BBS Bank

Resilience, Opportunity & Reinvention

Annual Integrated Report

2025

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2025

Resilience, Opportunity & Reinvention

The cover design uses the powerful life cycle of a butterfly—from chrysalis to emergence—to visually express BBS Bank's strategic journey and organisational evolution.

1. Symbol of Resilience

The cocoon represents a period of protection, consolidation, and internal strengthening. Just as the chrysalis shields the transforming organism inside, the Bank has continued to safeguard stakeholder value while operating in a challenging economic climate. It signifies endurance, patience, and the quiet strength required to prepare for future growth.

2. Symbol of Opportunity

The moment just before emergence reflects a critical point where potential becomes visible. This stage captures the idea that opportunity often arises after periods of restructuring or internal realignment. The positioning of the cocoon on a branch suggests stability—an anchor point that allows new possibilities to take shape.

3. Symbol of Reinvention

The fully formed butterfly signifies transformation. Its vibrant colours communicate renewal, energy, and forward momentum. This reinforces the Bank's shift into its new era as a fully commercial institution—leaner, more agile, and more innovative.

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Highlights of Financial Performance

Gross Loans & Advances to Customers
P4.8 billion
(Dec 24: P4.7 billion)
▲ 1%

Customers' Deposits
P4.6 billion
(Dec 24: P4.5 billion)
▲ 2%

Total Assets
P5.6 billion
(Dec 24: P5.6 billion)
▲ 1%

Interest Income
P556.0 million
(Dec 24: P479.7 million)
▲ 16%

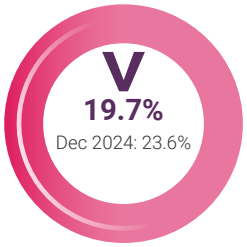
Interest Expense
P412.0 million
(Dec 24: P269.6 million)
▲ 16%

Operating Income
P182.2 million
(Dec 24: P260.6 million)
▼ -30%

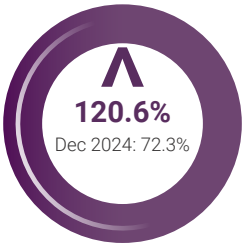
Total Expenses excluding ECL and Other impairments
P219.1 million
(Dec 24: P188.7 million)
▲ 16.1%

Profit/ (Loss) for the year
P(113.3) million
(Dec 24: P38.1 million)
▼ -397%

Key Financial Ratios

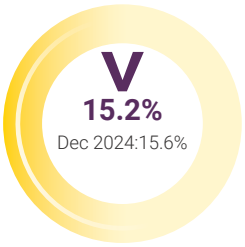


Capital Adequacy Ratio against Regulatory - 12.5%



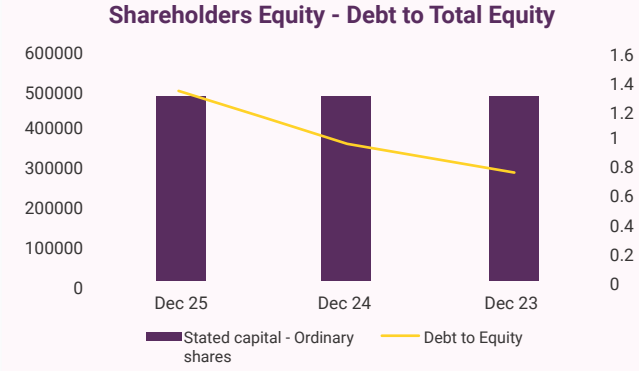
Cost to Income Ratio

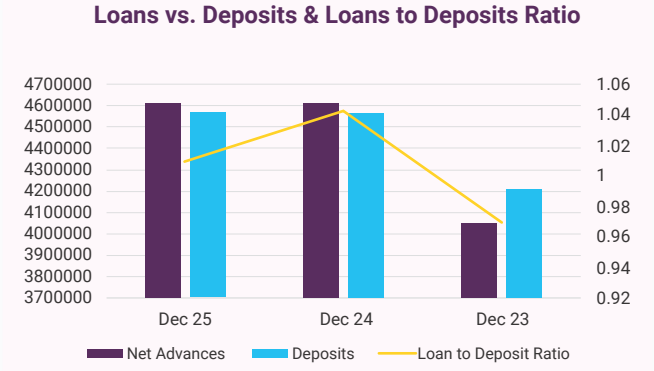
Loans to Deposit Ratio

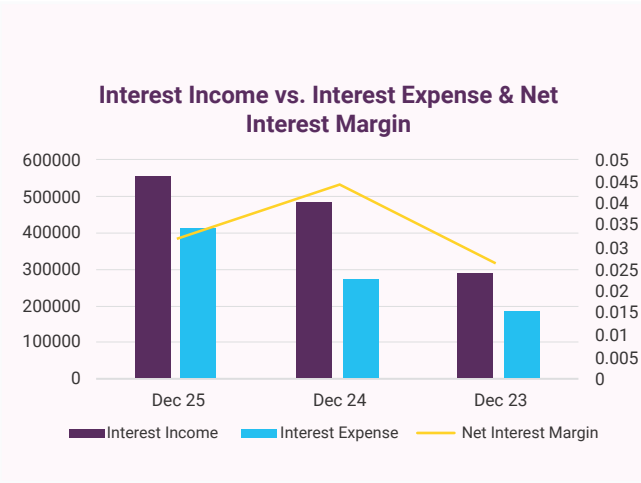


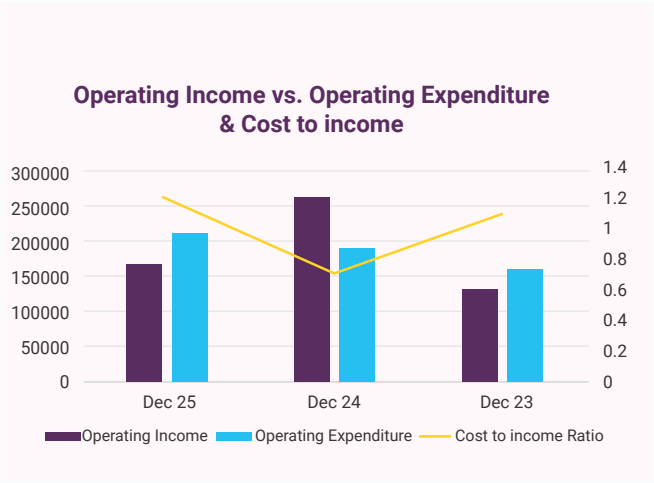
Liquid Assets Ratio against regulatory - 10%

Financial Graphs









Five-Year Trend

Analysis of Amounts (P'000)	*Dec 2025	*Dec 2024	*Dec 2023	*Dec 2022	Dec 2021
Deposits (Current, Ordinary, Special Savings, Letsibogo, Tlamelo, Lerako,Paid Up Savings, Subscription Savings And Indefinite Savings)	1,008,688	1,299,356	1,274,147	1,278,486	970,566
Fixed Deposits	3,556,802	3,156,871	2,936,936	1,439,260	1,094,396
All Classes Of Shares	487,453	487,453	487,453	487,453	487,453
Analysis of Account Holdings					
Number Of Mortgage Bond Holders	4,454	4,752	4,879	5,009	5,086
Number Of Short-Term Loan Account Holders	3,896	4,532	4,724	4,318	4,261
Number Of Unsecured Loan Account Holders	3,559	3,408	1,710	-	-
Number Of Paid Up Savings Account Holders	44,105	44,259	44,211	44,659	45,201
Number Of Subscription Savings Account Holders	8,684	8,771	8,654	8,195	7,625
Number Of Fixed-Deposit Account Holders	745	382	422	454	362
Number Of Savings Account Holders	96,475	69,828	69,799	67,100	68,707
Number Of Current Account Holders	4,833	3,039	-	-	-
	166,751	**138,971**	**134,399**	**129,735**	**131,242**

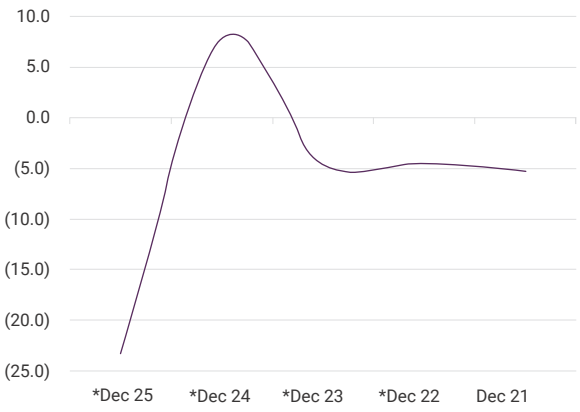
Analysis of Amounts (P'000)	*Dec 2025	*Dec 2024	*Dec 2023	*Dec 2022	Dec 2021
Profit/(Loss) for the Year	(113,282)	38,070	(21,348)	(21,900)	(25,347)
Earnings per share (Thebe)	(23.24)	7.8	(4.4)	(4.5)	(5.2)
Net Loans & Advances to Customers	4,611,613	4,616,138	4,049,040	3,240,794	3,165,895
Customers' Deposits	4,565,490	4,456,226	4,211,083	2,717,746	2,511,064
Total Assets	**5,602,344**	**5,557,907**	**5,138,953**	**3,967,942**	**3,828,712**
Total Liabilities	5,187,408	5,029,689	4,648,806	3,462,533	3,334,682

*BBS Insurance Agency Limited, a subsidiary of BBS Bank Limited began its operation in June 2022. As a result, December 2025, 2024, 2023 and 2022 reflect the consolidated position.

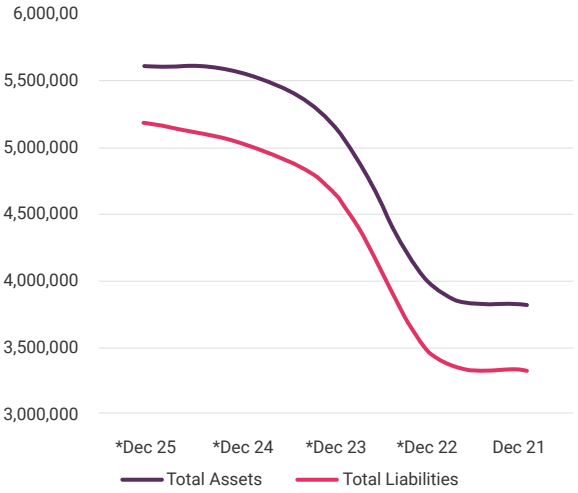
Five-Year Trend Highlights

(Loss)/Profit for the Period

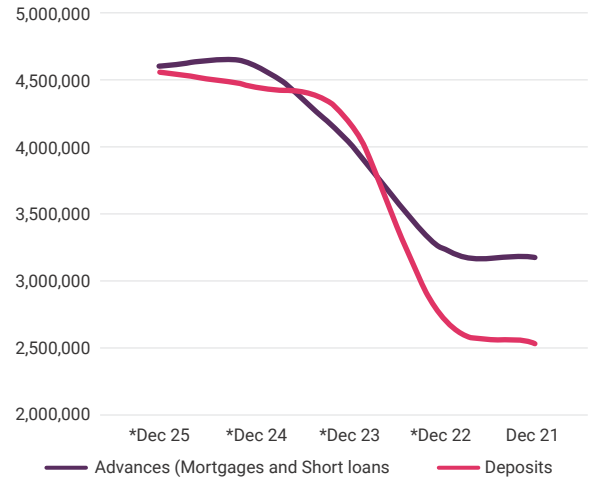
Earnings per Share (Thebe)



Assets as a Coverage of Liabilities



Loans & Advances to Deposits



*BBS Insurance Agency Limited, a subsidiary of BBS Bank Limited began its operation in June 2022. As a result, December 2025, 2024, 2023 and 2022 reflect the consolidated position.

Value Added Statement

Value added statement	31 Dec 2025 P'000	31 Dec 2024 P'000
Income from lending and banking activities	592,781	514,646
Cost of services	(413,486)	(270,786)
Value created by operations	179,295	243,860
Non-operating income	2,143	16,693
Operating expenditure excluding staff costs and depreciation	(199,057)	(107,758)
	(17,619)	**152,795**
Value distributed		
Employees - Salaries and benefits	100,251	93,054
Taxation	(20,407)	6,873
	79,844	99,927
Value retained		
Retained income	(113,282)	38,070
Depreciation & Amortisation	15,819	14,798
	(97,463)	52,868
Total Value Distributed And Retained	**(17,619)**	**152,795**

BBS Bank

Annual Integrated Report
2025

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Our 2025 Integrated Annual Report

About the Report

Our operating environment and materiality determination

Purpose of report

In this report, BBS Bank outlines how it deploys resources to achieve the Pilediwa Strategy in relation to its financial and non-financial targets while creating, preserving and mitigating value erosion. The report provides a perspective on the Bank's performance and is intended for all our stakeholders.

Scope of reporting metrics

The scope of this report covers the period 1 January 2025 to 31 December 2025 and includes material events and information up to Board approval.

Report preparation

The BBS Bank Limited Board of Directors ensures the integrity of our external reporting through internal reporting processes that are well embedded and supported by various levels of oversight.

Assurance

BBS Bank uses a combined assurance model to evaluate and ensure various aspects of its operations, including the internal controls related to external reporting elements. Our assurance services and risk functions establish a robust control environment, ensuring the accuracy and reliability of the information used in our reports for decision-making. The assurance given to the Board is underpinned by Management (first line), relevant functions (second line) and reviews performed by Internal Audit (third line).

IR preparation process

In compiling this Integrated Report, we adhered to the following process:

1. **Preparation:**
   The Bank comprises experts in various areas and all of them provide input into the Integrated Report, providing feedback on content to ensure that key matters are reported on adequately. The BBS Bank EXCO team oversees the drafting of the report and ensures that due care is taken in the drafting process.

2. **Review:**
   The BBS EXCO team is accountable for ensuring that the report is accurate and is accountable to the Board.

3. **Approval:**
   The Board approves the report for publication

Our operating environment and materiality determination

Economic Overview

BBS Bank monitors global and local economies to manage risk, ensure financial stability and to ensure that the implementation of its Pilediwa Strategy is properly aligned to economic developments. Understanding these environments helps us to manage credit risk, adhere to regulations, and support local growth while navigating international shocks, ultimately ensuring their own survival and contributing to economic stability.

Through an in-depth understanding of both economic spheres, we ensure continued sustainability of the Bank so that it fulfils its role as a crucial player in Botswana's wider financial system. Below is an exposition of the global and local economic situations that BBS Bank had regard to during the year under review. The appreciation of the global and local economies is not confirmed to 2025 alone but looks into the future world economic developments of 2026 and 2027 to enable the bank to navigate the implementation of its strategy well.

Global economy

According to the International Monetary Fund's World Economic Outlook, global growth is projected to remain resilient at 3.3 percent in 2026 and at 3.2 percent in 2027, rates similar to the estimated 3.3 percent outturn in 2025.

The forecast marks a small upward revision for 2026 and no change for 2027 compared with that in the October 2025 World Economic Outlook (WEO). This steady performance on the surface results from the balancing of divergent forces where headwinds from shifting trade policies are offset by tailwinds from surging investment related to technology, including artificial intelligence (AI), more so in North America and Asia than in other regions, as well as fiscal and monetary support, broadly accommodative financial conditions, and adaptability of the private sector. Global headline inflation is expected to decline from an estimated 4.1 percent in 2025 to 3.8 percent in 2026 and further to 3.4 percent in 2027.

China

China's economy, which grew by 5% in 2025, is projected to see growth slow to around 4.5% in 2026 as it faces a two-speed landscape with strong exports but weak domestic consumption. The 2026 outlook is characterized by a continued property sector slump, persistent deflationary pressures, and an urgent need for policy-driven, consumption-led rebalancing.

United States of America

The United States economic outlook for 2026 is characterized by moderate growth and easing price pressures, following a volatile 2025 marked by a 43-day government shutdown and new tariff regimes. Real GDP is projected to expand by approximately 1.8% to 2.25% for the full year. While the economy has shown teetering resilience, growth is increasingly reliant on a narrow set of drivers, primarily artificial intelligence (AI) investment and consumer spending from high-income households.

South Africa

South Africa enters 2026 with a cautiously improving macroeconomic outlook, underpinned by modest GDP growth, easing inflation, Operation Vulindlela II (set of reforms such as electricity stabilisation) and a gradual decline in interest rates. Labour market conditions have shown only marginal improvements, with unemployment at 31.9% and youth unemployment exceeding 46%, highlighting persistently weak absorptive capacity across sectors. Inflation has eased to 3.5% – driven mainly by housing, utilities, and food – creating space for the South African Reserve Bank to continue lowering interest rates. The Rand has strengthened steadily, supported by favourable global dynamics and improving domestic sentiment. Looking ahead, high commodity prices, recovering logistics networks, and ongoing investment in renewable energy are expected to lift real GDP growth to around 1.9-2.0% in 2026. However, the global environment remains fragile, with growth projected to soften amid heightened trade tensions, geopolitical risks, and structural constraints such as limited fiscal space in many developing economies. Domestically,

South Africa continues to face key risks – including energy and infrastructure bottlenecks, persistently high unemployment, essential basket price pressures, and policy implementation challenges which together weigh on the country's recovery prospects and progress towards more inclusive development.

Local economy

The latest data release from Statistics Botswana on GDP shows that the Q3 2025, year on year growth was 8.2% which was higher than expected, compared to a negative 5.3% recorded in Q2 2025. This increase was largely on the back of increased sales from the diamond mining sector. Jwaneng Mine was on maintenance in Q4 2025 and production slowed down as a result hence the front loading of sales in Q3 2025 contributed to this positive outturn. The outlook is still for a contraction in GDP for 2025.

Mining continues to be the backbone of the economy, contributing significantly to government revenue and foreign exchange earnings. Weaknesses in the sector therefore had a pronounced impact on overall economic activity.

Non – Mining private sector continued with its positive contribution recording 2.4% growth in Q3 2025. This modest growth was not sufficient to offset the contraction in mining. Other sectors such as Agriculture, Transport and Storage, Manufacturing, Finance contributed positively while labour intensive sectors such as Construction, Water and Electricity experienced negative performance.

Trade balance has continued to swing between surpluses and deficits owing to low exports in previous periods. This has had negative impact on foreign exchange reserves necessitating a review of foreign exchange margins by the authorities to stimulate the foreign exchange interbank market which resulted in preservation of the foreign exchange reserves.

Monetary Policy, Inflation and Interest Rates

Inflation remained relatively subdued in 2025. Low inflation was largely attributed to weak domestic demand. Inflation showed signs of increasing toward the end of the year, driven partly by fuel price adjustments and exchange rate developments with a print of 4.1% recorded in January 2026 from 3.9% in December 2025. Inflation is forecast to remain within the medium-term range of 3 – 6% in 2026. Administered prices have also largely remained flat although with upside risk. Botswana Power Corporation has requested to increase tariffs by 46% over the next three years. If approved, this could have significant impact on inflation. There are also ongoing discussions around several adjustments to various tariffs and charges which could also be inflationary.

The effect of inflation on monetary policy has not been a factor on the increase to Monetary Policy from 1.90% to 3.50% in October 2025. The recalibration was to reinforce policy transmission with commercial banks adhering to the policy directive to keep their prime lending rates unchanged in line with the accommodative monetary policy stance by Bank of Botswana.

Bank of Botswana undertook several measures to help ease liquidity pressures by initially reducing the primary reserves requirement to zero as well as increasing the repo tenors by up to three months. Interest rates were rising significantly on the back of declining liquidity with the sovereign yield curve also shifting upwards, reflecting the changing circumstances.

Fiscal position

The slowdown in mineral revenues has placed pressure on Botswana's fiscal position. Reduced diamond exports constrained government revenues and widened the fiscal deficit, leading to increased borrowings to finance the deficit.

Public debt levels have gradually increased in recent years with the forecast of reaching 38.7% of Debt to GDP by March 2026 while foreign exchange reserves have declined due to weaker export receipts and fiscal pressures.

Outlook

In terms of outlook, the International Monetary Fund has projected growth of 2.3% for 2026 for Botswana. This growth rate is positive albeit with base effects from a two-year contraction. For sustained economic growth and transformation, the implementation frameworks will be through the National Development Plan 12 as well as the Botswana Economic Transformation Program. These are focused programmes with targeted sectors such as tourism, energy, manufacturing, infrastructure, financial services and ICT. The ultimate sustained growth will emanate from implementation of these reforms which are also private sector led.

Increasing competition

Combined with a tough trading environment, BBS Bank entered a very competitive banking environment both from direct and indirect competitors such as non-bank financial institutions. However, the Bank is confident that its Pilediwa Strategy will deliver positive results going forward.

Robust regulatory environment

Our strong local regulatory space means that the Bank should have the right processes, systems, risk management practices, and perhaps even more important a vigilant culture to avoid infractions.

Disruptive technologies

Artificial intelligence (AI), for example, presents both an opportunity if harnessed well and a threat if necessary protective measures are not put in place. As you will read in this report, BBS Bank has made considerable investments in information technology capabilities to ensure that we protect the Bank against such technologies and to be able to use them to our advantage where needed.

Competition for human capital

To mitigate this challenge, BBS Bank has implemented a robust training and skills improvement programme which will ensure that its employees not only stay motivated but are competitive for a long time to come. This practice also ensures that the Bank is able to retain talent as much as is possible while attracting new skills from the market for select functions.

Materiality determination

In BBS Bank materiality is broadly determined by considering a mix of quantitative benchmarks and key qualitative factors to ensure that our financial statements reflect the most realistic position that the bank is in for our diverse stakeholders, including feedback from stakeholder engagement sessions, to make appropriate decisions and judgments. Therefore, for this report we prioritised material matters based on the strategic importance of the issue to the Bank and the importance of the issue to our stakeholders. Our internal environment includes our policies and procedures, employees, the leadership team and organizational culture. From 2026 onwards, we will add environmental, social and economic impact of each topic in relation to core activities, products and services offered by the bank guided by our new ESG Policy.

Approval of Integrated Report

The BBS Board of Directors acknowledges its responsibility for the integrity of the 2025 Integrated Report. The Board considers this report to be prepared and presented in accordance with the guidelines of the Integrated Reporting Framework. The Board approved matters considered material to the Bank. The Board believes that this report contains all matters material to the bank and provides a balanced and appropriate assessment of the bank's governance, strategy, risks and opportunities, performance and outlook, including how these are likely to impact the bank's ability to create and preserve value while mitigating value erosion over the short, medium and long term.

On behalf of the Board:

Dr. Vincent B. Mogano
Board Chairman

BBS Bank

Annual Integrated Report
2025

2 Our storied legacy

Our Legacy
Our products and services

Milestones

1970

United Building Society of South Africa
Botswana Building Society established, taking over the operations of United Building Society with one Bra in the Main Mall, Gaborone. Product offering Smited to financing property in urban areas, small scale sav and investments in paid up, subscription and indefinite period shares respectively.

- First Board of Directors Meeting held on 13th December 1976
- Inaugural Board of Directors comprised R. Whyte (Chairman), P.F. Brink, B.I. Gasennelve, PR. Hinchey.
- EM.K. Kgabo, J.J. Tebape, JLS. Hefer, WM. Seboni and D.R. van Selm (alternate to J.L.S. Hefer)
- D.J. Russell appointed first CEO
- Francistown Agency opened.

Cere
Head

1983

- Fran
- Upra
map
- Selib

1986

BBS Francistown opened
Branch relocates to the
building from Dabo Hous

1990

Maun, Serowe, Thusanyo and Kasane Branches opened

2004

PK Molefe appointed Chief Executive Officer

BBS shareholders vote to allow the building society to apply for a commercial banking licence.

- Building Societies Act and Companies Act amended to allow BBS to apply for a commercial banking licence.
- BBS becomes a company, B8S Limited, so that it can apply for the licence

2011

Express lounge opened at BBS Head Office

2012

- P. Tafa ap
Managing
commerc
She is als
institution
- Inaugural
(Chairma
G. Bakwe
Ramalepa
Mogano (
- New BBS
market.

2017

- BBS Limited puts in place risk management measures to mitigate the impact of Covid-19 in the business
- BBS Limited puts in place work-from-home arrangement to prevent staff and customers from Covid-19

2018

- Palapye branche opened
- On 3rd September 2018 – Botswana Building Society was registered on Serala OTC

2020

- BBS Insurance Agency Limited established
- BBS Bank granted commercial banking licence making it the first indigenous commercial bank
- The bank embarked on the bank roll-out journey to build capabilities to offer a broad range of products

2022

BBS Bank

and services, including through digital platforms and automated teller machines, way beyond the ones it started offering as a building society in 1976. BBS Bank has Branches at Head Office, Thusanyo in Gaborone, Main Mall in Gaborone, Lobatse, Palapye, Serowe, Selibe

2023

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Ba
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tra
ba
lau

anch
ings

K .B Good appointed CEO

1979

- Selibe Phikwe agency opened
- Logo with a roof over "BBS" adopted, designed by Tshipidi Promotions

1980

R. Peverett appointed CEO and Secretary

1981

emony to mark commencement of construction of BBS Office in Broadhurst held. The Head Office is still in use

1982

cistown office opened
ded BBS logo which now included Botswana
adopted. Designed by Screen Print
e Phikwe Branch opened.

First Board Meeting held at the new Head Office (26 March)

1984

Building Societies Act amended to enable BBS to finance property in rural areas.

1985

First Motswana CEO PT. Nteta appointed Chief Executive Officer

e

ppointed the first
g Director of the new
ial bank, BBS Bank.
o the first female to head the
n.
Board of BB Bank: B. Mzizi
n), P.Tafa (Managing Director)
na, D. Kalyanaraman, V.
a, K. Molayi-Sedimo and V.
(Lead Independent Director).
Bank brand introduced to the

Continued to roll out more products and services:

- Digital Upgrade
- Corporate Internet Banking
- Bank2Walllet-Orange, Mascom, Smega
- T24 Upgrade R17 to R23
- ESG strategy
- Term Loan
- PO Finance
- Call Account
- Business Overdraft
- USD correspondent Banking
- Pricing policy
- Wallet2Bank-Completed: Orange, Mascom, MyZaka

3

ikwe, Francistown.
aun and Kasane.
S logo amended by
moving the "roof" design
d inscribing "BBS
nk" beneath the map
Botswana to indicate
nsition to commercial
nking and pending the
unch of the new brand.

2024

Rolled out the following products and services:

- BISS BACH
- SWIFT RTGS
- Treasury
- Money Market
- FOREX
- Cash Center
- BISS Upgrade
- Retail current account & overdraft
- Business Current Account

2025

- Card Management
- Youth Account
- Cardless Cash
- BBS Digital Wallet
- Datawarehouse
- Strategy Operationalization

From our archives

BBS Management Workshop on Customer service
Gaborone SUN NOV.93

Members of the Botswana Building
Society.
c/o Mr. D. L. K. Keditlhoko,
Private Bag 00,
Botswana.

Sirs,

I acknowledge with pleasure receipt of your application to register the Botswana Building Society. It is my pleasure to inform you that the Botswana Building Society is now registered in terms of the Building Societies Act Cap 42:01.

Yours faithfully,

BANK OF BOTSWANA

Banking Licence

This is to certify that

BBS BANK LIMITED

incorporated under the Companies Act (CAP. 42:01) registration number BW000105781 is hereby licensed to operate as a COMMERCIAL BANK under Section 3 of the Banking Act (CAP. 46:04) subject to compliance with the provisions of all applicable laws and regulations and such other policies and directives as may be issued from time to time by the Bank of Botswana.

Signed at Gaborone this 8th day of OCTOBER 2012

Governor

Botswana building society now formed

A new, completely local building society has been formed in Gaborone. The new "Botswana Building Society", as it is to be called, will in due course take over the functions of the existing branch of the United Building Society, which has operated in Botswana since 1970.

A spokesman for the Ministry of Finance and Development Planning pointed out that it has always been the intention of the United Building Society to withdraw from its activities in Botswana as soon as a local building society was formed. Negotiations have been conducted with the United Building Society since September 1976 to ensure that the transition to the new building society goes off smoothly.

The United Building Society is shortly to write to all its depositors, shareholders and mortgagors in Botswana to give them formal notice that it will be ceasing its operations in Botswana. The shareholders and depositors will be invited by the United Building Society to transfer their investments to the Botswana Building Society. mortgagors will be informed that the United Building Society is to cede its mortgage loans to the Botswana Building Society.

The transition period from the existing operation to the new building society will be in two stages. The first phase will last from 28th December 1976 to 31st January 1977. During this time, the shareholders and depositors will be required to choose whether to transfer their savings to the new building society, or whether to be paid out in cash by the United Building Society. In this respect, it has already been decided that the Botswana Building Society will offer exactly the same rates of interest on its savings accounts and share as the United Building Society does at present. Dividends on the indefinite period paid up shares and subscription shares will continue to be exempt from income tax.

Mortgagors will be told that, from 1st January 1977, all their loan repayments must be made to the Botswana Building Society.

One of the Botswana Building Society's first new customers will be the Botswana Government. The Government is to invest at least one million Pula in the new building society.

The second phase of the transition to the new building society will be a period of consolidation and training. The United Building Society has offered to lend its Gaborone branch manager, Mr George Newton, to the Botswana Building Society, until a Motswana can be trained to take over the position. Mr Newton who is a British citizen has twenty two years experience in building society work. Similarly, the Johannesburg branch of the United Building Society will continue to do all the book keeping for the Botswana building Society on its computer in Johannesburg, until the necessary ledger machines can be bought by the Botswana Building Society and until the local clerical staff can be trained to operate these machines. Some additional office space will also be required.

The existing board of directors of the United Building Society's branch in Gaborone will form the nucleus of the first board of directors of the Botswana Building Society. Mr Robert Whyte, who has been Chairman of United Building Society will continue as Chairman of the Botswana Building Society. Mr Whyte is also Chairman of the Board of Barclays Bank of Botswana Ltd. The Board will be strengthened by the addition of two members viz Mr B.I. Gasennelwe, Government Budget Administrator, and Mr Paul Hinchey, Deputy Managing Director of the Botswana Development Corporation. In addition, the United Building Society is expected to second one of its most senior officers to the board, to give advice to the new building society.

The Botswana Government invites all the customers of the United Building Society to support the new building society by transferring their investments to the Botswana Building Society as soon as possible after 1st January 1977. In the meantime, a copy of the rules of the of the Botswana Building Society is available for inspection at the office of the United Building Society in Gaborone.

Products and services

Rolled out the following products and services:

- BISS BACH
- SWIFT RTGS
- Treasury
- Money Market
- FOREX
- Cash Center
- BISS Upgrade
- Retail current account & overdraft
- Business Current Account
- Card Management
- Youth Account
- Cardless Cash
- BBS Digital Wallet
- Datawarehouse
- Strategy Operationalization

- Digital Upgrade
- Corporate Internet Banking
- Bank2Walllet-Orange, Mascom, Smega
- T24 Upgrade R17 to R23
- ESG strategy
- Term Loan
- PO Finance
- Call Account
- Business Overdraft
- USD correspondent Banking
- Pricing policy
- Wallet2Bank-Completed: Orange, Mascom, MyZaka

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3 Our Purpose, Mission, Vision and Values

Mission, Vision, Purpose

Values: Internal & External

Our Brand Promise

Mission

Together, nurturing wealth for a prosperous tomorrow.

BBS Bank is clear about its future direction and ambitions as captured in its Purpose, Mission, Vision and two-tiered but complementary Values system that speaks both to internal and external stakeholders.

Vision

To be the leader in the provision of financial services in Botswana

Purpose

We exist to create sustainable wealth for all.

Values: Internal

Respect	Integrity	Innovation	Service - Excellence	Teamwork
"Due regard for the feelings, wishes, or rights or others". We all want to be treated with respect. So do our stakeholders. We treat the bank's stakeholders as we would like to be treated: With respect.	"The quality of being honest and having strong moral principles". Honest communication lies at the heart of our integrity as BBS Bank.	"Doing things differently". We are a new entity altogether that is moving with the times in terms of products and services, including stakeholder reporting and engagement.	The ability to consistently meet and even exceed customer expectations". This is the gold standard for all BBS Bank employees which we will strive to achieve in our respective roles.	"Process where a group of people work together successfully to complete a task". At BBS Bank we believe that excellent customer service relies on teamwork.

Values: External

Botho	Collaboration	Inclusivity
"A quality that includes the essential human virtues of compassion and humanity". As BBS Bank employees, we pride ourselves in having a generosity of spirit and patience towards our stakeholders	"A joint effort of multiple individuals to accomplish a task". We are a solid team and succeed by taking advantage of each other's talents for the benefit of stakeholders.	"Making sure everyone feels welcome, values, and respected, no matter who they are or where they come from". BBS Bank is a brand that is for everyone. Our stakeholder engagement philosophy reflects this including when we welcome anyone into our premises. That way, we will build much needed brand equity and support for BBS Bank.

Brand Promise

BBS Bank's brand promise is "How far can we go?"

It is both a rallying call and a challenge for us to set a new standard in banking for Batswana from all walks of life.

From funding over 60% of home loans in Botswana since the 1970s, to supporting growing local businesses and turning our customers into shareholders, the future can only take us to greater heights.

Our latest chapter as a commercial bank is founded on partnership with you the people of Botswana and together, we can set a new bar for what it means to be a truly home-grown bank.

How far can we go? Is our intent to co-create products and solutions with our customers that fit their lives and circumstances and to do it with a world-class banking system and unrivalled customer experience.

At BBS Bank we do not just ask "How far can we go?" We also ask, "how far do you want to go?"

BBS Bank is for you. Make us your only choice and together we can go as far as our collective dreams can take us.

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Our differentiation

High growth potential

Our differentiation

BBS Bank sets itself apart from the competition in the following areas that are important to investors:

A strong, experienced, Board and Management team

A strong, experienced Board and Management team.
All strategic decisions are made locally and promptly. It is the visionary leadership of citizens at Board, Management and Shareholder levels that led to the transformation of the business into Botswana's first indigenous commercial bank to guarantee its longevity and sustainability.

Pages 34 to 81

Botswana's only indigenous bank built on a 55 year-old legacy

BBS Bank's history begins in 1970 and throughout its evolution, it navigated challenging situations to its sustainability such as changing legislation in 1986 to fund mortgages in rural areas and in 2017 securing the support of shareholders to become a commercial bank which became a reality in 2022.

Pages 16 to17

Sound risk management practices

Its robust integrated risk management framework ensures that the bank can protect itself against any risks, minor or major.

Pages 97 to 108

A top and versatile core banking system

BBS Bank's core banking system T24 is one of the best in world ensuring easy scalability and adaptability.

Pages 88 to 89

Strong balance sheet and high growth potential

As a new entrant into commercial banking, BBS Bank has high growth potential. Any equity capital will strengthen this position further by enabling high-yield loan book expansion without increasing costly interest expense, driving margin growth and unlocking significant value for investors.

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Where the Purple Bank is found

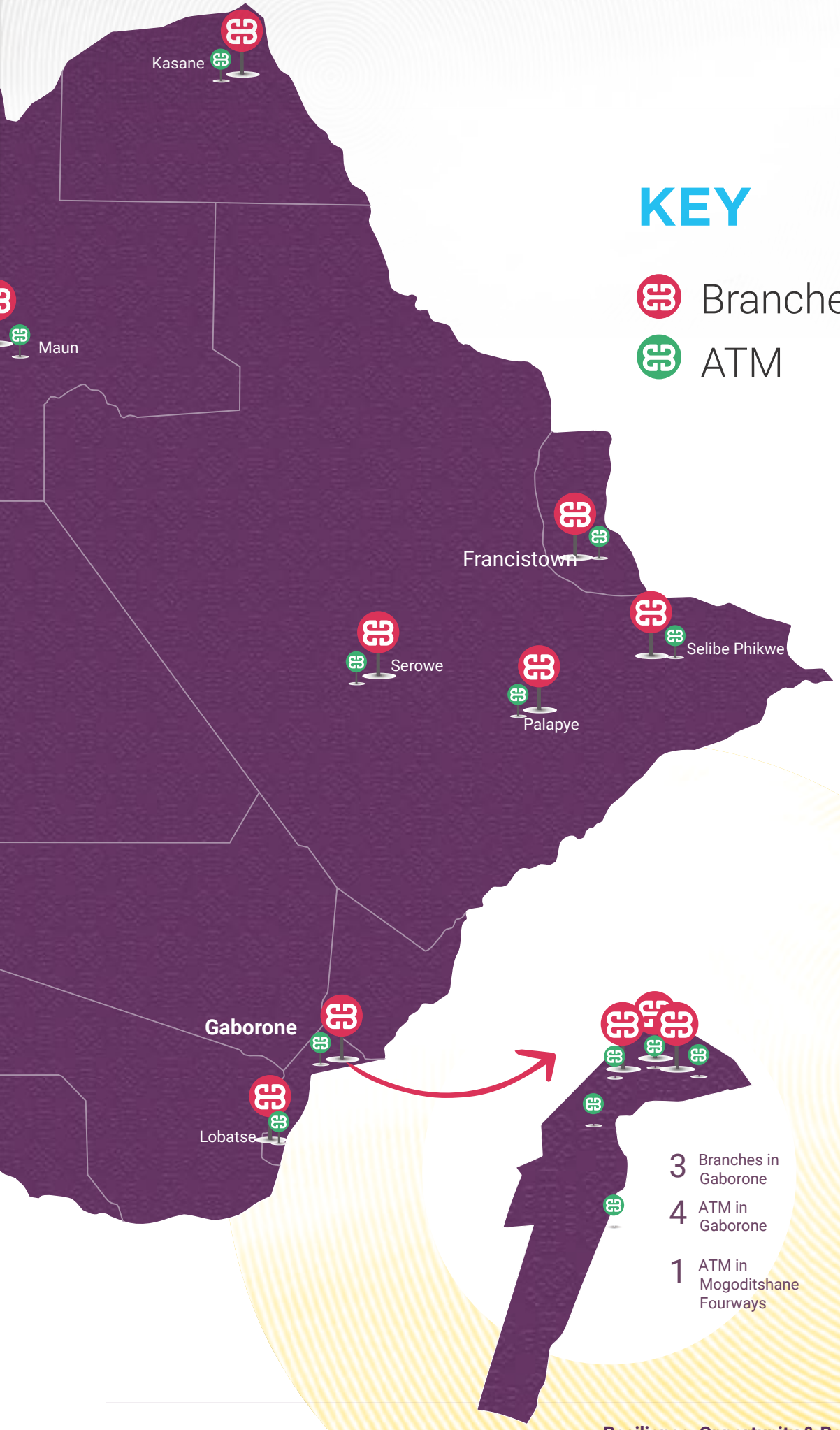
Our footprint

Our footprint

10 Branches

13 ATMs

30 Direct Sales Agents


KEY
Branches
ATM
Kasane
Maun
Francistown
Selibe Phikwe
Serowe
Palapye
Gaborone
Lobatse
3 Branches in Gaborone
4 ATM in Gaborone
1 ATM in Mogoditshane Fourways

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Creating a “one stop shop”

Diverse products and services

Creating a “one stop shop”

Our value of “Collaboration” means that BBS Bank’s offering is customer-led with products made to accommodate specific needs

Clients	Products and Services
Youth Young professionals Working older professionals Businesspeople	Mortgage Products Transactional services Value added services
Youth Young professionals Working older professionals Businesspeople Corporate entities Parastatals	Savings and Investment Products
Youth Young professionals Working older professionals Businesspeople Corporate entities Parastatals SMMEs	Digital Banking Services, including MNO Payments
Youth Young professionals Working older professionals Businesspeople Corporate entities Parastatals	Transactional Accounts
Youth Young professionals Working older professionals Businesspeople Corporate entities Parastatals SMMEs	Treasury Services
Youth Young professionals Working older professionals Businesspeople Corporate entities Parastatals SMMEs	Insurance Products

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Our reporting matrix

Catering to diverse stakeholders

Our reporting matrix

The BBS Bank reporting matrix ensures that we meet the information needs of our diverse stakeholders.

The 2025 Annual Integrated Report

This report covers a range of areas that appeal to diverse stakeholders, explaining clearly how we create and preserve value.

Shareholder Reporting

It comprises:

- Annual financial statements: They contain the Company's full audited financial statements, including an assurance statement from the Audit Committee.
- Risk Report: The Company has a robust Integrated Risk Management Framework. Therefore, this report sets out our approach to risk management as well as Pillar III disclosures of the Basel Framework.
- Governance Report: Sets out the Company's governance practices as informed by King IV.
- Remuneration Philosophy: Full disclosure of our remuneration practices is contained in this report.

Sustainability Reporting

The BBS Bank Sustainability and Environmental, Social and Governance (ESG) Strategy is from 2026 to 2030. It will integrate ESG into the Bank's governance arrangements, enterprise risk management, operations, and disclosure practices. Therefore, a detailed sustainability report will be covered in the 2026 Annual Integrated Report.

Frameworks

The following have been considered in the reporting matrix: To meet various compliance reporting requirements, various reporting and regulatory frameworks were considered such as the following:

- Banking Act
- Companies Act
- BSE Sustainability Disclosure Guidance
- Integrated Reporting Framework
- King IV Report on Corporate Governance for South Africa
- UN Sustainable Development Goals
- Principles for Responsible Banking and Principles for Responsible Investment
- Global Reporting Initiative Standards

The Board is reviewing the new King V Code of South Africa of 2025, with a view to consider adoption and application in due course. Other standards under consideration include the IFRS® Sustainability Disclosure Standards S1 and S2.

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Good governance as a value creator

Chairman's Insights
Governance Framework
Board Members and their skills

Board Chairman's Insights

As Chairman of the Board of Directors for BBS Bank Limited, also speaking on behalf of my colleagues, our confidence in the bank remains strong despite a loss after taxation of P113.282 million for the year ended 31 December 2025, compared to the profit of P38.070 million for the year ended 31 December 2024. BBS Bank is still in the building phase, and we must all be patient while, of course, ensuring that its strategy is the right one to take it to profitability.

It takes daring to start something new, but perhaps more courage to stick with the cause to ensure that the project ultimately delivers. So, we should not give up if we want to be the best. We must do more than the rest.

In this report, therefore, I will speak about key issues to ensure transparency, provide accountability, and communicate our bank's performance and future direction. We know what we are up against, what we are for and where we are going.

1. What is the bank's business model, and how does its strategy create sustainable value?

BBS Bank's business model focuses on transforming from a traditional building society into a full-service commercial bank, concentrating on property finance, retail, and corporate banking. It leverages our "Pilediwa" strategy focusing on digital transformation, customer experience, and unsecured lending, while aiming for increased market share and listing on the Botswana Stock Exchange.

So, as Botswana's only indigenous commercial bank, we exist to create sustainable wealth for all. By this we mean that the bank will:

Board Chairman's Insights (continued)

- Empower our employees to do well for themselves and their families.
- Provide our customers with products and services, some co-created, that enable them to grow their wealth or investments. Co-creating products with customers means that we will be able to personalise experiences and this will be a differentiator to the rest of the competition.
- Invest in the communities we do business in through empowering corporate social responsibility programmes.
- Pay shareholders dividends consistently, in due course once the bank is profitable on a sustainable basis.
- Contribute to the growth of our country by paying all applicable taxes.

So, to achieve the above purpose, BBS Bank is a brand that is for people with contrasting lives and demographics. This is in sharp contrast to the predecessor entity (building society) which attracted an older demographic because of the nature of its products. Out of this history, a new flexible brand personality was also developed for the bank: It is a personality that is authentic, approachable and witty underpinned by the values of Botho, Collaboration and Inclusivity.

In the new bank, therefore, our value proposition is that together with all our stakeholders, we are nurturing wealth for a prosperous tomorrow. This is how we are positioning BBS Bank in the market.

2. Please explain the bank's financial performance for the year under review.

The financial performance of the bank during the year under review provides for serious introspection, requiring an objective "root and branch" analysis to turn the situation around. It is important to note that we have not made a profit because of increased interest expense, reduced interest income, a significant once-off write-of envisaged CDB Head Office preliminary work expense, industry-wide liquidity challenges and transformation expenses, amongst others.
Given that we are still in our transformation phase, the loss should not be a cause for alarm. BBS Bank is a new business that is trying to move away depending primarily on one product. Therefore, it was expected that in the formative years the bank would either not make a massive profit or make a loss, which has now been worsened by other factors cited above other than transformation costs.

However, work is being done to improve the situation. In line with the strategic projects and initiatives being undertaken, we expect to see an improvement in non-funded income, non-interest earning and non-maturity deposits. Growth will come from the support that the bank is receiving from the market such as an increase in current account uptake both on the retail and business banking sides.

Thus, I would like to assure Shareholders that the Board is providing the necessary oversight to ensure that the bank continues to be sustainable.

3. Shareholders have been waiting for a while to be paid dividends. What do you say to this?

The explanation I have provided immediately above means that unfortunately, the bank is still not in the ideal position to pay dividends. Payment will resume once the bank accumulates adequate reserves, subject to solvency and capital adequacy requirements not being compromised.

4. How About the share price?

The shares of BBS Bank are currently registered and traded on the Serala OTC Board of the BSE. The bank`s share price continued to appreciate and show growth over the reporting period, moving from P0.48 per share in June 2024 to the current share price of P0.70 per share where it has been sitting for the most of 2025 to date. The positive movement is due to increased demand, fuelled by positive news, improved profitability and growing investor confidence over the period. Market analysts have on 16 May 2025 reported that "BBS' share price has appreciated by 32.00% year-to-date and over the past 12 months (31 Dec 2024 & 06 May 2024: BWP 0.50), reflecting growing investor interest post the attainment of a commercial banking license. Taking into account the bank's improving profitability, successful execution of its post-

licensing strategy, and growing traction across key income lines, we believe BBS is entering the early stages of a growth phase."

5. Is the bank still a viable project despite not making a profit?

While the bank has not recorded a profit and despite the adverse ratios reported in the current and previous years, it has been recording a capital adequacy ratio above the Bank of Botswana limit of 12.5%.

Therefore, I would like to assure our shareholders and other stakeholders that despite the bank's lack of profitability, it remains a strong going concern as underlined by our auditors who are guided by appropriate accounting standards.

6. Did the bank meet its strategic goals and objectives for the year?

BBS Bank made commendable progress against its strategic goals and objectives for the year under review as the following key accomplishments and operational highlights demonstrate:

- Launch of Business Banking products, including Forex
- Strengthening our Cybersecurity Framework
- Implementing a modern Data Warehouse and Business Intelligence Capability
- Robust Risk Management Framework
- Upgrade of our core banking system
- Implementation of various human capital initiatives to improve staff capacity, competence and morale as outlined in the relevant section of this report.

The Board commended Management for achieving these milestones but there is still some way to go as further profit building initiatives will be launched in 2026.

7. What major risks and challenges did the bank face and possibly continues to encounter?

I would like to answer this question by saying that my main concern is that not moving with sufficient speed to become what we ought to be because of several factors poses the biggest risk. These factors are:

- **Barriers to entry:** BBS Bank entered a crowded commercial banking environment made even more competitive by non-bank financial entities that now offer products that are ostensibly banking offerings.

  So, we have found ourselves in a situation where competitive pricing resulted in squeezed margins. It is likely that going forward, competitors will price their assets similarly, which will affect us even more negatively. This is a challenge around which we have clear plans to maneuver as a bank, quickly but strategically.
- **Macro-economic structure:** Our current macro-economic structure is also a challenge. There is no excess liquidity in the market which had an impact on the operation of the bank requiring innovative ways to navigate challenges.
- **The right competencies:** In addition to having the right skills, the bank is working to ensure that staff have the right competencies to be able to come up with groundbreaking products, to meet operational demands and expectations of customers.

- **Attracting new customers:** Although BBS Bank has launched competitive and attractive products, our customers and the market in general still need to be attuned to the fact that we have these offerings. We will continue to market our products aggressively and engage other stakeholders directly to win them over. Given that people are multi-banked, the intention is to have BBS Bank become their primary bank.

8. Are the company's internal controls functioning effectively?

Oh yes. BBS Bank's risk management objectives, systems and internal controls are robust to be able to detect potential risks, including fraud or errors, and help mitigate their impact. These controls are underpinned by an Integrated Risk Management Framework which is reported on each at quarterly Board Meeting through the Audit Committee. The Board is satisfied that the bank's internal controls held firm during the year under review.

Board Chairman's Insights (continued)

9. What is your evaluation of the bank's Corporate Governance and Board Effectiveness?

From a governance perspective, we are guided by international best practices and guidelines in governance such as King IV.

I have also challenged my fellow Board Members to show strong character by always being engaged, knowledgeable, and decisive in providing guidance to the bank. Without strong Board leadership, BBS Bank stands to struggle. Therefore, I would like to assure you that we have committed ourselves to ensuring that we give our all to the bank.

Therefore, in 2025, we continued to align our processes with regulatory demands, such as reconstituting the membership of our Audit Committee, and refreshing the training program for our directors. The effectiveness of our governance has been evaluated by independent third parties as robust and sufficient to support the strategy and the risks that the bank faces.

10. What should shareholders and the market look forward to?

In the long term, all stakeholders should look forward to the bank becoming a sustainable entity that is also able to pay dividends to its shareholders.

Our key objective in 2026 is to return BBS Bank to profitability by focusing on the following key plans and strategic priorities:

- Launch of more products such as Prepaid Card, Current Account for Forex, Trade Finance and Vehicle Asset Finance.
- Aggressive marketing and visibility of our brand.

The anticipated outcome of these initiatives is that the bank will be profitable at the end of the financial year. We have the right foundation and tools to ensure that our bank returns to profitability. BBS Bank is here to stay.

10. Any word of appreciation?

I would like to personally thank fellow Board Members, our Managing Director Pedzani, the executive leadership team, our employees, our shareholders, and our customers for the passion and purpose that has been evident over the last year. BBS Bank is an enduring, respectable brand that is on course to prosperity.

The Board also looks forward to engaging with you frankly at the Shareholders' Meeting. In the meantime, we fight on for BBS Bank.

Thank you,

Dr. Vincent B. Mogano
Chairman

Our Governance Framework and Philosophy

Our Board, being the focal point of good governance ensured the continued maintenance of highest ethical standards and setting the tone by exhibiting the values and behaviors expected of all stakeholders across the bank. These are intended to foster a responsible culture and business practices that facilitate the promotion of sustainable business, and to result in value creation for all stakeholders.

Governance Objectives

Through continuous improvement of our governance practices and alignment of policies and frameworks, we are determined to promote effective leadership and to attain the four governance outcomes of Ethical Culture, Good Performance, Legitimacy and Effective Control as set out in the King IV Code of Corporate Governance.

Ethical Culture

"The governing body should lead ethically and effectively"

"The governing body should govern the ethics of the organization in a way that supports the establishment of an ethical culture"

The responsibility for the banks`s ethical culture is entrusted on the Board in terms of the BBS Bank Board Charter. The bank has put in place the relevant governance documents as approved by the Board such as the Code of Ethics and Conduct Policy, which demands ethical conduct in our business practices , and mindfulness of how they impact the people that we serve, the society and the environment that we operate in and our economic viability. Amongst these approved governance documents is the revised Conflict of Interest & Related Party Dealings Policy that requires Directors and Officers of the bank to avoid circumstances that could place them in a position of conflict or violate their responsibilities to the bank. Those charged with governance are required to disclose any potential conflict of interest, upon appointment as part of the onboarding process. Directors are also required to disclose any conflict at each meeting of the Board or Committee as the case may be, with respect to matters on the agenda. In addition, Directors and Executive Management are required by the Guidelines on Corporate Governance for Banks and Deposit Taking Institutions Licensed and Supervised by the Bank of Botswana, to annually disclose interests with respect to the bank and outside positions, as part of their continuous fit and proper assessment. A Director does not participate in a matter in which he or she is conflicted. To manage any potential conflicts and insider dealing, transactions of Board members or their related parties with the bank, including credit transactions are mandated to be at arm's length and no preferential treatment is given than that which is available to ordinary members of the public. Employees of the bank are required to exhibit the values of BBS Bank in their daily work and to treat customers fairly, in addition to annual declarations. Employee behaviour and ethics are guided by internal policies, and an Ethics Hotline is in place to report unethical conduct. The Ethics Hotline is founded under our Whistleblower Policy as approved by the Board. For transparency, the ethics hotline is managed by an independent third party and it is available for use by other stakeholders. During the period, the bank has not recorded any incident or report through the Ethics Hotline.

Our Governance Framework and Philosophy (continued)

Good Performance

"The governing body should appreciate that that the organisations`s core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process"

The Board remains accountable for the performance of the bank, and any outcome of the bank`s activities on the society, economy and the environment in which we operate. Our Board maintained its oversight on the performance, progress and execution of our strategy through quarterly reporting and governance meetings. To ensure accountability, Strategy Execution is a standing agenda item for our Board meetings. The objectives of the Piledіwa Strategy are to turn around the financial performance, diversify our funding base, increase revenue generation, transform the balance sheet structure, and to transform and embed commercial banking capabilities. Consistent with the annual workplan, the relevance of the assumptions is tested and validated by the Board of Directors at our annual strategy and budget session, to ensure that the business plans remain adaptable. Management is mandated to implement the business plan, the policies that support the strategy and track performance against key indicators, which are reportable at board meetings.

Legitimacy

"In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder inclusive approach that balances the needs, interests, and expectations of material stakeholders in the best interest of the organization over time"

We have embraced the need to build and maintain trust from all our stakeholders through a inclusive stakeholder approach that seeks to identify, understand and balance the needs, interests and expectations of our stakeholders. We have in place a Stakeholder Management Policy that is approved by the Board, and it recognizes the need to maintain open channels of communication. Through our stakeholder engagement plan, we sit down with regulators and industry players to deliberate on issues of mutual interest. We maintain our meetings with investors and shareholders to create understanding of our journey, our performance and future plans. In this period, we rolled out shareholder engagement meetings countrywide, to apprise our shareholders of our strategic journey and the creation of value. Through our distribution channels and branches, we have fostered engagement with our clients to collect valuable insights and feedback, that helps us to solution for them, co-create impactful banking solutions with their needs on mind and bolster enriched customer experience. Complaints, queries and compliments are tracked and feedback is taken as an opportunity to enhance our processes, offerings, efficiencies and approach. Specific and separate engagement plans exist for the different stakeholder groupings, and for our employees we have commissioned Townhalls, the adopt-a-branch initiative where each executive team member has adopted a business unit and/or branch to parent and guide on strategy, performance, operational issues and other developments within the bank, the Managing Director`s quarterly staff engagement sessions, monthly departmental and one-on-one meetings, and the employee engagement surveys amongst others. The responsibility for the overall stakeholder engagement resides with executive management, with reliance on different functions to engage with their relevant stakeholders on an ongoing basis. More information on stakeholder analysis, groupings, engagement plans, their interests and needs, material matters, and capitals affected is set out under the Stakeholder Engagement section of this report.

Effective Control

"The governing body should ensure that its arrangements for delegation within its own structures promote independent judgment, and assist with the balance of power and effective discharge of its duties"

Consistent with our Constitution and Board Charter, the Board is responsible for the effective control of the bank through available governance practices, board-committee structures, policies and frameworks and the delegated mandates. These are supported by the combined assurance work between internal audit, compliance and risk functions. Quarterly reports are made to the board by these functions, for oversight and informed decision making, indicating how the functions have been able to create or preserve value.

Key Areas of Focus for the Board in 2025

We continued to deploy our time and resources on value creation and sustainability of the bank, with a focus on the following;

a . Leadership Changes

i. Board Changes

The balance of skills, experience, qualification and diversity attributes is continuously monitored and remediated where gaps are identified. The retirement of Directors upon term expiry and recruitment of new ones is underpinned by Board continuity which is fostered through succession planning. This succession planning takes into account skills needs and their alignment to the strategic intent of the bank. In June 2025, the Board announced the confirmation of appointment of Mr. John Kimani and Ms. Pulane D. Letebele, pursuant to shareholder resolution. The shareholders also approved the re-election of Dr. Vincent B. Mogano and Ms. Koziba N. Moloyi respectively as non-executive directors, whose term had come to an end, and being eligible had both offered themselves for re-election. At the beginning of the year, the bank also announced the resignation of Mr. Mmoloki W. Mogotsi as a non-executive. The board has in earnest commenced the recruitment process to fill the vacancy, subject to regulatory requirements, with specific skills set out for the role. The appointment or re-appointment of a director is meant to ensure continuity and boost the bench strength especially in the identified areas of accounting, financial reporting and audit practice, assets and liability management, disruptive technologies and commercial banking. The appointments will be announced in due course, after all regulatory processes are completed. During the period, the bank closely monitored and continued to fulfil the requirements of one-third related party representation on the board of the bank. .

ii. Executive Management Changes

The appointment of Mr. Elly Odhong` as Chief Operations Officer was announced in January 2025, together with his profile. During the year, the bank renewed employment contracts for the Head of Internal Audit, Head of Risk, and Managing Director. The re-appointment of executive management is subject to internal governance and board approval. In line with the new Guidelines on Corporate Governance for Banks and Deposit Taking Institutions Licensed and Supervised by the Bank of Botswana, the re-appointments will going forward be subjected to regulatory endorsement and other applicable requirements.

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

Key Areas of Focus for the Board in 2025 (continued)

b. Succession Planning and Talent Management

To ensure leadership continuity, the Board continued to oversee succession planning for itself and for executive management. The succession plans are dynamic and are updated regularly as the circumstances dictate, catering for both short-term and long-term needs of the bank. The board has reviewed its plans and determined that the role of Lead Independent Director will continue to succeed the role of Board Chairperson. It has become important therefore that at all material times, the board is satisfied that members nominated or appointed to such roles individually possess the right competence and exemplify the required strategic and leadership characteristics. During the period, the board approved the revised and updated plans for the role of Managing Director that identified, seek to mentor and develop future candidates. The succession plans for the rest of the executive management cadre and employees were also updated, to align with the transformation journey of the bank. To maintain effective governance, succession planning remains a key agenda item for our Board. More information on succession planning and talent management is provided under the HR report.

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

c. Strategy Execution

The Pilediwa strategy seeks to commercialize the operations from that of building society to a commercial bank, and to take advantage of available opportunities as a late entrant. The strategy has seen the bank implement commercial banking capabilities and launch diversified products and services in terms of the rollout plan. Ultimately the strategy aims to create value and wealth for all the bank`s stakeholders, through diversifying our funding base, increase revenue generation, strengthening the balance sheet structure, cost optimisation and enhancing customer experience. The quarterly reports and dashboards enable the board to closely monitor the progress and the execution of the strategy. During the last quarter, an independent firm of consultants was engaged to help review and test the robustness of the strategy, to ensure that it remains relevant and appropriate to achieve the set objectives in this evolving landscape. The Board is satisfied that the strategy is suitable to enable sustainable growth and to achieve the plans and targets set by the bank.

Capitals Affected:
Human, Intellectual
Stakeholders:
Board, Employees

d. Volatile Operating Environment

i. Economy

The local economy contracted by 5.3% in Q2 of 2025, largely driven by the adverse diamond sector performance. This affected the revenue and fiscal position of the Government, edging up inflation and price of consumables, further stretching customer finances. Necessary interventions were made including reviewing the relevance of assumptions that underpin our strategy and implementation of appropriate risk mitigants.

ii. Liquidity and Cost of Funds

Market liquidity continued to be constrained since the last financial year and with cost of funds reaching a double digit. This affected the Bank's ability to accelerate lending and financial intermediation, resulting in a stagnant loan book and compressed interest margins. The Bank experienced significant increase in the cost of funding, particularly in the second half of the financial year largely driven by the prevailing market liquidity situation. Deposit rates across the

industry rose sharply as institutions competed aggressively to attract and retain funding. The Board continuously monitored these developments and took necessary actions to ensure the soundness of the business and compliance with prudential requirements.

iii. Geo-Political Tensions

The continued and new tensions in the Middle East and Eastern Europe and their impact on both the global and local economy are closely monitored and how they shape the implementation of our strategic initiatives. The country has seen a rise in the price of commodities such as fuel, transport costs, oil, food items, manure and chemical products, further stressing disposable income for the consumer.

iv.Credit Risk

Expected Credit Losses (ECL) rose by approximately 306% relative to the prior year, reflecting default levels, especially on the part of the unsecured lending book, which highlighted the economic pressures that consumers are battling. In some instances, there are loss of jobs and changes in employment status of some customers. The Bank continued to adopt a conservative and forward-looking approach to provisioning, ensuring that the balance sheet reflects a realistic assessment of credit risk.

V.Technology

Cybersecurity continued to be an area of focus, especially with incidents of cyber-attack and online fraud reported in the local market and globally. As a new bank, we are conscious that our infrastructure and services may be targeted, and therefore a robust cyber security programme has been put in place. Continuous training on cyber security, including simulations is given to staff and the users to ensure that the knowledge remains current. Disaster recovery capabilities are being enhanced to promote the resilience of the bank and continuity of our operations in the event of a disaster. During the year, the bank successfully upgraded its core banking system, further positioning the bank to scale and grow. Data privacy and cloud technology received intimate attention, in view of the new Data Protection Act No. 18 of 2024, and technology-as-a service. Privacy notices have been updated and legal documentation amended to align with the requirements. The board continued to deliberate on key technology risks through the quarterly escalations and reporting.

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

e. Continous Development

The Board continued with the annual training per the training plan, which focused on the new King V Code of Corporate Governance, cyber security, data protection, ESG, Bank of Botswana Guidelines on Corporate Governance for Banks, fiduciary duties of directors, board effectiveness, board leadership, appointment and nomination of directors and general corporate governance facilitated by an external party. In addition, regular briefings on legal and regulatory developments are provided through Management reports and discussed at quarterly meetings. New directors are subjected to induction in the early days to prepare them for duty. Our learning and development interventions for our employees is highlighted in the HR report.

Capitals Affected: Human, Intellectual
Stakeholders: Board, Regulators, Shareholders

The trainings have proved to be effective in empowering the board members with the tools of trade to steer the delivery of value. The Board is satisfied that that it has fulfilled its responsibilities in accordance with its Charter, during the reporting period.

Focus Areas for the Board in 2026

The board will continue to invest its time and focus will be on these key areas, amongst others:

1. Strengthening of the balance sheet
2. Strategy execution
3. Implementation of the ESG Strategy and Policies
4. Capital Market Transactions

Our Governance Framework and Philosophy (continued)

Key Board Discussions and Approvals

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

Jan-Mar	Apr-Jun	July-Sep	Oct-Dec
Consideration of the Draft Report on King V Code of Corporate Governance	Discussed and Noted the Combined Assurance Terms of Reference	Attended the annual board corporate governance training	Attended the annual board strategy and budget exercise
Approved the revised HR, Remuneration and Nominations Committee Terms of Reference	Approved the bank assurance engagements	Attended the BSE Listing workshop Approved the reconstitution of the Audit Committee	Reviewed the strategy assumptions and approved budget for 2026, Staff Recognition Policy
Approved the revised Board Charter	Approved the Enterprise Resource Planning and Cloud Application Solutions	Reviewed the strategy execution and progress	Approved Board Nominations Policy
Discussed strategy implementation and progress against targets.	Considered the approved Internal Audit Charter	Discussed Strategy Implementation and Monitoring	Reviewed the results of the Employee Engagement Survey
Approved the appointment of PwC as new external auditors	Approved the revised Board Audit Committee Terms of Reference	Approved the consolidated half year financials, Going Concern Assessment, PwC Half Year Audit Report and publications	Discussed business performance and approved independent auditor year end audit plan and engagement letter
Ratified the appointment of advisor for a corporate transaction	Approved the Internal Capital Adequacy Assessment Process (ICAAP) Approved the Risk Appetite Statement	Approved the updated Dividend Policy	Discussed the Revised Bank of Botswana Guidelines on Risk Management , and the Draft Revised Directive on the Revised International Convergence of Capital Measurement and Capital Standards for Botswana (Basel II/III)

Jan-Mar	Apr-Jun	July-Sep	Oct-Dec
Approved the Annual Financial Statements, Going Concern Assessment and accompanying reports	Approved the revised Risk and Compliance Committee Terms of Reference	Reviewed and Approved various key procurements	Discussed the progress updates on the Bank of Botswana Onsite Examination matters
Considered quarterly progress reports on regulatory examinations	Discussed the Proposal on Gratuity Management	Approved the Quality Assurance and Improvement Program (QAIP) Framework	Approved the Inclusion of Commercial Paper into the Domestic Medium Term Note Program
	Considered the planning for the proposed BAOA Corporate Governance Follow Up Review	Approved the Pillar III Report	Considered Write Offs
	Approved the Sexual Harassment Policy	Approved the Framework for Evaluating the Effectiveness of the Internal Audit function	Considered and Approved further steps in an acquisition project
	Discussed the quarterly progress update for onsite examinations	Approved the revised Anti-Money Laundering Policy	Approved the annual work plan for 2026
	Discussed the updates on strategy execution	Considered the progress on onsite regulatory matters	Considered remediation progress of previous board evaluation results
	Held the annual general meeting	Approved the Korn Ferry Job Measurement Report	

Structure of Our Governance

The Board has a defined governance framework, which enables delegation of authority, with clear lines of responsibility, and the Board retaining the usual accountability and effective control. Our structure is a unitary one, with three (3) committees of the Board. Each committee thoroughly debates a matter in greater detail, makes recommendations as may be necessary and provides specific expert guidance on matters relevant to business and strategic activities. The Executive Management Team (Exco) led by the Managing Director functions on a delegated mandate, and is responsible for the operations of the bank, with close monitoring of performance against set targets. Consistent with the Bank of Botswana Guidelines on Corporate Governance for Banks, the Board retains the responsibility for the ethical leadership, oversight and long-term success of the bank and to ensure that sound governance practices are embedded across all business operations. The Board is satisfied that it has fulfilled its responsibilities in accordance with applicable regulations, the Constitution of BBS Bank and the Board Charter.

Board Responsibilities

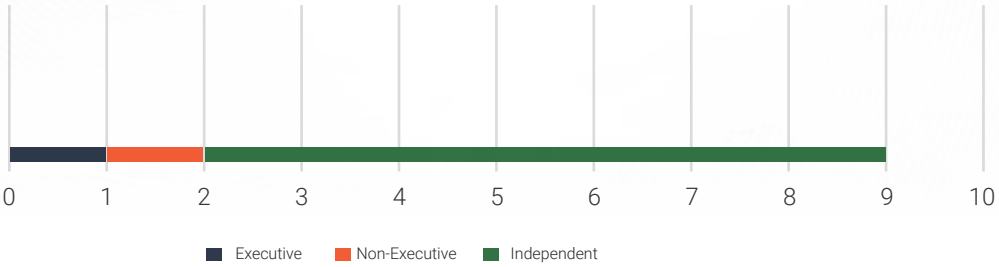
The Board has four main governance responsibilities, all of which are geared towards the creation and preservation of value for our stakeholders:

The Board Composition and Its Diversity

In terms of our governance, the roles of Board Chairperson and Managing Director are distinct and separate. As prescribed in our Constitution, the minimum number of Directors is five (5) while the maximum number is nine (9), the majority of whom should be independent non-executive Directors. The Board Charter requires that the Board should be constituted in such a way that it can successfully discharge its duties with distinction and the Board regularly considers whether its size, diversity and demographics makes it effective. The Bank of Botswana Guidelines on Corporate Governance requires BBS Bank to have an adequate number of board members, proportionate to the size, complexity, and risk profile of the bank, and an appropriate composition of board members who are capable of exercising judgement independent of the views of management or any external interests.

a. Independence

A Board skills matrix is maintained and reviewed regularly with a view to ensure that the skill, knowledge and experience on the Board is rightly balanced. Throughout the year, the Board maintained a full complement of nine (9) directors, seven (7) of whom are independent, one (1) is non-executive and one (1) is executive, representing a score of 78% for independence. A question of whether a director



is independent is satisfied where the board concludes that there is no interest, position, association or relationship which when judged from the perspective of a reasonable and informed third (3rd) party, is likely to influence unduly or cause bias in decision-making.

b. Balance of Skills, Qualifications and Experience

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

Skills Experience Qualification	Banking	Legal	Regulatory	Human Capital	Risk Management	ALCO	Strategy Leadership Governance Stakeholder Management	Information & Technology Project Management	Accounting Financial Reporting Audit Practise
Members	V.B. Mogano P. Tafa S. Lenong J. Kimani	E.T. Rakhudu	E.T. Rakhudu V.B. Mogano P. Tafa S. Lenong J. Kimani G.M. Bakwena	K.N. Moloyi E.T. Rakhudu P. Tafa S. Lenong	E.T. Rakhudu V.B. Mogano P. Tafa S. Lenong J. Kimani G.M. Bakwena M.W. Mogotsi V.B. Mogano	V.B. Mogano P. Tafa S. Lenong J. Kimani G.M. Bakwena M.W. Mogotsi	V.B. Mogano E.T. Rakhudu P. Tafa S. Lenong J. Kimani G.M. Bakwena M.W. Mogotsi K.N. Moloyi P.D. Letebele	J. Kimani G.M. Bakwena S. Lenong	S. Lenong P.D. Letebele M.W. Mogotsi G.M. Bakwena

The Board is satisfied that it comprises the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

c. Gender

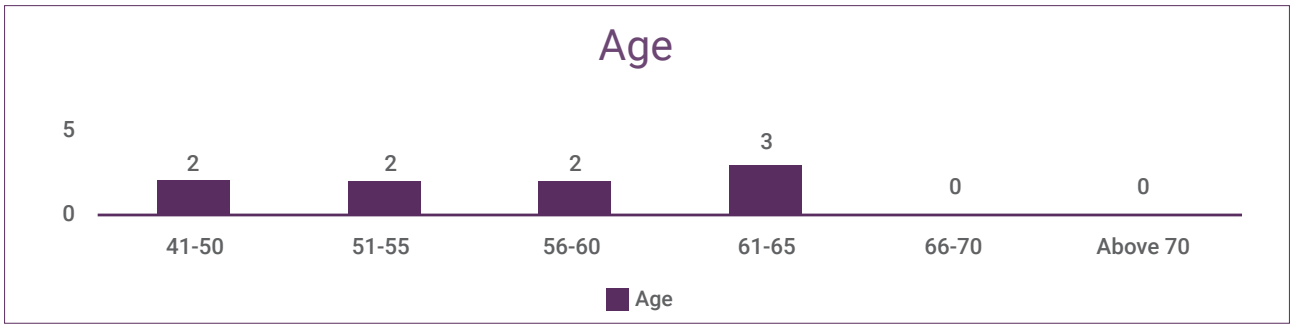
Notwithstanding that no diversity targets are set, our recruitment aims to balance and/or improve representation on gender and age, beyond the core skills, qualification and experience that is required on the board. Female representation continued to be in the majority (5 female board members representing a complement score of 56%) whilst the remaining four (4) are male at 44%. This balance is maintained from the prior year (2024). The close monitoring of board skills, dynamics and ownership of the nomination process enables the Board to create desirable attributes and value. As part of our diversity drive, two of our board-committees namely the Board Audit Committee, and the HR, Remuneration & Nominations Committee are chaired by female persons. The positions of Lead Independent Director and Managing Director are also held by female persons.

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

d. Age

The Board is conscious of the need to balance age, experience, wisdom and innovation in governance, in order to maintain effectiveness and create value in the interest of our bank. From this complement of nine (9) directors two (2) board members are aged 45 and below. The age range is 40 – 63 years as at year end, with an average age of 54 years, which indicates the right balance of age and experience.

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



e. Other

Whilst there is no requirement nor set target on nationality, we have leveraged our indigenous roots, and have our entire board comprised of citizens. This is one of the differentiators about the purple bank and it is an attribute that sets us apart. On an annual basis, the board considers whether its size, diversity, demographics, age and gender representation are appropriate for its effectiveness. On this basis, the Board is satisfied that its composition reflects the appropriate mix of expertise, knowledge, experience, independence and diversity, which is deemed appropriate to drive the delivery of the strategy.

Nationality

Board Tenure

A term of office for our directors is three (3) years, which may be renewed up to a maximum of nine (9) years cumulatively. The current average tenure of our members is 3.2 years, showing the right balance between new and old skills, and between retaining organizational knowledge and freshness. There is currently no Director who has served beyond the 9-year period and/or whose length of service is deemed to impair his or her independence.

	BoardTenure				
	Age	Gender	Rate Re/ appointed	Years on Board	Term Expiry
Vincent B. Mogano	53	M	29.04.22 18.05.25	4.3	17.05.28
Pedzani Tafa	58	F	03.01.23	3.5	Term tied to executive role
Geoffrey M. Bakwena	53	M	00.07.20 24.07.23	5.9	23.07.26
Koziba N. Moloyi	58	F	29.04.22 18.05.25	4.3	17.05.28
Sejo Lenong	45	F	12.06.23	2.9	11.06.26
Ewetse T. Rakhudu	63	F	23.05.24	2.1	22.05.27
John Kimani	62	M	23.05.24	1.8	22.05.27
Pulane D. Letebele	63	F	23.05.24	1.8	22.05.27
Mmoloki W. Mogotsi*	41	M	23.05.24	2.1	11.06.26

*Resigned 31 January 2026

Rotation and Retirement

The rotation and retirement of a director is every three years. A Director holds office until his or her resignation, rotation, retirement and disqualification or removal. Consistent with the prudential requirements, a Director must retire and cease to hold office upon reaching the age of 75 and can only serve beyond such age subject to regulatory approval.

Only non-executive directors are subject to rotation, whilst executive director`s tenure is aligned to their contract of employment. Unless otherwise agreed with the Board, termination of employment of an Executive Officer with the bank results in termination of that officer's tenure as a Director. The Board has implemented the arrangements for periodic, staggered rotation of non-executive directors. This is meant to mitigate the risk of directors' term lapsing at the same time. In 2025, Dr. V.B. Mogano and Ms. K.N. Moloyi were re-elected as non-executive directors following their retirement by rotation. In 2025, two (2) non-executive directors, Mr. G.M. Bakwena and Ms. S. Lenong will retire by rotation. Mr. G.M. Bakwena being eligible, will stand for re-election whilst Ms. S. Lenong will retire. The full details are contained in the AGM Notice which is attached to this report.

During the period, Mr. M.W. Mogotsi resigned from the board as set out in the publication that was issued to stakeholders in January 2026.

The Leadership of Our Governance

For the reporting period, our Directors are as follows;

Dr. Vincent B. Mogano,
Independent Non-Executive Board Chairman (M) (53)

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

Dr. Mogano was re-elected by the general meeting as an independent non-executive director on 26 June 2025, after completing his first 3-year tenure. He was first appointed to the board of BBS Bank on 29 April 2022 as an independent non-executive director. He worked as an Economist for Bank of Botswana between 1996-2001, then moved to Stanbic Bank Botswana as Market Risk Manager from December 2001 to June 2007, and then Treasurer for National Development Bank between 2007 and 2011. He has been the Director of Policy Advocacy for Business Botswana and a Research Moderator for Botswana Open University. He continued to serve as Board Chairperson during the period, after re-election by the board members. To maintain objectivity and independence, he is not assigned to any committee.

Committee Membership: None
Years on the Board: 4.3 Years
External Directorships: Theatre of Faith: The Worlds Institute of Science PLC

Ms. Koziba N. Moloyi,
Lead Independent Non-Executive Director (F) (58)

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

Ms Moloyi was re-elected as a non-executive director on 26 June 2025, after completing the first tenure of 3 years, having first joined the board of BBS Bank on 29 April 2022. She was re-elected as the Chairperson of the Human Resources, Remuneration and Nominations Committee, and as the Lead Independent Director (LID). She is a human capital practitioner, having worked at Botswana Housing Corporation (BHC) for more than two decades.

Committee Membership: HR, Remuneration and Nominations Committee (Chairperson); Risk and Compliance Committee.
Years on the Board: 4.3 Years
External Directorships: Clarimart Holding (Pty) Ltd, Apple Greenery Botswana (Pty) Ltd

The Leadership of Our Governance
(continued)

Ms. Pedzani Tafa,
Managing Director (F) (58)
MBA, BA (Env. Sci & Eng.), Dip. Financial Management, Ass. Diploma in Banking Executive Director

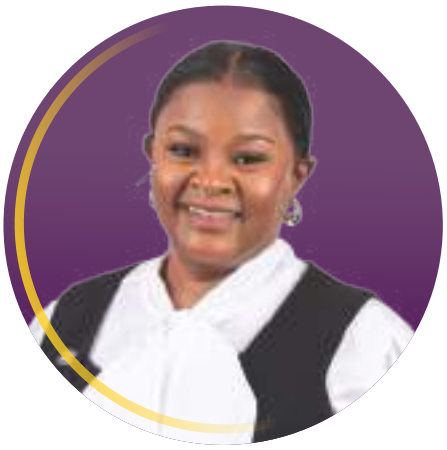
Ms. Tafa continued to serve as the Managing Director and executive director of BBS Bank, since her appointed as such on 4 January 2023. Her banking career spans over three decades, having held senior leadership positions at Stanbic Bank Botswana, Standard Chartered Bank Botswana and Botswana Savings Bank before joining BBS Bank.

Committee Membership: Risk and Compliance Committee
Years on the Board: 4.5 Years
External Directorships:
- Maswikiti Investments (Pty) Ltd
- Petimore (Pty) Ltd
- Magrey Holdings (Pty) Ltd
- Patriots (Pty) Ltd

Mr. Geoffrey Moamodi Bakwena,
Non-Executive Director (M) (53)
MBA, BCom (Accounting), Fellow CSSA, PGDC ERM

Mr. Bakwena is a non-executive director of BBS Bank since July 2020 and was re-elected in April 2023 after completing his first tenure. He possesses vast leadership experience in the financial services industry including as Chief Executive Officer of Stockbrokers Botswana, he has worked for Botswana Stock Exchange, Atilo Capital and currently Dimension Data. He has served as non-executive director for MVA Fund, Botswana Stock Exchange and currently sits on the board of Botswana Privatization Asset Holdings as non-executive director. Mr. Bakwena is also the Chairperson of our Risk and Compliance Committee.

Committee Membership: Risk and Compliance Committee (Chairperson); HR, Remuneration and Nominations Committee
Years on the Board: 6.9 Years
External Directorships: Botswana Privatisation Asset Holdings



Ms. Sejo Lenong,
Independent Non-Executive Director (F) (46)

B. Accounting, ACCA, FCCA, FCA, LDP

Ms. Lenong joined the board of BBS Bank on 12 June 2023, bringing with her a wealth of experience in audit practice, accounting, financial reporting, risk management, commercial banking, assets and liabilities management, credit risk management, project management and strategy implementation. An experienced CFO, she held leadership roles at Bank Gaborone for over a decade and she is now in the telecommunications industry. She has also worked for Deloitte & Touché at the inception of her audit career. She is the Chairperson of the Board Audit Committee and also served as a member of the Risk and Compliance Committee. During the year, she ceased to be a member of the Risk and Compliance Committee to comply with the Bank of Botswana directive that members of the Audit Committee should not be members of any other board committee.

Committee Membership: Audit Committee (Chairperson)
Years on the Board: 3.9 Years
External Directorships: Curlonse Investments (Pty) Ltd

Ms. Ewetse T. Rakhudu,
Independent Non-Executive Director (F) (63)

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

Ms. Rakhudu was appointed to the board of BBS Bank on 23 May 2024. She is a renowned legal professional and central banker. Her illustrious career includes the Attorney Generals Chambers, Magistracy and Bank of Botswana where she spent decades across various leadership roles including Head of Board Secretariat, Director Human Resources, Director Payments and Settlements, General Manager and General Counsel. She has been a United Nations Electoral Observer in the 1994 Mozambique elections, member of the National Advisory Board on HIV/AIDS in the Workplace, board member at BOMAID, Deputy Chairperson of the National Labour Advisory Board, and Chairperson of Botswana Power Corporation (BPC).

Committee Membership: Risk and Compliance Committee
HR, Remuneration and Nominations Committee
Years on the Board: 3.1 Years
External Directorships: None

The Leadership of Our Governance
(continued)

Mr. Mmoloki M. Mogotsi,
Independent Non-Executive Director (M)(41)

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

Mr. Mogotsi was appointed to the board of BBS Bank on 23 May 2024. He is a Chartered Accountant and a distinguished member of the South Africa Institute of Chartered Accountants (SAICA), as well as an Associate Member of the Botswana Institute of Chartered Accountants (BICA). Mr. Mogotsi has over 16 years of leadership experience in mining and retail sectors in Botswana and South Africa. He has served as Finance Director for Cummins Botswana and Famous Brands Botswana. He held finance related positions within the Cummins group of companies such as Financial Planning & Analysis Manager (Southern Africa), Financial Analyst – Cummins Africa & Middle East and Financial Controller for Cummins Morocco. Mr. Mogotsi resigned from the board on 31 January 2026 to pursue personal interests. He was a member of the Audit Committee and the HR, Remuneration and Nominations Committee respectively. During the year, he exited the latter to comply with the prudential directive that require members of the Audit Committee not to be members of any other board committee.

Committee Membership: Audit Committee
Years on the Board: 3.1 Years
External Directorships: Neo Afrique Investments (Pty) Ltd
Native Edge Operations Afrique (Pty) Ltd.

Mr. John Kimani,
Independent Non-Executive Director (M)
(62)

EDP, Post Gra. Dip. In Management Studies, ITIL, Cert. ESG

Mr. Kimani joined the board of BBS Bank on 23 October 2024. He has more than three decades of experience in commercial banking and technology operations. He has held senior leadership positions at Standard Chartered Bank Kenya, BMS/TS Botswana, IT Integrators Botswana, Barclays Bank Botswana (now Absa), Standard Chartered Bank Botswana, Access Bank Botswana (formerly BancABC), and Access Bank PLC for East Africa Region. He is a member of the Risk and Compliance Committee, and HR, Remuneration and Nominations Committee. During the year, he ceased to be a member of the Audit Committee to comply with prudential requirements and he was nominated to the HR, Remuneration and Nominations Committee.

Committee Membership:
Risk and Compliance Committee
HR, Remuneration and Nominations Committee
Years on the Board: 2.8 Years
External Directorships: Triumph Lane (Pty) Ltd

Ms. Pulane Dibuseng Letebele,
Independent Non-Executive Director, (F), (63)

B.A.(Economics), ACCA

Ms. Letebele joined BBS Bank as a director on 23 October 2024. She is a former Auditor General for the Government of Botswana, performing professional audit services for the civil service and state-owned entities for more than three decades. She is a member of the Audit Committee. Like others, she ceased to be a member of the HR, Remuneration and Nominations Committee during the year to focus only on the Audit Committee as required by the Bank of Botswana guidelines.

Committee Membership: Audit Committee
Years on the Board: 2.8 Years
External Directorships: Ramokoroga (Pty) Ltd

The Leadership of Our Governance
(continued)

Board Performance Evaluation

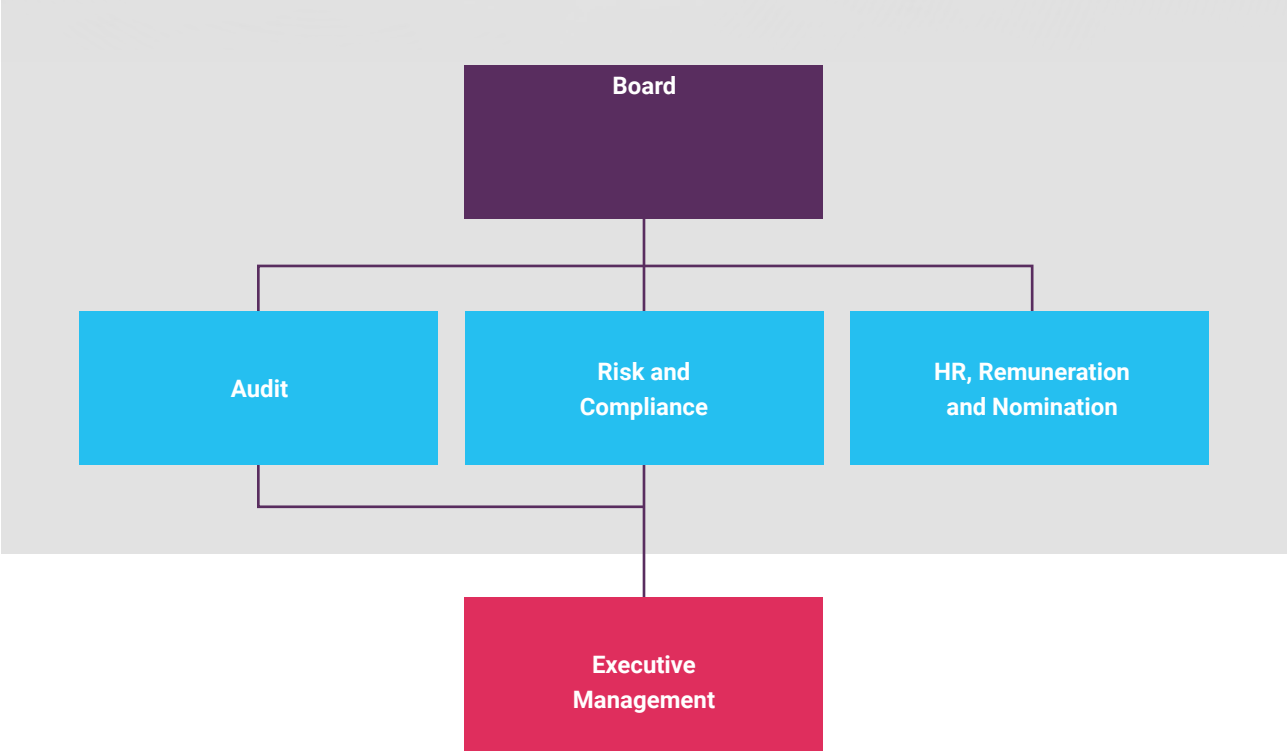
In line with the work plan, the board routinely evaluates its performance and that of its members for effectiveness. The gaps and areas of improvement are documented and tracked with management actions for resolution. The bank has adopted the scheduling of the consideration, discussion and reflection of its performance and that of its committees, chair and members in alternate years, as recommended by King IV. In November 2025, the board engaged Celavie Training, an independent external consultant to facilitate and review the extent to which the recommendations from the prior year evaluation cycle have been implemented. The review entailed the use of questionnaire and forms that were completed electronically by the participants. The report from the review was presented and adopted by the board at its meeting of December 2025 for ownership.

The Consultant concluded that the results demonstrate significant progress across most governance areas, with the Board achieving an overall performance score of 76% (that is 3.8 out 5). The strongest results were recorded on Strategic Review and Validation (87%), Peer-to-Peer evaluation (81%), Meeting preparation and participation (81%) and Internal Controls and risk management (79%), which all reflected well established governance maturity levels. Other areas of notable advancement included the enhancement of IT governance capability through the appointment of specialised expertise and strengthened strategic oversight supported by quarterly reporting. Positive reviews also came from the holding of the annual strategy sessions, improved tracking mechanisms for previous recommendations, and the board`s culture of accountability and openness to feedback. Despite the overall good performance, the board identified the need for more focus and consistency on ESG oversight especially the absence of a formal policy, stakeholder engagement and structured board involvement, IT and cybersecurity reporting, and the need for greater participation during meetings. These are tracked as part of the board tracking tool for close monitoring until full remediation. Meanwhile, ESG policies and frameworks have since been developed and are undergoing governance review. To enhance cybersecurity reporting, an IT Strategy was approved in the last reporting period and it is undergoing implementation, with IT reporting prioritised in the agenda of the Risk and Compliance committee meetings. The Board Chair has taken the lead to engage directors collectively. Against the foregoing, the Board is satisfied that the evaluation supports the continued improvement of its performance and effectiveness. The evaluation also enables the Board to identify necessary developmental needs for itself, for the committees and individual members.

Board Committees - Effective support structures of the Board

How is Authority Delegated

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



Our Board Committees

To promote independent judgment, the balance of power and the effective discharge of its duties, the board has established three committees namely the Audit Committee, the Risk and Compliance Committee, and lastly the HR, Remuneration and Nominations Committee to assist with the exercise of authority and responsibilities. These committees' function under formalised and approved terms of reference. During the period, key priorities for the board included ensuring that the membership of the committees is aligned to the Bank of Botswana Guidelines on Corporate Governance for Banks, and that each committee is resourced with the right skills that will enable it to discharge its mandate. Accordingly, the cross membership in other committees by Ms. S. Lenong, Mr. M.W. Mogotsi and Ms. P.D. Letebele was ended, and they became responsible for the Audit Committee only. Mr. J. Kimani was also redesignated to the HR, Remuneration and Nominations Committee from the Audit Committee. The Board is satisfied that the Committees are appropriately constituted regarding the skills required by each committee. In addition, board members are at liberty to attend committee meetings in which they are not members, as observers, subject to relevant protocols;

The Leadership of Our Governance (continued)

Board Audit Committee

Composition	Purpose	Focus Areas
Members S. Lenong (Chairperson) M.W. Mogotsi P.D. Letebele **Management Attendees** Managing Director Chief Operations Officer Head Finance Head Internal Audit Head Company Secretariat, Legal and Compliance **Invitees** External Auditors **Number of Meetings Held:** 4	• Consider the effectiveness of the combined assurance model • Consider and make recommendations on the appointment, remuneration and rotation of external auditors • Define the policy for non-audit services • Evaluate the going concern assessment and statement of internal control • Consider for remediation accounting treatments, management letter issues and external auditor`s report on financial statements • Recommend the approval of financial statements for publication to stakeholders • Oversee compliance with regulation, law and company policies • Oversee the effectiveness of risk management, related strategies and policies	• Consideration of Group Financial Statements and recommendation to the Board for approval • Going Concern Assessment of the bank • Independence assessment of external auditors • Review of Auditor Opinion and Representation letters • Review of the adequacy of the Internal Audit function • Review of Combined Assurance Forum Terms of Reference • Review of the progress and remediation of open audit issues • Approved the yearly work plan for the committee • Considered the appointment of new independent auditors • Financial performance • Insurance Agency Performance • Key Procurements • Enterprise Resource Planning Solution • Oracle Private Cloud Appliance Solution • Insurance Underwriting Services • Approval of Internal Audit Charter • Review of Board Audit Committee Terms of Reference • Review of Internal Audit Strategy • Approval of Internal Audit Plan and Risk Assessment Plan 2026 • Review of Interim Condensed Consolidated Financial Statements • Consideration of Impairment Assessment of BBS Bank CBD Office Project • Review of Dividend Policy • Review of Quality Assurance and Improvement Program (QAIP) Framework • Review of the Framework for Evaluating the Effectiveness of the Internal Audit Department

Board Audit Committee (Continued)

Composition	Purpose	Focus Areas
		The Committee is satisfied that it has fulfilled its mandate for the year, as required by the terms of reference. **Future Focus Areas for FY2026** • ECL Automation • Segmental Reporting • Review of the effectiveness of the Internal Audit and Finance functions, and auditor and disclosures • Oversee implementation of combined assurance framework • Committee report towards Integrated Report

In line with the Audit Committee Terms of Reference and annual plan, the Audit Committee met separately with the Head Internal Audit and External Auditors in the absence of Management, to discuss matters that may not be suitable for an open forum. Appropriate feedback from these engagements is discussed with the Managing Director in a closed session. The Committee has found these sessions to be insightful and provide non-executive directors with an opportunity to test thoughts and strengthen governance and the Committee`s effectiveness.

The Leadership of Our Governance (continued)

Board HR, Remuneration and Nominations Committee

Composition	Purpose	Focus Areas
Members K. Moloyi (Chairperson) G.M. Bakwena E.T. Rakhudu J. Kimani **Management Attendees** Managing Director Chief Operations Officer Head Company Secretariat, Legal and Compliance Head Human Resources **Invitees** Board Evaluation Consultant HR Consultant Director Recruitment Firm Number of Meetings Held:5	• Nomination of new directors and re-election of directors • Succession planning for Board and Non-Executive Directors • Recruitment for Managing Director, succession planning and performance evaluation • Review training and development needs for directors • Consider and recommend diversity targets in respect of gender or age representation needed on the Board, including the proposed number of Committees and membership • Consider and recommend to the Board the removal of Directors for misconduct and other criteria for disqualification or removal from office • Advise the Board on the remuneration of Non-Executive Directors • Oversee the effectiveness of the HR function • Oversee the creation and implementation of performance management policies and culture • review organisational structure • review of remuneration policies and practices • oversee the implementation of HR Policies	• Talent and succession Management • Remuneration and market insights • BBS Bank Pay Philosophy • Recruitments and Promotions • Learning and development • Performance Management • Change Management and employee engagements • Progress on remediation on 2024 board evaluation recommendations • Awareness and consideration of Draft King V Code on Corporate Governance for South Africa • Review HR, Remuneration & Nominations Committee Terms of Reference • Review of Board Charter • Consideration of Forward Plan • Consideration of Sexual Harassment Policy • Botswana Accountancy Oversight Authority (BAOA) Corporate Governance Follow Up Review • Career Development Policy • Managing Director Succession Plan • Director Recruitments • Korn Ferry Job Measurement Report • IoDSA Practice Note on the Role of the Chair and Lead Independent Director • Bank of Botswana Guideline on membership of Audit Committee • Review of Board Appointment and Nominations Policy The Committee is satisfied that it has fulfilled its mandate for the year, as required by the terms of reference. **Future Focus Areas for FY2026** • Job evaluation exercise • Policy review • Talent Management • Committee report • Embed Board evaluation results

Board Risk and Compliance Committee

Composition	Purpose	Focus Areas
Members Members G. Bakwena (Chairperson) P. Tafa J. Kimani E.T. Rakhudu K.N. Moloyi **Attendees** Chief Operations Officer Head Risk Head Company Secretariat, Legal and Compliance Head Strategy and Projects Head Treasury Head Information Technology Head Credit **Invitees** Head Finance Head Internal Audit Number of Meetings Held:4	• Oversight of the strategies for capital and liquidity • Management • -review of the internal risk • Appetite framework and risk policies • -Recognising material risks and ensuring that appropriate • risk management culture, practices, policies, resources and systems are in place and • are functioning effectively • -Provide guidance regarding the • level of exposures suitable for the bank and to ensure that • Management implements procedures and controls necessary to comply with • applicable policies • -oversight over the compliance with applicable laws and regulation • -review and guide on any material legal matters • -oversee credit matters and ALCO issues • -Oversee IT Strategy implementation • -monitor strategy execution	• ALCO Reporting • Bank of Botswana Onsite Examination Progress Reports • Consideration of Stakeholder Engagement Reports • Liquidity and funding risk management • Consideration of Pillar III Report and disclosures • Strategy Execution and Monitoring • Credit risk management • Information and technology • New legislation and regulatory developments • Infrastructure stabilisation • IT Governance and cyber security plan The Committee is satisfied that it has fulfilled its mandate for the year, as required by the terms of reference. **Future Focus Areas for FY2026** • Cyber resilience governance • Disaster recovery architecture • Ongoing regulatory compliance • Embed IT Strategy and privacy • Embed transformational risk registers and remediation • Liquidity and cost of funding • Strategy execution • Committee report

Director Appointments and Changes

The bank has a formal policy on the nomination and appointment of Directors. The Policy was reviewed and updated during the year, to keep it current in terms of its document life cycle due dates. A skills gap matrix is maintained that is reviewed annually by the board to ensure that the balance of skills remains in line with the changes in risk profile of the bank, and the nature and size of operations. This helps to inform the gaps and the new skills that are required on the board, or the ones that need to be retired. The HR, Remuneration and Nominations Committee presides over the nomination of directors and makes recommendations to the Board. The decision by the Board is then submitted for regulatory vetting and approval, before shareholders make a decision to appoint through an ordinary resolution. In terms of the Constitution, a director may be appointed to the board and commence duty upon receipt of regulatory approvals, subject to shareholder resolution in due course. During the year, the shareholders passed a resolution to re-elect Dr. V.B. Mogano and Ms. K.N. Moloyi as directors, whilst Mr. J. Kimani and Ms. P.D. Letebele`s appointment was confirmed and Mr. M.W. Mogotsi resigned as a director.

The Leadership of Our Governance
(continued)

Director	Change	Dates
J. Kimani	Confirmation of Appointment	23 October 2024*
P.D. Letebele	Confirmation of Appointment	23 October 2024*
V.B. Mogano	Re-elected	26 June 2025
K.N. Moloyi	Re-elected	26 June 2025
M.W. Mogotsi	Resigned	31 January 2026

*Ordinary Resolution passed on 26 June 2025

Director Development

The bank maintains a formal induction programme for all newly appointed directors. The programme entail interactions with Board Chair and Management with a view to expose appointees to business functions of the bank. Specific corporate governance training is included that is aimed at enhancing directors` understanding and awareness of their duties. In addition to that, our board members benefit from a Director training and development program that is executed annually, covering corporate governance and other topical areas. The content of the training is informed by regulatory developments, the identified skills gaps or performance gaps, director evaluation feedback, strategic shifts, market changes, specific requests from directors amongst others. The training is facilitated by an external consultant. The topics covered included data protection and privacy, ESG, IT Governance and cyber security, director duties, director evaluation, preparation and participation in meetings, non-performance and feedback, fit and proper test, King V Code, strategy development and monitoring amongst others.

In addition, the directors continue to receive regular briefings and awareness on legal, governance and regulatory developments such as Data Protection Act, Beneficial ownership requirements under the Companies Act, IFRS 1 and 2, King V Code of Corporate Governance, Bank of Botswana Guidelines, Monetary Policy Changes and other developments that are relevant to directors discharging their duties. Beyond this, board members are encouraged to ensure that they are qualified and that they remain qualified to discharge their duties, including taking up personal continuous professional development. In terms of Principle 1 of King IV, members of the governing body should continuously develop their competence to lead effectively. On this basis, the board is satisfied with the training and awareness provided to the board members and that it leads to continuous improvement and effectiveness.

Ethics, Leadership and Culture

As the focal point and custodian of ethical conduct, the Board ensures that an appropriate tone is set at the top. Our directors understand their duty to act with care and in the best interest of the bank and to exercise their powers for a lawful purpose. High ethical standards and integrity are required from each board member without compromise, and regardless of position. Directors commit to ethical practices in business dealings with the bank and with stakeholders, and the bank demands a continuous commitment to the improvement and maintenance of ethical culture. The bank`s Code of Ethics and Conduct Policy, and the Conflict of Interest and Related Parties Dealing Policy respectively supported by other policies and frameworks guide directors, employees and other stakeholders on the desired ethical conduct. This aims to promote consistent behaviour across all levels of business and authority. A Whistleblowing Policy is in place, that resulted in the implementation of an anonymous whistleblowing hotline in partnership with Deloitte Consulting.

All Directors are required to disclose matters that may result in perceived or real conflict of interest, including a declaration of outside interests or positions at the time of appointment and as and when any such new conflict develops. Directors declare interest with respect to matters on the agenda at the beginning of each board or committee meeting, using the conflict-of-interest form. The form was automated during the year, as part of the bank improving its process and enhancing effectiveness. Directors do not participate in matters in which they are interested.

Succession Planning

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

Board Leadership

Board Chairperson

The Board Chairperson is appointed by the Board of Directors amongst the Independent Non-Executive members. The role, responsibilities and term of office of the Board Chairperson is documented in the BBS Bank Board Charter. The Board Chair is also subject to retirement by rotation and can be removed as part of the board and committee restructuring and skills alignment. The role of Board Chairperson and that of Managing Director are distinct and separate. To ensure overall concentration and balance of power, the board has determined that the role of Board Chairperson should not serve on any committee, either as chair or a member. However, the Board Chairperson may be invited to the meetings of any such committees. Dr. Mogano continued to lead the board business and demonstrated high ethical standards. In 2024, the Board assessed the continued independence and effectiveness of the Board Chair, facilitated by an external consultant. The Board is satisfied with the performance of the Boad Chair and that the Board Chair has remained independent with no interest, position, association or relationship that has been identified which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause biasness in decision-making on the part of the Chairman. The term of office for the role of Board Chair is similar to other non-executive directors.

Lead Independent Director

The role of Lead Independent Director (LID) has been in place since the 2022 financial year. The role, together with its responsibilities and term, are set out in the Board Charter. During the period, Ms. Moloyi was re-elected and continued as the lead independent director. Some of the responsibilities for this role includes strengthening the role of the Board Chair and providing leadership in instances where the Chairman is deemed to be conflicted, to oversee and lead the performance evaluation of the Board Chair, to be an avenue of communication for other board members on any issues relating to the Board Chair and achieve a balance of power and reinforce accountability mechanisms. Our Board Charter seeks to ensure a balance of power and authority at Board level, since no one individual has unfettered decision-making powers. The LID role forms part of the succession plan for the role of Board Chair.

Managing Director

The Managing Director is appointed by the Board and is responsible for leading Executive Management in formulating and establishing business objectives and strategies that are approved by the Board. The Managing Director provides leadership in the implementation of strategies and policy making and the overall running of the bank. The Managing Director remains accountable to the Board on the progress made towards achieving strategic plans. The board, through the Board Chairperson and the HR, Remuneration and Nominations Committee executes a formal evaluation of the performance of the Managing Director against agreed

The Leadership of Our Governance (continued)

key performance targets at least once annually or at such agreed intervals per the HR Policies. The Committee is also responsible for ensuring that a succession plan is in place for the role of Managing Director. Ms. Pedzani Tafa continued to lead the Management team and operations of the bank as the Managing Director. The employment of the Managing Director is under a renewable, fixed term contract of not more than five (5) years, subject to retirement age. The employment is subject to regulatory vetting and board sanction. A three (3) months written notice is required to be served by either party to terminate the contract or payment of salary in lieu thereof. The Board is satisfied with the qualification, experience and leadership of Ms. Tafa.

Company Secretary

The directors have access to the services of the Company Secretary, Mr. Dimpho T. Phagane. The Company Secretary is not a member of the Board or associated with any shareholder. He continued to act as the source of guidance to Board Members, including access to legal and other independent professional advice when required. He is responsible for board administration, liaison with regulators and other stakeholders, and ensures compliance with applicable requirements, including sound corporate governance practices. The Board has evaluated and is satisfied with the competence, qualification, experience and effectiveness of the Company Secretary, and that an arm's length relationship exists between the Board and the Company Secretary.

Board Attendance

Our Board and Committee Meetings

The Board and its Committees are scheduled to meet at least four (4) times in a financial year, unless where special meetings are convened as dictated by the demands of the business. The meetings are held once every quarter in line with the forward plans. All board members are expected to attend scheduled board and committee meetings. In accordance with the Bank of Botswana Guidelines on Corporate Governance for Banks, failure by a director to attend 75% of the scheduled Board or Committee meetings renders such director unfitness to continue serving as a director. Therefore, meeting attendance is a key performance issue for our directors at BBS Bank and a consideration for re-election. Attendance by directors is important not only to secure quorum at meetings but also to ensure that the business of the board is conducted. Hence our directors are required to provide details of their professional commitments and confirmation that they have sufficient time available to fulfil the governance responsibilities, upon onboarding. During the period, all our directors attended the scheduled meetings as required and in line with the minimum regulatory requirements. The Board is satisfied with the level of attendance of meetings by members, and its discharge of the responsibilities as set out in the Board Charter.

As part of its governance planning the Board with the assistance of the Company Secretary and Managing Director, develops a meeting calendar for the ensuing financial year, and forward plan which details out key dates and matters to be considered at each quarterly meeting. During the financial year, the Board and Committees held an aggregate of 26 meetings, relative to a total of 23 meetings in 2024: (27 meetings in 2023).

Director	Board	Audit Committee	HR, Rem & Nominations Committee	Risk & Compliance Committee	2024 AGM	Board Strategy Budget	Board Inductions Trainings Evaluation
V.B. Mogano	9/9	1/4	-	--	1/1	2/2	2/2
G.B. Bakwena	9/9	-	5/5	4/4	1/1	2/2	2/2
K.N. Moloyi	9/9	-	5/5	4/4	1/1	2/2	2/2
P. Tafa	9/9	-	-	4/4	1/1	2/2	2/2
S. Lenong	9/9	4/4	-	3/4	1/1	2/2	2/2
E.T. Rakhudu	9/9	-	5/5	4/4	1/1	2/2	2/2
M.W. Mogotsi*	9/9	3/4	4/5	-	1/1	2/2	2/2
J. Kimani	9/9	3/4	1/5	4/4	1/1	2/2	2/2
P.D. Letebele	9/9	3/4	4/5	-	1/1	2/2	2/2

*M.W. Mogotsi resigned on 31 January 2026.

Directors' Remuneration Practices in 2025

Our Directors Remunerations and Expenses Policy continue to govern the nature and extent of remuneration available to non-executive directors in the bank. The Policy aims to attract and retain skilled and experienced individuals that will help create, increase and preserve value, subject to affordability. The fees are aligned to the size and operations of the bank and are reviewed regularly with a view to determine their relevance and competitiveness. This includes a benchmark against peers in the banking and financial services industry. In line with the King IV Code of Corporate Governance, the underlying consideration is to ensure that the remuneration is fair and responsible. The remuneration structure for Non-Executive Directors comprises of a retainer that is payable quarterly in advance, a meeting sitting fee for the board meeting, meeting fee for the committee meeting, and Directors incidental expenses. The Chairman of the Board and the Lead Independent Director are paid a premium on the retainer and board meeting fees whilst the Chairpersons of Committees receive a premium on committee sitting fees only. In 2025, the shareholders approved the adjustment to the board fees broadly on the need to attract and retain key skills and seek alignment between the bank and its stakeholders. For the reporting period, a total of P1,757,100.00 was paid towards Board fees compared to P1,462,000.00 in 2024 and P1,473,250.00 in 2023. This excludes related or incidental expenses. The structure of the fees for the reporting period is:

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Director	Total Fees (2025)	Total Fees (2024)	Total Fees (2023)
V.B. Mogano	314 700	331 000	270 000
G.M. Bakwena	196 350	187 000	205 500
K.N. Moloyi	250 100	248 500	226 250
S. Lenong	194 100	182 500	108 500
P. Tafa*	-	-	-
E.T. Rakhudu	201 400	121 500	-
M.W. Mogotsi	192 150	114 000	-
J. Kimani	194 400	47 000	-
P.D. Letebele	213 900	47 000	-
Total (BWP)	**1 757 100**	**1 462 000**	**1 473 250**

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

Governance Functional Areas

Compliance

The governing body should govern compliance with applicable laws and adopted non- binding rules, codes, and standards in a way that supports the organisation being ethical and a good corporate citizen.

The Board is responsible for the governance of compliance with applicable laws and regulations and sets the direction on how compliance risk should be addressed in the bank. In this regard, the Board has approved a Compliance Policy and a Compliance Risk Management Framework that sets a zero-tolerance stance against wilful non-compliance with prudential requirements. During the period, the reviewed and approved the updated Anti-Money Laundering Policy which sought to cater for regulatory developments and legislative changes, especially the Financial Intelligence (Amendment) Act, No. 1 of 2025. The Board continued to provide oversight over the bank`s anti-money laundering architecture including customer

due diligence, reporting obligations, training, and automated systems that enable the bank to manage the risk. The board ensured the successful remediation of onsite examination areas of improvement in conjunction with the parent regulator. The board continued to receive regular updates on new and changes to applicable legislation and regulation and how compliance has been met. These includes the Financial Intelligence Amendment Act No.1 of 2025, Data Protection Act (Date of Commencement) Order of 2025, Trust Property Control (Amendment) Bill of 2024, Companies (Amendment) Act of 2024, changes in the Monetary Policy Rate (MoPR), the revised Guidelines of Risk Management for Banks from Bank of Botswana, Revised 2016 Directive on the Revised International Convergence of Capital Measurement and Capital Standards (Basel II), Banking Act (Date of Commencement) Order of 2025, Banking Regulations of 2025, Banking (Deposit Taking Institutions) Regulations of 2025, the Employment and Labour Relations Bill No. 10 of 2025, Value Added Tax (Amendment) Bill No. 22 of 2025, Digital Services Bill No. 23 of 2025, Cybersecurity Bill No. 24 of 2025 and the King V Report on Corporate Governance, amongst others.

The Board has delegated to Management the responsibility for implementation of the compliance policies and to ensure compliance with applicable requirements. An independent compliance function is in place, led by the Head of Company Secretariat, Legal and Compliance, which provides regular reporting to the board on a quarterly basis. The function embeds the requirements through the compliance risk management plans process and workshopping with various business units. These are supported by a compliance programme which amongst others seeks to not only ensure that through regular training and awareness, the compliance requirements are understood by all those who need to comply with it, but also that compliance is not merely a tick box exercise but that it facilitates the creation of value for our varied stakeholders. A monitoring plan is part of the programme and it enables the continuous monitoring of the internal environment through sampling, spot checks and monitoring exercises that result in remedial plans for any gaps that are identified. The board does receive reports on the independent testing and effectiveness of the compliance function from internal auditors, external auditors and the regulator. The bank has not received any material regulatory penalties, sanctions or fines for contravention of, or non-compliance with statutory obligations, whether against the bank itself, its board or its officers. In 2026, we intend to focus on enhancing our compliance monitoring programme, workshopping and embedding our compliance risk management plans, continue compliance related trainings and awareness covering both general and targeted interventions, finalise the goAML reporting improvements, accelerate the embedding of data protection requirements, the journey to transition to Basel III standards, full compliance ISO20022 standards and fine tune our anti-money laundering reporting systems.

Other Areas of Governance Oversight

Subsidiary Governance

The Board of BBS Bank has overall responsibility for governance across the group. The governance practices are integrated across the group, ensuring consistency application of governance processes and frameworks. Thus, BBS Bank Limited, as the parent company to BBS Insurance Agency Limited and Pula Pele Limited, exercises appropriate governance oversight over the subsidiaries whilst maintaining the independence and the governance responsibilities that apply to each subsidiary. The group prepares consolidated reporting for the group, as detailed out in our financial statements.

Shareholder Rights

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

Act and the protective provisions under the Building Societies (Amendment) Act. No shareholder has any priority rights and there are no multiple voting shares or shares that have no voting rights.

How We Apply King IV Code of Corporate Governance

The bank has accepted the tone set out by King IV Code that is a set of voluntary principles, that embody the aspirations of the journey towards good corporate governance. The code recognizes that a one-size-fits-all approach to the application of the principles is logically undesirable, "because the types of businesses and activities carried out by organizations are so varied". The board of BBS Bank is therefore alive to the danger of mindlessly implementing the recommended practices as if they were law, resulting in corporate governance becoming a mere compliance burden. The board understands that mindless compliance and quantitative approach goes against the spirit and intent of the Code. The principles contained in the code are as a result applied proportionately and mindfully, commensurate with the nature and size of operations, the risk that the banks faces, the resources and the impact on the triple context in which the bank operates.

In making the disclosures, the King IV Code directs that "there is no need to disclose whether each principle has been implemented or not, as this is quantitative and does not necessarily add to the quality of the disclosure. There is also no need to disclose against the outcomes, as it can be left to the user to draw inferences from the narrative provided." Duplication of King IV disclosures should be avoided by making use of cross referencing. This is the philosophy that the board has embraced in its application of the code and the publication of disclosures. In this regard, we provide a summary of the core principles of King IV with reference to pages and sections in our integrated report, showing detailed information of how the principles have been applied in our practices, guided by materiality, to enable stakeholders to make an informed assessment of the quality of our governance.

Theme Area	Principle	Integrated Report Referencing
	Principle 1: The governing body should lead ethically and effectively	• The tone for ethical organizational culture and leadership: Page 39 (Our Governance Objectives), Page 62(Ethics, Leadership and Culture) • Arrangements for managing conflicts of interest: Page 62 (Ethics, Leadership and Culture) • Responsibility for steering and setting the direction of the bank: Page 39 (Our Governance Framework and Philosophy), Page 41 (Key Focus Areas), Page 46 (Board Responsibilities), Page • Attendance of meetings of the governing body and its committees: Page 64 (Board and Committee Meeting Attendance), Page 57 (Our Board Committees) • Code of Conduct: Page 62 (Ethics, Leadership and Culture) • Arrangements for performance evaluations of the board and its committees: Page 56 (Board Performance Evaluations)

Leadership, Ethics and Corporate Citizenship	**Principle 2:** The governing body should govern ethics of the organization in a way that supports the establishment of an ethical culture	• Code of Conduct and Ethics that articulates and gives effect to direction for organizational ethics: Page 62 (Ethics, Leadership and Culture) • Arrangement for governing and managing ethics: Page 62 (Ethics, Leadership and Culture), Page 39 (Governance Objectives) • Protected disclosure and whistleblowing mechanisms: Page 39 (Ethical Culture)
	Principle 3: The governing body should ensure that the organization is and seen to be a responsible corporate citizen	• Oversight of the bank`s core purpose and values, strategy and conduct on being responsible corporate citizen: Page 115 (Corporate Social Responsibility), Page 40 (Good Performance), Page 40 (Legitimacy), Page 35 (Board Chairman`s Insights), Page 76 (Delivering on Pilediwa Strategy) • Oversight of the bank`s activities and outputs: Page 40(Legitimacy) • Arrangements for managing and governing responsible corporate citizenship: Page 33(Reporting Matrix), Page 117 (Stakeholder Engagement), Page 115 (Corporate Social Responsibility) • Key areas of focus and planned focus areas: Page 41 (Key Areas of Focus for the Board in 2025), Page 44 (Board Discussions and Approvals)
	Principle 4: The governing body should appreciate that the organization`s core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process	• Responsibility for organizational performance and setting the direction through strategy: Page 40 (Good Performance), Page 35 (Chairman`s Insights), Page 97 (MD`s Perspective), Page 112 (Executing Pilediwa Strategy), Page 57 (Key Bord Discussions and Approvals) • Oversight of the implementation of strategy and operational plans: Page 76 (Delivering on Pilediwa Strategy) • ,Page 112 (Executing Pilediwa Strategy), Page 57 (Key Bord Discussions and Approvals) Oversight of performance, the bank`s solvency and liquidity and its status as a going concern: Page 97 (Managing Director`s Perspective), Page 57 (Our Board Committees)

Strategy, Performance and Reporting	**Principle 5:** The governing body should ensure that reports issued by the organization enable stakeholders to make informed assessments of the organization`s performance, and its short, medium and long term prospects	• Approval of management`s determination of reporting frameworks and standards: Page 124 (Directors` Report), Page 35(Our Reporting Matrix), Page 44 (Key Board Discussions and Approvals), Page 12 (Our Operating Environment and Materiality Determination) • Oversight that financial statements and other reports are issued in compliance with applicable requirements: Page 125 (Directors` Responsibility Statement), Page 126 (Director`s Report) • Oversight over the issuance of an integrated report as a standalone or part of another report: Page 11 (Report Preparation), Page 14 (Approval of Integrated Report) • Determination of materiality for deciding the nature of information to be included in external reports: Page 12 (Our Operating Environment and Materiality Determination), Page 136 (Material Accounting Policies) • Oversight over the integrity of external reports: Page 14 (Approval of Integrated Report), Page 125 (Directors` Responsibility Statement), Page 44 (Key Board Discussions and Approvals)
	Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organization	• Our Governance Structure: Page 45 (Structure of Our Governance), Page 56 (Effective Support Structures of the Board) • Setting and steering the strategic direction: Page 46 (Board Responsibilities), Page 42 (Key Areas of Focus for the Board in 2025), Page 40 (Good Performance) • The board`s responsibilities, membership and procedural conduct are documented in a Board Charter, Page 41 (Effective Control), Page 45 (Structure of Our Governance), Page 46 (Board Composition and its Diversity) • Development, Review and Approval of Key Governance Documents: Page 46(Board Responsibilities), Page 44 (Key Board Discussions and Approvals) • Number of meetings held during the reporting period: Page 64 (Board Attendance) • Fulfilment of responsibilities in accordance with the charter: Page 45 (Structure of Our Governance)

	Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge it governance role and responsibilities effectively	• Board Composition: Page 46 (The Board Composition and Its • Diversity), Page 51(The Leadership of Our Governance) • Whether the board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence: Page 46 (The Board Composition and Its Diversity) • Targets for race and gender representation in the board and progress made against targets: Page 46 (The Board Composition and Its Diversity) • Categorization of each member as executive, non-executive or independent: Page 46 (The Board Composition and Its Diversity), Page 51 (The Leadership of Our Governance) • Qualifications and experience of board members: Page 51 (The Leadership of Our Governance) • Each member`s period of service and Age: Page 49 (Board Tenure), Page 51 (The Leadership of Our Governance) • Other board and professional positions held by directors: Page 51 (The Leadership of Our Governance) • Whether the board chairperson is independent non-executive: Page 51 (The Leadership of Our Governance), Page 63 (Board Chairperson) • Appointment of a lead independent non-executive director: Page 63 (Lead Independent Director), Page 51 (The Leadership of Our Governance) • Succession Planning for the Board Chairperson: Page 63 (Succession Planning), Page 61 (Director Appointments and Changes)
Governing Structures and Delegation	**Principle 8:** The governing body should ensure that its arrangements for delegation within its own structures promote independent judgment, and assist with balance of power and the effective discharge of its duties	• Page 56 (How is Authority Delegated) • Page 106 (The Executive Management) • The overall role of each committee, its composition and membership: Page 57 (Our Board Committees) • External advisers or invitees that attended committee meetings: Page 57 (Our Board Committees) • Key focus areas during the reporting period: Page 57 (Our Board Committees), Page 44 (Key Board Discussions and Approvals) • Number of meetings held during the reporting period and attendance: Page 64 (Our Board and Committee Meetings), Page 57 (Our Board Committees) • Whether committees are satisfied that they have fulfilled their responsibilities in accordance with its terms of reference: Page 59 (Audit Committee), Page 60 (HR, Remuneration and Nominations Committee), Page 61 (Risk and Compliance Committee)

	Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and individual members, support continued improvement in its performance and effectiveness	• Description of performance evaluation undertaken during the reporting period, and overview of evaluation results and actions: Page 56 (Board Performance Evaluation) • Whether the board is satisfied that the evaluation improves its performance and effectiveness: Page 56 (Board Performance Evaluation)
	Principle 10: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities	• Page 56 (How is Authority Delegated) • Page 106 (The Executive Management) • Notice period stipulated in the CEO`s contract of employment and contractual condition relating to termination: Page 63 (Managing Director), • Other professional commitments of the CEO: Page 51 (The Leadership of Our Governance) • Succession planning for the CEO: Page 60 (HR, Remuneration and Nominations Committee), Page 63 (Succession Planning)
	Principle 11: The governing body should govern risk in a way that supports the organization in setting and achieving its strategic objectives	• Overview of arrangements for managing and governing risk: Page 84 (Enterprise Risk Management) • Key areas of focus during the reporting period: Page 44 (Key Board Discussions and Approval), Page 61 (Risk and Compliance Committee) • Monitoring of the effectiveness of risk management and outcomes addressed: Page 61 (Risk and Compliance Committee), Page 99 (Managing Director`s Perspective) • Planned risk management focus areas: Page 61 (Future Focus Areas for the Board), Page 61 (Risk and Compliance Committee Focus Areas)

	Principle 12: The governing body should govern technology and information in a way that supports the organization setting and achieving its strategic objectives	• Overview of arrangements for governing and managing information and technology: Page 98 (Managing Director`s Perspective), Page 61 (Risk and Compliance Committee), Page 80 (Information and Technology) • Key areas of focus during the period: Page 44 (Key Board Discussions and Approvals), Page 61 (Risk and Compliance Committee), Page 43 (Key Areas of Focus for the Board in 2025) • Monitoring the effectiveness of technology and information management: Page 61 (Risk and Compliance Committee) • Planned areas of future focus: Page 61 (Risk and Compliance Committee Future Focus Areas)
Governance Functional Areas	**Principle 13:** The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organization being ethical and good corporate citizen	• Overview of arrangements for governing and managing compliance: Page 66 (Governance Functional Areas - Compliance), Page 61 (Risk and Compliance Committee) • Key areas of focus during the period: Page 66 (Compliance), Page 61 (Risk and Compliance Committee), Page 44 (Key Board Discussions and Approvals) • Monitoring the effectiveness of compliance management: Page 61 (Risk and Compliance Committee), Page 66 (Compliance) • Planned areas of focus: Page xx (Future Focus Areas for the Board), Page 61 (Risk and Compliance Committee)
	Principle 14: The governing body should ensure that the organization remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and possible outcomes in the short, medium and long term	• Overview of the Remuneration Policy, the Remuneration report with a background statement, main remuneration policy provisions: Page 65 (Remuneration Practices) Implementation report showing remuneration awarded to members of the board and executive management: Page 65 (Director Remuneration Practices in 2025)

	Principle 15: The governing body should ensure that assurance services and functions enable effective control environment, and that these support the integrity of information for internal decision making and of the organization`s external reports	• Combined assurance: Page 93 (Combined Assurance Model) • Internal Audit: Page 93 (Internal Audit) • Assurance of external reports: Page 125 (Directors` Responsibility Statement), Page 127 (Independent Auditor`s Report)
Stakeholder Relationships	**Principle 16:** In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organization over time	• Overview of arrangements for managing and governing stakeholder relationships: Page 118 (Stakeholder Engagement) • Key areas of focus during the period: Page 118 (Stakeholder Engagement), Page 98 (Managing Director`s Perspective) • Monitoring the effectiveness of stakeholder management: Page 61 (Risk and Compliance Committee) • Future areas of focus: Page 61 (Risk and Compliance Committee), Stakeholder Management Policy Approved
	Principle 17: The governing body of an institutional investor organization should ensure that responsible investment is practiced by the organization to promote the good governance and the creation of value by the companies in which it invests	• Not Applicable

Tel: 267 363 1555

Business areas performance

Business areas and other strategic levers of the Bank were critical to realising some of the objectives of the Pilediwa Corporate Strategy. They ably converted strategic goals into actionable daily operations through expertise, wise use of resources and execution. Such agile performance is necessary to build long-term competitive advantage and deliver value to our diverse stakeholders. We highlight successes of this cross-functional collaboration below.

Banking

For efficiency, BBS Bank banking operations are segmented into Business Banking and Retail Banking.

The Business Banking area hit the ground running in 2025 by setting up a fully-fledged Business Banking suite resourced with 4 Relationship Managers (RMs) one of whom is based in Maun specifically to look after the expansive business community in that part of the country. This capacity ensured the smooth rolling out of the following offerings:

- Business Call Account
- Business Overdraft
- Business Short term loans
- Local Purchase Orders

The Bank also rolled out the following digital services in 2025:

- Business Online Banking
- Enhanced Digital banking value proposition e.g. Bank to wallet, Additional billers, Channel

The biggest challenge during the year under review, which we also see as an opportunity to grow the Bank, is winning the trust of new customers. That is why in 2026, the focus of the Business Banking area will be to:

1. Intensify relationship management presence in Maun.
2. Increase the Business Banking customer base through aggressive marketing and sales efforts.
3. Deepen Relationship Banking and grow Current Account and Savings Accounts (CASA) deposits
4. Accelerate digital banking & card revenues.
5. Co-create solutions with business clients in appreciation of their unique needs and business cashflow cycles.

The Bank will also roll out the following offerings in 2026:

1. Trade Finance solutions
2. Foreign Currency Accounts (ZAR, USD, EURO)
3. Prepaid cards
4. Forex online payment
5. Wallet to Bank payments
6. More billers such as Water utilities and BIC
7. Expand our ATM footprint

Overall, embedding new products and driving usage for revenue growth will be key to our success.

Retail Banking also experienced a busy 2025 as shown by the following successes:

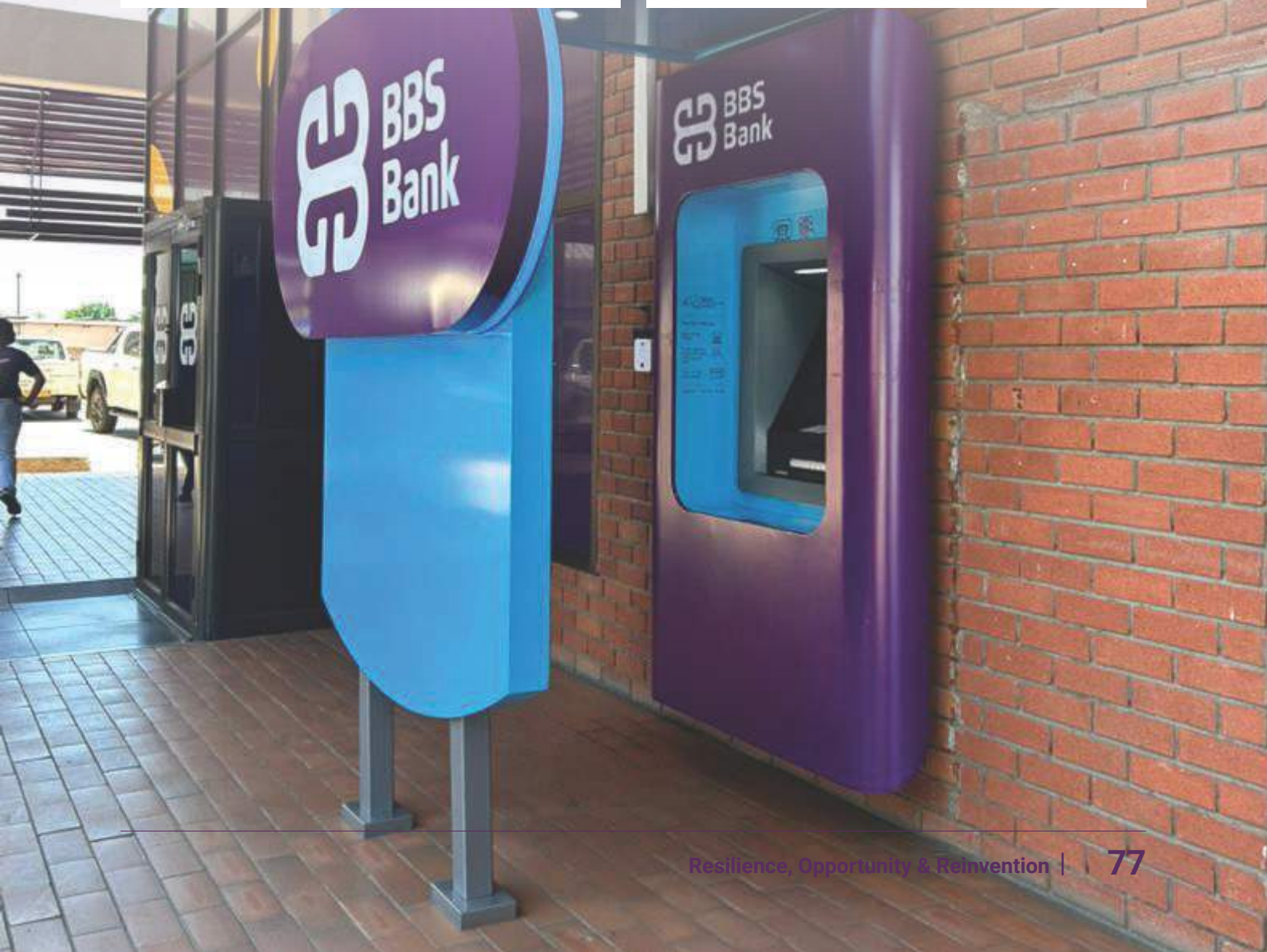
1. Increased customer engagement for new deposits and existing deposit retention enabling the bank to grow its retail fixed deposits by 63% at the end of December 2025.
2. Know Your Customer target closed the year at a commendable 87% compliance.
3. Notable growth of the Ipechetse unsecured loan and Mortgage books amid tough liquidity conditions.

The above were achieved despite some of the following challenges:

1. Liquidity crunch in the market which created a significant loan backlog.
2. Interest rate spike leading to high cost of funding.
3. Limited operational budget.
4. Staff mobility & tools of trade(vehicles) for reaching more remote locations.
5. Stretched staff compliment which limited sales performance.

In 2026, the Bank's retail function will focus on:

1. Improving customer experience.
2. Increasing the retail business customer base to grow revenue.
3. Encourage transactional activities through promotions.
4. Improve customer experience through process improvement.
5. Increase forex transaction volumes across Branches.
6. Reducing average Branch waiting time for customers.



Business areas performance (continued)

Human Capital

Staff agility is the bank's superpower

Summary Demographics

Employees

Female	Male	Total
132	88	220
60%	**40%**	**100%**

EXCO

Female	Male	Total
7	7	14
50%	**50%**	**100%**

Generational split	No	%
Baby boomers	1	0
Gen X	38	17%
Millennials	146	66%
Gen Z	35	16%
Total	**220**	**100%**

BBS Bank's human capital is being reconfigured so that it moves at breathtaking pace and ambition to meet the demands of the institution's brave Pilediwa roadmap.

The Bank has a balanced gender split, with Executive Management having a 50/50 split. The Bank also prides itself on having four generations within its workforce, with majority of employees being millennials who constitute 66% of the workforce. This has in turn directed a policy shift in how we work.

Further, the bank's transformation not only needs vast amounts of money but talent and know-how. That is why during the year under review, we implemented some of the following initiatives to invigorate the bank's workforce:

1. The Bank participated in an engagement survey facilitated by consultants. The survey aimed at gathering insights on employee engagement and culture dynamics. 98% of employees participated in the survey, with the bank scoring an overall 75% on Employee Engagement and 72% on Employee Satisfaction.
2. The Bank created platforms for engagement through a town hall, Managing Directors Road Shows, Human Capital roadshows, Adopt a Branch/Department, internal communications and virtual presentations. The Change Management Committee also held various activities aimed at boosting staff morale.
3. Learning and development activities took place in various areas, particularly in ensuring that leadership is capacitated. Executive Coaching for EXCO and a Leadership development programme for MANCOM and

Supervisors was a focus area, to inspire leadership and build strategic leaders. The Bank also trained EXCO and MANCOM through the University of Stellenbosch where they partook in Management Development Program (MDP) & New Managers Development Programs (NMDP).

4 Other training included Product training & insurance for new and existing products was also done, to ensure that staff understand our selling point uniformly. Regulatory training has also continued to be done for all levels.

5 The Bank also partnered with the Government Internship Office for a two (2) year programme which concluded in December 2025. The aim of the programme was to expose graduates to the professional work environment. A total of 40 interns were taken on board with an aim to develop them into future leaders. 35% of the interns have been absorbed by the bank in different departments across the footprint.

6 In terms of talent management, the bank has been intentional in injecting critical banking skills into the bank to ensure skills transfer and succession management. Mission critical roles have been identified and succession plans are in place.

7 To entrench a mind-set and culture of high achievement and continuous improvement in staff performance, as well as to attract and retain talent, the bank participates in annual market salary surveys, to ensure that the bank's pay is competitive. The banks pay philosophy includes guaranteed and non-guaranteed reward structure and benefits.

8 With the introduced Corporate Social Responsibility (CSR) leave, employees have taken up a day to volunteer within the communities they reside in. These activities included clean up campaigns and a donation of blankets.

9 Through the wellness partner, the bank has an Employee Assistance Programme (EAP) which provides employees with counselling, financial wellness and staff education. The programme extends to immediate families to ensure support trickles to the home. In 2025, the bank recorded zero injuries and zero fatalities.

10 A Sports Committee that coordinates the involvement of staff in various sporting ventures such as marathons and football competitions involving other financial institutions. During the year under review, BBS Bank teams, males and females, attained second place in All Banks Five-A-Side League.

In this year's Integrated Report, we also indicate the technological advancements that the Bank is making. For these systems to deliver the desired results, the Human Capital function is aware that digital transformation starts with the right organisational culture and training that are applied with clear purpose and aligned to real business needs.

Thus, BBS Bank staff are also being equipped to understand that technology should support better banking decisions, reduce waste, and improve efficiency, rather than be adopted for its own sake or simply because it is exciting. Digital technology will not take BBS Bank forward on its own, but used correctly by staff, it can make our Bank more efficient, profitable, and resilient.

We are pleased to report that the Purple Team is embracing the realities of this environment supported by the right work-life balance. Our people are on the right track.

Business areas performance (continued)

Information and Technology

Technology that delivers value

Our approach to information technology is different and inspiring. For BBS Bank, technology isn't a force of nature; it is the work of people because it is a critical driver of the Bank's digital transformation agenda, reinforcing agility, resilience, and innovation in alignment with Pilediwa strategic priorities.

During the reporting period, the Bank advanced the modernisation of its technology infrastructure through hybrid hosting, strengthening cybersecurity maturity, and establishing foundational capabilities in data governance and automation to support long term value creation.

A key priority for the year was the upgrade of the core banking systems to ensure alignment with evolving customer demands, streamline and optimise internal processes, and maintain system integrity against emerging cyber threats. These upgrades not only modernised the Bank's technology platforms but also positioned the organization to adapt quickly to market changes and deliver enhanced digital services.

Thus, disruptive technology is not an isolated component in the Bank. It is everything working together to help each area of the business reach its full potential. We don't use technology because it is exciting; we use it to improve business. Our technology will be applied with clear intent to ensure that it delivers value.

The Bank also advanced its security maturity through the development and implementation of comprehensive cybersecurity policies and processes aligned to international standards and frameworks. In addition, the deployment of advanced security tools significantly enhanced threat detection, monitoring, and incident response capabilities, strengthening overall resilience.

Further, reliable internet connectivity is now core banking infrastructure. Without it, digital tools, data systems, and automation simply cannot function. That is why we also treat internet connectivity as a strategic investment, including partnerships with internet service providers.

Looking ahead, key areas of focus include digitising critical business processes, implementing data exfiltration prevention measures to strengthen data governance, classification, and protection, and continuously optimising the IT infrastructure to support sustained growth, stability, and innovation.

Data Revolution at BBS Bank

Data analytics, a revolutionary enabler for transformation and innovation

Closely related to enhancements to core IT platforms, BBS Bank has also entered the data age. During the year under review, the Bank invested in data warehousing and business intelligence tools to facilitate this function, enabling robust data storage, integration, and advanced reporting capabilities. This centralised operating model ensures strong governance, data quality, and compliance with regulatory standards, supported by a hybrid infrastructure combining on-premises and cloud platforms for scalability.

It leveraged data analytics as a revolutionary enabler for transformation and innovation. The analytics function is integrated within the business to support data-driven decision-making, enhance customer experience, and optimize operational efficiency.

The bank's analytics capabilities include:

1. Business intelligence for performance monitoring,
2. Predictive analytics for forecasting customer behaviour and credit risk,
3. Customer analytics for segmentation and personalization,
4. Fraud detection through advanced transaction monitoring, and
5. Operational analytics for process optimization.

These capabilities deliver significant strategic benefits, including improved risk management, enhanced customer engagement, increased efficiency and profitability, and strong regulatory compliance.

Cybersecurity safeguards

Investments in information technology and data capabilities coupled with a growing product base come with increased risk for the Bank.

As a result, during the year under review BBS Bank maintained a mature, risk-driven cybersecurity programme aligned with global standards such as the NIST Cybersecurity Framework and ISO/IEC 27001, embedded cybersecurity within enterprise risk management as a critical operational and reputational safeguard.

The Bank operates a hybrid model that combines strong in-house governance with outsourced specialist services, including a 24/7 Security Operations Center (SOC) and an external Cybersecurity Support SLA for major incidents, ensuring agility, resilience, and access to advanced expertise.

Core capabilities include:

1. A defence-in-depth architecture featuring Data Loss Prevention (DLP)
2. Endpoint Detection and Response (EDR)
3. Firewalls
4. Mobile Device Management (MDM)
5. Privileged Access Management (PAM)
6. Automated patching
7. Annual penetration testing
8. Vulnerability assessments, and;
9. SOC monitoring.

Human and process controls reinforce this posture through monthly cybersecurity awareness training, phishing simulations, and defined incident response protocols.

Basic security measures, firewalls, antivirus software, email protection, and backups also dramatically reduced exposure to cyber security threats at relatively low cost during the year.

This structured and diligent model enables the bank to proactively manage cyber and technology risks, protect customer data and critical systems, and meet regulatory obligations while supporting secure business growth.

BBS Bank

Integrated Report
2025/26

9

Protecting Sustainable Growth

Risk
Internal Audit
Credit

Enterprise Risk Management

In pursuing its vision, the Bank encounters various risks that impact it in various ways. An Enterprise-wide Risk Management (ERM) framework has been developed to provide guidance to staff. This approach is a departure from "silo approach" to risk management and looks at the entire spectrum of risks facing the Bank. We treat risk, not in isolation but integrated through enterprise risk management. Our framework is premised on an enterprise-wide approach to risk management and the risks and opportunities that matter in the attainment of strategic objectives.

Through this Enterprise-wide Risk Management Framework, we are guided and can categorise risks. A total of 14 principal risks have been identified in our risk universe and provide a basis for categorising the specific identified risks into the various risk types.

At BBS Bank, risk is recognised as an important driver to decision-making. We believe that risk management is integral to the strategic planning process, business decision making and day-to-day operations. Compliance to our risk framework is monitored and reported to the governance structures in place. In the Bank, our approach is that everyone is a risk manager, and collective our risk management obligations are fulfilled.

Risk Philosophy and Culture

The Bank's approach to risk management is as follows:

Balancing risk and return

1. The Bank takes risk in line with the requirements of stakeholders.
2. The Bank takes risk within the risk appetite, consistent with our approved strategy.
3. The Bank avoids taking risks which have a high probability of causing financial distress.
4. The Bank treats risks not in isolation but integrated through ERM.

Responsibility

The Bank takes individual responsibility to ensure risk taking is disciplined and focused, particularly within our area of authority.

The Bank takes account of social responsibilities and commitments to customers in taking risk to produce a return.

Accountability

The Bank only takes risk within agreed parameters and where there is appropriate infrastructure and resource.

The Bank ensures risk-taking is transparent, controlled and reported.

Everyone in the Bank is a risk manager.

Anticipation

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

Competitive advantage

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

ERM process

The BBS Bank Ltd Enterprise Risk Management process comprises the following steps:

1. **IDENTIFY** key risks;
2. **ANALYSE** the potential impact and likelihood of risks;
3. **RESPOND** to risks by considering existing controls as well as selecting, prioritising and implementing appropriate actions;
4. **MONITOR** the internal and external environment for potential changes to risks and ensure that risk responses continue to operate effectively; and
2. REPORT on risks and the status of risk responses adopted.

The basis of the BBS Bank Ltd's Enterprise Risk Management Process is a continuous cycle anchored in the five (5) steps of Identify, Analyse, Respond, Monitor and Report as shown below. Within each step of the process, regular and meaningful communication is essential to improve the likelihood of success. By viewing this cycle as a continual loop, managers are reminded of the need for thoughtful and regular feedback, as improvement is critical to successful risk management.

Enterprise Risk Management (continued)

Objectives

Understand & Confirm Business

Risk Oversight

Board

It is the Board's responsibility to ensure that the Bank identifies, monitors, manages and communicates risks effectively. One of the primary responsibilities of the Board is in alignment of strategy, stakeholder expectation and risk management activities. In the execution of the strategy, the followings committees are in place to support risk management activities:

Risk & Compliance Committee

In the execution of its oversight function, the Board has delegated risk management roles and responsibilities to the Risk & Compliance Committee. This Committee is charged with:

1. Regularly reviewing risk governance processes to maintain transparency and accountability, and to further advise the Board.
2. Ensuring that the Bank's risk appetite is clearly defined and aligned with the overall strategy.
3. To review and monitor the Bank's risk profile against risk appetite on a quarterly basis.
4. Review of the effectiveness of internal controls that have been implemented in managing the various risk types.
5. To recommend for approval to the Board the risk policies.

Asset & Liabilities Committee (ALCO)

1. Reviews, adopts, and makes recommendations concerning the appetite and profile of risk across the Bank, for major risks covered by the Committee.

2. Propose to the Risk Committee the appropriate action/plan to respond to the assessment of the risk profile of the Bank.

3. ALCO supports the Executive Committee (EXCO) with the following:

   i) Managing the asset and liability strategy of the Bank, balance sheet and liquidity specifically.

   ii) Overseeing the implementation and operation of the Capital, Market and Liquidity Risk Management Frameworks.

   iii) Evaluating the adequacy and effectiveness of the Capital, Market and Liquidity Risk Management Frameworks.

   iv) Reviewing and challenging of the Capital, Market and Liquidity Risk Profile Reporting by Assigned Risk Owners; and

   v) Overseeing the coordination between business units, Assigned Risk Owners/Coordinators and risk functions.

Credit Risk Management Committee

The Board is responsible for governance of credit risk management, as well as reviewing and approving the credit risk strategy of BBS Bank to ensure sound credit risk management practices. As a way of enhancing governance processes and oversight responsibilities, the Board has delegated some responsibilities to the Credit Risk Management Committee.

Operational Risk Management Committee

This Committee provides governance and assessment of the risk management policies both in place and required by the business; systematically monitoring the scale of operational risks facing the business over time and overseeing risk mitigation performance and prioritisation related to the resolution of potential risks based upon agreed risk criteria set out in the Risk Management Policies.

Business Operational Risk Forum

The primary objective of the Forum is the mitigation of the operational risk within the Bank by creating and maintaining the explicit operational risk management process. This Forum provides governance and assessment of the risk management policies both in place and required by the business, systematically monitoring the scale of operational risks facing the business over time and overseeing risk mitigation performance and prioritisation related to the resolution of potential risks based upon agreed risk criteria set out on the risk management policies.

Enterprise Risk Management (continued)

Three Line Defence Model

The level of the Bank's profitability is directly derived from how successfully the Bank manages and prices for risk. Risk management is therefore at the core of banking and risk awareness has been embedded in the whole Bank. Risk governance is designed according to the three 'lines of defence' as per best banking practise.

i. The first line of defence

This refers to both commercial, customer-facing staff as well as staff in back offices and operational departments. All departments are directly responsible to identify and manage all risks that will or can materialise in the course of doing business. This includes the mentioning of risk management in each policy and procedure and making sure procedures are designed to include checks and balances through internal control activities and the separation of duties as much as possible. It also includes performing risk self-assessments, keeping track of risk events, monitoring and reporting. Departmental heads also need to ensure risk related Key Performance Indicators (KPIs) are embedded in staff job descriptions and performance management documents.

ii. The second line of defence

The second line of defence are the various departments in the Risk and Compliance Functions. These departments play a supporting and controlling role for the benefit of the first line of defence, ensuring necessary risk activities are executed with the necessary detail and quality. The second line of defence is considered 'part of management'; and

iii. The third line of defence

The third line of defence is the Internal Audit. The Internal Audit department is not considered as 'part of management' and works independently, objectively and reports to the Risk and Compliance Committee.

Risk Appetite

Risk appetite is the articulation of the aggregate level and types of risk that a financial institution is willing to accept, or to avoid, in order to achieve its business objectives. It includes qualitative statements as well as quantitative measures expressed relative to earnings, capital, risk measures, liquidity and other relevant measures as appropriate. It should also address more difficult to quantify risks such as reputation and conduct risks as well as money laundering and unethical practices.

Corporate Risk Profile

#	Risk	2025	Trend	Outlook 2026	Risk Appettie Statement	Rating	Mitigations
1	Business/ Strategic Risk	🔴	⇔	🔴	1. Return On Equity 2. Return On Assets 3. Cost to Income Ratio	🟥 🟥 🟥	1. Diversification & growth of the loan book. 2. Enhancement of customer value proposition. 3. Growth of non-funded income.
2	Liquidity & Funding Risk	🔴	⇔	🔴	1. Loans to Deposit Ratio 2. Liquid Assets/Total Deposits	🟥 🟩	1. Enhancement of customer value proposition. 2. Aggressively driving corporate & retail deposit.
3	Credit Risk	🔴	⇔	🔴	1. Credit Loss Ratio 2. Net Performing Loans 3. Arrears as a % of total portfolio	🟨 🟨 🟥	1. Diversification & growth of loan book. 2. Enhanced collections and recoveries of NPLs. 3. Management of ECLs within acceptable losses.
4	Information Technology Risk	🔴	↓	🟡	1. ATM % Uptime 2. System Uptime	🟥 🟩	1. Implementation of a Disaster Recovery Site. 2. Development & implementation of an IT Strategy. 3. Core Banking System upgrade & ERP
5	Project Risk	🔴	↓	🟡	1. Projects in the Red status	🟩	1. Implementation of projects within Time, Cost & Scope. 2. Development of project plans to guide project implementation. 3. Monitoring planned milestones through the PSC.
6	Financial Reporting & Taxation Risk	🔴	↓	🟢	1. Errors in the financial statements	🟩	1. Implementation of an ERP system to support processes. 2. Implementation of a reconciliation system and attestation process.
7	Governance & Compliance Risk (AML/CFT Risk)	🟡	↓	🟢	1. Non-compliance with KYC requirements 2. Deviations from Corporate Governance guidelines	🟥 🟩	1. Improving the internal control environment.
8	Consumer Compliance Risk	🟡	↓	🟢	1. Regulatory fines incurred	🟩	1. Improving the internal control environment.
9	Market Risk	🟡	⇔	🟡	1. Interest Rate Repricing Gap	🟥	1. Raising a long-term floating facility.
10	Reputational Risk	🟡	⇔	🟡	1. # of complaints/ adverse	🟩	

KEY

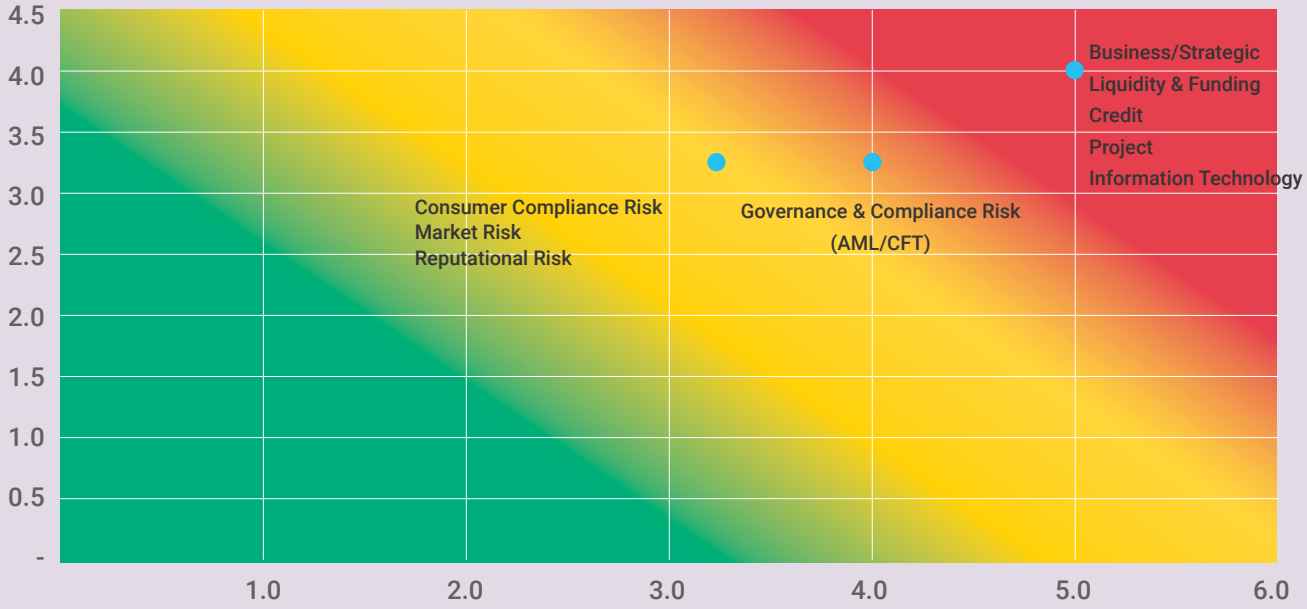
- ↑ Deteriorating risk rating into the foreseeable future
- ↓ Improving risk rating into the foreseeable future
- ⇔ Constant risk rating into the foreseeable future

- 🟢 Low Risk
- 🟡 Medium Risk
- 🔴 High Risk

- 🟩 Within acceptable risk appetite level
- 🟨 Cautionary
- 🟥 Outside the acceptable risk appetite level

Enterprise Risk Management (continued)

Risk Heat Map



Performance Against Risk Management Strategy

Number	Risks	Comment
1	**Market Competition**	A moderate decline in market share was realized during the year. There has been a moderate decline in the market share of both deposits and advances. During the year, the Bank introduced a number of products to broaden its customer offering, however, many products are fairly new, thus penetration is at its infancy. More products and services are planned for roll-out in 2026.
2	**Operational Risk**	Despite the incidents recorded, the operational losses remain within appetite. Reviews have been done to Standard Operating Procedures (SOPs) and policies. Automation of the risk management processes is to be concluded in 2026, thus enhancing efficiencies in im-plementing the risk management framework.

Number	Risks	Comment
3	**Financial Risk**	Asset quality, funding & liquidity, and earnings remain a concern, with financial losses realized due to impairments and margin contraction, driven by escalation in cost of funds. The Bank aims to complete FTP automation by 2026.
4	**I.T. Risk**	During the year the Core Banking System (CBS) was successfully upgraded, functioning well and has stabilized. An enterprise resource planning implementation has commenced, comprising human resource, procurement and finance module, to be completed in 2026. The establishment of a disaster recovery site is underway, also to be concluded in 2026. Continuous cybersecurity assessments continue to be rolled out, and vulnerabilities addressed as and when identified. A cyber insurance cover is in place, however, emphasis is placed on preventative measures which include training initiatives across the Bank. The risk taxonomy will be broadened in 2026 to have Cyber Risk as a stand-alone principal risk.
5	**Reputational Risk**	As a result of liquidity challenges experienced during the year, a backlog of loan application disbursements existed. The liquidity stress eased in the same period, and the disbursement process has returned to the standard turnaround times.
6	**People Risk**	Phased staff recruitment was carried out in line with affordability and to support the strategic plan at the various stages of the journey. Capacity building initiatives have been carried out to augment competencies and skills, a Management Development Programme coupled with a succession planning program was institutionalized, creating Executive Committee bench strength.

Transformational Risks

A transformational risk strategy has been developed to bridge the gap between the operations as a new financial service provider to that of a mature one. Risks specific to the roll-out of this transformation have been mapped and mitigations are under implementation. Progress has been made during the year under review and further progress is expected in the ensuing year.

Ethics

The Board has set a strong tone regarding ethics in the Bank. A sound ethical culture has been established. The Bank is dedicated towards a proactive approach to creating an ethical work environment and empowering staff members to conduct themselves in an ethical way.

An Ethics & Fraud Line has been established to allow reporting of unethical and unbecoming behaviour. This line is managed by Deloitte and confidentiality is maintained on

Enterprise Risk Management (continued)

all reports received. Management has carried out initiatives during the year to promote awareness of the line. The toll-free number is 16147 for reporting issues of misconduct. BBS Bank has adopted a proactive approach towards managing ethical matters, as opposed to a reactive stance.

BBS Bank Ltd's risk universe.

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

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

Internal Audit

The Internal Audit Department is a crucial part of the Bank's internal control environment. It supports the Board Audit Committee in fulfilling its duties by independently evaluating the Bank's risk management, internal controls, and governance frameworks.

During the year ended 31 December 2025, the Department in collaboration with the Risk as well as Legal and Compliance Departments implemented a Combined Assurance Model in order to help the Bank achieve better governance outcomes, manage risks more effectively and create sustainable value for stakeholders.

The Board Audit Committee monitored the Department's performance through quarterly reports that outlined control gaps and management's planned corrective measures. The Internal Audit Department maintained throughout the year, independence in matters of audit selection, scope, timing, and reporting remained free from undue influence. Additionally, the department operated in accordance with the requirements of the Global Internal Audit Standards as released by the Institute of Internal Auditors (IIA).

The following were the 2025 Board Audit Committee focus areas and material decisions regarding internal audit:

1. Reviewed and approved the annual Internal Audit Charter and Internal Audit Plan.
2. Resourced the department and ensured that they invest in talent and skill development.
3. Ensured conformance to the Global Internal Audit Standards.
4. Ensured that the Combined Assurance Framework was applied to provide a coordinated approach to assurance activities.
5. Approved and utilised an evaluation methodology to evaluate Internal Audit Department's independence, effectiveness and performance and its compliance with its charter as aligned to the Global Internal Audit Standards and Principle 8 Recommended Practice 59 of King IV on Corporate Governance.
6. Satisfied themselves with the experience and expertise of the Head of Internal Audit in fulfilling their responsibilities during the reporting period.
7. Reviewed the internal audit annual report which summarised the results and themes observed as part of internal audit activities for the year 2025.
8. Monitored remediation of both internal and external audit findings.

Key focus areas for the Committee with respect to Internal Audit Department for 2026 include:

1. Approval of internal audit plans, as well as ensuring compliance to the audit plan.
2. Monitoring remediation of both internal and external audit findings.
3. Intensifying oversight on identified emerging risks.
4. Sustainability of the control environment, including continued oversight on the implementation of the Combined Assurance Framework and evaluating quarterly reports from Internal Audit Department.
5. Evaluating the independence, effectiveness and performance of the internal audit department and its compliance with its charter.
6. Evaluating the experience and expertise of the Head of Internal Audit in fulfilling their responsibilities.

Enterprise Risk Management (continued)

Credit

Our Credit function plays a critical role in ensuring that the bank books the right business and in limiting losses such as those occasioned by non-performing loans. During the year under review, it stepped up its efforts as follows:

1. On-boarding Debt Collection Agencies to help in collecting from long standing outstanding debts.
2. Implementing a write-off policy to facilitate writing off loans from which collection efforts have not yielded results despite applying maximum efforts. Thus, reducing Expected Credit Losses.
3. Did a comprehensive review of the credit policy & enhancement of governance through introduction of new policies & frameworks.
4. Established the IFRS9 Committee for better ECL governance & tracking.

Increased adoption of the BBS current account will help reduce likelihood of defaults.

In 2026, focus will be on:

- Vigilance in implementing personal loan lending parameters have been tightened, and hence lower defaults are expected going forward.
- Exercising caution in lending because the economy will continue to be challenged.
- Diversifying the loan book mix toward higher-margin loans.
- Strong Non-Performing Loans (NPL) Management
- Dynamic Pricing & Risk-assed segmentation
- Strengthened Credit Capabilities such as Dedicated Management Information (MI) capability; hire credit analyst & establish an MI dashboard; Strengthen early warning systems and explore the use of AI-enabled or agent-assisted collections
- Enhanced monitoring & capacity building

Despite the above focus areas, we believe that the demand for credit will lessen as disposable income is squeezed by inflation, retrenchments continue and the lending rates across the industry remains high.

Gonna Elvis
BBS

BBS Bank

Annual Integrated Report
2025

10

Delivering on our strategy

Managing Director's Perspective
Head of Finance Reflections
Piledіwa
Business Areas Performances
Other Enablers

Managing Director's Perspective

Dear Shareholders,

"What about BBS Bank keeps you awake at night?"

I was asked this question recently and my simple response was and is still the following: "The current financial performance of the bank overshadows the hard work that is going on away from the public eye. We are working very hard implementing our multi-faceted growth Pilediwa Strategy to ensure that the business creates sustainable value for all its stakeholders, especially shareholders, soon and well into the future. The fact of the matter is that we are making steady progress.

This brings me to the theme of our 2025 Integrated Annual Report: "Resilience, Opportunity & Reinvention." It reflects BBS Bank's underlying strength that has led to it being able to continue with its transformation journey despite the current lack of profitability.

Thus, it is crucial that we are not distracted by this temporary loss position. BBS Bank retains a huge potential to unlock value and grow exponentially once it passes the current transformation phase.

Financial Performance

BBS Bank had a challenging year recording a loss of P113.282 million after taxation for the year ended 31 December 2025, compared to the profit of P38.070 million for the year ended 31 December 2024. The reported loss is primarily attributable to:

- Once-off write-off of the CBD BBS Bank Head Office Work in Progress amounting to P19.420 million.
- Reduced interest income arising from the lack of loan book growth during the year. Liquidity constraints limited the Bank's ability to extend new lending, directly impacting revenue generation.

- Increased interest expense resulting from a higher cost of funding. In the current environment, competition for deposits intensified across the industry, with banks offering higher rates to defend their liquidity positions.
- Margins remained under pressure throughout the year.
- Impairments increased significantly in the current year as a result of higher default levels rates signaling a response to the challenging local economic environment as the adverse impact of the diamond sector continued to take a toll. The Bank's underlying portfolio remains largely collateralized backed by conservative loan to value levels.

While the current year's performance reflects both structural and market challenges, Management remains confident that the corrective measures being implemented will restore profitability and support sustainable growth going forward. We are fully aware of these performance drivers and continue to take steps to mitigate them.

While the bank did not make a profit, it is important to note that we managed to protect the fundamentals of the bank such as the regulatory ratio on liquidity. The bank remains adequately liquid and capitalized with the capital adequacy ratio remaining above the Bank of Botswana limit of 12.5%. Therefore, BBS Bank's success and staying power lie in its depth and resilience. As the Board Chairman says, the bank is not under any imminent threat that could undermine its going concern status.

Operational Achievements and Strategy

Our constraints are our strengths, and they have been our motivation during the year under review. Necessity to be better certainly drives innovation, and banking has always been about innovating one's way forward. We had several key achievements and developments during the year under review which will positively impact the bank's long-term success. These include-

- **Investment in IT Infrastructure:** It is a necessary process requiring significant capital investment to set up infrastructure, data management, and specialised consultation so that BBS Bank is fit for purpose.

  While we must be careful not to disregard traditional forms of banking, we must recognise that technology is the future, and that it often comes with a high price tag. That is why we will not build digitised solutions for problems that don't exist or that can be resolved by, a phone call to a customer or a basic spreadsheet that delivers most of the value at a fraction of the cost.

- **Data Warehouse:** The matter is covered in detail in this 2025 Integrated Report. However, it has been emphasised to BBS Bank employees that for the data warehouse to be effective, the right data should be captured as close to the point where the activity happens as possible, be it in the field or the Branch. When captured correctly, the same data will be reused across the business, from operational decision-making to strategic planning and can even deliver value even beyond the technology's original purpose.

Risks and Management

Management continued to apply the bank's robust Enterprise Risk Management Framework to all factors, principal risks and uncertainties the bank faced and impacted performance during the transformation process. The framework ensured that we implemented necessary strategies and mitigating actions. Indeed, our internal controls and risk management systems proved resilient during the year under review.

Board Appreciation

The continuing successful BBS Bank evolution would be hard to achieve without the guidance, vim, vigour and vision of the Board as well as its faith in the Management team. Therefore, on behalf of the Executive Management team, I would like to express my appreciation to the BBS Bank Board of Directors for their unrestrained support.

Staff

We continue to infuse new talent into the BBS Bank and offshoots of a strong culture of performance are beginning to emerge.

So, in 2025 we were intentional about building a totally different BBS Bank human capital. To earn a spot in our team, one must first be radically open-minded... second, they must bring buckets of ambition... Third, they've got to be prepared to work incredibly hard. Given that we are a commercial bank that operates either via Branches or our digital banking platforms, the above three elements intertwine, coexist and overlap 24/7.

Also, as we continue to introduce the latest technological innovations in the Bank, we are mindful of the fact that digital transformation starts with right organisational culture, not hardware, not software. A successful technology journey

Managing Director's Perspective
(continued)

requires a willingness to experiment, discard what does not work, and accept that change is unavoidable. Our Staff have not been a disappointment in this regard.

During the year under review, I was therefore pleased to observe a general attitude of staff brimming with ambition. However, I always caution them that their talents are but a means to an end, and their ambition raw energy that needs to be harnessed in the right direction. From what I have seen so far, the Purple Team is on the right track, and we look forward to getting more out of them in 2026. I would, therefore, like to thank Staff for their dedication to our Bank.

Outlook

I am confident that in due course BBS Bank will succeed and prove that consistency, patience, as well as quite perseverance can prevail in an age that often demands instant results. Stories like BBS Bank's remind us that meaningful growth is almost always gradual, and that faithfulness in the small, unglamorous steps of hard work truly matters. To our shareholders, I would like to emphasise that there is value in building gradually and sustainably.

So, despite this year's performance, it is hard not to be enthusiastic about the future of BBS Bank. I am confident that the Purple Bank is in a strong position to become profitable again soon guided by a bold mix of strategy and innovation. There are strategic opportunities that the Bank is harnessing which will contribute to its reinvention to be a leading commercial bank in Botswana. Believe.

Thank you,

Pedzani Tafa
Managing Director

Reflections from our Head of Finance

The 2025 financial year was among the most challenging in the Bank's short but purposeful history. Operating against a backdrop of tightening market liquidity, weakening diamond sector performance, and sustained pressure on household incomes, the Group recorded a loss after tax of P113.3 million. While the financial outcome is not in line with the Bank's aspirations, it should be viewed within the broader context of an industry facing significant economic headwinds and a business that remains in the foundational stages of its five- year transformational journey. Despite these challenges, the bank continued to focus on strengthening its operational foundations, enhancing liquidity management, positioning the business for long-term sustainability and growth.

During the year, the Bank achieved several important strategic milestones. These included the successful upgrade of the core banking system, expansion of digital platforms, establishment of a dedicated Business Banking unit, and enhancement of correspondent banking capabilities. Collectively, these initiatives have strengthened the Bank's operating platform and improved its readiness for sustainable future growth. Total assets remained stable at P5.6 billion, all regulatory capital and liquidity ratios were maintained above prescribed minimums, and customer deposits continued to grow, reflecting the resilience of the bank.

The primary driver of the loss was the compression of net interest margins, caused by a sharp rise in funding costs as competition for deposits intensified across the sector. Interest expense grew by 52.9%, outpacing the 15.9% growth in interest income and significantly reducing net interest income. Simultaneously, credit impairments rose sharply, reflecting the stress in the unsecured loan book driven by lower consumer incomes. A non-recurring impairment of the CBD Head Office work in progress added further pressure to the bottom line.

We remain committed to our transformation strategy and to delivering long-term value to our shareholders, customers, and stakeholders. The Board, Management, and all staff continue to work with discipline, focus, and resolve toward sustained profitability. I extend my sincere appreciation to all our stakeholders for their continued confidence and support.

Operating Environment

The 2025 operating environment was shaped by an unusually difficult confluence of global and domestic factors. Globally, elevated geopolitical tensions particularly in the Middle East, sustained upward pressure on oil prices and contributed to persistent inflationary conditions. The IMF projects global growth to remain stable at 3.3% in 2026 and 3.2% in 2027, with headline inflation easing from 4.1% in 2025 toward 3.4% by 2027, though these projections carry meaningful downside risk, particularly for emerging and frontier markets exposed to commodity price volatility and exchange rate pressures.

Locally, Botswana's economy faced significant headwinds. Following a sharp contraction of 5.3% in Q2 2025, GDP rebounded strongly by 8.2% in Q3 2025, largely driven by front-loaded diamond sales ahead of Jwaneng Mine's scheduled Q4 maintenance shutdown. This recovery is not reflective of a broad-based improvement in economic conditions, and full-year 2025 GDP is expected to reflect a contraction overall. Weakness in diamond mining continued to constrain government revenues, suppress consumer incomes, and dampen economic activity across the domestic economy. Inflation edged up to 4.1% in January 2026 from 3.9% in December 2025, driven by fuel price adjustments and exchange rate pressures, and is expected to remain within the 3–6% target band in 2026.

The banking sector experienced a significant tightening of market liquidity during 2025, intensifying competition for deposits and driving funding costs sharply higher, a dynamic that weighed heavily on net interest margins across the industry. The Bank of Botswana maintained the Monetary Policy Rate at 3.5% in early 2026 to support the Pula and manage liquidity conditions. The pressure on household disposable incomes from a weakening economy translated directly into elevated default rates, particularly within unsecured lending portfolios. Despite these conditions, the Group maintained sound regulatory ratios and continued to execute against its strategic priorities.

Financial Performance Review

P(113.3)m ▼ Loss After Tax
-397% profit (2024)

P182.2m ▼ Operating Income
30% vs 2024

P556.0m ▲ Interest Income
16% vs 2024

P5.6bn ▲ Total Assets
1% vs 2024

P4.8bn ▲ Gross Loans & Advances
1% vs 2024

P4.6bn ▲ Customer Deposits
2% vs 2024

19.7% ▼ Capital Adequacy Ratio
23.6% (2024)

15.2% ▼ Liquid Assets Ratio
vs 15.6% (2024)

Profitability

The Group recorded a loss after tax of P113.3 million for the year ended 31 December 2025, compared to a restated profit of P38.1 million in 2024. This represents a significant reversal, driven primarily by the compression of net interest income as funding costs rose sharply, a substantial increase in credit impairment charges reflecting the deterioration of economic conditions, and a non-recurring impairment of the CBD Head Office work in progress. These factors more than offset the robust growth achieved in interest income and the modest improvement in fee and commission income.

Reflections from our Head of Finance (continued)

Whilst the loss is a significant setback, it should be viewed in the context of an exceptionally challenging operating year and the continued investment being made in the Bank's infrastructure, systems, and human capital during the transformation period. The Bank remains well capitalised, liquid, and on a strategic trajectory towards sustained profitability.

Net Interest Income (NII)

Net Interest Income declined by 31.5% year-on-year, from P210.1 million in 2024 to P144.0 million in 2025. This deterioration was not driven by weakness in earning assets, but rather by the significant escalation in funding costs. Interest income grew strongly by 15.9%, from P479.7 million to P556.0 million, reflecting the growth and repricing of the Bank's earning asset base. However, interest expense surged by 52.9%, from P269.6 million to P412.0 million, as intense deposit competition across the sector pushed rates sharply higher.

The Bank responded to the tightening liquidity environment by deliberately prioritising balance sheet quality over volume growth. This prudent and disciplined approach, while compressing short-term net interest income, preserved the integrity of the loan book and positioned the Bank to benefit from expected normalisation in funding costs as market conditions stabilise. Managing net interest margin recovery through balance sheet restructuring and deposit mix optimisation remains a key strategic priority for 2026.

Non-Funded Income

Non-funded income declined overall, primarily due to the absence of non-recurring gains that benefited the prior year. Net fee and commission income increased modestly by 4.4%, from P33.8 million to P35.3 million, as fee income grew from P35.0 million to P36.7 million while fee expenses rose from P1.2 million to P1.5 million. This reflects the Bank's continued efforts to broaden its transactional banking platform and diversify revenue streams.

Other income declined significantly from P16.7 million to P2.9 million. The prior year benefited from profits on the disposal of certain properties previously held by the Bank and higher dividend income at the Group level. These non-recurring items were absent in 2025, accounting for the bulk of the reduction. The Bank's Insurance Agency subsidiary contributed positively, recording a profit after tax of P9.6 million and paying a dividend of P12.0 million to the Bank, which is included in Other Income in the Company's separate financial statements.

Operating Expenses

Operating expenses, excluding ECL and other impairments, increased by 16.1%, from P188.7 million to P219.1 million. Personnel expenses rose from P93.1 million to P100.3 million, reflecting salary adjustments and continued investment in human capital to support the Bank's transformation agenda. Other operating expenses increased from P80.8 million to P103.0 million, driven by the ongoing build-out of banking infrastructure, technology investments, and transformation-related costs associated with the core banking system upgrade and digital platform expansion. Depreciation and amortisation increased from P14.8 million to P15.8 million, in line with continued investment in intangible assets and property.

The Cost to Income Ratio increased to 120.6%, from 72.3% in 2024. This deterioration was driven primarily by the sharp decline in net interest income rather than uncontrolled cost growth, operating expenses grew at a considered pace in support of the transformation agenda. Management remains sharply focused on improving this ratio through income diversification, deposit mix optimisation, and disciplined cost management as the Bank's revenue base strengthens in the coming year.

Expected Credit Losses (ECL) & Other Impairments

Charges for Expected Credit Losses for the year amounted to P77.5 million, compared to P19.1 million in 2024. This substantial increase reflects the deterioration in credit quality driven by the difficult local economic environment, with particular stress observed in the unsecured lending portfolio. The Non-Performing Loan ratio increased from 5.23% to 6.28%. The impairment coverage ratio increased to 3.03% (2024: 1.71%), and the Stage 3 coverage ratio increased to 26.63% (2024: 22.86%), reflecting a more conservative and

forward-looking approach to credit risk management.

Other impairment losses rose from P7.9 million to P19.3 million, principally as a result of the impairment of the carrying value of the BBS Bank Head Office work in progress. This is a non-recurring charge and does not reflect the ongoing operational performance of the business. The Bank implemented active credit monitoring and enhanced collection efforts throughout the year, and the underlying loan portfolio remains predominantly collateralised with conservative loan-to-value levels.

Balance Sheet Strength

Total Assets

The Group's total assets remained broadly stable at P5.6 billion as at 31 December 2025, reflecting a marginal increase of 0.8% from P5.6 billion (restated) at 31 December 2024. This stability in the balance sheet reflects the Bank's deliberate and disciplined approach to growth, prioritising portfolio quality and funding mix over volume expansion during a period of elevated market stress.

Net Loans and Advances to Customers

Loans and advances to customers remained stable at P4.6 billion (2024 restated: P4.6 billion). In response to tight market liquidity, the Bank adopted a prudent balance sheet strategy, prioritising portfolio quality over growth. This approach, while dampening loan book expansion in the short term, has helped preserve the credit quality of the portfolio and positions the Bank for disciplined growth as conditions normalise. The Loans-to-Deposit Ratio improved to 101.0% from 103.5% in 2024, reflecting modest deposit growth outpacing the stable loan book.

Customers' Deposits

Customer deposits grew to P4.6 billion from P4.5 billion, reflecting continued growth across both the retail and corporate segments. Growing current and savings accounts, which represent lower-cost, more stable funding remains a central priority for 2026. Expanding this deposit base and optimising the funding mix is critical to reducing funding costs and rebuilding net interest margins. Borrowings decreased from P256.0 million to P199.5 million, reflecting scheduled repayments, while debentures remained relatively stable at P204.5 million. During the year, the Group raised an additional P50 million Tier II capital facility to further strengthen its capital position.

Capital Management and Liquidity

Capital Adequacy

The Capital Adequacy Ratio (CAR) stood at 19.74% as at 31 December 2025, compared to 23.63% at 31 December 2024. While the ratio has decreased reflecting the net loss recorded for the year, it remains comfortably above the Bank of Botswana's regulatory minimum of 12.5%. Shareholder equity decreased from P528.2 million to P414.9 million, driven by the net loss. During the year, the Group raised a P50 million Tier II capital facility, demonstrating its continued ability to access capital markets and reinforcing its commitment to maintaining a robust and well-capitalised balance sheet. The Group's commitment to prudent capital management continues to ensure regulatory compliance and underpin its long-term strategic growth ambitions.

Liquidity

The Group's liquidity position remained adequate throughout the year. The Liquid Asset Ratio of 15.2% comfortably exceeds the statutory minimum of 10%, supported by approximately P745 million in high-quality liquid assets comprising cash reserves held with the central bank and highly liquid marketable securities. The Group also retains access to established credit facilities, providing further liquidity resilience. Whilst the ratio eased slightly from 15.6% in 2024, reflecting the tighter market liquidity environment, the Bank's strong liquidity position ensures it can meet its obligations and navigate market volatility effectively.

Outlook

Entering the fourth year of its five-year transformation strategy, the Group's priorities for 2026 are clear: restoring profitability, growing and diversifying the deposit base, improving the funding mix, and maintaining disciplined credit management while continuing to invest in capability and infrastructure.

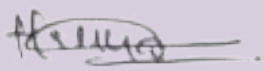
We forecast a decline in funding costs on the back of ongoing balance sheet restructuring and an expected normalisation of market liquidity conditions. Growing current and savings accounts remains the single most impactful lever for improving net interest margins, and the Bank is committed to accelerating this with its commercial banking capabilities and expanding customer franchise. The dedicated Business Banking unit established in 2025 is expected to generate incremental contribution from the corporate and SME segments in the year ahead.

Reflections from our Head of Finance (continued)

Consumer finances remain under pressure, and credit risk management will remain a priority. The Bank's enhanced credit monitoring framework and conservative provisioning approach will continue to guide disciplined underwriting and collections. The core banking system upgrade completed in 2025 significantly enhances the Bank's agility and service delivery capability laying the groundwork for accelerated commercial and digital growth.

While the macroeconomic environment will remain challenging in the near term, particularly with diamond sector performance and global oil price dynamics remaining key risks, the Bank is better positioned today than at any point in its history to deliver on its strategic objectives. The foundational work of the transformation period is bearing fruit, and the Board, Management, and all staff remain united in their commitment to achieving sustained profitability and creating long-term value for all stakeholders.

Thank You.



Hildah Mhaladi
Head of Finance

266.98
1,579.06
10.05
6,172.49
28,437.70

EXCO Team

The Executive Management

Our Managing Director supported by the members of the Executive Management Committee (Exco), is accountable for the implementation of the strategy and for the operational performance of the bank. Executive Management comprise a diverse and experienced team, with the balance of skills and experience that underpin the bank`s ability to deliver its strategy.

Pedzani Tafa (58),
(F), Managing Director

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

Ms. Tafa continued to serve as the Managing Director and executive director of BBS Bank, since her appointed on 4 January 2023. Her banking career spans over three decades, having held senior leadership positions at Stanbic Bank Botswana, Standard Chartered Bank Botswana and Botswana Savings Bank before joining BBS Bank

Tenure Exco: 3.5 Yrs
Tenure BBS Bank: 3.5 Yrs

Erly Odhong, (53)
(M), Chief Operating Officer

MA (Leading Innovation and Change Management), Member-Associate Chartered Institute of Bankers (ACIB)

Elly brings to BBS Bank a wealth of experience garnered over a 30-year period in areas such as retail banking, business banking, distribution, product development, cards management, sales and strategy. He has held senior leadership positions in Kenya, Nigeria, South Africa, Ghana and South Sudan.

Tenure Exco: 1.3 Yrs
Tenure BBS Bank: 1.3Yrs

Pako Moshaga, (37)
(M), Head Credit

BA (Finance), Certificate in Enterprise Risk Management

He has over 16 years of industry experience across four commercial banks, with half of it spent at management level.

Pako's experience includes commercial and corporate banking with a focus on sales and credit areas. Over the years, he has gained invaluable knowledge in relationship management, strategy, business development, credit evaluation, reporting, critical analysis and leadership.

His other abilities include being an accredited trainer, guest lecturer on credit analysis, career coach and a public speaker at some of Botswana's leading universities.

Tenure Exco: 1.9 Yrs
Tenure BBS Bank: 1.9 Yrs

Dimpho Tlamelo Phagane (42), (M), Head Company Secretariat, Legal and Compliance

MDP, LLB, PGC (ERM), Chart. Sec (CGISA), CoP, ACAMS Certificate, Cert. (Corporate Finance)

Dimpho joined BBS Bank as Head Company Secretariat, Legal and Compliance in June 2021. He has over 17 years of intimate experience in legal, governance, risk, and compliance matters in the banking, insurance, parastatal and government sectors. He has worked at MVA Fund, Attorney Generals Chambers, BIHL Insurance Company, and Bank Gaborone before joining the purple bank. He is a Chartered Secretary and holds an Executive Leadership Programme from the University of Oxford. He continues to be a member of the Compliance Institute of Southern Africa, a member of the Chartered Governance Institute of Southern Africa, a member of the Chartered Institute of Arbitrators (UK), a member of the Global Association of Risk Professionals, and a member of the Chartered Governance Institute (UK).

Tenure Exco: 4.11 Yrs
Tenure BBS Bank: 4.11 Yrs

Hildah Mhaladi (41), (F), Head Finance

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

Hildah is BBS Bank`s Head of Finance since August 2021. She is a Chartered Accountant with over 17 years' experience in Auditing, Accounting,Taxation and banking finance. Since joining the Bank, she has played a key role in strengthening thee finance function and supporting the Bank's strategic transformation agenda. Prior to joining the Bank, she was with KPMG Botswana where she started her career as an Audit Assistant in 2009 and progressed through the ranks, holding various roles within the firm until she was promoted to the position of Senior Audit Manager in 2019. During her tenure, she managed a significant portfolio of Public Interest Entities, with particular specialization in the financial services sector., including the Central Bank. She also served as the Head of Audit and Assistant Qualified Person Responsible for Training (QPRT), working closely with BICA on professional training and practical experience development, a role she continued to support at BBS Bank. She is a fellow member of the Botswana Institute of Chartered Accountants (FCA) and a Fellow of the Association of Chartered Certified Accountants, UK FCCA.

Tenure Exco: 4.5 Yrs
Tenure BBS Bank: 4.5 Yrs

Sipho Hector Showa (50) (M), Head Business Relations and Marketing

MBA, LLB (Attorney, Notary Public, Conveyancer), BA (Eng), PGD (Education)

Sipho first joined BBS Bank in March 2005 as Head of Corporate Affairs, overseeing Board Secretarial, Administration/ Procurement, Human Resources, Communications and Marketing until October 2010. He re-joined the Bank in November 2011. His experience spans broadcasting, journalism, corporate communications and corporate services, having worked for the Botswana Government, Debswana and Botswana Insurance Holdings Limited. He has also completed short courses in finance and strategic management. Sipho has served on several boards, including Old Mutual Botswana entities, Botswana Building Society Pension Fund, Masiela Trust Fund and Botswana National Youth Council. He is currently a Non-Independent Director of the Botswana Football League and previously served as Independent Chairman of AB InBev/ Kgalagadi Breweries Limited's Smart Drinking Compliance Committee.

Tenure Exco: 15 Yrs
Tenure BBS Bank: 15 Yrs

EXCO Team (continued)

Palesa Audrey Semele (53),
(F), Head of Internal Audit*MBA, ACCA, FCCA (UK), FCA(Botswana)*

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

Tenure Exco: 14.9 Yrs
Tenure BBS Bank: 14.9 Yrs

Punah Gabanapelo Moyo (53),
(F), Head Projects and Strategy
MSc (Strategic Management), FCIS (Corporate Governance and Accounting), Diploma Acc. and Business Studies, Internal Audit Technician

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

Tenure Exco: 14.6Yrs
Tenure BBS Bank: 14.6 Yrs

Thelma O'Reilly (56),
(F), Head Banking
MSc (Real Estate), BA (Env. Science), Diploma in Banking

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

Tenure Exco: 21.1Yrs
Tenure BBS Bank: 21.1 Yrs

Rebatho Moilwa (48), (M), Head Treasury

MSc (Strategic Management), BA (Economics and Statistics), Associate Diploma in Banking, ACI Dealing Certificate

Rebatho has over 20 years' experience in the financial services sector with over 10 years' experience in senior management roles in Treasury, Global Markets and Risk while also having worked regionally in countries such as Mozambique, Zambia and Zimbabwe. Rebatho has been involved in the commencement of operations of the four out of the nine commercial banks in Botswana with two being greenfield operations and two being brownfield operations. He is a member of the Botswana Institute of Bankers. He is a former Non-Executive Director and Chairperson of the HR Committee at BR Properties Pty Ltd a subsidiary of Botswana Railways.

Tenure Exco: 5 Yrs
Tenure BBS Bank: 5 Yrs

Candy Moloi (44), (F), Head Operations

BA (Social Sciences), Associate Diploma in Banking

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

Tenure Exco: 5Yrs
Tenure BBS Bank: 21 Yrs

Kagiso Balopi (47), (M), Head Risk

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

Kagiso was appointed as BBS Bank`s Head of Risk in January 2023. He was the Director Risk for Botswana Savings Bank from February 2019 - December 2022. Before that he worked for NBFIRA from 2009-2019 holding successive positions from Senior Accountant, Finance & Administration Manager, Head of Finance and Head of Risk. He was previously a member of the board for Botswana Privatisation Asset Holdings and is currently Treasurer for BOCHAIP.

Tenure Exco: 3.4 Yrs
Tenure BBS Bank: 3.4Yrs

EXCO Team (continued)

Anderson Wabo Samu (56), (M), Head Information Technology

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

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

Tenure Exco: 3.2 Yrs
Tenure BBS Bank: 3.2 Yrs

Lebogang Dudu Medupe (49), (F), Head Human Resources

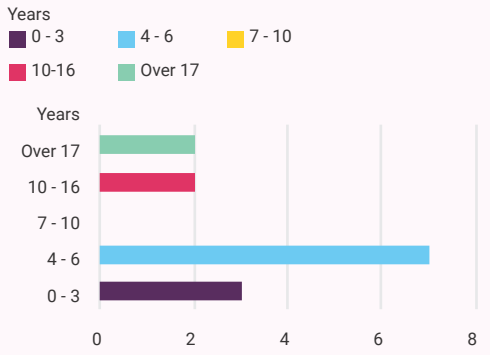
MPA – Public Administration (Human Resources Management), BA Social Sciences (Public Administration & Political Science), MDP (USB)

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

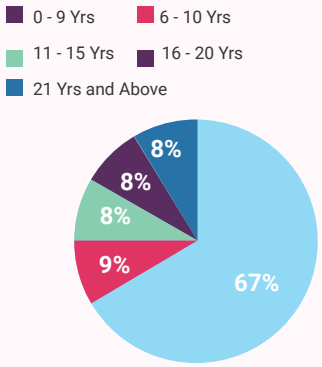
Tenure Exco: 2.4 Yrs
Tenure BBS Bank: 2.4 Yrs

The Board has satisfied itself with the overall mix of experience, knowledge, skill and diversity of the Executive Management Team and its ability to support the Board in delivering the strategy. The complement of the executive management team remained 14 professionals, 7 females and 7 males, with an average age of 49 years, and an equitably balanced gender profile.

EXCO Tenure

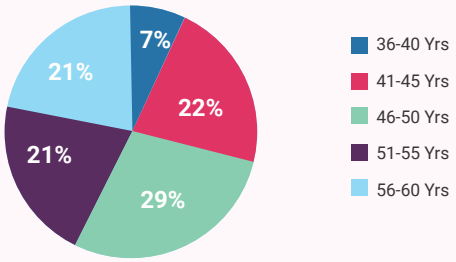


Years at BBS Bank

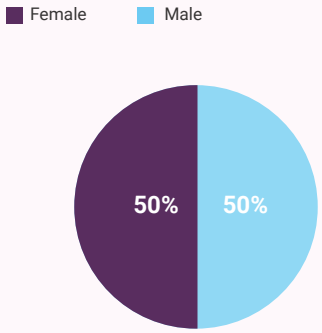


Age Profile

Average Age 47.7 Yrs

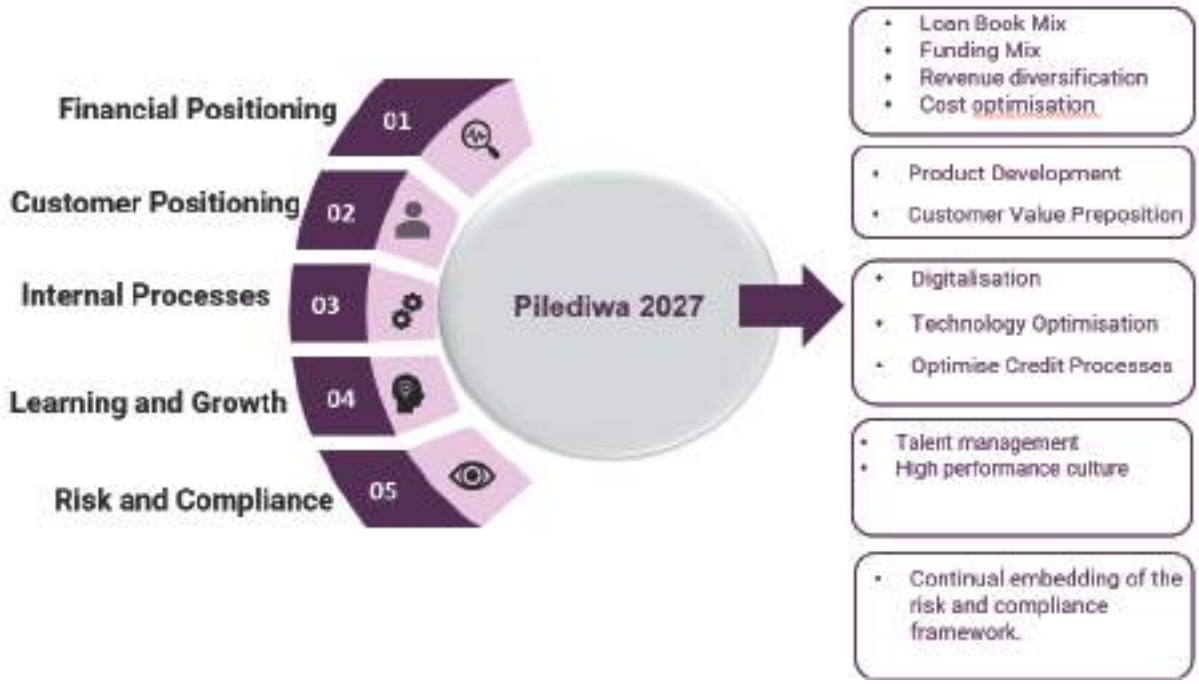


Gender Profile



Executing our Piledіwa Strategy

As we outline below on the various commercial segments, implementation of our Piledіwa strategy continues in full force. This is a growth strategy by which we are confident that we will be able to grow the Bank organically. By and large, the key building blocks of Piledіwa are falling into place:



Despite a challenging economic environment, the Bank made significant progress in advancing its Piledіwa 2023–2027 strategic priorities. In 2025 initiatives focused on strengthening capital and liquidity, reinforcing risk discipline, enhancing operational efficiency, and investing in technology and organizational capability, all in support of sustainable growth and long-term value creation.

A key milestone during the year was the upgrade of the core banking system, enhancing agility, scalability, and service delivery. The Bank also expanded its digital platforms to elevate customer experience, established a dedicated Business Banking unit to better serve enterprise clients, and strengthened correspondent banking capabilities to support international trade.

These strategic initiatives have reinforced the Bank's foundation, positioning it for future-fit growth and delivering on its commitment to stakeholders while supporting a resilient, inclusive, and competitive banking ecosystem. Responding to customer expectations

Our customers are key to our growth strategy. Guided by our promise of shared prosperity, we aim to be the preferred financial partner by enhancing the customer experience and contributing meaningfully to the socio-economic progress of our clients. In FY 2025, we focused on elevating our customer value proposition to better support individuals and enterprises in navigating a rapidly evolving operating environment and achieving their sustainable ambitions. This focus was supported by key Piledіwa initiatives such as the enhancement of our digital platforms, the introduction of a broader range of transactional accounts—targeting minors,

youth, students, and young professionals—the establishment of a dedicated business banking division with tailored products and services, and the deepening of relationships with our customers and strategic partners.

Ensuring that Pilediwa remains fit for purpose

During the year, the Bank also made meaningful progress in advancing its Internal Process strategic pillar through a series of targeted transformation initiatives. This included the completion of a mid-term review of the Pilediwa strategy to ensure continued alignment with evolving market dynamics, alongside the development of a structured ESG roadmap to embed sustainable practices within core operations.

Digitalisation remained a key focus area, with notable advancements in Corporate Internet Banking capabilities and the successful rollout of Wallet-to-Bank integrations with key mobile network operators, enhancing transaction efficiency and customer convenience.

In parallel, the Bank prioritised technology optimisation through the upgrade of its core banking system and broader digital banking platforms. These enhancements have strengthened system reliability, improved processing capabilities, and positioned the Bank to deliver more agile, secure, and scalable services.

Building a strong ESG Agenda

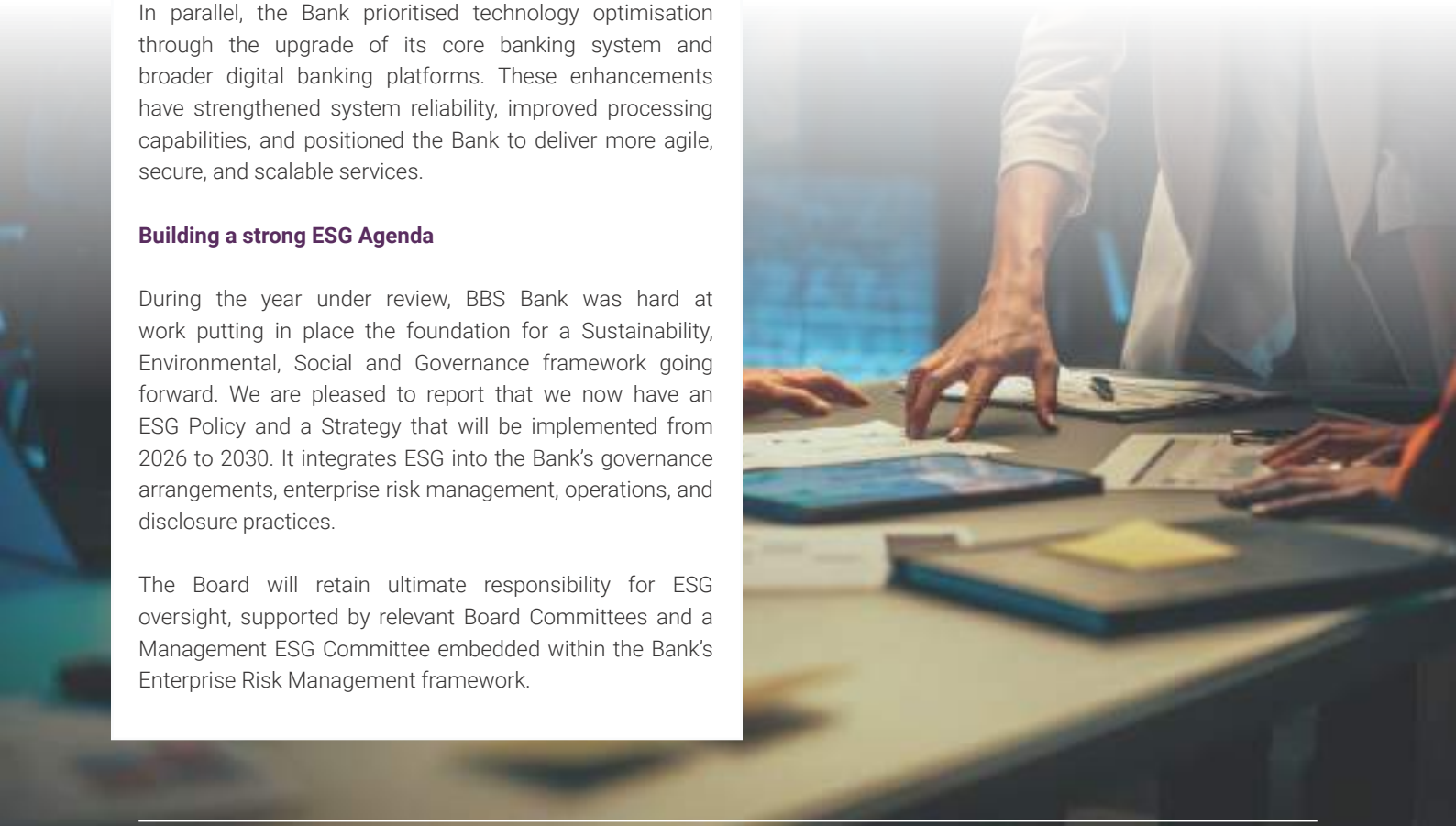
During the year under review, BBS Bank was hard at work putting in place the foundation for a Sustainability, Environmental, Social and Governance framework going forward. We are pleased to report that we now have an ESG Policy and a Strategy that will be implemented from 2026 to 2030. It integrates ESG into the Bank's governance arrangements, enterprise risk management, operations, and disclosure practices.

The Board will retain ultimate responsibility for ESG oversight, supported by relevant Board Committees and a Management ESG Committee embedded within the Bank's Enterprise Risk Management framework.

Our ESG Strategy establishes clear, measurable environmental and social objectives such as:

- Year-on-year reductions in energy consumption,
- Emissions, water use, and waste reduction (with quantified targets to be set following baseline establishment),
- A defined pathway toward net-zero operational emissions by 2040,
- Initiatives to expand inclusive finance for women, youth, and SMEs,
- Maintenance of at least 50% gender representation at management level, and,
- A commitment to allocate a minimum of 1% of Net Profit After Tax to community investment and financial literacy initiatives.

Delivery of these objectives will be underpinned by a phased implementation roadmap over the 5-year period.



BBS Bank

Annual Integrated Report
2025

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Other key strategy enablers

CSR

Innovation

Stakeholder Engagement

Corporate Social Responsibility

Finding purpose in community

BBS Bank views community support not as an obligation but an opportunity to give back to the people of Botswana.
The year under review was a busy one for the Bank's CSR Committee led by one of our young rising stars Audrey Ramosweu as it went about implementing financial and non-financial aspects of community development. Through these activities, the Purple team's values of kindness, respect and helping the less fortunate were in admirable display.

We were able to provide students of Letswai Primary School in Zutshwa near Hukuntsi with books, stationery, shoes, socks and jerseys. The Bank also sponsored a tour to Gaborone by the school's Standard 6 group, quite a number of whom they had never ventured beyond their nearest big centre, Hukuntsi.

BBS Bank adopted Botshabelo Police Station in Seibe Phikwe where it refurbished the visitors area, repainted the exterior, repaired ablution facilities and lighting to make the workspace conducive for the public and police officers. As a commercial bank we are also keen to improve community safety to foster a stable economic environment. So, adopting Botshabelo Police Station was not about the Bank looking good but about doing good.

The Bank also initiated litter picking campaigns, blood donation drives and food donations. Some such donations were done by employees of the bank through the CSR Leave Day. This part of the Human Capital Policy gives staff members leave for a single day in the year to engage in community service. Some opt to do so as a group or department.

Financial literacy was another of our biggest CSR initiatives in 2025. The bank partnered with Masheleng Media Production and produced television shows throughout the year covering various topics on finance. Topics included those on sayings, investment including in property, tax, money laundering, protecting one's savings from undesirable elements etcetera.

The great challenges of our time are many and it is important that as BBS Bank, we also dedicate ourselves to helping solve some of them especially those that align with our values. Doing so is uplifting, inspiring and informative in equal measure for the bank because through such interactions, we are also able to inform some of our practices and offerings.

Innovation Committee

Self-disruption in order to be successful

The Bank's Innovation Committee is proving itself to be a successful coalition having brought to life the youth accounts idea. The Committee comprises younger employees of the bank drawn from various disciplines and bases across the country.

They have shown themselves to be enterprising with several of their other product ideas currently under consideration delivered with signature clarity and conviction that typifies youth. Afterall, one survey after another shows that today's teenagers and twenty-somethings make up the most progressive generation yet.

The Committee was created to ensure that BBS Bank becomes a hotbed of innovation and realising that you can't change the world by yourself: It always comes down to teamwork. Further, BBS Bank should not wait to be disrupted. BBS Bank must disrupt itself as indeed it did when it reinvented itself into a commercial bank from a building society because that model was starting to show signs of decline.

Therefore, BBS Bank looks forward to rolling out more products and services coming from its Innovation Committee as we go into the future.

Investing in Future Finance Professionals

As part of the Bank's commitment to professional development and skills transfer within Botswana's financial sector, BBS Bank was successfully registered as an Approved Training Employer (ATE) with the Botswana Institute of Chartered Accountants. Through this initiative, the Bank currently provides guided practical experience training to five BICA students pursuing the Chartered Accountant qualification. The programme is aimed at developing future finance professionals by equipping trainees with practical exposure, technical competence, and ethical grounding within a dynamic banking environment, while contributing to the growth and sustainability of the accounting profession in Botswana.

Stakeholder Engagement

The answer to success lies in collaboration

Stakeholder engagement is key to our success as a commercial bank and we have a plan we execute annually guided by the relevant policy. Stakeholders include shareholders, customers, employees, regulators, Government and the various communities as addressed under the CSR section of this report.

All views shared by our stakeholders are taken in the spirit that every successful coalition is a pact among people who disagree on any number of things. In many cases, the answer to success lies in collaboration rather than isolation.

Shareholders and Investors

Why they matter:
The support of shareholders and investors is the foundation for BBS Bank.

How we engaged and what the bank benefited:
We were able to hold our shareholders' meeting in 2025 where you spoke with dignity, clearness and feeling about how to improve the performance of your bank. This was invaluable feedback which guided us throughout the year under review. In other instances, we met through one-on-one engagements and business events.

Stakeholder Engagement (continued)

Employees

Why they matter:
Their commitment, efforts, collective knowledge, and performance are the basis for the Bank's business and ability to create value for the bank's customers and thereby for its investors, shareholders and society. The skills, expertise and engagement of BBS Bank employees are its greatest assets.

How we engaged and what the bank benefited:
It is important that the Bank keeps its staff fully engaged during this period of transition. To that end, there is a robust regular internal engagement effort that includes communication on the performance of the bank, how to safeguard the interests of the bank as guided by our risk management framework etcetera.

In addition to regular departmental meetings, the Managing Director engaged with staff physically across the country, every quarter, during the year under review to discuss the performance of the bank and other matters of mutual interest.

EXCO Members have also been assigned business areas they are not directly responsible for to encourage open dialogue and they hold such meetings every month.

BBS Bank Staff are also encouraged to join various Committees of the bank such as the Research Committee, Sports Committee, Product Development Committee, Innovation Committee, Change Management Committee and the Corporate Social Responsibility Committee so that they can contribute to its growth. We are pleased to report that some of the ideas have been developed into actual products that were rolled out to market.

The bank also has a whistleblowing line 16147, managed by a reputable and independent supplier, where staff can raise issues they are otherwise not be comfortable discussing with supervisors.

The general well-being of our employees is also important to the bank. Through our partner Psych Matters, BBS Bank employees are engaged on various wellness topics every month and can seek counselling services confidentially.

Government

Why it matters:
As part of the highly regulated financial industry and as an important player in the societies in which it operates, it is vital to understand the needs and objectives for the Government, politicians, and society at large.

How we engaged and what the bank benefited:
Government, whether Central or Local Government, continued to be a champion for the success of BBS Bank during the year under review. Our leaders continue to be interested in the success of the bank and offering support where necessary. Some of the senior Government officials we engaged with include His Honour the Vice President and Minister of Finance Ndaba Nkosinathi Gaolathe and the Permanent Secretary to the President Ms. Emma Peloetletse.

During the year under review, BBS Bank provided banking services to at least 15 State Owned Enterprises. In our drive to grow CASA deposits quickly, Government and SOEs are the most important clients to deepen relationship with. Councils and District Administrations are also some of the Bank's critical partners are local government level.

Customers

Why they matter:
BBS Bank customers are the focal point of everything the bank does. Satisfied customers are the foundation for long-term growth and profitability.

How we engaged and what the bank benefited:
Our customers are diverse and to meet their expectations, the Bank is guided by a Customer Service Charter as well as a Customer Service Strategy. We have adopted an "open door policy" where customers are encouraged to approach us with suggestions on how to improve service, commendations or areas of concern.

Some of the feedback is packed with powerful insights and inspiring stories which motivate us to do even better. During the year under review, we held customer service events throughout the country to appreciate our customers. We also had business product launches to the business community, including a curated event specifically for the Chinese Business Community.

In addition to individual or retail customers, the bank also has institutional ones whom we arrange to meet with to update them on developments in the bank and to receive feedback from them on our service. For instance, during the year under review, we visited 59 employer schemes in 2025 as part of customer engagement.

Stakeholder Engagement (continued)

Regulators

Why they matter:
Without the banking licence that the Bank holds, for example, BBS Bank would not be able to operate. Therefore, it is important for Bank of Botswana to be assured that BBS Bank is operating within the set regulatory framework and is a responsible corporate citizen.

How we engaged and what the bank benefited:
They are our conscience and where required, serve as a bridge between the Bank and its customers.

During the year under review, we engaged with our diverse regulators such as the Bank of Botswana providing the necessary reports at the required periods, attending all the required meetings, and acting on any corrective advise from them.

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Consolidated And Separate Financial Statements

for the year ended 31 December 2025

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BBS Bank Limited
(Registration number BW00001057162)
Consolidated And Separate Financial Statements
for the year ended 31 December 2025

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General Information

Company name	BBS Bank Limited
Company registration number	BW00001057162
Country of incorporation and domicile	Botswana
Nature of business and principal activities	Banking and Insurance agency services
Directors	Dr. Vincent B. Mogano - Chairman Mrs. Koziba N. Moloyi-Sedimo - Lead Independent Director Mrs. Pedzani Tafa - Managing Director Mr. Geoffrey M. Bakwena Mrs. Sejo Lenong Mr. Mmoloki W. Mogotsi Ms. Ewetse T. Rakhudu Mr. John Kimani Muiruri Ms. Pulane Dibuseng Letebele
Registered office	Plot 13108-112, Corner Of Lemmenyane Drive and Segoditshane Way, Broadhurst, Gaborone, Botswana
Business address	Plot 13108-112, Corner Of Lemmenyane Drive and Segoditshane Way, Broadhurst, Gaborone, Botswana
Postal address	P O Box 40029 Gaborone, Botswana
Auditor	PricewaterhouseCoopers Plot 64289 Tlokweng Road Gaborone, Botswana
Secretary	Dimpho Phagane Plot 13108-112 Corner of Lemmenyane Drive and Segoditshane Way, Broadhurst, Gaborone, Botswana

Directors' Responsibility Statement

The directors are required in terms of the Companies Act 32 of 2004 of Botswana to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate financial statements give a true and fair view of the Group and Company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in compliance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and in compliance with the Companies Act (CAP 42:01), Banking Act (CAP 46:04) and the Insurance Industry Act (Cap:46:01).

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

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

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

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

The External auditor is responsible for independently auditing and reporting on the Group and Company's consolidated and separate financial statements. The consolidated and separate financial statements have been examined by the Group and Company's External auditor and their report is presented on pages 127 to 131.

The consolidated and separate financial statements set out on pages 132 to 251, which have been prepared on the going concern basis, were approved by the Board of Directors on 31 March 2026 and were signed on their behalf by:

Approval of financial statements

Dr. Vincent B. Mogano
Chairperson - Board

Mrs. Pedzani Tafa
Managing Director

Mrs. Sejo Lenong
Chairperson - Board Audit Committee

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

Directors' Report

The directors have pleasure in submitting their report on the consolidated and separate financial statements of BBS Bank Limited for the year ended 31 December 2025.

1. Business activities

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

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

2. Financial results and position

The Group and Company's financial results and position are reflected in the financial statements set out on pages 132 - 251.

3. Stated capital

The issued capital of the Group and Company comprised of 487,453 (2024: 487,453) ordinary shares at the end of the year. The detail on shareholding is presented on note 41 of the financial statements.

4. Related parties interests in shares

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

5. Dividends

The Bank did not declare or pay any dividend during the current and previous years. The Bank's wholly owned subsidiary, BBS Insurance Agency Limited, declared and paid dividend to the Bank amounting to P12.031 million during the current year (2024: P 12.130). This dividend is included in Other income in the Bank's separate financial statements.

6. Directorate

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

Directors	Office	Designation	Nationality	Changes
Dr. Vincent B. Mogano	Chairman	Non-executive	Motswana	Reappointed - 26 June 2025
Mrs. Koziba N. Moloyi-Sedimo	Lead Independent Director	Non-executive	Motswana	Reappointed - 26 June 2025
Mrs. Pedzani Tafa	Managing Director	Executive	Motswana	
Mr. Geoffrey M. Bakwena	Director	Non-executive	Motswana	
Mrs. Sejo Lenong	Director	Non-executive	Motswana	
Mr. Mmoloki W. Mogotsi	Director	Non-executive	Motswana	Resigned - 31 January 2026
Ms. Ewetse T. Rakhudu	Director	Non-executive	Motswana	
Mr. John Kimani Muiruri	Director	Non-executive	Motswana	
Ms. Pulane Dibuseng Letebele	Director	Non-executive	Motswana	

7. Events after the reporting date

Management has evaluated all events and transactions that occurred subsequent to the date of the financial statements but before the date of issuance. Other than the item noted below, there were no material subsequent events to report. Board Resignation: Mr. Mmoloki W. Mogotsi resigned as a director of the Bank effective 31 January 2026.

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

Independent Auditor's report

To the shareholders of BBS Bank Limited

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of BBS Bank Limited (the Company) and its subsidiary (together the Group) as at 31 December 2025, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

BBS Bank Limited's consolidated and separate financial statements set out on pages 132 to 251 comprise:

- the consolidated and separate statements of financial position as at 31 December 2025;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, including material accounting policy information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) issued by the International Ethics Standards Board for Accountants, as applicable to audits of financial statements of public interest entities, and other independence requirements applicable to performing audits of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Botswana.

Our audit approach

Overview

Overall group materiality

- Overall materiality: BWP 5 927 000, which represents 1% of consolidated revenue (interest income using effective interest rate and fee and commission income)

Group audit scope

- The Company and its fully owned subsidiary are considered to be significant components of the Group based on size, due to their contribution to consolidated profit before taxes.
- We performed full scope audits of the Company and its subsidiary.

Key audit matters

- Expected credit losses ("ECL") - loans and advances to customers

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

Independent Auditor's report (continued)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall group materiality	BWP 5 927 000
How we determined it	1% of consolidated revenue (interest income using effective interest rate and fee and commission income)
Rationale for the materiality benchmark applied	We chose revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, especially given the Group's recent establishment as a commercial bank and the volatility of profit before taxes.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of the Company and one wholly owned subsidiary. Our scoping assessment took into consideration the financial significance of each component to the Group. We concluded that the Company and its subsidiary to be significant components to the Group based on size, due to their contribution to the consolidated profit before tax.

We performed full scope audits for the Company and its subsidiary. All testing was performed centrally by the group audit team. By performing the procedures outlined above, we obtained sufficient and appropriate audit evidence regarding the financial information of the Group to provide a basis for our opinion on the consolidated financial statements as a whole.

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.

Independent Auditor's report (continued)

Key audit matter	How our audit addressed the key audit matter

Expected credit losses ("ECL") - loans and advances to customers
Refer to the following notes to the consolidated and separate financial statements for disclosure relating to the ECL on loans and advances to customers:
• Material Accounting Policies 1.1 (Significant accounting judgements, estimates and assumptions - Impairment losses on financial assets);
• Material Accounting Policies 1.8 (Financial instruments - Expected credit losses);
• note 2 (Financial Instruments and risk management - Financial risk management - Credit risk);
• note 11 (Loans and advances to customers); and
• note 26 (Expected credit losses).
 	
As at 31 December 2025, gross loans and advances to customers amounted to BWP 4 756 435 000, against which a provision for ECL of BWP 144 822 000 was recognised.
 	
The measurement of the ECL for financial assets measured at amortised cost requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.
Key areas of significant management judgement and estimation applied in the measurement of ECL on loans and advances include:
• Assessing criteria for significant increase in credit risk;
• Determining appropriate Probabilities of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") applicable to loans and advances;
• Choosing appropriate models and assumptions for the measurement of ECL; and
• Establishing the number and relative weightings of forward-looking scenarios for the associated ECL.
 	
We considered the ECL on loans and advances to customers to be a matter of most significance to our current year audit due to the degree of judgement and estimation applied by management in determining the ECL, and the magnitude of the ECL recognised as at 31 December 2025.
	We performed the following audit procedures on the ECL on loans and advances to customers:
	For a sample of loans and advances, we agreed the loans and advances information included in the models to underlying data, accounting records and other information (such as signed loan agreements) and noted no exceptions.
	
	Utilising our actuarial expertise, we reperformed and assessed the reasonableness of management's ECL calculation by performing the following:
	
	• We obtained a detailed breakdown of loans and advances by product type and for a sample of loans, we independently calculated the risk stage. No material differences were noted between the risk stage classifications independently performed by us and management's 's classification;
	• Assessed the appropriateness of management's model with reference to the requirements of IFRS 9 - Financial Instruments and ensured that the model was consistently applied to all loans and advances portfolios. We noted no matters requiring further consideration;
	• We evaluated the reasonableness of key judgemental inputs used in the model, including:
	  • the PDs applied;
	  • the LGDs applied;
	  • the EADs applied; and
	  • the definition and application of SICR
	  by recalculating these assumptions using historical actual data and comparing our results to the assumptions applied by management. Based on our procedures performed, we noted no matters requiring further consideration with regards to these assumptions;
	• We determined an independent estimation of the ECL on loans and advances to customers by calculating a base case ECL, which incorporated our independently determined SICR adjustments, after considering forward-looking indicators.
	
	We compared our results against management's ECL estimate and determined that management's ECL estimates were not materially different from our independently determined range of estimated outcomes.

Independent Auditor's report (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the document(s) titled "BBS Bank Limited Consolidated and separate financial statements for the year ended 31 December 2025" and the document titled "BBS Bank Limited Integrated Report 2025", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information that we 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 that give a true and fair view in accordance with IFRS Accounting Standards 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.

Independent Auditor's report (continued)

- 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 Comapany'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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, actions taken to eliminate threats or safeguards applied.

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Firm of Certified Auditors
Practicing Member: Sheyan Edirisinghe (CAP 004 2026)

31 March 2026
Gaborone

Statements of Financial Position as at 31 December 2025

		Group			Company		
Figures in Pula thousand	Note(s)	2025	Restated* 2024	Restated* 1 Jan 2024	2025	Restated* 2024	Restated* 1 Jan 2024
Assets							
Cash and cash equivalents*	4	584,706	675,794	829,354	584,038	670,426	808,405
Financial investments*	5	154,145	32,731	8,783	154,145	32,731	8,783
Balance due from related company	6	-	-	-	822	1,099	3,756
Non-current assets held for sale	7	-	-	12,593	-	-	12,593
Current tax receivable	8	901	-	68	-	65	68
Properties-in-possession	9	9,040	14,002	26,580	9,040	14,002	26,580
Other assets	10	70,817	68,560	68,897	69,846	63,447	67,931
Loans and advances to customers*	11	4,611,613	4,616,138	4,049,040	4,611,613	4,616,138	4,049,040
Right-of-use assets	12	9,287	9,610	8,926	9,287	9,610	8,926
Intangible assets	13	42,225	34,214	24,660	42,225	34,214	24,660
Property and equipment	14	89,903	99,235	98,402	89,903	99,235	98,402
Deferred tax asset	15	29,707	7,623	11,650	29,707	7,623	11,650
Investments in subsidiary	16	-	-	-	100	100	100
Total Assets		**5,602,344**	**5,557,907**	**5,138,953**	**5,600,726**	**5,548,690**	**5,120,894**
Liabilities							
Balance due to other banks	17	151,270	50,074	-	151,270	50,074	-
Other liabilities*	18	50,783	47,211	49,590	50,998	46,015	49,012
Customer deposits	19	4,565,490	4,456,226	4,211,083	4,573,625	4,464,406	4,211,676
Current tax payable	8	-	170	-	-	-	-
Lease liabilities	20	15,802	15,878	14,700	15,802	15,878	14,700
Borrowings	21	199,547	256,009	271,198	199,547	256,009	271,198
Debentures	22	204,518	204,121	102,235	204,518	204,121	102,235
Total Liabilities		**5,187,410**	**5,029,689**	**4,648,806**	**5,195,760**	**5,036,503**	**4,648,821**
Equity							
Stated capital - Ordinary shares	23	487,453	487,453	487,453	487,453	487,453	487,453
Retained earnings/ (Accumulated losses)*		(72,519)	40,765	2,694	(82,487)	24,734	(15,380)
Total Equity		**414,934**	**528,218**	**490,147**	**404,966**	**512,187**	**472,073**
Total Equity and Liabilities		**5,602,344**	**5,557,907**	**5,138,953**	**5,600,726**	**5,548,690**	**5,120,894**

*Refer to Note 18 for details regarding the reclassification and 45 for more details on the restatement.

Statements of Profit or Loss and Other Comprehensive Income

		Group		Company	
Figures in Pula thousand	Note(s)	2025	Restated* 2024	2025	Restated* 2024
Interest income using effective interest rate*	24	556,037	479,689	555,082	478,985
Interest expense	25	(412,017)	(269,626)	(412,527)	(269,628)
Net interest income		**144,020**	**210,063**	**142,555**	**209,357**
Fee and commission income*	28	36,744	34,957	26,642	19,454
Fee and commission expense*	28	(1,469)	(1,160)	(1,469)	(1,160)
Net fee and commission income		**35,275**	**33,797**	**25,173**	**18,294**
		179,295	**243,860**	**167,728**	**227,651**
Other income	29	2,912	16,693	16,661	30,537
Total income		**182,207**	**260,553**	**184,389**	**258,188**
Expected credit losses	26	(77,523)	(19,097)	(77,523)	(19,097)
Other impairment losses	27	(19,262)	(7,863)	(19,262)	(7,863)
Personnel expenses	30	(100,252)	(93,054)	(98,922)	(91,618)
Depreciation and amortisation	31	(15,819)	(14,798)	(15,819)	(14,798)
Other expenses	32	(103,042)	(80,798)	(102,168)	(80,671)
Total expenses		**(315,898)**	**(215,610)**	**(313,694)**	**(214,047)**
Profit/(loss) before taxation		**(133,691)**	**44,943**	**(129,305)**	**44,141**
Taxation	33	20,407	(6,873)	22,084	(4,027)
Profit/(loss) for the year		**(113,284)**	**38,070**	**(107,221)**	**40,114**
Other comprehensive income		-	-	-	-
Total comprehensive (loss)/profit for the year		**(113,284)**	**38,070**	**(107,221)**	**40,114**
Earnings per share					
Basic and diluted earnings/(loss) per share (thebe)	35	(23.24)	7.81		

*Refer to note 45 for more details on the restatement.

Statements of Changes in Equity

Figures in Pula thousand	Ordinary shares	Retained earnings/ (Accumulated losses)*	Total equity
Group			
Balance at 01 January 2024 as previously reported	487,453	(3,392)	484,061
Impact of correction of error (net of tax)	-	6,086	6,086
Balance at 01 January 2024 as restated	**487,453**	**2,694**	**490,147**
Profit for the year	-	38,070	38,070
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**38,070**	**38,070**
Balance at 01 January 2025	**487,453**	**40,765**	**528,218**
Loss for the year	-	(113,284)	(113,284)
Other comprehensive income	-	-	-
Total comprehensive Loss for the year	**-**	**(113,284)**	**(113,284)**
Balance at 31 December 2025	**487,453**	**(72,519)**	**414,934**
Note(s)	23		
Company			
Balance at 01 January 2024 as previously reported	487,453	(21,466)	465,987
Impact of correction of error (net of tax)	-	6,086	6,086
Balance at 01 January 2024 as restated	**487,453**	**(15,380)**	**472,073**
Profit for the year	-	40,114	40,114
Other comprehensive income	-	-	-
Total comprehensive loss for the year	**-**	**40,114**	**40,114**
Balance at 01 January 2025	**487,453**	**24,734**	**512,187**
Loss for the year	-	(107,221)	(107,221)
Other comprehensive income	-	-	-
Total comprehensive Loss for the year	**-**	**(107,221)**	**(107,221)**
Balance at 31 December 2025	**487,453**	**(82,487)**	**404,966**
Note(s)	23		

*Refer to note 45 for more details on the restatement.

Statements of Cash Flows

Figures in Pula thousand	Note(s)	Group 2025	Group Restated* 2024	Company 2025	Company Restated* 2024
Cash flows from operating activities					
Interest receipts	43	555,804	471,077	554,849	470,373
Commission receipts	43	36,744	34,957	26,642	19,454
Interest payments	43	(379,462)	(281,772)	(379,681)	(281,774)
Commission payments	28	(1,469)	(1,160)	(1,469)	(1,160)
Other income	43	4,740	5,231	6,458	6,945
Dividend received	43	-	-	12,031	12,130
Cash payments to employees and suppliers	43	(195,857)	(170,307)	(193,653)	(168,744)
Proceeds from sale of properties in possession		5,203	4,715	5,203	4,715
Income tax paid		(2,748)	(2,608)	65	3
Net cash generated from operating activities before changes in working capital		**22,955**	**60,133**	**30,445**	**61,942**
Changes in working capital:					
(Increase)/decrease in other assets		(2,637)	337	(6,779)	4,484
Decrease/(increase) in balance due from related company		-	-	277	2,657
Increase in loans and advances to customers	43	(78,596)	(586,801)	(78,596)	(586,801)
Increase in customers' deposits	43	75,446	259,217	75,110	266,804
(Increase)/decrease in other liabilities	43	3,597	(2,346)	5,008	(2,967)
Repayment of balances from other banks		(50,000)	-	(50,000)	-
Receipt of balances from other banks		150,000	50,000	150,000	50,000
Net cash from/(used in) operating activities		**120,765**	**(219,460)**	**125,465**	**(203,881)**
Cash flows from investing activities					
Purchase of property and equipment	14	(17,552)	(7,505)	(17,552)	(7,505)
Proceeds from non-current assets held for sale		-	24,197	-	24,197
Purchase of intangible assets	13	(16,752)	(9,736)	(16,752)	(9,736)
New placements of financial investments*	43	(139,747)	(404,031)	(139,747)	(404,031)
Maturities of financial investments *	43	19,959	380,081	19,959	380,081
Net cash used in investing activities		**(154,092)**	**(16,994)**	**(154,092)**	**(16,992)**
Cash flows used in financing activities					
New borrowings raised	21	50,000	-	50,000	-
Repayment of borrowings	17	(103,607)	(15,158)	(103,607)	(15,158)
New debentures issued	22	-	100,000	-	100,000
Payment of lease liabilities	20	(2,326)	(1,948)	(2,326)	(1,948)
Net cash (used in)/generated from financing activities		**(55,933)**	**82,894**	**(55,933)**	**82,894**
Total cash and cash equivalents movement for the year		**(89,260)**	**(153,560)**	**(84,560)**	**(137,979)**
Cash and cash equivalents at the beginning of the year*		675,794	829,354	670,426	808,405
Effect of exchange rate changes on cash and cash equivalents		(1,828)	-	(1,828)	-
Total cash and cash equivalents at the end of the year	4	**584,706**	**675,794**	**584,038**	**670,426**

*Refer to note 45 for more details on the restatement.

Material Accounting Policies

1. Reporting entity

The Company and it's subsidiary are limited liability companies incorporated and domiciled in Botswana. The address of the Group and Company's registered office is Plot 13108-112 Broadhurst, Gaborone. The Company is primarily involved in the provision of banking services while the subsidiary is involved in offering insurance agency services. These financial statements represent the Group's consolidated and separate financial statements. The consolidated and separate financial statements were approved for issue by the Directors on 31 March 2026.

1.1 Basis of preparation

These consolidated and separate financial statements for the year ended 31 December 2025 have been prepared on a going concern basis and comply with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and in compliance with the Companies Act (CAP 42:01), Banking Act (CAP 46:04) and Insurance Industry Act (CAP46:01).

The consolidated and separate financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value, as explained in the accounting policies below.

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

Comparative financial information

The comparative financial information considered in these financial statements relate to the audited financial information for the year ended 31 December 2024.

Functional and presentation currency

The financial statements are presented in Botswana Pula, which is the functional currency of the Company and its subsidiary. Except where otherwise indicated, financial information presented in Botswana Pula (P) has been rounded to the nearest thousand.

Significant accounting judgements, estimates and assumptions

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

Significant judgements

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

Impairment losses on financial assets

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

Significant increase in credit risk (SICR)

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

Multiple economic scenarios

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

Material Accounting Policies

1.1 Basis of preparation (continued)

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

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

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

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

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

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

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

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

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

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

Useful life of property and equipment
Judgement is required in determining the assets' useful lives of property and equipment. The estimated useful lives range between three to thirty years. There have been no changes in the estimated useful lives from those applied in the previous financial year. Refer to Note 14 and 31.

Material Accounting Policies

1.1 Basis of preparation (continued)

Useful life of intangible assets - computer software

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

There has been no change in the estimated useful lives for all intangible assets from those applied in the previous year. Refer Note 13 and 31.

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

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

Estimating the incremental borrowing rate

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

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Although tax losses can be utilised for a period of five years, judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax planning strategies (see Note 15).

Impairment of properties in possession

The Group and Company evaluate properties-in-possession for impairment on an annual basis by comparing the carrying amount of each property to its net realizable value (NRV). These properties are stated at the lower of the cost of repossession and NRV, and management must exercise significant judgment in determining the recoverable amount.

The carrying amount is evaluated by assessing market conditions and the liquidity of these assets. When a valid offer exists, the NRV is determined based on the accepted selling price, and an impairment loss is recorded if the carrying amount exceeds this value. For properties without active offers, management adopts a prudent approach by considering current economic conditions and domestic property market challenges, assuming a deterioration in property values to estimate the required impairment.

Material Accounting Policies

This comprehensive evaluation informs the overall impairment assessment, ensuring that any adjustments required to align the carrying amount with the most recent valuation or market reality are recognized immediately in profit or loss. Refer to Note 9.

1.2 Consolidation

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank ("the Company") and its subsidiary Qointly "the Group") as at 31 December 2025.The Bank consolidates a subsidiary when it controls it.

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

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

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

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

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

Investment in subsidiary in the separate financial statements

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

1.3 Interest

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

Interest income and expense presented in profit or loss includes interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis. Interest income and expense are recognised in

Material Accounting Policies

1.3 Interest (continued)

profit or loss for all interest bearing financial instruments on an accrual basis using the effective interest method.

Amortised cost and gross carrying amount

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

Calculation of interest income and expense

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

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

1.4 Fees and commission

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

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

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

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

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

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

Income from Administration fees (handling charges), Transactional fees, Account services (such as account maintenance fees), and Commissions (insurance referral fees) is recognised at a point in time once the underlying service or transaction is completed.

Material Accounting Policies

1.5 Dividends on ordinary shares

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

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

1.6 Leases

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

The Group and Company defines short term leases as any lease that has a lease term of 12 months or less and where the terms of the lease contain:
- no extension periods that the Group and Company will reasonably exercise which would result in the lease term being longer than 12 months; and
- no purchase option in the lease contract

The Group and Company considers the following assets as low value assets: printers, and office furniture. These are assessed as low value assets on the following basis:
- The underlying asset is not highly dependent on, or highly interrelated with, other assets; and
- These assets have individual values that are not significant when compared to our other leased assets.

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

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

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

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

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

The Group and Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:
- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

Material Accounting Policies

1.6 Leases (continued)

Lease liability (continued)

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

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

Right-of-use assets

Lease payments included in the measurement of the right-of-use assets comprise the following:

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

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

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

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

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

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

Subsequent measurement

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

Group and Company as lessor

The Group and Company is a lessor for properties. These leases have an average life of three years with a renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. Refer to note 29 for rental income recognised during the year. When a lease is terminated before the lease period has expired, any payment required by the lessee by way of penalty is recognised as income in the year in which the termination takes place.

Material Accounting Policies

Group and Company as lessor (continued)
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.7 Taxation

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

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

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

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

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

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

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

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

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

Material Accounting Policies

1.8 Financial instruments

Financial assets and liabilities are classified at amortised cost or held at fair value through profit or loss or at fair value through other comprehensive income. Management determines the classification of its financial assets and liabilities at initial recognition or, where appropriate, at the time of reclassification. As at 31 December 2025, all the Group and Company's financial assets and liabilities are classified and measured at amortised cost. During the year, the Group and company entered into derivative financial instruments for risk management purposes; however, all such positions were settled prior to year-end.

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

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

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

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

In assessing whether the contractual cash flows have SPPI characteristics, the Group and Company consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group and Company consider:

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

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

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

Material Accounting Policies

1.8 Financial instruments (continued)

Financial assets held at amortised cost (continued)

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

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

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

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

Financial liabilities held amortised cost

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

Subsequent measurement

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

Classification and Measurement Frameworks

The Group and Company classify financial instruments into categories that determine their measurement basis. All financial assets and liabilities are classified and measured at amortised cost.

Financial Assets

The Group and Company's financial assets consist of Cash and cash equivalents, Financial investments, Loans and advances, and Other financial assets.

Classification: These assets are held within a "hold to collect" business model where the objective is to collect contractual cash flows that are solely payments of principal and interest (SPPI).

Initial Measurement: Assets are initially measured at fair value. For Loans and advances, initial measurement includes directly attributable transaction costs.

Material Accounting Policies

1.8 Financial instruments (continued)

Classification and Measurement Frameworks (continued)

Subsequent Measurement: These are subsequently measured at amortised cost using the effective interest rate (EIR) method. Interest income is recognised in profit or loss on an accrual basis.

Financial Liabilities
Financial liabilities include Customer deposits, Borrowings, Balances due to other banks, Debentures, and Other financial liabilities.

Classification: All financial liabilities are classified as measured at amortised cost.
Initial Measurement: Liabilities are initially recorded at fair value. For Borrowings and Debentures, this amount is net of directly attributable transaction costs.

Subsequent Measurement: These are subsequently measured at amortised cost using the effective interest rate (EIR) method. Interest expense is recognised in profit or loss using the EIR method, except for lease interest which uses the incremental borrowing rate.

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

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

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

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

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

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

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

Material Accounting Policies

1.8 Financial instruments (continued)

Cash and cash equivalents

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

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

Customer deposits

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

Financial investments

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

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

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

Loans and advances to customers

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

Other financial liabilities

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

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

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

Collateral repossessed

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

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

Material Accounting Policies

1.8 Financial instruments (continued)

Collateral repossessed (continued)

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

Credit impairment

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

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

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

Expected credit losses

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

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

- Financial assets that are debt instruments, such as mortgage, short term and unsecured personal loans and advances to customers;
- Cash and cash equivalents, (including: Bank balances and Bank of Botswana certificates);
- Lease receivables;
- Financial investments
- and loan commitments issued.

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

An expected credit loss represents the present value of expected cash shortfalls over the residual term of a financial asset. A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Group and Company expects to receive over the contractual life of the instrument.

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

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

Material Accounting Policies

1.8 Financial instruments (continued)

Measurement of Expected Credit Losses - Incorporation of Forward-Looking Information

The Group and Company incorporate forward-looking information (FLI) into the measurement of Expected Credit Losses (ECL) at both the individual and portfolio levels. This process ensures that credit impairment allowances reflect current and anticipated economic conditions.

1. Integration into ECL Models

Forward-looking economic assumptions are integrated into the estimation of key credit risk parameters:

- Parameter Impact: Assumptions directly influence the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) where relevant to the specific credit risk, such as interest rates.
- Forecast Sources: The Bank utilizes its most likely forecast for a range of macroeconomic assumptions. These forecasts are developed using all reasonable and supportable information, incorporating both internally developed data and external data from sources such as the IMF and the Bank of Botswana.
- Internal Consistency: Macroeconomic assumptions are aligned with those used for internal budgeting, forecasting, and capital planning processes.

2. Multiple Economic Scenarios

To account for the potential non-linearity in credit losses, the Group applies a range of reasonably possible outcomes rather than a single base-case forecast:

- Scenario Types: The Group has determined that three scenarios are appropriate: Baseline, Optimistic, and Pessimistic.
- Scenario Determination: Scenarios are developed using the Graphical Test and Dickey-Fuller Test, centred around the Group's most likely macroeconomic forecast. These tests ensure Stationarity Validity, which is required to forecast macroeconomic variables accurately.
- Probability Weighting: ECL amounts are probability-weighted based on three economic scenarios: Baseline, Optimistic, and Adverse. For the 2025 reporting period, the Group and Company applied a 60% weighting to the Baseline scenario (2024: 60%), a 15% weighting to the Optimistic scenario (2024: 20%), and a 25% weighting to the Adverse scenario (2024: 20%). These weightings are applied across various growth indicators to ensure the ECL estimate is unbiased Management revised the probability weightings assigned to the economic scenarios to better reflect the current macroeconomic outlook and increased downside risks in the operating environment, including slower economic growth and emerging credit stress in certain borrower segments. As a result, the weighting allocated to the adverse scenario was increased from 20% to 25%, with a corresponding reduction in the optimistic scenario weighting from 20% to 15%, while the baseline scenario weighting remained unchanged.

3. Quarterly Reassessment and Current Economic Outlook

Management conducts a formal quarterly reassessment of all key economic indicators used in the ECL models to ensure they remain reflective of the current economic reality.

- Recent Economic Performance: As of 2025 04, Botswana's economy remains in a fragile state despite a volatile 8.2% annual growth spike in 03. Preliminary data suggests the economy moderated in the forth quarter, leading to an estimated full-year contraction of 0.4% to 0.9% for 2025, following a 3.0% decline in 2024.
- Sectoral Impact: While 03 saw a temporary surge in diamond trading, 04 production fell by 56% at Debswana operations due to planned maintenance shutdowns and a strategic response to high global inventory. The sector continues to face structural pressure from lab-grown diamonds, which now command roughly 20% of the global market value.
- Social & Monetary Factors: Unemployment remains structurally high at 25%, and government austerity measures introduced in late 2025 (including travel moratoriums) have begun to weigh on consumption. To address liquidity and support the Pula, the central bank maintained the Monetary Policy Rate at 3.5% in early 2026, up from the 1.9% held through most of 2025.
- Projected Growth: The real economy is expected to transition to a modest recovery with growth of 3.1% in 2026 and 3.8% in 2027. This recovery is contingent on the stabilisation of the diamond market.

Material Accounting Policies

1.8 Financial instruments (continued)

4. Key Macroeconomic Indicators

The Bank's models track variables that demonstrate a significant influence on credit risk:

- Primary Growth Metrics: The models forecast average annual growth percentages for Government Final Consumption , Core Inflation, and Water and Electricity.
- The Group and Company updated its macroeconomic model composition for the 2025 reporting period. Econometric testing indicated that previous variables specifically Gross Fixed Capital and Public Administration and Defence became suboptimal explanatory variables for the 2025 period. The replacement variables, Water and Electricity and Government Final Individual Consumption, were identified as more robust drivers during the re-estimation process.
- The transition to updated macroeconomic factors was essential to ensure the continued accuracy and neutrality of the ECL estimates. The change was necessary to correct a significant upward bias identified in out-of-sample testing of the previous model. Specifically, utilising the updated factors prevented an overestimation of default rates that would have occurred if the 2024 factors were maintained. This correction ensures that the reported ECL reflects an unbiased assessment based on the most recent evidence and information available at the reporting date.
- Inflation Considerations: For 2025, forecasts accounted for eased inflation (approximately ~2-3% compared to higher 2024 levels), which reduces the price-driven component of nominal value-added growth in the ECL model.

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

Group and Company - 2025

	Government Final Consumption, Total			Core Inflation, Total			Water and Electricity, Total		
	Average Annual %			Average Annual Growth %			Average Annual Growth %		
	NG			CPI			REnergy		
	Probability 15%	Probability 60%	Probability 25%	Probability 15%	Probability 60%	Probability 25%	Probability 15%	Probability 60%	Probability 25%
	Optimistic	Baseline	Pessimistic	Optimistic	Baseline	Pessimistic	Optimistic	Baseline	Pessimistic
2025	4.51	3.85	3.19	4.17	4.11	4.06	1.26	(5.25)	(11.77)
2026	7.77	5.03	2.29	5.50	4.90	4.30	50.68	25.00	(0.68)
2027	7.28	4.16	1.04	5.58	4.71	3.84	50.30	22.22	(5.86)
2028	8.07	4.83	1.58	5.81	4.90	3.99	47.21	18.53	(10.14)
2029	7.65	4.37	1.09	5.82	4.90	3.98	50.89	22.05	(6.79)
2030	7.95	4.66	1.36	5.75	4.82	3.90	49.12	20.24	(8.64)

Group and Company - 2024

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

Material Accounting Policies

1.8 Financial instruments (continued)

The tables below present the sensitivity of the ECL allowance if each scenario were applied individually, rather than the probability-weighted outcome recognised in the financial statements. Accordingly, the base scenario reflects management's central estimate of expected credit losses, while the upside scenario illustrates the ECL that would arise under more favourable economic conditions and the adverse scenario reflects the potential impact of a deterioration in economic conditions on borrower credit quality.

Group and Company

2025	Gross	ECL	Net	ECL Coverage ratio
Loans and advances	**P'000**	**P'000**	**P'000**	
Base scenario	4,775,692	(124,900)	4,650,792	2.62%
Upside scenario	4,775,692	(113,749)	4,661,943	2.38%
Adverse scenario	4,775,692	(167,278)	4,608,414	3.50%

Group and Company

2024	Gross	ECL	Net	ECL Coverage ratio
Loans and advances	**P'000**	**P'000**	**P'000**	
Base scenario	4,713,552	(83,338)	4,630,214	1.77 %
Upside scenario	4,713,552	(64,520)	4,649,032	1.37 %
Adverse scenario	4,713,552	(96,780)	4,616,772	2.05 %

**The comparative information for the 2024 financial year has been restated to correct errors identified in the previously reported sensitivity disclosures. The prior disclosure was incomplete as it included only mortgage exposures and did not reflect the full loans and advances portfolio. In addition, the base scenario sensitivity was incorrectly presented. The restatement reflects the full loans and advances portfolio, resulting in an increase of BWP 1.4 billion. This led to a corresponding increase in expected credit losses across all scenarios, with the base, upside and adverse scenarios increasing by BWP 27.8 million, BWP 17.3 million and BWP 27.4 million, respectively.*

Under the 2025 base scenario, the ECL allowance amounts to P144.8 million, representing a coverage ratio of 3.03% of gross loans and advances. If the upside scenario were applied in isolation, the ECL allowance would decrease to P113.7 million (coverage ratio of 2.38%) due to improved macroeconomic conditions and lower expected default rates. Conversely, under the adverse scenario, the ECL allowance would increase to P167.3 million (coverage ratio of 3.50%) reflecting the higher credit risk associated with weaker economic conditions.

For 2024, scenario probabilities were evenly distributed between the upside and adverse scenarios at 20% each, with the base scenario weighted at 60%. The shift in probabilities in 2025 indicates a modest increase in the likelihood assigned to downside economic conditions relative to favourable outcomes, resulting in greater emphasis on potential credit deterioration in the forward-looking ECL assessment.

Estimation of cash shortfalls

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

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

Material Accounting Policies

1.8 Financial instruments (continued)

Estimation of cash shortfalls (continued)

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

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

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

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

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

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

Recognition

12 months expected credit losses (Stage 1)

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

If an instrument is no longer considered to exhibit a significant increase in credit risk, expected credit losses will revert to being determined on a 12-month basis.

Significant increase in credit risk (Stage 2)

If a financial asset experiences a significant increase in credit risk (SICR) since initial recognition, an expected credit loss allowance is recognised for default events that may occur over the lifetime of the asset.

Material Accounting Policies

1.8 Financial instruments (continued)

Recognition (continued)

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

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

Quantitative factors

- a backstop of 15 days past due.

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

Qualitative factors

- if client is restructured.
- if client falls in the watch list or high care list.

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

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

Credit impaired (or defaulted) exposures (Stage 3)

Financial assets that are credit impaired (or in default) represent those that are at least 90 days past due in respect of principal and/or interest. The Group and Company has determined that the 90-day threshold is an appropriate point of default as historical observations indicate that the probability of recovery decreases significantly beyond this period. This 90-day backstop is also aligned with the regulatory definition of non-performing loans (NPLs) as prescribed by the Banking Act and the Bank of Botswana.

Financial assets are also considered to be credit impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset. It may not be possible to identify a single discrete event but instead the combined effect of several events may cause financial assets to become credit impaired.

Material Accounting Policies

1.8 Financial instruments (continued)

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

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

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

Loss allowances against credit impaired financial assets are determined based on an assessment of the recoverable cash flows under a range of scenarios, including the realisation of any collateral held where appropriate. The loss allowances held represent the difference between the present value of the cash flows expected to be recovered, discounted at the instrument's original effective interest rate, and the gross carrying value of the instrument prior to any credit impairment.

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

For accounts in Stage 3, interest income is recognised by applying the effective interest rate to the amortised cost of the asset, being the gross carrying amount less the loss allowance. Accordingly, interest income is calculated on the net carrying amount rather than the gross exposure.

Expert credit judgement
The Group and Company apply an internal risk grading framework to assess the credit quality of loans and to determine the appropriate IFRS 9 classification. This framework incorporates both quantitative measures, such as days past due (DPD), and qualitative indicators, including watchlist status.

Loans classified as Standard (R1) are generally considered performing. These exposures are classified in Stage 1 when they are current (0 days past due). Where there is evidence of increased credit risk but the exposure remains performing, such as accounts under cure probation, they may be classified in Stage 2. Stage 3 (non-performing) exposures under cure probation may also be rated Standard (R1).

Loans categorised as Special Mention or Watchlist (R2-R5) reflect exposures with elevated credit risk. These are classified in Stage 1 when they are between 0 and 15 days past due. Watchlist exposures with no arrears may be classified in Stage 2 on the basis of qualitative indicators of significant increase in credit risk (SICR). Accounts that are between 16 and 59 days past due are also classified in Stage 2, while those under cure probation are classified in Stage 3 (non-performing).

Substandard exposures (R6-R7) represent higher-risk accounts. Certain secured short-term loans with weak collateral coverage and arrears of 0-15 days past due may be rated R6-R7 while remaining in Stage 1. Exposures that are between 16 and 90 days past due are classified in Stage 2 (non-performing), while those exceeding 90 days past due, or those under cure probation, are classified in Stage 3 (non-performing).

Material Accounting Policies

1.8 Financial instruments (continued)

Expert credit judgement (continued)

Doubtful exposures (R8) are considered to have a high probability of default. Certain secured short-term loans with weak collateral coverage and arrears between 16 and 90 days past due may be rated R8 while remaining in Stage 2. Exposures that are between 90 and 180 days past due are classified in Stage 3 (non-performing).

Loss exposures (R9) represent defaulted assets and are classified in Stage 3 (non-performing), typically where accounts are more than 180 days past due.

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

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

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

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

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

Modified financial instruments

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

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

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

Material Accounting Policies

1.8 Financial instruments (continued)

Modifie financial instruments (continued)

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

In addition to the recognition of modification gains and losses, the revised carrying value of modified financial assets will impact the calculation of expected credit losses, with any increase or decrease in expected credit loss recognised within impairment.

Forborne loans

Forborne loans are those loans that have been modified in response to a customer's financial difficulties. Forbearance strategies assist clients who are temporarily in financial distress and are unable to meet their original contractual repayment terms. Forbearance can be initiated by the client, the Group and Company or a third party including government sponsored programmes or a conglomerate of credit institutions.

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

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

Write-offs of credit impaired instruments and reversal of impairment

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

Improvement in credit risk or curing

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

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

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

Material Accounting Policies

1.8 Financial instruments (continued)

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

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

1.9 Properties in possession

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

The repossessed properties are advertised through property agencies who in turn hold auctions to sell the properties on behalf of the Group and Company. These are evaluated for impairment on an annual basis. Any impairment identified is recognised in profit or loss.

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

1.10 Property and equipment

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

While the Group measures property and equipment at cost less accumulated depreciation and impairment, freehold and leasehold land and buildings are subject to independent professional valuations every three years to monitor carrying amounts against market values and for impairment assessment purposes.

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

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

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

Material Accounting Policies

1.10 Property and equipment (continued)

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

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

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

Capital work-in-progress represent the amount of expenditure recognised during construction. Capital work in progress is stated at cost less any accumulated impairment losses. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. have become available for use or commissioned, whichever is the earlier date. At that time these assets are transferred to the appropriate class of property and equipment as additions and depreciated or impaired.

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

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

1.11 Intangible assets

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

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

Material Accounting Policies

1.11 Intangible assets (continued)

Capital work-in-progress represent the amount of expenditure recognised during development. Amounts remain in work in progress until they have become available for use or commissioned, whichever is the earlier date. At that time these intangible assets are transferred additions and depreciated or impaired. Capital work-in-progress is carried at cost less any accumulated impairment losses and are not amortized until the assets are available for use.

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

1.12 Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). In determining value in use, the estimated future cash flows are discounted using a current market interest rate, which rejects the asset's specific risks. An impairment loss is recognised in profit or loss.

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

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

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

1.13 Retirement benefits

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

1.14 Related parties

Parties are considered to be related to the Group if they meet the following definitions;

(a) A person or a close member of that person's family:
- has control or joint control over the Group;
- has significant influence over the Group; or
- is a member of the key management personnel of the Group or of the parent of the Group.

Material Accounting Policies

1.14 Related parties (continued)

(b) An entity for which the following conditions apply:

- the entity and the Group are members of the same Group
- the entity is controlled or jointly controlled by a person identified in (a)

A number of transactions are entered into with related parties in the normal course of business. These transactions are summarised in the notes to the financial statements

1.15 Other employee benefits

Short-term employee benefits

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

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and Company has a present legal or constructive obligation to pay this amount as a result of past service provided by employees and the obligation can be estimated reliably. Other employee benefits liabilities are recorded as part of other liabilities. Refer to note 18.

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

Termination benefits

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

1.16 Other assets

Financial instruments included within other assets, such as Visa settlement debtors and fee receivables, are classified as financial assets at amortised cost. They are initially recognised at fair value. Subsequent to initial recognition, they are measured at amortized cost. Given the short-term nature of these instruments, the effect of discounting is considered negligible, and they are carried at their settlement amounts less any allowance for expected credit losses.

Prepayments and off-market staff loan prepayments are recognised at the original amount paid and amortised over the period to which the service relates.

1.17 Prepayments and deposits

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

Material Accounting Policies

1.18 Stated capital

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

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

1.19 Dividends

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

1.20 Earnings per share

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

1.21 Loan commitments

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

1.22 Borrowings and Debentures

Borrowings and debentures are classified as financial liabilities measured at amortised cost. They are initially recognised at fair value, which is typically the transaction price, net of any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss on an accrual basis using the effective interest rate.

1.23 Balances due to other banks

Balances due to other banks are classified as financial liabilities measured at amortised cost. These balances are initially recorded at the fair value of the consideration received. Subsequently, they are measured at amortised cost using the effective interest method. Interest is recognised in profit or loss on an accrual basis.

1.24 Other liabilities

Financial Component: Accounts payable, insurance premiums payable, and unclaimed balances are classified as financial liabilities at amortised cost.

Non-Financial Component: Payroll liabilities (including leave and gratuity provisions) are recognised based on the undiscounted amount expected to be paid in exchange for services rendered.

Material Accounting Policies

1.25 Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in 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 best evidence of the fair value of a financial instrument on initial recognition is the transaction price (i.e., the fair value of the consideration given or received). However, if the fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging), or based on discounted cash flow models and option pricing valuation techniques whose variables include only data from observable markets, the instrument is recognised at that fair value.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for assets and liabilities take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, yield curve, FX rates, volatilities and counterparty spreads) existing at the reporting date.

1.26 Functional currency and presentation currency

The consolidated and separate financial statements are presented in Pula which is the group's presentation currency and the company's functional and presentation currency.

Foreign Currency Translations

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

At the end of the reporting period:

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

In circumstances where the group and company receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the group and company initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, group and company determines a date of transaction for each payment or receipt of advance consideration.

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

Material Accounting Policies

Foreign Currency Translations (continued)

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

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

1.27 Dividend income

Dividend income is recognised in profit or loss when the Group's right to receive payment is established. This is generally the date when the dividend is formally declared by the subsidiary.

For the separate financial statements of the Bank, dividend income from its subsidiary, BBS Insurance Agency Limited, is recognised when the dividend is declared and the right to receive payment is established.

1.28 Segmental reporting

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

Functional and presentation currency

Items included in the consolidated and separate financial statements of each of the group and company entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

1.29 Non-current assets held for sale

The Group and Company's Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management

Financial risk management

Introduction and overview

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

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

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

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

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

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

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

Step 1 - Identify risks

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

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Financial risk management (continued)

Step 2 - Analyse risks
Risks are assessed or analysed in terms of likelihood of occurrence and the impact when the risk occurs. The assessment is done on a likelihood of occurrence rating multiplied by impact rating matrix before taking into consideration the impact of controls and after taking into account the effect of mitigating controls.

Step 3 - Respond to the risks
Risks can be dealt with in various ways. The risk response options encompass all possible management responses to risk, whether viewed as opportunities, uncertainties or hazards. The risk response options and examples of activities under each option are outlined below:

- Mitigate.
- Avoid.
- Transfer.
- Accept.
- Exploit.

Step 4 - Monitor risks
The monitoring and review of the risk profile and the risk response plans is a continuous process. The purpose of the review is to:

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

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

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

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

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

Step 5 - Report on the risks
While everyone in the Group and Company is responsible for enterprise risk management in their respective areas, some staff have specific responsibilities. The policy and design for enterprise risk management is driven by the Board and managed by the enterprise risk management team.

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

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Financial risk management (continued)

Governance

Role of the Internal Audit Department

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

Role of the Board

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

The Board has the following sub committees:

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

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

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

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

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

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

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

Credit risk

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

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Management of credit risk

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

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

The Group and Company has Board-approved policies in place that provide guidance on the classification and measurement of financial instruments. The policy also provides guidance on the methodology of calculating expected credit losses. The Group and Company has developed models which are used to calculate expected credit losses of financial instruments in line with IFRS 9 - Financial Instruments.

- Reviewing compliance of business units with agreed exposure limits, including those for sector and individual exposure. Reports are provided to the Board every quarter.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

The Group and Company performs an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group and Company groups its loans into Stage 1, Stage 2, Stage 3 as described below:

- Stage 1: When loans are first recognised, the Group and Company recognises an allowance based on 12 months ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2. Reclassifications from Stage 2 are however subject to 'cooling off period of 3 months;

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group and Company records an allowance for the Lifetime Expected Credit Loses (LTECLs). Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3. Reclassifications from stage 3 are however subject to a 'cooling off' period of 3 months.

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Management of credit risk (continued)

- Stage 3: Loans are considered credit impaired. The Group and Company records an allowance for the life-time expected credit loss.

For management of credit risk, the Group and Company structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored by the Credit Approvals Committee which reports to the Credit Risk Management Committee and ultimately to the Board Risk and Compliance Committee. The Board approves management's lending limits and monitors loans and advances that are not performing.

Low Credit Risk Practical Expedient

The Group and Company have elected to apply the low credit risk practical expedient permitted under IFRS 9. Under this approach, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

The Group considers a financial instrument to have low credit risk when it has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations .

The following financial assets are determined to have low credit risk:

Cash and Cash Equivalents: These balances consist of cash on hand, bank balances held with reputable regulated commercial banks, and sovereign instruments such as Bank of Botswana Certificates. These are held with institutions subject to internal exposure limits and are considered to have high credit ratings. Bank of Botswana Certificates are assumed to have a low credit risk as the Government of Botswana maintains investment-grade ratings, underpinned by a track record of disciplined fiscal management. In addition, despite recent economic headwinds in the diamond industry, the sovereign's debt-to-GDP ratio remains low by global standards (forecasted at 38.8% for 2026). Consequently, the Group and Company considers the risk of default on sovereign instruments to be low, as the government retains the financial resilience to withstand adverse economic changes.

Financial Investments: This category includes short-term money market placements held with regulated banks and money market balances managed by reputable asset managers. Placements are held with institutions that typically maintain risk ratings above "non-investment grade Baa3" per Moody's ratings.

Balances due from Related Company: This balance relates to fees for support services from the Bank's wholly-owned subsidiary. The subsidiary is fully controlled by the Group, and the balance is considered to be low credit risk as it is recoverable within a three months period. There is no history of past due balances or credit losses associated with these receivables. Based on these factors, management has assessed the balances as low credit risk, with no significant increase in credit risk since initial recognition.

Other Financial Assets: These include Visa settlement debtors and fee receivables which are managed through regular counterparty assessments and involve reputable financial intermediaries.

As these instruments are determined to have low credit risk at the reporting date, the loss allowance is measured at an amount equal to 12-month expected credit losses. Based on management's analysis of historical default data and forward-looking information, the estimated credit losses for these categories are negligible, and as a result, no ECL allowance has been recognised.

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

The credit risk exposures relating to recognised financial assets are as follows:

	Notes	Group 2025 P'000	Group 2024 Restated P'000	Company 2025 P'000	Company 2024 Restated P'000
Bank balances (including balances with central bank)	4	529,275	537,816	528,607	532,448
Financial investments	5	154,145	32,731	154,145	32,731
Balance due from related party	6	-	-	822	1,099
Loans and advances to customers	11	4,611,613	4,616,138	4,611,613	4,616,138
Other assets	10	3,491	11,765	2,523	6,655
		5,298,524	**5,198,450**	**5,297,710**	**5,189,071**

The exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above 87% of the total maximum exposure is derived from loans and advances to customers (2024: 83%) and 12% bank balances (2024: 10%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group and Company resulting from both its mortgage loans and advances to customers' portfolio and debt securities based on the following:

- Short term loans and balances are fully secured; and
- Mortgage loans and advances to customers are backed by collateral;

While the majority of the loan portfolio is secured, the Group also has certain unsecured loans. These exposures are subject to robust credit underwriting standards, affordability assessments and ongoing monitoring to mitigate credit risk.

Loans and advances to customers - On Balance Sheet

Group and Company - 2025

	Note	Stage 1 Performing P'000	Stage 2 Performing P'000	Stage 2 Non - performing (past due) P'000	Stage 3 Non - performing P'000	Total P'000
Assets at amortised cost individually impaired						
Standard		3,659,790	-	109,056	19,324	3,788,170
Special mention/Watch list		235,875	41,760	273,832	45,782	597,249
Substandard		1,827	-	65,012	17,089	83,928
Doubtful		235	-	-	121,772	122,007
Loss		-	-	-	181,267	181,267
Gross carrying amount		**3,897,727**	**41,760**	**447,900**	**385,234**	**4,772,621**
ECL impairment provision	11	(15,754)	(735)	(25,762)	(102,571)	(144,822)
Net loans and advances		**3,881,973**	**41,025**	**422,138**	**282,663**	**4,627,799**

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Loans and advances to customers - On Balance Sheet (continued)

Group and Company - 2024 Restated

	Note	Stage 1 Performing P'000	Stage 2 Performing P'000	Stage 2 Non - Performing (past due) P'000	Stage 3 Non - Performing P'000	Total P'000
Assets at amortised cost individually impaired						
Standard		3,874,709	-	56,967	12,363	3,944,039
Special mention/Watch list		180,566	342	256,061	21,333	458,302
Substandard		2,902	-	37,594	13,795	54,291
Doubtful		7	-	-	80,451	80,458
Loss		-	-	-	176,431	176,431
Gross carrying amount		**4,058,184**	**342**	**350,622**	**304,373**	**4,713,521**
ECL impairment provision	11	(9,345)	(1)	(1,736)	(69,568)	(80,650)
Net loans and advances		**4,048,839**	**341**	**348,886**	**234,805**	**4,632,871**

Key drivers of movements in expected credit losses

Overall portfolio impact

Overall, the total loss allowance for loans and advances increased from P80.7 million at 31 December 2024 to P144.8 million at 31 December 2025, representing an increase of approximately 79.4%. This increase occurred despite relatively limited growth in the gross carrying amount of loans and advances and reflects changes in the credit risk composition of the portfolio rather than growth in exposures.

The increase in loss allowances also resulted in a higher impairment coverage ratio of 3.03% for the 2025 financial year. The movement is primarily attributable to the migration of exposures into Stage 2 and Stage 3 within the unsecured loan portfolio, combined with the higher provisioning requirements associated with lifetime expected credit losses.

Mortgage loans and advances

Within the mortgage loan portfolio, the gross carrying amount declined during the year as a result of scheduled repayments and derecognition of loans.

Despite the reduction in exposures, the loss allowance increased from P55.4 million to P76.9 million during the year. This increase was primarily driven by migration of certain exposures from stage 1 to Stage 3, which resulted in higher impairment allowances due to the lifetime expected credit loss measurement applied to credit-impaired exposures.

For the year ended 31 December 2025, Stage 3 loss allowances increased to P60.0 million, reflecting the impact of accounts entering default and progressing through the recovery process. Stage 3 exposures attract significantly higher loss allowances than performing exposures, relatively small changes in the composition of higher-risk accounts can result in an increase in ECL even where the overall exposure decreases.

Short-term loans and advances

Within the short-term loan portfolio, Stage 1 exposures decreased primarily due to repayments and derecognition of loans. However, the Stage 1 loss allowance increased from P0.153 million to P0.268 million.

This movement reflects changes in portfolio composition and new loan originations, which contributed P0.112 million of additional loss allowances at initial recognition. The increase also reflects updates to credit risk parameters and forward-looking macroeconomic assumptions applied in the expected credit loss model.

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Short-term loans and advances (continued)

At the same time, Stage 3 exposures declined during the year, resulting in a reduction in the Stage 3 loss allowance from P0.222 million to P0.082 million, indicating an improvement in the credit risk profile of the higher-risk portion of the portfolio.

Unsecured loans and advances

The increase in expected credit losses during the year is primarily attributable to the unsecured loan portfolio, which was introduced in 2023 and is now experiencing natural credit risk migration as the portfolio matures.

During the year, a significant proportion of unsecured exposures experienced a significant increase in credit risk, resulting in transfers from Stage 1 to Stage 2, and subsequently into Stage 3. In particular, net remeasurement associated with staging movements resulted in an increase of P10.0 million in Stage 2 loss allowances and P30.8 million in Stage 3 loss allowances.

The migration of exposures into higher risk stages reflects the seasoning of the portfolio as accounts age and early credit deterioration indicators emerge. As exposures move into Stage 2 and Stage 3, the impairment measurement changes from 12-month expected credit losses to lifetime expected credit losses, which results in a significant increase in the loss allowance.

New loan originations during the year also contributed P11.3 million in additional expected credit losses at initial recognition, reflecting the recognition of 12-month expected credit losses on newly originated exposures.

As a result of these movements, the unsecured portfolio loss allowance increased from P24.9 million at 31 December 2024 to P67.5 million at 31 December 2025, driven primarily by stage migration and the higher loss-given-default characteristics associated with unsecured lending.

Management overlay

In determining expected credit losses, management applies overlays to address limitations in modelled outcomes where observable data or model coverage is insufficient to fully capture emerging risks.

During the year ended 31 December 2025, the Group implemented an ECL model for unsecured personal loans. As a result, management overlays are no longer broadly applied to the unsecured portfolio as in prior periods. However, overlays continue to be applied in respect of certain newly introduced business banking products and facilities for which sufficient historical data is not yet available to develop robust, statistically driven ECL models.

These overlays reflect management's assessment of credit risk based on a combination of qualitative and quantitative factors, including product characteristics, early arrears trends, forward-looking macroeconomic conditions, and observed behavioural patterns since origination. The overlays are therefore intended to capture potential credit deterioration not yet reflected in modelled ECL outputs. The total ECL management overlay recognised amounts to P5.323 million (2024: P24.266 million).

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in accounting policy note 1.8.

	2025	2024
Impairment (ECL) coverage ratio	3.03 %	1.71 %
Stage 3 coverage ratio	26.63 %	22.86 %

Non performing loans ratio	2025	2024
Non performing loans (NPL) ratio	6.28 %	5.23 %

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Mortgage loans and advances to customers - On Balance sheet

Group and Company - 2025

	Note	Stage 1 Performing P'000	Stage 2 Performing P'000	Stage 2 Non - Performing (past due) P'000	Stage 3 Non - Performing P'000	Total P'000
Assets at amortised cost individually impaired						
Standard		2,256,930	-	57,010	17,861	2,331,801
Special mention/Watch list		227,517	41,604	251,271	44,381	564,773
Substandard		-	-	52,409	15,181	67,590
Doubtful		-	-	-	102,860	102,860
Loss		-	-	-	155,685	155,685
Gross carrying amount		**2,484,447**	**41,604**	**360,690**	**335,968**	**3,222,709**
ECL impairment provision	11	(6,496)	(714)	(9,693)	(60,024)	(76,927)
Net loans and advances		**2,477,951**	**40,890**	**350,997**	**275,944**	**3,145,782**

Group and Company - 2024

	Note	Stage 1 Performing P'000	Stage 2 Performing P'000	Stage 2 Non - performing (past due) P'000	Stage 3 Non - performing P'000	Total P'000
Assets at amortised cost individually impaired						
Standard		2,517,631	-	55,892	11,653	2,585,176
Special mention/Watch list		173,386	342	241,976	21,299	437,003
Substandard		-	-	30,882	13,786	44,668
Doubtful		-	-	-	74,981	74,981
Loss		-	-	-	165,610	165,610
Gross carrying amount		**2,691,017**	**342**	**328,750**	**287,329**	**3,307,438**
ECL impairment provision	11	(560)	(1)	(1,505)	(53,287)	(55,353)
Net loans and advances		**2,690,457**	**341**	**327,245**	**234,042**	**3,252,085**

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in accounting policy note 1.8.

	2025	2024
Impairment (ECL) coverage ratio	2.39 %	1.67 %
Stage 3 coverage ratio	17.87 %	18.55 %

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management Financial risk management (continued)

Short-term loans and advances to customers - On Balance sheet

Group and Company - 2025

	Note	Stage 1 Performing P'000	Stage 2 Performing P'000	Stage 2 Non - performing (past due) P'000	Stage 3 Non - performing P'000	Total P'000
Assets at amortised cost individually impaired						
Standard		42,248	-	940	246	43,434
Special mention/Watch list		7,193	-	513	21	7,727
Substandard		1,827	-	169	6	2,002
Doubtful		235	-	-	6	241
Loss		-	-	-	3	3
Gross carrying amount		**51,503**	**-**	**1,622**	**282**	**53,407**
ECL impairment provision	11	(269)	-	(2)	(82)	(353)
Net loans and advances		**51,234**	**-**	**1,620**	**200**	**53,054**

Group and Company - 2024

	Note	Stage 1 Performing P'000	Stage 2 Performing P'000	Stage 2 Non - performing (past due) P'000	Stage 3 Non - performing P'000	Total P'000
Assets at amortised cost individually impaired						
Standard		47,254	-	1,072	362	48,688
Special mention/Watch list		7,076	-	633	17	7,726
Substandard		2,902	-	206	9	3,117
Doubtful		7	-	-	4	11
Loss		-	-	-	120	120
Gross carrying amount		**57,239**	**-**	**1,911**	**512**	**59,662**
ECL impairment provision	11	(153)	-	(8)	(222)	(383)
Net loans and advances		**57,086**	**-**	**1,903**	**290**	**59,279**

	2025	2024
Impairment (ECL) coverage ratio	0.66 %	0.64 %
Stage 3 coverage ratio	29.08 %	43.36 %

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Unsecured loans and advances to customers - On Balance sheet

Group and Company - 2025

	Note	Stage 1 Performing P'000	Stage 2 Performing P'000	Stage 2 Non - Performing (past due) P'000	Stage 3 Non - Performing P'000	Total P'000
Assets at amortised cost individually impaired						
Standard		1,360,612	-	51,106	1,217	1,412,935
Special mention/Watch list		1,165	156	22,048	1,380	24,749
Substandard		-	-	12,434	1,902	14,336
Doubtful		-	-	-	18,906	18,906
Loss		-	-	-	25,579	25,579
Gross carrying amount		**1,361,777**	**156**	**85,588**	**48,984**	**1,496,505**
ECL impairment provision	11	(8,989)	(21)	(16,067)	(42,465)	(67,542)
Net loans and advances		**1,352,788**	**135**	**69,521**	**6,519**	**1,428,963**

Group and Company - 2024 - Restated

	Note	Stage 1 Performing P'000	Stage 2 Performing P'000	Stage 2 Non - Performing (past due) P'000	Stage 3 Non - Performing P'000	Total P'000
Assets at amortised cost individually impaired						
Standard		1,309,824	-	3	348	1,310,175
Special mention/Watch list		104		13,452	17	13,573
Substandard		-	-	6,506	-	6,506
Doubtful		-	-	-	5,466	5,466
Loss		-	-	-	10,701	10,701
Gross carrying amount		**1,309,928**	**-**	**19,961**	**16,532**	**1,346,421**
ECL impairment provision	11	(8,632)	-	(223)	(16,059)	(24,914)
Net loans and advances		**1,301,296**	**-**	**19,738**	**473**	**1,321,507**

	2025	2024
Impairment (ECL) coverage ratio	4.51 %	1.85%
Stage 3 coverage ratio	86.69%	97.14%

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Mortgage loans and advances to customers - Off Balance Sheet

Off balance sheet mortgage loans advances pertain to the loan commitments disclosed as per note 18.

Group and Company - 2025

	Note	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired					
Standard		38,249	-	-	38,249
Gross carrying amount		**38,249**	**-**	**-**	**38,249**
ECL impairment allowance	18	(7)	-	-	(7)
		(7)	**-**	**-**	**(7)**

Group and Company - 2024

	Note	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired					
Standard		88,226	-	-	88,226
Gross carrying amount		**88,226**	**-**	**-**	**88,226**
ECL impairment allowance	18	(32)	-	-	(32)
		(32)	**-**	**-**	**(32)**

Unsecured corporate loans and advances - Off Balance Sheet

Off balance sheet Unsecured corporate loans and advances pertain to loan commitments

Group and Company - 2025

	Note	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired					
Standard		83,594	-	-	83,594
Gross carrying amount		**83,594**	**-**	**-**	**83,594**
ECL impairment allowance	18	(1,672)	-	-	(1,672)
		(1,672)	**-**	**-**	**(1,672)**

Group and Company - 2024

	Note	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired					
Standard		100,000	-	-	100,000
Gross carrying amount		**100,000**	**-**	**-**	**100,000**
ECL impairment allowance	18	-	-	-	-

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Amounts arising from ECL
Movements in gross exposures

The following table shows a reconciliation from the opening to the closing balance of the gross exposures by class of financial instrument.

Loans and advances to customers

Group and Company - 2025	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired				
Balance as at 31 December 2024	**4,058,184**	**350,964**	**304,373**	**4,713,521**
Transfers:				
To stage 1	165,253	(133,388)	(31,865)	-
To stage 2	(309,518)	354,716	(45,198)	-
To stage 3	(100,673)	(76,151)	176,824	-
Net re-measurement of gross exposure:				
Accounts changed staging				
Transfer to stage 1	(35,333)	-	-	(35,333)
Transfer to stage 2	-	(25,140)	-	(25,140)
Transfer to stage 3	-	-	(6,273)	(6,273)
Changes in exposure due to repayments and drawdowns	(270,327)	(14,625)	(30,868)	(315,820)
New financial assets originated	544,050	42,306	20,096	606,452
Financial assets that have been derecognised	(153,909)	(9,022)	(1,855)	(164,786)
Balance as at 31 December 2025	**3,897,727**	**489,660**	**385,234**	**4,772,621**

Group and Company - 2024	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired				
Balance as at 31 December 2023	**3,443,229**	**395,128**	**294,640**	**4,132,997**
Transfers:				
To stage 1	197,861	(145,807)	(52,054)	-
To stage 2	(135,060)	181,860	(46,800)	-
To stage 3	(55,248)	(80,274)	135,522	-
Net re-measurement of gross exposure:				
Accounts changed staging				
Transfer to stage 1	(30,530)	-	-	(30,530)
Transfer to stage 2	-	(9,700)	-	(9,700)
Transfer to stage 3	-	-	(14,271)	(14,271)
Changes in exposure due to repayments and drawdowns	(238,392)	(16,569)	(17,094)	(272,055)
New financial assets originated	1,029,939	31,406	5,827	1,067,172
Financial assets that have been derecognised	(153,615)	(5,080)	(1,397)	(160,092)
Balance as at 31 December 2024	**4,058,184**	**350,964**	**304,373**	**4,713,521**

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Mortgage loans and advances to customers

Group and Company - 2025	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired				
Balance as at 31 December 2024	**2,691,017**	**329,092**	**287,329**	**3,307,438**
Transfers:				
To stage 1	161,760	(129,965)	(31,795)	-
To stage 2	(242,878)	288,073	(45,195)	-
To stage 3	(74,136)	(66,809)	140,945	-
Net re-measurement of gross exposure: Accounts changed staging				
Transfer to stage 1	(34,902)	-	-	(34,902)
Transfer to stage 2	-	(20,569)	-	(20,569)
Transfer to stage 3	-	-	(6,166)	(6,166)
Changes in exposure due to repayments and drawdowns	(177,081)	(14,234)	(21,175)	(212,490)
New financial assets originated	217,652	24,233	13,305	255,190
Financial assets that have been derecognised	(56,985)	(7,527)	(1,280)	(65,792)
Balance as at 31 December 2025	**2,484,447**	**402,294**	**335,968**	**3,222,709**

Group and Company - 2024	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired				
Balance as at 31 December 2023	**2,601,678**	**385,604**	**292,007**	**3,279,289**
Transfers:				
To stage 1	193,123	(141,137)	(51,986)	-
To stage 2	(128,146)	174,946	(46,800)	-
To stage 3	(38,564)	(77,059)	115,623	-
Net re-measurement of gross exposure: Accounts changed staging				
Transfer to stage 1	(29,973)	-	-	(29,973)
Transfer to stage 2	-	(9,590)	-	(9,590)
Transfer to stage 3	-	-	(5,434)	(5,434)
Changes in exposure due to repayments and drawdowns	(186,097)	(16,511)	(17,128)	(219,736)
New financial assets originated	374,791	16,618	1,771	393,180
Financial assets that have been derecognised	(95,795)	(3,779)	(724)	(100,298)
Balance as at 31 December 2024	**2,691,017**	**329,092**	**287,329**	**3,307,438**

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Short-term loans and advances to customers

Group and Company - 2025	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired				
Balance as at 31 December 2024	**57,239**	**1,911**	**512**	**59,662**
Transfers:				
To stage 1	551	(495)	(56)	-
To stage 2	(555)	558	(3)	-
To stage 3	(1,905)	(169)	2,074	-
Net re-measurement of gross exposure: Accounts changed staging				
Transfer to stage 1	(66)	-	-	(66)
Transfer to stage 2	-	72	-	72
Transfer to stage 3	-	-	(2,063)	(2,063)
Changes in exposure due to repayments and drawdowns	(3,456)	(93)	138	(3,411)
New financial assets originated	19,814	663	(226)	20,251
Financial assets that have been derecognised	(20,119)	(825)	(94)	(21,038)
Balance as at 31 December 2025	**51,503**	**1,622**	**282**	**53,407**

Group and Company - 2024	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired				
Balance as at 31 December 2023	**58,033**	**1,582**	**140**	**59,755**
Transfers:				
To stage 1	563	(559)	(4)	-
To stage 2	(524)	524	-	-
To stage 3	(9,350)	(374)	9,724	-
Net re-measurement of gross exposure: Accounts changed staging				
Transfer to stage 1	(160)	-	-	(160)
Transfer to stage 2	-	(1)	-	(1)
Transfer to stage 3	-	-	(9,842)	(9,842)
Changes in exposure due to repayments and drawdowns	(3,667)	(44)	(24)	(3,735)
New financial assets originated	22,133	1,183	620	23,936
Financial assets that have been derecognised	(9,789)	(400)	(102)	(10,291)
Balance as at 31 December 2024	**57,239**	**1,911**	**512**	**59,662**

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Unsecured loans and advances to customers

Group and Company - 2025	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired				
Balance as at 31 December 2024	**1,309,928**	**19,961**	**16,532**	**1,346,421**
Transfers:				
To stage 1	2,942	(2,928)	(14)	-
To stage 2	(66,085)	66,085	-	-
To stage 3	(24,632)	(9,173)	33,805	-
Net re-measurement of gross exposure: Accounts changed staging				
Transfer to stage 1	(365)	-	-	(365)
Transfer to stage 2	-	(4,643)	-	(4,643)
Transfer to stage 3	-	-	1,956	1,956
Changes in exposure due to repayments and drawdowns	(89,790)	(298)	(9,831)	(99,919)
New financial assets originated	306,584	17,410	7,017	331,011
Financial assets that have been derecognised	(76,805)	(670)	(481)	(77,956)
Balance as at 31 December 2025	**1,361,777**	**85,744**	**48,984**	**1,496,505**

Group and Company - 2024 - Restated	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired				
Balance as at 31 December 2023	**783,518**	**7,942**	**2,493**	**793,953**
Transfers:				
To stage 1	4,175	(4,111)	(64)	-
To stage 2	(6,390)	6,390	-	-
To stage 3	(7,334)	(2,841)	10,175	-
Net re-measurement of gross exposure:				
Accounts changed staging				
Transfer to stage 1	(397)	-	-	(397)
Transfer to stage 2	-	(109)	-	(109)
Transfer to stage 3	-	-	1,005	1,005
Changes in exposure due to repayments and drawdowns	(48,628)	(14)	58	(48,584)
New financial assets originated	633,015	13,605	3,436	650,056
Financial assets that have been derecognised	(48,031)	(901)	(571)	(49,503)
Balance as at 31 December 2024	**1,309,928**	**19,961**	**16,532**	**1,346,421**

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Loss allowance

The following table shows a reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument.

Loans and advances to customers

Group and Company - 2025	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired				
Balance as at 31 December 2024	**9,345**	**1,737**	**69,568**	**80,650**
Transfers:				
To stage 1	8,249	(598)	(7,651)	-
To stage 2	(488)	6,251	(5,763)	-
To stage 3	(194)	(400)	594	-
Net re-measurement of loss allowance:				
Accounts changed staging				
Transfer to stage 1	(7,859)	-	-	(7,859)
Transfer to stage 2	-	11,254	-	11,254
Transfer to stage 3	-	-	35,227	35,227
Changes in exposure due to repayments and drawdowns	(353)	3,857	4,615	8,119
New financial assets originated	7,620	4,429	6,575	18,624
Financial assets that have been derecognised	(566)	(33)	(594)	(1,193)
Balance as at 31 December 2025	**15,754**	**26,497**	**102,571**	**144,822**

Group and Company - 2024	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired				
Balance as at 31 December 2023	**6,019**	**2,607**	**53,035**	**61,661**
Transfers:				
To stage 1	9,414	(1,047)	(8,367)	-
To stage 2	(87)	4,334	(4,247)	-
To stage 3	(90)	(582)	672	-
Net re-measurement of loss allowance:				
Accounts changed staging				
Transfer to stage 1	(9,363)	-	-	(9,363)
Transfer to stage 2	-	(3,382)		(3,382)
Transfer to stage 3	-	-	13,690	13,690
Changes in exposure due to repayments and drawdowns	(661)	(447)	12,797	11,689
New financial assets originated	4,469	277	3,238	7,984
Financial assets that have been derecognised	(356)	(23)	(1,250)	(1,629)
Balance as at 31 December 2024	**9,345**	**1,737**	**69,568**	**80,650**

Exposures that are in the existing book can move directly from stage 3 to stage 1 if the curing requirements have been met in a reporting period. The current year movement in the ECL for stage 2 advances is split between exposure where there has been a change in the measurement basis from 12 months to lifetime ECL. Transfers on the existing book are reflected separately and new business originated during the financial year and settlements. The indicators of significant increase in credit risk are explained in Accounting policy note 1.8 Financial Instruments.

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Mortgage loans and advances to customers

Group and Company - 2025	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired				
Balance as at 31 December 2024	**560**	**1,506**	**53,287**	**55,353**
Transfers:				
To stage 1	8,182	(544)	(7,638)	-
To stage 2	(56)	5,550	(5,494)	-
To stage 3	(27)	(307)	334	-
Net re-measurement of loss allowance:				
Accounts changed staging				
Transfer to stage 1	(7,813)	-	-	(7,813)
Transfer to stage 2	-	1,216	-	1,216
Transfer to stage 3	-	-	4,456	4,456
Changes in exposure due to repayments and drawdowns	4,785	2,291	14,850	21,926
New financial assets originated	872	718	257	1,847
Financial assets that have been derecognised	(7)	(23)	(28)	(58)
Balance as at 31 December 2025	**6,496**	**10,407**	**60,024**	**76,927**

Group and Company - 2024	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired				
Balance as at 31 December 2023	**768**	**2,518**	**50,601**	**53,887**
Transfers:				
To stage 1	9,351	(1,003)	(8,348)	-
To stage 2	(44)	4,291	(4,247)	-
To stage 3	(14)	(552)	566	-
Net re-measurement of loss allowance:				
Accounts changed staging				
Transfer to stage 1	(9,325)	-	-	(9,325)
Transfer to stage 2	-	(3,404)	-	(3,404)
Transfer to stage 3	-	-	2,642	2,642
Changes in exposure due to repayments and drawdowns	(297)	(446)	12,730	11,987
New financial assets originated	139	113	10	262
Financial assets that have been derecognised	(18)	(11)	(667)	(696)
Balance as at 31 December 2024	**560**	**1,506**	**53,287**	**55,353**

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Short-term loans and advances to customers

Group and Company - 2025	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired				
Balance as at 31 December 2024	**153**	**8**	**222**	**383**
Transfers:				
To stage 1	11	(2)	(9)	-
To stage 2	(2)	2	-	-
To stage 3	(5)	(1)	6	-
Net re-measurement of loss allowance:				
Accounts changed staging				
Transfer to stage 1	(9)	-	-	(9)
Transfer to stage 2	-	3	-	3
Transfer to stage 3	-	-	6	6
Changes in exposure due to repayments and drawdowns	62	1	(77)	(14)
New financial assets originated	113	(6)	19	126
Financial assets that have been derecognised	(54)	(3)	(85)	(142)
Balance as at 31 December 2025	**269**	**2**	**82**	**353**

Group and Company - 2024	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired				
Balance as at 31 December 2023	**152**	**9**	**127**	**288**
Transfers:				
To stage 1	3	(3)	-	-
To stage 2	(1)	1	-	-
To stage 3	(24)	(2)	26	-
Net re-measurement of loss allowance:				
Accounts changed staging				
Transfer to stage 1	(2)	-	-	(2)
Transfer to stage 2	-	1	-	1
Transfer to stage 3	-	-	(6)	(6)
Changes in exposure due to repayments and drawdowns	(8)	(1)	12	3
New financial assets originated	59	5	75	139
Financial assets that have been derecognised	(26)	(2)	(12)	(40)
Balance as at 31 December 2024	**153**	**8**	**222**	**383**

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Unsecured loans and advances to customers

Group and Company - 2025	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired				
Balance as at 31 December 2024	**8,632**	**223**	**16,059**	**24,914**
Transfers:				
To stage 1	56	(52)	(4)	-
To stage 2	(430)	699	(269)	-
To stage 3	(162)	(92)	254	-
Net re-measurement of loss allowance: Accounts changed staging				
Transfer to stage 1	(37)	-	-	(37)
Transfer to stage 2	-	10,035	-	10,035
Transfer to stage 3	-	-	30,765	30,765
Changes in exposure due to repayments and drawdowns	(5,200)	1,565	(10,158)	(13,793)
New financial assets originated	6,635	3,717	6,299	16,651
Financial assets that have been derecognised	(505)	(7)	(481)	(993)
Balance as at 31 December 2025	**8,989**	**16,088**	**42,465**	**67,542**

Group and Company - 2024	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total P'000
Assets at amortised cost individually impaired				
Balance as at 31 December 2023	**5,099**	**80**	**2,307**	**7,486**
Transfers:				
To stage 1	60	(41)	(19)	-
To stage 2	(42)	42	-	-
To stage 3	(52)	(28)	80	-
Net re-measurement of loss allowance: Accounts changed staging				
Transfer to stage 1	(36)	-	-	(36)
Transfer to stage 2	-	21	-	21
Transfer to stage 3	-	-	11,054	11,054
Changes in exposure due to repayments and drawdowns	(356)	-	55	(301)
New financial assets originated	4,271	159	3,153	7,583
Financial assets that have been derecognised	(312)	(10)	(571)	(893)
Balance as at 31 December 2024	**8,632**	**223**	**16,059**	**24,914**

Write-offs

The contractual amount outstanding on financial assets that were written off during the period ended 31 December 2025 and that are still subject to enforcement activity is P12.612 million (2024: P 13.008 million).

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Modified financial assets

There were no modifications to the original contractual cash flows on financial assets during the current or previous year.

Credit-impaired financial assets - loans and advances to customers

The following table shows a reconciliation of changes in net carrying amount of credit-impaired loans and advances to customers.

	2025 P'000	2024 P'000	2025 P'000	2024 P'000
Opening balance	**304,373**	**294,640**	**304,373**	**294,640**
Change in allowance for impairment	(31,086)	(17,117)	(31,086)	(17,117)
Classified as credit-impaired during the year	191,357	127,036	191,357	127,036
Transferred to not credit-impaired during the year	(79,410)	(100,186)	(79,410)	(100,186)
Closing balance	**385,234**	**304,373**	**385,234**	**304,373**

Credit-impaired financial assets - mortgage loans and advances to customers

The following table shows a reconciliation of changes in net carrying amount of credit-impaired mortgage loans and advances to customers.

	2025 P'000	2024 P'000	2025 P'000	2024 P'000
Opening balance	**287,329**	**292,007**	**287,329**	**292,007**
Change in allowance for impairment	(21,173)	(17,128)	(21,173)	(17,128)
Classified as credit-impaired during the year	148,082	111,962	148,082	111,962
Transferred to not credit-impaired during the year	(78,270)	(99,512)	(78,270)	(99,512)
Closing balance	**335,968**	**287,329**	**335,968**	**287,329**
Number of Credit- impaired mortgage loans and advances	**865**	**770**	**865**	**770**
Net repayments - recoveries	(3,325)	(1,509)	(3,325)	(1,509)

	Stage 3 - 2025		Stage 3 - 2024	
	Gross carrying amount P'000	ECL P'000	Gross carrying amount P'000	ECL* P'000
Less than:				
90 dpd (for Stage 3)	62,648	2,846	38,430	2,075
More than:				
90 dpd (for Stage 3)	273,320	57,178	248,899	51,212
Total	**335,968**	**60,024**	**287,329**	**53,287**
Break down of Stage 3 exposures:				
No longer impaired but in cure period	62,648	2,846	38,430	2,075
Other	273,320	57,178	248,899	51,212
Total	**335,968**	**60,024**	**287,329**	**53,287**

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

*The comparative information for the year ended 31 December 2024 has been restated to correct an error in the classification of ECL within Stage 3 disclosures. ECL amounts of BWP 2.075 million and BWP 51.212 million were incorrectly allocated between the "less than 90 days past due" and "more than 90 days past due" categories and have been reclassified. There was no impact on gross carrying amounts or total Stage 3 ECL.

Credit-impaired financial assets - short-term loans and advances to customers

	2025	2024	2025	2024
Opening balance	**512**	**140**	**512**	**140**
Change in allowance for impairment	(82)	(47)	(82)	(47)
Classified as credit-impaired during the year	228	458	228	458
Transferred to not credit-impaired during the year	(376)	(39)	(376)	(39)
Closing balance	**282**	**512**	**282**	**512**
Number of Credit- impaired short-term loans and advances	6,263	9,596	6,263	9,596

	Stage 3 - 2025		Stage 3 - 2024	
	Gross carrying amount P'000	ECL P'000	Gross carrying amount P'000	ECL* P'000
Less than:				
90 dpd (for Stage 3)	-	-	-	-
More than:				
90 dpd (for Stage 3)	**282**	**82**	**512**	**222**
Break down of Stage 3 exposures:				
No longer impaired but in cure period	-	-	-	-
Other	**282**	**82**	**512**	**222**

Credit-impaired financial assets - unsecured loans and advances to customers

	2025 P'000	2024 P'000	2025 P'000	2024 P'000
Opening balance	**16,532**	**2,493**	**16,532**	**2,493**
Change in allowance for impairment	(9,831)	58	(9,831)	58
Classified as credit-impaired during the year	43,047	14,616	43,047	14,616
Transferred to not credit-impaired during the year	(764)	(635)	(764)	(635)
Closing balance	**48,984**	**16,532**	**48,984**	**16,532**
Number of credit impaired - unsecured loans and advances to customers	**358**	**140**	**358**	**140**

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

	Stage 3 - 2025		Stage 3 - 2024	
	Gross carrying amount P'000	ECL P'000	Gross carrying amount P'000	ECL* P'000
Less than:				
90 dpd (for Stage 3)	-	-	-	-
More than:				
90 dpd (for Stage 3)	48,984	42,465	16,532	16,059
Break down of Stage 3 exposures:				
No longer impaired but in cure period	-	-	-	-
Other	48,984	42,465	16,532	16,059

Bank Balances

As at 31 December 2025, the Group held cash and cash equivalent balances (excluding cash on hand) of P529 million as at 31 December 2025 (2024: P 638 million) which represents its maximum credit exposure on these assets. This amount comprises balances held with licensed commercial banks and investments in Bank of Botswana Certificates. While commercial bank balances are held with reputable, regulated institutions subject to internal exposure limits, Bank of Botswana Certificates are considered to have low credit risk due to their sovereign nature. The remaining portion of the 'Cash and cash equivalents' line item consists of cash on hand. Physical cash on hand is not subject to credit risk as it does not represent a claim against a counterparty. All financial institutions utilized by the Group and Company are registered in Botswana and regulated by the Bank of Botswana.

Reputable financial institutions are used for investing and cash handling purposes. All money market instruments and cash equivalents are placed with financial institutions registered in Botswana. Banks in Botswana are not rated but are subsidiaries of major international or foreign registered institutions and are regulated by Bank of Botswana.

Other Assets

These comprise both financial and non-financial instruments. Credit risk arises from financial instruments, which include Visa settlement debtors, fee and commission receivables, and rental debtors. For rental debtors, the Group and Company apply the IFRS 9 simplified approach to measure expected credit losses (ECL) using a lifetime expected loss allowance, and these balances are reported net of this provision. Credit risk for all other financial instruments in this category is managed through regular aging analysis and counterparty assessments. Non-financial instruments, such as prepayments and prepayments for off-market staff loans, do not give rise to credit risk and are excluded from the maximum credit exposure. The carrying amount of the financial instruments within Other assets represents the maximum exposure to credit risk at the reporting date.

Collateral

The Group and Company holds collateral against loans and advances to customers in the form of mortgage interests over property, cash and guarantees. Estimates of collateral fair values are assessed at the time of borrowing and are updated every three years or when a loan is individually assessed as impaired or when the customer requests further facilities against the same bond.

The following table sets out the types of collateral held against different types of financial assets.

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Type of credit exposure	Note	Type of collateral held
Mortgage loans and advances to customers		Property
Short term loans and advances to customers	11	Cash deposit

Mortgage lending

The following tables stratify credit exposures from mortgage loans and advances to customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan - or the amount committed for loan commitments - to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral.

LTV ratio	Note	2025 P'000	2024 P'000	2025 P'000	2024 P'000
Less than 60%		1,277,863	1,360,995	1,277,863	1,360,995
60 - 70%		522,522	483,175	522,522	483,175
70 - 80%		616,144	581,304	616,144	581,304
80 - 90%		704,764	776,279	704,764	776,279
More than 90%		101,416	105,685	101,416	105,685
Total	11	**3,222,709**	**3,307,438**	**3,222,709**	**3,307,438**

Loan commitments	Note	2025 P'000	2024 P'000	2025 P'000	2024 P'000
Less than 60%		15,267	83,104	15,267	83,104
60 - 70%		3,691	2,060	3,691	2,060
70 - 80%		13,197	1,443	13,197	1,443
80 - 90%		4,283	1,589	4,283	1,589
More than 90%		1,811	30	1,811	30
Total	36	**38,249**	**88,226**	**38,249**	**88,226**

Short-term Loans and Advances

Short-term loans and advances to customers are primarily secured by cash deposits held by the Bank. The Bank's policy requires that these exposures are collateralized at a minimum of 100% of the loan amount at the time of origination. Due to the liquid nature of the collateral and the pula-for-pula coverage, these balances are not included in the LTV stratification tables provided for mortgage lending.

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

An estimate of the fair value of collateral and other tangible security enhancements held against financial assets is summarised as follows:

Collateral for loans and advances to customers	2025 P'000	2024* P'000	2025 P'000	2024* P'000
Against Stage 3 loans facility - Property	746,263	651,339	746,263	651,339
Against Stage 2 loans facility - Property	870,515	762,357	870,515	762,357
Against Stage 1 loans facility - Property	5,204,352	5,729,167	5,204,352	5,729,167
Against short-term loans not impaired - cash deposit	140,312	115,144	140,312	115,144
Total	**6,961,442**	**7,258,007**	**6,961,442**	**7,258,007**
Carrying amount as a proportion of collateral cover	48 %	47 %	48 %	47 %

Loan commitments	2025 P'000	2024 P'000	2025 P'000	2024 P'000
Against general impairment-property (Stage 1)	426,074	405,241	426,074	405,241
Carrying amount as a proportion of collateral cover	18 %	22 %	18 %	22 %

*The comparative information for the year ended 31 December 2024 has been restated to correct the presentation of collateral disclosures, which previously combined Stage 2 and Stage 3 balances. The restatement reflects the disaggregation of BWP 1.414 billion into Stage 2 and Stage 3 categories, with no impact on total collateral of BWP 7.258 billion.

Loans where 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 or collateral available and/ or the stage of collection of amounts owed to the Group.

Quality and Changes in Quality of Collateral
The Bank monitors the quality of collateral by evaluating Loan-to-Value (LTV) ratios and applying valuation haircuts that reflect the expected loss associated with a forced sale event. The quality of collateral is assessed based on market valuation, legal enforceability, and liquidity.

Collateral Quality Categorisation and Valuation Haircuts
The Bank differentiates collateral quality by asset type and geographical liquidity risk:
High Liquidity Collateral: Primarily includes cash deposits and subscription savings. These assets are considered to have a stable quality with near-zero value volatility.

Property-Backed Collateral: Quality is differentiated by market liquidity. Property collateral in Urban areas is assigned a 30% haircut, while property in Rural areas is assigned a 40% haircut, reflecting higher liquidity risk and longer realization periods.

Forced Sale Value (FSV): The Bank's policy is to recognize the FSV at 75% of the Open Market Value (OMV). Properties where the outstanding balance exceeds this FSV threshold are identified as having a quality deficit.

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Significant Changes in Quality during the Period
During the 2025 financial year, the following changes in collateral quality were observed:

LTV Migration: The Bank observed a migration in collateral quality characterized by a P4.3 million decrease in mortgage exposures with an LTV ratio exceeding 90% (2025:P101.4 million; 2024 P105.7 million). This shift indicates a reduction in the available equity buffer for this category.

Repossessed Assets: A deterioration in the quality of certain Properties-in-Possession was recognized, necessitating an impairment loss of P0.096 million to align carrying amounts with current net realizable values.

Market Impact: The overall quality of mortgage collateral was impacted by a contraction in the domestic property market and a reduction in nominal value-added growth, leading to decreased liquidity and realisable value for repossessed assets.

The tables below show maximum exposure to credit risk by class of financial assets. They also show the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates) and the net exposure to credit.

	Fair value of collateral and credit enhancements held					
Group and Company - 2025 **Financial assets**	**Maximum exposure to credit P'000**	**Cash P'000**	**Collateral (Property/ Guarantee) P'000**	**Total collateral P'000**	**Net exposure P'000**	**Associated ECL P'000**
Cash and cash equivalents	529,275	-	-	-	529,275	-
Financial investments	154,145	-	-	-	154,145	-
Loans and advances to customers	4,611,613	140,312	6,821,130	6,961,442	(2,349,829)	(144,822)
Other assets	3,491	-	-	-	3,491	-
Total assets	**5,298,524**	**140,312**	**6,821,130**	**6,961,442**	**(1,662,918)**	**(144,822)**
Loan commitments (Corporate loans)	83,594	-	50,000	50,000	33,594	-
Loan commitments (Mortgage loans)	38,249	-	426,074	426,074	(387,825)	(7)
	121,843	**-**	**476,074**	**476,074**	**(354,231)**	**(7)**

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

		Fair value of collateral and credit enhancements held				
Group and Company - 2024 Financial assets	Maximum exposure to credit P'000	Cash P'000	Collateral (Property/ Guarantee) P'000	Total collateral P'000	Net exposure P'000	Associated ECL P'000
Cash and cash equivalents	537,816	-	-	-	537,816	-
Financial investments	32,731	-	-	-	32,731	-
Loans and advances to customers	4,616,138	115,144	7,142,863	7,258,007	(2,641,869)	(80,650)
Other assets	11,765	-	-	-	11,765	-
Total assets	**5,198,450**	**115,144**	**7,142,863**	**7,258,007**	**(2,059,557)**	**(80,650)**
Loan commitments	100,000	-	50,000	50,000	50,000	(32)
Loan commitments	88,226	-	405,241	405,241	(317,015)	-
	188,226	**-**	**455,241**	**455,241**	**(267,015)**	**(32)**

The tables below provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECL when the expected value of the collateral, measured using multiple economic scenarios, is greater than the LGD. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is lower than fair value at the reporting date.

The Group and Company holds collateral to mitigate credit risk, primarily in the form of property and cash. The quality of collateral is assessed based on market valuation, enforceability, and liquidity. Property collateral is regularly revalued to ensure alignment with prevailing market conditions.

While the Group and Company consider collateral in their credit risk assessment, loss allowances are recognised in accordance with the expected credit loss (ECL) requirements of IFRS 9. The measurement of ECL reflects the expected recoveries from collateral and other credit enhancements in the estimation of loss given default. Collateral therefore mitigates the level of credit loss recognised but does not eliminate the requirement to recognise expected credit losses. The adequacy and enforceability of collateral are continuously monitored to ensure it remains effective in reducing credit risk exposure.

Type of collateral or credit enhancement for stage 3 assets

		Fair value of collateral and credit enhancements held the base case scenario					
Group and Company - 2025	Maximum exposure to credit P'000	Property P'000	Other P'000	Surplus collateral P'000	Total collateral P'000	Net exposure P'000	Associated ECL P'000
Mortgage loans and advances to customers							
Residential mortgages	257,069	692,109	-	-	692,109	(435,040)	(57,524)
Corporate mortgages	18,875	54,154	-	-	54,154	(35,279)	(2,500
Total financial assets at amortised cost	**275,944**	**746,263**	**-**	**-**	**746,263**	**(470,319)**	**(60,024)**

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

		Fair value of collateral and credit enhancements held the base case scenario					
Group and Company - 2024*	Maximum exposure to credit P'000	Property P'000	Other P'000	Surplus collateral P'000	Total collateral P'000	Net exposure P'000	Associated ECL P'000
Mortgage loans and advances to customers							
Residential mortgages	209,078	573,507	-	-	573,507	(364,429)	(49,837)
Corporate mortgages	24,964	77,833	-	-	77,833	(52,869)	(3,450)
Total financial assets at amortised cost	**234,042**	**651,340**	**-**	**-**	**651,340**	**(417,298)**	**(53,287)**

*The comparative information for the year ended 31 December 2024 has been restated to correct an error in the presentation of maximum exposure to credit, which was previously disclosed on a net basis instead of a gross basis. This resulted in a decrease of BWP 53.287 million in maximum exposure to credit, with no impact on total collateral or associated ECL.

Concentration of credit risk from loans and advances

The Group and Company monitors concentration of credit risk by sector and by geographic location. An analysis of concentration of credit risk from loans and advances and loan commitments is shown below.

	Mortgage loans and advances to customers		Loan commitments	
	2025 P'000	2024 Restated P'000	2025 P'000	2024 P'000
Carrying amount or amount committed	3,222,709	3,307,438	38,249	88,226
Concentration by sector				
Residential	2,965,551	3,060,084	75,001	80,892
Commercial	257,158	247,354	6,445	7,334
	3,222,709	**3,307,438**	**81,446**	**88,226**
Concentration by location Urban				
Urban	3,141,695	3,224,725	78,065	86,102
Rural	81,014	82,713	3,381	2,124
	3,222,709	**3,307,438**	**81,446**	**88,226**

Liquidity risk

Liquidity risk involves the inability to fund growth in assets, managing unplanned changes in funding sources and to meet obligations when required without incurring additional costs or incurring a cash flow crisis. Liquidity risk includes the following underlying risks:

- Loss of confidence in the Group and Company by the market;
- Systemic problems;
- Unplanned withdrawal of committed borrowing facilities;
- Maturity mismatch of assets and liabilities; and
- Change in regulation.

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Exposure to Liquidity Risk

The Group and Company is exposed to liquidity risk primarily from the following financial liabilities and off-balance sheet commitments, which require the outflow of cash to settle:

- Customer deposits (current, savings, and term deposits);
- Balances due to other banks;
- Debentures;
- Borrowings (bonds, term loans, and interbank loans);
- Lease liabilities;
- Other liabilities; and
- Off-balance sheet exposures (including financial guarantees and loan commitments).

Liquidity management encompasses an overall balance sheet approach, which consolidates all sources and uses of liquidity, while aiming to maintain a balance between liquidity and profitability (cost of funding). That is, to measure, monitor and manage on-balance sheet liquidity mismatch risk incorporating off-balance sheet or contingent liquidity risk. The Head of Treasury is responsible for managing Liquidity Risk on a daily basis. Assets and Liabilities Management Committee (ALCO) provides oversight over Liquidity Risk with monthly reporting to it.

The Group and Company manage liquidity risk through a structured framework designed to ensure the availability of adequate funding to meet obligations as they fall due, without incurring unacceptable losses. A key component of this framework is the contingency funding plan (CFP) which outline the measures, governance processes, and escalation procedures to be implemented in the event of actual or potential liquidity stress.

The Contingency Funding Plan (CFP) helps to ensure that the Group and Company can prudently and efficiently manage extraordinary and unexpected fluctuations in liquidity. The objectives of the Contingency Funding Plan are as follows:

- To ensure that the Group and Company meets all its statutory and regulatory requirements within the stipulated times;
- To ensure that the Group and Company meets its business obligations promptly and within committed deadlines;
- To safeguard and preserve the reputation of the Group and Company;
- To ensure that the interests of all key stakeholders are protected and preserved;
- To prevent adverse impact on the profitability of the Group and Company; and
- To lay down specific levels of escalation so that any liquidity problem receives timely appropriate attention.

The analysis of the net funding requirements involves the construction of a maturity ladder and the calculation of a net cumulative surplus or deficit over specified time periods. The net funding requirement is determined by analysing future cash flows based on assumptions concerning the future behaviour of on-balance sheet and off-balance sheet assets and liabilities.

The Group and Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Group and Company must be able to identify and assess liquidity risk of significant business activities and concentration to a particular source of funding such as large depositors/funding providers, investment account holders, wholesale market funding or holdings of a particular asset class. The Group and Company must consider bank specific and market-wide liquidity stressed scenarios separately and in combination. It shall also consider the system-wide interactions and feedback effects due to the high interconnectedness of financial markets.

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

The ratios during the year were, as follows:

Liquidity ratios

Advances to deposits ratios	2025	2024
Year-end	101 %	104 %
Maximum	108 %	104 %
Minimum	97 %	88 %
Average	104 %	96 %

The Group and Company stresses the importance of current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of core customer current accounts and savings accounts, together with term funding with a remaining term to maturity in excess of one year.

Stress testing

In accordance with the Group and Company's policy, the liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group and Company. In developing the scenarios, an environmental scan is done through research, the media and conversations with informed observers of the Botswana banking industry. The purpose is to look for probable or already emerging events which could have significant impacts on the banking industry and/or Group and Company over the short to medium term (i.e. 1 to 3 years). The Group and Company uses a range of stress testing methodologies such as sensitivity and scenario analysis to ensure that its stress testing programme is comprehensive.

The ALM function conducts scenario stress testing to evaluate the adequacy of the Group and Company's funding sources in meeting unexpected outflows arising from both entity-specific stress events and broader market shocks. Assumptions and scenarios related to stress testing, along with available sources of stress funding, are reviewed annually or as required by the Risk and Compliance Committee or ALCO.

Stress testing involves identifying a range of plausible adverse events that, while unlikely, could significantly impact the Group and Company's funding position.

Scenarios are categorized into two main types:

- Business-as-usual scenarios (Normal business conditions);
- Stress scenarios (Company-specific stress scenarios or market-wide stress scenarios).

The Group measures whether there is an adequate level of diversification of funding by monitoring diversification by term (e.g. short, medium and long term), source (e.g. Government, Corporates, Retail) and instrument (e.g. investment securities).

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Stress testing (continued)

There are a number of liquidity management techniques, which contribute to the overall soundness of the Group and Company's liquidity. These include:

- Ensure effective cash management in order to meet daily liquidity requirement;
- Maintain adequate diversification of funding;
- Building strong relationships with providers of funding; and
- Incorporating liquidity costs in internal pricing, performance measurement and new product approval.

The Group and Company's approach to managing liquidity is to ensure, as far as possible, that it will always have enough liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group and Company's reputation. The Group and Company is exposed to daily calls on its available cash resources from deposits withdrawals, loan draw downs and commitments as and when they fall due.

Experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high degree of certainty.

The Group and Company sets limits on the minimum proportion of maturing funds available to meet such calls and borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The liquidity position of the Group and Company is monitored on a daily basis. For regulatory purposes, the Banking Act, requires the Group and Company to maintain certain proportions of its liabilities in liquid assets. The Group and Company also submits a monthly report to the Bank of Botswana which includes the liquidity position.

Exposure to liquidity risk

The Group and Company was liquid as at 31 December 2025 with a total statutory liquid assets to deposits ratio of 15.24% (31 December 2024: 15.57%) compared to a Bank of Botswana required minimum of 10%.

The liquidity requirement is managed in accordance with the Banking Act which states that every Group and Company shall, after making provisions to meet its liabilities, from day to day hold an amount in cash or on authorised deposits or in approved investments as security for prompt repayment of fixed period and subscription shares and of deposits, loans and overdrafts and for the payment of interest accrued thereon.

The Board of Directors sets limits on the level of risk that may be accepted. The Banking Act sets limits within which the Group and Company should operate as regards to concentrations of assets and liabilities. However, use of this limit regime does not prevent losses outside of these limits in the event of more significant market movements.

The table below discloses the undiscounted cash flows of the Group and Company's assets and liabilities on the basis of their earliest possible contractual maturity. The Group and Company's expected cash flows on some financial assets and liabilities vary significantly from contractual cash flows. For example, demand deposits from customers are expected to maintain a stable and increasing balance, and unrecognised loan commitments are not all expected to be drawn down immediately. Also, retail mortgage loans have an original contractual maturity of up to 30 years but with lower average expected maturities as customers take advantage of early repayment periods. As part of the management of its liquidity risk arising from financial liabilities, the Group and Company holds liquid assets comprising cash and cash equivalents to meet liquidity requirements.

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

The summary of the Group and Company's contractual liquidity gap position is as follows:

Group - 2025	On demand P'000	1 - 3 months P'000	3 - 12 months P'000	1 - 5 years P'000	Over 5 years P'000	Total P'000
Assets						
Cash and cash equivalents	584,706	-	-	-	-	584,706
Financial investments	44,398	109,747	-	-	-	154,145
Other assets	3,491	-	-	-	-	3,491
Loans and advances to customers	72,501	144,162	642,121	3,184,150	4,826,046	8,868,980
Total assets	**705,096**	**253,909**	**642,121**	**3,184,150**	**4,826,046**	**9,611,322**
Liabilities						
Customers' deposits	1,997,923	1,157,528	1,362,981	107,036	-	4,625,468
Borrowings	-	9,023	91,160	95,012	62,367	257,562
Balance due to other banks	151,270	-	-	-	-	151,270
Debentures	-	-	17,910	79,946	237,731	335,587
Lease liabilities	322	971	3,155	12,086	4,478	21,012
Other liabilities	33,780	-	-	-	-	33,780
Total liabilities	**2,183,295**	**1,167,522**	**1,475,206**	**294,080**	**304,576**	**5,424,679**
Commitments	**121,843**	**-**	**-**	**-**	**-**	**121,843**
Net liquidity gap	**(1,600,042)**	**(913,613)**	**(833,085)**	**2,890,070**	**4,521,470**	**4,064,800**

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Group - 2024 - Restated	On demand P'000	1 - 3 months P'000	3 - 12 months P'000	1 - 5 years P'000	Over 5 years P'000	Total P'000
Assets						
Cash and cash equivalents*	675,794	-	-	-	-	675,794
Financial investments*	32,731	-	-	-	-	32,731
Other assets	11,765	-	-	-	-	11,765
Loans and advances to customers	67,067	133,715	594,167	2,936,592	4,843,376	8,574,917
Total assets	**787,357**	**133,715**	**594,167**	**2,936,592**	**4,843,376**	**9,295,207**
Liabilities and equity						
Customers' deposits	1,480,673	1,064,541	1,791,438	34,753	21,395	4,392,800
Paid up and subscription savings	7,128	5,468	113,340	162,066	-	288,002
Balance due to other banks	50,154	-	-	-	-	50,154
Debentures	-	-	15,830	71,855	247,845	335,530
Lease liabilities	296	864	2,328	12,604	3,645	19,737
Other liabilities	35,490	-	-	-	-	35,490
Total liabilities	**1,573,741**	**1,070,873**	**1,922,936**	**281,278**	**272,885**	**5,121,713**
Commitments	**125,491**	**31,159**	**31,576**	**-**	**-**	**188,226**
Net liquidity gap	**(911,875)**	**(968,317)**	**(1,360,345)**	**2,655,314**	**4,570,491**	**3,985,268**

*The comparative information for the year ended 31 December 2024 has been restated to correct an error relating to the omission of cash on hand from cash and cash equivalents. The net impact on total assets and the net liquidity gap is P38.014 million, excluding the restatement of liquid assets amounting to BWP 167.651 million (refer to Note 45).

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Group - 2025	On demand P'000	1 - 3 months P'000	3 - 12 months P'000	1 - 5 years P'000	Over 5 years P'000	Total P'000
Assets						
Cash and cash equivalents	584,038	-	-	-	-	584,038
Financial investments	44,398	109,747	-	-	-	154,145
Other assets	2,523	-	-	-	-	2,523
Loans and advances to customers	72,501	144,162	642,121	3,184,150	4,826,046	8,868,980
Total assets	**703,460**	**253,909**	**642,121**	**3,184,150**	**4,826,046**	**9,609,686**
Liabilities						
Customers' deposits	1,997,923	1,157,528	1,362,981	107,036	-	4,625,468
Borrowings	-	9,023	91,160	95,012	62,367	257,562
Balance due to other banks	151,270	-	-	-	-	151,270
Debentures	-	-	17,910	79,946	237,730	335,586
Lease liabilities	322	971	3,155	12,086	4,478	21,012
Other liabilities	33,778	-	-	-	-	33,778
Total liabilities	**2,183,293**	**1,167,522**	**1,475,206**	**294,080**	**304,575**	**5,424,676**
Commitments	**121,843**	**-**	**-**	**-**	**-**	**121,843**
Net liquidity gap	**(1,601,676)**	**(913,613)**	**(833,085)**	**2,890,070**	**4,521,471**	**4,063,167**

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Group - 2024 - Restated	On demand P'000	1 - 3 months P'000	3 - 12 months P'000	1 - 5 years P'000	Over 5 years P'000	Total P'000
Assets						
Cash and cash equivalents*	670,426	-	-	-	-	670,426
Financial investments*	32,731	-	-	-	-	32,731
Balance due from related company	1,095	-	-	-	-	1,095
Other assets	6,655	-	-	-	-	6,655
Loans and advances to customers	67,067	133,715	594,167	2,936,592	4,843,376	8,574,917
Total assets	**777,974**	**133,715**	**594,167**	**2,936,592**	**4,843,376**	**9,285,824**
Liabilities						
Customers' deposits	1,480,673	1,064,541	1,791,438	34,753	21,395	4,392,800
Borrowings	7,128	5,468	113,340	162,066	-	288,002
Balance due to other banks	50,154	-	-	-	-	50,154
Debentures	-	-	15,830	71,855	247,845	335,530
Lease liabilities	296	864	2,328	12,604	3,645	19,737
Other liabilities	35,430	-	-	-	-	35,430
Total liabilities	**1,573,681**	**1,070,873**	**1,922,936**	**281,278**	**272,885**	**5,121,653**
Commitments	**125,491**	**31,159**	**31,576**	**-**	**-**	**188,226**
Net liquidity gap	**(921,198)**	**(968,317)**	**(1,360,345)**	**2,655,314**	**4,570,491**	**3,975,945**

*The comparative information for the year ended 31 December 2024 has been restated to correct an error relating to the omission of cash on hand from cash and cash equivalents. The net impact on total assets and the net liquidity gap is P38.014 million, excluding the restatement of liquid assets amounting to BWP 167.651 million (refer to Note 45).

As at 31 December 2025, the Group and Company report a cumulative negative net liquidity gap based on contractual maturities for the next 12 months. This position is primarily driven by the classification of customer deposits within the 'on-demand' to 3-month maturity buckets in accordance with contractual terms.

However, liquidity is actively managed on a behavioural basis rather than solely on contractual maturities. Historically, both retail and corporate customer deposits have demonstrated strong stability and "sticky" behaviour, with high retention rates even during periods of market volatility. As a result, contractual outflows do not necessarily align with actual cash flow patterns, and the deposit base continues to provide a reliable and stable source of funding.

The observed increase in the short-term contractual liquidity gap reflects a deliberate funding strategy adopted during the period to optimise the cost of funding in an inverted yield curve environment, while maintaining flexibility for future repricing of liabilities as market conditions improve.

To mitigate liquidity risk, the Group and Company maintain a strong liquidity position, including a Liquid Asset Ratio of 15%, consistently above regulatory minimum requirements, supported by approximately P745 million in high-quality liquid assets. These assets comprise cash reserves held with the central bank and highly liquid marketable securities available for immediate funding needs. In addition, the Group and Company have access to P330 million in established and committed interbank credit facilities with reputable counterparties.

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Exposure to liquidity risk (continued)

The Group and Company continue to strengthen their funding profile through diversification initiatives, including the expansion of the P2 billion Domestic Medium Term Note (DMTN) programme to incorporate commercial paper, the implementation of a securities module to enable repurchase (repo) transactions, and ongoing engagement with institutional investors and development finance institutions to secure longer-dated funding.

Management continues to actively monitor liquidity risk and remains confident that the measures implemented will ensure the Group and Company meets its short-term funding obligations while sustaining long-term growth.

Market risk

The Group and Company has developed a framework for the management of Interest Rate in the Banking Book (IRRBB). IRRBB is the risk that the Group and Company's financial position will be exposed to the adverse movements in interest rates. IRRBB arises when there is a mismatch between the maturity profiles of Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL). Interest rates are managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. The impact of rate changes is measured, managed, monitored and reported on a monthly basis by ALCO. The adverse impact generated from the shock is related to regulatory capital in order to assess the magnitude of the impact.

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Treasury Department in its day-to-day monitoring activities. Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from non-trading activities. The Group and Company in derivatives to manage and hedge it's own risk.

The overall objective of interest rate risk management is to maintain stability of net interest income (NII) over time. This is seen as being consistent with maximising shareholder value.

Potential changes in net interest income are quantified by applying potential interest rate movements to the cumulative mismatch position in each defined time band. The gap model assumes that the derived potential rate movements will occur by way of an overnight rate shock to all maturities along the yield curve.

The potential rate change applied to a particular gap depends on whether the gap is asset-sensitive (more assets re-pricing than liabilities) or liability-sensitive (more liabilities re-pricing than assets). The risk to an asset-sensitive position is that rates will fall. If this occurs, more assets will re-price at a faster rate than liabilities, thereby squeezing the net interest margin and reducing NII. The risk to a liability-sensitive position is that rates will rise also causing a squeeze as higher borrowing costs are not offset by an equivalent earnings rate on assets.

The Group and Company is negatively affected by lower interest rates due to the asset sensitivity of its statement of financial position.

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Management of Market Risk (Interest Rate & FX)
The Group and Company are exposed to Interest Rate Risk which is managed by the Asset-Liability Committee (ALCO) through the following categorisations:

Cash Flow Interest Rate Risk (Variable Rates): Arises from instruments where future cash flows fluctuate with market changes. Key exposures include floating-rate loans and advances to customers, variable-rate bank balances, and variable-rate customer deposits.

Foreign Exchange Risk arises primarily from foreign currency-denominated cash and bank balances. The Bank manages this exposure by monitoring all foreign-denominated monetary assets and liabilities against prudential limits set by the Bank of Botswana.

Interest Rate Risk Exposures
The Group and Company are exposed to the following types of interest rate risk, which are mapped to specific financial statement line items as follows:

Cash Flow Interest Rate Risk (Variable Rates): This risk arises from instruments where future cash flows fluctuate with market changes. Key exposures include:

Loans and advances to customers (Note 11): Largely consisting of floating-rate mortgages which are the primary driver of interest income.

Cash and cash equivalents (Note 4): Specifically the portion held in current and call accounts at commercial banks.

Customer deposits (Note 19): Savings and call accounts where the interest paid fluctuates with market rates.

Borrowings (Note 21): Includes floating-rate facilities.

Debentures (Note 22): Variable-rate long-term debt instruments.

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

Interest rate sensitivity analysis
A principal part of management of market risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios. The Group and Company aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income.

The scenarios are run only for assets and liabilities that include variable interest positions. Financial instruments subject to interest rate risk are summarised as follows:

Group and Company	2025 P'000	2024* P'000
Total financial assets	5,152,959	5,102,689
Total financial liabilities	(1,628,865)	(1,802,735)
	3,524,094	**3,299,954**

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Interest rate sensitivity analysis (continued)

The table below presents the Group and Company's sensitivity to a 200-basis point (bps) change in interest rate assuming that all other variables remain constant:

	2025		2024*	
	Impact on profit before tax P'000	Impact on equity P'000	Impact on profit before tax P'000	Impact on equity P'000
Scenario:				
+200 bps	70,482	70,482	65,999	65,999
-200 bps	(70,482)	(70,482)	(65,999)	(65,999)

*The comparative information for the year ended 31 December 2024 has been restated to correct an error in the interest rate sensitivity disclosure, where fixed rate financial instruments were previously included. As a result, total financial assets decreased from BWP 5.314 billion to BWP 5.103 billion, total financial liabilities decreased from BWP 4.966 billion to BWP 1.803 billion, and the net variable rate position increased from BWP 347.221 million to BWP 3.300 billion. Accordingly, the 200 basis point sensitivity increased from BWP 6.944 million to BWP 65.999 million for both profit before tax and equity.

An interest rate shock approach is used to express interest rate risk in the banking book in terms of Pillar II capital. A shock of 200 basis points is applied. The shock percentage used is reconsidered annually in accordance with the ICMP. Simulations are conducted monthly to ensure that bank's exposure remains within management-approved risk limits.

An increase of 200 basis points (bps) in interest rates would result in an increase of P70.482 million (2024: P 65.999 million) in Profit Before Tax (PBT) and P70.482 million (2024: P 65.999 million) in total equity. Conversely, a decrease of 200 bps would result in a decrease of P70.482 million (2024: P 65.999 million) in PBT and P65.999 million (2024: P 65.999 million in total equity. The impact is based on the net financial assets position of P3,524.1 million (2024: P 3,300.0 million), reflecting the repricing effect on variable interest-earning assets and variable interest-bearing liabilities.

The profile of assets and liabilities and the interest sensitivity gap is as follows:

Group - 2025	On demand P'000	1 - 3 months P'000	3 - 12 months P'000	1 - 5 years P'000	Over 5 years P'000	Total P'000
Assets						
Cash and cash equivalents	529,275	-	-	-	-	529,275
Financial investments	154,145	-	-	-	-	154,145
Loans and advances to customers	4,604,646	212	402	1,274	5,079	4,611,613
Total assets	**5,288,066**	**212**	**402**	**1,274**	**5,079**	**5,295,033**
Liabilities						
Customers' deposits	1,332,126	1,470,765	1,422,346	332,775	7,478	4,565,490
Borrowings	2,151	114,534	25,000	57,862	-	199,547
Balance due to other banks	151,270	-	-	-	-	151,270
Debentures	-	204,518	-	-	-	204,518
Total liabilities	**1,485,547**	**1,789,817**	**1,447,346**	**390,637**	**7,478**	**5,120,825**
Net interest sensitivity gap	**3,802,519**	**(1,789,605)**	**(1,446,944)**	**(389,363)**	**(2,399)**	**174,208**

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Company - 2025	On demand P'000	1 - 3 months P'000	3 - 12 months P'000	1 - 5 years P'000	Over 5 years P'000	Total P'000
Assets						
Cash and cash equivalents	528,607	-	-	-	-	528,607
Financial investments	154,145	-	-	-	-	154,145
Loans and advances to customers	4,604,646	212	402	1,274	5,079	4,611,613
Total assets	**5,287,398**	**212**	**402**	**1,274**	**5,079**	**5,294,365**
Liabilities						
Customers' deposits	1,340,260	1,470,766	1,422,346	332,775	7,478	4,573,625
Borrowings	2,151	114,534	25,000	57,862	-	199,547
Balance due to other banks	151,270	-	-	-	-	151,270
Debentures	-	204,518	-	-	-	204,518
Total liabilities	**1,493,681**	**1,789,818**	**1,447,346**	**390,637**	**7,478**	**5,128,960**
Net interest sensitivity gap	**3,793,717**	**(1,789,606)**	**(1,446,944)**	**(389,363)**	**(2,399)**	**165,405**

Group - 2024 - Restated	On demand P'000	1 - 3 months P'000	3 - 12 months P'000	1 - 5 years P'000	Over 5 years P'000	Total P'000
Assets						
Cash and cash equivalents*	637,780	-	-	-	-	637,780
Financial investments*	32,731	-	-	-	-	32,731
Loans and advances to customers	4,610,571	1,678	262	154	3,473	4,616,138
Total assets	**5,281,082**	**1,678**	**262**	**154**	**3,473**	**5,286,649**
Liabilities						
Customers' deposits	3,193,651	1,250,044	12,113	418	-	4,456,226
Borrowings	5,484	4,068	8,190	238,267	-	256,009
Balance due to other banks	50,074	-	-	-	-	50,074
Debentures**	-	204,121	-	-	-	204,121
Total liabilities	**3,249,209**	**1,458,233**	**20,303**	**238,685**	**-**	**4,966,430**
Net interest sensitivity gap	**2,031,873**	**(1,456,555)**	**(20,041)**	**(238,531)**	**3,473**	**320,219**

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Group - 2024 - Restated	On demand P'000	1 - 3 months P'000	3 - 12 months P'000	1 - 5 years P'000	Over 5 years P'000	Total P'000
Assets						
Cash and cash equivalents*	632,412	-	-	-	-	632,412
Financial investments*	32,731	-	-	-	-	32,731
Loans and advances to customers	4,610,471	1,678	262	254	3,473	4,616,138
Total assets	**5,275,614**	**1,678**	**262**	**254**	**3,473**	**5,281,281**
Liabilities						
Customers' deposits	3,196,431	1,255,444	12,113	418	-	4,464,406
Borrowings	5,484	4,068	8,190	238,267	-	256,009
Balance due to other banks	50,074	-	-	-	-	50,074
Debentures**	-	204,121	-	-	-	204,121
Total liabilities	**3,251,989**	**1,463,633**	**20,303**	**238,685**	**-**	**4,974,610**
Net interest sensitivity gap	**2,023,625**	**(1,461,955)**	**(20,041)**	**(238,431)**	**3,473**	**306,671**

*Refer to note 45 for more details on the restatement.
**The comparative information for the year ended 31 December 2024 has been restated to correct an error in the interest rate sensitivity maturity profile of debentures. Amounts of P10,000 million and P191,000 million, previously disclosed in the 1-2 years and over 5 years buckets, respectively, have been reclassified to the 3-12 months bucket to reflect that these instruments are repriced in line with changes in prime. There was no impact on total liabilities or the overall net interest sensitivity gap.

The Group and Company interest sensitivity profile is managed by monitoring the timing of repricing for interest-earning assets and interest-bearing liabilities to mitigate the impact of market rate fluctuations on net interest income. As of 31 December 2025, the Group and Company maintain a net cumulative positive gap of P174.2 million, indicating an overall asset-sensitive position.

This profile is characterised by a significant positive gap of P3,802.5 million in the O to 3-month time band, primarily driven by the immediate repricing of floating-rate loans and advances to customers alongside highly liquid cash equivalents. This front-end surplus serves as a structural buffer that effectively offsets the contractual negative gap of P1,789.6 million observed in the 3 to 12-month time band. This specific mismatch arises due to a concentration of customer deposits and short-term borrowings is scheduled to reprice or mature within that window, while the Group and Company's interest-earning assets are more heavily concentrated in the shorter O to 3-month cycle.

The excess rate-sensitive assets in the first three months provide a significant repricing cushion to absorb potential increases in the cost of funds later in the year. Historical behavioural analysis monitored by ALCO also indicates that while these customer deposits are contractually short-term, they represent a stable, "sticky" funding base that typically rolls over upon maturity, thereby significantly reducing the actual economic repricing risk compared to the contractual profile shown.

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group and Company manage currency risk by monitoring net positions in each currency, including foreign exchange positions of subsidiaries and both accounting and economic hedges.

The Group and Company's exposure to foreign currency risk arises primarily from the buying and selling of physical foreign currency as well as foreign currency denominated cash and cash equivalents arising from these activities. The Group does not have material foreign currency exposures in loans, deposits, or other borrowings.

The Group manages this risk by monitoring net open positions and, where appropriate, entering into foreign currency derivative instruments, including foreign currency swaps, to hedge exposures arising from foreign currency sales and related cash flows.

These hedging activities are typically short-term in nature and are undertaken to manage transactional exposures as they arise. As a result, no foreign currency derivative instruments were outstanding at the reporting date.

Derivatives

The Group manages foreign currency risk through natural hedging by matching foreign currency assets and liabilities and, where appropriate, entering into foreign currency swap arrangements. During the year, the Group utilised foreign currency derivatives to manage short-term ZAR liquidity exposures.

While no derivatives were outstanding at the reporting date, the Group held derivative instruments with an average notional value of R2 million (P1.5 million) throughout the period (2024: R3.7 million (P2.7 million)) to mitigate volatility. The maximum exposure during the year reached a peak notional amount of R3.7 million (P2.7 million). Accordingly, there were no hedge accounting relationships in place at 31 December 2025, and all realised gains or losses have been recognised in Profit or Loss.

Currency sensitivity analysis

The table below represents the impact of a 10% appreciation of each foreign currency against the Botswana Pula (BWP) based on the Group and Company's exposure to foreign currency cash balances. A positive amount indicates a potential increase in profit before tax (PBT) and equity, while a negative amount reflects a potential decrease. Conversely, if the Botswana Pula appreciates, the impact would be the opposite of what is shown below.

The Group and Company's total exposure to each currency is as follows:

	2025 P'000	2024 P'000
Currency		
EUR	1,445	907
GBP	459	367
USD	6,337	319
ZAR	1,865	411

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Currency sensitivity analysis (continued)

	2025			2024		
	Change in currency rate %	Effect on before tax P'000	Effect on equity P'000	Change in currency rate %	Effect on before tax P'000	Effect on equity P'000
Currency						
EUR	+10	(244)	(244)	+10	(6)	(6)
GBP	+10	(89)	(89)	+10	(2)	(2)
USD	+10	(909)	(909)	+10	(2)	(2)
ZAR	+10	16	16	+10	55	55

Capital risk

The policy framework represents the capital management approach to be followed by the Group and Company to ensure alignment with the principles of the Internal Capital Adequacy Assessment Process (ICAAP) detailed by the Bank of Botswana. The purpose of the Capital Management Framework is to provide a clearly defined, documented and mandatory approach and principles in the capital planning process. As indicated throughout this document, Capital is managed by the Group and Company through the use of target capital ranges set above the regulatory minimum thereby creating a buffer. The size of the buffer is derived from stress testing to ensure the capital base can sustain unforeseen events affecting the Group's capital base or risk weighted assets.

Capital Management

To monitor the adequacy of its capital, the Group and Company uses ratios prescribed by Bank of Botswana, per the Basel Capital Adequacy Framework (Basel 11).These ratios measure Capital adequacy by comparing the Group and Company's eligible capital with its reported assets and commitments at weighted amounts to reflect their relative risk (risk weighted assets).

For prudential purposes, Tier 1 Capital consists of Ordinary shares together with the statutory and retained earnings reserves. The Group and Company's policy is to maintain a strong capital base so as to sustain growth for the business.

The Group and Company has complied with regulatory capital requirements. The ratio was 19.74% as at 31 December 2025, (2024: 23.63%) the minimum capital adequacy ratio set by Bank of Botswana was 12.5% at the reporting date.

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Capital Management (continued)

Capital base	Note	2025 P'000	2024 P'000
Stated capital	23	487,453	487,453
Other revenue reserves		(72,518)	40,765
Regulatory adjustment		(71,932)	(41,837)
Tier I capital		**343,003**	**486,381**
Subordinated loans		244,350	194,013
Collective impairment		15,774	9,345
Tier II capital		**260,124**	**203,358**
Total capital		**603,127**	**689,739**
Risk weighted assets			
Credit risk weighted assets		2,875,507	2,759,232
Operational risk weighted assets		177,413	157,694
Market risk weighted assets		2,866	1,464
Total risk weighted assets		**3,055,786**	**2,918,390**
Capital adequacy ratio		19.74 %	23.63 %
Regulatory requirement		12.5 %	12.5 %

Definition and Components of Capital

The Group manages its capital base to ensure long-term sustainability while complying with the regulatory requirements set by the Bank of Botswana. The capital managed by the Group is defined in accordance with the Basel II framework and consists of the following components:

Tier I Capital (Core Capital): This includes stated capital (ordinary shares), retained earnings, and other regulatory reserves, less specific regulatory adjustments such as intangible assets.

Tier II Capital (Supplementary Capital): This consists of subordinated term loans, qualifying debentures, and collective impairment allowances, subject to regulatory limits.

Externally imposed capital requirements

The Group is governed by the **Banking Act (CAP 46:04)** and is required to maintain a minimum capital adequacy ratio (CAR) as prescribed by the Bank of Botswana. These requirements are incorporated into the Group's capital management through the **Internal Capital Adequacy Assessment Process (ICAAP),** which is built on three pillars:

Pillar I (Minimum Capital): The Group must maintain a total CAR above the regulatory minimum of **12.5%.**

Pillar II (Supervisory Review): The Group manages capital through target ranges set above the regulatory minimum to create a buffer. The size of this buffer is determined via stress testing (e.g., interest rate shocks of 200 bps) to ensure resilience against unforeseen economic events.

Pillar III (Market Discipline): The Group ensures transparency by disclosing its risk management processes and capital adequacy levels.

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Capital Management (continued)

Objectives and Progress in Managing Capital

The primary objectives of the Group's capital management are to maintain a strong capital base to support business growth, provide security to depositors, and ensure compliance with all statutory requirements.

The Group met these objectives during the year ended 31 December 2025 through the following actions:

Compliance Monitoring: The Group continuously monitors its CAR against Risk-Weighted Assets (RWA). RWA accounts for credit, operational, and market risks.

Governance: Capital adequacy is reviewed monthly by the **Asset-Liability Committee (ALCO)** and reported quarterly to the Board of Directors to ensure the Group operates within its established risk appetite.

Strategic Funding: During the year, the Group issued a new Tier II capital facility of **P50 million** to further strengthen its capital position and support long-term growth initiatives.

Financial Assets and liabilities by Category

The disclosed fair value of these financial assets and liabilities measured at amortised cost approximate their carrying value because of their short-term nature except for loans, advances and leases which are at variable interest rates.

Group - 2025	Notes	At amortised cost P'000	Other non - financial assets/ liabilities P'000	Current assets and liabilities P'000	Non current assets and liabilities P'000	Total carrying amount P'000
Cash and cash equivalents	4	529,275	-	529,275	-	529,275
Financial investments	5	154,145	-	154,145	-	154,145
Other assets	10	3,491	67,326	70,817	-	70,817
Loans and advances to customers	11	4,611,613	-	846,714	3,764,899	4,611,613
		5,298,524	**67,326**	**1,600,951**	**3,764,899**	**5,365,850**
Customer deposits	19	4,565,490	-	4,519,501	45,989	4,565,490
Borrowings	17	199,547	-	7,011	192,536	199,547
Balance due to other banks	18	151,270	-	151,270	-	151,270
Debentures	22	204,518	-	3,518	201,000	204,518
Other liabilities	18	33,780	17,003	50,783	-	50,783
		5,154,605	**17,003**	**4,732,083**	**439,525**	**5,171,608**

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Financial Assets and liabilities by Category (continued)

Group - 2024	Notes	At amortised cost P'000	Other non - financial assets/ liabilities P'000	Current assets and liabilities P'000	Non current assets and liabilities P'000	Total carrying amount P'000
Cash and cash equivalents	4	637,780	-	637,780	-	637,780
Financial investments	5	32,731	-	32,731	-	32,731
Other assets	10	11,765	56,795	29,393	39,167	68,560
Loans and advances to customers	11	4,616,138	-	767,945	3,848,193	4,616,138
		5,298,414	**56,795**	**1,467,849**	**3,887,360**	**5,355,209**
Customer deposits	19	4,456,226	-	4,336,651	119,575	4,456,226
Borrowings	17	256,009	-	125,936	130,073	256,009
Balance due to other banks	18	50,074	-	50,074	-	50,074
Debentures	22	204,121	-	15,830	188,291	204,121
Other liabilities	18	35,490	11,721	47,211	-	47,211
		5,001,920	**11,721**	**4,575,702**	**437,939**	**5,013,641**

Company - 2025	Note s	At amortised cost P'000	Other non - financial assets/ liabilities P'000	Current assets and liabilities P'000	Non current assets and liabilities P'000	Total carrying amount P'000
Cash and cash equivalents	4	528,607	-	528,607	-	528,607
Financial investments	5	154,145	-	154,145	-	154,145
Balance due from related company	6	822	-	822	-	822
Other assets	10	2,523	67,323	69,846	-	69,846
Loans and advances to customers	11	4,611,613	-	846,714	3,764,899	4,611,613
		5,297,710	**67,323**	**1,600,134**	**3,764,899**	**5,365,033**
Customer deposits	19	4,573,625	-	4,527,636	45,989	4,573,625
Borrowings	17	199,547	-	7,011	192,536	199,547
Balance due to other banks	18	151,270	-	151,270	-	151,270
Debentures	22	204,518	-	3,518	201,000	204,518
Other liabilities	18	33,623	17,375	50,998	-	50,998
		5,162,583	**17,375**	**4,740,433**	**439,525**	**5,179,958**

Notes to the Consolidated and Separate Financial Statements

2. Financial instruments and risk management (continued)

Financial Assets and liabilities by Category (continued)

Company - 2024	Note s	At amortised cost P'000	Other non - financial assets/ liabilities P'000	Current assets and liabilities P'000	Non current assets and liabilities P'000	Total carrying amount P'000
Cash and cash equivalents	4	632,412	-	632,412	-	632,412
Financial investments	5	32,731	-	32,731	-	32,731
Balance due from related company	6	1,099	-	1,099	-	1,099
Other assets	10	6,655	56,792	24,280	39,167	63,447
Loans and advances to customers	11	4,616,138	-	767,945	3,848,193	4,616,138
		5,289,035	**56,792**	**1,458,467**	**3,887,360**	**5,345,827**
Customer deposits	19	4,464,406	-	-	4,464,406	4,464,406
Borrowings	17	256,009	-	125,936	130,073	256,009
Balance due to other banks	21	50,074	-	50,074	-	50,074
Debentures	22	204,121	-	15,830	188,291	204,121
Other liabilities	18	35,430	10,585	46,015	-	46,015
		5,010,040	**10,585**	**237,855**	**4,782,770**	**5,020,625**

3. New Standards and Interpretations

3.1 Standards and interpretations not yet effective

The Group and Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group and Company's accounting periods beginning on or after 01 January 2026 or later periods:

IFRS 18 Presentation and Disclosure in Financial Statements

This is a new standard which replaces IAS 1 Presentation of Financial Statements and introduces several new presentation requirements. The first relates to categories and subtotals in the statement of financial performance. Income and expenses will be categorised into operating, investing, financing, income taxes and discontinued operations categories, with two new subtotals, namely "operating profit" and "profit before financing and income taxes" also being required. These categories and sub totals are defined in IFRS 18 for comparability and consistency across entities. The next set of changes requires disclosures about management-defined performance measures in a single note to the financial statements. These include reconciliations of the performance measures to the IFRS defined subtotals, as well as a description of how they are calculated, their purpose and any changes. The third set of requirements enhance the guidance on grouping of information (aggregation and disaggregation) to prevent the obscuring of information.

The effective date of the amendment is for years beginning on or after 01 January 2027.

The group and company expects to adopt the amendment for the first time in the 2027 consolidated and separate financial statements.

Given the nature of the Group and Company's financial reporting, the adoption of IFRS 18 is expected to have a significant impact on the Annual Financial Statements (AFS), particularly in terms of financial statement presentation and required disclosures. Management is currently assessing the impact of the standard on the Group and Company's financial statements.

Notes to the Consolidated and Separate Financial Statements

3. New Standards and Interpretations (continued)

3.1 Standards and interpretations not yet effective (continued)

Amendments to IFRS 7 Financial Instruments: Disclosures
Annual Improvements to IFRS Accounting Standards - Volume 11 - Gain or loss on derecognition - Amendment to delete an obsolete reference that remained in IFRS 7 after the publication of IFRS 13 Fair Value Measurement, as well as to improve consistency of wording of the requirements of IFRS 7 with IFRS 13 concepts regarding disclosure of a gain or loss on derecognition.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The group and company expects to adopt the amendment for the first time in the 2026 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group and company's consolidated and separate financial statements.

Amendments to IFRS 9 Financial Instruments
Annual Improvements to IFRS Accounting Standards - Volume 11 - Derecognition of lease liabilities. The amendment clarifies that if a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to recognise any resulting gain or loss in profit or loss.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The group and company expects to adopt the amendment for the first time in the 2026 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group and company's consolidated and separate financial statements.

Amendments to IFRS 9 Financial Instruments
Annual Improvements to IFRS Accounting Standards - Volume 11 - Transaction price. The amendment clarifies that trade receivables must be measured initially, in accordance with IFRS 9, at the amount determined by applying IFRS 15 Revenue from Contracts with Customers.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The group and company expects to adopt the amendment for the first time in the 2026 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group and company's consolidated and separate financial statements.

Amendments to IFRS 10 Consolidated Financial Statements
Annual Improvements to IFRS Accounting Standards - Volume 11 - Determination of a 'de facto agent'. The amendment is to clarify whether a party acts as a de facto agent in assessing control of an investee.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The group and company expects to adopt the amendment for the first time in the 2026 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group and company's consolidated and separate financial statements.

Notes to the Consolidated and Separate Financial Statements

3. New Standards and Interpretations (continued)

3.1 Standards and interpretations not yet effective (continued)

Amendments to IAS 7 Statement of Cash flows

Annual Improvements to IFRS Accounting Standards - Volume 11 - Cost method - Amendment to replace the term 'cost method' with 'at cost' following the earlier removal of the definition of cost method from IFRS Accounting Standards.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The group and company expects to adopt the amendment for the first time in the 2026 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group and company's consolidated and separate financial statements.

Amendments to IFRS 9 and IFRS 7: Amendments to the Classification and Measurement of Financial Instruments.

The amendments clarify the classification of financial assets with environmental, social and corporate governance (ESG) and similar features, as such features could affect whether the assets are measured at amortised cost or fair value. The amendment also clarifies the date on which a financial asset or financial liability is derecognised in cases where liabilities are settled through electronic payment systems.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The group and company expects to adopt the amendment for the first time in the 2026 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the group and company's consolidated and separate financial statements.

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	**2025**	**2024**	**2025**	**2024**

4. Cash and cash equivalents*

Cash and cash equivalents consist of:		**Restated**		**Restated**
Cash on hand	55,431	38,014	55,431	38,014
Bank balances (including balances with central bank)*	423,988	535,084	423,320	529,716
Balances with foreign banks (call and current accounts)	5,345	2,732	5,345	2,732
Bank of Botswana certificates*	99,942	99,964	99,942	99,964
Cash and cash equivalents for the purposes of the statement of cash flows	**584,706**	**675,794**	**584,038**	**670,426**

The Group and Company have assessed the Expected Credit Loss (ECL) on bank balances (including balances held with the central bank) in accordance with IFRS 9 - Financial Instruments. These balances are held with reputable financial institutions that have high credit ratings and a historically low probability of default.

In addition to historical default data, the Group has also considered forward-looking information (FLI), including macroeconomic indicators and counterparty-specific risks, in assessing potential credit losses. Based on this analysis, the estimated credit losses remain negligible, and as a result, no ECL allowance has been recognised on these balances.

The Group continuously monitors the creditworthiness of its counterparties, as well as evolving economic conditions, to ensure that any emerging risks are appropriately incorporated into its ECL assessment.

The Group and Company previously maintained a statutory reserve with the Bank of Botswana in accordance with regulatory requirements. These balances were subject to regulatory restrictions and were not available for general use by the Group and Company or for transfer to other entities within the Group. The restriction was imposed as part of the Bank of Botswana's monetary policy framework, and these reserves were not to be utilized for lending or operational activities. As at 31 December 2025, the statutory reserve balance is nil, as the Bank of Botswana granted a temporary waiver of this requirement.

*The comparative information has been restated to correct an error in the classification of cash and cash equivalents in accordance with IAS 7 Statement of Cash Flows. Money market placements held for investment purposes have been reclassified to financial investments, while Bank of Botswana certificates and other placements with original maturities of three months or less have been reclassified to cash and cash equivalents. This resulted in a net increase of BWP 167.651 million in cash and cash equivalents, with a corresponding decrease in financial investments. Refer to note 45 for restatement details.

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2025	2024	2025	2024

5. Financial investments

		Restated		Restated
Placements with other banks	109,747	-	109,747	-
Money markets deposits*	44,398	32,731	44,398	32,731
	154,145	**32,731**	**154,145**	**32,731**

*The balance represents short-term placements with other banks, classified as financial investments. These placements have a maturity period of 93 days and earn interest at market rates. Given their short tenure and placement with a reputable financial institution, they are considered highly liquid and carry minimal credit risk.

*The comparative information has been restated to correct an error in the classification and presentation of cash and cash equivalents in accordance with IAS 7 Statement of Cash Flows. Money market placements held for investment purposes were previously incorrectly classified as cash and cash equivalents and have been reclassified to financial investments. In addition, Bank of Botswana certificates and other placements with original maturities of three months or less were previously incorrectly classified as financial investments and have been reclassified to cash and cash equivalents. This resulted in a net decrease of BWP 167.651 million in financial investments, with a corresponding increase in cash and cash equivalents. Refer to note 45 for restatement details.

6. Balance due from related company

Balance due from related party	-	-	822	1,099

The balance relates to amounts payable with respect to fees charged by BBS Bank Limited for support services offered during the year and any amounts settled on behalf of BBS Insurance Agency. The balance is recoverable within a period of twelve months.

No expected credit loss allowance was recognised in the current or previous reporting date.

7. Non-current assets held for sale

At the beginning of the prior financial year, the Group and Company held two properties that met the criteria for classification as non-current assets held for sale in accordance with IFRS 5. During the prior year, the Group and Company secured buyers for both properties and the disposals were completed during that period.

Reconciliation of assets held for sale				
Balance at beginning of year	-	12,593	-	12,593
Transfer from property and equipment	-	142	-	142
Disposals during the year	-	(12,735)	-	(12,735)
Balance at end of year	**-**	**-**	**-**	**-**

Notes to the Consolidated and Separate Financial Statements

Figures in Pula thousand		Group		Company	
		2025	2024	2025	2024

8. Current tax receivable/(payable)

Withholding tax credits		901	191	-	65
Corporate tax payable		-	(361)	-	-
		901	**170**	**-**	**65**

9. Properties-in-possession

	Note				
Balance at beginning of the year		14,002	26,580	14,002	26,580
De-recognition of properties in possession		(4,866)	(6,492)	(4,866)	(6,492)
Impairment charge during the year		(96)	(6,086)	(96)	(6,086)
Balance at end of year		**9,040**	**14,002**	**9,040**	**14,002**
Number of properties in possession - residential		18	24	18	24
Proceeds from sale of properties in possession					
Movement in properties in possession		4,962	12,578	4,962	12,578
Gains/(Impairment) on properties in possession	27	241	(7,863)	241	(7,863)
		5,203	**4,715**	**5,203**	**4,715**

The properties-in-possession represent premises repossessed by the Group and Company. These properties are held with the intention to sell in the short to medium term and are stated at the lower of cost of repossession and net realizable value. The Group and Company anticipate recovering the carrying amount within a period of five years, contingent upon market interest. As per the Group's internal policy, independent valuations of these properties are conducted by a third-party valuer every three years for impairment assessment purposes. Any necessary adjustments to align the carrying amount with the most recent valuation reports are made following the valuation process where recoverable amounts are lower than vcarrying amounts. A register of these assets is maintained by the Group and is accessible for inspection.

The Group and Company recognized an impairment loss on these properties during the reporting period. In accordance with IFRS Accounting Standards, and in addition to considering independent valuations, the carrying amount of each property is evaluated for impairment by comparing it to its net realizable value (NRV). When a valid offer exists, NRV is determined based on the accepted selling price, and an impairment loss is recorded if the carrying amount exceeds this amount. For properties without offers, management considered the current economic conditions and the challenges in the property market, adopting a prudent approach by assuming a deterioration in property values and estimating an impairment loss for these properties. This evaluation informed the overall impairment assessment, which was applied to determine the impairment for properties lacking active offers.

Notes to the Consolidated and Separate Financial Statements

Figures in Pula thousand	Group 2025	Group 2024	Company 2025	Company 2024
10. Other assets				
Financial instruments:				
Visa settlements debtors	1,288	4,085	1,288	4,083
Fee and commission receivable	968	5,108	-	-
Rental debtors	1,615	2,572	1,615	2,572
Expected credit allowance - rental debtors	(380)	-	(380)	-
	3,491	11,765	2,523	6,655
Non-financial instruments:				
Prepayments	19,028	13,575	19,025	13,570
Prepayment - off-market staff loans	47,533	42,056	47,533	42,056
Other debtors*	765	1,164	765	1,166
	67,326	56,795	67,323	56,792
	70,817	**68,560**	**69,846**	**63,447**

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	**2025**	**2024**	**2025**	**2024**

11. Loans and advances to customers*

		Restated		Restated
Short-term loans and advances to customers	53,407	59,662	53,407	59,662
Unsecured loans and advances to customers	1,496,505	1,346,421	1,496,505	1,346,421
Mortgage loans and advances to customers	3,222,709	3,307,438	3,222,709	3,307,438
Gross loans and advances to customers	4,772,621	4,713,521	4,772,621	4,713,521
Loan administration fees	(16,186)	(16,733)	(16,186)	(16,733)
Gross loans and advances to customers net of administration fees	**4,756,435**	**4,696,788**	**4,756,435**	**4,696,788**
Less ECL impairment allowance				
Short-term loans and advances to customers	(353)	(383)	(353)	(383)
Unsecured loans and advances to customers	(67,542)	(24,914)	(67,542)	(24,914)
Mortgage loans and advances to customers	(76,927)	(55,353)	(76,927)	(55,353)
Total expected credit losses	**(144,822)**	**(80,650)**	**(144,822)**	**(80,650)**
Net loans and advances to customers	**4,611,613**	**4,616,138**	**4,611,613**	**4,616,138**
Amount to be recovered within one year	858,784	794,949	858,784	794,949
Amount to be recovered after one year	3,897,651	3,901,839	3,897,651	3,901,839
	4,756,435	**4,696,788**	**4,756,435**	**4,696,788**
a) Reconciliation of expected credit loss allowance (ECL) on loans and advances to customers				
Balance at beginning of year	(80,650)	(61,661)	(80,650)	(61,661)
ECL Impairment allowance	(64,172)	(18,989)	(64,172)	(18,989)
Impairment allowance	(53,522)	(14,139)	(53,522)	(14,139)
Unrecognised interest on impaired loans	(10,650)	(4,850)	(10,650)	(4,850)
	(144,822)	**(80,650)**	**(144,822)**	**(80,650)**

ECL per stage is disclosed under note 2.

Short-term loans and advances to customers are for periods between twelve and sixty months, bear interest at 17.01% (2024: 16.01% per annum) and are secured by paid up savings, subscription savings and fixed deposits.

Unsecured loans and advances to customers are for periods up to 120 months, bear interest between 15.01% to 24.51% (2024:14.01% to 23.51%).

Mortgage loans are granted up to a maximum period of thirty years. The gross loans and advances with a variable rate amount to P3.211 billion (2024: P 3.292 billion) and P6.8 million (2024: P 7.1 million) are at fixed rates of interest.

Notes to the Consolidated and Separate Financial Statements

11. Loans and advances to customers* (continued)

Interest is charged at rates between 8.51% and 12.01% (2024: 7.51% and 11.01%) per annum and loans are secured by a first mortgage bond against the financed property. The rate of interest on staff mortgage loans is 3.5% (2024: 3.0%) per annum. The group lends up to 90% of the market value of the property being financed.

*Unrecognized interest on impaired loans represents the interest income forgone on credit-impaired financial assets. This is calculated as the difference between the interest calculated on the gross carrying amount of the loan and the interest income that would have been recognized based on the net amortized cost of the asset, which is adjusted for expected credit losses.

*The comparative information for the year ended 31 December 2024 has been restated to correct an error in the presentation of deferred loan administration fees in accordance with IFRS 9. Deferred loan administration fees previously recognised as a liability within other liabilities have been reclassified and offset against loans and advances to customers as an adjustment to the amortised cost of the related financial assets.

This resulted in a decrease in loans and advances to customers of BWP 27.002 million, comprising the reclassification of deferred fees of BWP 32.753 million, partially offset by BWP 5.751 million relating to the correction of the effective interest rate method from straight-line recognition. Refer to note 45 for restatement details.

12. Right-of-use assets

Group and Company	2025			2024		
	Cosst P'000	Accumulated depreciation P'000	Carrying value P'000	Cosst P'000	Accumulated depreciation P'000	Carrying value P'000
Right-of-use assets	27,647	(18,360)	9,287	23,296	(13,686)	9,610

Reconciliation of right-of-use assets - Group and Company - 2025

	Opening balance P'000	Additions P'000	Remeasurent P'000	Termination of lease P'000	Depreciation P'000	Total P'000
Right-of-use assets	9,610	4,442	(1,154)	(1,039)	(2,572)	9,287

Notes to the Consolidated and Separate Financial Statements

12. Right-of-use assets (continued)

Reconciliation of right-of-use assets - Group and Company - 2024

	Opening balance P'000	Additions P'000	Depreciation P'000	Total P'000
Right-of-use assets	8,926	3,126	(2,442)	9,610

All the other leases not included above are either short-term leases or qualify for the low-value asset exemption and the Group and Company expenses these costs on a straight-line basis.

** The remeasurement resulted from the revision of contractual payments of some leases the Group and Company has entered into. The related lease liability has been remeasured by discounting the revised lease payments using the initial discount rate and this resulted in the reduced Right-of-use asset at the reporting date. Right-of-use assets are held by the Group and Company for use for a period more than twelve months.

The following amounts are recognised in profit or loss:

	Group		Company	
	2025 P'000	2024 P'000	2025 P'000	2024 P'000
Depreciation expense of right-of -use assets	2,572	2,442	2,572	2,442
Interest expense on lease liabilities	1,549	1,264	1,549	1,264
Expense relating to leases of low-value- assets (included in other expenses)	653	978	653	978
Total amount recognised in profit or loss	**4,774**	**4,684**	**4,774**	**4,684**

The Group and Company had total cash outflows for leases amounting to P3.709 million (including leases of low value items) (2024: P 2,926 million).

Notes to the Consolidated and Separate Financial Statements

13. Intangible assets

Group and Company

	2025			2024			2023		
	Cost P'000	Accumulated amortisation and impairment P'000	Carrying value P'000	Cost P'000	Accumulated amortisation and impairment P'000	Carrying value P'000	Cost P'000	Accumulated amortisation and impairment P'000	Carrying value P'000
Computer software	80,132	(44,564)	35,568	59,956	(37,699)	22,257	45,420	(31,873)	13,547
Work-in-progress	6,657	-	6,657	11,957	-	11,957	11,113	-	11,113
Total	**86,789**	**(44,564)**	**42,225**	**71,913**	**(37,699)**	**34,214**	**56,533**	**(31,873)**	**24,660**

Reconciliation of intangible assets - Group and Company - 2025

	Opening balance P'000	Additions P'000	Transfers from work in progress P'000	Adjustments** P'000	Amortisation P'000	Total P'000
Computer software	22,257	104	20,795	(257)	(7,331)	35,568
Work-in-progress	11,957	16,648	(20,795)	(1,153)	-	6,657
	34,214	**16,752**	**-**	**(1,410)**	**(7,331)**	**42,225**

Reconciliation of intangible assets - Group and Company - 2024

	Opening balance P'000	Additions P'000	Transfers P'000	Adjustments** P'000	Amortisation P'000	Total P'000
Computer software	13,547	1,461	13,075	-	(5,826)	22,257
Work-in-progress	11,113	8,275	(13,075)	5,644	-	11,957
	24,660	**9,736**	**-**	**5,644**	**(5,826)**	**34,214**

**The 2025 amount of P1.153 relates to write-off of intangible assets which were no longer generating economic benefits for the Group and Company.

The useful life of intangible assets is 3 - 5 years.

Included in intangibles balance cost above is P4.1 million (2024: P 29.0 million) relating to fully amortized assets which are still in use.

As at the reporting date, Work in Progress (WIP) amounted to P6.657 million (2024: P 11.957 million). The Work in Progress consists of the procurement of an ERP system P5.5 million whilst the remaining balance is for the procurement of a prepaid card system.

Intangible assets are held by the Group and Company for use for a period more than twelve months. Intangible assets held by the Group and Company are not internally generated.

Notes to the Consolidated and Separate Financial Statements

14. Property and equipment

Group and Company

	2025			2024			2023		
	Cost P'000	Accumulated depreciation P'000	Carrying value P'000	Cost P'000	Accumulated depreciation P'000	Carrying value P'000	Cost P'000	Accumulated depreciation P'000	Carrying value P'000
Freehold and leasehold property	102,505	(37,460)	65,045	89,113	(22,529)	66,584	84,610	(20,734)	63,876
Equipment, furniture and fittings	41,870	(34,920)	6,950	54,517	(46,413)	8,104	49,490	(43,643)	5,847
Motor vehicles	1,086	(910)	176	1,086	(858)	228	1,086	(805)	281
Computer hardware	46,446	(28,714)	17,732	30,860	(26,291)	4,569	30,678	(24,379)	6,299
Capital - Work in progress	-	-	-	19,750	-	19,750	22,099	-	22,099
Total	**191,907**	**(102,004)**	**89,903**	**195,326**	**(96,091)**	**99,235**	**187,963**	**(89,561)**	**98,402**

Reconciliation of property and equipment - Group and Company - 2025

	Opening balance P'000	Additions P'000	Transfers P'000	Adjustments** P'000	Depreciation P'000	Derecognition* P'000	Total P'000
Freehold and leasehold property	66,584	54	362	-	(1,955)	-	65,045
Equipment, furniture and fittings	8,104	-	-	-	(1,927)	-	6,950
Motor vehicles	228	-	-	-	(52)	-	176
Computer hardware	4,569	15,145	-	-	(1,982)	-	17,732
Capital - Work in progress	19,750	1,580	(362)	(1,465)	-	(19,503)	-
	99,235	**17,552**	**-**	**(1,465)**	**(5,916)**	**(19,503)**	**89,903**

Reconciliation of property and equipment - Group and Company - 2024

	Opening balance P'000	Additions P'000	Transfers P'000	Adjustments** P'000	Depreciation P'000	Total P'000
Freehold and leasehold property	63,876	3,593	910	-	(1,795)	66,584
Equipment, furniture and fittings	5,847	3,542	1,485	-	(2,770)	8,104
Motor vehicles	281	-	-	-	(53)	228
Computer hardware	6,299	182	-	-	(1,912)	4,569
Capital - Work in progress	22,099	188	(2,395)	(142)	-	19,750
	98,402	**7,505**		**(142)**	**(6,530)**	**99,235**

Notes to the Consolidated and Separate Financial Statements

14. Property and equipment (continued)

*The derecognition relates to a building project in the Gaborone CBD. Due to significant changes in building regulations over a seven-year period, the original project design has been rendered non-compliant and economically unviable. Management has assessed the recoverable amount of the capitalised costs to be nil based on the current regulatory constraints. Consequently, these costs have been fully derecognised.

The Group and Company owns several freehold and leasehold properties. The leasehold properties each has a lease term of fifty years. A register of the assets is kept with the Group and Company and is available for inspection at the following address Plot 13108-112 Broadhurst, Gaborone, Botswana.

Fair value of assets
Freehold and leasehold land and buildings were valued by an independent professional property valuer in December 2025 at an open market value of P172 million. In terms of the Group and Company's internal policy, the valuation by an independent valuer is conducted every three years.

The Group and Company acts as lessor of leasehold land and buildings. These leases have an average life of between three and five years with a renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. The Group and Company has classified these leases as operating leases because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets. The lessor retains title of the property and only facilitate rental through lease agreements with lessee.

A total of P2.6 million was earned as rental income in the current year (2024: P 3.9 million).

Property and equipment are held by the Group and Company for use for a period more than twelve months.

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	**2025**	**2024**	**2025**	**2024**

15. Deferred tax asset

The deferred tax asset and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. These balances pertain solely to the Company and have been offset in the statement of financial position as follows:

Deferred tax liability	(9,506)	(7,017)	(9,506)	(7,017)
Deferred tax asset	39,213	14,640	39,213	14,640
Total net deferred tax asset	**29,707**	**7,623**	**29,707**	**7,623**
Reconciliation of deferred tax asset/ (liability)				
Tax losses available for set off against future taxable income	27,459	9,507	27,459	9,507
Temporary difference on tangible fixed assets	(3,255)	(1,677)	(3,255)	(1,677)
Temporary difference on right-of-use assets	298	227	298	227
Temporary difference on prepaid expenditure	(6,231)	(5,245)	(6,231)	(5,245)
Temporary difference on lease liability	(18)	(2)	(18)	(2)
Temporary difference on deferred revenue	4,787	4,906	4,787	4,906
Other temporary differences	24	(93)	24	(93)
Temporary difference on loan impairment provisions	6,643	-	6,643	-
Closing Balance	**29,707**	**7,623**	**29,707**	**7,623**
Non-current	**29,707**	**7,623**	**29,707**	**7,623**

The Group and Company have unutilised tax losses of P124.8 million (2024: P 43.2 million) available for offset against future taxable profits. A deferred tax asset has been recognised only to the extent that the Group and Company consider it probable that future taxable profits will be available against which these tax losses can be utilised.

At 31 December 2025, the Group and Company had unused tax losses of approximately P 45.3 million (2024:Nil) for which no deferred tax asset has been recognised. The potential deferred tax asset relating to these losses amounts to approximately P10.0 million. These losses have not been recognised as deferred tax assets as it is not considered probable that sufficient future taxable profits will be available against which the losses can be utilised within the relevant expiry periods.

The following table summarises the Group and Company's tax loss carry forwards by year of expiry and the portion recognised/unrecognised.

Tax Year	Year of Expiry	Tax losses brought forward P'000	Tax losses recognised P'000	Utilised tax losses P'000	Balance/Tax losses carried forward P'000
2025	2028	43,212	81,602	-	124,814
2024	2028	64,909	-	(21,697)	43,212

Management has assessed the recoverability of the deferred tax asset as at the reporting date by considering the Group's performance during the year under review and the ongoing strategic initiatives designed to sustain future profitability. To support this assessment, Management prepared detailed financial forecasts spanning the next three years, incorporating anticipated revenue growth, cost optimisation measures, and other relevant factors. Based on these projections, Management expects to generate sufficient taxable profits to utilise the assessed tax losses prior to their expiration.

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2025	2024	2025	2024

16. Investment in subsidiary

BBS Insurance Agency (Proprietary) Limited is a 100% owned subsidiary company of BBS Bank Limited. It was incorporated in Botswana on 28 July 2021 and started trading on 08 June 2022. The Company does not have any regulatory restrictions to use its subsidiary's assets and its cash balances. BBS Insurance Agency Limited has paid up capital of P100,000.

Investments in subsidiary	-	-	100	100

17. Balance due to other banks

Gross future cash flows				
Balance due to other banks	151,270	50,154	151,270	50,154
	-	-	-	-
Less: future interest payments				
Balance due to other banks	-	(80)	-	(80)
	-	-	-	-
Carrying amount due at the reporting date	**151,270**	**50,074**	**151,270**	**50,074**
Amounts repayable within one year				
Balance due to other banks	151,270	50,074	151,270	50,074
Principal balance				
Balance due to other banks	150,000	50,000	150,000	50,000
Accrued interest				
Balance due to other banks	1,270	74	1,270	74
Carrying amount due at the reporting date	**151,270**	**50,074**	**151,270**	**50,074**
Reconciliation of cashflow during the year				
Opening balance	**50,074**	**-**	**50,074**	**-**
Repayment during the year	(50,000)	-	(50,000)	-
Receipts from other banks	150,000	50,000	150,000	50,000
Interest paid during the year	(4,577)	-	(4,577)	-
Interest charged during the year	5,773	74	5,773	74
Carrying amount at the end of the year	**151,270**	**50,074**	**151,270**	**50,074**

Below is a summary of the facilities issued by the bank as of the reporting date:

Facility	Date of Issuance	Maturity date	Amount P'000	Type	Interest rate per annum
Balances due to other banks	17-Dec-2025	16-Jan-2026	100000	Fixed	16.50%
Balances due to other banks	16-Dec-2025	06-Mar-2026	50000	Fixed	16.00%

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2025	2024	2025	2024

18. Other liabilities

		Restated		Restated
Financial instruments:				
Insurance premiums payable	985	5,618	887	5,602
Unclaimed balances	1,447	6,138	1,447	6,138
Accounts payable	4,422	2,944	4,422	2,944
Accrued expenses***	26,919	20,758	26,860	20,714
Loan commitments issued- expected credit loss*	7	32	7	32
	33,780	**35,490**	**33,623**	**35,430**
Non-financial instruments:				
Others	586	1,263	560	649
Withholding tax**	3,190	2,152	3,602	2,224
Payroll liabilities****	13,227	8,306	13,213	7,712
	50,783	**47,211**	**50,998**	**46,015**

*The comparative information for the year ended 31 December 2024 has been restated to correct an error in the presentation of deferred loan administration fees in accordance with IFRS 9. Deferred fees previously included within other liabilities have been reclassified and offset against loans and advances to customers. This resulted in a gross decrease in other liabilities of BWP 32.753 million, offset by withholding tax of BWP 2.152 million, giving a net decrease of BWP 30.601 million (Company: gross BWP 32.753 million, offset by BWP 2.224 million, net BWP 30.529 million). Refer to note 45 for restatement details.

** Expected credit losses on loan commitments is classified as stage 1 in the current and previous year.

** In the prior comparative financial year, withholding tax was presented as a separate line item. Following a reassessment in the current financial year, withholding tax was deemed not meet the threshold of significance required for separate presentation on the face of the statement of financial position in accordance with IAS 1. Accordingly, withholding tax has been aggregated within other liabilities. The comparative figures have been reclassified to ensure comparability. This resulted in the reclassification of BWP 2.152 million from withholding tax to other liabilities for the Group (Company: BWP 2.224 million), with no effect on total liabilities or net assets of the Group. This reclassification has no effect on total liabilities or net assets of the Group.

***Accrued expenses include amounts payable to creditors for goods and services supplied such as security, utilities and cleaning services but not yet invoiced.

****Payroll liabilities is made up of leave, gratuity and provision for terminal benefits.

Reconciliation of the expected credit loss allowance (ECL) on loan commitments	Loss allowance	Loss allowance
Opening balance	**32**	**66**
Impairment allowance - (decrease)	(25)	(34)
Closing balance	**7**	**32**

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2025	2024	2025	2024

19. Customer deposits

Fixed deposits	3,413,536	3,131,357	3,419,422	3,136,757
Savings accounts	560,248	840,327	562,497	843,107
Notice deposits	438,069	459,031	438,069	459,031
Current and call accounts	153,637	25,511	153,637	25,511
	4,565,490	**4,456,226**	**4,573,625**	**4,464,406**

Fixed deposits have a term ranging from twelve months to sixty months and earn interest at between 1.31% and 19.05% (2024: 1.76% and 10.55%) per annum paid on a monthly basis.

Savings deposits are repayable on demand. They earn interest at 0.10% to 3.01% (2024:0.10% to 2.51%) Indefinite period savings earn interest at the BBS Bank prime lending rate less 0.5% being 6.51% (2024: 5.51%) per annum.

Notice deposits are invested for a period of not less than 18 months and may be redeemed subject to 3 months' notice. Early redemption is permitted with a proportionate forfeiture of interest accrued.

20. Lease liabilities

Reconciliation of lease liabilities				
Opening balance	**15,878**	**14,700**	**15,878**	**14,700**
Additions	4,442	3,126	4,442	3,126
Adjustments	(2,358)	-	(2,358)	-
Lease interest expense	1,549	1,264	1,549	1,264
Payments (interest and principal)	(3,709)	(3,212)	(3,709)	(3,212)
Closing balance	**15,802**	**15,878**	**15,802**	**15,878**
Payments of lease liabilities				
Lease interest expense	1,549	1,264	1,549	1,264
Payments (interest and principal)	(3,709)	(3,212)	(3,709)	(3,212)
Repayment of principal portion of lease liability	**(2,160)**	**(1,948)**	**(2,160)**	**(1,948)**

*The remeasurement resulted from the revision of contractual payments of some leases the Group and Company has entered into. The related lease liability has been remeasured by discounting the revised lease payments using the initial discount rate and this resulted in the reduced lease liability at the reporting date.

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2025	2024	2025	2024

20. Lease liabilities (continued)

Minimum lease payments due				
- within one year	3,963	3,488	3,963	3,488
- in second to fifth year inclusive	13,543	12,604	13,543	12,604
- later than five years	3,506	3,645	3,506	3,645
	21,012	19,737	21,012	19,737
less: future finance charges	(5,210)	(3,859)	(5,210)	(3,859)
Present value of minimum lease payments	**15,802**	**15,878**	**15,802**	**15,878**
Present value of minimum lease payments due				
- within one year	2,586	2,387	2,586	2,387
- in second to fifth year inclusive	10,298	10,137	10,298	10,137
- later than five years	2,918	3,354	2,918	3,354
carrying amount	**15,802**	**15,878**	**15,802**	**15,878**

The Group and Company has entered into various leases for office space as it operates from various locations. The duration of the leases range between three to ten years with an option to renew. The incremental borrowing rate to discount the leases was 13.90% (2024:7.44%). The leases are subject to escalations between 6% and 10% on anniversary. The carrying amounts and depreciation charges of Right-of-use (ROU) assets are disclosed within Note 11 (Right-of-use assets). The interest expense on lease liabilities is recognised in Note 26 (Interest Expense), while expenses relating to short-term and low-value leases are included in Note 33 (Other Expenses). For the total cash outflow for leases, refer to the Statement of Cash Flows, and for the maturity analysis of lease liabilities, refer to Note 2 (Liquidity Risk Management).

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2025	2024	2025	2024

21. Borrowings

Gross future cash flows				
Unsecured long-term bonds	164,079	288,002	164,079	288,002
Tier II term loan	89,504	-	89,504	-
Total borrowings	**253,583**	**288,002**	**253,583**	**288,002**
Less: future interest payments				
Unsecured long-term bonds	(14,066)	(31,993)	(14,066)	(31,993)
Tier II term loan	(39,970)	-	(39,970)	-
	(54,036)	(31,993)	(54,036)	(31,993)
Carrying amount due at the reporting date	**199,547**	**256,009**	**199,547**	**256,009**
Borrowings repayable within one year	100,082	125,936	100,082	125,936
Borrowings repayable after one year	99,465	130,073	99,465	130,073
Carrying amount due at the reporting date	**199,547**	**256,009**	**199,547**	**256,009**
Principal balance				
Unsecured long term bonds	147,336	250,463	147,336	250,463
Tier II term loan	50,000	-	50,000	-
	197,336	**250,463**	**197,336**	**250,463**
Accrued interest				
Unsecured long-term bonds	2,691	5,546	2,691	5,546
Arrangement fees				
Tier II term loan	(480)	-	(480)	-
Carrying amount due at the reporting date	**199,547**	**256,009**	**199,547**	**256,009**
Reconciliation of cashflow during the year				
Opening balance	**256,009**	**271,198**	**256,009**	**271,198**
Repayment during the year	(103,607)	(15,158)	(103,607)	(15,158)
Proceeds from borrowings	50,000	-	50,000	-
Interest paid during the year	(23,166)	(22,196)	(23,166)	(22,196)
Interest charged during the year	20,311	22,165	20,311	22,165
Carrying amount at the end of the year	**199,547**	**256,009**	**199,547**	**256,009**

Notes to the Consolidated and Separate Financial Statements

21. Borrowings (continued)

Below is a summary of the borrowing facilities issued by the bank as of the reporting date;

31-Dec-2025

Number	Maturity date	Amount P'000	Type	Interest rate per annum
BBS007	26-Aug-2025	86,700	Fixed	9%
Tier II Term loan	18-Jul-2032	50,000	Floating	Monetary policy rate plus 8.85%
BBS010	27-Dec-2028	116,426	Fixed	8% reducing balance method
BBS011	16-Sep-2027	25,000	Fixed	7.25%
BBS012	09-Aug-2026	64,470	Floating	Monetary policy rate plus 6.36%

31-Dec-2024

Number	Maturity date	Amount P'000	Type	Interest rate per annum
BBS007	26-Aug-2025	86,700	Fixed	9%
BBS010	27-Dec-2028	116,426	Fixed	8% reducing balance method
BBS011	16-Sep-2027	25,000	Fixed	7.25%
BBS012	09-Aug-2026	64,470	Floating	Monetary policy rate plus 6.36%

Unsecured long-term – bonds
BBS012 is the only bond listed on the Botswana Stock Exchange Limited. As at the December 2025 the trading price was P101.03.

During the year, the bank obtained a new P50 million Tier II subordinated term loan facility from Botswana Development Corporation (BDC). The principal and interest are subordinated to the claims of all other creditors and depositors.

BBSBL issued a 5-year Bond amounting to P64,470 million, BBS012 on 9 August 2021. Interest is determined at the beginning of the period as the Monetary Policy rate (MoPR) plus 6.36% as published by Bank of Botswana. The interest payment dates are on 9th February and 9th August commencing on 9th February 2022.

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2025	2024	2025	2024
22. Debentures				
Debentures	10,000	10,000	10,000	10,000
Debentures - Tier II capital facilities	191,000	191,000	191,000	191,000
Accrued interest on debentures	3,518	3,121	3,518	3,121
	204,518	**204,121**	**204,518**	**204,121**
Gross future cash flows				
- within one year	17,399	15,830	17,399	15,830
- in second to fifth year inclusive	78,457	71,855	78,457	71,855
- later than five years	236,296	247,845	236,296	247,845
Total gross debentures	**332,152**	**335,530**	**332,152**	**335,530**
Less: future interest payments				
- within one year	13,945	12,709	13,945	12,709
- in second to fifth year inclusive	68,457	61,855	68,457	61,855
- later than five years	45,296	56,845	45,296	56,845
Total interest payments	**127,698**	**131,409**	**127,698**	**131,409**
Total net debentures	**204,454**	**204,121**	**204,454**	**204,121**
Reconciliation of cashflow during the year				
Opening balance	**204,121**	**102,235**	**204,121**	**102,235**
New debentures issued	-	100,000	-	100,000
Interest paid during the year	(15,270)	(7,106)	(15,270)	(7,106)
Interest charged during the year	15,603	8,992	15,603	8,992
Carrying amount at year end	**204,454**	**204,121**	**204,454**	**204,121**

Below is a summary of the debenture facilities issued by the bank as of the reporting date;

Facility	Date of Issuance	Maturity date	Amount Type P'000	Interest rate per annum
Tier II capital debenture	17-Oct-2024	14-Oct-2034	100000.00	BBS Bank Prime lending rate plus 2%
Tier II capital debenture	10-May-2024	26-Apr-2034	41000.00	Monetary policy rate plus 6.11%
Tier II capital debenture	10-Oct-2024	25-Apr-2031	50000.00	BBS Bank Prime lending rate plus 2%
Debenture	26-Apr-2018	25-Oct-2026	10000.00	BBS Bank Prime lending rate

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	**2025**	**2024**	**2025**	**2024**

23. Stated capital

Authorised				
Ordinary shares at no par value	487,453	487,453	487,453	487,453
Issued				
Ordinary	487,453	487,453	487,453	487,453
Ordinary shares				
Balance at the beginning of the year	487,453	487,453	487,453	487,453
Balance at the end of the year - fully paid	**487,453**	**487,453**	**487,453**	**487,453**

The Group's issued shares have no par value. All shares are fully paid and rank equally in terms of dividend rights and voting power.

As at 31 December 2025, shares amounting to P4.3 million (2024: P 3.6 million) were held in the Group and Company Trust Account with the Botswana Stock Exchange. These shares are for shareholders who did not have CSDB accounts as at the time of registering the shares in the Serala over the counter board (OTC) of the Botswana Stock Exchange Limited.

24. Interest income using effective interest rate*

		Restated		Restated
Cash and cash equivalents and financial investments	20,667	27,492	19,712	26,788
Unsecured personal loans	234,677	154,563	234,677	154,563
Mortgage loans and advances	291,168	278,528	291,168	278,528
Short-term loans and advances	13,481	13,322	13,481	13,322
Interest on staff loans arising from fair value adjustments	6,694	10,633	6,694	10,633
Gross interest income	**566,687**	**484,538**	**565,732**	**483,834**
Unrecognised interest on impaired loans**				
Mortgage loans and advances	(4,884)	(4,823)	(4,884)	(4,823)
Short-term loans and advances	(27)	(23)	(27)	(23)
Unsecured personal loans	(5,739)	(3)	(5,739)	(3)
	(10,650)	**(4,849)**	**(10,650)**	**(4,849)**
Net interest income	**556,037**	**479,689**	**555,082**	**478,985**
Cash and cash equivalents and financial investments	20,667	27,492	19,712	26,788
Unsecured personal loans*	228,938	154,560	228,938	154,560
Mortgage loans and advances*	286,284	273,705	286,284	273,705
Short-term loans and advances*	13,454	13,299	13,454	13,299
Interest on staff loans arising from fair value adjustments	6,694	10,633	6,694	10,633
Net interest income	**556,037**	**479,689**	**555,082**	**478,985**

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2025	2024	2025	2024

24. Interest income using effective interest rate* (continued)

*The comparative information has been restated to correct an error in the presentation of loan administration fee income and loan sales commission expenses in accordance with IFRS 9. Under IFRS 9, fees and costs that are an integral part of the effective interest rate (EIR) are required to be included in interest income. Accordingly, amortised loan administration fees previously recognised within fee and commission income have been reclassified to interest income, and amortised loan sales commissions previously recognised within fee and commission expenses have been reclassified as a reduction of interest income. This resulted in an increase in interest income of BWP 3.653 million (Company: BWP 3.652 million), with a corresponding decrease in fee and commission income of BWP 5.603 million (Company: BWP 5.602 million) and a decrease in fee and commission expenses of BWP 1.615 million. Refer to note 45 for more details on the restatement.

**Unrecognised interest on impaired loans represents the interest income forgone on credit-impaired financial assets. This is calculated as the difference between the interest calculated on the gross carrying amount of the loan and the interest income that would have been recognized based on the net amortized cost of the asset, which is adjusted for expected credit losses.

All Interest is calculated at contractual rate which approximates the effective interest rate.

25. Interest expense

Unsecured long-term bonds	20,311	22,060	20,311	22,060
Term loans	5,773	105	5,773	105
Debentures	16,222	8,992	16,222	8,992
Notice deposits	6,661	7,870	6,661	7,870
Fixed deposits*	336,748	198,330	337,255	198,330
Savings deposits	24,753	31,005	24,756	31,007
Lease interest	1,549	1,264	1,549	1,264
Total interest expense	**412,017**	**269,626**	**412,527**	**269,628**

Interest expense is calculated using the effective interest rate method, whereas lease interest expense is determined based on the incremental borrowing rate (IBR).

*The increase in interest expense on fixed deposits during the year primarily reflects the repricing of deposits at higher interest rates in response to tightening liquidity conditions in the market. As funding became more competitive, higher rates were offered to attract and retain term deposits, resulting in an increase in the average cost of funding despite relatively stable deposit balances.

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2025	2024	2025	2024

26. Expected credit losses

Expected credit losses on financial assets				
Impairment allowance				
Expected credit loss allowance - loans and advances to customers	75,954	18,954	75,954	18,954
Unrecognised interest on impaired loans	(10,650)	(4,849)	(10,650)	(4,849)
	65,304	14,105	65,304	14,105
Expected credit loss allowance - mortgage loans commitment	(23)	-	(23)	-
Expected credit loss allowance - Rental debtors	380	-	380	-
	65,661	**14,105**	**65,661**	**14,105**
Write-down on mortgage loans				
Loss on mortgage loans de-recognised from collateral sold at auction during the year*	14,315	6,131	14,315	6,131
Recoveries of amounts previously written off	(2,453)	(1,139)	(2,453)	(1,139)
	11,862	**4,992**	**11,862**	**4,992**
	77,523	**19,097**	**77,523**	**19,097**

The inputs and assumptions into the IFRS 9 model are carefully considered by Management for completeness and relevance. The inputs and assumptions are reviewed on an annual basis and adjusted accordingly to reflect changing macro-economic environment. ECL calculations are reviewed for accuracy and consistency and reasonableness on a regular basis. The results for the year have been consistent with Management expectations. The inputs and models used for calculating ECLs may not always capture all characteristics of the market or underlying customer behaviour at the date of the financial statements. To reflect this, qualitative adjustments or overlays maybe applied on a temporary basis when these differences are materially significant.

*Losses recognised on mortgage loans derecognised following the sale of collateral increased during the year primarily due to a higher number of properties realised through auction. These losses arise where the proceeds from the sale of the collateral, net of disposal costs, are lower than the outstanding loan balance at the date of realisation. The increase reflects the timing and volume of collateral realisations during the year and does not necessarily indicate a deterioration in the overall collateral coverage of the mortgage portfolio.

27. Other impairment losses

Loss incurred on sale of non-financial assets and valuation				
Gain on disposal of property in possession	(337)	-	(337)	-
Loss on disposal of property in possession during the year	-	1,777	-	1,777
Derecognition of capital work in progress*	19,503	-	19,503	-
Impairment charge on properties-in-possession **	96	6,086	96	6,086
	19,262	**7,863**	**19,262**	**7,863**

**Refer to Note 9 Properties-in-possession for further details.

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2025	2024	2025	2024

28. Net fee and commission income*

A. Disaggregation of fee and commission income

Fee and commission income from contracts with customers falls within the scope of IFRS 15 - Revenue from contracts with customers. Revenue recognition is disaggregated by major type of services below.

Fee and commission income		Restated		Restated
Insurance administration and other fees	1,795	3,254	208	298
Account services	4,094	4,431	4,095	4,433
Transactional	16,910	9,143	16,910	9,143
Commissions	13,945	18,129	5,429	5,580
	36,744	**34,957**	**26,642**	**19,454**
Fee and commission expense				
Interbank transaction fees	(1,469)	(1,160)	(1,469)	(1,160)
	(1,469)	**(1,160)**	**(1,469)**	**(1,160)**
Net fee and commission income	**35,275**	**33,797**	**25,173**	**18,294**

B. Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group and Company recognises revenue when all performance obligations have been satisfied.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Insurance administration fees	This relates to fixed or variable fees for the servicing of insurance policies. These services include premium collection and remittance to the insurer.	These fees are recognised as the administrative services are rendered and upon successful collection of the related premium.
Fee income from account services	This relates mainly to service fees, such as financial reference letters and dishonoured payment fees charged monthly in line with the Group tariff guide.	The fees are recognised as the services are performed and received.
Transactional income	This relates mainly to transaction fees charged monthly in line with the Group tariff guide.	The fees are recognised as the services are performed and received.
Commissions income	This relates to commission fees on customer insurance referral fees based on agreed margins with the underwriter.	The fees are recognised as the services are performed and received.

Significant Payment Terms and Consideration: Payment for transactional and account service fees is typically due immediately upon the performance of the service and is settled through a direct debit from the customer's account. Commission income is generally due and payable within 30 days of the successful placement of the insurance policy.

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2025	2024	2025	2024

28. Net fee and commission income* (continued)

B. Performance obligations and revenue recognition policies (continued)

The Group has assessed its contracts with customers and determined the following:

Significant Financing Component: None of the Group's contracts for services include a significant financing component, as the period between the transfer of the promised service and the payment is typically less than one year.

Variable Consideration: Consideration for services is generally fixed based on the Group's approved tariff guide. In instances where commission income may vary based on policy volumes, the Group applies the constraint on variable consideration, recognizing revenue only to the extent that it is highly probable that a significant reversal will not occur.

Obligations for Returns/Refunds: The Group's contracts do not typically provide for rights of return or refunds, and there are no significant warranties associated with the services provided.

*The comparative information has been restated to correct an error in the presentation of loan administration fee income and loan sales commission expenses in accordance with IFRS 9. Under IFRS 9, fees and costs that are an integral part of the effective interest rate (EIR) are required to be included in interest income. Accordingly, amortised loan administration fees previously recognised within fee and commission income have been reclassified to interest income, and amortised loan sales commissions previously recognised within fee and commission expenses have been reclassified as a reduction of interest income. This resulted in an increase in interest income of BWP 3.653 million (Company: BWP 3.652 million), with a corresponding decrease in fee and commission income of BWP 5.603 million (Company: BWP 5.602 million) and a decrease in fee and commission expenses of BWP 1.615 million. Refer to note 45 for more details on the restatement.

29. Other income

Rental income	2,595	3,886	2,613	3,901
Profit on sale of non-current assets held for sale	-	11,462	-	11,462
Dividend income	-	-	12,031	12,130
Sundry income	317	870	2,017	2,569
Profit on exchange differences	-	424	-	424
Trading and Revaluation Income	-	51	-	51
	2,912	**16,693**	**16,661**	**30,537**

30. Personnel expenses

Employee costs				
Salaries and wages	80,686	71,573	79,593	70,555
Pension fund contributions	7,778	6,371	7,653	6,339
Post-employment benefits - gratuity	6,078	4,554	6,006	4,216
Leave pay provision charge	1,148	1,367	1,108	1,319
Fair value adjustments off-market staff loans	4,562	9,189	4,562	9,189
	100,252	**93,054**	**98,922**	**91,618**

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2025	2024	2025	2024

31. Depreciation and amortisation

Depreciation				
Property and equipment	5,916	6,530	5,916	6,530
Right-of-use assets	2,572	2,442	2,572	2,442
	8,488	**8,972**	**8,488**	**8,972**
Amortisation				
Intangible assets	7,331	5,826	7,331	5,826
Total depreciation and amortisation				
Depreciation	8,488	8,972	8,488	8,972
Amortisation	7,331	5,826	7,331	5,826
	15,819	**14,798**	**15,819**	**14,798**

32. Other expenses

Director's fees	1,888	1,717	1,888	1,717
Audit fees - current year	2,216	2,104	2,105	2,057
Advertising and marketing	7,921	6,687	7,724	6,631
Computer maintenance expenses	750	74	750	74
Insurance	4,872	3,729	4,872	3,721
Legal and professional fees	4,619	1,098	4,619	1,098
Consulting and professional fees	10,561	5,647	10,561	5,647
License fees	19,432	20,253	19,431	20,251
Repairs and maintenance	4,227	3,937	4,227	3,937
Printing and stationery	1,593	1,441	1,593	1,441
Telephone and postage	8,342	7,540	8,342	7,540
Travel and subsistence costs	2,351	2,309	2,351	2,309
Office supplies	2,519	1,493	2,512	1,493
Security expenses	3,389	3,767	3,389	3,767
Subscriptions	15,768	10,514	15,750	10,501
Water & electricity	1,880	1,336	1,880	1,336
Other expenses	2,569	1,735	2,029	1,734
VAT expense - unclaimed portion	8,145	5,417	8,145	5,417
	103,042	**80,798**	**102,168**	**80,671**

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2025	2024	2025	2024

33. Taxation

Major components of the tax expense				
Current				
Local income tax - current period	1,677	2,846	-	-
Deferred				
Current year	(22,084)	4,027	(22,084)	4,027
	(20,407)	**6,873**	**(22,084)**	**4,027**
Reconciliation of the accounting profit and tax expense				
Reconciliation between accounting profit and tax expense				
Operating (Loss) / profit before tax	(133,691)	44,943	(129,305)	44,141
Tax at the applicable tax rate of 22% (2024: 22%)	(29,412)	9,887	(28,447)	9,711
Less: deferred tax not recognised	9,955	-	9,955	-
Less: fair value expenses on staff loans not deductible for tax purposes	1,034	2,022	1,040	2,022
Add: income not taxable for tax purposes	(1,984)	(5,110)	(4,632)	(7,780)
Income tax charge	**(20,407)**	**6,799**	**(22,084)**	**3,953**
Effective tax rate	15 %	15 %	17 %	10 %

34. Dividend declared

No dividend was declared or paid by the Bank in the current or previous year. The Bank's wholly owned subsidiary, BBS Insurance Agency Limited declared dividend to the Bank amounting to P12.031 million during the current year (2024: P12.130).

35. Basic and diluted earnings/(loss) per share (thebe)

Earnings per share are calculated by dividing the net profit/(loss) attributable to equity holders of the Group and Company by the weighted average number of ordinary shares during the year.

Earnings/(loss) attributed to shareholders	(113,284)	38,070
Weighted average number of ordinary shares outstanding during	487,453	487,453
Basic and diluted earnings/(loss) per share (thebe)	(23.24)	7.81

No instruments at the reporting date were considered to have a dilutive effect on the ordinary share value and as a result no difference was recognised between the basic and dilutive earnings per share for the current or prior financial year.

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2025	2024	2025	2024

36. Commitments and leasing arrangements

Commitments

Commitment in respect of corporate loans approved but not yet disbursed	83,594	100,000	83,594	100,000
Commitment in respect of mortgages approved but not yet disbursed	38,249	88,226	38,249	88,226
	121,843	**188,226**	**121,843**	**188,226**
Mortgage commitments are for a period not exceeding 12 months.				
Capital expenditure - approved but not yet committed	10,505	18,636	10,505	18,636
Capital expenditure - approved and committed	**12,728**	**15,600**	**12,728**	**15,600**

Capital commitments relate primarily to the procurement of servers and the implementation of a new ERP designed to automate the Bank's processes. These commitments will be financed through funds raised from customer deposits and borrowings.

Group and Company as lessee

The Group and Company have entered into commercial leases for premises and equipment, with an average lease term of between three and five years. There are no restrictions placed upon the lessee by entering into these agreements.

The Group and Company have several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and to align with the Group and Company's business needs. Based on management's assessment, it has been determined that the extension options are reasonably certain to be exercised, and termination options will not be exercised. Accordingly, these periods have been included in the lease term and the corresponding lease liabilities and right-of-use assets have been recognized.

As a result, there are no undiscounted potential future rental payments relating to extension or termination options that are excluded from the lease term.

Operating leases – Group and Company as lessor

The Group and Company acts as lessor of premises. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. Rental income recognised by the Group and Company during the year is P2.595 million (2023: P3.886 million).

Future minimum lease payments under non–cancellable operating leases as at 31 December were, as follows:

Within one year	1,571	1,607	1,597	1,619
After one year but not more than five years	36	37	65	85
	1,607	**1,644**	**1,662**	**1,704**

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2025	2024	2025	2024

37. Related parties Related party balances

BBS Bank Limited ("the Bank") has a wholly owned subsidiary, BBS Insurance Agency (Proprietary) Limited ("the Subsidiary"). The Subsidiary is fully controlled by the Bank and is consolidated in the Group's financial statements. The principal activity of BBS Insurance Agency is to provide insurance brokerage services. The Bank and its Subsidiary conduct transactions in the normal course of business, including the provision of support services by the Bank to the Subsidiary. All transactions are carried out at arm's length and are eliminated in the consolidated financial statements.

BBS Bank Limited transacts part of its business with related parties including directors and parties related to or under the control of the directors.

Details of related party transactions of BBS Bank Limited are set out below

Amounts due to related parties

Key management personnel of the Group and Company

Savings accounts				
Executive Management	73	195	73	195
Non-executive directors	29	6	29	6
BBS Insurance Agency Limited	-	-	2,256	-
	102	**201**	**2,358**	**201**
Current accounts				
Executive Management	419	479	419	479
Non-executive directors	3	18	3	18
	422	**497**	**422**	**497**
Interest expense on savings accounts				
BBS Insurance Agency Limited	-	-	6	8
Executive Management	19	13	19	13
	19	**13**	**25**	**21**
Paid up, subscription and indefinite period paid up savings				
Held by the BBS Bank Limited Directors	31	61	31	61
Executive Management	586	2,117	586	2,117
	617	**2,178**	**617**	**2,178**
Interest expense on paid up, subscription and indefinite period paid up savings				
Executive Management	6	26	6	26
Ordinary shares				
Held by the BBS Bank Limited Non-executive directors	7	103	7	103
Executive Management	580	580	580	580
	587	**683**	**587**	**683**

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2025	2024	2025	2024

37. Related parties Related party balances (continued)

Amounts due from related parties

Key management personnel of the Group and Company

Mortgages

Non-Executive Directors	-	1,602	-	1,602
Executive Management	26,818	25,230	26,818	25,230
	26,818	**26,832**	**26,818**	**26,832**
Short-term loans				
Non-Executive Directors	-	9	-	9
Executive Management	249	277	249	277
	249	**286**	**249**	**286**
Unsecured personal loans				
Executive Management	**6,960**	**5,135**	**6,960**	**5,135**
Amount receivable from related company				
BBS Insurance Agency Limited	-	-	822	267

Advances are made to employees on concessionary terms in accordance with the conditions of employment.

Advances to Directors and parties related thereto are in the normal course of business and considered to be adequately secured. Advances to related parties at concessionary rates of interest are valued at the present value of expected future repayments of the advances discounted at a pre-tax discount rate that equates to the interest rate charged on similar loans to non-related parties.

During the period under review, the entity was owed management fees by a related party and also settled certain liabilities on its behalf, as disclosed in the Group and Company's financial statements.

Amount due from related company is considered to be a low credit risk and has not been impaired as the related party is a subsidiary controlled by the Group.

Expected credit losses on balances due from key management personnel of the Group and Company

Mortgages				
Non-Executive Directors	-	3	-	3
Unsecured personal loans				
Executive Management	**676**	**504**	**676**	**504**

Expected credit losses on related party loans and advances were classified as Stage 1 at the reporting date.

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Notes to the Consolidated and Separate Financial Statements

		Group		Company	
Figures in Pula thousand		2025	2024	2025	2024

37. Related parties Related party balances (continued)

Related party transactions

Amounts paid to related parties	Nature of transaction				
Non-Executive Directors - remuneration fees and other expenses	Board sitting fees and other expenses	1,888	1,717	1,888	1,717
Executive Management - interest expense	Interest expense	6	26	6	26
		1,894	**1,743**	**1,894**	**1,743**
Amounts received from related parties					
Non-Executive Directors	Interest income	-	17	-	17
Executive Management	Interest income	139	108	139	108
BBS Insurance Agency Limited	Management fees	1,699	1,699	1,699	1,699
BBS Insurance Agency Limited	dividend income	12,031	12,130	12,031	12,130
BBS Insurance Agency Limited	rental income	12	11	12	11
		13,881	**13,965**	**13,881**	**13,965**

During the financial year ended 31 December 2025, the Group and Company engaged in transactions involving the settlement of liabilities on behalf of the entity by a related party. These transactions were conducted in the normal course of business and at arm's length terms.

Terms and conditions of transactions with related parties
Loans to and deposits from related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties. These transactions do not involve more than the normal risk of collectability or present other unfavourable features.

Key management personnel receive mortgage and unsecured loans at concessionary rates as part of their fringe benefits.

Mortgages are secured by residential properties, while unsecured loans are supported by salary deductions and the right to offset balances against terminal benefits. Repayments occur through monthly payroll deductions over the employment term or mortgage tenure, and the interest rate benefit calculated against the market rate is recognised as a personnel expense.

BBS Bank Limited conducts regular transactions with its wholly owned subsidiary, BBS Insurance Agency (Proprietary) Limited, including property rentals, management fees, and the settlement of operating invoices. These transactions are carried out on an arm's length basis. The resulting intercompany balances are unsecured, interest-free (with the exception of interest-bearing savings accounts), and repayable in cash on demand. Additionally, no guarantees have been provided or received in connection with these subsidiary balances.

Notes to the Consolidated and Separate Financial Statements

37. Related parties Related party balances (continued)

Related Party	Nature of Relationship	Description of Transaction	Amount	Settlement Terms
BBS Bank Limited	Parent Company	Audit fees	42.84	repaid within 60 days
BBS Bank Limited	Parent Company	Payroll	969.00	repaid within 60 days

	Group		Company	
Figures in Pula thousand	2025	2024	2025	2024
Executive Management				
Gross emoluments of the key management personnel are analysed as follows				
Salaries, allowances and other short-term benefits	19,157	17,096	19,157	17,096
Post-employment benefits	9,092	4,725	9,092	4,725
	28,249	**21,821**	**28,249**	**21,821**

Key management personnel for the Group and Company have been defined as members of Executive Committee of BBS Bank Limited.

38. Litigation

BBS Bank Limited remains a defendant in only two significant litigation matters which arose from its normal day to day operations. These are claims by Southern African Furniture Manufacturers (SAFCO) and its subsidiaries Dwinchi (Pty) Ltd and Mohan (Pty) Ltd for approximately P40.55 million, in respect of damages incurred and for replacement of movable property which they allege the Company (BBS Bank Limited) wrongfully sold in 2005. This matter has been ongoing since November 2015 and is going through the judicial process. Management believe that the defence against the claim will be successful.

39. Compliance with the Banking Act

BBS Bank Limited is governed by the Banking Act (CAP 46.04).

40. Segment information

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

Notes to the Consolidated and Separate Financial Statements

41. Shareholder information

	No of shares held - 2025	% holding - 2025
Botswana Privatisation Asset Holding (Pty) Ltd	73,464	15.07 %
Botswana Police Staff Savings and Loans Guarantee Scheme	44,823	9.20 %
Mr Derek Brink	38,011	7.80 %
Motor Vehicle Accident Fund	36,793	7.55 %
Ms Rita Brink	35,341	7.25 %
Mr Simon Hirschfeld	13,191	2.71 %
Estate of late Abdul Joseph	12,191	2.50 %
Botlhale Investments (Pty) Ltd	11,966	2.45 %
Ms Lerie Brink	11,037	2.26 %
Others	210,636	43.21 %
Total shareholding	**487,453**	**100 %**

	No of shares held - 2024	% holding - 2024
Botswana Privatisation Asset Holding (Pty) Ltd	73,464	15.07 %
Botswana Police Staff Savings and Loans Guarantee Scheme	44,823	9.20 %
Mr Derek Brink	38,011	7.80 %
Motor Vehicle Accident Fund	36,793	7.55 %
Ms Rita Brink	35,341	7.25 %
Mr Simon Hirschfeld	13,191	2.71 %
Estate of late Abdul Joseph	12,191	2.50 %
Botlhale Investments (Pty) Ltd	11,966	2.45 %
Ms Lerie Brink	11,037	2.26 %
Others	210,636	43.21 %
Total shareholding	**487,453**	**100 %**

	Group		Company	
Figures in Pula thousand	**2025**	**2024**	**2025**	**2024**

42. Tax (paid)/refunded

Balance at beginning of the year	(170)	68	65	68
Current tax recognised in profit or loss	(1,677)	(2,846)	-	-
Balance at end of the year	(901)	170	-	(65)
Tax paid	**(2,748)**	**(2,608)**	**65**	**3**

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	2025	2024	2025	2024

43. Cash flow workings

Interest receipts*				
Total interest income	556,037	479,689	555,082	478,985
Unrecognised interest on impaired loans	10,650	4,850	10,650	4,850
Sales commission expense released to profit or loss during the year	-	1,614	-	1,614
Movement in accrued interest - Mortgage loans and advances to customers	34	859	34	859
Movement in accrued interest - unsecured loans and advances	(44)	(30)	(44)	(30)
Movement in accrued interest - financial investments	(1,626)	-	(1,626)	-
Movement in accrued interest - short-term loans and advances	38	(6)	38	(6)
Administration fees released to profit or loss during the year	(2,591)	(5,266)	(2,591)	(5,266)
Interest income - off-market staff loans	(6,694)	(10,633)	(6,694)	(10,633)
	555,804	**471,077**	**554,849**	**470,373**
Commission receipts*				
Fee and commission income	**36,744**	**34,957**	**26,642**	**19,454**
Interest payments				
Total interest expense	(412,017)	(269,626)	(412,527)	(269,628)
Accrued interest - debentures	397	1,886	397	1,886
Accrued interest - balances due to other banks	1,196	-	1,196	-
Accrued interest - borrowings	(2,855)	43	(2,855)	43
Accrued interest - fixed deposits - customer deposits	33,817	(14,075)	34,108	(14,075)
	(379,462)	**(281,772)**	**(379,681)**	**(281,774)**
Commission payment*				
Interbank transactional fees	(1,469)	(1,160)	(1,469)	(1,160)
Other income				
Other income	2,912	16,693	16,661	30,537
Profit on sale of non-current assets held	-	(11,462)	-	(11,462)
Dividend income	-	-	(12,031)	(12,130)
Effects of foreign exchange gains/(losses) on cash balances	1,828	-	1,828	-
	4,740	**5,231**	**6,458**	**6,945**
Cash payments to employees and suppliers				
Employee costs	(100,252)	(93,054)	(98,922)	(91,618)
Other expenses	(103,042)	(80,798)	(102,168)	(80,671)
Intangible assets written off	1,410	(5,644)	1,410	(5,644)
Fair value adjustments off-market staff loans	4,562	9,189	4,562	9,189
WIP not capitalised	1,465	-	1,465	-
	(195,857)	**(170,307)**	**(193,653)**	**(168,744)**

Notes to the Consolidated and Separate Financial Statements

	Group		Company	
Figures in Pula thousand	**2025**	**2024**	**2025**	**2024**

43. Cash flow workings

Change in other liabilities*				
Movement in other liabilities	3,572	(2,380)	4,983	(3,001)
Expected credit losses - Commitments	25	34	25	34
	3,597	**(2,346)**	**5,008**	**(2,967)**
Change in loans and advances to customers*				
Movement in loans and advances to customers	4,525	(567,099)	4,525	(567,099)
Deferred administration fees released to profit or loss during the year	2,591	3,652	2,591	3,652
Movement in accrued interest	(28)	(859)	(28)	(859)
Staff mortgage impairment	(4,562)	(9,189)	(4,562)	(9,189)
Expected credit loss allowance - loans and advances to customers*	(79,619)	(14,139)	79,619	(14,139)
Gain/(Loss) on mortgage loans de-recognised	-	(6,089)	-	(6,089)
Unrecognised interest on impaired loans	(10,650)	(4,850)	10,650	(4,850)
Gain on disposal of property in possession	2,453	1,139	2,453	1,139
Interest income off-market staff loans	6,694	10,633	6,694	10,633
	(78,596)	(586,801)	(78,596)	(586,801)
Financial investments*				
New placements of investments	(139,747)	(404,031)	(139,747)	(404,029)
Maturities of investments	19,959	380,081	19,959	380,081
Net cash flows generated from/{used in) financial investments	**(119,788)**	**(23,950)**	**(119,788)**	**(23,948)**
Change in customers' deposits				
Movement in customer deposits	109,264	245,144	109,219	252,730
Movement in accrued interest	(33,817)	14,075	(34,109)	14,075
Cashflows from customers	**75,447**	**259,219**	**75,110**	**266,805**

*Refer to note 45 for more details on the restatement.

Notes to the Consolidated and Separate Financial Statements

44. Financial Instruments and Fair Value Measurement

Classification of assets and liabilities
The information below set out the Group and Company's classification of assets and Liabilities. The Group and Company's financial instruments are measured at amortised cost and are not presented at fair value in the statement of financial position.

The carrying amounts of the financial instruments are deemed to approximate fair value.

Cash and cash equivalents, investments with banks, balances due from related company and other assets and liabilities
Cash and cash equivalents, investments with banks, balances due from related company and other financial assets and liabilities are short-term in nature, as such, the carrying amounts are deemed to closely approximate fair value.

Short-term loans and advances to customers
The fair value of short-term loans and advances is deemed to closely approximate the carrying value. This is due to the instruments included in this classification bearing variable rate. The instruments are for a period not exceeding five years and reprice in line with changes in prime lending rate.

Unsecured loans and advances to customers
The fair value of short-term loans and advances is deemed to closely approximate the carrying value. This is due to the instruments included in this classification bearing variable rate. The instruments are for a period not exceeding ten years and reprice in line with changes in prime lending rate.

Mortgage loans and advances to customers
The carrying amount of loans and advances is deemed to closely approximate the carrying value. This is due to the instruments included in this classification bearing variable rate and only an insignificant portion bearing fixed rate. Loans bearing variable rates reprice in line with changes in prime lending rate.

Deposits and borrowings
Deposits are generally of a short-term nature where the impact of discounting would be negligible. Borrowings includes both fixed as well as bonds which are linked to the Monetary Policy Rate (MoPR). These reprice in line with changes in the Monetary Policy Rate. For both deposits and borrowings, the counterparties are not related to the Bank and terms were concluded on market terms, hence, the carrying amount approximates market values.

Debentures
The carrying amount of debentures is deemed to closely approximate the fair value as their pricing is aligned to the prime-lending rate. Therefore, they reprice in line with changes in the prime lending rate.

This note provides information about the Group's financial instruments, including how their fair values are measured and the specific valuation techniques and inputs used. The fair value disclosures are categorised by the level in the fair value hierarchy.

Carrying Amount and Fair Value
IFRS 7 Financial Instruments: Disclosures requires the disclosure of the fair value of financial liabilities, even when they are measured at amortised cost. The fair value represents an estimate of the price that would be paid to transfer the liability in an orderly transaction between market participants at the measurement date. It does not represent the amount at which the liabilities are carried in the statement of financial position.

The facilities below bear fixed interest rates over long-term maturities, their carrying amounts are not considered to be a reasonable approximation of fair value. Accordingly, fair values have been determined using Level 3 inputs, as presented in the table below.

Notes to the Consolidated and Separate Financial Statements

44. Financial Instruments and Fair Value Measurement (continued)

Carrying Amount and Fair Value (continued)

Financial Liability	Fair value as at 31 December 2025	Carrying amount as at 31 December 2025	Fair value as at 31 December 2024	Carrying amount as at 31 December 2024
BBS00?	-	-	90,354	89,414
BBS0011	23,558	25,513	23,751	25,530
Debenture	9,485	10,100	9,531	10,109
	33,043	**35,613**	**123,636**	**125,053**

Fair Value Measurement Disclosure

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The disclosed fair values of the borrowings are classified as Level 3 because their valuation is dependent on significant inputs that are not based on observable market data, specifically the entity's own credit spread.

Valuation Technique and Inputs

The fair value for disclosure is calculated using a Discounted Cash Flow (DCF) model. This valuation technique discounts the expected future contractual cash flows (principal and interest payments) to their present value using a market-derived discount rate.

The discount rate is the sum of a Risk-Free Rate (Rf) and a Credit Spread (CS).

Risk-Free Rate (Rf): This is derived from the Bank of Botswana government securities yield curve corresponding to the remaining maturity of each instrument.

Credit Spread (CS): This is a significant unobservable input of developed to reflect the Group's own credit risk and an illiquidity premium. It was applied consistently for both the current and comparative periods and is derived from the following components.

Notes to the Consolidated and Separate Financial Statements

45. Restatement of Comparatives and Reclassifications

The Group and Company have identified the following errors relating to prior periods, as defined under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors:

45.1 Presentation and Recognition of Interest Income

It was identified that the following items relating to the Bank's lending activities had not been accounted for in accordance with IFRS 9 Financial Instruments in the periods in which the errors arose:

Loan administration fees: these are considered an integral part of the effective interest rate (EIR) of the related financial instruments. In prior periods, these fees were recognised on a straight-line basis over the term of the loan and presented within 'Fees and commission income'. The correct treatment under IFRS 9 is to incorporate these fees into the EIR calculation and recognise them within 'Interest income' over the expected life of the loan using the EIR method.
Loan sales commission: amortised sales commission fees paid, which are direct and incremental costs of originating loans, were previously classified as 'Fees and commission expense'. In accordance with IFRS 9, these transaction costs are part of the EIR calculation and are correctly presented as a reduction of 'Interest income'.

The above misstatements constitute prior period errors as defined by IAS 8.41, as the information required to apply the correct IFRS 9 EIR treatment was available at the time the financial statements were prepared but was not correctly applied.

45.2 Classification of Liquid Assets

It was identified that certain money market instruments and Bank of Botswana certificates had not been correctly classified in accordance with IAS 7 Statement of Cash Flows in prior periods. Specifically:

- Money Market Placements: certain money market instruments and short-term deposits were previously included in 'Cash and cash equivalents'. Upon review, these were found not to meet the definition of cash equivalents as they are held for investment purposes rather than for the purpose of meeting short-term cash commitments. These instruments have been correctly presented within 'Financial assets'.
- Bank of Botswana Certificates and Placements: conversely, certain Bank of Botswana certificates and placements with other banks with an original maturity of three months or less from the date of acquisition, which are highly liquid and subject to an insignificant risk of changes in value, were previously classified as 'Financial assets'. These instruments meet the definition of cash equivalents under IAS 7 and have been correctly presented within 'Cash and cash equivalents'.

The above misstatements constitute prior period errors as defined by IAS 8.41, as the information required to correctly apply the IAS 7 classification criteria was available at the time the financial statements were prepared but was not correctly applied.

45.3 Classification of Deferred Loan Administration Fees

It was identified that deferred loan administration fees had been incorrectly presented in prior periods. The liability previously recognised as 'Deferred admin fees' within 'Other liabilities' had not been offset against the related loan balances on the Statement of Financial Position. In accordance with IFRS 9, these deferred fees represent an adjustment to the amortised cost of the related financial instruments and are correctly presented as a deduction from 'Loans and advances to customers'.

The above misstatement constitutes a prior period error as defined by IAS 8.41, as the information required to correctly present these balances in accordance with IFRS 9 was available at the time the financial statements were prepared but was not correctly applied.

45.4 Presentation of the Statement of Financial Position – Order of Liquidity

It was identified that the Statement of Financial Position had previously been presented using a broad classification-based ordering of assets and liabilities that did not reflect the order of liquidity applicable to the Group and the Company as a financial institution. IAS 1.63 provides that, for entities such as banks and financial institutions for which a liquidity-based presentation provides information that is reliable and more relevant than a current/non-current classification, assets and liabilities shall be presented broadly in order of liquidity.

Notes to the Consolidated and Separate Financial Statements

45. Restatement of Comparatives and Reclassifications (continued)

45.4 Presentation of the Statement of Financial Position – Order of Liquidity (continued)

The prior period presentation did not correctly apply this requirement, as assets and liabilities were not ordered from most liquid to least liquid as required for a financial institution. Specifically, the ordering of the following line items has been corrected in the restated comparative Statement of Financial Position:

- Assets: the order of line items has been restated to present assets from most liquid to least liquid. 'Current tax receivable'and 'Properties-in-possession' have been repositioned to reflect their relative liquidity, and 'Deferred tax asset' has beenmoved to reflect its less liquid nature relative to other assets. 'Investments in subsidiary' is presented last as the leastliquid asset.

- Liabilities: the order of line items has been restated to present liabilities from most liquid to least liquid. 'Balance due to other banks' and 'Other liabilities' have been moved towards the top of the liabilities section to reflect their short-term nature, while 'Borrowings' and 'Debentures' have been repositioned towards the end of the liabilities section to reflect their longer-term nature.

This restatement is a correction of a prior period error as defined by IAS 8.41. The requirements of IAS 1.63 were applicable at the time the prior period financial statements were prepared, and the information necessary to present the Statement of Financial Position in order of liquidity was available but was not correctly applied. This correction has no impact on any reported amounts, total assets, total liabilities, total equity, profit for the period, or cash flows. Only the ordering of line items within the Statement of Financial Position has been restated.

45.5 Impact

The effects of the prior period errors identified are material to the information previously presented in the financial statements.

Consequently, the effect of these errors has been corrected retrospectively, restating the previously reported balances in accordance with IAS 8 Accounting Policies, Accounting Estimates and Errors.

In relation to the financial year ended 31 December 2024, the prior period error described under 45.1 resulted in a correction to the presentation of 'Interest income using effective interest rate', 'Fee and commission income' and 'Fee and commission expense' within the Statement of Profit or Loss and Other Comprehensive Income for the Group and the Company. This correction impacted profit for the period and consequently resulted in a corresponding adjustment to total equity. Although not impacting on the cash flows from operating activities in aggregate, the relevant non-cash eliminations for the Group and the Company were corrected.

In relation to the financial year ended 31 December 2024, the prior period error described under 45.2 resulted in a correction to the presentation of 'Cash and cash equivalents' and 'Financial assets' on the Statement of Financial Position for the Group and the Company. This correction has no impact on total assets, profit for the period or on total equity. The opening balance sheet (at 1 January 2024) was also adjusted to reflect this correction. Although not impacting on cash flows from operating activities in aggregate, the relevant non-cash eliminations within the Statement of Cash Flows for the Group and the Company were corrected.

In relation to the financial year ended 31 December 2024, the prior period error described under 45.3 resulted in a reduction in 'Loans and advances to customers' and a corresponding reduction in 'Other liabilities' on the Statement of Financial Position for the Group and the Company. The retained earnings of the Group and the Company were also adjusted to reflect the cumulative income effect of recognising these fees under the EIR method. The statement of changes in equity was adjusted accordingly. The opening balance sheet (at 1 January 2024) was also adjusted to reflect this correction.

In relation to the financial year ended 31 December 2024, the prior period error described under 45.4 resulted solely in a reordering of line items within the Statement of Financial Position for the Group and the Company to reflect presentation in order of liquidity in accordance with IAS 1.63. This correction has no impact on any reported amounts, total assets, total liabilities, total equity, profit for the period or cash flows. The opening balance sheet (at 1 January 2024) has also been restated to reflect the corrected order of presentation.

Notes to the Consolidated and Separate Financial Statements

45. Restatement of Comparatives and Reclassifications (continued)

45.5 Impact (continued)

The tables below summarise the impact of these corrections of prior period errors on the comparative information presented in our financial statements.

Line item	Notes	As Previously Stated P'000	Reclassification P'000	As Restated P'000
Interest income using effective interest rate	24	476,036	3,653	479,689
Fee and commission income	28	40,560	(5,603)	34,957
Fee and commission expense	28	(2,775)	1,615	(1,160)

Line item	Notes	As Previously Stated P'000	Reclassification P'000	As Restated P'000
Interest income using effective interest rate	24	475,333	3,652	478,985
Fee and commission income	28	25,056	(5,602)	19,454
Fee and commission expense	28	(2,775)	1,615	(1,160)

Impact on the Statement of Financial Position as at 31 December 2024

		Group			Company		
	Notes	As Previously Stated	Reclassification	As Restated	As Previously Stated	Reclassification	As Restated
Cash and cash equivalents*	4	508,143	167,651	675,794	502,775	167,651	670,426
Financial investments*	5	200,382	(167,651)	32,731	200,382	(167,651)	32,731
Loans and advances to customers	11	4,643,141	(27,002)	4,616,139	4,643,141	(27,002)	4,616,139
Other liabilities	18	77,813	(30,601)	47,212	76,545	(30,529)	46,016
Retained earnings/ (Accumulated losses)		35,013	5,752	40,765	18,983	5,751	24,734

*The net movement in cash and cash equivalents and financial investments of BWP 167,651 million comprises amounts of BWP 200,383 million reclassified from financial investments to cash and cash equivalents, offset by BWP 32,731 million reclassified from cash and cash equivalents to financial investments.

Impact on the Statement of Financial Position as at 31 December 2024

		Group			Company		
	Notes	As Previously Stated	Reclassification	As Restated	As Previously Stated	Reclassification	As Restated
Cash and cash equivalents*	4	366,036	463,318	829,354	345,087	463,318	808,405
Financial investments*	5	472,102	(463,319)	8,783	472,102	(463,319)	8,783
Loans and advances to customers	11	4,071,336	(22,296)	4,049,040	4,071,336	(22,296)	4,049,040
Other liabilities	18	75,475	(25,885)	49,590	74,766	(25,755)	49,011
Retained earnings/ (Accumulated losses)		(3,392)	6,086	2,694	(21,466)	6,086	(15,380)

Notes to the Consolidated and Separate Financial Statements

45. Restatement of Comparatives and Reclassifications (continued)

45.5 Impact (continued)

*The net movement in cash and cash equivalents and financial investments of BWP 463,319 million comprises amounts of BWP472,102 million reclassified from financial investments to cash and cash equivalents, offset by BWP 8,783 million reclassified from cash and cash equivalents to financial investments.

Impact on the Statement of Cashflows

Extract from the statement of cashflow for the year ended 31 December 2024

	Group			Company		
	As Previously Stated P'000	Reclassification P'000	As Restated P'000	As Previously Stated P'000	Reclassification P'000	As Restated P'000
Interest receipts	472,754	(1,677)	471,077	472,051	(1,678)	470,373
Commission receipts	35,209	(252)	34,957	19,705	(251)	19,454
Commission payments	(2,774)	1,614	(1,160)	(2,774)	1,614	(1,160)
Increase in loans and advances to customers	(595,160)	8,359	(586,801)	(595,160)	8,359	(586,801)
Increase in other liabilities	7,717	(10,063)	(2,346)	7,158	(10,128)	(2,970)
Financial Investments - Placements	(1,529,749)	1,125,718	(404,031)	(1,529,749)	1,125,718	(404,031)
Financial Investments - Maturities	1,799,791	(1,419,710)	380,081	1,799,791	(1,419,710)	380,081
Cash and cash equivalents at the beginning of the year	366,036	463,318	829,354	345,087	463,318	808,40
Cash and cash equivalents at the end of the year	508,143	167,651	675,794	502,775	167,651	670,426

Notes to the Consolidated and Separate Financial Statements

46. Events after the reporting date

Management has assessed all events and transactions occurring after the reporting date and up to the date of authorisation of these financial statements. Based on this assessment, no material adjusting or non-adjusting subsequent events were identified, except as disclosed below.

Board Resignation

Mr. Mmoloki W. Mogotsi resigned as a director of the Bank effective 31 January 2026.

Geopolitical Risk Consideration

Subsequent to year-end, global economic conditions have been further impacted by the ongoing conflict involving Iran, which has introduced heightened uncertainty into energy and financial markets. The disruption of key oil and gas supply routes, particularly the Strait of Hormuz, which facilitates approximately 20% of global energy trade, has contributed to increased oil prices, elevated inflation expectations, and tighter global liquidity conditions. Market data indicates that sustained energy price pressures may dampen global growth and increase input costs across economies, with emerging markets particularly exposed to imported inflation and exchange rate volatility.

While the direct impact on the Bank's portfolio remains limited, these developments have been considered qualitatively in the forward-looking macroeconomic overlays applied in the Expected Credit Loss ("ECL") model, particularly in relation to downside scenario weighting and inflation-linked credit risk drivers.

BBS Bank

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Additional Information

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BBS Bank
TRAVELODGE

Notice to Shareholders

BBS BANK LIMITED
(Incorporated in the Republic of Botswana)
Company Registration Number: BW00001057162
BSE Share Code ISIN: BW0000001965

Invitation to Shareholders

Dear Shareholder,

BBS BANK LIMITED ANNUAL GENERAL MEETING: THURSDAY 25 JUNE 2026

I am pleased to invite you to the BBS Bank Limited ("BBS Bank", "the Bank" or "the Company") annual general meeting (AGM), to be held as hybrid meeting on Thursday 25 June 2026 at 09h00. The hybrid option is intended to enable shareholders who are unable to be present in person at the venue, to attend remotely.

We have attached the summarized 2025 consolidated annual financial statements of the Bank, and the notice of the AGM, accompanied by explanatory notes and a proxy form. The Consolidated Annual Financial Statements and the BBS Bank 2025 Integrated Report are available on our website, that is, www.bbs.co.bw or at our offices and branches. A copy may also be obtained through an email request to the Investor Relations Office at bbs@bbs.co.bw.

We have provided, on the 'Notes to the Notice of the AGM' section of the notice, information on how to participate in the AGM, proxy forms submission, voting instructions and/or sending of queries in advance.

The AGM provides you with an opportunity to engage with the Board Members and Management. I look forward to your participation.

Yours Sincerely,

Vincent B. Mogano (Dr.)
Board Chairman

Notice to Shareholders (Cont.)

NOTICE OF ANNUAL GENERAL MEETING

Notice is Hereby Given that the 2025 Annual General Meeting ("AGM") of shareholders of BBS Bank Limited (Hereinafter "BBS Bank" or "the Bank") will be held at Travel Lodge, Plot 28295 BelaBele Road, Block 3, Gaborone and virtually, through electronic participation on Thursday 25 June 2026 at 09h00.

Purpose of the AGM
To transact the business set out in this notice of the AGM ("Notice"), to consider and if deemed fit, to adopt, pass, with or without modification the resolutions set out in this noti≠ce, and to transact any other business as may be transacted at the AGM or raised by shareholders and to answer any questions put forth by shareholders in terms of the Companies Act Cap. 42:01 as amended ("the Act") and the Constitution of BBS Bank ("Constitution"), regarding the affairs and business of the Bank.

AGENDA

Ordinary Business
1.To read the notice convening the meeting and confirm the presence of a quorum in accordance with the Constitution.

In terms of Article 71 of the BBS Bank Constitution, a quorum for a meeting of shareholders is constituted if those shareholders or their proxies who are present or who have cast postal votes are between them able to exercise a majority of the votes to be cast on the business to be transacted by the meeting.

2. Minutes of the Previous Meeting
To receive and adopt the minutes of the AGM held on 26 June 2025.

2.1. Ordinary Resolution Number 1: Adoption of Minutes
"RESOLVED THAT the Minutes of the AGM held on 26 June 2025 be and are hereby adopted".

3.Presentation of Consolidated Annual Financial Statements and Reports
The Annual Consolidated Financial Statements of the Bank (as approved by the Board of Directors of BBS Bank) and audited by PwC Botswana, for the year ended 31 December 2025, including the report of directors and auditors will be presented to the shareholders.

The consolidated annual financial statements are contained in the bank`s integrated report, in terms of section 215 of the Companies Act.

The audited financial statements were published to stakeholders on 1 April 2026 through the X-News platform of the Botswana Stock Exchange (BSE), local newspapers, electronic media and our branch network.

The audited financial statements and performance were presented and covered in detail during the shareholder roadshows held in April – May 2026.

Notice to Shareholders (Cont.)

*The full set of audited financial statements of the Bank for the year ended 31 December 2025 and integrated report can be accessed on the Bank`s website (www.bbs.co.bw), and can be obtained free of charge upon request from the Investor Relations Office by emailing to bbs@bbs.co.bw and will also be emailed to shareholders.

ORDINARY RESOLUTIONS
The voting rights required for the approval of an ordinary resolution by shareholders is more than 50% of the voting rights exercised for each resolution.

4.Remuneration of Independent Auditors for the Reporting Period
To consider and ratify the remuneration of external auditors PwC for the year ended 31 December 2025, as approved by the BBS Bank Board of Directors.

4.1. Ordinary Resolution 2: Remuneration of PwC Botswana

"RESOLVED THAT the remuneration of PwC Botswana, amounting to BWP2,216m for the year ended 31 December 2025 (2024: BWP 2,104m) be and is hereby ratified."

5.Re-Appointment of Independent Auditors

BBS Bank is required by applicable laws to have its annual financial statements audited by an independent external auditor. The external auditor should be appointed annually by the shareholders at the Bank`s annual general meeting. The Audit Committee and the Board of Directors have considered the independence of the external auditors and has concluded that there is no cause to believe that the auditors have acted without objectivity and independence. Pursuant to the Banking Act Cap. 46:04, Financial Reporting Act and King IV Code of Corporate Governance which the Bank has adopted, the Board has satisfied itself with the audit quality for the year ended 31 December 2025 and accordingly recommends PwC Botswana for re-appointment as the independent external auditors of the Bank for the ensuing year. PwC were first appointed as new independent auditors of the bank on 26 June 2025.

5.1. Ordinary Resolution 3: Re-Appointment of PwC Botswana

"RESOLVED THAT PwC Botswana be and is hereby re-appointed as the external auditors of the Bank and to hold office until the conclusion of the next AGM".

6. Re-Election of Non-Executive Directors retiring by rotation

To consider and appoint Mr. Geoffrey Moamodi Bakwena who retires by rotation in terms of the Constitution of BBS Bank, and being eligible and available, has offered himself for re-election. The Board Charter requires retirement and rotation of directors at the end of their 3-year term. Mr. Bakwena`s second tour of his directorship will lapse in July 2026. The expiry was deliberately placed at July to structure and stagger the rotation and retirement of directors. Consistent with the Board Charter, rotation of board members should be structured to retain valuable skills, to have continuity of knowledge and experience and to introduce persons with new ideas and expertise. Directors who retire and being eligible, are entitled to offer themselves for re-election.

Notice to Shareholders (Cont.)

In terms of the BBS Bank Board Nominations Policy, nomination for re-election of a director should be considered based on a director`s performance, including attendance at meetings of the Board and its committees. The results of the skills gap analysis and Board evaluation exercise reveal that the Board is satisfied with the knowledge, skill, experience and performance of Mr. Bakwena. The results of the last board evaluation exercise have also positively reviewed the performance of Mr. Bakwena. His experience as a governance professional, and his long experience in board leadership across many sectors continue to strengthen the board. His institutional memory and knowledge of the bank has proven to be critical in facilitating appropriate guidance at strategic level. The Board has considered his independence and concluded that Mr. Bakwena continues to exhibit independence and objectivity in decision making and handling board affairs. Based on the results of the board evaluation exercise, his experience, knowledge, attendance at meetings, participation and contribution, the Board recommends Mr. Bakwena to the Shareholders for re-election.

6.1. Ordinary Resolution 4: G.M. Bakwena

"RESOLVED THAT Mr. Geoffrey Moamodi Bakwena, who retires by rotation in terms of the Constitution of BBS Bank, and being eligible and available, offers himself for re-election, be and is hereby re-elected as a Director."

Biographical profile of Mr. Bakwena is set out in the Integrated Report.

7. Authority to transition to the Main Board of BSE

BBS Bank has been registered on the Serala Over-the-Counter Board ("Serala OTC Board") of the Botswana Stock Exchange (BSE), since 3 September 2018. At the time when the Botswana Building Society (now BBS Bank) demutualized into a company, it envisioned listing on the Botswana Stock Exchange, primarily to raise capital and enhance its standing and transparency amongst others. A decision was accordingly made to register the securities of BBS Bank on the Serala OTC Board, which allowed the company to learn, to experience and to understand the listing environment whilst it prepared itself for a main listing in due course. Under the Serala OTC Board framework, issuers are permitted a maximum listing tenure of five (5) years, after which they are required to either migrate to the BSE Main Board ("Main Board") or de-register. The tenure for BBS Bank on the Serala OTC Board expired, subject to extensions by the BSE. BBS Bank has been given approval by the BSE to extend its registration on the Serala OTC Board to December 2026.

BBS Bank now intends to apply to list on the Main Board. The Board is of the view that a Main Board listing will enhance BBS Bank's visibility, credibility, and access to a broader investor base, while aligning BBS Bank with more established issuers within the commercial banking market.

7.1. Ordinary Resolution 5: Listing on the BSE Main Board

"RESOLVED THAT BBS Bank Limited apply for listing of securities on the Main Board of the Botswana Stock Exchange, and the directors of the Company be and are hereby authorised to settle the terms of and sign and/or despatch documents and notices to be signed and/or despatched by/or on behalf of the Company under or in connection with or which may be necessary and generally do everything reasonably required or necessary for the implementation of the listing on the Main Board.

Notice to Shareholders (Cont.)

8.General Authority to Issue Ordinary Shares for Cash

In terms of the Constitution of BBS Bank, the Board may from time to time issue ordinary shares, and any other shares or securities provided for by the Constitution to any person at any time and in any number it considers appropriate.

In connection with the proposed migration, and in anticipation of the BBS Bank's inclusion in the BSE market indices, the directors intend to undertake a capital raise comprising of rights issue and issue for cash. The capital is intended to strengthen the Bank's financial position and support its strategic growth initiatives as it progresses with its transformation journey as a commercial bank. The purpose of this resolution is for Shareholders to authorise and partake the issue of ordinary shares, subject to the terms and conditions accompanying this issuance.

8.1. Ordinary Resolution 6: Issue of ordinary shares for cash

"RESOLVED THAT, subject to the Constitution of BBS Bank, the Companies Act, Banking Act and to the extent applicable the BSE Listings Requirements, in order to raise capital for BBS Bank, the directors be and are hereby authorised to issue ordinary shares and/or options or securities which are convertible into existing class of equity securities by way of rights issue and/or issue for cash to such person or persons and on such terms as the as set out in the Circular to Shareholders, provided that;

8.1.1 The authority will be valid until the earlier of the bank`s next annual general meeting or 15 months from the date on this authority;

8.1.2 The issue to be of a class of securities already in issue or limited to such securities or rights that are convertible into a class already in issue."

9. Authority on Protective Provisions of Building Societies Act

In terms section 67B of the Building Societies Act, which BBS Bank is subject to, shareholders may by special resolution, permit BBS Bank to offer for sale, invite subscriptions for shares, allot or agree to allot shares with a view to their being offered for sale, allot or agree to allot shares, or register a transfer of shares in BBS Bank in excess of 25% to one person (permitted proportion) or allot or agree to allot shares within 10 years from the date BBS Bank converted from a building society (protective period). The directors are of the view that it is imperative for the shareholders to pass such resolution for BBS Bank in order to promote the success of the capital raise and enable BBS Bank to access a broader investor base.

9.1. Special Resolution 1: Building Societies (Amendment) Act protective period provision

"RESOLVED THAT, in accordance with Section 67B (5) (a) of the Building Societies Act, the protective provisions of section 67B of the Building Societies Act shall cease to apply to BBS Bank with immediate effect and that directors be and are hereby authorized to issue or allot securities, shares and/or give options to subscribe for unissued shares."

Contact and other details

BBS Bank Limited
Incorporated in the Republic of Botswana)
Company Registration Number: BW00001057162
BSE Share Code ISIN: BW0000001965

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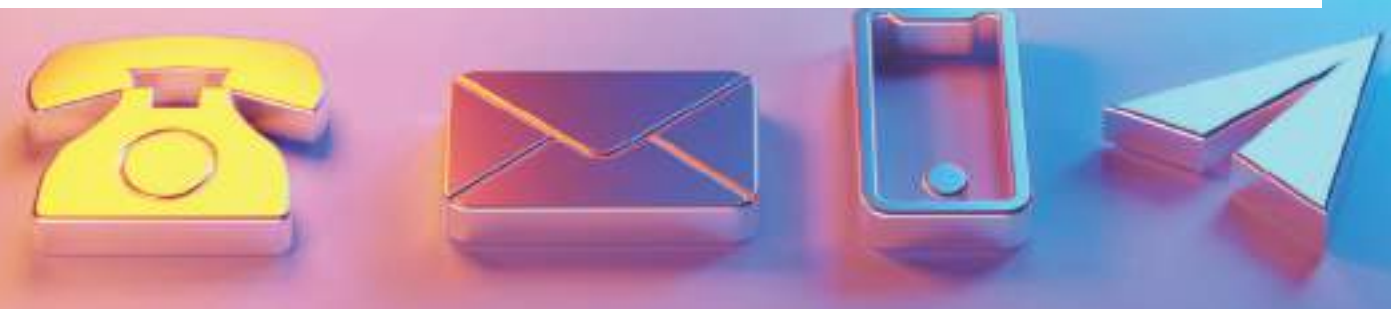

Forward-looking disclaimer

This BBS Bank Integrated Report 2025 contains certain statements that are "forward-looking" with respect to certain of our plans, goals and expectations relating to its future performance, results, strategy and objectives. Words such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "aim", "outlook", "believe", "plan", "seek", "predict" or similar expressions typically identify forward-looking statements. These forward-looking statements are not statements of fact or guarantees of future performance, results, strategy and objectives, and by their nature involve risk and uncertainty because they relate to future events and circumstances that are difficult to predict and are beyond the bank's control, including but not limited to, domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities (including changes related to capital and solvency requirements), the impact of competition, inflation and deflation. The bank's actual future performance, results, strategies and objectives may differ materially from the plans, goals and expectations expressed or implied in the forward-looking statements. BBS Bank makes no representations or warranty, express or implied, that these forward-looking statements will be achieved, and undue reliance should not be placed on such statements. The forward-looking statements in this document are not reviewed and reported on by BBS Bank's external assurance providers. BBS Bank undertakes no obligation to update the historical information or forward-looking statements in this document and does not assume responsibility for any loss or damage arising as a result of the reliance by any party thereon.

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