Financial Reporting Standards

Management's Responsibility for the Financial Statements

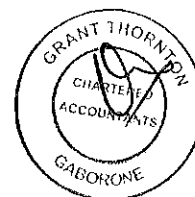
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements.

We conducted our review in accordance with International Standard on Review Engagements (ISRE). ISRE requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the generally accepted accounting principles.

A review of financial statements in accordance with ISRE is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

**Partners**

Kalyanaraman Vijay (Managing), Dinesh R Mallan (Deputy Managing)*, Aswin Valdyanathan*, Madhavan Venkatachary*, Narayanaswamy Narasimhan*, Anthony Quashie, Sunny K Mulakulam*, Aparna Vijay* (*Indian)

Emphasis of Matter

During the financial year ended 31 March 2018, the shareholders of the bank, State Bank of India, a Bank registered in India, had indicated their decision to exit the Botswana market and consequentially, the managed had submitted such intention to the regulator of banks in the country, Bank of Botswana. As at the year end, the Bank has transferred substantially all the customers of the bank to other licensed commercial banks in the country through memorandum of agreements and on commercial banking operating terms. As at the year end, there were few loan customers and deposit customers whose accounts were not transferred. It is the intention of the bank to transfer the remainder of these customers before the 31 May 2021 and thereby cease banking operations. In this regard, the bank has submitted their intention to surrender the banking license to Bank of Botswana.

Under these circumstances, these financial statements are prepared using the analogy of "Assets held for Sale" under IFRS 5 and all assets are stated at lower of carrying value or costs to sells. Hence these financial statements are not prepared for use as a going concern. The bank is also of the view that some disclosures under IFRS 7/ IFRS 9 may not be relevant due to the principle adopted.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report and the Detailed Income Statement as required by the Banking Act (46:04), which we obtained prior to the date of this report. Other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual 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 annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects the financial position of Bank SBI Botswana Limited as at 31 March 2021 in accordance with the Generally Accepted Accounting Principles and the accounting policies followed by the bank.



Chartered Accountants

Certified Auditor: Aswin Vaidyanathan (Memb No :19980110)

Certified Auditor of Public Interest Entities (Certificate Number: CAP 0016 2021)

Gaborone

Date: 05 May 2021

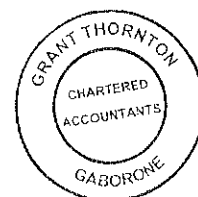
Bank SBI Botswana Limited

(Registration number BW00000449537)

Annual Financial Statements for the year ended 31 March 2021

Statement of Financial Position as at 31 March 2021

| Figures in Pula | Note | 2021 | 2020 |
|-------------------------------------|------|--------------------|--------------------|
| Assets | | | |
| Cash and cash equivalents | 3 | 49,201,207 | 31,552,746 |
| Balances with other banks | 4 | 2,913,405 | 37,803,977 |
| Financial assets and investments | 5 | 29,995,294 | 58,934,612 |
| Loans and advances | 6 | 38,956,920 | 211,497,644 |
| Other assets | 10 | 709,867 | 1,042,862 |
| Right of use asset | 7 | - | 4,635,182 |
| Deferred tax | 8 | - | 872,292 |
| Property, plant and equipment | 9 | 1,061,802 | 1,584,251 |
| Total Assets | | 122,838,495 | 347,923,566 |
| Equity and Liabilities | | | |
| Equity | | | |
| Stated capital | 11 | 124,851,651 | 124,851,651 |
| Retained income | | (10,523,028) | (8,921,479) |
| | | 114,328,623 | 115,930,172 |
| Liabilities | | | |
| Deposit due to customers | 12 | 7,541,753 | 226,454,119 |
| Other payables | 14 | 968,119 | 798,936 |
| Lease liabilities | 13 | - | 4,740,339 |
| | | 8,509,872 | 231,993,394 |
| Total Equity and Liabilities | | 122,838,495 | 347,923,566 |



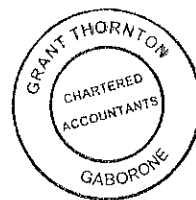
Bank SBI Botswana Limited

(Registration number BW00000449537)

Annual Financial Statements for the year ended 31 March 2021

Statement of Profit or Loss and Other Comprehensive Income

| Figures in Pula | Note | 2021 | 2020 |
|---|------|--------------------|-------------------|
| Interest and similar income | 15 | 12,467,125 | 20,622,133 |
| Interest and similar expenditure | 16 | (2,721,395) | (9,551,777) |
| Net interest income | | 9,745,730 | 11,070,356 |
| Non-interest income | 17 | 2,546,444 | 4,506,023 |
| Movement in credit loss allowances | 18 | 1,982,376 | (898,602) |
| Other operating expenses | | (15,003,806) | (13,184,224) |
| Operating (loss) profit | 18 | (729,256) | 1,493,553 |
| (Loss) profit before taxation | | (729,256) | 1,493,553 |
| Income tax expenses | 20 | (872,292) | (281,000) |
| (Loss) profit for the year | | (1,601,548) | 1,212,553 |
| Other comprehensive income | | - | - |
| Total comprehensive (loss) income for the year | | (1,601,548) | 1,212,553 |



Bank SBI Botswana Limited

(Registration number BW00000449537)

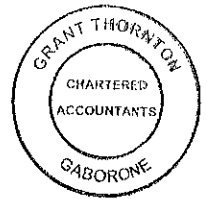
Annual Financial Statements for the year ended 31 March 2021

Statement of Changes in Equity

| Figures in Pula | Stated capital | Retained income | Total equity |
|---|----------------|-----------------|--------------|
| Balance at 01 April 2019 | 124,851,651 | (10,134,032) | 114,717,619 |
| Profit for the year | - | 1,212,553 | 1,212,553 |
| Total comprehensive income for the year | - | 1,212,553 | 1,212,553 |
| Balance at 01 April 2020 | 124,851,651 | (8,921,480) | 115,930,171 |
| Loss for the year | - | (1,601,548) | (1,601,548) |
| Total comprehensive Loss for the year | - | (1,601,548) | (1,601,548) |
| Balance at 31 March 2021 | 124,851,651 | (10,523,028) | 114,328,623 |

Note(s)

11



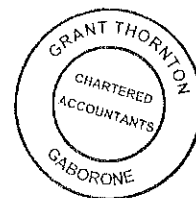
Bank SBI Botswana Limited

(Registration number BW00000449537)

Annual Financial Statements for the year ended 31 March 2021

Statement of Cash Flows

| Figures in Pula | Note(s) | 2021 | 2020 |
|---|---------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Cash used in operations | 21 | (46,022,172) | (46,186,683) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 9 | (54,100) | (245,286) |
| Cash flows from financing activities | | | |
| Finance lease payments | | (105,157) | (1,508,330) |
| Total cash movement for the year | | (46,181,429) | (47,940,299) |
| Cash at the beginning of the year | | 128,291,335 | 176,231,634 |
| Total cash at end of the year | 3 | 82,109,906 | 128,291,335 |



Bank SBI Botswana Limited

(Registration number BW00000449537)

Annual Financial Statements for the year ended 31 March 2021

Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

The annual financial statements have been prepared on the analogy of "Assets Held for Sale under IFRS 5" and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Banking Act (46:04) except for the going concern basis of accounting.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Pulas, which is the Bank's functional currency.

These accounting policies are consistent with the previous period and contains all material information which is necessary in the view of the principal user of the financial statements which is the parent bank.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Expected manner of realisation for deferred tax

Management have reviewed the manner of recovery of the deferred tax asset which is based on future profitability. Since the Bank is in the process of ceasing its operations, the bank has assessed that the deferred tax recorded is not realisable.

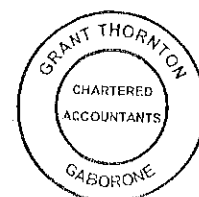
Key sources of estimation uncertainty

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Bank uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Bank's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Impairment testing

The Bank reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.



Bank SBI Botswana Limited

(Registration number BW00000449537)

Annual Financial Statements for the year ended 31 March 2021

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on Bank replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

1.3 Property, plant and equipment

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

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements 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 Bank 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.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

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

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

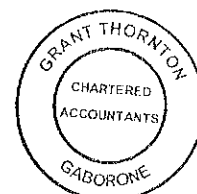
| Item | Depreciation method | Average useful life |
|------------------------|---------------------|-----------------------|
| Furniture and fixtures | Straight line | 6-10 years |
| Office equipment | Straight line | 4-6 years |
| IT equipment | Straight line | 3-4 years |
| Computer software | Straight line | 3-4 years |
| Leasehold improvements | Straight line | Over the lease period |

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.



Bank SBI Botswana Limited

(Registration number BW00000449537)

Annual Financial Statements for the year ended 31 March 2021

Accounting Policies

1.3 Property, plant and equipment (continued)

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

1.4 Right of use asset

When the bank holds property under a long term prepaid lease agreement, the lease is classified as a finance lease or an operating lease in accordance with the provisions of IAS 17 Leases. Refer to the accounting policy on leases. When these leases are classified as finance leases, the property is capitalised as leasehold property, and is depreciated over the lease term.

1.5 Financial instruments

Financial instruments held by the Bank are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Bank, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or

Financial assets which are debt instruments:

- Amortised cost.

Financial liabilities:

- Amortised cost;

Note 23 Financial instruments and risk management presents the financial instruments held by the Bank based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Bank are presented below:

Amortised cost assets

Classification

Cash and cash equivalents, balances with other banks, financial assets and investments and loans and advances to customers are classified as financial assets subsequently measured at amortised cost.

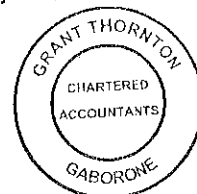
They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Bank's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the Bank becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They 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.



Bank SBI Botswana Limited

(Registration number BW00000449537)

Annual Financial Statements for the year ended 31 March 2021

Accounting Policies

Financial Instruments (continued)

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in interest and similar income (note).

The application of the effective interest method to calculate interest income on a loan receivable is dependent on the credit risk of the loan as follows:

- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a loan is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the loan, even if it is no longer credit-impaired.
- If a loan was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the loan in the determination of interest. If, in subsequent periods, the loan is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Loans denominated in foreign currencies

When a loan receivable is denominated in a foreign currency, the carrying amount of the loan is determined in the foreign currency. The carrying amount is then translated to the Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses) (note).

Details of foreign currency risk exposure and the management thereof are provided in the specific loan notes and in the financial instruments and risk management (note 23).

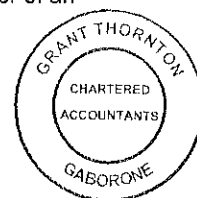
Impairment

The Bank recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The Bank measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Bank considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.



Bank SBI Botswana Limited

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Annual Financial Statements for the year ended 31 March 2021

Accounting Policies

Financial instruments (continued)

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the Bank has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The Bank regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

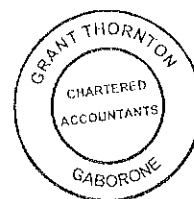
Definition of default

For purposes of internal credit risk management purposes, the Bank consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the Bank considers that default has occurred when a loan installment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write off policy

The Bank writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the Bank recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.



Bank SBI Botswana Limited

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Annual Financial Statements for the year ended 31 March 2021

Accounting Policies

Financial instruments (continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Bank has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Bank measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and visa versa.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 18).

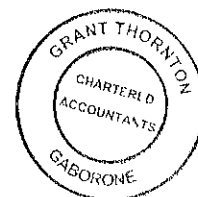
Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 23).

Derecognition

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

Any gains or losses arising on the derecognition of a loan receivable is included in profit or loss in derecognition gains (losses) on financial assets at amortised cost (note).



Bank SBI Botswana Limited

(Registration number BW00000449537)

Annual Financial Statements for the year ended 31 March 2021

Accounting Policies

Financial instruments (continued)

Financial liabilities

Classification

Deposit due to customers, Other payables (note 14), 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 Bank 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.

Financial liabilities including deposits to customers and other payables expose the Bank to liquidity risk and possibly to interest rate risk. Refer to note 23 for details of risk exposure and management thereof.

Financial liabilities denominated in foreign currencies

When deposits due to customers are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Pula equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses) (note).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management note (note 23).

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

1.6 Tax

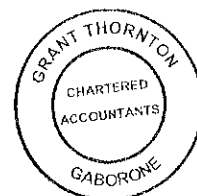
Deferred tax assets and liabilities

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

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

A deferred tax asset is recognised for the carry forward of unused tax losses 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.



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Accounting Policies

1.6 Tax (continued)

Tax expenses

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

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

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

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

1.7 Leases (Comparative information only)

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

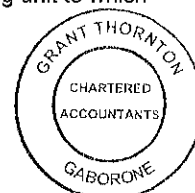
1.8 Impairment of assets

The Bank assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Bank also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.



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Accounting Policies

1.8 Impairment of assets (continued)

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the Bank in which they are declared.

1.10 Employee benefits

Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

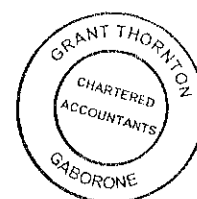
Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Bank's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.11 Interest income and expenses

The Bank recognises interest income and expense in profit or loss for instruments measured at amortised cost using the effective interest method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank 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 or discounts. The bank suspends recognition of interest on non-performing advances until realised



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Accounting Policies

1.12 Fee and commission income

Fee and commission income

The Bank recognises fee and commission income on an accrual basis when the service is rendered. Certain fees and transaction costs that form an integral part of the effective interest rate of available-for-sale and amortised cost financial instruments are capitalised and recognised as part of the effective interest rate of the financial instrument over the expected life of the financial instruments and not as non-interest income.

Fees and transaction costs that do not form an integral part of the effective interest rate are recognised as income when the outcome of the transaction involving the rendering of services can be reliably estimated as follows:

- Fees related to services rendered are recognised as fee and commission income on an accrual basis when the service is rendered, for example banking fees and commission income and asset management and related fees.
- Fees that are earned on the execution of a significant act, for example fee and commission income and non-banking fee and commission income when the significant act has been completed.
- Commission income on acceptances, guarantees, bills and promissory notes endorsed is credited to profit or loss over the lives of the relevant instruments on a time apportionment basis.

Fee and commission expense

Fee and commission expenses are expenses that are incremental or directly attributable to the generation of fee and commission income and are recognised in non-interest income. Fee and commission expenses include transaction and service fees, which are expensed as the services are received. Fee and commission expenses that form an integral part of the effective interest rate of a financial instrument are recognised as part of net interest income..

1.13 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Pulas, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

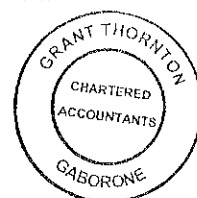
At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Pulas by applying to the foreign currency amount the exchange rate between the Pula and the foreign currency at the date of the cash flow.



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Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

Temporary exceptions have been created by the IASB concerning the application of specific hedge accounting requirements as a result of the interest rate benchmark reform. These exceptions apply only to those hedging relationships which are directly affected by the reform, being those where the reform gives rise to uncertainties about:

- (a) the interest rate benchmark (contractually or non-contractually specified) designated as a hedged risk; and/or
- (b) the timing or the amount of interest rate benchmark -based cash flows of the hedged item or of the hedging instrument.

The exceptions are as follows:

(a) When determining whether a forecast transaction is highly probable, it shall be assumed that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.

(b) When assessing the economic relationship between the hedged item and the hedging instrument, entities shall, in their prospective assessments, assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the reform.

(c) Entities applying IAS 39 for hedge accounting are not required to undertake the IAS 39 retrospective assessment for hedging relationships directly affected by the reform.

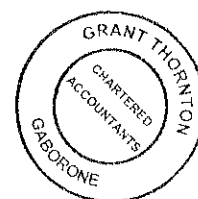
(d) For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at inception of such hedging relationships.

Entities shall cease applying the exceptions when the uncertainty arising from the reform is no longer present or when the hedging relationship is discontinued.

The effective date of the amendment is for years beginning on or after 01 January 2020.

The bank has adopted the amendment for the first time in the 2021 annual financial statements.

The impact of the amendment is not material.



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Notes to the Annual Financial Statements

| Figures in Pula | | 2021 | 2020 |
|---|---|--------------------------|---------------------------|
| 3. Cash and cash equivalents | | | |
| Cash and cash equivalents consist of: | | | |
| Cash on hand | | 1,230,032 | 4,626,136 |
| Balances with Bank of Botswana | | 47,971,175 | 26,926,610 |
| | | <u>49,201,207</u> | <u>31,552,746</u> |
| Other cash equivalents for the purposes of cash flow statement | | | |
| Balances with foreign banks | 4 | 2,913,405 | 37,803,977 |
| Bank of Botswana Certificates | 5 | 29,995,294 | 58,934,612 |
| | | <u>32,908,699</u> | <u>96,738,589</u> |
| Cash and balances with Bank of Botswana | | 49,201,207 | 31,552,746 |
| Other short term cash and cash equivalents | | 32,908,699 | 96,738,589 |
| Total cash and cash equivalents for cash flow statement | | <u>82,109,906</u> | <u>128,291,335</u> |
| Cash and cash equivalents held by the entity that are not available for use by the group. | | 2,700,000 | 12,700,000 |

Credit quality of cash and balances with Bank of Botswana

Cash in hand denominated in Pula and balances with the Bank of Botswana carry the sovereign credit risk rating of the Government of Botswana which is rated A3 by Standard & Poor. The ratings for other cash and cash equivalents is given in the respective notes.

Exposure to currency risk

Refer to note 23 Financial instruments and financial risk management for details of currency risk management for cash and cash equivalents.

4. Balances with other banks

| | | |
|-----------------------------|-----------|------------|
| Balances with foreign banks | 2,913,405 | 37,803,977 |
|-----------------------------|-----------|------------|

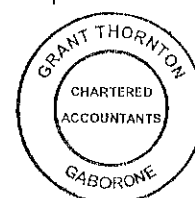
Exposure to credit risk

Financial assets and investments inherently exposes the Bank to credit risk, being the risk that the Bank will incur financial loss if counterparties fail to make payments as they fall due.

Financial assets and investments 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 balances with other banks 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 Bank has taken into account any historic default experience and the financial positions of the counterparties.

The estimation techniques explained have been applied for the first time in the current financial period, which is the first time the Bank has applied IFRS 9. Balances with other banks were previously impaired only when there was objective evidence that the loan was impaired. The impairment was previously calculated as the difference between the carrying amount and the present value of the expected future cash flows



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4. Balances with other banks (continued)

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

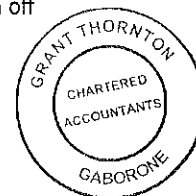
The maximum exposure to credit risk is the gross carrying amount as presented below. The Bank does not hold collateral or other credit enhancements against balances with other banks.

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. These ratings are applicable for all financial assets of the bank.

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 | Low risk of default and no amounts are past due | 12 Month ECL |
| Doubtful | 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 | 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 |



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4. Balances with other banks (continued)

Credit loss allowances

The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for balances with other banks by credit rating grade:

2021

| Instrument | External credit rating (where applicable) | Rating agency | Internal credit rating (where applicable) | Basis of loss allowance | Gross Carrying amount | Amortised cost |
|--|---|---------------|---|-------------------------|-----------------------|----------------|
| State Bank of India and its subsidiaries | Baa3/P-3 | Moody's | Performing | 12m ECL | 2,913,405 | 2,913,405 |

2020

Exposure to currency risk

Refer to note 23 Financial Instruments and financial risk management for details of currency risk management to balances with other banks.

Exposure to interest rate risk

Refer to note 23 Financial Instruments and financial risk management for details of interest rate risk management for balances with other banks.

Fair value of balances with other banks

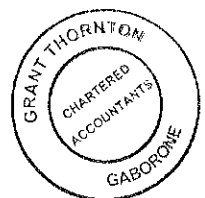
The fair value of balances with other banks approximates their carrying amounts.

5. Financial assets and investments

Financial assets and investments are presented at amortised cost, which is net of loss allowance, as follows:

Bank of Botswana Certificates

29,995,294 58,934,612



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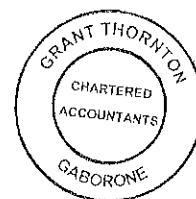
5. Financial assets and investments (continued)

Financial assets pledged as security

The Bank usually pledges the Bank of Botswana Certificates included in the "Financial Assets and Investments" to Bank of Botswana for the intra/inter day bank borrowings. As at the year end P 28.2 million was pledged to Bank of Botswana.

Exposure to credit risk

Financial assets and investments inherently exposes the Bank to credit risk, being the risk that the Bank will incur financial loss if counterparties fail to make payments as they fall due. Please refer the section "Exposure to Credit Risk" 23 in Note for details



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Notes to the Annual Financial Statements**5. Financial assets and investments (continued)****Credit loss allowances**

The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for balances with other banks by credit rating grade:

2021

| Instrument | External credit rating (where applicable) | Rating agency | Internal credit rating (where applicable) | Basis of loss allowance | Gross Carrying amount | Amortised cost |
|-------------------------------|---|---------------|---|-------------------------|-----------------------|----------------|
| Bank of Botswana Certificates | -BBB | S&P | Performing | 12m ECL | 29,995,294 | 29,995,294 |

2020

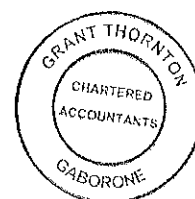
| Instrument | External credit rating (where applicable) | Rating agency | Internal credit rating (where applicable) | Basis of loss allowance | Gross Carrying amount | Amortised cost |
|-------------------------------|---|---------------|---|-------------------------|-----------------------|----------------|
| Bank of Botswana Certificates | -BBB | S&P | Performing | 12m ECL | 58,934,612 | 58,934,612 |

Exposure to currency risk

Refer to note 23 Financial Instruments and financial risk management for details of currency risk management for financial assets and investments.

Exposure to interest rate risk

Refer to note 23 for details of interest rate risk management for investments in financial assets and investments.



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|-----------------|------|------|

6. Loans and advances

Financial instruments:

| | | |
|--------------------------------------|-------------------|--------------------|
| Term loans | 31,217,355 | 116,428,945 |
| Demand loans and overdrafts | 8,398,411 | 98,500,701 |
| Loss allowance | (658,846) | (3,432,002) |
| Loans and advances at amortised cost | 38,956,920 | 211,497,644 |
| Total loans and advances | 38,956,920 | 211,497,644 |

Categorisation of loans and advances

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

| | | |
|-------------------|------------|-------------|
| At amortised cost | 38,956,920 | 211,497,644 |
|-------------------|------------|-------------|

Exposure to credit risk

Loans and advances to customers inherently expose the Bank to credit risk, being the risk that the Bank will incur financial loss if customers fail to make payments as they fall due. More information is provided under Note

In order to mitigate the risk of financial loss from defaults, the Bank only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external bureau data (where available). Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

The loss allowance provision is determined as follows:

Expected credit loss rate:

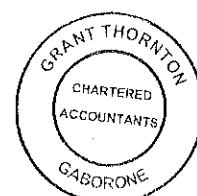
Performing - no default history- Stage 1 (12 M ECL)

| | | | | |
|----------------|-------------------|----------------|--------------------|------------------|
| Business loans | 36,834,362 | 169,666 | 209,548,838 | 2,297,360 |
| Personal loans | 695,473 | 5,334 | 3,813,721 | 51,348 |
| | 37,529,835 | 175,000 | 213,362,557 | 2,348,708 |

Defaulting customers - Stage 3 (Lifetime ECL)

| | | | | |
|----------------|----------------|----------------|------------------|------------------|
| Business loans | 967,690 | 483,845 | 967,690 | 483,845 |
| Personal loans | - | - | 599,449 | 599,499 |
| | 967,690 | 483,845 | 1,567,139 | 1,083,344 |

| | | | | |
|--------------|-------------------|----------------|--------------------|------------------|
| Total | 38,497,525 | 658,845 | 214,929,696 | 3,432,052 |
|--------------|-------------------|----------------|--------------------|------------------|



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6. Loans and advances (continued)

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for loans and advances:

| | | |
|--|-------------|-------------|
| Opening balance in accordance with IFRS 9 | (3,432,002) | (2,533,400) |
| Write off of loans | 790,781 | - |
| Provisions no longer required due to loan closures | 2,173,708 | - |
| Additional provisions | (191,332) | (898,602) |
| Closing balance | (658,845) | (3,432,002) |

Exposure to currency risk

Refer to note for details of currency risk management for loans and advances to customers.

7. Right of use asset

Cost

| | | |
|-----------------|-------------|-----------|
| Opening balance | 6,248,669 | - |
| Additions | - | 6,248,669 |
| Derecognition | (6,248,669) | - |
| | - | 6,248,669 |

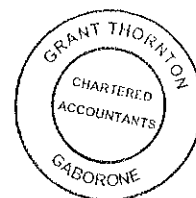
Accumulated amortisation

| | | |
|-----------------|-------------|-------------|
| Opening balance | (1,613,487) | - |
| Derecognition | 1,613,487 | - |
| Depreciation | - | (1,613,487) |
| | - | (1,613,487) |

Carrying value

| | | |
|-----------------|-------------|-------------|
| Opening balance | 4,635,182 | - |
| Additions | - | 6,248,669 |
| Derecognition | (4,635,182) | - |
| Depreciation | - | (1,613,487) |
| | - | 4,635,182 |

Due the circumstances mentioned in Note on "Going concern", the bank has derecognised the right of use asset as it does not intend to realise the value through use.



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| 8. Deferred tax | | |
| Deferred tax asset | | |
| Tax losses avail for set off against future tax in | - | 872,292 |
| Deferred tax asset | - | 872,292 |
| Reconciliation of deferred tax asset / (liability) | | |
| At beginning of year | 872,292 | 1,153,292 |
| Increases (decrease) in tax loss available for set off against future taxable income - gross of valuation allowance | - | (281,000) |
| Write off of Deferred tax asset | (872,292) | - |
| | - | 872,292 |

9. Property, plant and equipment

| | 2021 | | | 2020 | | |
|------------------------|---------------------|--------------------------|------------------|---------------------|--------------------------|------------------|
| | Cost or revaluation | Accumulated depreciation | Carrying value | Cost or revaluation | Accumulated depreciation | Carrying value |
| Plant and machinery | 1,105,657 | (828,597) | 277,060 | 1,105,657 | (676,176) | 429,481 |
| Furniture and fixtures | 3,919,844 | (3,233,033) | 686,811 | 3,919,844 | (2,894,535) | 1,025,309 |
| Motor vehicles | 426,709 | (432,580) | (5,871) | 426,709 | (426,709) | - |
| IT equipment | 2,140,707 | (2,036,905) | 103,802 | 2,086,607 | (1,957,146) | 129,461 |
| Total | 7,592,917 | (6,531,115) | 1,061,802 | 7,538,817 | (5,954,566) | 1,584,251 |

Reconciliation of property, plant and equipment - 2021

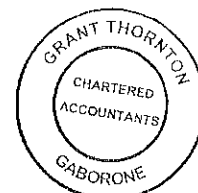
| | Opening balance | Additions | Depreciation | Total |
|------------------------|------------------|---------------|------------------|------------------|
| Plant and machinery | 429,481 | - | (152,421) | 277,060 |
| Furniture and fixtures | 1,025,309 | - | (338,498) | 686,811 |
| Motor vehicles | - | - | (5,871) | (5,871) |
| IT equipment | 129,461 | 54,100 | (79,759) | 103,802 |
| | 1,584,251 | 54,100 | (576,549) | 1,061,802 |

Reconciliation of property, plant and equipment - 2020

| | Opening balance | Additions | Depreciation | Total |
|------------------------|------------------|----------------|------------------|------------------|
| Plant and machinery | 586,387 | 3,674 | (160,580) | 429,481 |
| Furniture and fixtures | 1,111,506 | 143,408 | (229,605) | 1,025,309 |
| IT equipment | 99,569 | 98,204 | (68,312) | 129,461 |
| | 1,797,462 | 245,286 | (458,497) | 1,584,251 |

Impairment and reversal of impairment

As disclosed under the Note "Going Concern", the bank intends to cease its banking operations by the 30 June 2021 after surrendering its banking license. Once this is effected, the Bank intends to sell most of its property, plant and equipment to a branch of the parent bank located in South Africa at the carrying values or values closer to the carrying value. In the unlikely event that these assets not be sold, the bank may suffer an impairment of P 1 061 802 which represents the carrying value of the assets.



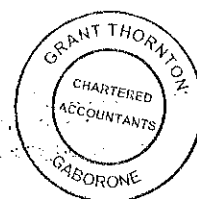
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| Figures in Pula | 2021 | 2020 |
|--|--------------------|--------------------|
| 10. Other assets | | |
| Security and utility deposits | - | 617,410 |
| Prepaid expenses | 166,087 | 419,641 |
| Value Added Tax refundable | 352,213 | 7,968 |
| Net Clearing accounts | 191,567 | 202,259 |
| | 709,867 | 1,247,278 |
| The maximum likely impairment is the carrying value the other assets which is P 709 867 should these not be recovered before the bank's liquidation. | | |
| 11. Stated capital | | |
| Reconciliation of number of shares issued: | | |
| Reported as at 1 April | 124,851,651 | 124,851,651 |
| Issued | | |
| 181000000 (2020: 181000000) Ordinary shares of no par value | 124,851,651 | 124,851,651 |
| Capital adequacy | | |
| Core capital (Tier 1) | | |
| Stated capital | 124,851,651 | 124,851,651 |
| Retained earnings at the beginning of the year | (8,921,479) | (10,134,029) |
| | 115,930,172 | 114,717,622 |
| Supplementary capital (Tier 2) | | |
| Unpublished current year's profits | (1,601,548) | 1,212,553 |
| Total eligible capital (Unimpaired capital) - Tier 1 + Tier 2 | 114,328,624 | 115,930,175 |
| Risk weighted assets | | |
| Credit risk | 42,412,000 | 214,656,800 |
| Operational risk | 24,071,000 | 25,212,770 |
| Market risk | 14,226,000 | 11,852,570 |
| Total risk adjusted exposure | 80,709,000 | 251,722,140 |
| Minimum capital required as per Bank of Botswana guidelines (15% of Risk adjusted exposure) | 12,106,350 | 37,758,321 |
| Excess capital over minimum required | 102,222,274 | 78,171,854 |
| Capital adequacy ratio | 141.66 % | 46.05 % |
| Tier 1 Capital Ratio (Core capital ratio: Basel Committee guide 4%) | 143.64 % | 45.57 % |
| Bank of Botswana required minimum ratio | 12.50 % | 15.00 % |
| Excess over the minimum required (%) | 129.16 % | 31.05 % |



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| Figures in Pula | 2021 | 2020 |
|-------------------------------------|------------------|--------------------|
| 12. Deposit due to customers | | |
| Held at amortised cost | | |
| Secured | | |
| Time deposits | 486,900 | 128,812,455 |
| Savings and current deposits | 7,054,853 | 97,641,664 |
| Unsecured | | |
| | 7,541,753 | 226,454,119 |

Exposure to liquidity risk

Refer to note 23 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Exposure to currency risk

Refer to note 23 Financial instruments and financial risk management for details of currency risk management for borrowings.

Exposure to interest rate risk

Refer to note 23 for details of interest rate risk management for investments in borrowings.

13. Lease liabilities

Minimum lease payments due

| | | |
|--|----------|------------------|
| - within one year | - | 1,818,974 |
| - in second to fifth year inclusive | - | 3,331,275 |
| | - | 5,150,249 |
| less: future finance charges | - | (409,910) |
| Present value of minimum lease payments | - | 4,740,339 |

The average lease term was 2-5 years and the average effective borrowing rate was (2020: 4%)

14. Other payables

| | | |
|---------------------------|----------------|----------------|
| Withholding taxes payable | 44,733 | 243,644 |
| Other creditors | 923,386 | 555,292 |
| | 968,119 | 798,936 |

Exposure to currency risk

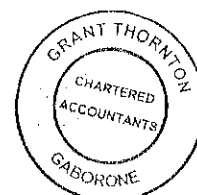
Refer to note 23 Financial instruments and financial risk management for details of currency risk management for creditors and accruals.

Exposure to liquidity risk

Refer to note 23 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Exposure to interest rate risk

Refer to note 23 Financial instruments and financial risk management for details of interest rate risk management for other payables.



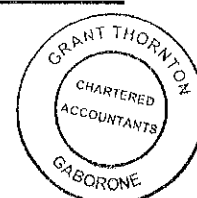
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| Figures in Pula | 2021 | 2020 |
|--|-------------------|-------------------|
| 15. Interest and similar income | | |
| Loans and advances to customers | 11,785,752 | 18,088,648 |
| Interest and gains from BOBc and Repo instruments | 660,505 | 1,710,700 |
| Interest income on other financial assets | 20,868 | 822,785 |
| | 12,467,125 | 20,622,133 |
| 16. Interest and similar expenditure | | |
| Interest | 2,721,395 | 9,551,777 |
| Interest expenditure | | |
| Interest on lease liability | - | 256,432 |
| Savings, Current and call accounts | 113,324 | 230,349 |
| Term deposits | 2,601,167 | 9,064,996 |
| Money market borrowings | 6,904 | - |
| | 2,721,395 | 9,551,777 |
| 17. Other operating income | | |
| Foreign exchange and treasury operations | 2,208,755 | 2,949,083 |
| Commission and incidental charges | 337,689 | 1,556,940 |
| | 2,546,444 | 4,506,023 |
| 18. Operating profit (loss) | | |
| Operating (loss) profit for the year is stated after charging (crediting) the following, amongst others: | | |
| Auditor's remuneration - external | | |
| Audit fees | 150,000 | 206,000 |
| Auditor's remuneration - internal | - | 120,000 |
| Remuneration, other than to employees | | |
| Consulting and professional services | 250,145 | 173,679 |
| Employee costs | | |
| Salaries, wages, bonuses and other benefits | 3,929,940 | 4,074,839 |
| Leases | | |
| Operating lease charges | | |
| Premises | 2,343,963 | 471,846 |
| Depreciation and amortisation | | |
| Depreciation of property, plant and equipment | 576,549 | 458,497 |
| Depreciation of Right of use asset | - | 1,613,487 |
| Total depreciation and amortisation | 576,549 | 2,071,984 |
| Movement in credit loss allowances | | |
| Loans and advances | (1,982,376) | 898,602 |



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|-----------------|------|------|
|-----------------|------|------|

18. Operating profit (loss) (continued)

Expenses by nature

The general and administrative expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

| | | |
|---|-------------------|-------------------|
| Employee costs | 3,929,940 | 4,074,839 |
| Operating lease charges | 2,343,963 | 471,846 |
| Depreciation | 576,549 | 2,071,984 |
| Other general and administrative expenses | 8,153,354 | 6,565,555 |
| | 15,003,806 | 13,184,224 |

19. Depreciation, amortisation and impairment losses

Depreciation

| | | |
|-------------------------------|---------|---------|
| Property, plant and equipment | 576,549 | 458,497 |
|-------------------------------|---------|---------|

Depreciation

| | | |
|--------------------|---|-----------|
| Right of use asset | - | 1,613,487 |
|--------------------|---|-----------|

Total depreciation, amortisation and impairment

| | | |
|----------------------------------|----------------|------------------|
| Depreciation | 576,549 | 458,497 |
| Depreciation- Right of use asset | - | 1,613,487 |
| | 576,549 | 2,071,984 |

20. Taxation

Major components of the tax expense

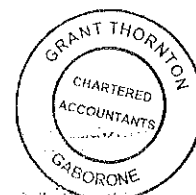
Deferred

| | | |
|---|---------|---------|
| Originating and reversing temporary differences | 872,292 | 281,000 |
|---|---------|---------|

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

| | | |
|---|----------------|----------------|
| Accounting loss | (729,256) | 1,493,553 |
| Tax at the applicable tax rate of 22% (2020: 22%) | (160,436) | 328,582 |
| Tax effect of adjustments on taxable income | | |
| Fines income | - | (47,582) |
| Tax losses of current year not recognised | 160,436 | - |
| Write off deferred tax assets previously recognised | 872,292 | - |
| | 872,292 | 281,000 |



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| Figures in Pula | 2021 | 2020 |
|---|---------------------|---------------------|
| 21. Cash used in operations | | |
| Loss before taxation | (729,256) | 1,493,553 |
| Adjustments for: | | |
| Depreciation and amortisation | 576,549 | 2,071,984 |
| Net impairments and movements in credit loss allowances | (1,982,376) | 898,602 |
| Movements in operating lease assets and accruals | - | (105,157) |
| Changes in working capital: | | |
| Loans and advances | 174,523,100 | 38,216,484 |
| Other assets | 332,995 | 614,854 |
| Other payables | 169,182 | (572,847) |
| Deposit due to customers | (218,912,366) | (88,804,156) |
| | (46,022,172) | (46,186,683) |

22. Related parties

Bank SBI Botswana Limited is a fully owned subsidiary of State Bank of India, a company incorporated in India. Subsidiary companies and branches of State Bank of India are related parties of Bank by the virtue of holding/subsidiary relationship.

Relationships

| | |
|---------------------------|---------------------------|
| Holding company | State Bank of India (SBI) |
| Members of key management | Mr. Pramod Pal |

Related party balances

| | | |
|-----------------------------------|------------------|-------------------|
| Balances with other banks | | |
| State Bank of India, New York | 1,589,136 | 32,700,170 |
| State Bank of India, India | 989,849 | 825,087 |
| State Bank of India, Johannesburg | 18,469 | 8,762 |
| State Bank of India, Frankfurt | 51,542 | 1,272,229 |
| State Bank of India, London | 70,790 | 769,927 |
| | 2,719,786 | 35,576,175 |

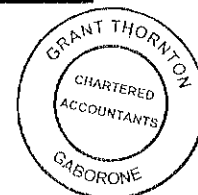
Related party transactions

Key Management Remuneration

| | | |
|---------------|---------|---------|
| Mr Pramod Pal | 494,206 | 534,435 |
|---------------|---------|---------|

Board sitting allowances

| | | |
|-------------------|---|----------------|
| Ketane Sithole | - | 49,500 |
| Oteng Sianga | - | 40,500 |
| Suresh Vishwanath | - | 40,500 |
| Pankaj Arora | - | 49,500 |
| | - | 180,000 |



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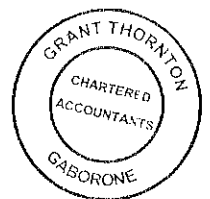
Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements**23. Financial instruments and risk management****Categories of financial instruments****Categories of financial assets****2021**

| | Note(s) | Amortised cost | Total | Fair value |
|----------------------------------|---------|--------------------|--------------------|-------------------|
| Balances with other banks | 4 | 2,913,405 | 2,913,405 | - |
| Financial assets and investments | 5 | 29,995,294 | 29,995,294 | - |
| Loans and advances | 6 | 38,956,920 | 38,956,920 | 38,956,920 |
| Cash and cash equivalents | 3 | 49,201,207 | 49,201,207 | 49,201,207 |
| | | 121,066,826 | 121,066,826 | 88,158,127 |

2020

| | Note(s) | Amortised cost | Total | Fair value |
|----------------------------------|---------|--------------------|--------------------|--------------------|
| Balances with other banks | 4 | 37,803,977 | 37,803,977 | 37,803,977 |
| Financial assets and investments | 5 | 58,934,612 | 58,934,612 | 58,934,612 |
| Loans and advances | 6 | 211,497,644 | 211,497,644 | 211,497,644 |
| Cash and cash equivalents | 3 | 31,552,746 | 31,552,746 | 31,552,746 |
| | | 339,788,979 | 339,788,979 | 339,788,979 |



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Notes to the Annual Financial Statements

23. Financial instruments and risk management (continued)

Categories of financial liabilities

2021

| | Note(s) | Amortised cost | Total | Fair value |
|-----------------------------|---------|------------------|------------------|------------------|
| Accruals and other payables | 14 | 968,119 | 968,119 | 968,119 |
| Deposits due to customers | 12 | 7,541,753 | 7,541,753 | 7,541,753 |
| | | 8,509,872 | 8,509,872 | 8,509,872 |

2020

| | Note(s) | Amortised cost | Leases | Total | Fair value |
|-----------------------------|---------|--------------------|------------------|--------------------|--------------------|
| Accruals and other payables | 14 | 798,936 | - | 798,936 | 798,936 |
| Deposits due to customers | 12 | 226,454,119 | - | 226,454,119 | 226,454,119 |
| Finance lease obligations | 13 | - | 4,740,339 | 4,740,339 | - |
| | | 227,253,055 | 4,740,339 | 231,993,394 | 227,253,055 |

Capital risk management

The Bank's objective when maintaining capital, is to comply with the requirements set by the regulators of the banking markets where the Bank operates, to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders and to maintain a strong capital base to support the development of its business

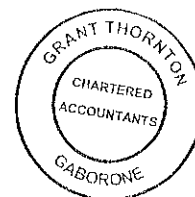
Regulatory compliance

Capital adequacy and the use of regulatory capital are monitored by the Bank, applying techniques based on the guidelines developed by the Basel Committee on Banking Supervision (Basel Committee) and European Community Directives, as implemented by the Bank of Botswana for supervisory purposes.

These techniques include the risk weighted asset ratio, which the Bank of Botswana regards as a key supervisory tool. The Bank of Botswana has set the individual minimum ratio requirements for Banks in Botswana at 15% which is above the Basel Committee minimum guideline of 8%. The ratio calculation involves the application of designated risk weightings to reflect an estimate of credit, operational, market and other risks associated with broad categories of transactions and counterparties.

Regulatory guidelines define two tiers of capital resources: Tier 1 (core) capital, comprising mainly shareholders' funds, is the highest tier. Tier 2 capital includes perpetual, medium and long term subordinated debt, general provisions for bad and doubtful debts as well as property and equipment revaluation reserves. Both tiers can be used to meet trading and banking activity requirements although tier 2 capital, included in the risk asset ratio calculation, may not exceed tier 1 capital.

The Bank has complied with all externally imposed capital requirements throughout the period



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23. Financial instruments and risk management (continued)

Financial risk management

Overview

The Bank is exposed to the following risks from its use of financial instruments:

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

Credit risk

Credit risk is the risk that the Bank's customers, clients or counterparties will not be able or willing to pay interest, repay capital or otherwise fail to fulfil their contractual obligations under loan agreements or other credit facilities. Credit risk also arises through the downgrading of counterparties whose credit instruments the Bank may be holding, causing the value of those assets to fall. Furthermore, credit risk is manifested as sector risk where difficulties experienced by the sector in which the exposure is domiciled may impede payment or reduce the value of the asset. Settlement risk is another special form of credit risk which is the possibility that the Bank may pay a counterparty – for example, a Bank in a foreign exchange transaction – and fail to receive the corresponding settlement in return.

Credit risk is the Bank's largest risk and considerable resources, expertise and controls are devoted to managing it.

The Bank is exposed to credit risk on financial assets and investments, debt instruments at fair value through OCI, loans and advances, cash and cash equivalents, loan commitments and financial guarantees.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. When dealing with investments and other banks, the Bank only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

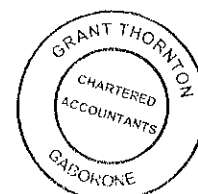
Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all loans and advances to customers and other financial assets. Credit loss allowances are also recognised for loan commitments and financial guarantee contracts.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management consider information such as payment history to date, industry in which the customer is engaged, period for which the customer has been engaged, external credit references etc. In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account.

The maximum exposure to credit risk is presented in the table below:



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23. Financial instruments and risk management (continued)

| | | 2021 | | | 2020 | | |
|--|---|-----------------------|-----------------------|-----------------------------|-----------------------|-----------------------|-----------------------------|
| | | Gross carrying amount | Credit loss allowance | Amortised cost / fair value | Gross carrying amount | Credit loss allowance | Amortised cost / fair value |
| Balances with other banks | 4 | 2,913,405 | - | 2,913,405 | 37,803,977 | - | 37,803,977 |
| Financial assets and other investments | 5 | 29,995,294 | - | 29,995,294 | 58,934,612 | - | 58,934,612 |
| Loans and advances to customers | 6 | 39,615,766 | (658,846) | 38,956,920 | 214,929,646 | (3,432,002) | 211,497,644 |
| Cash and cash equivalents | 3 | 49,201,207 | - | 49,201,207 | 31,552,746 | - | 31,552,746 |
| | | 121,725,672 | (658,846) | 121,066,826 | 343,220,981 | (3,432,002) | 339,788,979 |

Collateral and other credit enhancements obtained

The following table analyses the collateral and other credit enhancements before impairments

Collateral classified as follows

| | | |
|----------------|-------------------|--------------------|
| Cash deposits | - | 27,712,319 |
| Mortgage bonds | 39,055,977 | 181,731,054 |
| Unsecured | 559,789 | 5,487,223 |
| | 39,615,766 | 214,930,596 |

Sensitivity of ECL to future economic conditions

The ECL are sensitive to judgements and assumptions made regarding formulation of forwardlooking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognised on material classes of its assets specifically, the ECL on loans and advances. The bank estimates that the loss allowance would increase by P 0.4 million if each forward looking scenario was weighted 100% instead of applying scenario probability weights.

Liquidity risk

The liquidity risk is the risk of being unable to meet financial or settlement obligation to customers or counterparties.

The Bank's Asset-and liabilities Committees (ALCO) is charged to ensure access to funds and to avoid a concentration of funding needs at any one time or from any one source. Meetings are held every quarter and also when there are changes to Bank of Botswana rate.

ALCO also controls asset maturities as well as the volume and quality of holdings of liquid assets and short term funds. In evaluating the Bank's liquidity position, ALCO takes account of lending commitments not drawn, the use of overdraft facilities and the possible impact of outstanding contingent liabilities, such as letters of credit and guarantees.

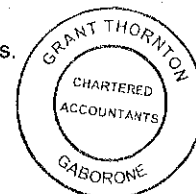
The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the business of the Bank. It is unusual for Banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

Primary reserve held is 5% of net local currency deposits and liquid asset ratio is 10% of net local currency deposits.

Maturity Profile



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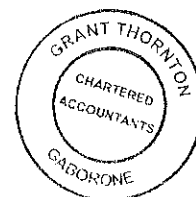
Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

23. Financial instruments and risk management (continued)

The table below analyses assets and liabilities of the table into relevant maturity groupings based on the remaining period at balance sheet date to the remaining contractual maturity date

| At 31 March 2021 | Upto 3months | 3-12 months | 1-5 years | Over 5 years | Total |
|---|-----------------|---------------|-----------|--------------|-------------|
| Cash and Balances with Bank of Botswana | 49,201,207 | - | - | - | 49,201,207 |
| Balances with other banks | 2,913,405 | - | - | - | 2,913,405 |
| Other financial assets | 29,995,294 | - | - | - | 29,995,294 |
| Loans and advances to customers | 38,956,920 | - | - | - | 38,956,920 |
| Total financial assets | 121,066,826 | - | - | - | 121,066,826 |
| Plant and equipment | - | 1,061,802 | - | - | 1,061,802 |
| Other assets | 709,867 | - | - | - | 709,867 |
| Deferred tax | - | - | - | - | - |
| Total assets | 121,776,693 | 1,061,802 | - | - | 122,838,495 |
| Deposit due to customers | 7,541,753 | - | - | - | 7,541,753 |
| Other creditors and accruals | 968,119 | - | - | - | 968,119 |
| Total financial liabilities | 8,509,872 | - | - | - | 8,509,872 |
| Equity funds | - | 114,328,623 | - | - | 114,328,623 |
| Total liabilities and equity | 8,509,872 | 114,328,623 | - | - | 122,838,495 |
| Net liquidity gap | 113,266,821 | (113,266,821) | - | - | - |
| Off balance sheet items- Guarantees and LCs | - | 14,072,147 | - | - | 14,072,147 |



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Annual Financial Statements for the year ended 31 March 2021

Notes to the Annual Financial Statements

23. Financial instruments and risk management (continued)

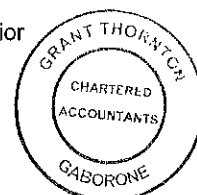
| At 31 March 2020 | Upto 3months | 3-12 months | 1-5 years | Over 5 years | Total |
|---|--------------------|---------------------|-------------------|---------------------|--------------------|
| Assets | | | | | |
| Cash and Balances with Bank of Botswana | 31,552,746 | - | - | - | 31,552,746 |
| Balances with other banks | 37,803,977 | - | - | - | 37,803,977 |
| Other financial assets | 58,934,612 | - | - | - | 58,934,612 |
| Loans and advances to customers | 98,581,646 | 1,822,000 | 43,629,000 | 67,464,998 | 211,497,644 |
| Total financial assets | 226,872,981 | 1,822,000 | 43,629,000 | 67,464,998 | 339,788,979 |
| Plant and equipment | - | - | 6,219,433 | - | 6,219,433 |
| Other assets | - | 1,042,862 | - | - | 1,042,862 |
| Deferred tax | - | - | 872,292 | - | 872,292 |
| Total assets | 226,872,981 | 2,864,862 | 50,720,725 | 67,464,998 | 347,923,566 |
| Liabilities | | | | | |
| Deposits due to customers | 167,918,119 | 50,954,000 | 7,492,000 | 90,000 | 226,454,119 |
| Lease liabilities | - | - | 4,740,339 | - | 4,740,339 |
| Creditors and accruals | - | 798,936 | - | - | 798,936 |
| Total financial liabilities | 167,918,119 | 51,752,936 | 12,232,339 | 90,000 | 231,993,394 |
| Equity funds | - | - | - | 115,930,172 | 115,930,172 |
| Total liabilities and equity | 167,918,119 | 51,752,936 | 12,232,339 | 116,020,172 | 347,923,566 |
| Net liquidity gap | 58,954,862 | (48,888,074) | 38,488,386 | (48,555,174) | - |
| Off balance sheet items- Guarantees | - | 14,072,147 | - | - | 14,072,147 |

Foreign currency risk

The Bank is exposed to foreign currency risk as a result of certain transactions which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The foreign currencies in which the Bank deals primarily are US Dollars, South African Rand (ZAR), Euros, Great Britain Pound (GBP) and Indian Rupee (INR).

The Bank through treasury, manages foreign currency risk in accordance with broad risk guidelines set by the Board. Foreign currency risk arises as a result of fluctuations in exchange rates and the resultant impact on the Bank's position, which is established during normal day to day trading. During the financial year under review, the Bank's authorised open position exposure limit was 30% of the unimpaired capital. The limit were adhered to throughout the year and at year end. Even though treasury may take position on any major currencies, for the purposes of exposure limit, these are calculated in USD

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.



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| Figures in Pula | | 2021 | 2020 |
|-----------------|--|------|------|
|-----------------|--|------|------|

23. Financial instruments and risk management (continued)

Exposure in Pula

The net carrying amounts, in Pula, of the various exposures, are denominated in the following currencies. The amounts have been presented in Pula by converting the foreign currency amounts at the closing rate at the reporting date:

US Dollar exposure:

| | | | |
|-----------------------------------|-----|----------------|----------------|
| Cash and balance with other banks | 3&4 | 1,880,001 | 32,905,819 |
| Deposits from customers | 12 | (1,246,158) | (31,931,674) |
| Net US Dollar exposure | | 633,843 | 974,145 |

Euro exposure:

| | | | |
|-----------------------------------|-----|---------------|---------------|
| Cash and balance with other banks | 3&4 | 60,598 | 1,281,379 |
| Deposits from customers | 12 | (711) | (1,194,405) |
| Net Euro exposure | | 59,887 | 86,974 |

INR exposure:

| | | | |
|-----------------------------------|-----|---------|---------|
| Cash and balance with other banks | 3&4 | 989,849 | 825,087 |
|-----------------------------------|-----|---------|---------|

ZAR exposure:

| | | | |
|-----------------------------------|-----|----------------|----------------|
| Cash and balance with other banks | 3&4 | 212,087 | 2,236,564 |
| Deposits from customers | 12 | (1,427) | (1,403,647) |
| ZAR exposure | | 210,660 | 832,917 |

GBP exposure:

| | | | |
|---|-----|------------------|------------------|
| Cash and balance with other banks | 3&4 | 70,790 | 769,927 |
| Deposits from customers | 12 | - | (705,801) |
| GBP exposure | | 70,790 | 64,126 |
| Net exposure to foreign currency in Pula | | 1,965,029 | 2,783,249 |

Exposure in foreign currency amounts

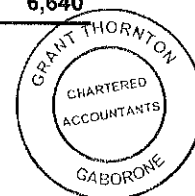
The net carrying amounts, in foreign currency of the above exposure was as follows:

US Dollar exposure:

| | | | |
|-------------------------------|-----|---------------|---------------|
| Cash and cash equivalents | 3&4 | 170,346 | 2,760,798 |
| Deposit due from customers | 12 | (112,914) | (2,679,067) |
| Net US Dollar exposure | | 57,432 | 81,731 |

Euro exposure:

| | | | |
|---------------------------|-----|--------------|--------------|
| Cash and cash equivalents | 3&4 | 4,684 | 98,025 |
| Deposit from customers | 12 | (55) | (91,385) |
| Net Euro exposure | | 4,629 | 6,640 |



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|--|-----|----------------|------------------|
| 23. Financial instruments and risk management (continued) | | | |
| ZAR exposure: | | | |
| Cash and cash equivalents | 3&4 | 284,302 | 3,345,902 |
| Deposit due to customers | 12 | (1,912) | (2,094,995) |
| Net ZAR exposure | | 282,390 | 1,250,907 |
| Other currency 1 exposure: | | | |
| Cash and cash equivalents | 3&4 | 4,658 | 52,047 |
| Deposit due to customers | 12 | - | (47,421) |
| Net GBP exposure | | 4,658 | 8,952 |
| INR exposure: | | | |
| Cash and cash equivalents | 3 | 6,552,800 | 5,235,176 |

Exchange rates

The following closing exchange rates were applied at reporting date:

Pula per unit of foreign currency:

| | | |
|-----------|--------|--------|
| US Dollar | 11.036 | 11.910 |
| Euro | 12.937 | 13.070 |
| ZAR | 0.746 | 0.670 |
| GBP | 15.19 | 14.79 |
| INR | 0.15 | 0.16 |

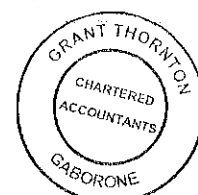
Foreign currency sensitivity analysis

The following information presents the sensitivity of the Bank to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

| | 2021 | 2021 | 2020 | 2020 |
|----------------------------------|----------------|------------------|----------------|------------------|
| Increase or decrease in rate | Increase | Decrease | Increase | Decrease |
| Impact on profit or loss: | | | | |
| US Dollar 10% (2020: 10 %) | 63,384 | (63,384) | 108,238 | (108,238) |
| EUR 10% (2020: 10 %) | 6,766 | (6,766) | 9,644 | (9,644) |
| ZAR 10% (2020: 10 %) | 23,406 | (23,406) | 92,907 | (92,907) |
| INR 10% (2020: 10 %) | 109,983 | (109,983) | 91,676 | (91,676) |
| GBP 10% (2020: 10 %) | 7,079 | (7,079) | 7,109 | (7,109) |
| | 210,618 | (210,618) | 309,574 | (309,574) |

Interest rate risk

Fluctuations in interest rates impact on the value of loans and advances, deposits, financial assets and investments, giving rise to interest rate risk which is categorised under Market risk. Interest rate risk is managed by the ALCO and in the absence of any derivative and other related business, the market risk policy is customised to manage interest rate risk that may arise due to change in the Bank rate and other circumstances.



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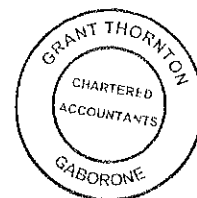
2020

23. Financial instruments and risk management (continued)

Interest rate profile

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

| At 31 March 2021 | Under-3 months | 3 to 12 months | 1-5 years | Over 5 years | Non - interest bearing | Total |
|---|----------------|----------------|-----------|--------------|------------------------|-------------|
| Cash and balances with Bank of Botswana | - | - | - | - | 49,201,207 | 49,201,207 |
| Balances with other banks | 2,913,405 | - | - | - | - | 2,913,405 |
| Investment in Bank of Botswana Certificates | 29,995,294 | - | - | - | - | 29,995,294 |
| Loans and advances to customers | 38,956,920 | - | - | - | - | 38,956,920 |
| Total financial assets | 71,865,619 | - | - | - | 49,201,207 | 121,066,826 |
| Plant and equipment | - | - | - | - | 1,061,802 | 1,061,802 |
| Other assets | - | - | - | - | 709,867 | 709,867 |
| Total Assets | 71,865,619 | - | - | - | 50,972,876 | 122,838,495 |
| Liabilities | | | | | | |
| Deposits due to customers | 7,541,753 | - | - | - | - | 7,541,753 |
| Fixed term borrowings with other banks | - | - | - | - | - | - |
| Creditors, accruals and operating lease liability | - | - | - | - | 968,119 | 968,119 |
| Total financial liabilities | 7,541,753 | - | - | - | 968,119 | 8,509,872 |
| Equity funds and other liabilities | - | - | - | - | 114,328,623 | 114,328,623 |
| Total liabilities | 7,541,753 | - | - | - | 115,296,742 | 122,838,495 |
| Net interest gap liquidity | 64,323,866 | - | - | - | (64,323,866) | - |



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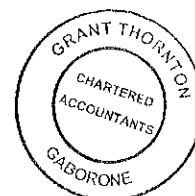
2020

23. Financial instruments and risk management (continued)

| At 31 March 2020 | Under-3 months | 3-12 Months | 1-5 years | over 5 years | Non interest bearing | Total |
|---|--------------------|---------------------|-------------------|-------------------|----------------------|--------------------|
| Cash and balances with Bank of Botswana | - | - | - | - | 31,552,746 | 31,552,746 |
| Investments in Bank of Botswana | 58,934,612 | - | - | - | - | 58,934,612 |
| Certificates and Securities | - | - | - | - | - | - |
| Fixed term deposits with other banks | 37,803,977 | - | - | - | - | 37,803,977 |
| Balances with other banks | 98,581,646 | 1,822,000 | 43,629,000 | 67,464,998 | - | 211,497,644 |
| Loans and advances to customers | - | - | - | - | - | - |
| Total financial assets | 195,320,235 | 1,822,000 | 43,629,000 | 67,464,998 | 31,552,746 | 339,788,979 |
| Plant and equipment | - | - | - | - | 6,219,433 | 6,219,433 |
| Deferred tax | - | - | - | - | 872,292 | 872,292 |
| Other assets | - | - | - | - | 1,042,862 | 1,042,862 |
| Total Assets | 195,320,235 | 1,822,000 | 43,629,000 | 67,464,998 | 39,687,333 | 347,923,566 |
| Liabilities | | | | | | |
| Deposits due to customers | 101,263,830 | 50,954,000 | 7,582,000 | - | 66,654,289 | 226,454,119 |
| Creditors, accruals and operating lease liability | - | - | - | - | 798,936 | 798,936 |
| Lease liability | - | - | 4,740,339 | - | - | 4,740,339 |
| Total financial liabilities | 101,263,830 | 50,954,000 | 12,322,339 | - | 67,453,225 | 231,993,394 |
| Equity funds and other liabilities | - | - | - | - | 115,930,172 | 115,930,172 |
| Total liabilities | 101,263,830 | 50,954,000 | 12,322,339 | - | 183,383,397 | 347,923,566 |
| Net interest gap liquidity | 94,056,405 | (49,132,000) | 31,306,661 | 67,464,998 | (115,918,399) | - |

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.



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Annual Financial Statements for the year ended 31 March 2021

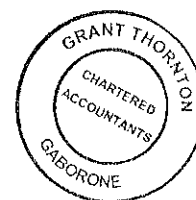
Notes to the Annual Financial Statements

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2020

23. Financial instruments and risk management (continued)



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2021

2020

23. Financial instruments and risk management (continued)

Increase or decrease in rate

Impact on profit or loss:

Net interest income (by 1%)

| 2021 | 2021 | 2020 | 2020 |
|----------|----------|----------|-----------|
| Increase | Decrease | Increase | Decrease |
| 97,457 | (97,457) | 113,289 | (113,289) |

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the holding Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

Compliance with the parent Bank's and the Bank of Botswana's requirements are supported by a periodic review undertaken by the senior management of the Bank. Spot rectifications are, where ever possible, carried out.

24. Fair value information

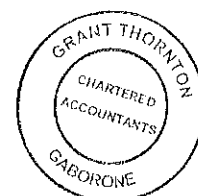
Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

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.



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24. Fair value information (continued)

Fair value is described as the value for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The best evidence of fair value is a price quoted in an active market. It is the Bank's policy to make use of such information when it is available for example the valuation of futures, listed bonds and listed equities. Where there is no active market for a particular instrument the Bank determines the value based on valuation techniques. Where available these valuation techniques give preference to inputs which are observable in an active market.

Financial Assets - Investments in Bank of Botswana Certificates (Level 2)

The fair values of Bank of Botswana Certificates is estimated based using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable yield percentage published by Bank of Botswana.

Financial Assets - Fixed term deposits with other Banks (Level 2)

The fair values of the fixed term deposits with other Banks are estimated using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable minimum interest rates for deposit accounts as prescribed by Bank of Botswana plus margin if any.

Financial Assets - Loans and advances to customers (Level 2)

The fair values of the loans and advances to customers comprising overdraft facility is estimated using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from prime lending rates as published by Bank of Botswana plus margin if any.

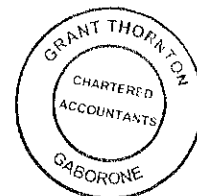
25. Going concern

In the financial year ended 31 March 2018, the current shareholders of the bank, State Bank of India (SBI), India had expressed their intent to exit from Botswana operations to the management and this has also been communicated with Bank of Botswana who are the regulators of the bank. As at the year end, the management of the bank have significantly transferred most of its customer loans and advances and customer deposit liabilities on normal banking terms related to such transfers. The bank expects to transfer the remainder of customer advances and deposits before the 31 May 2021. Once these transfers are effected, the bank will surrender its banking license and cease to operate as a commercial bank. The bank further expects to realise all its assets and settle all external liabilities by the 30 June 2021. The costs associated with the winding down of all operations is expected to be in the region between BWP 5 million - BWP 7 million. These costs are not provided in the current set of financial statements.

Further, the bank also is of the view that some risk management disclosures and disclosures required under IFRS 7/IFRS 9 are no longer relevant due to the principle adopted.

26. Events after the reporting period

Post the year end, the bank has further transferred many of its loan customers and deposit customers to another commercial bank.



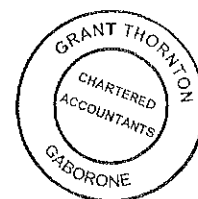
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Detailed Income Statement

| Figures in Pula | Note(s) | 2021 | 2020 |
|------------------------------------|---------|--------------|--------------|
| Interest and similar income | 15 | 12,467,125 | 20,622,133 |
| Interest expenditure | 16 | (2,721,395) | (9,551,777) |
| Net interest income | | 9,745,730 | 11,070,356 |
| Other operating income | 17 | 2,546,444 | 4,506,023 |
| Movement in credit loss allowances | 18 | 1,982,376 | (898,602) |
| Expenses (Refer to page 48) | | (15,003,806) | (13,184,224) |
| (Loss) profit before taxation | | (729,256) | 1,493,553 |
| Taxation | 20 | (872,292) | (281,000) |
| (Loss) profit for the year | | (1,601,548) | 1,212,553 |



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Detailed Income Statement

| Figures in Pula | Note(s) | 2021 | 2020 |
|---|---------|---------------------|---------------------|
| Other operating expenses | | | |
| Auditors remuneration - external auditors | 18 | (150,000) | (206,000) |
| Auditors remuneration - internal audit | 18 | - | (120,000) |
| Business promotion expenses | | (136,570) | - |
| Computer expenses | | (174,890) | - |
| Consulting and professional fees | | (189,000) | (162,000) |
| Consulting and professional fees - legal fees | | (61,145) | (11,679) |
| Depreciation | | (576,549) | (458,497) |
| Depreciation- Right of use assets | | - | (1,613,487) |
| Donations | | (58,693) | (30,200) |
| Employee costs | | (3,929,940) | (4,074,839) |
| Expenses associated with customer transfers | | (517,618) | - |
| IT expenses | | (724,973) | (673,921) |
| Insurance | | (124,033) | (129,884) |
| Lease rentals on operating lease | | (2,343,963) | (471,846) |
| Medical expenses | | (22,268) | (17,137) |
| Printing and stationery | | (434,289) | (465,627) |
| Repairs and maintenance | | (1,022,718) | (1,053,853) |
| Security | | (195,464) | (142,230) |
| Sundry expenses | | (904,216) | (841,545) |
| Telephone and fax (Filtered) | | (1,905,518) | (1,428,385) |
| Training | | (9,701) | (126,649) |
| Travelling and other expenses | | (964,915) | (849,366) |
| Utilities | | (84,857) | (50,298) |
| VAT expenses | | - | (256,781) |
| Write off of licensing and other prepaid expenses | | (472,686) | - |
| | | (15,003,806) | (13,184,224) |

