Standard Chartered

ANNUAL REPORT 2016

Driving investment, trade and the creation of wealth across Asia, Africa and the Middle East

120 years in Botswana

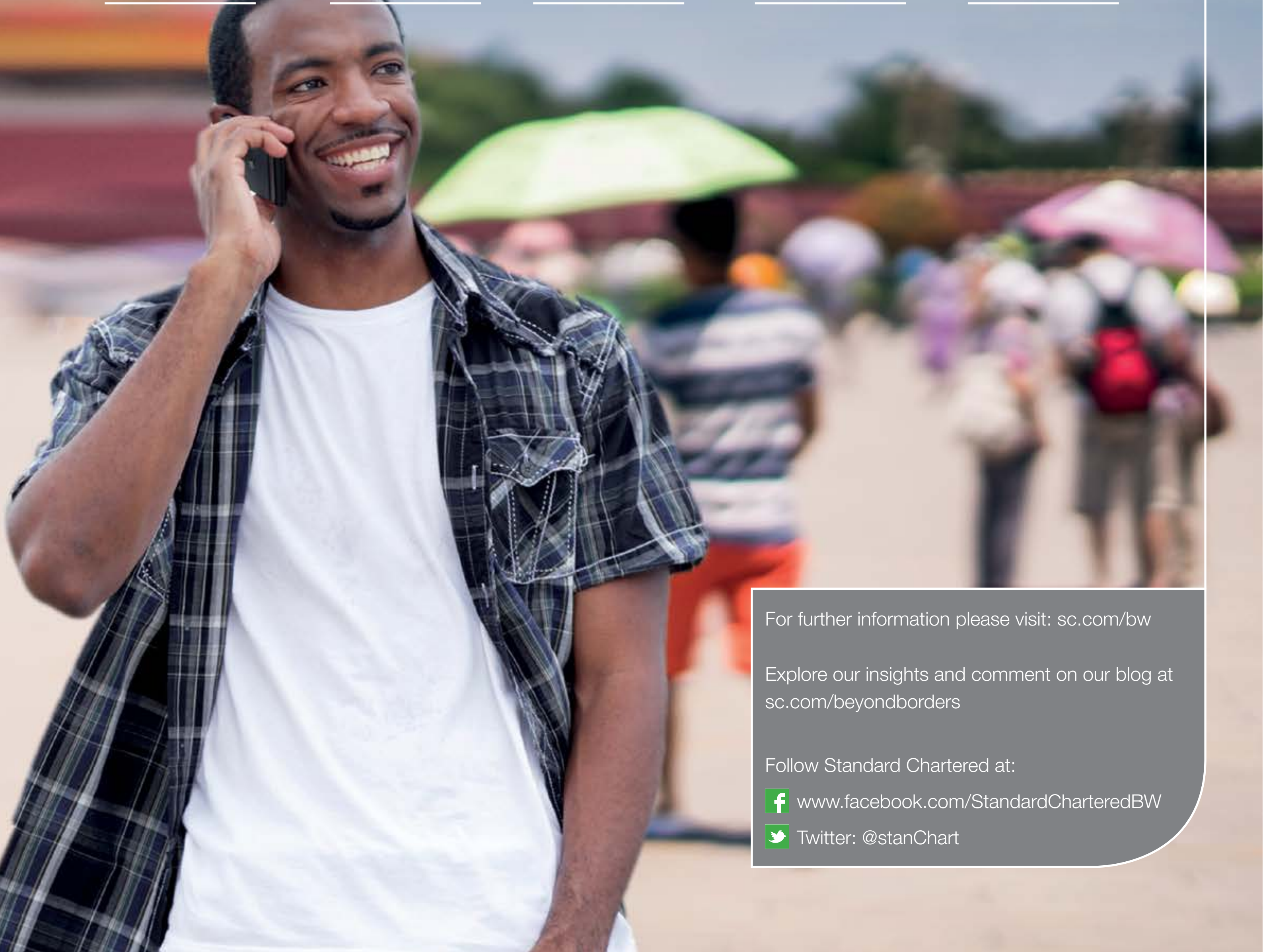
About us

Standard Chartered Bank Botswana first opened for business in 1897 in Francistown, making it the country's oldest bank. In 1956, we were given full branch status and this was followed by the opening of the first branch in Lobatse. The Bank was locally incorporated in 1975 with a full board and is listed on the Botswana Stock Exchange.

Today, with over 700 employees, we operate a network of 20 branches, agencies and a Priority Banking centre supported by a Loan Centre and Customer Call Centre. With a wide branch network and large force of sales agents, the Bank is able to provide excellent service to retail, corporate and commercial clients across the country.

The bank is in a unique position, able to leverage its deep-rooted local knowledge, its international network and expertise for the benefit of Botswana corporates, individual depositors and multi-nationals.

Standard Chartered is highly respected in Botswana for its adherence to corporate governance, enthusiasm for great service and dedication to talent development, as well as for diversity and inclusion. We have a highly active community programme and are committed towards building a sustainable business in Botswana in support of the country's economic growth.



For further information please visit: sc.com/bw

Explore our insights and comment on our blog at sc.com/beyondborders

Follow Standard Chartered at:

www.facebook.com/StandardCharteredBW

Twitter: @stanChart

Performance highlights

OUR GROUP

Standard Chartered Bank Botswana is made up of three client segments, all supported by business functions. The Board is headed by our Chairman, Professor Bojosi Otlhogile. Its Management Team is led by Chief Executive, Moatlhodi K Lekaukau; supported by Chief Financial Officer, Mpho Masupe.

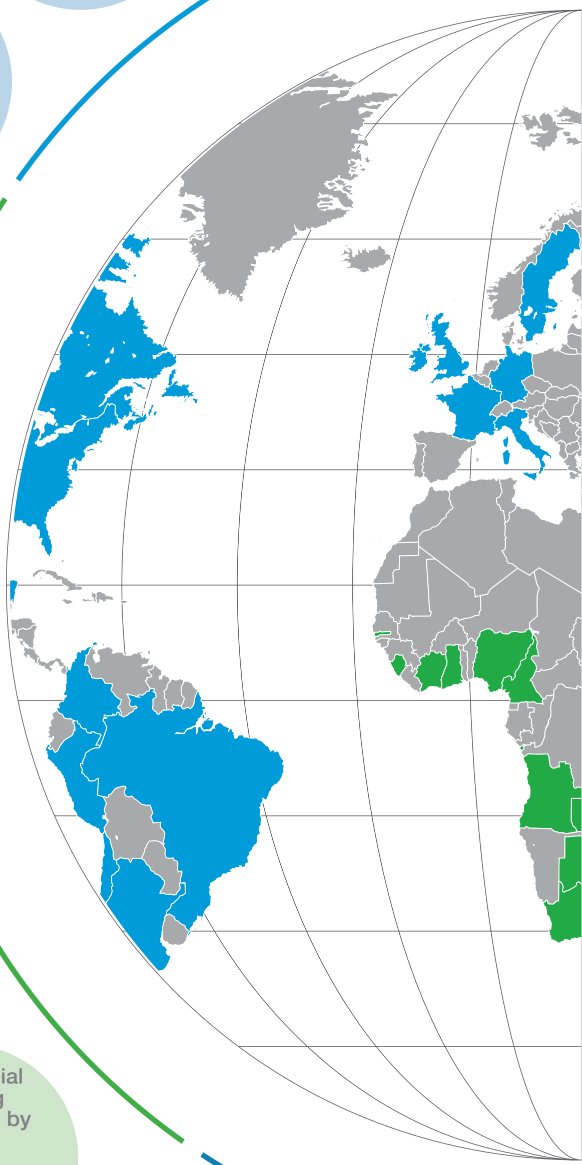
Professor Bojosi Otlhogile | Moatlhodi K Lekaukau | Mpho Masupe

Profit after tax increased by 68% to 79.7m

Total income increased by 3% Driven by Retail Banking

Customer deposit increased by 14% to 11.3billion

Earning per share 26.72Thebe up by 68%



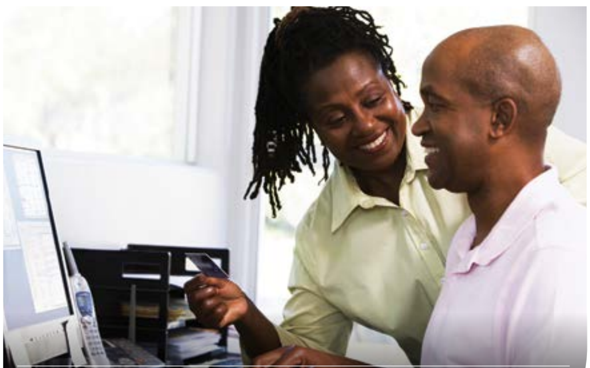
OUR CLIENT SEGMENTS

We have three client segments: Corporate & Institutional Banking, Commercial Banking and Retail Banking.

Corporate & Institutional Banking Segment profit improved to 77m recovering from 2015 loss

Commercial Banking income up by 6% to 53.8m

Retail Banking revenue up by 9%



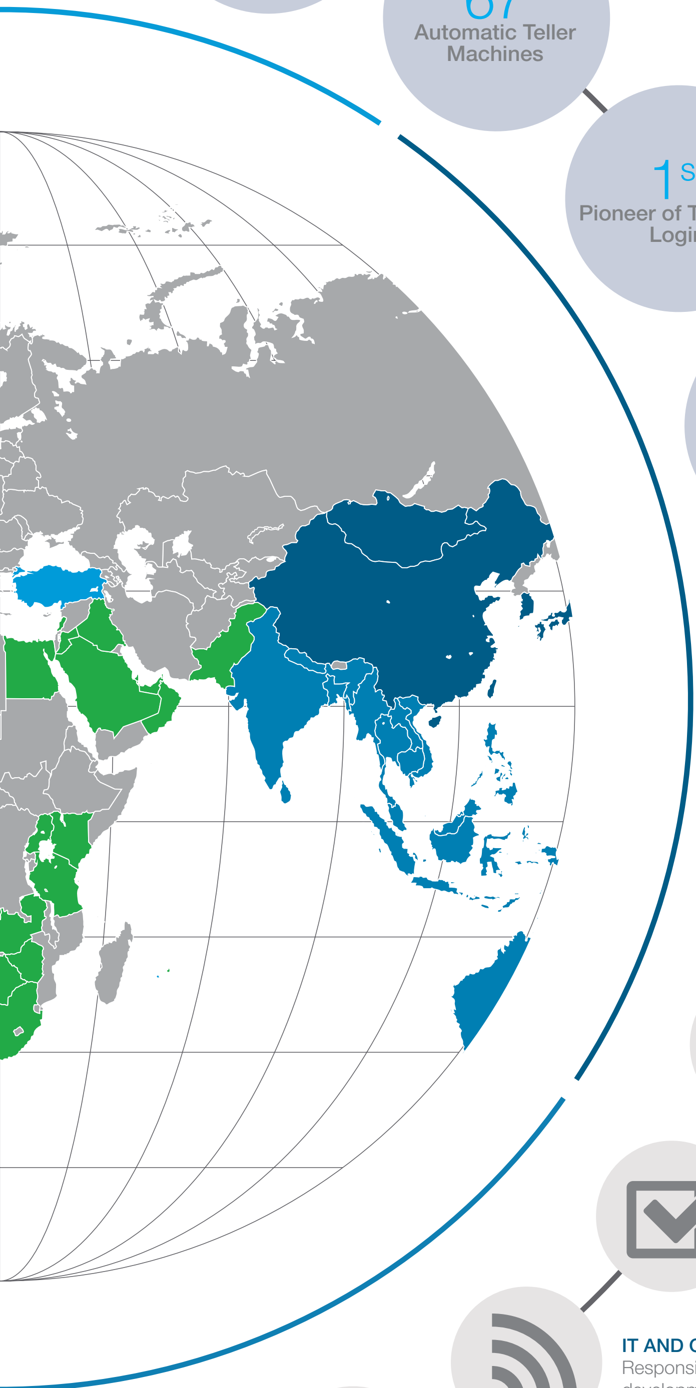
We have taken a series of measures to put clients at the heart of everything we do

A network of
20
Branches

67
Automatic Teller Machines

1st
Pioneer of Touch ID Login

2016
Global Finance Best Consumer Digital Bank - Botswana



OUR BRANCHES

We have a network of 20 branches across the country, which include a Priority Centre and a dedicated Call Centre. In 2016, the bank launched first of its kind Digital Branch, at Sir Seretse Khama International Airport making it the first branch of any bank at the airport.

Some clients and officials at the officially opening of Sir Seretse Khama International Airport Branch.

CFO
Incorporates seven support functions: Finance, Treasury, Strategy, Investor Relations, Corporate Development, Business Efficiency and Property.

GROUP COO
Provides control and governance to the operating platforms and processes, ensuring operating efficiency.

RISK & COMPLIANCE
Responsible for the sustainability of our business through good management of risk across the Group and ensuring that business is conducted in line with regulatory expectations.

IT AND OPERATIONS
Responsible for the Group's operations, systems development and technology infrastructure.

LEGAL
Identifies, manages and mitigates legal-related risk and provides legal support to the business to help it deliver on the Group's strategic objectives.

HUMAN RESOURCES
Recruits and builds talent while providing learning and development opportunities to motivate employees.

GLOBAL FUNCTIONS

Our client segments are supported by global functions, which work together to ensure the Bank's day-to-day operations run smoothly and are compliant with banking regulations.

Our strategy

The rapid economic development of Asia, Africa and the Middle East is accompanied by a growing demand for increasingly sophisticated financial services. Our strategy is to capture this opportunity by developing long-term relationships with clients across our network of local markets. We place a particular focus on supporting clients who trade, operate or invest across our footprint.

We combine our local expertise with our international brand, products and network to differentiate ourselves from domestic and other international competitors.

At the heart of our strategy is the aim to meet the needs of our clients through global standards of conduct and compliance as well as ensuring we support sustainable economic and social development in our markets.

Underpinning this is more than 150 years of history in many of our markets and our commitment to our brand promise: Here for good. This builds on our rich heritage, culture and values and is at the core of who we are and how we work.

In November 2015 we rolled out a plan to strengthen and reposition the Group to ensure that it is well placed to capture the strategic opportunities in our markets. This plan remains unchanged. The focus is on disciplined execution of this plan, which will enable us to better serve the needs of our clients and deliver long-term sustainable value to all of our stakeholders.

In reaffirming our strategy and formulating our plan, we rigorously evaluated the external longer-term trends that are shaping banking opportunities in our footprint markets against our internal strengths and areas of differentiation and the challenges that lie ahead.

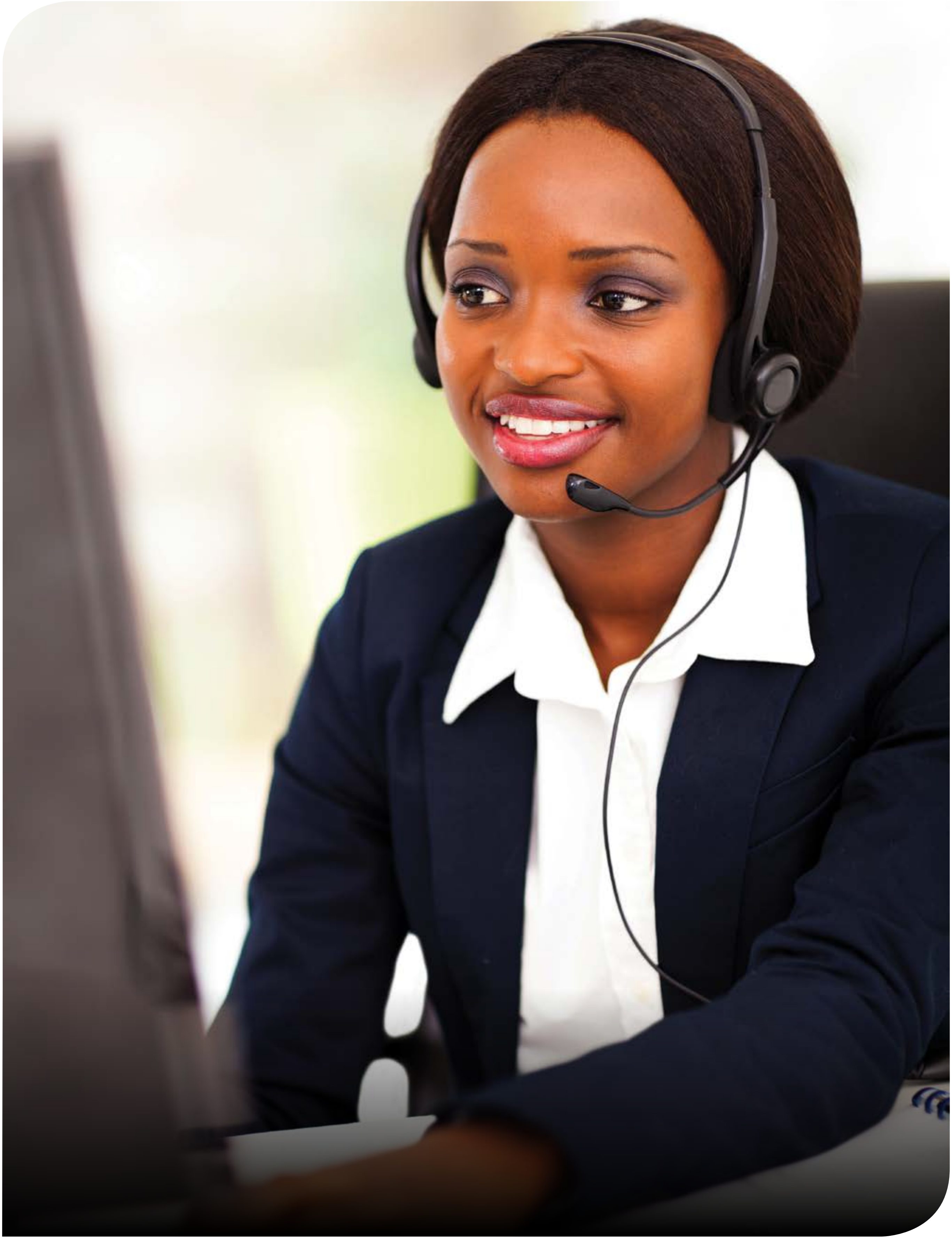
Strategic objectives and underpinnving actions

In November 2015 the Group rolled out a comprehensive action plan designed to enable us to execute the Group's strategy and capture the underlying strategic opportunity. In devising this plan we made certain conscious trade-offs. First, we prioritised the actions needed to ensure we can execute our strategy on strong foundations. Second, we prioritised improving returns to ensure that the Group maintains a value-accretive sustainable growth path. Third, we decided to channel our resources to key opportunities in which the Group has distinctive advantages.

As a result, our plan has three core objectives: secure the foundations; get lean and focused; and invest and innovate. Underpinning this plan, we have a programme of actions designed to strengthen our capital base, improve portfolio risk and, over time, increase returns for our shareholders.

We remain excited by the opportunities present in our markets and the untapped potential of our franchise. We have a clear plan to restore the business to a sustainable profitable growth trajectory and create value for all our stakeholders. We are also fully aware of our conduct and Financial Crime Compliance obligations and the overarching need to ensure safe growth.

Our focus is on disciplined execution of this plan. However, there are a number of external headwinds that could affect the Group's performance and, in turn, our ability to deliver the plan. We are realistic about these challenges and believe that the right course of action for now is to continue to execute our plan with discipline and drive our business more dynamically.



STRATEGIC OBJECTIVES AND UNDERPINNING ACTIONS

1 Secure the foundations

- Execute rights issue to materially strengthen the balance sheet
- Align business strategy within the tightened risk appetite
- Restructure businesses and assets representing approximately one-third of Group RWAs
- Simplify organisational structure to focus more on geographic execution
- Deliver our conduct and financial crime risk programmes

This is the first and foremost objective of the Group. We have made considerable progress since 2015, when we executed a rights issue that materially strengthened our balance sheet. We have also taken decisive action to improve portfolio quality.

To safeguard against any future recurrence, our client segments have put in place more granular risk appetite levels. For example, reducing the appetite for risk concentrations such as commodities.

In 2016, we invested heavily in our conduct and financial crime risk programmes and remain committed to making further investments as necessary. Our investment in control systems and data analytics is already improving our ability to fight financial crime.

2 Get lean and focused

- Restructure Corporate & Institutional Banking for higher returns
- Accelerate Retail Banking transformation
- Fundamentally overhaul Commercial Banking
- Define a clear and deliverable strategy for the business
- Assertively manage costs to create investment capacity

Our second objective is to shift the business mix to deliver higher returns and create additional investment capacity through assertive cost management actions. This is critical for the long-term competitiveness and sustainability of our business.

Our Corporate & Institutional Banking segment is shifting away from capital-intensive businesses and has rolled out a new client coverage model to ensure we stay close to our clients and simplify the way we meet their needs.

Corporate & Institutional Banking has also diversified its portfolio of clients by selectively on-boarding new clients that will be critical to our future growth.

Our Retail Banking segment remains focused on providing services for emerging affluent and affluent clients more cost efficiently. The segment will achieve this by improved digitisation, innovation, service quality and the development of multi-product relationships.

3 Invest and innovate

- Invest and innovate in Wealth Management to capture opportunities
- Build on a strong foundation and invest to grow safely in Africa
- Leverage opening up of China; capture opportunities from renminbi (RMB) internationalisation
- Roll out enhanced Retail Banking digital capabilities across our footprint

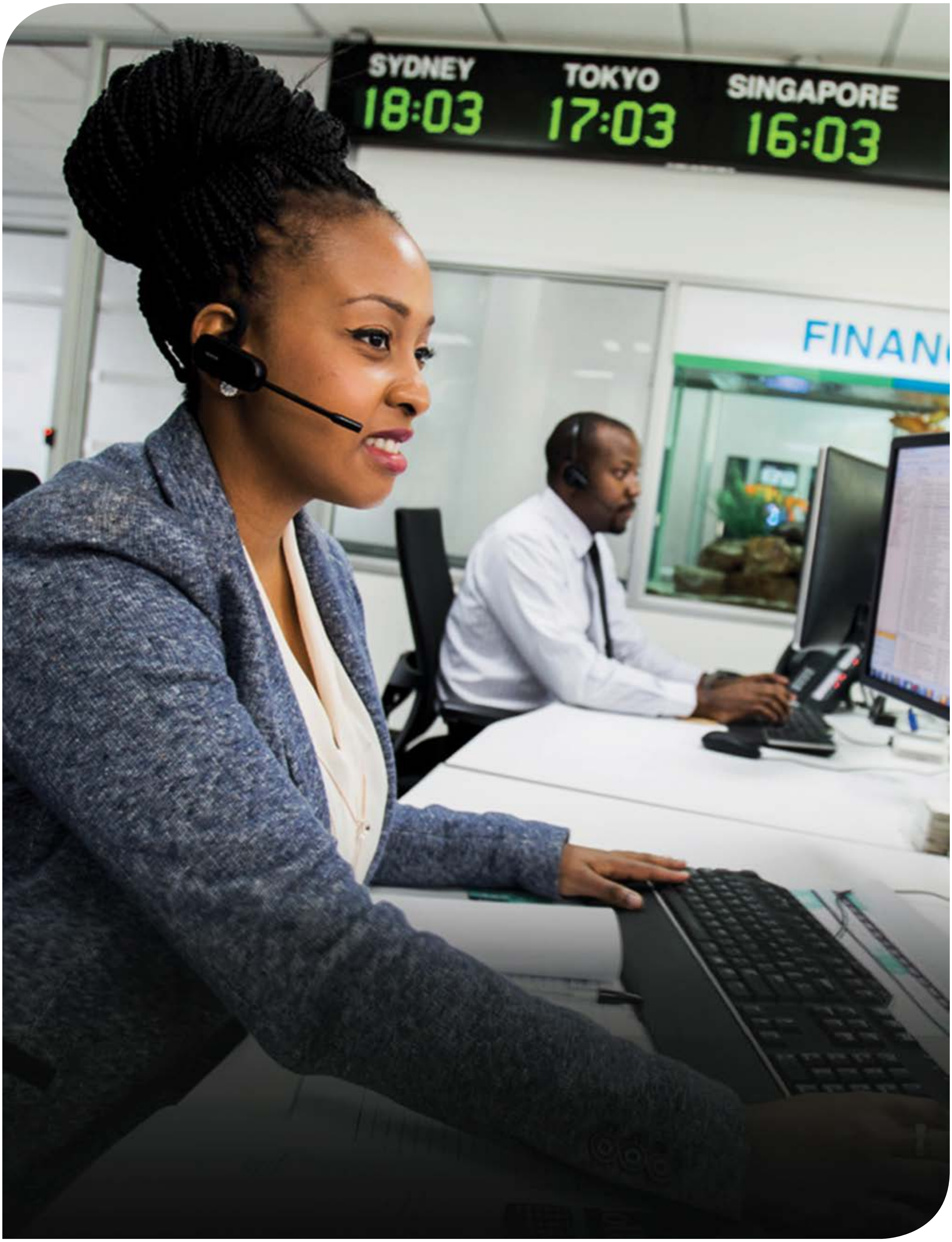
The purpose of our third strategic objective is to be more selective about the opportunities we pursue and channel sufficient resources accordingly.

We have prioritised four long-term opportunities that we believe are most compelling for the Group: Private Banking and Wealth Management growth; RMB internationalisation and the broader opening up of China; Africa's growth potential; and digital revolution in Retail.

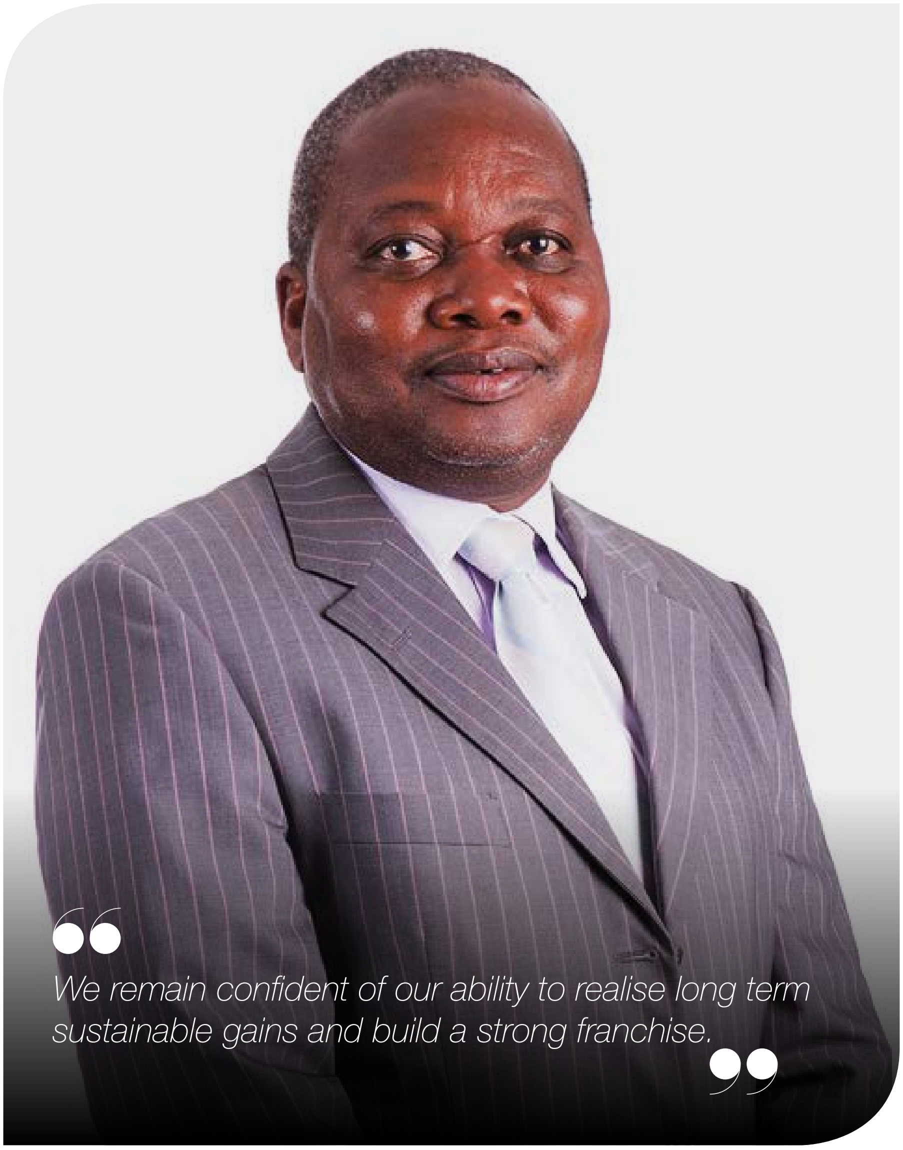
As a result, we have launched a multi-year investment programme to upgrade our Private Banking and Wealth Management technology platforms and client capabilities.

We remain committed to RMB's long-term growth potential in our footprint and continue to play a key role in shaping its future.
In Africa, we will calibrate the pace of our growth by taking into account the broader risk environment.

We are making significant investments in digital to deliver on our Retail transformation. We have also launched an investment programme for 2017 to improve our client offering in Foreign Exchange, Rates and Credit.


SYDNEY
18:03
TOKYO
17:03
SINGAPORE
16:03
FINAN

Chairman's statement



Botswana's Economic Environment

The economy contracted by 1.7% in 2015 after achieving a growth of 4.1% in 2014. It is however expected to turn-around and grow by 2.9% in 2016 (against a forecasted 4.2%), whilst growth in 2017 is bullishly forecast at 4.2% based on the recovery in both the mining and non-mining sectors.

Inflation rate remained within the central bank lower target at 3.0% in December 2016, falling slightly from 3.1% in December 2015. On average, inflation averaged 2.56% in 2016 from the 3.04% recorded in 2015. The slowdown seen in 2016 was largely supported by the transport index, on the back of low fuel prices.

A rebound in economic growth is expected in 2017 led by improvement in the mining sector. The business is well positioned to take advantage of the forecast growth given the strong fundamentals in place. The balance sheet is fit for growth, and the control environment has improved. The teams are focused on sustainable and well controlled growth that will generate good returns for our shareholders for the next coming years. We remain confident of our ability to realise long term sustainable gains and build a strong franchise.

The economy grew by

2.90% in 2016

On average, inflation averaged

2.56% in 2016

Business and Financial Position Review

2016 performance has been weighed down by depressed economic climate, low interest rates and general slow momentum on assets. Customer assets increased by 7% year on year due to improved utilisation of overdraft facilities in the Corporate segment. Retail assets remained relatively flat year on year on the back of low sales in personal loans. Total income was up 3% driven largely by retail segment which performed well at 9% above prior year, assisted by reduced cost of funding.

The reduced cost of funds has resulted in a 13% year on year increase on net interest income (NII) largely driven by retail and trade asset utilisation on the back of improved diamond purchases by the sightholders.

The continued efforts by the business on cost management bore fruit as costs closed the year P19.2m (3%) lower than prior year, largely due to administrative expenditure.

The balance sheet continued to show resilience demonstrated by a 6 % year on year growth on the back of management's actions to strengthen the balance sheet. This has been important given the tight macroeconomic environment evidenced in 2016 which put pressure on spending across the market therefore calling for prudent bottom line management.

The business fundamentals of the Bank are sound and we can expect a return to good profit growth in the 2017 financial year. The Bank will continue to refine its systems and processes and will continue to lead the market in service excellence, as it has done in the last 120 years, leading to improved shareholder returns and increased value of the business.

Key Financial Highlights

Outlook for 2017 is positive, the balance sheet is strong and the business segments have a good pipeline for conversion in 2017. We believe, in line with the bullish forecast for economic growth at 4.2%, our strategy will deliver sustainable growth which will deliver strong returns to our shareholders and enhance the profile of the franchise.

In line with our Here for Good brand promise, we are committed to continually provide groundbreaking and tailored banking solutions for our customers. During the year under review, value was added to our clients by launching a number of exciting new products to continuously deliver superior value, which will put us on course to become the leading bank in Botswana. We have new objectives and have redesigned our strategic intent to capture the real fundamental nature of what we stand for, what our strategy focuses on and what we aspire to accomplish.

On behalf of the Board, I thank our clients, stakeholders, management and staff for their continued support and loyalty to Standard Chartered Bank Botswana.

Professor Bojosi Otlhogile
Chairman of the Board

Business model

HOW WE AIM TO CREATE VALUE

The short, medium and long-term prospects of the global economy remain challenging. Despite this, the markets in which we operate are providing attractive opportunities, with Asia, Africa and the Middle East likely to maintain long-term growth. Standard Chartered is well-positioned to serve the needs of our clients in these markets and we have, as a result, set out a number of strategic actions to allow us to better realise our ambitions. Our business model is structured to facilitate the delivery of these actions and withstand market volatility that comes our way. We aim to create long-term value for a broad range of stakeholders and we take proactive measures to deliver positive impact.

We have a sustainable approach to business and we strive to achieve high standards of conduct...

Focusing on clients
We build long-term relationships with clients.

Contributing to sustainable economic growth
We seek to ensure that our core business of banking supports sustainable growth.

Being a responsible company
We commit to a strong conduct framework, ensuring fair outcomes for our stakeholders and supporting the effective functioning of our markets.

Investing in communities
We work with local communities to promote social and economic development.

...using a robust Risk Management Framework to maintain a stable organisation...

Risk management
We strive to manage our risks to build a sustainable franchise that is in the interests of all our stakeholders.

Risk appetite
We take risk within our Board-approved risk appetite levels, which set out the maximum amount of risk we are willing to take in pursuit of our strategy.

Risk profile
We manage our risk profile to maintain low probability of an unexpected loss event that could materially undermine the confidence of our investors.

Risk awareness
We seek to anticipate material future risks, learn lessons from past events that have produced adverse outcomes and ensure awareness of known risks.

...so that we can use our strengths to offer our stakeholders a distinct proposition...

Strong brand
We are a leading international banking group with a 120-year history Botswana, clear strategic objectives and a strong focus on client engagement.

International network
We have a proven track record of providing banking services across Asia, Africa and the Middle East.

Local connectivity
We support clients at a regional level by drawing on deep local knowledge and through collaboration across our network.

Investment approach
We invest in our business and its systems to improve our services and drive long-term value for our stakeholders.

Our people
We employ a diverse and inclusive workforce that is highly motivated and strives to do the right thing for our stakeholders.

...through client segments that are run on either a global or regional basis...

Global
Clients in our global businesses are supported by relationship managers with global oversight.

Corporate & Institutional Banking allows companies and financial institutions to operate and trade globally by serving them across multiple markets.

Regional
Clients in our regional businesses are supported by country-level relationship managers with global oversight of our systems and products.

Retail Banking offers affluent and emerging affluent clients as well as small businesses a full spectrum of banking support solutions.

...to provide banking solutions that meet the evolving needs of our clients...

Commercial Banking provides mid-sized companies with financial solutions and services that help them achieve their international expansion and growth ambitions.

Retail Products
Deposits, savings, mortgages, credit cards, personal loans and other retail banking products

Wealth Management
Investments; portfolio management; insurance and advice; and planning services.

Transaction Banking
Cash management; payments and transactions; securities holdings; and trade finance products.

Corporate Finance
Financing; strategic advice; mergers and acquisitions; and equity.

Financial Markets
Investment, risk management and debt capital markets.

...to generate income, profits and return on equity...

Income
Net interest income, fee income and trading income.

Profits
Income gained from providing our products and services, minus expenses, impairment and taxes.

Return on equity
Profit generated relative to equity invested.

...to create long-term value for a broad range of stakeholders.

Clients
We enable individuals to grow and protect their wealth. We help businesses to trade, transact, invest and expand. We also help a variety of financial institutions – including banks, public sector clients and development organisations – with their banking needs

Investors
We aim to deliver robust returns and long-term sustainable value for our investors

Society
We collaborate with local partners to promote social and economic development

Employees
We provide learning and development opportunities to create an engaged and values-driven team

Regulators and governments We engage with governing bodies to support the effective functioning of the financial system and the broader economy

How we do business

We want all of our stakeholders to have a positive experience. One way to achieve this is by performing to the highest standards conduct. This is a priority for both our stakeholders and the Group.

Embedding good conduct

Our conduct management framework touches all parts of our business and sets out the elements that we need to identify, control and govern conduct-related risks. The framework aims to ensure that the Group is governed appropriately, with adequate infrastructure and a transparent business model. It empowers our leaders to create an ethical environment where our employees are incentivised to exercise good judgement. Managing the business in this way helps us to achieve fair outcomes for stakeholders and support our markets.

Employees receive mandatory conduct training, and their performance objectives and reward mechanisms are explicitly linked to behaving appropriately. In 2016, Bill Winters, our Group Chief Executive, launched a comprehensive global communications campaign on conduct, #knowtherules, which established a clear tone from the top and highlighted the importance of conduct to the Group.

Financial crime and human rights

Financial crime, such as bribery, corruption and money laundering, hinders economic progress and harms communities.

We are strengthening our Financial Crime Compliance standards by making enhancements to our financial crime controls, training our staff and sharing best practice with clients and partners.
As an employer, a provider of financial services and a procurer of goods and services, we have a responsibility to respect human rights across our business. We address human rights in our Code of Conduct, Supplier Charter and Position Statements, the latter protecting the rights of children, workers and communities in relation to specific industry-sector risks.

How we serve clients

In 2016, we took a series of measures to put clients at the heart of our business. We invested heavily in improving their experience in each of our three client segments. For example, in Corporate & Institutional Banking we prioritised banking the end-to-end supply chain of our clients and improved our digital operations; in Retail Banking we launched biometric technology and offered clients innovative new payment options; in Commercial Banking we improved our client on-boarding process and turnaround time, and focused on banking our clients' networks; and we enhanced our Wealth Management proposition and simplified our account opening process.

We continue to build on these successes. The Group is investing more than $3 billion from 2015 to 2017 to make us a simpler, faster and better organisation, focusing on technology innovation, process streamlining and faster turnaround times

How we engage with clients

During 2016 we significantly strengthened our approach to capturing and addressing client feedback.

We did this in a number of ways, including through third-party studies, which allowed us to benchmark our performance against competitors and gain expert insights; by broadening our client surveys to give us more accurate feedback across all client segments; and through client experience forums that allow us to hear directly from clients and respond to their needs by taking the appropriate action.
Taken together, these activities have shown us that we need to simplify our processes and become easier to deal with.

We are committed to achieving this goal and a selection of our key performance indicators.

How we serve investors

The Group receives capital from equity and debt investors. This supports the execution of our business model. How we create value for these investors depends on whether they are, for example, active traders or long-term stakeholders, interested primarily in social responsibility or concerned solely with investment returns. Whatever the nature of the investor, we treat them equally and aim to balance their diverse interests and expectations.

During 2016, we executed our strategy to secure the foundations and create a platform for sustainable growth.

We returned the Group to profitability, delivered income and balance sheet stability, reduced exposures in the liquidation portfolio, achieved gross cost efficiencies, and significantly increased the pace of investment in the franchise.
In 2017, we will build on these foundations and continue the execution of our strategic plan to reposition the Group for a sustainable improvement in returns.

How we engage with investors

Transparent engagement with our investors and the wider market community helps us to understand what investors need so that we can tailor our public information accordingly. Feedback is taken seriously by the Board and it is aware of topics of particular interest, recommendations or requests.

We communicate with investors in several ways, including half- and full-year results, regulatory news services and media releases. We also meet investors at the Annual General Meeting and at investor meetings and conferences.

How we serve society

We collaborate with our clients and partners to promote social and economic development by financing key sectors of the economy that drive sustainable growth, minimising the impact of our lending and operations on the environment and investing in our communities.

In 2016, we agreed 11 Sustainability Aspirations which demonstrate how the financing that we provide contributes to sustainable development. We will embed these Aspirations in 2017.

The Aspirations are supported by our targets to reduce the environmental impact of our operations and to support local community programmes, including:

- Seeing is Believing (SiB), to eliminate avoidable blindness
- Goal, to empower girls and young women through sports and life skills training
- Financial education, to build the capability of youth and entrepreneurs

How we engage with society

From 2008 to 2016, we reduced our energy consumption by 37 per cent, water consumption by 35 per cent and paper use by 71 per cent, globally.

In 2016, we invested over BWP1.6 million in community programmes, and employees contributed to over 300 volunteering days.

In partnership with PEEK (Portable Eye Examination Kit) Vision through the PEEK Botswana project, 12,877 school children were screened at 49 schools using mobile app technology.

Through our Financial Education programmes, we trained more than 250 young people and entrepreneurs, including women, in 2016.

How we serve employees

We continue to deliver a comprehensive employee learning programme, with a focus on risk and conduct.

We have invested significantly in ensuring that our people connect with clients to understand their needs, and how we can serve them better.

We view diversity and inclusion as critical to our business success in the long term. It enables teams to unlock innovation, make better decisions and manage risk. We are committed to creating an inclusive environment, free from bias, where everyone can realise their full potential. We are committed to gender diversity, with a key performance indicator tracking our progress.
In 2017, we will implement a refreshed flexible working policy and enhanced parental leave benefits.

How we engage with employees

The Group has over 40 country-based Employee Networks and three Global Networks (Women, Disability, and LGBT and Allies) to support our diversity ambitions. One of the ways in which we measure staff engagement is through My Voice, a global survey completed by approximately 70,000 employees across 68 countries in 2016.

Responding to My Voice feedback, in 2016 we sharpened our focus on quality performance and career coaching. We launched a new approach for developing managers together with new career development guides and toolkits.

In 2016, we also re-launched our Speaking Up Programme, linking this to our Group Code of Conduct, to which our people recommit annually. We see the programme as critical to ensuring good conduct and creating the right environment for our people.

How we serve regulators and governments

We are committed to complying with all legislation, rules and other regulatory requirements applicable to our businesses and operations in the jurisdictions within which we operate. Our compliance with legal and regulatory frameworks across our markets ensures that the Group meets its obligations. In turn, this supports the resilience and effective functioning of the Group and the broader financial system and economy.

The Board is responsible for overseeing the Bank's approach to its main government and regulatory relationships, focusing on the quality of these relationships and the engagement in place. On a day-to-day basis, our Compliance and Public Affairs functions are responsible for identifying changes in the legal and regulatory environment, ensuring that we comply with all requirements, and help to manage relationships.

How we engage with regulators and governments

We actively engage with governments, regulators and policymakers at a national level to share insights and technical expertise on key policy issues. This engagement supports the development of best practice and the adoption of consistent approaches across our markets.

We comply with all relevant transparency requirements and disclose information about our political activities.

Our engagement with governments and regulators is through ongoing dialogue, submission of responses to formal consultations and by joining and participating in industry working groups.

Chief Executive Officer's review

2016 was a much better year for the bank on the back of focused efforts to reduce interest expense, growing top line revenue, and a strong hold on credit quality of the book. The domestic economy had a slight rebound in 2016 compared to 2015 on the back of improvement in both the mining and non-mining sectors. The low interest environment persisted in the market and therefore continued to put a strain on margins. Market liquidity remained stable for the most part of 2016, and therefore our previous management focus of implementing sustainable solutions paid off, given the strong balance sheet we have maintained whilst keeping costs in check. Our results show that we are more resilient and better able to weather the market and economic conditions which continue to be challenging. The foundations to build income, profits and returns have been built.

Business Performance

Total Income for the year was 3% above 2015, Net Interest Income was up 13% and Non Interest Income was down 9% from 2015 on the back of lower trading volumes. Trading profit was positive at 51% above prior year driven by low cost of funds and reduced operating expenditure. Customer assets and deposits grew by 7% and 14% respectively in 2016.

The bank continues to have a well capitalised and highly liquid business with a Capital Adequacy Ratio of 22% against a regulatory requirement of 15%, and a Liquid Asset Ratio of 23% against a regulatory requirement of 10% both of which have improved from 2015.

While we have made progress in executing our strategy, income and profit levels are not yet at desired levels. Retail Banking business delivered solid performance. The focus for the business is to continue to drive strong asset growth with enhanced credit monitoring, and improved productivity. In December the Bank opened our 20th outlet in Botswana at the Sir Seretse Khama International Airport (SSKIA) which is the first of its kind. This is a fully fledged branch offering all services with a special digital bench which enables clients to perform digital banking transactions. This branch also has a foreign currency dispensing ATM.

The Bank continued to maximise it's Wealth Management capabilities with the launch of the Investment Advisory Services offering, this includes the provision of Fixed Income Securities to clients. Commercial Banking has emerged from 2016 with a coherent, focused business model to support large to medium local corporate clients with a clear path towards sustained profitability. The Corporate Business, on the back of the reorganisation is equally doing well in utilising the global network to bring real value to our large corporates, and multinational companies looking to do business in Botswana whilst remaining focused on accelerating business momentum.

Overall we have continued to build momentum across the business and here a few highlights:

- A significant increase in digital and mobile banking adoption. This is driving better client experiences and making the Bank a more efficient organisation

- Cost were well controlled, creating capacity to invest in core businesses
- Credit quality remained stable – albeit for a significant once off impairment that was taken in 2016.
- The Group remain well capitalised and back to reasonable profitability levels.
- The Bank continues to leverage our international brand in ensuring we are more focused to client needs, and delivering the desired outcomes for all our stakeholders.

Our People

People continue to be an important agenda in 2016, and remains an area of focus for 2017. Opportunities continued to present themselves for Batswana at Executive Management level with the appointment of the new Head of Wealth Management in 2016. We continue to train our people locally through the Learning Academy, and through vigorous training programs offered across the Group network. Some of our staff members went on long and short term assignments in Dubai, South Africa and Kenya.

Risk and Compliance

The Group has made good progress in the areas of controls, conduct and financial crime, and continues to ensure stringent monitoring and adherence to policies and guidelines. This remains non-negotiable as it provides us with a license to operate.

Our relationship with our Regulators remains strong as a result of the partnerships that has been built over the years, and we remain confident this will be maintained going forward to ensure that we are prepared for and remain compliant with ongoing changes in the regulatory environment.

Sustainability

The Group continues to ensure that our brand promise "Here for good" remains a conscious call to action for each and every member of staff not only in their day-to-day responsibilities but in extension to the communities across our footprint.

We have paid a dividend of P0.9million to the Standard Chartered Education Trust in 2016 to support charitable and educational activities within Botswana. Our support to Thusang Basadi towards financial inclusion is ongoing and in April our efforts culminated in the launch of a centre in Sefhare. This centre is the third to be opened since the partnership began, taking the number of low- income business women accessing finance to over 11 000.

As part of Seeing is Believing we have now embarked on a project with PEEK Vision. PEEK is an acronym for Portable Eye Examination Kit and as a collective, PEEK Botswana was formed which is a group of organisations including Standard Chartered Bank Botswana (Seeing is Believing), PEEK Vision, Ministry of Health and Wellness, Ministry of Basic Education, Botswana Optometrists Association and Botswana-UPenn Partnership that aims to utilise innovative mobile application technology to screen school children for visual impairment with the aim to offer treatment and/or spectacles where needed. In its pilot phase, the project has reached 12,877 pupils across 49 schools in the Goodhope district in year one.

As we look towards the celebration of the Bank's 120 year anniversary in 2017, we will seek innovative opportunities for broad-based community engagement that will document the 120 year journey with a particular emphasis on involving our stakeholders past and present in the planning and story-telling

Chief Executive's review
(continued)

Outlook

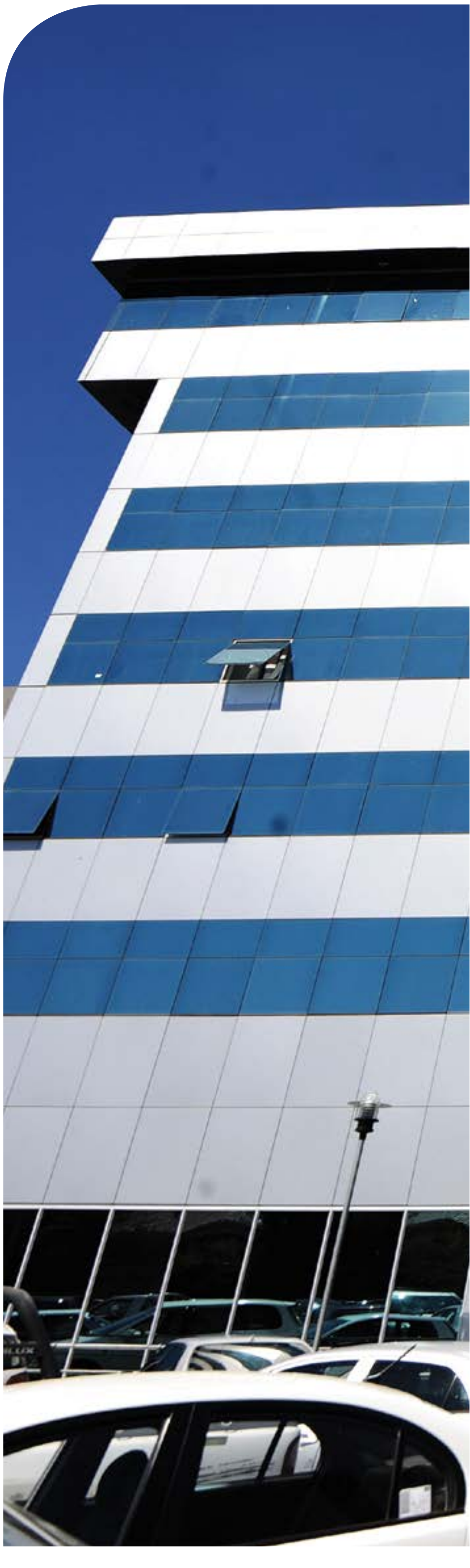
While the forecast for growth in the economy is bullish at 4.2% we believe the external environment is expected to remain challenging in the short term. Our strategy to invest more in our people and technology for both our clients and staff will deliver sustainable growth which will deliver strong returns to our shareholders, and enhance the profile of the franchise. We expect that conduct, monitoring and control to be the top agenda in 2017 to ensure containment of loan impairment whilst returning higher profitability.

Conclusion

The balance sheet is fit for growth, and the control environment continues to improve. The teams are focused on sustainable and well controlled growth that will generate good returns for our shareholders. We remain confident in our ability to realise long term sustainable gains and build a strong franchise.

I would like to thank our loyal clients for choosing to bank with us. Our success is dependent on your support. I would also like to thank our Regulators and investors for their support over the past year. In addition, I thank our Board of Directors, Management, and Staff for their hard work and dedication during a very difficult year. Together we can fulfil the huge potential of Standard Chartered.

Moatlhodi K Lekaukau
Chief Executive Officer




Standard Chartered House

Retail Banking

Retail Banking Review

2016 has been about cementing an operating rhythm that reinforces our strategy to expand and deepen relationships with our clients across segments.

Pedzani Tafa
Head of Retail Banking

The Retail Banking revenue went up by

9%

for the year 2016

83%

Of client transactions performed on digital platforms

Embedding our Refreshed Strategy

During the year under review, we have managed to cement an operating rhythm that reinforces our refreshed strategy which is centred on expanding and deepening relationships with our clients across all segments. I am happy to report that, the division has managed to deliver superior customer experience aimed at improving customer banking experience for existing and new clients.

Digital by design

Digital Banking has become a global phenomenon that we continue to leverage and take advantage of. In our efforts to become digital by design, we have invested in our digital platforms making them more user friendly and becoming the best in class for easier access to our products and services. During the year we launched our refreshed online banking platform and smartphone application, Standard Chartered Mobile. With this came the introduction of Touch ID, a biometric technology feature which enhances the security of our clients' banking and investment transactions.

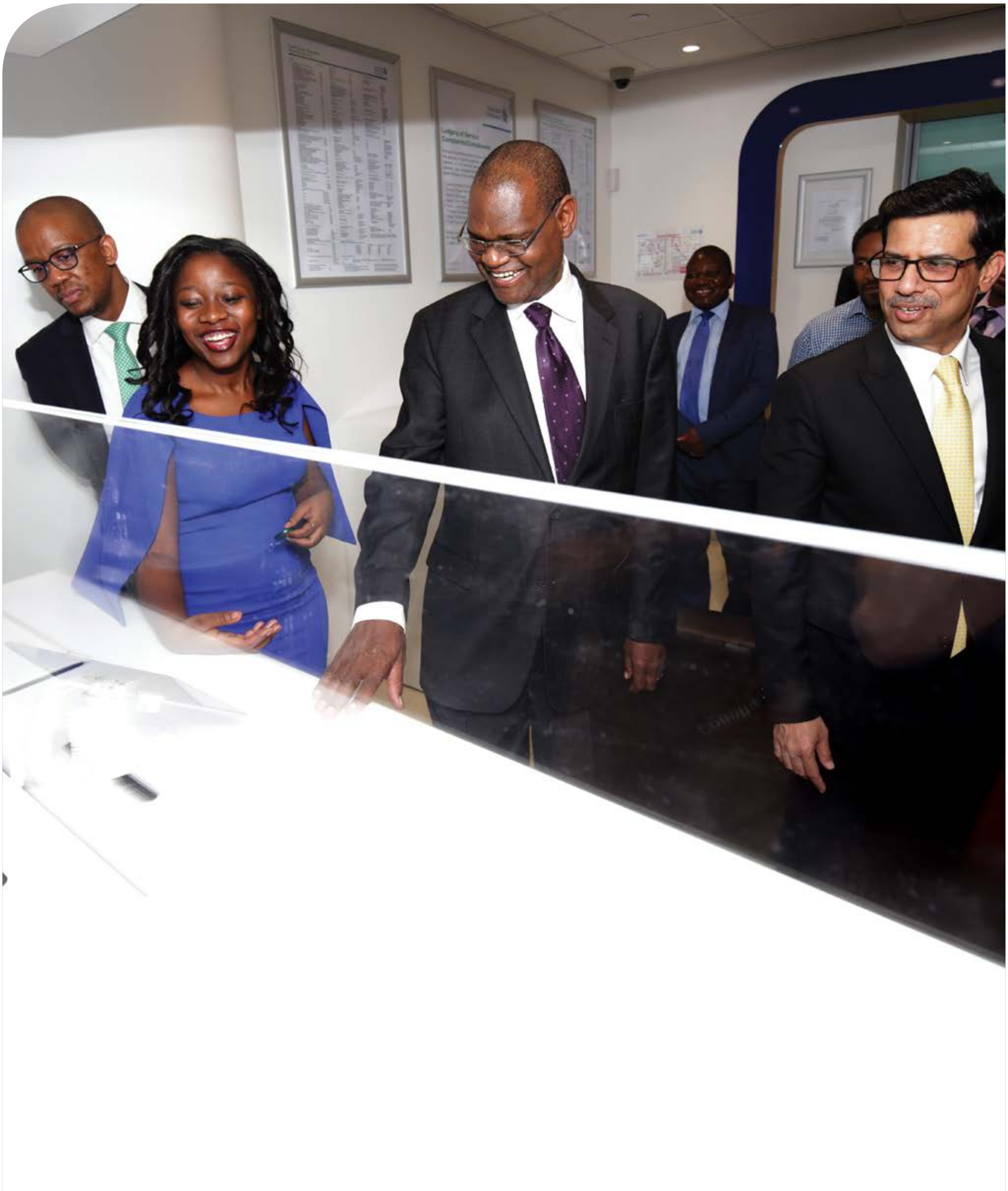
These initiatives are geared towards putting transactions into the hands of our clients. We have also increased the number of ATMs that can dispense South African Rands and also added the capability to dispense US Dollars on some of the ATMs- a first for the country.

Expanding our footprint

During the year under review, the Bank opened its 20th branch at the Sir Seretse Khama International Airport (SSKIA). This is the only banking branch at the airport. This is predominantly a digital branch complete with I-pads and ATMs. It also offers the full suite of products and services offered in any other Standard Chartered Bank branch.

Outlook

Banking needs are transforming towards digitisation and we will continue to align to these changing needs to remain relevant to our clients and provide superior, convenient service experience. This year, we are celebrating our 120th year in Botswana. We have committed to continue to remain relevant to the communities we operate in as we have been over the years. The Bank will continue to work hard to improve on customer banking experience. Most importantly, we will continue with our Digital by design initiative.



Branch Manager for Sir Seretse Khama Airport Branch, Ilini Khona, demonstrating digital banking capabilities to the Governor of Bank of Botswana, Mr M Pelaelo and Regional Head of Retail Banking, Africa and Middle East, Jaydeep Gupta, at the official opening of the branch.

Commercial Banking

Commercial Banking Review

We have run a challenging race in 2016 and are well equipped in terms of systems, lessons learnt and human resources to push the unit into the next level in 2017.

Kesego Mokgetse
Head of Commercial Banking

The Commercial Banking division continues to show year on year growth on the top line as represented by the

6%

growth for the year 2016

The Foundation

slow economy and projected growth of

4.2%

for 2017

'Foundation Fully Set For Growth Trajectory'

The Commercial Banking division continues to show year on year growth on the top line as represented by the 6% growth for the year 2016. The challenging economic environment has had an impact on the smaller clients within the book and thus an upward swing in loan impairment which together with the cost base has resulted in a loss making position for the unit. This is a position synonymous with a new business that requires necessary infrastructure to enable sustainable lending and strong customer due diligence environment.

The foundation had been fully set and the growth trajectory going forward is well aligned with opportunities in the market. Having come out of relatively slow economy and projected growth of 4.2% for 2017 it is important to be alive to the challenges that we faced in 2016 whilst pursuing this growth trajectory. In that regard training of our staff to ensure full appreciation of credit policy and applying the same during their business as usual engagements will be a key focus area in order to manage the loan impairment line and adhere to regulatory requirements.

We have run a challenging race in 2016 and are well equipped in terms of systems, lessons learnt and human resources to push the unit into the next level in 2017. Our resolve is to turn medium enterprises into large local corporate as we grow with them through different economic cycles within the country.

Corporate & Institutional Banking

Corporate & Institutional Banking Review

In the past year, we continued to offer clients top of the range services, such as digital banking platforms which are aimed at bringing convenience to customers in a fast-paced business climate.

Benson Madisa
Corporate & Institutional Banking Head

Expenses

Expenses fell by 30% to

BWP198.5m

year on year due to increased efficiency and tight control

Impairment

Loan impairment improved from

BWP61.9mn

in 2015 to BWP 19.8m 2016.

Balance Sheet

Loans and advances to clients grew by

38%

on the back of flat growth in 2015.

Revenue

The Corporate and Institutional Banking division remains a critical component of the Bank's operations. For the year under review, we continued to focus on growing the balance sheet despite a fall in revenue. The Bank has managed to keep down the cost of doing business, at the same time increasing lending activities for our clients. In the past year, we continued to offer clients top of the range services, such as digital banking platforms which are aimed at bringing convenience to customers in a fast-paced business climate. It is our plan to continue to offer more quality services to utmost clients for the year ahead.

Financial Performance review

Revenue

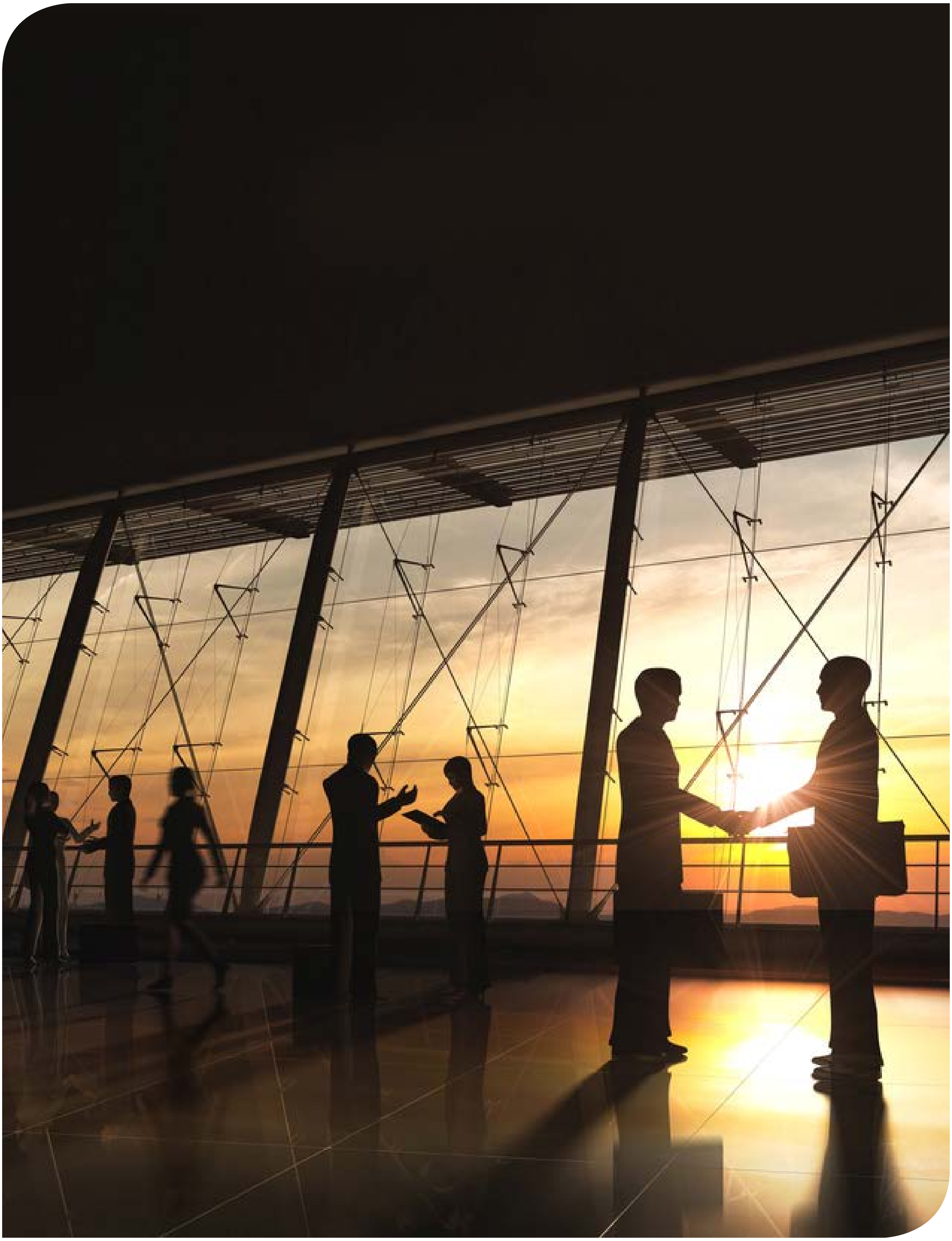
During the period under review, it is pleasing to note that Profit before Taxation (PBT) rose to P76.8 million from a loss of P61.7 million. The rise in profits was driven mainly by reduction in costs and lower loan impairments compared to the same period the previous year. However, revenue was down 9%, closing the year at P255 million.

Transaction banking income fell 19% year on year while Custodial income was marginally down as a result of flat investment opportunities. Trade income was also 4% lower compared to last year despite good momentum in the second half of 2016.

Corporate lending income grew significantly due to improved margins compared to 2015 where the cost of funding was high due to liquidity challenges in the market. Financial markets were down due to margin compression despite increased volumes.

Outlook

- Improve our client experience as a result of revised coverage model and accelerated digitisation.
- Leverage our ecosystem to increase cross sell and diversify our client offering.
- Deliver better product solutions that are tailor-made to meet our clients' needs.
- Maintain our expenses in support of lower cost to income ratio.
- Continue to focus on developing and investing in our people



Our People, Our Pride

We have come a long way!

Standard Chartered Bank Botswana's existence in the past 120 years could not have been more fruitful and fulfilling without the Bank's most important asset-the Human Capital. As a department, our core duties are to increase our leadership capability, come up with an enabling environment for employees to advance their careers within the Bank as well as to encourage teamwork spirit for a common goal of prosperity. It is worth noting that the world over, very few companies are able to survive 120 years of continuous operation. We have been able to pull through because of the endurance of our staff, the quality service they offer our customers and the ability to a make a difference in the communities we operate in, among others. The Bank, has over the years come up with several initiatives which are all aimed at ensuring that we have fit for purpose employees, who can stand the test of time. Some of the in-house programmes that the Bank has embarked on include recognition and grooming emerging talent, international graduate and talent swap, among others.

The year under review

During the just ended year, the Bank carried out a number of initiatives aimed at ensuring that we have a suitable human resource to execute our strategy across all functions. There has been a lot of achievements as far as developing talent is concerned. A well resourced, motivated and skilled staff compliment is what keeps the Bank as profitable as it is today.

Talent Management - Initiatives to Build a Sustainable Skills Ecosystem for the Bank.

Talent Management is critical to the ongoing success of our business. As Talent Management continues to take prime focus, a number of initiatives aimed at developing the bank's talent pipe line and bench strength are continuously being introduced. Some of them are outlined below:

The Emerging Leadership Programme

Taking the Emerging Leadership Programme to the Community

The protégés on the Emerging Leadership programme continue their partnership with Naledi Senior Secondary School in Gaborone. Through the ELP programme, the Bank participates in the annual prize giving ceremony, whose objective is to help the school promote and attain both curricula and co-curricular excellence by recognizing best performing learners and instilling self motivation in learners through awarding prizes to deserving students. The Bank donated P10, 000.00 towards purchasing of the awards that were presented to the top achieving learners.

Long and Short Term Assignments

Long term assignments are used to address business needs, skills shortage or for employee development and these typically have a duration in excess of 12 months. From 2008 to date, Standard Chartered Bank Botswana has exported thirteen (13) Batswana across all continents In 2016, five (5) Batswana secured short term assignment (STAs) opportunities in different markets. Of significance is the Customer Due Diligence (CDD) remediation project in Retail Banking Zimbabwe where twelve(12) Batswana with expertise in the management of CDD were seconded to the Zimbabwe Franchise to assist with the project and mentor the Zimbabwe Team. The team contributed to the success of the project and received spot awards.

Talent Swaps

The bank also runs an innovative 'job swap' programme designed to broaden the knowledge and skills of team members, and provide them with experience of other markets. Unlike the STAs and LTAs, the job swap programme provides a unique opportunity for participants to swap with a colleague from another market for a period of six months or more without using up a resource gap within their own businesses. The programme also builds stronger partnerships within the franchises with participants taking learnings and skills back that can be used in their own businesses. In 2016, the HR function participated in the programme where a Human Resources Business Partner swapped with a counterpart from Ghana. With sponsorship at a senior level within the bank this programme demonstrates a real commitment to developing leaders of the future.

Learning

The learning strategy is aligned to current and emerging organisational needs and covers areas of business specific and product related training, new manager training, and certifications. In addition to maintaining a host of developmental programmes and offerings for employees, a particular emphasis was placed on building leadership capacity through a suite of leadership programmes. Training will continue to be a big focus area for the bank, especially as the Bank is committed to conducting business based on its values, and delivering its brand promise, to be Here for Good. The Learning Academy continued to deliver good results, and in the year under review, it delivered 671 classroom trainings at all levels.

Personal Financial Wellness

In an effort to have a stronger hand in helping our employees to find their financial footing, develop and enhance healthier relationships with their money and generally to empower them with some financial literacy skills, the Bank engaged an external resource to provide training and coaching on personal finance literacy for staff.

Employee Engagement - Rewarding Employee Longevity and Loyalty

Employee Service Awards 2016

Every year the CEO hosts an award ceremony to offer the Bank a platform to reward loyalty, dedication and hard work for its staff members who have been with the Bank for periods of five, ten, fifteen, twenty, twenty five, thirty and thirty five years. In December 2016, the bank recognized 111 employees who completed their various milestones as given in the table.

Risk Control and Conduct

Annual Recommitment to the Group Code of Conduct

Conduct remains high on the agenda. Therefore, as part of our ongoing commitment to the Bank's Conduct agenda, a lot of resources are channeled towards making sure that employees receive sufficient training so that they understand it. Employees are also required to recommit to the Code of Conduct on an annual basis. Every member of staff is expected to understand and follow it, and therefore re-committing to the Code of Conduct means that the employee has both understood the code and agreed to follow it. Botswana performed very well with 99.4% of the staff having recommitted to the code in 2016.

Staff Pension

Following on from the completion and certification of the Fund's investment policy as per NBFIRA Pension Fund Rules, SCBB Pension Fund appointed the following managers for the following mandates

- **Core Mandate:**
  - Botswana Insurance Fund Management (BIFM): 50% of total assets available.
  - Investec Asset Management Botswana: 50% of total assets available.

- **Satellite Mandate-** Afena Capital Botswana: 100% of total assets available.

Staff recognition and awards; Maemo Sebetela of Mahalapye branch receiving an award from CFO, Mpho Masupe

Our People, Our Pride
(continued)

- **Money Market Mandate-**Botswana Insurance Fund Management (BIFM): 100% of total assets available

Employee Engagement and Wellness

In an effort to reduce sick-leave days taken by our employees especially in winter, we launched an initiative aimed at keeping staff free from the common cold during the winter by promoting the eating of oranges. Every staff member received a bag of oranges every month for three months. This was done under the slogan, "an orange a day keeps the doctor away" and it was well received and appreciated by staff.

Employee Relations

Collective Bargaining Training

The Human Resources Function organized Collective Bargaining Training. The aim of the training was to give the committee basic skills and promote a better understanding of the collective bargaining process and procedures of conducting effective collective bargaining.

Staff Profile

As at 31 December 2016, SCBB had a total of 750 staff members of whom 599 are permanent and pensionable and 151 fixed term contract.

Remembering Our Colleagues who passed on in 2016

During 2016, the following bank employees passed on:

- **Mr. Michael Hetanang** - Michael joined the bank on 01 May 1990 at Standard House branch and later joined IT as a Technical Analyst. He passed on Sunday, 06 November 2016.
- **Mrs. Mmoni Seitshiro** - Mmoni joined the bank on 1st October 1998 as a Teller doing both Pula and Forex telling. She went through various departments in the branch until she left us as the client service manager. She passed on the 26th July 2016

May they find eternal rest.

Branch-led Community projects

As part of community investment, staff members in our country-wide branches are encouraged to volunteer their time to assist communities where we operate. Over the years, our branches have come up with specific community projects that are aimed at uplifting members of the communities through investing in sustainable projects. One of our branches which have over the years played a pivotal role in contributing positively to our communities is our Jwaneng branch. For the year under review, the branch donated P10, 000, 00 to Matsha National Fund. The branch also took part in the annual Desert Bush Walk, where P31, 000, 00 was raised for various charitable organisations in the area. During the world AIDS day commemoration, the branch also participated by making a donation towards the occassion.

The branch also took part in the BOT50 committee's fund raising exercise. It is important to note that, our community projects are not about charity only, but also about implementing projects that are of value to our communities. We target projects which are sustainable in nature.

Nzano Branch staff during an Employee Volunteering activity at Tshimologo Centre in Francistown. Tshimologo Centre is a school that caters for children with Downs Syndrome.

Sustainability

As a Bank, we understand the role we play in promoting economic and social developments. It is important to note that, the bank can only be profitable provided the communities we operate in are also developing. For years, we have invested in sustainable projects which we believe will add value to the communities we are based in. Our sustainability initiatives are aimed at contributing to the country's economic growth, being a responsible company and investing in communities.

120 years of investing in communities

Standard Chartered Bank Botswana has positively impacted the communities we operate in for decades. During our stay, we have touched lives, we have inspired many and we will continue to make life-changing investments within the communities we have operations in. As our slogan 'Here for Good' states, the Bank has been able to live to this expectation as evidenced by the number of projects that we have embarked on which have changed the society in so many ways, be it social or economical. It is worthwhile to note that, as a Bank, we have a keen interest in projects that are sustainable in the long term. We target projects that we can in future single out as a reference for generations to come. Over the years, our Corporate Social Investment (CSI) projects have ranged from sports sponsorships, education, HIV/AIDS, people living with disabilities, vulnerable groups, women, music concerts and environmental issues among many others. As a responsible corporate entity, we have been able to support government in its endeavor to improve the lives of Batswana. Our projects have been in line with what government aspires Batswana to become in years ahead. As a Bank -the oldest in Botswana- we are proud to declare that our CSI projects perfectly fit into the National Vision 2016, which envisaged a better life for all living within the country. Our plan going forward is to contribute to the ongoing Vision 2036.

As we celebrate 120 years of our existence, we find it imperative to sample some projects, which we have supported in different ways.

Positive Living

Botswana, like most developing nations has been affected adversely by HIV/AIDS. The disease remains a serious challenge that affects the citizenry, the human resource capital of the bank and their respective families. The first HIV/AIDS case was first made known in the mid-80s. During that time it was almost a taboo to talk about the disease. It was even worse to be associated or diagnosed with disease. This was and still is a problem which government cannot deal with it alone. As a Bank, we found it critical to play a role in fighting this scourge. Our entry point was to educate the affected or infected that it is possible to live positively with the disease. At the height of the disease, in 1999, the bank launched 'Living with HIV' initiative. In 2015, the initiative was rebranded and is now called 'Positive Living'. Among activities under the successful initiative were nationwide campaigns, which included bicycle rides across the country as well as HIV testing sessions. We also participated in HIV/AIDS Commemoration days, the World Aids Day. In addition, we continue through various activities, to encourage our staff and the general public to test early, and if positive, enrol for Anti-Retroviral Treatment for prolonged lives. The Bank also promotes positive living with AIDS through activities such as regular exercise, good nutrition and wellness techniques. At Standard Chartered, we believe above all that education is key to combat HIV/AIDS, and this explains why over the years we have spent quite a considerable amount of resources to educate locals on the impact and dangers of the disease. We will continue to educate communities on HIV/AIDS as long as the disease remains part of us. Most recently through a partnership with MTV Staying Alive Foundation, the bank joined forces with a local youth led NGO, Young 1ove, which has seen us taking the message further especially among students at secondary school level in order to effect behavioural change.

Putting education first

Our core mandate is keeping customers' funds safe as well as growing their investments. As a responsible bank, Standard Chartered Bank has found it necessary to play a meaningful role of educating citizens in countries where we operate. For 120 years that we have been in Botswana, we ensured that we use part of our resources to develop human talent, within and outside the bank. Our Education Trust bears testimony to this assertion. The Trust, which is the first of its kind in Botswana, provides bursaries

Clients of Women's Finance House Botswana (Thusang Basadi) at the Sefhare Centre opening. The Sefhare Centre is the 3rd to be opened since the partnership with the bank, bringing the number of low income business women who can now gain access to finance to over 11000.

to extra-ordinary individuals and projects that have the potential to transform the country's economy. The Education Trust, which is managed by independent trustees, owns 0.84% of the Bank. Education remains the Bank's top priority through provision of bursaries, learning facilities or the provision of an enabling environment for learners to prosper.

The Bank has over the years rolled-out several initiatives which were aimed at educating citizens on financial matters. These include personal finance, which remains an area close to our heart. Some of the beneficiaries of our Financial Education initiatives are school learners across various levels of education. We will continue to roll out such initiatives in our next 120 years of existence. It is important to note that, some of these educational initiatives were based on employee volunteerism, which the Bank encourages among its staff. We are excited that our staff members have always found time through their schedules to volunteer on such activities which are meant to ensure that we have a meaningful impact on our stakeholders. One of our most sought after program, has been 'Adopt School' program in which we spend our time, resources and skills to impart on several learners across the country. The idea is to build future leaders both in the academia and entrepreneurship skills.

Seeing is Believing

Following the successful conclusion of the 'Pono Letlotlo' project, the Bank through it's flagship global community programme, Seeing is Believing (SiB) launched PEEK Botswana in 2016. PEEK (Potable Eye Examination Kit) Botswana is a group of organisations including Seeing is Believing (Standard Chartered Bank Botswana), PEEK Vision, Ministry of Health, Ministry of Education, Botswana Optometrists Association, and Botswana-UPenn Partnership. PEEK Botswana implemented PEEK Vision School Screening in the Good Hope sub-district as Phase 1 of the National Implementation of PEEK Vision in Botswana.

The P1 million project utilises innovative mobile app technology to screen school children for visual impairment with the aim to offer treatment and/or spectacles where needed. The project reached over 12 800 pupils across 49 schools in the selected district.

Employee Volunteering at branch levels

At Standard Chartered Bank, we believe in team work. This explains why, we encourage our staff to work as a collective even in projects which are not our core activities. It is worthwhile to note that, our staff members have over the years bought into the idea of volunteerism. For decades, our employees have volunteered in several projects across the country which have come to benefit our stakeholders in so many ways. The Bank's Jwaneng branch has made a difference to one Grace's life, who is living with HIV/AIDS and was also homeless. Today, Grace lives in a modern house, far away from the shack she was residing in with her children. The Bank, through its branch staff has also been involved in the Education Hub's Adopt a School Campaign. Here, staff members continue to give financial literary workshops to students across the country.

Financial Inclusion

Standard Chartered Bank has partnered with a local organisation, Thusang Basadi. The organisation was founded with the sole mandate of providing financial assistance to women within the low-income bracket. A three year partnership with the organisation, also known as Women's Finance House Botswana' in 2014, has seen the Bank investing P1 million in its coffers to boost operational capacity. We believe in women empowerment, more especially on projects aimed at lifting them from abject poverty. Our agreement with Thusang Basadi falls under our major financial inclusion strategy which we will continue to run in the coming years. By advancing the financial capability of women, we believe we are also on course to reach the wider population. We remain passionate on projects which are also aimed at empowering women to play a much bigger role in the developmental agenda on Botswana as we seek another 120 years in the country.

The British High Commissioner to Botswana, HE Katy Ransome, hosted the 'Pono Letlotlo' end of project event. Pono Letlotlo (Sight is treasure) is an eye care project in Botswana supporting the Ministry of Health to improve eye health services in partnership with Addenbrooke's Abroad (Cambridge University Hospitals) with funding from Standard Chartered Bank (Seeing is Believing).

Risk management processes and the Risk Management Framework

Risk Management Processes

Risk is a shared responsibility of everyone in the Group and is an intrinsic part of good commercial decision making

Richard Ochieng
Country Chief Risk Officer

Risk management approach

The risk and compliance function is an integral part of the Group's strategic decision-making process and plays a key role in building a stronger and more efficient business with the potential to produce better returns. The Group's business plans to execute our strategy are fully aligned with our risk appetite and both have appropriate Board level oversight.

We have a strong capital and liquidity position and a robust risk governance structure managed by an experienced senior team which enables the support of our clients.

2016 has been a year of progress on many fronts from a risk and compliance perspective. We ended the year with a balance sheet that is less concentrated, that has broader coverage, and a risk governance structure that is better aligned to support the execution of the Group's strategy.

We remain focused on executing our multi- year Financial Crime Compliance and Operational Risk Framework programmes. It is imperative that risks are identified; measured and managed in a holistic manner and that the risk and compliance function supports and enables sustainable performance for the Group despite the uncertainties in the external environment.

We are focused on ensuring that risk and compliance work effectively as control.

In 2016 our risk tolerance and risk appetite definitions were updated. Risk appetite is defined by the Group. It is the maximum amount and type of risk that the Group is willing to assume in pursuit of its strategy. The management monitors against a risk tolerance that is within the risk appetite, in order to provide a buffer functions to holistically identify and manage risks. A healthy risk culture owned collectively by everyone within the Group is critical to the successful delivery of our business objectives and to facilitate safe and sustainable growth.

The table below shows the Group's principal risks and how they are managed.

Principal risks	Our approach
Market risk	The Group controls its trading portfolio and activities to ensure that market risk losses (financial or reputational) do not cause material damage to the Group's franchise
Credit risk and country cross-border risk	The Group manages its credit and country cross-border exposures following the principle of diversification across products, regions, client segments and industry sectors
Liquidity and funding risk	The Group should be able to manage its portfolio to meet its payment and collateral obligations under extreme but plausible liquidity stress scenarios without recourse to extraordinary central bank support
Capital risk	The Group maintains a strong capital position including the maintenance of management buffers sufficient to support its strategic aims
Operational risk (including, among others, financial crime, regulatory compliance and cyber risk)	The Group aims to control operational risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the Group's franchise
Reputational risk	The Group will protect its reputation to ensure that there is no material damage to the Group's franchise

Risk profile and performance in 2016

Overall, the credit quality for the Group marginally deteriorated in 2016 due to stresses in some sectors and a material external event during the year. The Group continues to take action to improve returns safely and sustainably.

Conditions remained challenging in 2016. Economic conditions in certain sectors remained challenging particularly in diamond and jewellery sector. Exposures to these sectors are material in the context of the Group.

The Group's loan impairment is slightly elevated compared to last year as a result of a material external event during the financial year that materially impacted the retail banking portfolio. The Group rolled out new Risk Decision framework that will be deployed to enhance the shape of the unsecured portfolio in Retail Banking in the medium term to long term.

Update on key risk priorities

We report the following progress on each of the risk priorities for 2016:

- **Build on the Group's risk culture**
  We made good progress in embedding accountability and end-to-end ownership of risk within the business. We continue to set the tone from the top to build a strong first line of defence

- **Proactive portfolio management**
  We worked closely in the year with the credit portfolio management team within Corporate & Institutional Banking to reshape the segment's risk appetite, ensuring pricing discipline and improved distribution. We continue to enhance our stress-testing capability and build our enterprisewide risk management function so that we can better manage the risk boundaries within which the Group operates

- **Enhance our compliance risk management framework**
  We are making progress to implement our multi-year programme to upgrade systems. We are investing in best-in-class systems and are committed to achieving the highest possible standards of conduct from all employees under our firm-wide conduct programme.

- **Mitigating financial crime risks**
  Our investment in control systems and data analytics is improving our ability to fight financial crime. We are committed to being a leader in fighting financial crime

- **Strengthen the management of information and cyber security risks.**
  The evolving threat landscape and increased focus by regulators on information and cyber security (ICS) risk has led to enhanced focus by the Group. While much progress has been made, we will continue to assess and invest in our ICS risk capability.

- **Improve risk infrastructure**
  We have multiple initiatives to improve infrastructure for exposure management, data quality, stress testing, operational risk management and reporting.

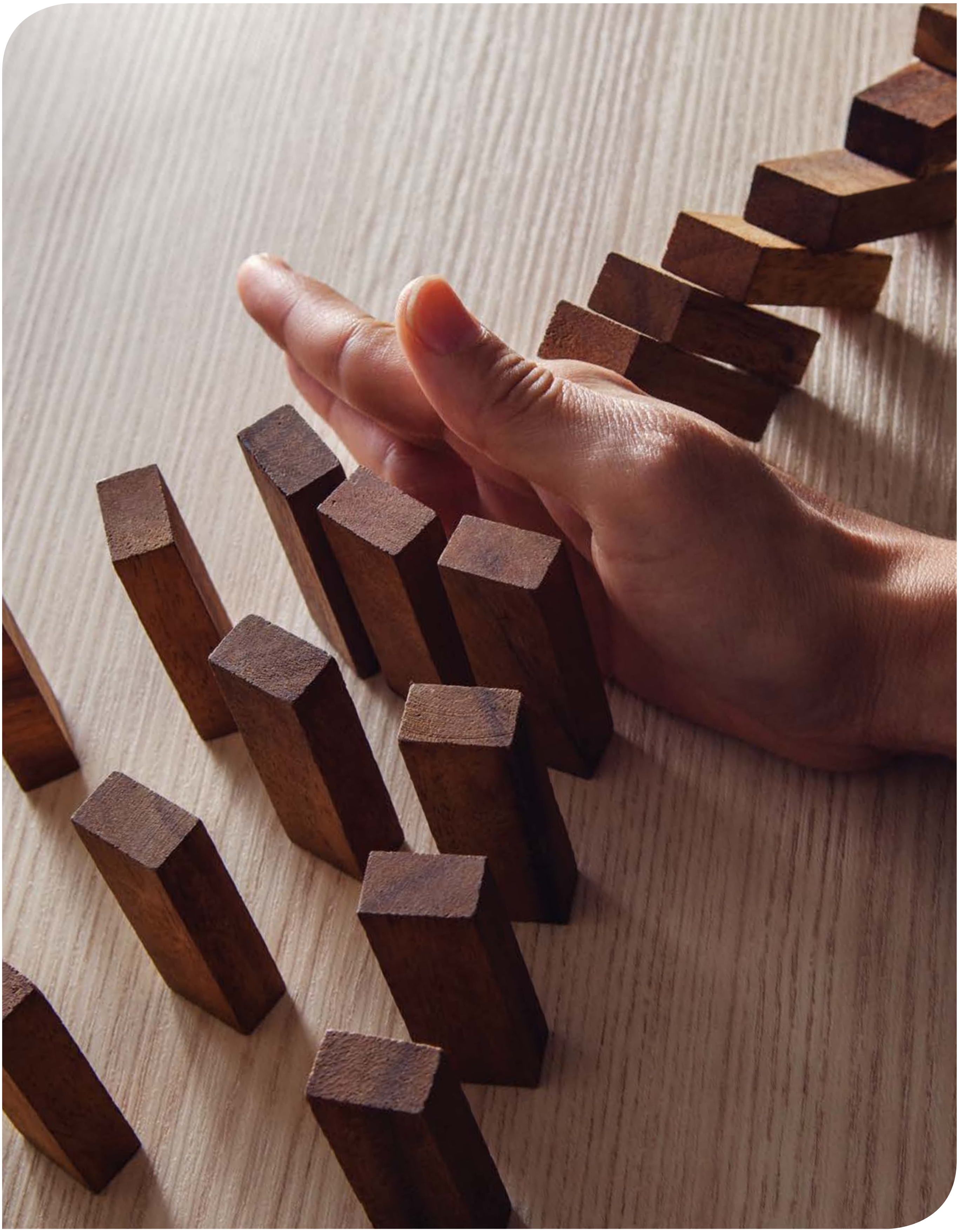
Principal uncertainties

We are in the business of taking selected risks to generate shareholder value, and we seek to contain and mitigate these risks to ensure they remain within our risk appetite and are adequately compensated. The table below shows the Group's principal uncertainties and how we are managing them.

Principal risks	How this is mitigated
Evolving financial crime, fraud and cybercrime	We continue to execute the Financial Crime Risk Mitigation Programme A Global Fraud Risk Management Group has been instituted to augment our fraud risk standards The Group has implemented a range of cybercrime defences to protect from hacking, misuse, malware, errors, social engineering and physical threats in recognition of heightened risk of cyber security
Operational performance eroding external confidence in the Group	We monitor movements closely and adjust our exposures accordingly. We hedge our exposures to protect our capital ratios where practicable
Evolving impact of regulatory compliance	We have implemented Group-wide policies and procedures to manage the risks associated with managing regulatory change and to inform behaviour across the organisation with clear accountability and responsibilities. We are closely monitoring the discussions of the Basel Committee of Banking Services on the standards for the calibration and implementation of capital floors
Regulatory investigations, reviews and legal proceedings	We have invested in improving compliance controls, including increasing the capacity and capability of compliance resources, enhancing systems and controls, and implementing remediation programmes. We are cooperating with all relevant ongoing reviews, requests for information and investigations and we actively manage legal proceedings.

Conclusion

The Group has considerable opportunities to add value to our clients in our footprint. We are pursuing this objective – putting their interests at the heart of everything we do – while aligning our portfolio to our more granular risk appetite thresholds. The economic landscape remains challenging and we continue to take assertive actions where required.



Corporate Governance

Our Approach

Good Corporate Governance is one of the core values of Standard Chartered Bank Botswana Limited. The Bank continuously endeavours to achieve exemplary corporate governance year after year by striving for substantive compliance with the Botswana Stock Exchange Corporate Governance Code and the Listing Rules as well as Standard Chartered Group minimum governance standards for subsidiaries.

Disclosure

Standard Chartered Bank Botswana has over the years aimed to ensure compliance with disclosure requirements as required by the Basel II: Pillar III Market Discipline, IFRS and the Botswana Stock Exchange.

Our Board

The Board of Directors of Standard Chartered Bank Botswana Limited (the "Board") has the overall responsibility of ensuring that the highest standards of corporate governance are maintained and adhered to by the Bank.

For the 2016 financial year the Board of Directors consisted of seven Directors, four of whom are independent non-executive directors. Independent non-executive directors are those directors who are not employed by the Bank or any of the companies in the Standard Chartered Bank Group.

Our Board members have the requisite integrity, skills and experience to enable them discharge the functions of their office. In performing its oversight functions, the Board is guided by specific terms of reference and matters reserved for the Board. This ensures that the Board provides oversight, guidance and review of the Bank's performance and strategy. The day to day management of the Bank has been delegated to the Executive Committee which is led by the Country Chief Executive Officer.

The Board has responsibility for the overall management of the Bank and is primarily accountable to the shareholders for proper conduct of the business of the Bank and the management of the relationships with its various stakeholders. In fulfilling its primary responsibility, the Board is aware of the importance of achieving a balance between conformance to governance principles and economic performance. Further Executive Management is accountable to the Board for the development and implementation of the Bank's strategy and policies. The Board regularly reviews the Bank's performance, matters of strategic concern and any other matters it regards material and necessary to fulfil this mandate. The Board held 4 meetings during the 2016 financial year.

As at 31st December 2016, the Board comprised of the following Executive and Non-Executive Directors.

Executive Director:
Moatlhodi K. Lekaukau

Non Executive Director:
Richard Etemessi

Independent Non-Executive Directors:
Bojosi Otlhogile (Chairman)
Ish Kumar Handa
Kate Senye *(resigned on 1st December 2016)*
John stevens
Nathan Kgabi

Board Secretary:
Esther Mokgatlhe

Our Committees

The Board has three sub committees namely Audit, Risk and Credit Approvals.

Board Audit Committee:

The Committee meets at least four (4) times a year and on such other occasions the Committee Chairman deems necessary. The Committee also meet bi annually with the external auditors and at least annually on an individual basis with the Chief Finance Officer, Head of Audit and Head of Compliance without other management being present. The Audit Committee is chaired by an Independent Non-Executive Director.

The role of the Committee is to review, on behalf of the Board the Bank's internal financial controls to identify, assess, manage and monitor financial risks and to review the Bank's internal control systems on behalf of the Board.

Board Risk Committee

The Board Risk Committee is expected to exercise oversight on behalf of the Board of the key risks faced by the Bank and to make recommendations to the Board on the bank's overall risk appetite. The Board Risk Committee is also expected to among others, consider the bank's appetite for risk, to review the appropriateness and effectiveness of the bank's risk management systems and controls, and consider the implications of changes proposed to regulations and legislation that are material to the overall bank's risk appetite, risk exposure and management of risk.

The committee meets at least on a quarterly basis and is chaired by an independent Non- Executive Director.

Board Credit Approvals Committee

In line with the local regulatory requirements, Board Credit Approvals Committee exercises oversight and approves all exposures ten (10) percent and above on behalf of the Board and all matters incidental to credit administration and makes recommendations to the Board on the credit risk of the Bank.

Board Effectiveness Review

A Board effectiveness review is conducted annually against the objectives set out in the relevant terms of reference. The outcome of the assessments indicated that the Board had adequately discharged its functions and responsibilities relating to the business strategy, financial soundness and governance.

During the financial year under review, the Board has been able to maintain appropriate levels of qualifications and competence within its membership. This has been demonstrated by the composition of the Board which is complemented by the availability and involvement of internal and external subject matter experts where necessary, together with the appointment of an additional Board member during the year.

The Board also had an opportunity to engage with the Chairman of Standard Chartered Plc Audit Committee on the Group's priorities and challenges from an internal control, audit and compliance perspective.

Conflicts of interest

The Board has adopted a robust Conflict of Interest Policy. All directors have a duty to avoid conflicts of interest. All potential and actual conflicts of interest should be reported to the Company Secretary together with details of benefits received or likely to be received.

Compliance

Standard Chartered Bank Botswana Limited is a company that continues to strive to lead the way in regulatory compliance and combating financial crime, whilst providing quality service for our clients. In order to achieve this, it is important for the Board, senior management and staff to understand and follow both the spirit and the letter of the law and to be mindful of the reputational risk that may arise as a result of our action. This is achieved through the Compliance function acting as trusted partner and business advisor for the Bank.

To ensure compliance with set policies, procedures and laws and regulations that the bank has put in place a Code of conduct that all staff are expected to comply with and commit to on an annual basis. The Code of conduct is built around four pillars being; creating the right environment; a fair outcome for clients; effective operation of financial markets and prevention of financial crime.

The following are the key pronouncements contained in our code of conduct for staff;

- Do the right thing
- Act responsibly and within authority
- Use good judgment
- Speaking Up
- Comply with laws, regulations and Group standards
- Combat financial crime
- Reject bribery and corruption
- Treat customers and clients fairly
- Manage conflicts of interest
- Do not take part in insider dealing
- Protect confidential information
- Compete fairly in the market place
- Treat colleagues fairly and with respect
- Be open and co-operate with regulators
- Respect our communities and the environment

Esther Mokgatlhe
Company Secretary

Board of Directors

Professor Bojosi Otlhogile
Chairman

Bojosi Otlhogile was appointed to the board of Standard Chartered Bank Botswana in September 2008. Otlhogile holds a law degree (LLB) from University of Botswana and an LLM and PhD in Law from the University of Cambridge. He has held various positions including Head of the Law Department (1993-1999), Dean of the Faculty of Social Sciences (1999-2003) and Vice Chancellor (2003-2011).

He was a member of the University of Botswana Council and Senate and Council member of the Universities of Zambia and. He is a former Chairman of the boards of Southern Africa Media Development Fund (SAMDEF) (1997-2008) and Botswana Housing Corporation (BHC), currently a Director of Pearson Botswana, Chairman of The Botswana Society, and trustee of the Media in Education Trust Africa.

Moatlhodi K Lekaukau
Executive Director

Moatlhodi has been in his current role since February 2012. His role entails providing leadership oversight for the bank including developing and executing on its strategy, balancing governance, financial management, customer and franchise management and talent management.

Prior to his current position, Moatlhodi spent 12 years at Deloitte and Touche South Africa where he left as partner and Head of Mergers and Acquisitions for Southern Africa.

In his private capacity he chairs the Board of Directors of YMH, a diversified private media investment holding company.

He is passionate about youth entrepreneurship and was one of the inaugural panel judges of Kickstart, a Youth Entrepreneurship development program that disbursed in excess of US$500 000 to deserving young entrepreneurs.

At a community level Moatlhodi serves as a Council member of Christ the King Cathedral Parish and Northside Primary School respectively.

He is a member of the South African Institute of Chartered Accountants, a fellow member of the Botswana Institute of Chartered Accountants and holds a Bachelor of Commerce Degree and Postgraduate Diploma in Accounting from the University of Cape Town.

Nathan Kgabi
Independent Non-Executive Director

Nathan Kgabi was appointed to the board as an Independent Non-Executive Director in January 2016.

He is currently the Managing Director of Thito Holdings (Pty) Ltd, an Employee Benefits company. He served as Managing Director of numerous Institutions such as, Metropolitan Life of Botswana Ltd; CBET (Pty) Ltd; publishers of Botswana Guardian and Midweek Sun Newspapers including Botswana Institute of Accountants (now BICA).

He has served in Senior Management positions for Standard Chartered Bank as Company Secretary and Public Relations Manager; Botswana National Productivity Centre as Corporate Services Manager and later as non Executive Director. He cut his career at BOCCIM (Business Botswana) where he set up and served as Industrial Relations Manager.

He has served as Deputy Chairman at Botswana Savings Bank, Sun International (Avani) as non Executive Director and Botswana Post, as well as other private company Boards. He served in the Board of Red Cross; Cheshire Foundation and Masiela Trust Fund.

He currently serves on the boards of ProComm Technologies (Pty) Ltd as Chairman, Directors Institute of Botswana, Thito Holdings (Pty) Ltd. amongst others.

Mr. Kgabi holds a Bachelors degree in Economics from the University of Botswana and has partially completed associate Diploma from the Botswana Institute of Bankers.

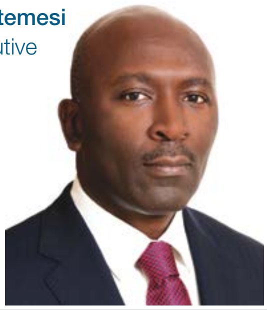
Kate Senye
Independent
Non-Executive
Director

Kate Senye was appointed to the board as a Non-Executive Director in August 2013. She is currently the Managing Director of Inter File Botswana (Pty) Ltd. Kate holds an MA in Public Policy Majoring in Development Economics, Business and Finance from the University of Wisconsin, Madison, USA and a Bachelor of Social Science Majoring in Economics and Accounting from the University of Botswana. She currently serves on the board of Botho University – Botswana and is a trustee of Sponsor a Child.

John Stevens
Independent
Non-Executive
Director

John Stevens was appointed to the board as a Non-Executive Director in August 2013. He served Deloitte & Touche in South Africa and Botswana for over 33 years, 8 of those years as partner in charge of Delotte & Touche Botswana. John retired from Deloitte & Touche in 2007 and took up the challenge of private consultancy. He holds a B.Comm Degree from Rhodes University and is a fellow member of the Botswana Institute of Chartered Accountants. John is also a member of the Board for Cresta Marakanelo.

Richard Etemesi
Non-Executive
Director



Richard Etemesi was appointed to the board as a Non-Executive Director in June 2014. He holds a Masters of Science Degree in Corporate Finance from Strathclyde Business School, University of Strathclyde in UK and a Bachelor of Commerce Degree in Accounting from University of Nairobi. Prior to joining Standard Chartered Bank, Richard worked as a Financial Management Consultant with Coopers & Lybrand Associates based in Kenya where he was involved in consultancy assignments. Richard joined the bank where he worked in various roles across the Group including CEO for Standard Chartered Bank Uganda and Kenya respectively. Richard is currently Chief Executive Officer and Area General Manager for Southern Africa, Standard Chartered Bank.

Ish Kumar Handa
Independent
Non-Executive
Director

Ish Kumar Handa was appointed to the board as a Non-Executive Director in November 2011. He holds a Bachelor of Arts Degree from Punjab University, India. He holds a Diploma in Textile Technology from Punjab Institution of Textile Technology and a Diploma in Business Management from International Correspondence School. He has training in textile engineering in Germany. He is the Managing Director of the Handa Group of Companies.

Esther Mokgatlhe
Company Secretary

Esther joined Standard Chartered Bank, Botswana in October 2012 as Head of Regulatory Affairs for Botswana. Prior to joining Standard Chartered, Esther spent 18 years with the Group's primary regulator in Botswana, the Bank of Botswana, where she held a number of roles in Banking Supervision Department. During that time she was attached to KPMG in Advisory Division and also the Central Bank Accounting Department for a period of 6 months and 9 months respectively.

Esther holds a Bachelor of Commerce, majoring in Accounting, A Masters Degree of Business Administration; both from the University of Botswana. She is an Associate member of the Chartered Institute of Management Accountants and also holds an Associate Diploma in Banking from the Botswana Institute of Bankers.

Management team

Moatlhodi K Lekaukau
Executive Director

Mpho Masupe
Chief Financial Officer

Pedzani Tafa
Head of Retail Banking

Kesego Mokgetse
Head of Commercial Banking

Benson Madisa
Head of Corporate &
Institutional Banking

Botho Leburu
Head of Financial Markets

Richard Ochieng
Country Chief Risk Officer

Ali Zayem
Head of Wealth Management

Esther Mokgatlhe
Head of Compliance
Company Secretary

John Kimani
Chief Information Officer

Chazha Kgalemang
Head of Legal

Tuduetso Ntwaetsile
Head of Internal Audit

Mmama Mhlanga-Fichani
Head of Human Resources

Peggy Tsiane
Head of Transaction Banking

Itumeleng Ramsden
Head of Corporate Affairs and Brand and Marketing

Annual group and company financial statements

for the year ended 31 December 2016

Director's Report

for the year ended 31 December 2016

The directors have pleasure in submitting to the members their report and the financial statements of the Group and Company for the year ended 31 December 2016.

Activities

The Group continues to be engaged in the business of commercial banking and provides a wide range of financial services. The Group has four subsidiaries, namely an insurance agency company, an investment services company, Botswana Educational Trust and a custodial services company. For the purposes of presenting consolidated financial statements, only the results of the insurance agency subsidiary and Botswana Education Trust have been incorporated in the Group results, as the other two subsidiaries are dormant or immaterial subsidiaries for consolidation purposes.

Results

The Group results are disclosed in the statements of profit and loss and other comprehensive income on page 50 and reflect the following:

- Profit before taxation P104 million (2015: P69 million)
- Profit for the year P80 million (2015: P47 million)

Dividends

During the year, P120 million dividends were declared and paid (2015: P169 million).

Stated capital

There has been no change to the Bank's stated capital during the year (2015: Nil).

Events after reporting date

The directors are not aware of any matters or circumstances arising since the end of the financial year, not dealt with in this report or these financial statements, that would significantly affect the operations of the Group or the results of its operations.

Holding company

The Group's ultimate holding company is Standard Chartered PLC, a company registered and domiciled in the United Kingdom.

Directors

The following were directors of the Bank during the year up to the date of approval of the financial statements:

Executive Director:	**Non executive Directors:**
M K Lekaukau	B Otlhogile *(Chairman)*
	I Handa
	K Senye (up to December 2016)
	J Stevens
	R Etemesi
	N Kgabi

Company Secretary:

E Mokgatlhe

Auditors

A resolution on the appointment of auditors will be proposed to the members at the Annual General Meeting.

By order of the Board

Esther Mokgatlhe

Secretary

Directors' responsibility statement

for the year ended 31 December 2016

The directors are responsible for the preparation and fair presentation of the group and company annual financial statements of Standard Chartered Bank Botswana Limited, comprising the statements of financial position at 31 December 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies, in accordance with International Financial Reporting Standards and in the manner required by the Banking Act (Cap 46:04). In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

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

The directors have made an assessment of the ability of the Company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the group and company annual financial statements:

The group and company annual financial statements of Standard Chartered Bank Botswana Limited, were approved by the board of directors on 05 March 2017 and are signed by:

Professor Bojosi Otlhogile
Chairman

Moatlhodi Lekaukau
Managing Director

KPMG, Chartered Accountants
Audit
Plot 67977, Off Tlokweng Road,
Fairgrounds Office Park
PO Box 1519, Gaborone, Botswana
Telephone +267 391 2400
Fax +267 397 5281
Web http://www.kpmg.com/

Independent Auditor's Report

To the members of Standard Chartered Bank Botswana Limited

Opinion

We have audited the consolidated and separate financial statements of Standard Chartered Bank Botswana Limited (the group and company), which comprise the statements of financial position at 31 December 2016, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended and the notes to the financial statements, including a summary of significant accounting policies and other explanatory notes, as set out on pages 50 to 109.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Standard Chartered Bank Botswana Limited at 31 December 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Banking Act (Cap 46:04) of Botswana.

Basis for Opinion

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

Key Audit Matters

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

Impairment of loans and advances to customers

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

Refer to notes 3(h) and 3(i) on related accounting policies, note 2(e) relating to the application of judgments and estimates in the determination of impairment allowances, note 4.2 on credit risk management, note 9 relating to net impairment loss on loans and advances and note 18 on loans and advances to customers.

Key audit matter	How the matter was addressed
The assessment of impairment of loans and advances to customers requires the application of judgement and the use of subjective assumptions which impact both the timing of recognition of impairment losses and the value of the impairment losses recognised in the group and company financial statements. Loans and advances to customers, which represent 55% of total assets, and the associated impairment allowances, are significant in the context of the consolidated and separate financial statements. We therefore consider impairment of loans and advances to be a key audit matter. The loans and advances referred to above cover those from the Corporate and Institutional Banking (CIB), Commercial Banking (CB) and Retail Banking (RB) segments. In the CIB segment, the group provides lending, trade finance, cash management, securities services, foreign exchange, risk management, capital raising, corporate finance solutions and advisory services to its corporate customers. The CB segment specifically services Middle Market customers and Medium Enterprises and High Value Small Business customers. Due to the nature and needs of these clients, advances in CIB and CB are typically individually significant, and therefore assessed for impairment individually. The assessment process requires detailed knowledge of the borrower and requires Directors to use judgement to determine whether and when an incurred loss has occurred. In the RB segment the group provides a broad range of products and services to meet the borrowing, wealth management and transactions needs of individuals and small sized enterprises, representing 69% of total loans and advances to customers. These loans and advances are typically large in number but low value and are assessed collectively by grouping homogenous monitoring assessment. This process relies on models to determine incurred losses across the portfolios. In CIB, CB and RB, Directors supplement impairment allowances with adjustments, or overlays, which are used to adjust modelled outcomes for known limitations in assumptions or in the models themselves. These overlays are subjective and the factors driving the valuation and validity of overlays change over time, and therefore require continuous review and assessment.	We identified and evaluated the design and implementation, and where appropriate the operating effectiveness, of key controls over the loan impairment process, focusing on the identification of impairment losses, the governance processes in place in respect of the credit models used and the relevant inputs into these models, and how Directors ensured they have appropriate oversight of loan impairment allowances. For the CIB and CB segments: - We selected a sample of performing loans and advances and critically assessed them for evidence of an incurred loss by performing a detailed independent assessment of the credit against loss events per the relevant accounting standard. - For a sample of loans and advances that had been individually assessed and impaired, we independently challenged the valuation of impairment losses that had been incurred, including developing our own expectation of the value of the allowance based on information available from third parties and market trends. - In order to focus our procedures on the areas where there is a higher risk of impairment, we performed detailed credit assessments of loans and advances with higher risk credit grades. We also performed focused testing of loans in higher risk and economically exposed sectors including the mining sector. - When performing work on the impairment allowances, we paid particular attention to the valuation of and rights to collateral. Where specialists engaged by management had provided valuations, we have assessed their competence and the timeliness of when the valuations had been performed. In addition, we evaluated management's controls in respect of the appointment of the specialists, including assessment of their professional qualifications, experience and independence. For the RB segment where impairment is model-driven, we focused on the data used to determine impairment allowances, as well as the appropriateness of the models used. In particular: - We used our internal valuation specialists, as part of the audit team, to assess the appropriateness of the models used for each significant product type, and to perform an independent recalculation of the impairment allowance for selected portfolios using our independent challenger models.

	- Key assumptions including historical payment, default and recovery rates are used to estimate incurred losses in the RB portfolios. We performed detailed procedures on the completeness and accuracy of the information used, and also used our own valuation specialists to compare key data and assumptions to market data and assumptions used by other market participants. - We further challenged the appropriateness of the post-model adjustments made by the Directors to cater for inherent model imprecisions by obtaining an in- depth understanding of the nature and the drivers of these adjustments. We challenged the Directors as to events that may or may not have been taken into account in the determination of the adjustments.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report and the directors' responsibility statement which we obtained prior to the date of this report and the Annual Report which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation of the consolidated and separate financial statements which give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Banking Act (Cap 46:04) of Botswana, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

KPMG
Certified Auditors
Practicing member: A.G Devlin (19960060.23)
31 March 2017
Gaborone

Statements of profit or loss and other comprehensive income

for the year ended 31 December 2016

	Note	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
Interest income	5	807 467	856 883	807 467	856 883
Interest expense	6	(273 345)	(385 617)	(268 297)	(385 617)
Net interest income		**534 122**	**471 266**	**539 170**	**471 266**
Fee and commission income	7	291 551	280 429	242 277	226 137
Fee and commission expense		(41 380)	(28 196)	(41 380)	(28 196)
Net fee and commission income		**250 171**	**252 233**	**200 897**	**197 941**
Net trading income	8	123 561	156 494	122 628	155 089
Dividend income		-	-	34 375	51 864
Net other income		**123 561**	**156 494**	**157 003**	**206 953**
Revenue		**907 854**	**879 993**	**897 070**	**876 160**
Operating expenses					
Net impairment loss on financial assets	9	(117 509)	(105 348)	(117 509)	(105 348)
Employee benefits	10	(227 498)	(219 955)	(227 498)	(219 955)
Operating lease expenses		(20 489)	(37 193)	(20 489)	(37 192)
Depreciation and amortisation		(23 582)	(23 130)	(23 582)	(23 130)
Administration expenses	11	(415 195)	(425 716)	(406 412)	(416 389)
Total expenses		**(804 273)**	**(811 342)**	**(795 490)**	**(802 014)**
Profit before taxation		**103 581**	**68 651**	**101 580**	**74 146**
Income taxation	12	(23 863)	(21 260)	(14 947)	(11 063)
Profit for the year		**79 718**	**47 391**	**86 633**	**63 083**
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Change in fair value of available for sale investments, net of tax		(355)	(5 006)	(355)	(5 006)
Revaluation of property, net of tax		17 364	-	17 364	-
Other comprehensive income for the year		17 009	(5 006)	17 009	(5 006)
Total comprehensive income for the year		**96 727**	**42 385**	**103 642**	**58 077**
Basic and diluted earnings per share (Thebe)	14	26.72	15.88		

The notes on pages 56 to 109 are an integral part of these financial statements.

Statements of financial position

for the year ended 31 December 2016

	Note	Group		Company	
		2016 P'000	2015 P'000	2016 P'000	2015 P'000
Assets					
Cash and balances with central bank	15	1 066 099	1 139 254	1 063 914	1 138 000
Loans and advances to banks	16	2 092 855	2 226 840	2 058 304	2 175 521
Investment securities	17	2 783 872	2 308 814	2 783 872	2 308 814
Loans and advances to customers	18	7 659 996	7 188 009	7 659 996	7 188 009
Other assets	21	169 275	166 942	163 962	166 942
Taxation refundable	25	3 999	20 247	1 770	18 314
Property and equipment	19	56 213	33 684	56 213	33 684
Intangible asset and goodwill	20	42 895	46 213	42 895	46 213
Total assets		**13 875 204**	**13 130 003**	**13 830 926**	**13 075 497**
Liabilities					
Deposits from other banks	22	701 048	1 284 538	663 826	1 251 738
Deposits from customers	23	11 274 880	9 865 985	11 274 880	9 865 985
Other liabilities	27	184 919	238 174	175 553	221 073
Deferred taxation	26	10 115	13 765	10 115	13 765
Senior and subordinated debt	24	686 260	686 260	686 260	686 260
Total liabilities		**12 857 222**	**12 088 722**	**12 810 634**	**12 038 821**
Equity					
Stated capital		179 273	179 273	179 273	179 273
Reserves		838 709	862 008	841 019	857 403
Total equity		**1 017 982**	**1 041 281**	**1 020 292**	**1 036 676**
Total liabilities and equity		**13 875 204**	**13 130 003**	**13 830 926**	**13 075 497**

The notes on pages 56 to 109 are an integral part of these financial statements.

Statements of changes in equity

for the year ended 31 December 2016

Group	Stated capital P'000	Revaluation reserve P'000	Statutory credit risk reserve P'000	Retained earnings P'000	Capital contribution P'000	Treasury share reserve P'000	Available for sale reserve P'000	Total P'000
Balance at 01 January 2015	**179 273**	**6 327**	**8 223**	**954 794**	**28 213**	**-**	**22 766**	**1 199 596**
Total comprehensive income								
Profit for the year	-	-	-	47 391	-	-	-	47 391
Other comprehensive income								
Fair value adjustment:								
Available for sale securities	-	-	-	-	-	-	(5 006)	(5 006)
Transactions with owners of the bank								
Dividends to equity holders – paid	-	-	-	(169 134)	-	-	-	(169 134)
Purchase of treasury shares	-	-	-	-	-	(31 566)	-	(31 566)
Balance at 31 December 2015	**179 273**	**6 327**	**8 223**	**833 051**	**28 213**	**(31 566)**	**17 760**	**1 041 281**
Total comprehensive income								
Profit for the year	-	-	-	79 718	-	-	-	79 718
Other comprehensive income								
Fair value adjustment:								
Available for sale securities	-	-	-	-	-	-	(355)	(355)
Fair value adjustment:								
Property and equipment	-	17 364	-	-	-	-	-	17 364
Transactions with owners of the bank								
Dividends to equity holders – paid	-	-	-	(120 026)	-	-	-	(120 026)
Transfer from retained earnings								
to statutory credit risk reserve	-	-	10 929	(10 929)	-	-	-	-
Balance at 31 December 2016	**179 273**	**23 691**	**19 152**	**781 814**	**28 213**	**(31 566)**	**17 405**	**1 017 982**

The notes on pages 56 to 109 are an integral part of these financial statements

Statements of changes in equity *(continued)*

for the year ended 31 December 2016

Company	Stated capital P'000	Revaluation reserve P'000	Statutory credit risk reserve P'000	Retained earnings P'000	Capital contribution P'000	Available for sale reserve P'000	Total P'000
Balance 01 January 2015	**179 273**	**6 327**	**8 223**	**902 931**	**28 213**	**22 766**	**1 147 733**
Total comprehensive income							
Profit for the year	-	-	-	63 083	-	-	63 083
Other comprehensive income							
Fair value adjustment:							
Available for sale securities	-	-	-	-	-	(5 006)	(5 006)
Transactions with owners of the bank							
Dividends to equity holders – paid	-	-	-	(169 134)	-	-	(169 134)
Balance at 31 December 2015	**179 273**	**6 327**	**8 223**	**796 880**	**28 213**	**17 760**	**1 036 676**
Total comprehensive income							
Profit for the year	-	-	-	86 633	-	-	86 633
Other comprehensive income							
Fair value adjustment:							
Available for sale securities	-	-	-	-	-	(355)	(355)
Fair value adjustment:							
Property and equipment	-	17 364	-	-	-	-	17 364
Transactions with owners of the bank							
Dividends to equity holders – paid	-	-	-	(120 026)	-	-	(120 026)
Transfer from retained earnings							
to statutory credit risk reserve	-	-	10 929	(10 929)	-	-	-
Balance at 31 December 2016	**179 273**	**23 691**	**19 152**	**752 558**	**28 213**	**17 405**	**1 020 292**

The notes on pages 56 to 109 are an integral part of these financial statements

Statement of changes in equity
(continued)

for the year ended 31 December 2016

Stated Capital

Authorised ordinary shares

The company's stated capital consists of 400 000 000 ordinary shares of no par value (2015:400 000 000).

Issued ordinary shares

298 350 611 ordinary shares of no par value (2015: 298 350 611). All issued shares are fully paid.

Unissued ordinary shares

As at 31 December 2016, unissued shares totalled 101 649 389 (2015: 101 649 389).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the entity. All shares rank equally with regard to the entity's residual assets.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have all complied with externally imposed capital requirements throughout the period.

Revaluation reserve

The revaluation reserve comprises the net cumulative increase in the fair value of property.

Statutory credit risk reserve

This reserve represents the excess of the 1.25% general provision against risk weighted assets as required by the Bank of Botswana over the impairment provision required by International Financial Reporting Standards (IFRS).

Proposed dividends

Proposed dividends are disclosed as a separate component of equity. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

Capital contribution

This represents the part of the consideration for the acquisition of the custody business paid by Standard Chartered PLC, the ultimate parent company of Standard Chartered Bank Botswana Limited. The contribution is a non – distributable capital with no diluting effect on ordinary shareholders.

Available for sale reserve

This represents the cumulative movement in fair value of available for sale securities.

Retained earnings

Retained earnings represents the cumulative net profit or loss made by the Group after deducting dividends to shareholders and other utilisation of the reserves.

Treasury share reserve

The reserve for the company's treasury shares comprises the cost of the company's shares held by the Group. As at the reporting date, the Group held 0.84% of the company's shares (2015: 0.84%).

Statements of cash flows

for the year ended 31 December 2016

	Note	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
Cash flows from operating activities					
Profit for the year		79 718	47 391	86 633	63 083
Adjustments for:					
- Taxation		23 863	21 260	14 947	11 063
- Depreciation	19	5 357	7 134	5 357	7 134
- Amortisation	20	18 225	15 996	18 225	15 996
- Impairment charge on loans and advances	9	117 509	105 348	117 509	105 348
- Movement in operating lease accrual	31	(1 869)	(2 124)	(1 869)	(2 124)
- Dividend income		-	-	(34 375)	(51 864)
		242 803	**195 005**	**206 427**	**148 636**
Change in investment securities		(475 511)	(1 429 196)	(475 511)	(1 429 196)
Change in loans and advances to customers		(589 496)	834 948	(589 496)	834 948
Change in other assets		(2 333)	(21 320)	2 980	(21 320)
Change in deposits from other banks		(583 490)	293 097	(587 912)	260 297
Change in deposits from customers		1 408 895	(175 715)	1 408 895	(316 114)
Change in other liabilities		(51 38)	(18 033)	(43 651)	55 379
Cash utilised by operations		**(50 518)**	**(321 214)**	**(78 268)**	**(467 370)**
Taxation refunded	25	18 297	6 363	18 297	6 363
Taxation paid	25	(34 362)	(37 713)	(25 150)	(27 560)
Net cash used in operating activities		**(66 583)**	**(352 564)**	**(85 121)**	**(488 567)**
Cash flows from investing activities					
Acquisition of property and equipment		(5 624)	(900)	(5 624)	(900)
Acquisition of intangibles		(14 907)	(23)	(14 907)	(23)
Purchase of treasury shares		-	(31 566)	-	-
Dividends received		-	-	34 375	51 864
Net cash (used in)/generated from investing activities		**(20 531)**	**(32 489)**	**13 844**	**50 941**
Cash flows from financing activities					
Proceeds from subordinated debt		-	389 000	-	389 000
Dividends paid		(120 026)	(169 134)	(120 026)	(169 134)
Net cash (used in)/generated from financing activities		**(120 026)**	**219 866**	**(120 026)**	**219 866**
Decrease in cash and cash equivalents		(207 140)	(165 187)	(191 303)	(217 760)
Cash and cash equivalents at 1 January		3 366 094	3 531 281	3 313 521	3 531 281
Cash and cash equivalents at 31 December	28	**3 158 954**	**3 366 094**	**3 122 218**	**3 313 521**

The notes on pages 56 to 109 are an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2016

1. Reporting entity

Standard Chartered Bank Botswana Limited was incorporated in Botswana as a Bank with limited liability under the Botswana Companies Act and is licensed to operate as a commercial bank under Section 6 of the Banking Act, 1995 (Chapter 46:04). The Company's registered address is Standard Chartered Bank Botswana Limited, P.O Box 496 Gaborone, Plot 1124-30 Queens Road, Main Mall, Gaborone, Botswana. The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group"). The Company has four subsidiaries, namely an insurance agency company, an investment services company, custodial services company and the stanchart educational trust. For the purposes of presenting consolidated financial statement, only the results of the insurance agency subsidiary and education trust have been incorporated in the Group results, as the other two subsidiaries are dormant or immaterial subsidiaries. The Group is a subsidiary of Standard Chartered Bank PLC, incorporated in United Kingdom, and its ultimate holding company. These financial statements represent the Group's and Bank's statutory financial statements.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Banking Act (Cap 46:04).

These financial statements were approved by the board of directors on 5 March 2017.

(b) Functional and presentation currency

These financial statements are presented in Botswana Pula, which is also the functional currency. Except where indicated, otherwise financial information presented in Botswana Pula has been rounded to the nearest thousand.

(c) Basis of consolidation

Subsidiaries are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are presently exercisable are taken into account. The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

Business combinations are accounted for using the acquisition method as at the acquisition date which is the date on which control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. The excess of consideration transferred over net fair value of identifiable assets acquired is recorded as goodwill (refer note 3(i)). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transactions eliminated on consolidation

Inter-group balances and transactions, and any unrealised income and expenses arising from inter-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Change in the group's interest in a subsidiary

Change in the Group's interest in a subsidiary that does not result in a loss of control are accounted for as equity transactions.

Loss of Control

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

Notes to the financial statements *(continued)*

for the year ended 31 December 2016

2. Basis of preparation *(continued)*

(d) Segmental reporting

A segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Segment results include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly head office assets and expenses, and taxation.

(e) Use of judgement and of estimation uncertainty

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the group's accounting policies of the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision of estimates are recognised prospectively.

Allowances for credit losses

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about the counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk Function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances and held-to-maturity investment securities with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired loans, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions.

The accuracy of the allowances depends on how well these future cash flows for specific counterparty allowances are estimated and the accuracy of the model assumptions and parameters used in determining collective allowances.

Determining fair values

The determination of fair value for financial instruments for which there is no observable market price requires the use of valuation techniques as described in the accounting policy on financial instruments below. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities (unless otherwise specified in the note below on changes in accounting policies). The accounting policies disclosed for the consolidated financial statements apply equally to the company's separate financial statements unless otherwise specified.

(a) Changes in accounting policies

The group has adopted the following relavant new standards,including any consequential amendments to other standards, with which were effective for the financial year beginning on 1 January 2016:

- Amendments to IAS 1 – Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the consolidated exception
- Amendments to IAS 27 : Equity method in Separate Financial statements

The adoption of there standards did not have significant impact on the group and company's financial statements.

Notes to the financial statements

(continued)

for the year ended 31 December 2016

3. Significant accounting policies *(continued)*

(b) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in profit or loss.

(c) Interest

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

Interest income and expense presented in profit or loss include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- Interest on available-for-sale investment securities calculated on an effective interest basis.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

(d) Fees and commission

Fees and commission income that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period. Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are rendered.

(e) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest and foreign exchange differences.

(f) Dividend income

Dividend income is recognised when the right to receive dividend income is established. Usually this is the ex-dividend date for quoted equity securities.

(g) Leases

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Notes to the financial statements *(continued)*

for the year ended 31 December 2016

3. Significant accounting policies *(continued)*

(h) Loans and advances

Loans and advances are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market and that the Group does not intend to sell in the near term. When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo" or "stock borrowing"), the arrangement is accounted for as a loan or advance, and the underlying asset is recognised in the Group's financial statements.

(i) Financial instruments

The Group classifies its financial assets into the following measurement categories: a) loans and receivables and b) available-for-sale financial assets. Financial liabilities are classified at amortised cost. Management determines the classification of its financial assets and liabilities at initial recognition or, where appropriate, at the time of reclassification.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial investment will be recovered, other than because of credit deterioration. Included in loans and receivables are loans and advances to other banks and loans and advances to customers and cash balances with the central bank.

(ii) Available-for-sale financial assets

Available-for-sale assets are those non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to liquidity requirements or changes in interest rates, exchange rates, commodity prices or equity prices. Investment securities are classified as available – for – sale assets.

Initial recognition

Purchases and sales of available-for-sale financial instruments are initially recognised on trade-date (the date on which the Group commits to purchase or sell the asset). Loans are recognised when cash is advanced to the borrowers. Financial assets and financial liabilities are initially recognised at fair value plus directly attributable transaction costs. In those cases where the initially recognised fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in profit or loss. The difference is amortised to profit or loss until the inputs become observable, or the transaction matures or is terminated.

Subsequent measurement

Available-for-sale financial assets are subsequently carried at fair value, with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the available for sale reserve in equity until the asset is sold, or is impaired, when the cumulative gain or loss is transferred to profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial liabilities are subsequently stated at amortised cost, with any difference between proceeds net of directly attributable transaction costs and the redemption value recognised in profit or loss over the period of borrowings using effective interest method. Financial liabilities include deposits from other banks, deposits for customers, senior and subordinated debt and other liabilities.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Group has retained control, the assets continue to be recognised to the extent of the Group's continuing involvement. Financial liabilities are derecognised when they are extinguished. Loans whose original terms have been substantially modified will result in derecognition.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

3. Significant accounting policies *(continued)*

(i) Financial instruments *(continued)*

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The following factors are considered in assessing objective evidence of impairment:

- Whether the counterparty is in default of principal or interest payments;
- A counterparty files for bankruptcy protection (or the local equivalent) where this would avoid or delay repayment of its obligation;
- The Group files to have the counterparty declared bankrupt or files a similar order in respect of a credit obligation;
- The Group consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments;
- The Group sells a credit obligation at a material credit-related economic loss; or
- There is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan and receivable or a held-to-maturity asset has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan and receivable or held-to-maturity asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process which considers asset type, industry, geographic location, collateral type, past-due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for groups of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently.

Notes to the financial statements *(continued)*

for the year ended 31 December 2016

3. **Significant accounting policies** *(continued)*

Impairment of financial assets (continued)

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

Available-for-sale assets

A significant or prolonged decline in the fair value of an equity security below its cost is considered, amongst other factors in assessing objective evidence of impairment for equity securities. Where objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the amortised cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. Impairment losses recognised in equity are not reversed through profit or loss.

Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liabilityin an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

The Group measures the fair value of an instrument using the quoted price in an active market for that instrument, where available. A market is regarded as active if transaction for the asset or liability take place with sufficient frequency of volume to provide pricing information on ongoing basis. If there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

3. Significant accounting policies *(continued)*

(j) Cash and cash equivalents

Cash and cash equivalent include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(k) Property and equipment

Recognition and measurement

Items of property and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Land and buildings are initially measured at cost and subsequently measured at valuation less related accumulated depreciation and impairment losses. Revaluations are carried out periodically by the directors using independent valuers on the open market basis. The directors consider the fair value of land and buildings annually. Surpluses and deficits arising on the revaluation of land and buildings are transferred to or from the revaluation reserve through other comprehensive income and accumulated in equity. The reserve is utilised on the sale of the asset.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognised net within other income in profit or loss.

Subsequent cost

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

Depreciation

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

Freehold property	Nil
Leasehold property	Shorter of useful life/unexpired period of lease
Buildings	50 years
Equipment	3 - 5 years
Motor vehicles	3 years
Furniture, fixtures and fittings	7 - 10 years

Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

(l) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill included in the intangible assets is assessed at each reporting date for impairment and carried at cost less any accumulated impairment losses. Gains and losses at disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

3. Significant accounting policies *(continued)*

(l) Intangible assets *(continued)*

Goodwill is allocated to cash generating units for the purpose of impairment testing. Cash generating units represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. These are smaller than the Group's reportable segments.

Acquired intangibles

At the date of acquisition of a subsidiary, intangible assets that arise from contractual or other legal rights are capitalised and included within the net identifiable assets acquired. These intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the entity and are amortised on the basis of their expected useful lives (8 years). At each reporting date these assets are assessed for indicators of impairment. In the event that the asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Amortisation

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. At reporting date the intangible assets are assessed for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down immediately.

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful life of the group's intangible assets varies, but does not exceed 8 years.

(m) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash generating units. Goodwill arising from business combination is allocated to cash generating units or groups of cash generating units that are expected to benefit from synergies of the combination.

The 'recoverable amount' of an asset or cash generating unit is assessed as the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are used by more than one cash generating unit. Corporate assets are allocated to cash generating units on a reasonable and consistent basis and tested for impairment as part of the testing of the cash generating unit to the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating units, and then to reduce the carrying amounts of the other assets in the cash generating units on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the financial statements
(continued)
for the year ended 31 December 2016

3. Significant accounting policies *(continued)*

(n) Investment securities
Investment securities are initially recognised and subsequently measured at fair value. The Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

(o) Financial guarantees
'Financial guarantees' are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

Liabilities arising from financial guarantees are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Financial guarantees and commitments to provide a loan at a below-market interest rate are included within other liabilities.

(p) Restructuring provision
A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. It is not expected that restructuring will cause any future losses.

(q) Taxation
Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax. Deferred tax is not recognised for the following temporary differences: those arising on the initial recognition of goodwill; differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or losses; and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends by the Bank are recognised at the same time as the liability to pay the related dividend is recognised.

Withholding tax of 5% and 7.5% is payable on the gross value of the dividends.

(r) Employee benefits
Retirement benefits
The Group operates a defined contribution pension plan. Contributions by the Group to the plan are charged to profit or loss. The liability of the Group is limited to the contributions made on behalf of the employees. There are no post-retirement medical funding obligations.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

3. Significant accounting policies *(continued)*

(r) Employee benefits *(continued)*

Short term employee benefits
Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short term cash bonus or profit sharing class if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(s) Earnings per share
The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(t) New standards and interpretations not yet effective

The following new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2016, and have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory.

Dislosure Initiative (Amendements to IAS 7)

The amendement provides for disclosures that enable users of financial statement to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non–cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.
The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted. These amendments are not expected to have a significant impact on the Group's financial statements.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendment to IAS 12)

The amendements provide additional guidance on existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

Guidance is provided for deductible temporary differences related to unrealised losses that are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted. These amendments are not expected to have a significant impact on the company's financial statements.

IFRS 15 *Revenue from Contracts with Customers:*

This standard replaces IAS 11 Construction Contracts, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 Revenue – *Barter of Transactions Involving Advertising Services.*

Notes to the financial statements
(continued)

for the year ended 31 December 2016

3. Significant accounting policies *(continued)*

(t) New standards and interpretations not yet effective *(continued)*

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

Impact on the Group may include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 9 *Financial instruments:*
On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement.*

This standard will have a significant impact on the Group, which will include changes in the measurement bases of the Group's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an"incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Group.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, Early adoption is permitted. The Group is currently assessing the impact of the standard on its financial statements.

IFRS 16 *Leases*
IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the statement of financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lesees and lessors. The standard may result in current operating leases disclosed in the statement of financial position with associated depreciation and amortisation charges recognised in profit or loss.

4. Financial risk management

4.1 Introduction and overview

The Group has exposure to the following risks from financial instruments:

- capital risk
- credit risk
- liquidity risk
- market risk
- country cross border risk
- operational risk

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adhere to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

4. Financial risk management *(continued)*

4.1 Introduction and overview *(continued)*

The Group Risk Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in these functions by management as well as the Compliance and Internal Audit department. They undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit Committee.

4.2 Credit risk

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

For risk management purposes, credit risk arising on trading assets is managed independently; and information thereon is disclosed below. The market risk in respect of changes in value in trading assets arising from changes in market credit spreads applied to debt securities and derivatives included in trading assets is managed as a component of market risk. Further details are provided in note 4.6.

(a) Management of credit risk

The Board of Directors have overall responsibility for managing credit risk. A separate Group Credit department, reporting to the Board, is responsible for management of the Group's credit risk, including:

- *Formulating credit policies* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorisation structure* for the approval and renewal of credit facilities. Larger facilities require approval by the Head of Credit, with expert input from Group Credit department and the Board of Directors as appropriate.
- *Reviewing and assessing credit risk.* The Group Credit department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure* to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).
- *Developing and maintaining the Group's risk gradings* in order to categorise exposures according to the degree of risk of financial loss faced and to focus management of the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of fourteen grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the Group Credit department. Risk grades are subject to regular reviews by Group Credit Department.
- *Reviewing compliance* of business units with agreed exposure limits, including those of selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to the Group Credit Department who may require appropriate corrective action to be taken.
- *Providing advice, guidance and specialist skills* to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement credit policies and procedures, according to credit approval authorities delegated. Each business unit has a Head of Credit Risk who reports on all credit related matters to local management and the Group Credit Committees. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Business units and credit functions carry out regular assurance checks and control self testing with independent oversight from Country Operational Risk unit. Group Internal Audit does carry out periodic independent audit of the business units and credit processes.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

4. Financial risk management *(continued)*

4.2 Credit risk *(continued)*

(b) Problem credit management and provisioning

(i) Corporate & Institutional Banking and Commercial Banking segments

In Corporate & Institutional Banking and Commercial Banking segments, accounts or portfolios are placed on Early Alert when they display signs of weakness or financial deterioration, for example where there is a rapid decline in the client's position within the industry, a breach of covenants, non-performance of an obligation, or there are issues relating to ownership or management. Such accounts and portfolios are subject to a dedicated process with oversight involving the Senior Risk Officer and Group Special Asset Management ("GSAM"). Account plans are re-evaluated and remedial actions are agreed and monitored until complete. Remedial actions include, but are not limited to, exposure reduction, security enhancement and exit of the account or immediate movement of the account into the control of GSAM, the specialist recovery unit. Loans are considered impaired and non-performing where analysis and review indicates that full payment of either interest or principal becomes questionable or as soon as payment of interest or principal is 90 days or more overdue.

Impaired accounts are managed by GSAM, which is independent of the main businesses of the Group. Where any amount is considered uncollectable, an individual impairment provision is raised, being the difference between the loan carrying amount and the present value of estimated future cash flows. In any decision relating to the recognition of an impairment provision, the Group attempts to balance economic conditions, local knowledge and experience, and the results of independent asset reviews.

A portfolio impairment provision is held to cover the inherent risk of losses, which, although not identified, are known through experience to be present in any loan portfolio. In Corporate & Institutional Banking and Commercial Banking segments, the portfolio impairment provision is set with reference to past experience using loss rates, and judgmental factors such as the economic environment and the trends in key portfolio indicators.

(ii) Retail Banking Segment

In the Retail Banking segment, where there are large numbers of small value loans, a primary indicator of potential impairment is delinquency. However, not all delinquent loans (particularly those in the early stage of delinquency) will be impaired. Within the Retail Banking segments, an account is considered to be delinquent when payment is not received on the due date. Accounts that are overdue by more than 30 days are considered delinquent. For delinquency reporting purposes, the Group follows industry standards, measuring delinquency as of 1, 30, 60, 90, 120 and 150 days past due. Accounts that are overdue by more than 30 days are closely monitored and subject to specific collection processes.

The impairment assessment within the Retail Banking segment reflects the fact that the product portfolios (excluding Business Banking segment) consist of a large number of comparatively small exposures. As a result, much of the impairment assessment is initially done at an account level for each product and a Portfolio Impairment Provision ("PIP") is raised on a portfolio basis.

A Portfolio Impairment Provision ("PIP") is held to cover the inherent risk of losses, which, although not identified, are known through experience to be present in the loan portfolio. PIP covers both performing loans and loans overdue for less than 150 days. The provision is set with reference to Expected Loss of a product. The Expected Loss is derived from internally calculated Probability of Default (PD) and a proxy Loss Given Default (LGD) data from Internal Ratings Based ("IRB") portfolios. The Bank exercises judgmental overlays and business cycle adjustments based on the macro-environment, portfolio loss severity, collections and recovery performance trends.

The process used for recognising the impairment provisions is dependent on the product. For mortgages, individual impairment provisions ("IIP") are generally raised at 150 days past due based on the difference between the outstanding amount of the loan and the present value of the estimated future cash flows which includes the realisation of collateral. For other secured loans (where the collateral value is typically realised in less than 12 months), loan impairment is calculated using the forced sale value of the collateral without further discounting. For unsecured products, individual provisions are recognised for the entire outstanding amount at 150 days past due. For all products, there are certain accounts, such as cases involving bankruptcy, fraud and death, where the loss recognition process is accelerated.

The procedures for managing problem credits for the Business Banking sub segment of Retail Banking segment are similar to those adopted for Corporate & Institutional Banking and Commercial Banking segments described above.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

4. **Financial risk management** *(continued)*

4.2 Credit risk *(continued)*

Exposure to credit risk – Group and Company

	Loans and advances to customers		Loans and advances to banks		Investment securities	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000	2016 P'000	2015 P'000
Assets at amortised cost						
Individually impaired:						
Grade 12 & 13: Substandard	24 683	48 751	-	-	-	-
Grade 14: Loss	175 314	99 008	-	-	-	-
Gross carrying amount	199 997	147 759	-	-	-	-
Allowance for impairment	(159 245)	(99 227)	-	-	-	-
	40 752	**48 532**	**-**	**-**	**-**	**-**
Past due but not impaired comprises:						
01 – 30 days	333 774	148 992	-	-	-	-
31 – 60 days	190 090	37 398	-	-	-	-
61 – 90 days	34 129	21 760	-	-	-	-
Carrying amount	**557 993**	**208 150**	**-**	**-**	**-**	**-**
Neither past due nor impaired:						
Grade 1-11 -Low- fair risk	7 134 974	6 978 363	-	-	-	-
Gross carrying amount	7 134 974	6 978 363	-	-	-	-
Portfolio impairment provision	(73 723)	(47 036)				
	7 061 251	**6 931 327**	**-**	**-**	**-**	**-**
Net loans and advances	**7 659 996**	**7 188 009**				
Available-for-sale assets						
Low to fair risk	-	-	2 092 855	2 226 840	2 783 872	2 308 814
Carrying amount – fair value	7 659 996	7 188 009	2 092 855	2 226 840	2 783 872	2 308 814
Total carrying amount	**7 659 996**	**7 188 009**	**2 092 855**	**2 226 840**	**2 783 872**	**2 308 814**

In addition to the above, the Group had entered into lending commitments of P 988 892 thousand (2015: P 692 446 thousand) with counterparties graded 1 to 9. Refer to note 32 for financial guarantee contracts in respect of debtors graded 1 to 9.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

4. Financial risk management *(continued)*

4.2 Credit risk *(continued)*

Exposure to credit risk *(continued)*

Impaired loans

Individually impaired loans are loans and advances (other than those carried at fair value through profit or loss) for which the Group determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan. These loans are graded 13 and 14 in the Group's internal credit risk grading system.

Past due but not impaired loans

Past due but not impaired loans, are those for which contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Write off policy

The Group writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when Group Credit determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status.

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are updated annually for commercial properties and every three years for residential properties during the life of the loan until the loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowed activity. Collateral usually is not held against investment securities, and no such collateral was held at the current or previous reporting date.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

4. **Financial risk management** *(continued)*

4.2 Credit risk *(continued)*

An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers and banks is shown below:

	Group		Company	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000
Collateral at fair value				
Against individually impaired:				
Property	51 529	16 989	51 529	16 989
Cash	1 253	753	1 253	753
Others	9 263	62 509	9 263	62 509
Total	**62 045**	**80 251**	**62 045**	**80 251**
Against past due but not impaired:				
Property	266 668	145 601	266 668	145 601
Cash	69 843	59 281	69 843	59 281
Other	467	146 094	467	146 094
Total	**336 978**	**350 976**	**336 978**	**350 976**
Against neither past due nor impaired:		-		
Property	1 320 957	1 436 469	1320 957	1 436 469
Cash	21 834	47 787	21 834	47 787
Others	133 195	493 160	133 195	493 160
Total	**1 475 986**	**1 977 416**	**1 475 986**	**1 977 416**
Collateral not at fair value				
Breakdown of guarantees				
Government guarantees	411 584	300 000	411 584	300 000
Non-Government guarantees	1 184 762	1 507 371	1 184 762	1 507 371
Total	**1 596 346**	**1 807 371**	**1 596 346**	**1 807 371**
Total collateral held	**3 471 355**	**4 216 014**	**3 471 355**	**4 216 014**

Notes to the financial statements

(continued)

for the year ended 31 December 2016

4. Financial risk management *(continued)*

4.2 Credit risk *(continued)*

The bank monitors concentration of credit risk by sector. Analysis of concentration of credit risk as at the reporting date is disclosed below:

	Group		Company	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000
Segmental analysis by industry				
Finance and insurance	348 581	244 781	348 581	244 781
Construction	243 053	69 694	243 053	69 694
Manufacturing	989 176	606 393	989 176	606 393
Trade, restaurant and bars	363 796	626 338	363 796	626 338
Community, social and personal services	380 564	175 548	380 564	175 548
Transport	5 936	10 055	5 936	10 055
Households	5 561 858	5 601 463	5 561 858	5 601 463
	7 892 964	**7 334 272**	**7 892 964**	**7 334 272**

Credit concentration risk in Corporate & Institutional Banking segment and Commercial Banking segment is managed through the use of various concentration dimensions that include industry sector, geographic spread, credit rating, customer segment and exposure to single counterparties or groups of related counterparties.

Credit concentration risk in Retail Banking segment is managed within exposure limits set for each product segment. These limits are reviewed at least annually and are approved by the responsible business and risk officers in accordance with their delegated authority level.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

4. **Financial risk management** *(continued)*

4.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Group'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, both under stressed and normal conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the Assets and Liabilities Committee (ALCO), which has been mandated by the Board of Directors. Daily reports cover the liquidity position of both the Group and operating subsidiaries. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Group relies on deposits from customers and banks, and issued debt securities and subordinated liabilities as its primary sources of funding. While the Group's debt securities and subordinated liabilities have maturities of over one year, deposits from customers and banks generally have shorter maturities and a large proportion of them are repayable on demand. The short-term nature of these deposits increases the Group's liquidity risk and the Group actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by the Bank of Botswana. This limit requires that total liquid assets divided by total customer deposits must be at least 10%.

Liquidity ratio has been assessed as noted below:

	Group		Company	
	2016	2015	2016	2015
	P'000	P'000	P'000	P'000
Total liquid assets	2 689 824	1 945 291	2 689 824	1 945 291
Total customer deposits	11 274 880	11 150 523	11 274 880	11 117 723
Ratio	**24%**	**17%**	**24%**	**17%**

Notes to the financial statements
(continued)

for the year ended 31 December 2016

4. **Financial risk management** *(continued)*

4.3 **Liquidity risk** *(continued)*

Maturity analysis

Group - 31 December 2016

	Carrying amount P'000	Gross nominal inflow P'000	Less than 1 month P'000	1-3 months P'000	3-12 years P'000	1-5 years P'000	More than 5 years P'000
Financial assets by type							
Non-Derivate assets							
Cash and balances with the Central Bank	1 066 099	1 066 099	1 066 099	-	-	-	-
Loans and advances to banks	2 092 855	2 092 855	2 092 855	-	-	-	-
Investment securities	2 783 872	2 783 872	1 404 752	299 763	-	1 079 357	-
Loans and advance to customers	7 659 996	7 659 996	1 074 900	691 460	626 556	2 981 483	2 285 597
Total assets due from customers and banks	**13 602 822**	**13 602 822**	**5 638 606**	**991 223**	**626 556**	**4 060 840**	**2 285 597**
Other assets	169 275	169 275	169 275	-	-	-	-
Non-financial assets	103 107	-	-	-	-	-	-
Total assets	**13 875 204**	**13 772 097**	**5 807 581**	**991 223**	**626 556**	**4 060 840**	**2 285 597**

Notes to the financial statements
(continued)

for the year ended 31 December 2016

4. Financial risk management *(continued)*

4.3 Liquidity risk *(continued)*

Maturity analysis *(continued)*

Company - 31 December 2016

	Carrying amount P'000	Gross nominal inflow P'000	Less than 1 month P'000	1-3 months P'000	3-12 years P'000	1-5 years P'000	More than 5 years P'000
Financial assets by type							
Non-derivative assets							
Cash and balances with the Central Bank	1 063 914	1 063 914	1 063 914	-	-	-	-
Loans and advances to banks	2 058 304	2 058 304	2 058 304	-	-	-	-
Investment securities	2 783 872	2 783 872	1 404 752	299 763	-	1 079 357	-
Loans and advances to customers	7 659 996	7 659 996	1 074 900	691 460	626 556	2 981 483	2 285 597
Total assets due from customers and banks	**13 566 086**	**13 566 086**	**5 601 870**	**991 223**	**626 556**	**4 060 840**	**2 285 597**
Other assets	163 962	163 962	163 962	-	-	-	-
Non-financial assets	100 878	-	-	-	-	-	-
Total assets	**13 830 926**	**13 730 048**	**5 765 832**	**991 223**	**626 556**	**4 060 840**	**2 285 597**

Notes to the financial statements
(continued)

for the year ended 31 December 2016

4. Financial risk management *(continued)*

4.3 Liquidity risk *(continued)*

Maturity analysis *(continued)*

Group - 31 December 2016

	Carrying amount P'000	Gross nominal outflow P'000	Less than 1 month P'000	1-3 months P'000	3-12 years P'000	1-5 years P'000	More than 5 years P'000
Financial liability by type							
Non-derivative liability							
Demand deposit	7 113 605	(7 113 605)	(7 113 605)	-	-	-	-
Term deposits accounts	4 161 275	(4 161 275)	(1 747 736)	(915 480)	(1 165 157)	(332 902)	-
Deposits to banks	701 048	(701 048)	(701 048)	-	-	-	-
Total liabilities to customers and banks	**11 975 928**	**(11 975 928)**	**(9 562 389)**	**(915 480)**	**(1 165 157)**	**(332 902)**	**-**
Senior and subordinated debt	686 260	(686 260)	-	-	-	(50 000)	(636 260)
Other liabilities	184 919	(184 919)	(184 919)	-	-	-	-
Non-financial liabilities	10 115	-	-	-	-	-	-
Total liabilities	**12 857 222**	**(12 847 107)**	**(9 747 308)**	**(915 480)**	**(1 165 157)**	**(382 902)**	**(636 260)**

Notes to the financial statements
(continued)

for the year ended 31 December 2016

4. **Financial risk management** *(continued)*

4.3 Liquidity risk *(continued)*

Maturity analysis *(continued)*

Company - 31 December 2016

	Carrying amount P'000	Gross nominal outflow P'000	Less than 1 month P'000	1-3 months P'000	3-12 years P'000	1-5 years P'000	More than 5 years P'000
Financial liability by type							
Non-derivative liability							
Demand deposit	7 113 605	(7 113 605)	(7 113 605)	-	-	-	-
Term deposits accounts	4 161 275	(4 161 275)	(1 747 736)	(915 480)	(1 165 157)	(332 902)	-
Deposits from banks	663 826	(663 826)	(663 826)	-	-	-	-
Total liabilities to customers and banks	**11 938 706**	**(11 938 706)**	**(9 525 167)**	**(915 480)**	**(1 165 157)**	**(332 902)**	**-**
Senior and subordinated debt	686 260	(686 260)	-	-	-	(50 000)	(636 260)
Other liabilities	175 553	(175 553)	(175 553)	-	-	-	-
Non-financial liabilities	10 115	-	-	-	-	-	-
Total liabilities	**12 810 634**	**(12 800 519)**	**(9 700 720)**	**(915 480)**	**(1 165 157)**	**(382 902)**	**(636 260)**

Notes to the financial statements
(continued)

for the year ended 31 December 2016

4. Financial risk management *(continued)*

4.3 Liquidity risk *(continued)*

Maturity analysis *(continued)*

Group - 31 December 2015

	Carrying amount P'000	Gross nominal outflow P'000	Less than 1 month P'000	1-3 months P'000	3-12 years P'000	1-5 years P'000	More than 5 years P'000
Financial assets by type							
Non-derivative assets							
Cash and balances with the Central Bank	1 139 254	1 139 254	1 139 254	-	-	-	-
Loans and advances to banks	2 226 840	2 226 840	2 226 840	-	-	-	-
Investment securities	2 308 814	2 308 814	1 579 611	-	-	566 757	162 446
Loans and advances to customers	7 188 009	7 188 009	883 692	200 231	407 392	3 411 440	2 285 254
Total assets due from customers and banks	**12 862 917**	**12 862 917**	**5 829 397**	**200 231**	**407 392**	**3 978 197**	**2 447 700**
Other assets	166 942	166 942	166 942	-	-	-	-
Non-financial assets	100 144	-	-	-	-	-	-
Total assets	**13 130 003**	**13 029 859**	**5 996 339**	**200 231**	**407 392**	**3 978 197**	**2 447 700**

Notes to the financial statements
(continued)
for the year ended 31 December 2016

4. **Financial risk management** *(continued)*

4.3 Liquidity risk *(continued)*

Maturity analysis *(continued)*

Company - 31 December 2015

	Carrying amount P'000	Gross nominal outflow P'000	Less than 1 month P'000	1-3 months P'000	3-12 years P'000	1-5 years P'000	More than 5 years P'000
Financial assets by type							
Non-derivative assets							
Cash and balances with the Central Bank	1 138 000	1 138 000	1 138 000	-	-	-	-
Loans and advances to banks	2 175 521	2 175 521	2 175 521	-	-	-	-
Investment securities	2 308 814	2 308 814	1 579 611	-	-	566 757	162 446
Loans and advances to customers	7 188 009	7 188 009	883 692	200 231	407 392	3 411 440	2 285 254
Total assets due from customers and banks	**12 810 344**	**12 810 344**	**5 776 824**	**200 231**	**407 392**	**3 978 197**	**2 447 700**
Other assets	166 942	166 942	166 942	-	-	-	-
Non-financial assets	98 211	-	-	-	-	-	-
Total assets	**13 075 497**	**12 977 286**	**5 943 766**	**200 231**	**407 392**	**3 978 197**	**2 447 700**

Notes to the financial statements
(continued)

for the year ended 31 December 2016

4. Financial risk management *(continued)*

4.3 Liquidity risk *(continued)*

Maturity analysis *(continued)*

Group - 31 December 2015

	Carrying amount P'000	Gross nominal outflow P'000	Less than 1 month P'000	1-3 months P'000	3-12 months P'000	1-5 years P'000	More than 5 years P'000
Financial liability by type							
Non-derivative liability							
Demand deposit	6 646 460	(6 646 460)	(6 646 460)	-	-	-	-
Term deposits accounts	3 219 525	(3 219 525)	(1 316 228)	(701 185)	(919 951)	(282 161)	-
Deposits to banks	1 284 538	(1 284 538)	(1 284 538)	-	-	-	-
	11 150 523	**(11 150 523)**	**(9 247 226)**	**(701 185)**	**(919 951)**	**(282 161)**	**-**
Senior and subordinated debt	686 260	(686 260)	-	-	-	(50 000)	(636 260)
Other liabilities	238 174	(238 174)	(238 174)	-	-	-	-
Non-financial liabilities	13 765	-	-	-	-	-	-
Total liabilities	**12 088 722**	**(12 074 957)**	**(9 485 000)**	**(701 185)**	**(919 951)**	**(332 161)**	**(636 260)**

Notes to the financial statements
(continued)

for the year ended 31 December 2016

4. **Financial risk management** *(continued)*

4.3 Liquidity risk *(continued)*

Maturity analysis *(continued)*

Company - 31 December 2015

	Carrying amount P'000	Gross nominal outflow P'000	Less than 1 month P'000	1-3 months P'000	3-12 months P'000	1-5 years P'000	More than 5 years P'000
Financial liability by type							
Non-derivative liability							
Demand deposit	6 646 460	(6 646 460)	(6 646 460)	-	-	-	-
Term deposits accounts	3 219 525	(3 219 525)	(1 316 228)	(701 185)	(919 951)	(282 161)	-
Deposits from banks	1 251 738	(1 251 738)	(1 251 738)	-	-	-	-
	11 117 723	**(11 117 723)**	**(9 214 426)**	**(701 185)**	**(919 951)**	**(282 161)**	**-**
Senior and subordinated debt	686 260	(686 260)	-	-	-	(50 000)	(636 260)
Other liabilities	221 073	(221 073)	(221 073)	-	-	-	-
Non-financial liabilities	12 765	-	-	-	-	-	-
Total liabilities	**12 038 821**	**(12 025 056)**	**(9 449 264)**	**(701 185)**	**(919 951)**	**(332 161)**	**(636 260)**

Notes to the financial statements
(continued)

for the year ended 31 December 2016

4. Financial risk management *(continued)*

4.4 Operational risk

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

The objective of the Group is to manage operational risks so as to balance the avoidance of financial losses and damages to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The Group seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each department. The responsibility is supported by the development of overall standards in the Group for the management of operational risks 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
- risk mitigation, including insurance where this is effective

Compliance with operational risk policies and procedures is the responsibility of all managers. Country Operational Risk Committee (CORC) has the governance responsibility for ensuring that an appropriate and robust risk management framework is in place to monitor and manage operational risk.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Group Internal Audit. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee.

4.5 Capital management

Bank of Botswana sets and monitors the capital requirements for the Bank and requires the Bank to maintain a minimum capital adequacy ratio of 15 percent of risk-weighted assets (RWA). The Group's policy is to maintain a strong capital base to maintain investors, creditors and market confidence and to sustain the future developments of the business. There were no branches to this requrement in the current or present year.

The Group's regulatory capital is analysed in two parts:-

- Tier I capital, which includes stated capital, retained earnings, accumulated other comprehensive income and other disclosed reserves,common shares issued by consolidated subsidiaries of a bank and held by third parties, regulatory adjustments applied in the calculation of CET1 capital.
- Tier II capital, which includes property revaluation reserve and loan loss reserve.

The calculation of both the above ratios is as follows:

Notes to the financial statements *(continued)*

for the year ended 31 December 2016

4. Financial risk management *(continued)*

4.5 Capital management *(continued)*

	2016 Per Basel II P'000	2015 Per Basel I P'000
Company		
Capital adequacy		
Core capital		
Stated capital	179 273	179 273
Other revenue reserves	665 926	796 880
Capital contribution	28 213	28 213
Statutory credit risk reserve	19 152	-
Less goodwill and intangible assets	(42 895)	(46 213)
	849 669	**958 153**
Supplementary capital		
Current years' unpublished profits	86 633	-
Revaluation reserve	-	3 164
Available-for-sale reserve	-	8 880
Credit risk reserve	-	8 223
Non-specific impairment	73 723	47 036
Subordinated debt	622 260	447 535
	1 632 285	**1 472 991**
Risk weighted assets		
Credit	6 291 691	-
Market	133 150	-
Operational	995 374	-
Balance sheet items	-	7 419 185
Off-balance sheet items	-	15 826
	7 420 215	**7 435 011**
Capital adequacy ratio	**22.0%**	**19.8%**

During the year, P120 million dividends were declared and paid (2015: P169 million).

4.6 Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, equity prices and credit spreads (not relating to changes in the obligor/issuer's credit standing) will affect the Group's income or the value of its holding of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Exposure to market risks

The principal tool used to measure and control market risk exposure within the Group's trading portfolios is Value at Risk (VaR). The VaR of trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based upon a 99 percent confidence level and assumes a 8-day holding period.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

4. Financial risk management *(continued)*

4.6 Market risk *(continued)*

Exposure to market risks (continued)

The VaR model used is based mainly on historical simulation. Taking account of market data from the previous two years, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- An 8-day holding period assumes that it is possible to hedge or dispose of positions within that period. This may not be the case for certain highly illiquid assets or in situations in which there is severe general market illiquidity.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

The VaR measure is dependent upon the Group's position and the volatility of market prices. The VaR of an unchanged position reduces if market price volatility declines and vise versa.

The Group uses VaR limits for total market risk and specific foreign exchange, interest rate, equity, credit spread and other price risks. The overall structure of VaR limits is subject to review and approval by ALCO. VaR limits are allocated to trading portfolios. VaR is measured at least daily and more regularly for more actively traded portfolios. Daily reports of utilisation of VaR limits are submitted to Market Risk department and regular summaries are submitted to ALCO.

A summary of the VaR position of the Group's trading portfolios at 31 December and during the period is as follows:

	At 31 December P'000	Average P'000	Maximum P'000	Minimum P'000
2016				
Foreign currency risk	8	75	190	7
Interest rate risk	683	618	1 018	237
Overall	**691**	**693**	**1 208**	**244**
2015				
Foreign currency risk	47	86	899	35
Interest rate risk	604	642	1 324	118
Overall	**651**	**728**	**2 223**	**153**

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios, such as periods of prolonged market illiquidity on individual trading portfolios and the Group's overall position.

Notes to the financial statements *(continued)*

for the year ended 31 December 2016

4. Financial risk management *(continued)*

4.6 Market risks *(continued)*

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Treasury department in its day-to-day monitoring activities.

Exposure to interest rate risk

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are on a monthly basis include a 100 basis point parallel fall or rise in yield curves worldwide and a 50 basis points rise or fall in greater than 12-month portion of yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

Group and Company - 31 December 2016

			Fixed rate instruments					
	Zero rate P'000	Floating rate P'000	*0 – 1 month* P'000	*1 – 3 months* P'000	*3 – 12 months* P'000	*1 to 5 years* P'000	*Over 5 years* P'000	*Total* P'000
Total assets	1 338 481	11 457 366	-	-	-	1 079 357	-	13 875 204
Total liabilities and equity	(2 988 065)	(6 548 304)	(1 747 736)	(915 480)	(1 165 157)	(382 902)	(127 560)	(13 875 204)
Net mismatch	**(1 649 584)**	**4 909 062**	**(1 747 730)**	**(915 480)**	**(1 165 157)**	**696 455**	**(127 560)**	**-**

Interest sensitivity gap

Impact of increase in interest rates:	
50 basis points	24 545
+1%	49 091

Group and Company 31 December 2015

			Fixed rate instruments					
	Zero rate P'000	Floating rate P'000	*0 – 1 month* P'000	*1 – 3 months* P'000	*3 – 12 months* P'000	*1 to 5 years* P'000	*Over 5 years* P'000	*Total* P'000
Total assets	1 404 401	10 996 399	-	-	-	566 757	162 446	13 130 003
Total liabilities and equity	(1 368 407)	(11 584 036)	-	-	-	(50 000)	(127 560)	(13 130 003)
Net mismatch	**35 994**	**(587 637)**	**-**	**-**	**-**	**516 757**	**34 886**	**-**

Interest sensitivity gap

Impact of increase in interest rates	
50 basis points	2 938
+1%	5 876

A decrease in interest rates is seen to have an equal and opposite effect on profits and equity as noted above. Fixed and zero rate instruments are by their very nature not affected by a change in interest rates.

Notes to the financial statements

(continued)

for the year ended 31 December 2016

4. Financial risk management *(continued)*

4.7 Foreign exchange rate risk management

The responsibilities of Financial Markets department include monitoring of foreign exchange risk. Foreign exchange rate risk is the potential impact of adverse currency rates movements on earnings and economic value. This involves the risk of the Group incurring financial loss on settlement of foreign exchange positions taken in both the trading and banking books. The foreign exchange positions arise from the following activities:-

- Trading in foreign currencies through spot, forward and option transactions as a market maker or position taker, including the de-hedged position arising from customer driven foreign exchange transactions.
- Holding foreign currency position in the Bank's books (e.g. in the form of loans, deposits and cross border investment).

The Group's Financial Markets division is responsible for:

- Setting the foreign exchange risk management strategy and tolerance levels.
- Ensuring that effective risk management systems and internal controls are in place.
- Monitoring significant foreign exchange exposure.
- Ensuring that foreign exchange operations are supported by adequate management information systems which complement the risk management strategy.
- Reviewing the policies, procedures and currency limits regularly in line with changes in the economic environment.

The ALCO regularly monitors the controls put in place by the Group Financial Markets division, which are approved and reviewed by the Board from time to time.

The table below sets out principal structural foreign exchange exposures of the Group for only major currencies at 31 December 2016 and 2015.

Group and Company

	2016		2015	
	Assets / (liabilities) P'000	Sensitivity* P'000	Assets /(liabilities) P'000	Sensitivity* P'000
American Dollar	(592)	6	131	(1)
British Pound	137	(1)	(13)	-
Euro	17	-	69	(1)
South African Rand	(404)	4	29	-

* A 1% weakening of the Pula against the above currencies will decrease profit or loss by the amounts shown above. The analysis assumes that all other variables in particular interest rates, remain constant.

The strengthening of the Pula against the above currencies will have an opposite and equal effect on profit or loss and equity.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

4. **Financial risk management** *(continued)*

4.8 Financial assets and liabilities

The table below sets out the classification of each class of financial assets and liabilities, and fair value (excluding accrued interest):

	Note	Available for sale P'000	Loans and receivables P'000	Amortised cost P'000	Total carrying amount P'000	Fair value P'000
Group – 31 December 2016						
Cash and balances with central bank	15	-	1 066 099	-	1 066 099	1 066 099
Loans and advances to other banks	16	-	2 092 855	-	2 092 855	2 092 855
Investment securities	17	2 783 872	-	-	2 783 872	2 783 872
Loans and advances to customers	18	-	7 659 996	-	7 659 996	7 659 996
		2 783 872	**10 818 950**	**-**	**13 602 822**	**13 602 822**
Deposits from other banks	22	-	-	701 048	701 048	701 048
Deposits from customers	23	-	-	11 274 880	11 274 880	11 274 880
Senior and subordinated debt	24	-	-	686 260	686 260	686 260
		-	**-**	**12 662 188**	**12 662 188**	**12 662 188**
Company – 31 December 2016						
Cash and balances with central bank	15	-	1 063 914	-	1 063 914	1 063 914
Loans and advances to other banks	16	-	2 058 304	-	2 058 304	2 058 304
Investment securities	17	2 783 872	-	-	2 783 872	2 783 872
Loans and advances to customers	18	-	7 659 996	-	7 659 996	7 659 996
		2 783 872	**10 782 214**	**-**	**13 566 086**	**13 566 086**
Deposits from other banks	22	-	-	663 826	663 826	663 826
Deposits from customers	23	-	-	11 274 880	11 274 880	11 274 880
Senior and subordinated liabilities	24	-	-	686 260	686 260	686 260
		-	**-**	**12 624 966**	**12 624 966**	**12 624 966**

Notes to the financial statements
(continued)

for the year ended 31 December 2016

4. Financial risk management *(continued)*

4.8 Financial assets and liabilities *(continued)*

The table below sets out the classification of each class of financial assets and liabilities, and fair value (excluding accrued interest):

	Note	Available for sale	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
		P'000	P'000	P'000	P'000	P'000
Group – 31 December 2016						
Cash and balances with central bank	15	-	1 139 254	-	1 139 254	1 139 254
Loans and advances to banks	16	-	2 226 840	-	2 226 840	2 226 840
Investment securities	17	2 308 814	-	-	2 308 814	2 308 814
Loans and advances to customers	18	-	7 188 009	-	7 188 009	7 188 009
		2 308 814	**10 554 103**	**-**	**12 862 917**	**12 862 917**
Deposits from banks	22	-	-	1 284 538	1 284 538	1 284 538
Deposits from customers	23	-	-	9 865 985	9 865 985	9 865 985
Senior and subordinated debt	24	-	-	686 260	686 260	686 260
		-	**-**	**11 836 783**	**11 836 783**	**11 836 783**
Company – 31 December 2015						
Cash and balances with central bank	15	-	1 138 000	-	1 138 000	1 138 000
Loans and advances to banks	16	-	2 175 521	-	2 175 521	2 175 521
Investment securities	17	2 308 814	-	-	2 308 814	2 308 814
Loans and advances to customers	18	-	7 188 009	-	7 188 009	7 188 009
		2 308 814	**10 501 530**	**-**	**12 810 344**	**12 810 344**
Deposits from banks	22	-	-	1 251 738	1 251 738	1 251 738
Deposits from customers	23	-	-	9 865 985	9 865 985	9 865 985
Senior and subordinated debt	24	-	-	686 260	686 260	686 260
		-	**-**	**11 803 983**	**11 803 983**	**11 803 983**

The carrying amounts of financial assets and liabilities are representative of the Company's position at 31 December 2016 and are in the opinion of the directors not significantly different from their respective fair values due to generally short periods to maturity dates and market related interest rates. Fair values are generally determined using valuation techniques or, where available, published price quotations from an active market.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

4. Financial risk management *(continued)*

4.8 Financial assets and liabilities *(continued)*

Fair value measurement

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurement:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models for investment securities classified as level 2 (see below table), comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management's judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

4. Financial risk management *(continued)*

4.8 Financial assets and liabilities *(continued)*

Fair value measurement (continued)

The Group has an established control framework with respect to the measurement of fair values. This framework includes a Product Control function, which is independent of front office management and reports to Global Markets Department, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include: verification of observable pricing inputs and re-performance of models involving both Product Control and Group Market Risk; calibration and back testing of models involving Group Market Risk personnel; and reporting of significant valuation issues to the Group Audit Committee.

The table below analyses financial and non-financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Note	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
31 December 2016					
Land and buildings		-	-	22 262	22 262
Investment securities	17	-	1 079 357	-	1 079 357
31 December 2015					
Land and buildings		-	-	26 998	26 998
Investment securities	17	-	729 203	-	729 203

Notes to the financial statements
(continued)

for the year ended 31 December 2016

	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
5. Interest income				
Amortised cost:				
Loans and advances to customers	697 014	747 703	697 014	747 703
Balances with banks	54 903	40 527	54 903	40 527
Available for sale:				
Investment securities	55 550	68 653	55 550	68 653
	807 467	**856 883**	**807 467**	**856 883**
6. Interest expense				
Amortised cost:				
Amounts due to banks	22 309	29 493	22 309	29 493
Senior and subordinated debt	38 915	30 790	38 915	30 790
Amounts due to customers	212 121	325 334	207 073	325 334
	273 345	385 617	268 297	385 617
7. Fee and commission income				
Fiduciary activities	16 801	17 208	16 801	17 208
Financial assets and liabilities at amortised cost	225 476	208 792	225 476	208 929
Insurance brokerage	49 274	54 429	-	-
	291 551	**280 429**	**242 277**	**226 137**
8. Net trading income				
Foreign currency	122 606	156 257	121 673	154 852
Trading securities	955	237	955	237
	123 561	**156 494**	**122 628**	**155 089**

Notes to the financial statements
(continued)

for the year ended 31 December 2016

	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
9. Net impairment loss on loans and advances				
Specific impairment	121 561	135 242	121 561	135 242
Portfolio impairment	26 687	5 802	26 687	5 802
Recoveries	(30 739)	(35 696)	(30 739)	(35 696)
Charge per profit or loss	**117 509**	**105 348**	**117 509**	**105 348**
Movement in specific impairments				
Balance at beginning of the year	99 227	24 936	99 227	24 936
Charge for the year to profit or loss	121 561	135 242	121 561	135 242
	220 788	**160 178**	**220 788**	**160 178**
Write-offs during the year	(55 325)	(55 064)	(55 325)	(55 064)
Allowance no longer required	(6 218)	(5 887)	(6 218)	(5 887)
Balance at end of the year	**159 245**	**99 227**	**159 245**	**99 227**
Movement in non-specific impairments				
Balance at beginning of the year	47 036	41 234	47 036	41 234
Charge for the year per profit or loss	26 687	5 802	26 687	5 802
Balance at end of the year	**73 723**	**47 036**	**73 723**	**47 036**
Total specific and non-specific impairment at end of year	**232 968**	**146 263**	**232 968**	**146 263**

Notes to the financial statements
(continued)

for the year ended 31 December 2016

	Group		Company	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000
10. Employee benefits				
Salaries and wages	212 015	194 476	212 015	194 476
Pension fund costs	12 740	12 810	12 740	12 810
Restructuring costs	2 743	12 669	2 743	12 669
	227 498	**219 955**	**227 498**	**219 955**
11. Administration expenses				
Audit fees	1 648	2 077	1 648	2 077
Consultancy costs	5 680	5 953	5 680	5 953
Directors' fees	522	517	522	517
Repairs and maintenance	15 251	16 391	15 251	16 391
Communication costs	20 702	20 496	20 702	20 496
Group recharges	248 248	248 645	248 248	248 645
Advertising and sponsorship	6 730	8 881	6 730	8 881
Technical support	4 794	6 732	4 794	6 732
Printing and stationery	6 899	8 689	6 899	8 689
Security	19 669	17 575	19 669	17 575
VAT and withholding tax	45 374	53 194	45 374	53 194
Other expenses	39 678	36 566	30 895	27 239
	415 195	**425 716**	**406 412**	**416 389**
12. Income taxation				
Taxation charge for the year:				
Current taxation charge	32 296	19 436	23 380	9 239
Current taxation prior year under provision	17	-	17	-
Deferred tax charge	(8 450)	(4 066)	(8 450)	(4 066)
Deferred tax charge prior year under provision	-	5 890	-	5 890
	23 863	**21 260**	**14 947**	**11 063**

Notes to the financial statements
(continued)

for the year ended 31 December 2016

	Group		Company	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000
12. Income taxation *(continued)*				
Profit before tax	103 581	68 651	101 580	74 146
Taxation reconciliation:				
Taxation at statutory rate of 22%	22 789	15 103	22 348	16 312
Non-deductible expenses	1 057	267	144	271
Exempt income-dividend income	-	-	(7 562)	(11 410)
Prior year current tax adjustment	17	-	17	-
Prior year deferred tax under provision	-	5 890	-	5 890
Taxation per profit or loss	23 863	21 260	14 947	11 063
13. Dividends				
Dividend declared and paid	120 026	169 134	120 026	169 134
Calculated dividend per share (Thebe)	40.23	56.69		

Dividends per share is based upon the dividends declared and paid in the year on the 298 350 611 issued ordinary shares.

14. Earnings per share

The calculation of basic earnings per share at the reporting date was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares issued. There are no dilutive potential ordinary shares held atthe current or previous reporting dates.

	Group	
	2016 P'000	2015 P'000
Profit attributable to ordinary shareholders	79 718 000	47 391 000
Weighted average number of ordinary shares	298 350 611	298 350 611
Calculated earnings per share (Thebe)	26.72	15.88

	Group		Company	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000
15. Cash and balances with central bank	1 066 099	1 139 254	1 063 914	1 138 000

Included in the balances with the central bank is an amount of P426 262 000 (2015: P458 939 000) which is restricted minimum statutory reserve balance not available for the Group's daily operations.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	P'000	P'000	P'000	P'000
16. Loans and advances to banks				
Bank balances	4 116	11 166	4 116	11 166
Placements and other investments	2 088 739	2 215 674	2 054 188	2 164 355
	2 092 855	**2 226 840**	**2 058 304**	**2 175 521**

Placements and other investments due from other banks are part of the Bank's money market activities and comprise short term lending to other banks.

	Group		Company	
	2016	2015	2016	2015
	P'000	P'000	P'000	P'000
17. Investment securities				
Bank of Botswana Certificates	1 704 515	1 579 611	1 704 515	1 579 611
Government bonds	1 079 357	729 203	1 079 357	729 203
	2 783 872	**2 308 814**	**2 783 872**	**2 308 814**

At the reporting date, government bonds amounting to P305 000 000 (2015: P305 000 000) were pledged as security to Bank of Botswana in respect of the Bank's Secured Lending Facility. Government bonds are quoted on the Botswana Stock Exchange.

	Group		Company	
	2016	2015	2016	2015
	P'000	P'000	P'000	P'000
18. Loans and advances to customers				
Loans and advances – originated	7 892 964	7 334 272	7 892 964	7 334 272
Less: allowance for impairment (note 9)	(232 968)	(146 263)	(232 968)	(146 263)
	7 659 996	**7 188 009**	**7 659 996**	**7 188 009**

Notes to the financial statements

(continued)

for the year ended 31 December 2016

19. Property and equipment – Group and Company

	Land and buildings P'000	Equipment P'000	Motor vehicles P'000	Furniture, fixtures and fittings P'000	Capital work in progress P'000	Total P'000
2016						
Cost or valuation						
At 01 January 2016	35 982	72 413	595	10 710	433	120 133
Revaluation of property	22 262	-	-	-	-	22 262
Additions	-	-	-	108	5 516	5 624
At 31 December 2016	**58 244**	**72 413**	**595**	**10 818**	**5 949**	**148 019**
Accumulated depreciation						
At 1 January 2016	(8 984)	(68 462)	(595)	(8 408)	-	(86 449)
Charge for the year – profit or loss	(2 009)	(2 267)	-	(1 081)	-	(5 357)
At 31 December 2016	**(10 993)**	**(70 729)**	**(595)**	**(9 489)**	**-**	**(91 806)**
Net book value	**47 251**	**1 684**	**-**	**1 329**	**5 949**	**56 213**

	Land and buildings P'000	Equipment P'000	Motor vehicles P'000	Furniture, fixtures and fittings P'000	Capital work in progress P'000	Total P'000
2015						
Cost or valuation						
At 01 January 2015	35 982	71 570	595	10 710	376	119 233
Additions	-	843	-	-	57	900
At 31 December 2015	**35 982**	**72 413**	**595**	**10 710**	**433**	**120 133**
Accumulated depreciation						
At 1 January 2015	(7 088)	(64 426)	(595)	(7 206)	-	(79 315)
Charge for the year – profit or loss	(1 896)	(4 036)	-	(1 202)	-	(7 134)
At 31 December 2015	**(8 984)**	**(68 462)**	**(595)**	**(8 408)**	**-**	**(86 449)**
Net book value	**26 998**	**3 951**	**-**	**2 302**	**433**	**33 684**

Land and buildings comprises of commercial and residential properties. Land and buildings is disclosed at valuation less accumulated depreciation and impairment.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

19. Property and equipment *(continued)* – Group and Company

Measurement of fair values

Fair value hierarchy

The fair value of the land and buildings was determined by Promanco Property Management Company (Pty) Ltd, an external independent valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The valuation was performed on 4 July 2016 . The valuer provides the fair value of the Group's land and buildings at least every three years; however the directors consider the fair value of land and buildings at each reporting date.

The fair value measurement of land and buildings has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of the land and buildings, as well as other unobservable inputs used:

Valuation technique unobservable	Significant unobservable inputs	Inter-relationship between key inputs and fair value measurement
• Comparable Method and Investment Method • Comparable Method and Investment Method	• Market yield of between 10 - 13% • Prime rentals of office space between P75-150/sq.m	The estimated fair value would increase/(decrease) if: • Higher/lower market yields • Increase/decrease in rental per sq.m

Notes to the financial statements
(continued)

for the year ended 31 December 2016

20. Intangible assets and goodwill - Group and Company

	Customer relationships P'000	Capitalised software P'000	Goodwill P'000	Capital work in progress P'000	Total P'000
2016					
Cost					
At beginning of year	94 684	22 068	29 880	-	146 632
Additions	-	14 907	-	-	14 907
At the end of the year	**94 684**	**36 975**	**29 880**	**-**	**161 539**
Amortisation and impairment losses					
At beginning of year	(65 016)	(16 782)	(18 621)	-	(100 419)
Amortisation for the year	(11 938)	(6 287)	-	-	(18 225)
At end of year	**(76 954)**	**(23 069)**	**(18 621)**	**-**	**(118 644)**
Net book value at 31 December 2016	**17 730**	**13 906**	**11 259**	**-**	**42 895**

	Customer relationships P'000	Capitalised software P'000	Goodwill P'000	Capital work in progress P'000	Total P'000
2015					
Cost					
At beginning of year	94 684	21 233	29 880	812	146 609
Transfers	-	812	-	(812)	-
Additions	-	23	-	-	23
At the end of the year	**94 684**	**22 068**	**29 880**	**-**	**146 632**
Amortisation and impairment losses					
At beginning of year	(53 078)	(12 724)	(18 621)	-	(84 423)
Amortisation for the year	(11 938)	(4 058)	-	-	(15 996)
At end of year	**(65 016)**	**(16 782)**	**(18 621)**	**-**	**(100 419)**
Net book value at 31 December 2015	**29 668**	**5 286**	**11 259**	**-**	**46 213**

Notes to the financial statements
(continued)

for the year ended 31 December 2016

20. Intangible assets and goodwill - Group and Company *(continued)*

No impairment loss on goodwill was recognised during 2016 (2015: Nil) because the recoverable amounts of the CGUs was determined to be higher than their carrying amount. The key assumptions used in calculation of value in use were as follows:

	2016 P'000	2015 P'000
Discount rate	7.0%	7.5%
Average growth rate in net cash flows	5%	5%
Inflation rate	3%	3%

The intangible assets relate to the assigned value of customer relationships acquired with the custodial and securities business, based on the estimated future streams of revenue derivable from these customers.

Goodwill arose on acquisition of the custody business in December 2010. The valuation of goodwill at year end was determined by comparing the carrying value of the assets concerned and their recoverable amount, which was calculated using the value in use basis. This is determined by discounting the future cash flows expected to be generated from the continuing use of the cash generating unit (CGU). Management forecasts projected revenue growth rates in line with past performance as adjusted to reflect the current economic climate.

Cash flow projections are extrapolated forward for periods of up to five years using steady long term forecast GDP growth rates and a terminal value determined based on long term earnings multiples. Cash flows are discounted using a pre-tax discount rate which reflects current market rates appropriate to the cash generating unit. Management believes that reasonable possible changes in any of the key assumptions on which the recoverable amount has been based would not cause the carrying amounts to exceed their recoverable amounts.

For the purpose of impairment testing, goodwill is allocated to the Group's CGU as follows:

	2016 P'000	2015 P'000
Custody Business (current net book value)	**16 195**	**17 984**

The Custody Business forms part of the Corporate and Institutional segment.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

	Group		Company	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000
21. Other assets				
Prepayments	2 715	3 274	2 715	3 274
Accrued income	131 192	116 667	131 192	116 667
Other receivables	35 368	47 001	30 055	47 001
	169 275	**166 942**	**163 962**	**166 942**
22. Deposits from other banks				
Bank balances	666 745	1 208 805	629 523	1 176 005
Placements	34 303	75 733	34 303	75 733
	701 048	**1 284 538**	**663 826**	**1 251 738**
23. Deposits from customers				
Demand deposits	7 113 606	6 646 460	7 113 606	6 646 460
Time deposits	4 161 274	3 219 525	4 161 274	3 219 525
	11 274 880	**9 865 985**	**11 274 880**	**9 865 985**
24. Senior and subordinated debt				
Local note issue (1)	70 000	70 000	70 000	70 000
Local note issue (2)	177 260	177 260	177 260	177 260
Senior debt	50 000	50 000	50 000	50 000
Subordinated debt	389 000	389 000	389 000	389 000
	686 260	**686 260**	**686 260**	**686 260**

Notes to the financial statements
(continued)

for the year ended 31 December 2016

24. Senior and subordinated debt *(continued)*

The terms and conditions of the subordinated notes and the Senior debt for both Group and Company are as follows:

Note information	Interest rate details	Year of maturity	2016 P'000	2015 P'000
Loan note issue (1)- This was raised through a new debt issued on 12 May 2011 as part of the P500 million Debt Issuance Programme and to be repaid no later than the tenth anniversary and no earlier than 5 years before that date.	Floating rate at the 91 day BOBC plus a margin of 130 basis point per annum thereafter.	12 May 2021	70 000	70 000
Loan note issue (2)- The notes were issued in two Tranches, Tranche (I) and Tranche (II) through a new debt issued on 27 June 2012 as part of the P500 million debt Issuance Programme.	Tranche (I) - Floating rate at the 91 day BOBC plus a margin of 150 basis points per annum.	27 June 2022	50 000	50 000
	Tranche (II) – Fixed interest rate of 8.20%	27 June 2022	127 260	127 260
Senior debt was issued on 20 December 2005. Interest is payable semi annually. Claims in respect of the loan capital and interest thereon are subordinate to the claims of other creditors and depositors.	Fixed interest rate of 10.50% per annum	20 Dec 2020	50 000	50 000
Subordinated debt issued for capital injection	4% above the 91 day BOBC rate	29 July 2025	389 000	389 000

The group has not had any default of principal or interest or breaches in respect to its senior surbodinated liability during the current or pervious reporting date.

	Group 2016 P'000	Group 2015 P'000	Company 2016 P'000	Company 2015 P'000
25. Current taxation refundable				
Opening balance refundable	(20 247)	(8 333)	(18 314)	(6 356)
Charge for the year	32 294	19 436	23 379	9 239
Prior year under provision	17	-	17	-
Income tax refunded	18 297	6 363	18 297	6 363
Income tax paid	(34 362)	(37 713)	(25 149)	(27 560)
Closing balance refundable	**(3 999)**	**(20 247)**	**(1 770)**	**(18 314)**

Notes to the financial statements
(continued)

for the year ended 31 December 2016

26. Deferred taxation

Group and company - 31 December 2016

	Net balance as at 01 Jan 2016 P'000	Recognised in profit or loss P'000	Recognised in equity P'000	Closing balance as at 31 Dec 2016 P'000
Property and equipment	1 067	(136)	-	931
Available for sale securities	5 009	-	(100)	4 909
Revaluation of property and equipment	-	-	4 898	4 898
Redundancy provision	-	(602)	-	(602)
Bonus provision	-	(4 194)	-	(4 194)
Intangible assets	7 689	(3 516)	-	4 173
	13 765	**(8 448)**	**4 798**	**10 115**

Group and company - 31 December 2015

	Net balance as at 01 Jan 2015 P'000	Recognised in profit or loss P'000	Recognised in equity P'000	Closing balance as at 01 Jan 2015 P'000
Property and equipment	1 956	(889)	-	1 067
Available for sale securities	5 009	-	-	5 009
Intangible assets	4 976	2 714	-	7 689
	11 941	**1 824**	**-**	**13 765**

Notes to the financial statements
(continued)

for the year ended 31 December 2016

	Group		Company	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000
27. Other liabilities				
Accruals	24 805	26 009	24 805	26 009
Restructuring provision*	2 743	12 669	2 743	12 669
Accounts payable	157 371	199 496	148 005	182 395
	184 919	**238 174**	**175 553**	**221 073**

Restructuring provision

The provision was taken in line with Group transformation strategy announced in November 2014. The key focus was to re-orientate the distribution channel, to significantly increase focus on client segments. The strategy will enable the Group to expand and deepen relationships in/with affluent segments in the fast-growing cities across their footprint and strengthen the Personal Banking space.

	Group		Company	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000
Restructuring provision				
Balance at the beginning of year	12 669	20 052	12 669	20 052
Provision made during the year	2 743	12 669	2 743	12 669
Payments used during the year	(12 669)	(20 052)	(12 669)	(20 052)
	2 743	**12 669**	**2 743**	**12 669**
28. Cash and cash equivalents				
Cash and bank balances with Central bank (note 15)	1 066 099	1 139 254	1 063 914	1 138 000
Balances due from other banks (note 16)	2 092 855	2 226 840	2 058 304	2 175 521
	3 158 954	**3 366 094**	**3 122 218**	**3 313 521**

Cash and cash equivalents include cash on hand, balances with central bank and placements with other banks with a maturity of less than 3 months and readily convertible into cash at no charge.

The Group held cash and cash equivalents of P3 159 million at 31 December 2016 (2015: P3 366 million) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with the central bank and other financial institution counterparties.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

29. Related parties

A number of banking transactions are entered into with related parties in the normal course of business. These transactions are carried out under mutually agreed terms and conditions at market rates. These include loans, deposits, foreign currency transactions group recharges and purchase of software.

(a) Balances and transactions with directors and key management personnel

The aggregate value of transactions, compensation and outstanding balances related to key management personnel for both Group and Company were as follows:

(i) Directors and key personnel compensation:

	2016 P'000	2015 P'000
Directors' fees-short term employee benefits	522	517
Directors and key management personnel compensation-short term employee benefits	18 384	16 686

Compensation of the Group's key management personnel includes, short term employee benefits and non-cash benefits as noted below (note 29 (ii))

(ii) Key management personnel and non executive director's balances:

	Assets		Liabilities	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000
Loans				
Auto, mortgages and personal	16 767	9 005	-	-
Other loans	-	3 458	-	-
Deposits	-	-	22 650	19 654
Guarantees and letters of credit	-	-	6 613	6 613

Translations with directors and other key management personnel are conducted at terms applicable to the Bank's customers. No impairment losses have been recorded against related party receivables.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

29. **Related parties** *(continued)*

(b) Balances and transactions with the holding company and with entities within Standard Chartered Group

Nature of related-party relationships

Standard Chartered Bank PLC is the holding company and the other companies transacted with are fellow subsidiaries.

	Group		Company	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000
Details of related party at year end are as follows:				
Balances due from:				
Standard Chartered Bank PLC	1 537 748	2 165 843	1 537 748	2 165 843
Standard Chartered Bank New York	104 967	-	104 967	-
Other group companies	220 927	2 610	220 927	2 610
	1 863 642	**2 168 453**	**1 863 642**	**2 168 453**
Balances due to:				
Standard Chartered Bank PLC	-	540 855	-	655 766
Standard Chartered Bank New York	42 056	21 608	42 056	21 608
Standard Chartered Bank Johannesburg	155 279	149 800	155 279	2 089
Other group companies	54 889	281	54 889	281
	252 224	**712 544**	**252 224**	**679 744**

Balances due to related companies are unsecured, carry variable interest rates, are short term in nature.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

29. Related parties *(continued)*

(b) Balances and transactions with the holding company and with entities within Standard Chartered Group *(continued)*

	Group		Company	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000
Interest income	48 492	30 659	48 492	30 659
Interest expense	31 949	22 951	31 949	7 773
Group recharges	248 248	248 645	248 248	248 645
Group share scheme expense	1 897	1 767	1 897	1 767
Directors' holding in company shares	606	560	606	560

Transactions with other entities in the Standard Chartered Group are in the ordinary course of business on mutually agreed terms and conditions.

30. Subsidiaries and other structured entities

The list below provides details of the subsidiaries of the Group:

	Ownership interest	
	2016	2015
Standard Chartered Bank Insurance Agency (Pty) Ltd	100%	100%
Standard Chartered Investment Services (Pty) Ltd	100%	100%
Standard Chartered Nominees (Pty) Ltd	100%	100%
Standard Chartered Botswana Education Trust	100%	100%

The Group has not provided any financial support or issued guarantees in favour of the subsidiaries. Standard Chartered Investment Services (Pty) Ltd and Standard Chartered Nominees (Pty) Ltd are dormant companies. Standard Chartered Insurance Agency (Pty) Ltd operates as an insurance agency for the Group and is managed from the Group's head office. Botswana Stanchart Education Trust is set up to promote educational activities.

31.Operating leases – Group and Company

	2016 P'000	2015 P'000
Long – term accrual	-	(322)
Short – term accrual	-	2 191
Total accrual	**-**	**1 869**
Minimum lease payments		
Cash flow within 1 year	12 791	16 767
Cash flow between 2 - 5 years	9 929	4 733
	22 720	21 500
Lease accrual	-	(1 869)
Future expenses	**22 720**	**19 631**

Operating leases relate to various buildings and ATM sites which the Group leases over varying periods with fixed escalation rates at an average of 8.5% per annum.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

	Group		Company	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000
32. Contingent liabilities and commitments				
Un-drawn commitments	1 804 534	692 446	1 804 534	692 446
Acceptances and letters of credit	10 680	3 865	10 680	3 865
Guarantees and standby letters of credit	850 779	1 275 437	850 779	1 275 437
	2 665 993	**1 971 748**	**2 665 993**	**1 971 748**

In the normal course of business, the Group is a party to financial investments with off-balance sheet risk to meet the financing needs of customers. These instruments involve, to varying degrees, elements of credit risk which are not reflected in the statement of financial position. The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amount of those instruments. A large majority of these expire without being drawn upon, and as a result the contracted nominal principle amounts are not representative of the actual future credit exposure or liquidity requirements of the Group.

Based upon the level of fees currently charged taking into account maturity and interest rates together with any change in the credit worthiness of counterparties since origination, the Group has determined that the fair value of contingent liabilities and un-drawn loan commitments is not material.

33. Fiduciary activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

These instruments are held in trust on behalf of customers and are therefore not treated as assets of the Bank and accordingly have not been included in the financial statements

	Group		Company	
	2016 P'000	2015 P'000	2016 P'000	2015 P'000
Assets held in custody	**16 194 939**	**17 983 877**	**16 194 939**	**17 983 877**

34. Events after reporting date

The directors are not aware of any matters or circumstances arising since the end of the financial year, not dealt with in this report or these financial statements that would significantly affect the operations of the Group or the results of its operations.

Notes to the financial statements
(continued)

for the year ended 31 December 2016

35. Segmental reporting

The Group has the following three strategic divisions, which are reportable segments. These divisions offer different products and services and are managed separately based on the Group's management and internal reporting structure.

- Corporate and Institutional Banking provides lending, trade finance, cash management, securities services, foreign exchange, risk management, capital raising, corporate finance solutions and advisory services to its customers. The segment focuses on deepening relationships with clients and providing them with solutions.
- Commercial Banking is a newly formed segment which the Bank intends on growing specifically in Middle Market clients and Medium Enterprises & High Value Small Business clients.
- Retail Banking provides a broad range of products and services to meet the borrowing, wealth management and transactions needs of individuals and small sized enterprises (SEs). While we maintain our strong hold on the Personal segment, more focus will be given to high net worth individuals and SEs paying particular attention to product innovation to attract and retain customers.

The Group's executive committee reviews the internal management reports at least monthly. Information related to each reportable segment is set out below. Segment profit before taxation as included in internal management reports reviewed by the Group's management committee is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments to other entities that operate within the same industries.

	Retail Banking P'000	Corporate and Institutional Banking P'000	Commercial Banking P'000	Total P'000
2016				
Profit or loss				
Net interest income	361 843	148 679	23 600	534 122
Non-interest income	236 724	106 783	30 225	373 732
Revenue – external sources	**598 567**	**255 462**	**53 825**	**907 854**
Impairment movement	(121 035)	19 845	(16 319)	(117 509)
Net interest income after impairment	**477 532**	**275 307**	**37 506**	**790 345**
Operating expenses	(387 664)	(198 465)	(100 636)	(686 764)
Profit/(loss) before taxation	**89 868**	**76 843**	**(63 130)**	**103 581**
Statement of financial position				
Investment securities	-	2 783 872	-	2 783 872
Loans and advances to customers	5 294 006	2 238 781	127 209	7 659 996
Other assets for reportable segments	16 364	3 411 010	3 962	3 431 336
Total assets for reportable segments	**5 310 370**	**8 433 663**	**131 171**	**13 875 204**
Deposits from non-bank customers	3 310 094	6 338 424	1 626 362	11 274 880
Other liabilities for reportable segments	10 478	1 564 861	7 003	1 582 342
Total liabilities for reportable segments	**3 320 572**	**7 903 285**	**1 633 365**	**12 857 222**

Notes to the financial statements
(continued)

for the year ended 31 December 2016

35. Segmental reporting (continued)

	Retail Banking P'000	Corporate and Institutional Banking P'000	Commercial Banking P'000	Total P'000
2015				
Profit or loss				
Net interest income	309 112	141 355	20 799	471 266
Non-interest income	237 671	140 869	30 187	408 727
Revenue – external sources	**546 783**	**282 224**	**50 986**	**879 993**
Impairment movement	(39 972)	(61 866)	(3 510)	(105 348)
Net interest income after impairment	**506 811**	**220 358**	**47 476**	**774 645**
Operating expenses	(352 939)	(282 026)	(71 029)	(705 994)
Profit/(loss) before taxation	**153 872**	**(61 668)**	**(23 553)**	**68 651**
Statement of financial position				
Investment securities	-	2 308 814	-	2 308 814
Loans and advances to customers	5 260 200	1 618 057	309 752	7 188 009
Other assets for reportable segments	17 327	3 611 658	4 195	3 633 180
Total assets for reportable segments	**5 277 527**	**7 538 529**	**313 947**	**13 130 003**
Deposits from non-bank customers	3 270 161	5 333 895	1 261 929	9 865 985
Other liabilities for reportable segments	14 719	2 198 181	9 837	2 222 737
Total liabilities for reportable segments	**3 284 880**	**7 532 076**	**1 271 766**	**12 088 722**

Notice to Members

for the year ended 31 December 2016

Notice is hereby given of the 42nd Annual General Meeting of members of Standard Chartered Bank Botswana Limited to be held at the President Hotel, Gaborone, Botswana on Thursday 29th June 2017 at 15:30 hrs for the following purposes;

Ordinary Business

1. To receive, consider and adopt the Chairman's report.
2. To receive, consider and adopt the Chief Executive Officer's report.
3. To receive, consider and approve the Annual Financial Statements for the year ended 31st December 2016, together with the Auditor's report therein.
4. To approve the payment of dividends for the year ended 31st December 2016.
5. To approve the 2017 remuneration for directors.
6. To re-elect as a Director Mr Ish Handa who retires by rotation and in accordance with Section 66 of the Constitution, and who being eligible, offers himself for re-election.
7. To note and approve the resignation of the Bank's Independent Non-Executive Director Mrs Kate Senye.
8. To approve the remuneration of the auditors for the year ended 31st December 2016.
9. To confirm appointment of KPMG as auditors of the Company for the year 2017.
10. To receive and consider questions and comments from shareholders.

A shareholder entitled to attend and vote may appoint a proxy to attend and vote for him/her on his/her behalf, and such proxy need not also be a shareholder of the Company. The instrument appointing such a proxy must be deposited with the Company Secretary at the registered office of the Company, 5th Floor Standard House, Queens Road, Main Mall, not less than 48 hours before the meeting.

By Order of the Board

Esther Mokgatlhe
Secretary

Proxy Form

Please complete in block letters

I/WE ____

Being a member of Standard Chartered Bank Botswana Limited, hereby appoint:

____ or failing him or her

____ or failing him or her

____ or failing him or her

The chairman of the meeting, as my proxy to vote on my behalf at the annual general meeting of the company to be held on the 29th June 2017

Unless otherwise indicated, my proxy may vote as he/she thinks fit.

Signature: __________________________ Date ____________________ 2017

Notes ____

____

____

____

____

1. Any alteration of this form must be initialled by the signatory
2. This form of proxy should be completed and returned so as to reach the Secretary of the company on the 5th floor, Standard House, The Mall, P O Box 496, Gaborone, no later than Monday 27th June 2017.


Stand
Charte


ard
red

Standard Chartered

Headquarters
5th Floor
Standard Chartered House
Main Mall
Gaborone, Botswana

P O Box 496,
Gaborone, Botswana

www.sc.com/bw