Raising awareness among employees and wider stakeholders about the importance of environmental stewardship.

Standard Chartered

Annual Report and Accounts 2008

Botswana

Annual Report and Accounts 2008

Leading the way

in Asia, Africa and the Middle East

Standard Chartered

Standard Chartered

Mall Branch Banking Hall

Leading by example

Standard Chartered aims to be the world's best international bank. With 70 000 people employed in more than 70 countries, we are well positioned to achieve growth from opportunities in some of the world's most exciting and diverse markets.

We lead the way through:

- A disciplined approach to target markets
- Innovative products and services
- Talented and diverse teams
- Sustainable business strategies

For more information visit www.standardchartered.com

Annual Report and Accounts 2008
for the year ended 31 December 2008

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Standard Chartered

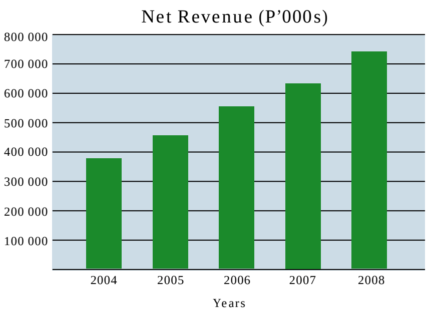
A year of very satisfactory earnings growth

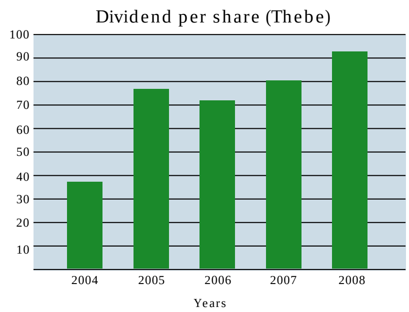
The Directors of Standard Chartered Bank Botswana Limited are pleased to present the Bank's financial results for the year ending 31 December 2008.

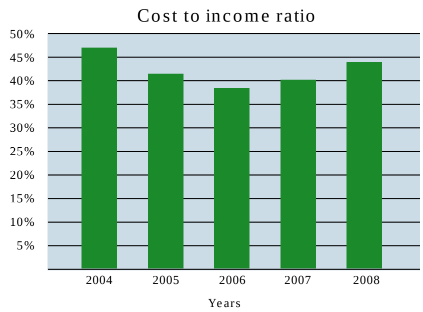
Despite trying operating conditions, especially in the last quarter, we have delivered on our promise to shareholders, customers, staff and regulators, due to the momentum gained in the first three quarters of 2008.

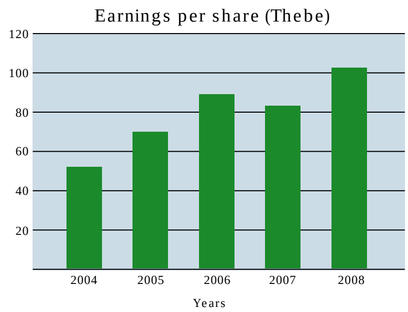
Highlights

- Net revenue up 17% to BWP741.5 million from BWP633.5 million in 2007.
- Cost/income ratio up to 43.6% in 2008 compared to 42% in 2007.
- Debt charge down to BWP47.8 million from BWP74.9 million in 2007.
- Pre-tax profit up by 22.2 % to BWP370.5million compared to BWP303.1million in 2007.
- Dividend per share increased by 16% to 92.17t compared to 80.02t in 2007.
- Return on equity at 120% compared to 87.2% in 2007.









Net revenue
up 17%
P741.5m
From P633.5m

Cost/income ratio
to 43.6%
from 42%

Debt charge
down 44%
P47.8m
From P74.9m

Pre-tax profit
up 22.2%
P370.5m
From P303.1m

Dividend/share
up 16%
92.17t
From 80.02t

Return on equity
120%
from 87.2%

A strong performance in a difficult year

" Standard Chartered Bank has delivered yet again very strong performance for 2008 with income rising 17% and operating profit before tax up 22.2 % in what was a difficult environment, particularly in the fourth quarter. "

VT SERETSE
Chairman

The Directors are pleased to present the Bank's financial results for the year ended December 31, 2008. Our results clearly demonstrate that our focused strategy is indeed the right one. We have again delivered a very strong operating performance and this is especially satisfying given the challenges in the external environment. The impact of the global financial crisis began to manifest itself in the Botswana economy during the fourth quarter of 2008. The Mining Sector had begun to exhibit signs of a slowdown in sales. However, our business benefited from the momentum of the first three quarters and produced a very satisfactory result.

Highlights

- Net revenue up 17% to BWP741.5m from BWP633.5m.
- Cost/income ratio up to 43.6% in 2008 compared to 42% in 2007.
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- Return on equity at 120% compared to 87.2% in 2007.

Macroeconomic summary

Although the impact of the global credit crisis has not been fully experienced in Botswana's economy, fears of a significant decline in economic growth are still imminent. Already, the diamond industry, Botswana's main source of export revenue, and biggest contributor to GDP, is in recession as a result of dried up demand for diamonds. As demand for the country's key commodity exports decline, rating agencies have also revised the outlook for Botswana's ratings downward.

It is noteworthy, however, that in an effort to stimulate the economy, Bank of Botswana has begun to ease interest rates, reflecting a shift in monetary policy and a longer-term view of inflation.

The government is also playing its part to catalyse the economy by announcing an expansionary budget which will leave a sizeable deficit.

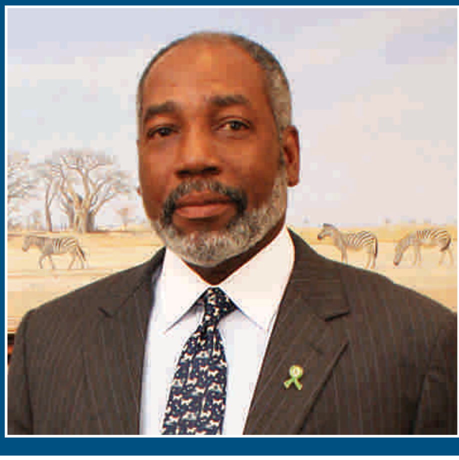
Governance

The Board of Standard Chartered Bank Botswana Limited has ultimate responsibility for ensuring an appropriate and effective Governance framework is established and maintained to manage and control the Bank's activities. Over the past year we saw the resignation of two non-executive Directors, Mrs Masire-Mwamba, who has been called to represent Botswana elsewhere, and Mr David Moir, the longest standing Director of the Board of Standard Chartered Bank. We thank them for their service to the Bank. We were fortunate to appoint Mr Bojosi Otlhogile, from the University of Botswana and welcome him to the Board.

Chief Executive Officer's Review

> The Bank's operating success is the result of a concerted effort by its two major business segments, namely Consumer Banking and Wholesale Banking, to focus on deepening existing client relationships

DAVID CUTTING
Chief Executive Officer



Our business performed creditably in the year under review. We achieved double digit growth in revenues supported by an appreciable growth in our balance sheet and a volume-based increase in fee income. Our costs as a percentage of income grew a little faster than in 2007, but reflected investment in process improvement, branch rebranding and additional service channels, such as ATMs. The Bank's provision for bad or doubtful debts is noticeably lower than the prior year, indicative of a return to more normal impairment levels. In general, our balance sheet is of high quality and is the result of robust credit risk management.

Segmental Overview

The Bank's operating success is the result of a concerted effort by its two major business segments, namely Consumer Banking and Wholesale Banking, to focus on deepening existing client relationships. The two engines of growth posted strong performance in their respective areas. Consumer Banking registered double digit growth reflecting a healthy portfolio of earning assets, the foundation for which was laid in 2007. Wholesale Banking enjoyed strong revenue growth from a variety of product lines and a noteworthy increase in the utilisation of Short Term Credit Facilities.

Consumer Banking

Our Consumer Banking business continues to be the major contributor to the bottom line, delivering broad based growth in all the key segments and across multiple products. The foregoing notwithstanding, the growth of our Personal Lending Book was conservatively managed to arrest over-concentration and to achieve a higher quality portfolio. During the year we launched a number of successful campaigns to stimulate a Savings Culture in Botswana. We began the process of upgrading our ATMs and this will be completed in the New Year. Our SME business focused on Trade Finance and very selective asset growth in 2008.

Wholesale Banking

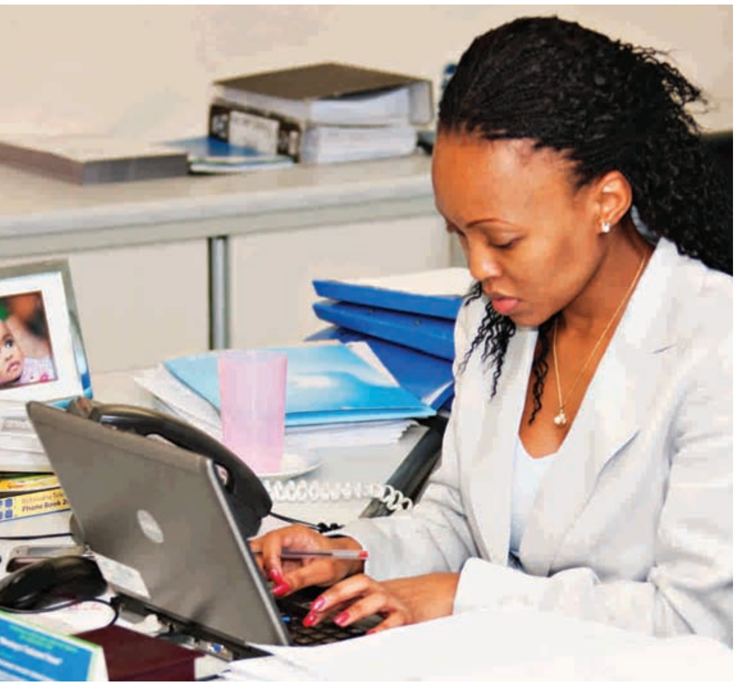
Our Financial Markets business offered the market a diversified portfolio of products making a significant contribution to the revenue base of this sector. Strong revenue growth was achieved from our investments in marketable securities, foreign exchange trading income and commissions from the sale of innovative products such as Interest Rate Swaps, Interest Rate Trading Currency Options and other derivatives structures. On the Corporate and Institutional side of our Wholesale business, 2008 was a year of significant growth in earning assets mainly in the Diamond Sector. Our customers in the Manufacturing and Trading Sectors also responded positively to incentives to increase credit facility utilisation. Our "Straight 2 Bank" Cash Management Product provided an opportunity for us to cement our relationship with a number of clients.

2009 and Beyond

We are expecting 2009 to be a year of both increased challenge and new opportunities. We believe we have the right mix of products, local knowledge and creative solutions to help our customers weather the current turbulence in Financial Markets around the world. We have a strong Capital Base at both Group and Local levels. We are sufficiently liquid to respond to the borrowing needs of our customers and in this regard look forward to working with them in support of their businesses. It will be necessary for us to exercise more caution in our assessment of risk and to price appropriately for increased or unmitigated risk and we are open for business. We look forward to the challenges in 2009 and beyond with cautious optimism.

Our Customers

We would once again like to thank our customers for their loyalty throughout the year and to assure them of our determination to support them in these turbulent times with products that are relevant and with international standards of service. We fully appreciate that we cannot expect our customers to be loyal if we do not respond to their needs promptly and in a professional manner. They can expect our Bank to continue to be 'The Right



CEO's Review (cont'd)

Partner' and to endeavour to improve our service. We know that our customers have a choice but our hope is that Standard Chartered Bank will be the Bank of choice for all customers who see value in our long history in this market, our understanding of their needs and the seamless access which we can provide to our International Network.

Our Community

Standard Chartered Bank focuses its social responsibility activities, which include Global, Regional and Local programmes, on projects that are sustainable in the long term and will make a difference in the communities in which we operate.

Seeing is Believing is one of the global initiatives, and aims to restore sight or prevent blindness for 20 million people across 20 countries. Botswana is an active participant in this initiative, in partnership with the Botswana Eyecare Providers Society. In our commitment to sustainable development, Standard Chartered Bank is a leading advocate in the protection of the environment and in this regard has partnered with various stakeholders to promote awareness of the need for demonstrable behaviour change to protect the natural environment. Regionally, across Africa our focus was on '*Nets for Life*', an initiative to prevent malaria. The project, which is entering its second phase, will distribute a million Long-Lasting Insecticide Treated nets across the continent. This project was launched in Botswana in November 2008.

Locally, our staff undertook numerous projects in 2008 which demonstrated their personal commitment to making a difference in the communities in which they live.

Our Staff

The Board of Directors of the Bank would like to thank all our staff for their significant contribution to our excellent results in 2008. Our staff in the Bank receive unrivalled development opportunities through their active use of our Individual Learning and Development Curricula. We continue to build leadership capacity, turning talented people into Great Managers and Great Managers into Tomorrow's Leaders. Attracting and developing the next generation of leaders is a critical challenge for the sustainability of our business.

Our Shareholders and Declaration of 2008 Final Dividend

The Board has recommended and approved the declaration and payment of a final dividend of 26.9 thebe (gross) per ordinary share, amounting to P77million. An interim dividend of P215 million (74.64 thebe (gross) per ordinary share was declared during the year. This brings the total dividend for the year to P292 million (compared to P230 million for 2007).

Consumer Banking

> We plan to continue to pivot our business away from personal loans to a more balanced mix of consumer lending, SME banking and wealth management and deposits.

Focus on customer and product innovation

MICHAEL WIEGAND
Head of Consumer Banking

The Consumer Banking business underwent a significant transformation in 2008. We made the conscious decision at the end of 2007 to limit growth in our personal lending portfolio and refocus on lower-risk segments in anticipation of a turn in the consumer credit cycle. Overall we shrank our asset book by 4.1% and repositioned it for lower risk across both consumer and SME lending. We grew our liabilities by 16.7% through a focus on the customer and product innovation.

As we have grown our deposits and customer base, branch transactions have increased significantly and our customer service has suffered. Customer service is our number one priority for 2009 and we are investing heavily in alternative channels and improvements in branches to improve the service experience of our customers.


DHL
DELL

> Part of our strategy for 2009 is to identify opportunities to be the right partner in the local market by providing end-to-end, award winning and innovative financial solutions and services to our clients.

Trail blazing risk management

Our Wholesale Banking business comprises two segments: Origination and Client Coverage and Financial Markets. Wholesale Banking has a client-focused strategy providing cash management, trade finance, foreign exchange and risk management, capital raising and corporate finance solutions.

Reflecting our client-centred strategy, we continued to grow our capabilities across product and client segments and to strengthen our working capital value proposition to our clients. Our solutions cover the diverse client base that we serve, and they range from structured funding for the diamond sector to settlement services for the new Central Securities Depository (CSD) and its counterparties.

Converting clients onto our fully integrated electronic platform, Straight2Bank continues to be a key focus, and last year, we made great strides towards making Straight2Bank the primary channel for transactions and information.

We have strong capital and liquidity and solid momentum behind our business. By continuing to put our clients first and maintaining discipline around managing costs, liquidity, capital and risk we were well placed to navigate through the turmoil that we saw towards the end of the year.

In 2008 our commitment to deliver value-adding solutions that ensure sustainable partnerships with our clients was underscored by a series of risk management campaigns.

Standard Chartered Bank Wholesale Banking blazed a new trail in the market with management seminars highlighting the ever-increasing need to protect business profitability through the employment of efficient risk management strategies.The initiative proved to be extremely useful to corporate clients at a time when the global financial crisis was far from evident.

CEO David Cutting with guest presenters from financial markets at a first quarter 2007 risk management seminar.

OLEBILE MAKHUPE and SESETI MOGAMI
Co-heads of Wholesale Banking

Our strategy for 2009 is:

- To be the core bank to our clients, deepening relationships and providing them with a broader range of solutions and services.
- To leverage our extensive group network to increase strategic and value-adding capabilities to our clients.
- To identify opportunities to be the right partner in the local market by providing clients with end-to-end, award winning and innovative financial solutions and services.
- To reinforce our leadership position in delivering risk management and working capital solutions in the local market, while ensuring efficient management of capital and liquidity.
- To efficiently manage costs and maintain a robust risk management environment.

Enabling team players to become winners

Multiplying our leadership capability and making the Bank a great place to work are some of the key strategic priorities of Standard Chartered Bank Botswana.

Our commitment to staff is that we will help them to grow and will enable them to make a difference and teams to win. To this end, in 2008 there was significant training and development both at local and international level. Locally one of the many workshops that were conducted was the newly launched Leadership Essential Programme which is aimed at helping new supervisors and managers who are transitioning from being individual contributors to team managers to develop the skills to deliver results through their teams.

A good number of managers and supervisors were also taken through The Great Managers Programme, which is designed to equip team leaders with people management skills to enable them to become great managers who should in turn engage their teams to deliver their optimal performance.

In our effort to improve bench strength and to multiply our Leadership Capability the Bank recruited 22 mid-career entrants into junior and middle management positions. We also brought 20 local graduates into the Bank.

In 2008 the Bank has shown its commitment to localisation by increasing the percentage of local Executive Management Committee positions to 73% from 44% in 2007. The positions that have been localised are Head of Financial Markets, Head of Origination and Client Coverage and Country Operational Risk Assurance Manager.

As part of Making Standard Chartered Bank a Great Place to Work we took time at the beginning of last year to appreciate and recognize staff who have been loyal to the Bank in the categories of 5, 10, 15, 20, 25 and 30 years. We also continue to reinforce high performance by rewarding staff who have contributed to the Banks performance through spot awards, bonuses and awarding of Standard Chartered Bank shares.

Standard Chartered Bank focuses its social responsibility activities on projects that are sustainable in the long term and will make a difference in the communities in which we operate. The Bank's projects are global, regional and local.

A million mosquito nets for Africa

A drama group demonstrate how the mosquito nets should be used.

Nets for Life

Regionally, our focus is on *Nets for Life* (NfL), an initiative to prevent malaria across Africa. The project, which is entering its second phase, will distribute a million long-lasting insecticide-treated nets (LLITNs) across the continent. *Nets for Life* in Botswana was preceded by a special cocktail for Sir Richard Feacham of Global Health Group, to build awareness of the need to eliminate malaria in Botswana. Sir Richard is one of the leading activists for the prevention of malaria worldwide. This event was a precursor for the official launch of *Nets For Life* in Botswana, which took place in Maun. The deputy Permanent Secretary for Health, Dr K Malefho was the Guest of Honour at the Maun Kgotla. Attending were the chief's representative, The Right Reverend Bishop Trevor Mwamba, the Head of the Episcopal Relief and Development, Susan Lassen, the Chief Executive Officer of Standard Chartered Bank Botswana, David D Cutting and his management team, and various senior officials of the North West District Council. The Bank donated 16 500 nets, which will be distributed in 2009 to prevent the transmission of malaria in affected regions, with a focus on pregnant women and infants under the age of five.

Sir Richard Feacham of Global Health Group at the official Botswana launch of Nets for Life.

This house was built and donated to a destitute family by Standard Chartered staff.

Employee volunteering

Locally, our staff undertook numerous projects in 2008, such as hosting Christmas parties for underpriviledged children and orphans. One project was the culmination of five years work by Bank staff in the Collections Department. Through their own fundraising efforts and some backing from the Bank, they built and donated a house to a destitute family of 13 in Tsolamosese. The Hemamo branch also raised funds to send physically and mentally challenged children from the Thuto Boshwa Rehabilitation Centre in Ramotswa, on an educational trip to tourism areas in the northern part of Botswana. Standard Chartered Bank encourages these projects which are entirely through staff volunteer efforts.

Standard Chartered Bank also encourages staff to become involved 'hands on' with its Employee Volunteering Programme, which entitles every employee to two days paid leave each year for community work.

Staff members painting a counselling room at the Baylor Clinic during Blue & Green Week.

Standard Chartered volunteers help redecorate an SOS Childrens' Village building.

National Disability Games

Once again, *The National Disability Games* and Gala Dinner was a fundraising event for the building of a sports recreational centre for the disabled in Ramotswa. The Bank also organised the National Disability Games at University of Botswana for the southern region of the country.

Know your status

On *World Aids Day*, December 1, 2008, Standard Chartered offered its staff free counselling and testing by an independent testing and counselling organisation.

The environment

During 2008 Standard Chartered partnered with the Botswana Power Corporation and Water Utilities to promote awareness of the environment and the importance of saving water and electricity. Staff were sensitised to the need to use paper sparingly, for example, by not printing emails unnecessarily. The separation of waste into paper and glass for recycling was also promoted. Staff participated in various clean-up campaigns organised by the Gaborone City Council during the year.

In conjunction with UNDP, Standard Chartered screened Al Gore's film, *An Inconvenient Truth* to members of Parliament during the November parliamentary session to increase awareness of global warming. MPs were encouraged to take the film to their constituents and encourage behaviour change. As part of ensuring sustainable development, the Bank wants to be seen to be a leading advocate for the protection of the environment.

Non-executive Board member Bojosi Otlhogile, Chief Executive Officer David Cutting and and Chairman Vincent Seretse.

The Board of Standard Chartered Bank Botswana believes that firm corporate governance is critical for the delivery of sustainable value, creating a culture of business integrity and maintaining investor confidence.

Pursuing the highest governance standards

In pursuit of the highest standards of corporate governance, the Directors confirm that the Company applies a governance approach that complies with Bank of Botswana and Botswana Stock Exchange regulations.

Board and committees

The Board of Standard Chartered Bank Botswana Limited has ultimate responsibility for ensuring that an appropriate and effective governance framework is established and maintained to manage and control the Bank's activities. The Board allocates responsibilities to its committees and establishes standards for the control and governance of Standard Chartered Bank. Committees have responsibilities and authorities to monitor and control specific aspects as defined in their terms of reference.

Board of Directors

The Board comprises of executive and independent non-executive directors who meet quarterly.

Chairman
VT Seretse
Executive Directors
David Cutting (Managing Director)
Pierre Mourier (Head of Consumer Banking)
Non Executive Directors
Washington Matsaira
Mmasekgoa Masire-Mwamba
David Moir
Bojosi Otlhogile
Company Secretary
Thato Mmile
Board Nominations
VT Seretse (Chairman)
Washington Matsaira
David Cutting
Board Audit Committee
Mmasekgoa Masire-Mwamba (Chairperson)
Washington Matsaira
VT Seretse

Corporate Governance

Governance committees

Audit Committee

The Audit Committee has the responsibility for the appropriateness of accounting policies and oversight of internal controls and risk management processes. It reviews statutory accounts and published financial statements and considers both internal and external audit findings and regulatory reports. The committee meets quarterly and comprises of at least two Non-Executive Directors.

Country Management Committee (MANCO)

MANCO provides unified leadership in the country specifically by determining and agreeing the response to cross-business challenges, in particular those relating to financial management, customer and franchise management, corporate governance, people and talent.

MANCO meets at least twice a month and membership comprises the Chief Executive Officer (Chairman), Heads of Consumer Banking, Wholesale Banking, Technology and Operations, Finance, Human Resources, Legal and Compliance, Corporate Affairs, Country Operational Risk Assurance and the Risk Officer.

Assets and Liability Committee (ALCO)

ALCO ensures the efficient implementation of balance sheet management policies. It receives and reviews reports on liquidity, market risk and capital management. ALCO identifies balance sheet management issues that are leading to under-performance and reviews deposit pricing strategy for the market. ALCO meets monthly and comprises the Chief Executive Officer (Chairman), Heads of Consumer Banking, Wholesale Banking and Finance.

Country Operational Risk Group (CORG)

CORG provides a forum for the identification, assessment, mitigation and subsequent monitoring of country level Operational Risk trends and issues. This includes ensuring compliance with internal policies and relevant regulations, as well as Bank's Operational Risk Management and assurance Framework , promoting and sustaining a high level of operational risk management culture with the country, reviewing Operational Risk Profile and ensuring appropriate ownership, actions and progress for all risks and reviewing overdue Audit points. CORG meets monthly and comprises the Chief Executive Officer (Chairman), Heads of Consumer Banking, Wholesale Banking, Technology and Operations, Operational Risk Assurance, Legal and Compliance, Human Resources, Finance, Corporate Affairs and the Risk Officer.

Early Alert and Credit Portfolio Committees

These committees provide overall direction and management of the credit portfolio and meet monthly. Membership comprises the Chief Executive Officer (Chairman), Heads of Consumer Banking, Origination & Client Coverage, Country Chief Risk Officer and various credit staff.

Pensions Executive Committee (PEC)

PEC oversees the Bank's pension scheme arrangements although specific responsibility for the Bank's pension schemes vested in elected and appointed trustees. PEC comprises the Chief Executive Officer (Chairman), and heads of Finance and Human Resources. PEC meets at least twice per year.

Risk management

Standard Chartered Bank's approach to risk management remains highly disciplined. Through its Risk Management Framework the Bank seeks to efficiently manage credit, market, liquidity, operational, reputational and regularity risk, which arise through the Bank's commercial activities. The Risk Management Framework provides a structured and coherent top-down approach to risk management. It provides clarity around management of risks faced by the Bank and clear linkages between risks, the establishment of risk appetite and capital management processes.

Credit Risk

Credit risk is the risk that a customer is unable to meet their obligations in accordance with agreed terms. Credit exposures include both individual borrowers and groups of connected counterparties and portfolios in the banking and trading books.

In Consumer Banking, Credit risk is managed through a framework of policies and procedures. Credit origination uses standard application forms, which are processed in central units using largely automated approval processes. The repayment management process is automated to efficiently manage expected loan repayments on due dates. An account is considered to be delinquent when payment is not received on the due date. Accounts that are overdue on loan payments are closely monitored and subject to a collections process.

In Wholesale Banking, Credit risk is also managed through a framework which sets out policies and procedures covering the measurement and management of credit risk. There is clear segregation of duties between transaction originators and the approvers in the Risk function. Accounts or portfolios are placed on Early Alert when they display the potential for distress. Such accounts and portfolios are subject to a dedicated process with oversight involving senior Risk Officers and Group Special Asset Management (GSAM).

Market Risk

Market risk is the exposure created by potential changes in market prices, the interest rates and interest rate curve or the foreign exchange rate. The Asset and Liability Committee (ALCO), receives and reviews reports on market risk, identifies balance sheet management issues and reviews deposit pricing strategy for the local market.

Derivatives

Derivatives are contracts whose characteristics and value derive from underlying financial instruments, interest and exchange rates or indices. Derivatives are an important risk management tool for the Bank and its customers because they can be used to manage the risk of price, interest rate and exchange rate movements.

Hedging

Hedges are classified into three types: fair value hedges, where fixed rates of interest or foreign exchange are exchanged for floating rates; cash flow hedges, where variable rates of interest or foreign exchange are exchanged for fixed rates, and hedges of net investments in overseas operations translated to the parent company's functional currency, US dollars. The Bank uses futures, forwards, swaps and options transactions in the foreign exchange and interest rate markets to hedge risk.

Liquidity Risk

Liquidity risk is the risk that the Bank either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can only access these financial resources at excessive cost. The Bank's policy is to maintain adequate liquidity at all times and for all currencies, so that the Bank is in a position to meet all obligations as they fall due. Liquidity is managed by the Assets and Liability Committee (ALCO) with the pre-defined liquidity limits in compliance with the Bank's policies and local regulatory requirements.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The Bank seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks. The Chief Executive Officer is accountable for the effective management of operational risk. The Country Operational Risk Group (CORG) is the CEO's forum for ensuring that operational risk is being managed appropriately.

Board of Directors

VT SERETSE
Chairman

Vincent T Seretse was appointed to the Board of Standard Chartered Bank Botswana in September 2005, Seretse brings to the Board vast experience in business. He was appointed the CEO at BTC in 2004 until 2008. Vincent graduated with a BA (Administration and Environmental Science) at the University of Botswana and Swaziland in 1981. This was followed by a Masters degree in City Planning gained in 1984 at the Boston University in the USA. He also obtained an MSc in Real Estate from New York University. He is currently Managing Director at RPC Data.

DD CUTTING
Chief Executive Officer

David Cutting was appointed to the Standard Chartered Bank Botswana Board in May 2007 when he took over as Chief Executive Officer. David brings a wealth of experience to the Bank – he has been in the industry since 1970. He has worked in North America, Egypt, Singapore, Hong Kong, Nigeria and Uganda. His extensive experience covers retail banking, operations, credit relationship management and country management.
David joined Standard Chartered in 1995 after 22 years at, what today is called, JP Morgain Chase. He has been in Africa for seven years, during which time he successfully grew the Bank's business in Nigeria, Uganda and currently in Botswana.

W MATSAIRA
Non-Executive Director

Washington Matsaira is the Chief Executive Officer of Standard Chartered Bank Zimbabwe, and Area CEO for southern Africa (Botswana, Zimbabwe and Zambia). He joined the Bank in 1977 and became CEO in July 2001. He has previously held the positions of CEO Uganda, Head of Corporate and Institutional Banking, and Branch Manager in Zimbabwe. He was appointed to the Board of Standard Chartered Bank Botswana in November 2004.

B OTLHOGILE
Non-Executive Director

Bojosi Otlhogile was appointed to the Board of Standard Chartered in September 2008. He holds an LLB from University of Botswana (UB) and an LLM and PhD in law from Cambridge, UK. Bojosi is now Vice Chancellor at UB. He is a member of the University of Botswana Council and Senate. Bojosi is Chairman of the boards of Southern Africa Media Development Fund (1997-2008) and Botswana Housing Corporation. He is a Director at Longman Botswana and chairs Special Olympics Botswana. Bojosi is a Council member of the Universities of Zambia and Swaziland.

D MOIR
Non-Executive Director

David Moir was appointed to the Board in February 2004. He has had a career of over 40 years with the Standard Chartered Group and has been an Executive and Non-Executive Director for the main Standard Chartered Board in London. He was previously Managing Director of Standard Chartered Bank Botswana between 1974 and 1980.

M MASIRE-MWAMBA
Non-Executive Director

Mmasekgoa Masire-Mwamba was appointed to the Board in 2005. She holds a BSc in electronics and physics from University of London, and a Masters in Business Administration from University of Pittsburgh. She is former CEO of Botswana Export Development and Investment Authority.

T MMILE
Company Secretary

Thato Mmile was appointed Company Secretary in February 2005 and is head of Legal and Compliance at Standard Chartered Bank Botswana. She sits on the Northside School Council and is the Chairperson of the Botswana Football Association Disciplinary Committee.

Executive Directors' Remuneration

	Base Salary	Other Benefits
Pierre Mourier*	643 490.12	949 195.11
David Cutting	1 232 345.06	1 028 799.09
Total (BWP)	1 875 835.18	1 977 994.20

**From January to September 2008*

Non-Executive Directors Remuneration

Vincent T Seretse	62 000.00
M Masire-Mwamba	36 700.00
Bojosi Otlhogile	9 433.00
Total (BWP)	108 133.00

Senior Management

OLEBILE MAKHUPE
Head of Financial Markets and
Co-head of Wholesale Banking

THATO MMILE
Head of Legal and Compliance

SESETI MOGAMI
Head of Origination and Client
Coverage, Co-head of
Wholesale Bank

RUTANG MOSES
Country Head of Operational
Risk Assurance

KAMOGELO CHIUSIWA
Head of Human Resources

SERTY LEBURU
Chief Financial Officer

LUCY ALANDO
Head of Risk

ITHABELENG LETSUNYANE
Head of Corporate Affairs

DAVID CUTTING
Chief Executive Officer

MICHAEL WIEGAND
Head of Consumer Banking

EDIRETSE RAMAHOBO
Chief Information Officer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service by phone
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for the year ended 31 December 2008

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Standard Chartered

Report of the Directors

for the year ended 31 December 2008

The directors have pleasure in submitting to the members their report and the financial statements of the Group and Bank for the year ended 31 December 2008.

Activities

The Bank continues to be engaged in the business of commercial banking and provides a wide range of financial services. The Bank also has an insurance brokerage company and an investment services company. The results of these companies are incorporated in the group results.

Results

The results for the year are disclosed in the Income Statement on page 25 which reflects the following changes over 2008:

- Net income before taxation P370 million (up 22% from 2007)
- Net income after taxation P292 million (up 22% from 2007)

Dividends

The directors recommend a final dividend payment of P77million (26.9 thebe per share gross) which was not provided for in the financial statements as it is declared after the year end. An interim dividend of P215 million (74.64 thebe per share gross) was declared during the year of which P75 million (26.04 thebe) was unpaid as at year end.

Share Capital

There have been no changes to the Bank's share capital during the year.

Directors

The following were directors of the Bank as at 31 December 2008.

VT Seretse (Chairman)
DD Cutting (Managing Director)
D Moir
M Masire-Mwamba (resigned 31 December 2008)
W Matsaira
P Mourier (resigned 30 September 2008)
B Otlhogile (appointed 24 September 2008)

Auditors

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

By order of the Board.

Thato Mmile
Company Secretary

Board approval of the financial statements

for the year ended 31 December 2008

The Group is required by law to prepare annual financial statements for each financial period.

The Directors are responsible for the preparation and fair presentation of the annual group financial statements, comprising the balance sheets at 31 December 2008, and the income statements, the statements of changes in equity and the cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Botswana Companies Act, 2003 (No. 32 of 2004) as well as the Banking Act (Cap 46:04).

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

The Directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

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

The Directors have made an assessment of the Group's ability to continue as a going concern and have no reason to believe these entities will not continue as going concerns in the foreseeable future.

The Auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the annual group financial statements:

The annual group financial statements were approved by the directors on 3 March, 2009 and are signed on their behalf by:

VT Seretse	DD Cutting
Chairman	Managing Director

Independent Auditor's report

to the shareholders of Standard Chartered Bank Botswana Limited

Report on the financial statements

We have audited the accompanying consolidated and separate financial statements of Standard Chartered Bank Botswana Limited and its subsidiaries, which comprise the balance sheets as at 31 December 2008, and the income statements, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements as set out on pages 25 to 54.

Directors' responsibility

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Companies Act, 2003 (No. 32 of 2004) of Botswana, and with the Banking Act (Cap 46:04).

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects the consolidated and separate financial position of Standard Chartered Bank Botswana Limited as at 31 December 2008, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the Companies Act, 2003 (no 32 of 2004) of Botswana and with the Banking Act (Cap 46:04).

KPMG

Gaborone
3 March 2009

Income statement

for the year ended 31 December 2008

In thousands of Pula	Notes	Group 2008	Group 2007	Company 2008	Company 2007
Interest income	5	1 203 060	1 160 435	1 203 060	1 160 435
Interest expense	6	(657 552)	(710 577)	(657 552)	(710 577)
Net interest income		545 508	449 858	545 508	449 858
Fee and commission income		115 813	106 296	105 673	98 883
Less: commission expense		(11 769)	(3 061)	(11 769)	(3 061)
Net fee income		104 044	103 235	93 904	95 822
Net trading income	7	91 916	80 395	91 916	80 395
Dividend income		–	–	5 422	4 791
Operating income		741 468	633 488	736 750	630 866
Operating expenses					
Staff expenses	8	(156 272)	(121 612)	(156 062)	(121 429)
Other expenses	9	(166 934)	(133 875)	(166 922)	(133 875)
Total operating expenses		(323 206)	(255 487)	(322 984)	(255 304)
Profit before impairment losses		418 262	378 001	413 766	375 562
Impairment losses	10	(47 784)	(74 943)	(47 784)	(74 943)
Profit before taxation		370 478	303 058	365 982	300 619
Income tax expense	11	(78 002)	(63 690)	(75 523)	(61 882)
Profit for the year		292 476	239 368	290 459	238 737
Dividend per share (Thebe)		92.17t	80.0t	92.17t	80.0t
Basic and diluted earnings per share (Thebe)		101.53t	83.18t	100.83t	82.92t

The notes on pages 25 to 54 are an integral part of these consolidated financial statements.

Balance sheet

as at 31 December 2008

In thousands of Pula	Notes	Group 2008	Group 2007	Company 2008	Company 2007
Assets					
Cash and balances with the Central Bank	14	422 127	385 483	422 127	385 483
Balances due from other banks	15	985 596	381 147	985 596	381 147
Bank of Botswana Certificates	16	4 335 680	3 777 918	4 335 680	3 777 918
Trading securities	17	52 176	80 762	52 176	80 762
Loans and advances to customers	18	3 121 911	3 090 169	3 121 911	3 090 169
Other assets	19	117 812	109 119	117 812	109 119
Fixed assets	20	33 674	32 678	33 674	32 678
Total assets		9 068 976	7 857 276	9 068 976	7 857 276
Liabilities					
Deposits due to other banks	21	192 387	199 943	192 387	199 943
Deposits due to non bank customers	22	7 977 707	6 760 762	7 985 638	6 769 495
Other liabilities	23	292 783	268 525	292 554	267 022
Current tax		20 914	10 762	20 651	8 954
Deferred tax	24	5 985	8 101	5 985	8 101
Subordinated loan	25	243 847	315 060	243 847	315 060
Total liabilities		8 733 623	7 563 153	8 741 062	7 568 575
Equity					
Stated capital		44 518	44 518	44 518	44 518
Reserves		213 359	199 091	205 920	193 669
Dividend reserve		77 476	50 514	77 476	50 514
Total equity		335 353	294 123	327 914	288 701
Total liabilities and equity		9 068 976	7 857 276	9 068 976	7 857 276

The notes on pages 25 to 54 are an integral part of these consolidated financial statements.

Statement of changes in equity

for the year ended 31 December 2008

In thousands of Pula	Stated capital	Revaluation reserve	Statutory credit risk reserve	Accumulated income	Dividend reserve	Total
Group						
Balance at 01 January 2007	28 806	7 024	–	200 279	53 089	289 198
Net profit for the year	–	–	–	239 368	–	239 368
Transfers	15 712	–	8 223	14 711	–	38 646
Dividend paid	–	–	–	(220 000)	(53 089)	(273 089)
Dividend proposed	–	–	–	(50 514)	50 514	–
Balance at 31 December 2007	44 518	7 024	8 223	183 844	50 514	294 123
Net profit for the year	–	–	–	292 476	–	292 476
Dividend paid	–	–	–	(215 000)	(50 514)	(265 514)
Dividend proposed	–	–	–	(77 476)	77476	–
Other Dividend Reserve	–	–	–	14 268	–	14 268
Balance at 31 December 2008	44 518	7 024	8 223	198 112	77 476	335 353
Company						
Balance at 01 January 2007	28 806	7 024	–	195 488	53 089	284 407
Net profit for the year	–	–	–	238 737	–	238 737
Transfers	15 712	–	8 223	14 711	–	38 646
Dividend paid	–	–	–	(220 000)	(53 089)	(273 089)
Dividend proposed	–	–	–	(50 514)	50 514	–
Balance at 31 December 2007	44 518	7 024	8 223	178 422	50 514	288 701
Net profit for the year	-	-	-	290 459	-	290 459
Dividend paid	-	-	-	(215 000)	(50 514)	(265 514)
Dividend proposed	–	–	–	(77 476)	77 476	–
Other Dividend Reserve	–	–	–	14 268	–	14 268
Balance at 31 December 2008	44 518	7 024	8 223	190 673	77 476	327 914

Statement of changes in equity

Additional information at 31 December 2008

Stated capital

Issued
288 062 570 ordinary shares of no par value.

There was no movement in the number of shares issued during the year. All shares in issue prior to the commencement of the Companies Act, 2003 have been converted into shares of no par value. Such conversion does not affect the rights and liabilities attached to the shares.

Where a company, formed prior to the commencement of the Companies Act, 2003, has authorised un-issued shares the directors can issue these shares up to the authorised share capital limit without a further resolution of the general meeting. As at 31 December 2008 those un-issued shares totalled 111 937 430.

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

Revaluation reserve

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

Statutory credit risk reserve

This reserve represents the excess of the 1.25% general provision against risk weighted assets as required by the Bank of Botswana, over the impairment provision required by International Financial Reporting Standards (IFRS). In accordance with IFRS, statutory provisions can no longer be charged to income statement nor be offset against the gross value of assets.

Dividends

Dividends on ordinary shares are recognised as a liability in the period in which they are declared. Dividends unclaimed for a period greater than three years have been transferred to equity by way of a resolution by the Board of Directors.

Cash flow statement

for the year ended 31 December 2008

In thousands of Pula

	Note	Group 2008	Group 2007	Company 2008	Company 2007
Cash flow from operating activities					
Net income before tax		370 478	303 058	365 982	300 619
Adjustments for:					
– Depreciation		6 337	6 051	6 337	6 051
– Profit on disposal of fixed assets		-	(352)	-	(352)
– Impairment on financial assets	10	47 784	74 943	47 784	74 943
– Unrealised exchange loss/(gain) on subordinated debt		3 787	(45)	3 787	(45)
– Unrealised exchange loss/(gain) on revaluation of outstanding deals		4 126	(3 569)	4 126	(3 569)
Operating profit before changes in working capital		432 512	380 086	428 016	377 647
Change in trading securities		1 692 429	(681 282)	1 692 429	(681 282)
Change in loans and advances		(79 526)	(382 113)	(79 526)	(382 113)
Change in other assets		(8 693)	5 896	(8 693)	5 896
Change in deposits from other banks		(7 556)	180 941	(7 556)	180 941
Change in amounts due to non-bank customers		1 216 945	105 398	1 216 143	100 811
Change in other liabilities		(40 595)	20 803	(39 321)	27 733
Net cash generated from operating activities before tax		3 205 516	(370 271)	3 201 492	(370 367)
Income tax paid	26	(69 967)	(55 511)	(65 943)	(55 415)
Net cash generated from operating activities after tax		3 135 549	(425 782)	3 135 549	(425 782)
Cash flow from investing activities					
Payments for fixed assets		(7 336)	(3 191)	(7 336)	(3 191)
Proceeds on sale of fixed assets		-	1 774	-	1 774
Net cash used in investing activities		(7 336)	(1 417)	(7 336)	(1 417)
Cash flow from financing activities					
Subordinated debt paid		(75 000)	75 000	(75 000)	75 000
Dividend paid		(190 515)	(273 089)	(190 515)	(273 089)
Net cash used in financing activities		(265 515)	(198 089)	(265 515)	(198 089)
Net increase in cash & cash equivalents		2 862 698	(625 288)	2 862 698	(625 288)
Cash and cash equivalents					
At the beginning of the year		2 880 705	3 505 993	2 880 705	3 505 993
At the end of the year	27	5 743 403	2 880 705	5 743 403	2 880 705

The notes on pages 25 to 54 are an integral part of these consolidated financial statements.

Accounting policies

for the year ended 31 December 2008

Reporting entity

Standard Chartered Bank Botswana Limited (the "Company") was incorporated in Botswana as a Bank with limited liability under the Companies Act and is licensed to operate as a commercial bank under Section 6 of the Banking Act, 1995 (Chapter 46:04). The Group is primarily involved in investment, corporate, retail banking and in asset management services. The Bank is a subsidiary of Standard Chartered Bank PLC, London, its ultimate holding company. The consolidated financial statements of the Company for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the "Group")

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

Basis of preparation

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

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- available-for-sale financial assets are measured at fair value
- property is measured at fair value

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The judgements, estimates and assumptions are discussed in more detail in note 1.

Management discussed with the Audit Committee, the development, selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management (see note 1)

Key sources of estimation uncertainty

Allowances for credit losses

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

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

Determining fair values

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

Critical accounting judgements in applying the Group's accounting policies

Critical accounting judgements made in applying the Group's accounting policies include:

Financial asset and liability classification

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities.
- In designating financial assets or liabilities at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation.
- In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date

Details of the Group's classification of financial assets and liabilities are given in note 4.

New standards and interpretations not yet adopted

The following are new standards, amendments to standards and interpretations that are not yet effective for the year ended 31 December 2008 and have not been applied in preparing the annual financial statements:

- IFRIC 12 Service Concession Arrangements. This interpretation addresses disclosures and accounting transactions with regards to private contractors entering into service concessions with the public sector for the construction and maintenance of public sector infrastructure. IFRIC 12, which becomes mandatory for the company's 2009 financial statements, is not expected to have any impact on the financial statements of the company.
- IFRIC 13 Customer Loyalty Programmes. This interpretation addresses disclosures and accounting transactions with regards to award credits granted under customer loyalty programmes. IFRIC 13, which becomes mandatory for the company's 2009 financial statements, is not expected to have any impact on the financial statements of the company.
- IFRS 8 Operating Segments sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. IFRS 8, which becomes mandatory for the company's 2009 financial statements, is expected to have additional disclosure requirements for the financial statements of the company.
- IFRS 2 Share-based payment: Vesting conditions and cancellations (amendment). The amendments apply to equity-settled share-based payment transactions and clarify the meaning of vesting and "non-vesting conditions", and the accounting treatment where either the entity or the beneficiary of a grant chooses not to meet the vesting conditions. The revised IFRS 2 will become mandatory for the company's 2010 financial statements and is not expected to have any significant impact on the financial statements of the company.
- IFRS 3: Business combinations supersedes the previous IFRS 3 as issued in 2004. The standard has introduced various terminology and scope changes. IFRS 3, which becomes mandatory for the company's 2010 financial statements, is not expected to have any significant impact on the financial statements of the company.
- IAS 1: Presentation of financial statements (revised). The main change in the revised IAS 1 is a requirement to present all non-owner changes in equity in a single statement of comprehensive income (which includes income statement line items). Under the revised standard, a statement of financial position (preferred term for "balance sheet") also has to be presented at the beginning of the comparative period when the entity restates the comparatives as a result of a change in accounting policy, the correction of an error, or the reclassification of items in the financial statements. The revised IAS 1 will become mandatory for the company's 2010 financial statements
- IAS 23 Borrowing Costs (revised) removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the company's 2010 financial statements and constitute a change in accounting policy for the company. In accordance with transitional provisions the company will apply the revised IAS 23 to qualifying assets from which capitalisation of borrowing costs commences on or after the effective date.
- IAS 32 and IAS 1 amendment: Puttable Financial Instruments and Obligations. Puttable financial instruments and obligations arising on liquidation require certain financial instruments that would ordinarily meet the definition of a financial liability to be classified as equity. These instruments must meet certain criteria as set out in IAS 32. The revision to the standard, which becomes mandatory for the company's 2010 financial statements, is not expected to have any significant impact on the financial statements of the company.

Significant accounting policies

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill.

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

Trade and settlement date accounting

All regular way purchases and sales of financial assets held for trading are recognised on the trade date i.e. the date on which the Group commits to purchase or sell the financial asset. All regular way purchases and sales of other financial assets are recognised on the settlement date i.e. the date on which the asset is delivered to or received from the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Revenue

Interest income and expense are recognised for all interest-bearing financial instruments on an accruals basis, using the effective yield method on the original settlement amount. Interest income includes the amortisation of any discount or other differences between the initial carrying amount of an interest bearing instrument and its amount calculated on an effective interest rate basis.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts and premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue and disposal of a financial asset or liability.

Dealing profits comprise gains and losses arising from disposals and changes in the fair value of trading securities and buying and selling of foreign currency and resultant valuation of closing positions.

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

Dividend income is recognised when the right to receive dividend income is established.

Fees and commission income that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate

Other fee and commission income arises on financial services provided by the Group and is recognised when the corresponding service is provided.

Loans and Advances

Loans and advances are financial assets with fixed and determinable payments originated by the Group that are not quoted in an active market and the Group does not intend to sell immediately in the near term. Originated loans and advances are stated at their amortised cost using the effective interest method usually measured at fair value plus incremental direct transaction costs.

Instalment credit agreements

Instalment credit agreements are regarded as financing transactions and the total lease and instalments receivable there under, less unearned finance charges are included in advances. Finance charges are credited to revenue in proportion to the capital balance outstanding.

Financial assets and liabilities

Recognition

The group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes a party to the contractual provision of the instruments.

De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase agreements

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of transferred assets.

In certain transactions the Group retains rights to service a transferred financial asset for a fee. The transferred asset is derecognised in its entirety if it meets the derecognition criteria. An asset or liability is recognised for the servicing rights, depending on whether the servicing fee is more than adequate to cover servicing expenses (asset) or is less than adequate for performing the servicing (liability).

The Group also derecognises certain assets when it charges off balances pertaining to the assets deemed to be uncollectible.

Offsetting financial instruments

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the Group has a legal right to set off the amounts and intends either 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 by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observables prices exist, and valuation models. The Group uses widely recognised valuation models for determining the fair value of common and simple financial instruments like options and interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

For more complex instruments, the Group uses proprietary models, which usually are developed from recognised valuation models. Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions. When entering into a transaction, the financial instrument is recognised initially at the transaction price, which is the best indicator of fair value, although the value obtained from the valuation model may differ from the transaction price. This initial difference, usually an increase, in fair value indicated by valuation techniques is recognised in income depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the balance sheet.

Identification and measurement of impairment

At each balance sheet date the Group assesses whether there is objective evidence that the financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired and individually insignificant are then collectively assessed for any impairment that has been incurred but not yet identified.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for managements judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on available-for sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to profit or loss. When a subsequent event causes the amount of impairment loss on an available for sale debt security to decrease, the impairment loss is reversed through profit or loss.

However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised directly in equity. Changes in impairment provision attributable to time value are reflected as a component of interest income.

Accounting policies (cont'd)

for the year ended 31 December 2008

Investments

Investments are classified as either held for trading or held to maturity.

Held to Maturity Investments

Debt instruments that the Bank has the intent and ability to hold to maturity are classified as held-to-maturity instruments. Held-to-maturity instruments are stated at amortised cost using the effective yield method unless the aggregate of the market value and the directors' valuation is less than book amount in which case, if in the opinion of the directors the impairment is permanent, provision is made for the impairment.

Trading Investments

Trading securities are initially recognised and subsequently measured at fair value based on quoted market prices or amounts derived from cash flow models as appropriate, with transaction costs taken directly to income statement.

Other

Other unquoted investments are stated at cost less, in the opinion of the directors, any provision for impairment.

Property and equipment

Properties are shown at valuation less related accumulated depreciation and impairment losses (see accounting policy). Revaluations are carried out every three years by independent valuers, and periodically by the directors, on the open market basis. Surpluses and deficits arising on the revaluation of properties are transferred to or from a revaluation reserve. Equipment is shown at cost.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold property	Nil
Leasehold property	Unexpired period of lease
Buildings	50 years
Equipment	3 - 5 years
Motor vehicles	3 years
Furniture, fixtures and fittings	10 years

The residual value, if not insignificant, is reassessed annually as are the depreciation methods and useful lives.

Impairment of non financial assets

The carrying amount of the Group's non financial assets is reviewed at each year-end to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised when the carrying amount of an asset or its cash generating unit exceeds its recoverable amount and all impairment losses are recognised in the income statement.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Foreign currencies

Transactions in foreign currencies are translated to the respective functional currency of the Bank at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments/receipts during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Gains or losses are recognised in the income statement

Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred taxation is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The following temporary differences are not provided for, the initial recognition of assets or liabilities that affect neither accounting nor taxable profits nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Withholding tax at rates varying between 5% and 15% is payable on the gross value of the dividends. This withholding tax is treated as an advance payment of company taxation and is set off, to extent available, against additional company tax in the financial year in which it is paid.

Computer Software Costs

Computer software costs are generally expensed in the year incurred

Employee Benefits

Retirement benefits
The Group operates a defined contribution plan. Contributions by the Group to the plan are charged to income. The liability of the Group is limited to the contributions made on behalf of the employees. There are no post-retirement medical funding obligations.

1997/2008 Restricted Share Scheme
Standard Chartered PLC operates a discretionary Restricted Share Scheme ("RSS") for high performing and high potential staff at any level of the organisation whom the Group wish to motivate and retain. Except upon appointment when an executive director may be granted an award of restricted shares, the RSS is not applicable to executive directors, as it has no performance conditions attached to it. 50 per cent of the award vests two years after the date of grant and the balance after three years. The awards can be exercised within seven years of the grant date. The value of shares awarded in any year to any individual may not exceed two times their base salary. In addition, the Group operates a Supplementary Restricted Share Scheme which can be used to defer part of an employee's annual bonus in shares. The plan is principally used for employees in the global markets area and is similar to the RSS outlined above except for three important factors: directors are specifically prohibited from the plan; no new shares can be issued to satisfy awards; and there is no individual annual limit. No awards were made under this scheme in 2007 and 2008, and none are outstanding as at 31 December 2007 and 2008.

International Sharesave Schemes
Employees have the choice of opening a three-year or five-year savings contract. Within a period of six months after the third or fifth anniversary, as appropriate, employees may purchase ordinary shares in the Company. The price at which they may purchase shares is at a discount of up to 20 per cent on the share price at the date of invitation. There are no performance conditions attached to options granted under the all employee sharesave schemes.

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

Provisions
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current assessment of the time value of money and where appropriate, the risks specific to the liability.

Financial Guarantees

Financial guarantees are contracts that require the Group to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payments. (When a payment under the guarantee has become probable). Financial guarantees are included under other liabilities.

Deposits, debt securities and Subordinated liabilities

Deposits, debt securities and subordinated liabilities are the Group's sources of debt funding. The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

When the Group sells a financial asset and simultaneously enters into a "repo" or "stock lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying assets continues to be recognised on the Group's financial statements. Deposits, debt securities issued and subordinated liabilities are initially measured at fair value plus transaction costs and subsequently measured at their amortised cost using the effective interest method.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

Cash and Cash equivalents

Cash and cash equivalents comprise cash on hand, balances at Central Bank, placements with other banks, and short-term highly liquid investments that are convertible to known amounts of cash and which are subject to an insignificant risk of change in value and which have a maturity of 3 months or less from the date of acquisition.

Proposed Appropriations

Dividends and any other proposed appropriations are included as part of Shareholders' Equity and are recognised as a liability in the period in which they are approved by the shareholders.

Comparative information

Where necessary comparative information has been reclassified to reflect current period presentation.

1. Financial Risk Management

The board of directors of the bank has ultimate responsibility for the level of risk taken by the bank and accordingly they have approved the overall business strategies and significant policies of the bank, including those related to managing and taking risk. Senior management in the bank is responsible for implementing strategies in a manner that limits risks associated with each strategy and that ensures compliance with rule and regulation, both on a long term and day to day basis. The bank has a risk and compliance department, which is independent of those who accept risks in the bank. The risk and compliance department is tasked to:

- identify current and emerging risks
- develop risk assessment and measurement systems
- establish policies, practices and other control mechanisms to manage risks
- develop risk tolerance limits for senior management and board approval
- monitor positions against approved risk tolerance limits
- reports results of risk monitoring to senior management and the board

To ensure that risk management is properly explained to and understood by all business lines the board has established the following risk management policies:

- Credit Risk Management Policy
- Liquidity Risk Management Policy
- Operational Risk Management Policy
- Capital Risk Management Policy
- Market Risk Policy
  (a) Equity
  (b) Interest Rate
  (c) Foreign Exchange

1.1 Credit risk

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

Management of credit risk

The Group's Board of Directors have delegated responsibility for the management of credit risk to the Credit departments. Separate Credit departments are responsible for oversight of the credit risk, including:

- Formulating credit policies, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Larger facilities require approval by the Group Regional Credit department and the Board of Directors as appropriate.
- *Reviewing and assessing credit risk.* The Credit Departments assess all credit exposures in excess of designated limits, prior to facilities being committed to customers by the branches concerned. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure* to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).
- *Reviewing compliance* of business units with agreed exposure limits.

Exposure to credit risk

The loans and advances of the group and its exposure to credit risk comprises:

	Group 2008 P'000	Group 2007 P'000	Company 2008 P'000	Company 2007 P'000
Performing	2 737 893	2 940 468	2 737 893	2 940 468
Past due but not impaired	368 593	95 656	368 593	95 656
Impaired	92 153	128 577	92 153	128 577
	3 198 639	3 164 701	3 198 639	3 164 701
Past due but not impaired loans and advances comprise:				
Past due up to 30 days	229 199	57 707	229 199	57 707
31-60 days	114 841	22 383	114 841	22 383
61-90 days	24 553	15 566	24 553	15 566
	368 593	95 656	368 593	95 656
An estimate of the fair value of collateral held against loans and advances to customers is shown below:				
Against individually impaired				
Property				
Debt securities				
Equities				
Others	40	6 900	40	6 900
Against past due but not impaired				
Property	63 100	2 280	63 100	2 280
Debt securities				
Equities				
Others				
Against neither past due nor impaired				
Property	107 261	188 365	107 261	188 365
Debt securities	594 055	268 918	594 055	268 918
Equities	-	-	-	-
Others	270 231	797 111	270 231	797 111
	1 034 687	1 263 574	1 034 687	1 263 574

The bank monitors concentration of credit risk by sector.

Analysis of concentration of credit risk as at the reporting date is shown below:

	Group 2008 P'000	Group 2007 P'000	Company 2008 P'000	Company 2007 P'000
Segmental analysis by industry				
Agriculture	1 918	1 277	1 918	1 277
Mining	102 983	65 320	102 983	65 320
Finance and Insurance	109 147	126 184	109 147	126 184
Construction	2 949	19 502	2 949	19 502
Manufacturing	9 273	69 532	9 273	69 532
Wholesale and retail	579 976	347 748	579 976	347 748
Community, social and personal services	1 970	99 647	1 970	99 647
Transport	42 890	41 799	42 890	41 799
Consumer	2 347 533	2 393 692	2 347 533	2 393 692
	3 198 639	3 164 701	3 198 639	3 164 701

In thousands of Pula

Group	Company			
	2008 P'000	2007 P'000	2008 P'000	2007 P'000
Loans and advances to customers				
Loans and advances are receivable as follows:				
Maturing within 3 months	457 311	431 858	457 311	431 858
Maturing between 3 & 12 months	265 083	90 632	265 083	90 632
Maturing after 12 months	2 476 245	2 642 211	2 476 245	2 642 211
	3 198 639	3 164 701	3 198 639	3 164 701
Special allowances for impairment				
Balance at 1 January	74 532	28 186	74 532	28 186
Charge for the year	69 758	102 711	69 758	102 711
Write offs	(35 628)	(28 597)	(35 628)	(28 597)
Recoveries	(31 934)	(27 768)	(31 934)	(27 768)
Balance at 31 December	76 728	74 532	76 728	74 532
Net loans and advances	3 121 911	3 090 169	3 121 911	3 090 169

1.2 Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The group's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, both under stressed and normal conditions, without causing damages to the group's reputation.

The Bank of Botswana has issued guidelines on the management of liquidity. These guidelines require that total liquid assets divided by total deposits must be at least 10%.

Compliance with The Bank of Botswana liquidity ratio has been assessed as noted below:

	Group		Company	
	2008 P'000s	2007 P'000s	2008 P'000s	2007 P'000s
Total liquid assets	5 743 403	2 861 611	5 743 403	2 861 611
Total deposits	8 170 094	6 960 705	8 178 025	6 969 438
Ratio	70%	41%	70%	41%

The daily liquidity position is monitored and regular stress testing is done under normal and severe market conditions. However, it is assumed that under normal circumstances customer demand deposits will remain stable or increase in value and unrecognized loan/overdraft commitments are not expected to be immediately drawn down in their entirety.

All liquidity policies and procedures are subject to review and approval by the Asset Liability Committee (ALCO). There are management committees which meet once a month or more often if necessary. The daily monitoring of liquidity is the responsibility of Group Financial Markets which monitors the level of mismatches in the maturity positions of assets and liabilities. The maturity gap analyses as at 31 December 2008 and 31 December 2007 are shown on the next page.

Maturity gap analysis

In thousands of Pula

Group – 31 December 2008

Liabilities and shareholders funds

	Carrying amount	Up to 1mth	1–3mths	3–6mths	6–12 mths	1–5yrs	Over 5yrs	Gross nominal (outflow)
Current and savings account	6 165 904	6 165 904	–	–	–	–	–	(6 165 904)
Term deposits accounts	1 811 803	1 332 427	325 413	60 098	40 002	53 863	–	(1 811 803)
Deposits to banks	192 387	192 387	–	–	–	–	–	(192 387)
Total Liabilities to Customers and banks	8 170 094	7 690 718	325 413	60 098	40 002	53 863	–	(8 170 094)
Other liabilities	292 783	292 783	–	–	–	–	–	(292 783)
Current tax	20 914	–	–	20 914	–	–	–	(20 914)
Deferred tax	5 985	–	–	–	5 985	–	–	(5 985)
Subordinated loan	243 847	–	–	–	–	68 847	175 000	(464 481)
Equity	335 353	–	75 000	77 476	–	–	182 877	(335 353)
Total liabilities and shareholder's funds	9 068 976	7 983 501	400 413	158 488	45 987	122 710	357 877	(9 289 610)

Company – 31 December 2008

	Carrying amount	Up to 1mth	1–3mths	3–6mths	6–12 mths	1–5yrs	Over 5yrs	Gross nominal (outflow)
Current and savings account	6 173 835	6 173 835	–	–	–	–	–	(6 173 835)
Term deposits accounts	1 811 803	1 332 427	325 413	60 098	40 002	53 863	–	(1 811 803)
Deposits from banks	192 387	192 387	–	–	–	–	–	(192 387)
Total Liabilities to Customers and banks	8 178 025	7 698 649	325 413	60 098	40 002	53 863	–	(8 178 025)
Other liabilities	292 554	92 554	–	–	–	–	–	(292 554)
Current tax	20 651	–	–	20 651	–	–	–	(20 651)
Deferred tax	5 985	–	–	–	5 985	–	–	(5 985)
Subordinated loan	243 847	–	–	–	–	68 847	175 000	(464 481)
Equity	327 914	–	75 000	77 476	–	–	175 438	(327 914)
Total liabilities and shareholders funds	9 068 976	7 991 203	400 413	158 225	45 987	122 710	350 438	(9 289 610)

Group – 31 December 2007

	Carrying amount	Up to 1mth	1–3mths	3–6mths	6–12 mths	1–5yrs	Over 5yrs	Gross nominal (outflow)
Current and savings account	4 958 705	4 958 705	–	–	–	–	–	(4 958 705)
Term deposits accounts	1 802 057	1 527 700	124 846	104 794	40 306	4 411	–	(2 308 201)
Deposits from banks	199 943	199 943	–	–	–	–	–	(199 943)
Total Liabilities to Customers and banks	6 960 705	6 686 348	124 846	104 794	40 306	4 411	–	(7 466 849)
Other liabilities	268 525	268 525	–	–	–	–	–	(268 525)
Current tax	10 762	–	–	10 762	–	–	–	(10 762)
Deferred tax	8 101	–	–	–	8 101	–	–	(8 101)
Subordinated loan	315 060	75 000	–	–	–	–	240 060	(557 526)
Equity	294 123	–	–	–	–	–	294 123	(294 123)
Total liabilities and shareholders funds	7 857 276	7 029 873	124 846	115 556	48 407	4 411	534 183	(8 605 886)

Maturity gap analysis (cont'd)

In thousands of Pula

Company – 31 December 2007

Liabilities and shareholders funds

	Carrying amount	Up to 1mth	1–3mths	3–6mths	6–12 mths	1–5yrs	Over 5yrs	Gross nominal (outflow)
Current and savings account	4 967 438	4 967 438	–	–	–	–	–	(4 967 438)
Term deposits accounts	1 802 057	1 527 700	124 846	104 794	40 306	4 411	–	(2 308 201)
Deposits from banks	199 943	199 943	–	–	–	–	–	(199 943)
Total Liabilities to Customers and Banks	6 969 438	6 695 081	124 846	104 794	40 306	4 411	–	(7 475 582)
Other liabilities	267 022	267 022	–	–	–	–	–	(267 022)
Current tax	8 954	–	–	8 954	–	–	–	(8 954)
Deferred tax	8 101	–	–	–	8 101	–	–	(8 101)
Subordinated loan	315 060	75 000	–	–	–	–	240 060	(557 526)
Equity	288 701	–	–	–	–	–	288 701	(288 701)
Total liabilities and shareholders funds	7 857 276	7 037 103	124 846	113 748	48 407	4 411	528 761	(8 605 886)

1.3 Operational risk

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

The objective of the group is to manage operational risks so as to balance the avoidance of financial losses and damages to the bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each department. The responsibility is supported by the development of overall standards in the group for the management of operational risks in the following areas:-

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

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

2. Capital management

Bank of Botswana sets and monitors the capital requirements for the group and requires the bank to maintain a minimum total capital of 15 percent of risk-weighted assets. The group's regulatory capital is analyzed in two parts:-

- Tier I capital, which includes paid-up share capital, share premium, retained earnings, and other reserves less investment in subsidiaries
- Tier II capital, which includes property revaluation reserve and loan loss reserve

The calculation of both the above ratios is given below:-

		Group 2008 P'000s	Group 2007 P'000s	Company 2008 P'000s	Company 2007 P'000s
Capital Adequacy					
Core capital					
Stated capital		44 518	44 518	44 518	44 518
Other revenue reserves		283 811	242 581	276 372	237 159
		328 329	287 099	320 890	281 677
Supplementary capital					
Revaluation reserve subject to a 50% risk-adjustment discount		3 511	3 511	3 511	3 511
Non-specific impairment		26 403	16 440	26 403	16 440
Subordinated loan		121 924	149 072	121 924	149 072
	a	480 167	456 122	472 728	450 700
Risk adjusted exposure					
Balance sheet items		2 531 165	2 143 088	2 531 165	2 143 088
Off-balance sheet items		126 748	155 872	126 748	155 872
	b	2 657 913	2 298 960	2 657 913	2 298 960
Capital adequacy ratio *(a/b x 100)*		18.1%	19.8%	17.8%	19.6%

3. Market risk management policy

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the group income or the value of its holding of financial instruments. The objective of the group's market risk management policy is to manage and control market risk exposures within acceptable parameters while optimizing the return on risk.

3.1 Interest Rate Risk

Interest Rate risk is the exposure of group's financial condition to adverse movements in interest rates. It basically arises from timing differences in the maturity of re-pricing of the group's assets and liabilities. Changes in interest rates can have adverse effects on the group's earnings and its economic value. The relevant Asset and Liability Committee (ALCO) monitors interest rate risk in the group. Interest rate sensitivity analysis as at the reporting date are set out below:

Group – 31 December 2008

	Zero rate	Floating rate	Fixed rate instruments 0-1mth	1-6mths	6-12mths	1-5yrs	Over 5yrs	Total
Total assets	573 613	7 502 844	829 250	96 736	–	66 533	–	9 068 976
Total liabilities and shareholders' funds	555 483	7 257 345	810 740	324 494	20 914	50 000	50 000	9 068 976
Net mismatch	18 130	245 499	18 510	(227 758)	(20 914)	16 533	(50 000)	–

Interest Sensitivity Gap	
Impact of increase in interest rates	
50 basis points	(1 227)
+ 1%	(2445)

Group – 31 December 2007

	Zero rate	Floating rate	Fixed rate instruments 0-1mth	1-6mths	6-12mths	1-5yrs	Over 5yrs	Total
Total assets	965 182	2 622 094	1 724 000	1 194 000	1 093 000	171 000	88 000	7 857 276
Total liabilities and shareholders' funds	3 511 182	3 510 094	360 000	438 000	34 000	4 000	-	7 857 276
Net mismatch	(2 546 000)	(888 000)	1 364 000	756 000	1 059 000	167 000	88 000	-

Company – 31 December 2007

	Zero rate	Floating rate	0-1mth	1-6mths	6-12mths	1-5yrs	Over 5yrs	Total
Total assets	965 182	2 622 094	1 724 000	1 194 000	1 093 000	171 000	88 000	7 857 276
Total liabilities and shareholders' funds	3 511 182	3 510 094	360 000	438 000	34 000	4 000	-	7 857 276
Net mismatch	(2 546 000)	(888 000)	1 364 000	756 000	1 059 000	167 000	88 000	-

Interest Sensitivity Gap – Group and Company

Impact of increase in interest rates	
50 basis points	(4 440)
+ 1%	(8 880)

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

Effective interest rates of financial assets and liabilities
In the opinion of directors, the fair values of the group's financial assets and liabilities approximate the respective carrying amounts, due to the generally short period to contractual re-pricing or maturity dates. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the group at the balance sheet date.

3.2 Foreign Exchange Rate Risk Management

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

- Trading in foreign currencies through spot, forward and option transactions as a market maker or position taker, including the de-hedged position arising from customer driven foreign exchange transactions.
- holding foreign currency position in the bank books (e.g. in the form of loans, deposits and cross border investments, etc)
- Engaging in derivative transactions that are denominated in foreign currency for trading or hedging purposes.

Group financial markets is responsible for:

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

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

The group does not perform a sensitivity analysis on its foreign exchange exposure but manages the foreign exchange risk mainly by hedging assets in foreign exchange with liabilities in foreign exchange. The group's foreign exchange exposures at the reporting date were as follows:

Group	2008			2007		
	Assets	Liabilities	Net	Assets	Liabilities	Net
USD	1 225 025	(1 034 876)	190 179	1 698 545	(1 601 132)	97 413
GBP	48 429	(48 823)	(395)	973	(973)	–
EUR	4 481	(245 010)	(240 530)	1 537	(1 537)	–
ZAR	6 796	(77 858)	(71 062)	75 760	(75 760)	–
Company						
USD	1 225 025	(1 034 876)	190 179	1 698 545	(1 601 132)	97 413
GBP	48 429	(48 823)	(395)	973	(973)	–
EUR	4 481	(245 010)	(240 530)	1 537	(1 537)	–
ZAR	6 796	(77 858)	(71 062)	75 760	(75 760)	–

4. Financial assets and liabilities

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

Group – 31 December 2008

	Trading	Available for sale	Held to maturity	Loans and receivables	Cash and bank balances	Other amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	–	–	–	–	422 127	–	422 127	422 127
Due from other banks	–	–	–	–	985 596	–	985 596	985 596
Bank of Botswana Certificates	–	4 335 680	–	–	–	–	4 335 680	4 335 680
Loans and Advances to customers	–	–	–	3 121 911	–	–	3 121 911	3 121 911
Trading securities	52 176	–	–	–	–	–	52 176	52 176
	52 176	4 335 680	–	3 121 911	1 407 723	–	8 917 490	8 917 490
Deposits from banks	–	–	–	–	–	192 387	192 387	192 387
Deposits from customers	–	–	–	–	–	7 977 707	7 977 707	7 977 707
Debt securities issued	–	–	100 000	–	–	–	100 000	100 000
Subordinated liabilities	–	–	143 847	–	–	–	143 847	143 847
	–	–	243 847	–	–	8 170 094	8 413 941	8 413 941

Company – 31 December 2008

	Trading	Available for sale	Held to maturity	Loans and receivables	Cash and bank balances	Other amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	–	–	–	–	422 127	–	422 127	422 127
Due from other banks	–	–	–	–	985 596	–	985 596	985 596
Bank of Botswana Certificates	–	4 335 680	–	–	–	–	4 335 680	4 335 680
Loans and Advances to customers	–	–	–	3 121 911	–	–	3 121 911	3 121 911
Trading securities	52 176	–	–	–	–	–	52 176	52 176
	52 176	4 335 680	–	3 121 911	1 407 723	–	8 917 490	8 917 490
Deposits from banks	–	–	–	–	–	192 387	192 387	192 387
Deposits from customers	–	–	–	–	–	7 985 638	7 985 638	7 985 638
Debt securities issued	–	–	100 000	–	–	–	100 000	100 000
Subordinated liabilities	–	–	143 847	–	–	–	143 847	143 847
	–	–	243 847	–	–	8 178 025	8 421 872	8 421 872

4. Financial assets and liabilities

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

Group – 31 December 2007

	Trading	Available for sale	Held to maturity	Loans and receivables	Cash and bank balances	Other amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	–	–	–	–	385 483	–	385 483	385 483
Due from other banks	–	–	–	–	381 147	–	381 147	381 147
Bank of Botswana Certificates	–	3 777 918	–	–	–	–	3 777 918	3 777 918
Loans and Advances to customers	–	–	–	3 090 169	–	–	3 090 169	3 090 169
Trading securities	80 762	–	–	–	–	–	80 762	80 762
	80 762	3 777 918	–	3 090 169	766 630	–	7 715 479	7 715 479
Deposits from banks	–	–	–	–	–	199 943	199 943	199 943
Deposits from customers	–	–	–	–	–	6 760 762	6 760 762	6 760 762
Debt securities issued	–	–	100 000	–	–	–	100 000	100 000
Subordinated liabilities	–	–	215 060	–	–	–	215 060	215 060
	–	–	315 060	–	–	6 960 705	7 275 765	7 275 765

Company – 31 December 2007

	Trading	Available for sale	Held to maturity	Loans and receivables	Cash and bank balances	Other amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	–	–	–	–	385 483	–	385 483	385 483
Due from other banks	–	–	–	–	381 147	–	381 147	381 147
Bank of Botswana Certificates	–	3 777 918	–	–	–	–	3 777 918	3 777 918
Loans and Advances to customers	–	–	–	3 090 169	–	–	3 090 169	3 090 169
Trading securities	80 762	–	–	–	–	–	80 762	80 762
	80 762	3 777 918	–	3 090 169	766 630	–	7 715 479	7 715 479
Deposits from banks	–	–	–	–	–	199 943	199 943	199 943
Deposits from customers	–	–	–	–	–	6 769 495	6 769 495	6 769 495
Debt securities issued	–	–	100 000	–	–	–	100 000	100 000
Subordinated liabilities	–	–	215 060	–	–	–	215 060	215 060
	–	–	315 060	–	–	6 969 438	7 284 498	7 284 498

	Group		Company	
	2008 P'000s	2007 P'000s	2008 P'000s	2007 P'000s

5. Interest income

Loans and advances to customers	636 261	598 742	636 261	598 742
Bank of Botswana certificates and bonds	468 803	433 162	468 803	433 162
Balances with banks and investments	97 996	128 531	97 996	128 531
	1 203 060	1 160 435	1 203 060	1 160 435

6. Interest expense

Amounts due to banks	115 396	177 859	115 396	177 859
Subordinated loan capital	26 982	26 575	26 982	26 575
Amounts due to customers	515 174	506 143	515 174	506 143
	657 552	710 577	657 552	710 577

7. Dealing profits

Foreign currency	90 785	80 369	90 785	80 369
Investment securities	1 131	26	1 131	26
	91 916	80 395	91 916	80 395

8. Staff expenses

Directors' remuneration – management services	3 854	7 774	3 854	7 774
Salaries and wages	101 267	90 492	101 057	90 319
Pension fund costs	7 722	8 317	7 722	8 317
Other	43 429	15 029	43 429	15 019
	156 272	121 612	156 062	121 429

9. Other expense

Depreciation	6 337	6 051	6 337	6 051
Professional fees - audit	1 417	572	1 417	572
- consultancy	3 034	2 145	3 034	2 145
Directors' fees	108	128	108	128
Other expenses	156 038	124 979	156 026	124 979
	166 934	133 875	166 922	133 875

	Group 2008 P'000s	Group 2007 P'000s	Company 2008 P'000s	Company 2007 P'000s

10. Loan loss impairment

	Group 2008 P'000s	Group 2007 P'000s	Company 2008 P'000s	Company 2007 P'000s
Specific	69 756	96 613	69 756	96 613
Non specific	9 962	6 098	9 962	6 098
Recoveries	(31 934)	(27 768)	(31 934)	(27 768)
Charge per income statement	47 784	74 943	47 784	74 943
Movement in specific impairments				
Balance at beginning of the year	57 786	17 538	57 786	17 538
Charge against profits	69 756	96 613	69 756	96 613
	127 542	114 151	127 542	114 151
Write-offs during the year	(45 283)	(28 597)	(45 283)	(28 597)
Provisions no longer required	(31 934)	(27 768)	(31 934)	(27 768)
Balance at end of the year	50 325	57 786	50 325	57 786
Movement in non-specific impairments				
Balance at beginning of the year	16 746	10 648	16 746	10 648
Charge for the year	9 962	6 098	9 962	6 098
Write-offs during the year	(305)	–	(305)	–
Balance at end of the year	26 403	16 746	26 403	16 746
Total specific and non-specific Impairment at end of year	76 728	74 532	76 728	74 532

11. Income tax expense

	Group 2008 P'000s	Group 2007 P'000s	Company 2008 P'000s	Company 2007 P'000s
Taxation charge for the year:				
Current taxation at 15% (2007 -15%)	56 500	50 657	54 719	49 572
Additional Company taxation at 10%	37 177	33 771	36 479	33 048
Less: Withholding tax utilised during the year	(13 558)	(23 250)	(13 558)	(23 250)
Deferred tax charge	(2 117)	2 512	(2 117)	2 512
Taxation per income statement	78 002	63 690	75 523	61 882
Taxation reconciliation:				
Taxation at the current year rate on the profit for the year	92 620	75 765	91 496	75 186
Non (taxable)/deductible items:				
ACT utilised on dividends	(13 558)	(23 250)	(13 558)	(23 250)
Disallowable impairment losses	2 251	6 868	2 251	6 868
Training allowances	(1 522)	(653)	(1 522)	(653)
Dividend income	–	–	(1 356)	(1 198)
Prior year under provision in deferred tax	–	5 181	–	5 181
Other	(1 789)	(221)	(1 788)	(252)
Current taxation per income statement	78 002	63 690	75 523	61 882

12. Dividends

	Group 2008 P'000s	Group 2007 P'000s	Company 2008 P'000s	Company 2007 P'000s
Interim dividend paid/proposed	215 000	220 000	215 000	220 000
Less dividend paid in current year relating to prior year profits	–	(40 000)	–	(40 000)
Final dividend proposed	77 476	50 514	77 476	50 514
	292 476	230 514	292 476	230 514

Dividends per share is based upon the dividends declared and paid in the year on the 288 062 570 issued ordinary shares. The proposed dividends have not been provided for but are expected to be paid on or before 31 March 2009.

13. Earnings per share

Earnings per share is calculated on profit after taxation divided by the 288 062 570 issued ordinary shares

14. Cash and balances with Central Bank

	Group 2008 P'000s	Group 2007 P'000s	Company 2008 P'000s	Company 2007 P'000s
Notes and coins	100 786	101 831	100 786	101 831
Balances with the central bank	321 341	283 652	321 341	283 652
	422 127	385 483	422 127	385 483

Included in bank balances is an amount of P 321 262 000 (2007: P264 646 000) which is a restricted minimum statutory reserve balance not available for the Group's daily operations.

15. Balances due from other banks

	Group 2008 P'000s	Group 2007 P'000s	Company 2008 P'000s	Company 2007 P'000s
Bank balances	34 464	96 488	34 464	96 488
Placements and other investments	951 132	284 659	951 132	284 659
	985 596	381 147	985 596	381 147
Maturity profile				
On demand to one month	985 596	381 147	985 596	381 147

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

16. Bank of Botswana Certificates

Maturity profile:	Group 2008 P'000s	Group 2007 P'000s	Company 2008 P'000s	Company 2007 P'000s
0 – 3 months	4 335 680	2 114 075	4 335 680	2 114 075
4 – 6 months	–	669 126	–	669 126
7 – 9 months	–	815 131	–	815 131
9 – 12 months	–	179 586	–	179 586
	4 335 680	3 777 918	4 335 680	3 777 918

At 31 December 2008 Bank of Botswana Certificates amounting to P 355 200 000 (2007:P104 000 000) were pledged as security to Bank of Botswana in respect of the Bank's Secured Lending Facility. In addition Bank of Botswana Certificates amounting to P35 000 000 (2007: P60 000 000) were sold under a repurchase agreement.

17. Trading securities

	Group 2008 P'000s	Group 2007 P'000s	Company 2008 P'000s	Company 2007 P'000s
Government bonds – quoted	17 450	76 762	17 450	76 762
Public sector enterprise bonds – quoted	34 726	4 000	34 726	4 000
	52 176	80 762	52 176	80 762

18. Loans and advances to customers

	Group 2008 P'000s	Group 2007 P'000s	Company 2008 P'000s	Company 2007 P'000s
Loans and advances – originated	3 198 639	3 164 701	3 198 639	3 164 701
Less: provision for impairment	(76 728)	(74 532)	(76 728)	(74 532)
	3 121 911	3 090 169	3 121 911	3 090 169
Impaired loans net of provisions				
Loans neither past due nor impaired	2 737 893	2 940 468	2 737 893	2 940 468
Less: portfolio impairment provisions	(26 403)	(16 746)	(26 403)	(16 746)
	2 711 490	2 923 722	2 711 490	2 923 722
Gross impaired loans	92 153	128 577	92 153	128 577
Less: individual specific provisions	(50 325)	(57 786)	(50 325)	(57 786)
Impaired loans net of specific provisions	41 828	70 791	41 828	70 791
Loans past due but not impaired	368 593	95 656	368 593	95 656
Net loans	3 121 911	3 090 169	3 121 911	3 090 169
Loans and advances are of a floating rate nature, since as per the Bank's loan agreements, the Bank reserves the right to change the rate of interest at any time in the event of market fluctuations and/or credit/banking considerations which may be set out from time to time by the Bank and/or regulatory authority.				
Loans and advances include the following aggregate amounts, on which interest has not been accrued during the year.	56 448	60 444	56 448	60 444

19. Other assets

	Group 2008 P'000s	Group 2007 P'000s	Company 2008 P'000s	Company 2007 P'000s
Prepayments and accrued income	66 272	88 000	66 272	88 000
Remittances and in transit items	51 540	21 119	51 540	21 119
	117 812	109 119	117 812	109 119

20. Property and equipment – Group and Company

	Premises P'000s	Equipment P'000s	Total P'000s
Cost valuation			
At 1 January 2008	10 946	107 570	118 516
Additions	1 601	5 735	7 336
Disposals	–	(365)	(365)
At 31 December 2008	12 547	112 940	125 487
Accumulated Depreciation			
At 1 January 2008	2 190	83 651	85 841
Charge for the year	238	6 099	6 337
Disposal	–	(365)	(365)
At 31 December 2008	2 428	89 385	91 813
Net book value			
31 December 2008	10 119	23 555	33 674
At 31 December 2007	8 756	23 922	32 678

Premises are shown at valuation less accumulated depreciation and impairment losses. Revaluations are carried out every three years by independent valuers and periodically by directors, on open market basis. The last valuation was performed by Knight Frank, an independent firm of professional property valuers on 25 February 2007.

21. Deposits due to other banks

	Group		Company	
	2008 P'000s	2007 P'000s	2008 P'000s	2007 P'000s
Bank balances	4 174	26 780	4 174	26 780
Placements	188 213	173 163	188 213	173 163
	192 387	199 943	192 387	199 943
Maturity profile				
On demand to one month	192 387	199 943	192 387	199 943

Included under placements are repurchase agreements. Repurchase agreements are used as a tool for short-term financing. As at 31 December 2008, assets sold under repurchase agreements were as follows:

	Fair value of assets P'000s	Corresponding amount of liabilities P'000s	Repurchase price and dates P'000s
Bank of Botswana Certificates	34 589	34 589	34 589 Jan 2009

22. Amount due to customers

	Group 2008 P'000s	Group 2007 P'000s	Company 2008 P'000s	Company 2007 P'000s
Demand deposits	6 165 904	4 460 983	6 173 835	4 469 716
Time deposits	1 811 803	2 299 779	1 811 803	2 299 779
	7 977 707	6 760 762	7 985 638	6 769 495
Maturity profile				
On demand to one month	6 165 904	4 958 705	6 173 835	4 967 438
One month to six months	1 717 938	1 757 340	1 717 938	1 757 340
Six months to one year	40 002	40 306	40 002	40 306
Greater than one year	53 863	4 411	53 863	4 411
	7 977 707	6 760 762	7 985 638	6 769 495

23. Other liabilities

	Group 2008 P'000s	Group 2007 P'000s	Company 2008 P'000s	Company 2007 P'000s
Deferred income and accruals	99 552	71 228	99 552	71 228
Accounts payable	193 231	197 297	192 992	195 794
	292 783	268 525	292 544	267 022

24. Deferred taxation

	Group 2008 P'000s	Group 2007 P'000s	Company 2008 P'000s	Company 2007 P'000s
Balance at the beginning of the year	8 101	5 589	8 101	5 589
Current year charge	(2 116)	2 512	(2 116)	2 512
Balance at the end of the year	5 985	8 101	5 985	8 101
The deferred tax balance comprises of:				
Deferred Tax on Fixed Assets	4 229	6 345	4 229	6 345
Deferred Tax on revaluation surplus	1756	1 756	1756	1 756
	5 985	8 101	5 985	8 101

25. Subordinated loan capital

	Group 2008 P'000s	Group 2007 P'000s	Company 2008 P'000s	Company 2007 P'000s
USD Loan	18 847	15 060	18 847	15 060
Local note issue (1)	–	75 000	–	75 000
Local note issue (2)	50 000	50 000	50 000	50 000
Local note issue (3)	75 000	75 000	75 000	75 000
Senior debt	100 000	100 000	100 000	100 000
	243 847	315 060	243 847	315 060

The USD loan amount to USD2.5 million raised in 2002 and to be repaid no later than the tenth anniversary which is the 15 of October 2012 and no earlier than five years before that date. Interest rate on the loan is LIBOR plus 1% per annum.

Local note issue (1) comprise of BWP 75 million raised through a programme in 2002 and is to be repaid no later than on the tenth anniversary which is 15 October 2012 and no earlier than five years before that date. The interest rate on the loan is BOBC's three month yield for each quarter. This loan note was subject to early redemption on the 15 of January 2008.

25. Subordinated loan capital (cont'd)

The local note issue (2) includes a subordinated debt of BWP 50 million with a floating interest rate payable quarterly at the 91 day BOBC plus a margin of 70 basis points per annum for first 5 years and the same reference rate plus a stepped up margin of 120 basis points thereafter. The debt matures on 20 December 2015.

Local note issue (3) comprise of BWP 75 million raised through a debt issue on 19 November 2007 as part of the P500 Million Debt Issuance Programme and is to be repaid no later than on the tenth anniversary which is 27 November 2017 and no earlier than five years before that date. The interest rate is a floating interest rate payable quarterly at the 91 day BOBC plus a margin of 40 basis points per annum for first five years and the same reference rate plus a stepped up margin of 90 basis points thereafter.

BWP 100 million senior debt was issued in tranches of BWP 50 million each. Tranche (I) issued at fixed interest rate of 10.30% to mature on 20 December 2012. Tranche (II) was issued at fixed rate of 10.50% maturing on 20 December 2020. The debt is callable after the 8th anniversary. Interest is payable semi-annually. Claims in respect of the loan capital and interest thereon are subordinate to the claims of other creditors and depositors.

None of the loan capital is secured or convertible.

	Group		Company	
	2008 P'000s	2007 P'000s	2008 P'000s	2007 P'000s
26. Income tax paid				
Opening balance	10 762	5 095	8 954	4 999
Charge for the year	80 119	61 178	77 640	59 370
Closing balance	(20 914)	(10 762)	(20 651)	(8 954)
	69 967	55 511	65 943	55 415
27. Cash and cash equivalents				
Cash and bank balances with Central Bank	422 127	385 483	422 127	385 483
Bank of Botswana Certificates	4 335 680	2 114 075	4 335 680	2 114 075
Balances due from other banks	985 596	381 147	985 596	381 147
	5 743 403	2 880 705	5 743 403	2 880 705

Cash and cash equivalents include Bank of Botswana certificates with a maturity of less than 3 months.

28. Related parties

The Bank has a related party relationship with its parent Bank and with the Standard Chartered Group. The Bank also has a related party relationship with its directors and executive officers.

Transactions with other companies in the Standard Chartered Group are in the ordinary course of business on an arms length basis.

Details of related parties transactions and balances during the year are as follows:

	Group		Company	
	2008 P'000s	2007 P'000s	2008 P'000s	2007 P'000
Balances due from:				
Standard Chartered Bank PLC London	930 313	294 308	930 313	294 308
Standard Chartered Bank New York	7 439	38 227	7 439	38 227
Other group companies	838	7 422	838	7 422
	938 590	339 957	938 590	339 957
Balances due to				
Standard Chartered Bank PLC London	4 780	4 987	4 780	4 987
Standard Chartered Bank New York	1	2 717	1	2 717
Other group companies	24 969	16 640	24 969	16 640
	29 750	24 344	29 750	24 344
Directors' Fees	108	128	108	128
Executive Directors' Remuneration	3 854	7 774	3 854	7 774
Interest Income	15 914	27 811	15 914	27 811
Interest Expense	1 076	381	1 076	381
Group Recharges	62 168	6 298	62 168	6 298
Group share scheme expense	1 951	593	1 951	593
Directors' holding in company shares	160	169	160	169

29. Operating leases

	2007	2008	2009	2010	2011	2012
Long-term accrual	828 368	1 076 077	891 199	344 780	49 994	–
Short-term accrual	80 554	206 557	367 191	574 032	294 785	49 994
Total accrual	908 922	1 282 634	1 258 390	918 812	344 779	49 994
Minimum lease payments						
Cash flow within 1 year	5 992 621	6 872 855	6 226 288	5 378 695	2 279 905	430 474
Cash flow between 2-5 years						
Future cash flows	16 144 313	14 315 361	8 089 074	2 710 379	430 474	–
Total future cash flows	22 136 934	21 188 216	14 315 362	8 089 074	2 710 379	430 474
Already accrued	(908 922)	(1 282 634)	(1 258 390)	(918 812)	(344 779)	(49 994)
Future expenses	21 228 012	19 905 582	13 056 972	7 170 262	2 365 599	380 480

Operating leases relate to various buildings and ATM sites which the Bank leases over varying periods with escalation rates at an average of 8.5%

30. Contingent liabilities and commitments

	Group 2008 P'000s	Group 2007 P'000s	Company 2008 P'000s	Company 2007 P'000s
Un-drawn commitments	245 164	298 981	245 164	298 981
Acceptances and letters of credit	82 676	464 515	82 676	464 515
Performance and bid bonds	401 834	263 164	401 834	263 164
Guarantees and standby letters of credit	580 971	526 244	580 971	526 244
	1 310 645	1 552 904	1 310 645	1 552 904

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

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

31. Trust activities

	Group 2008 P'000s	Group 2007 P'000s	Company 2008 P'000s	Company 2007 P'000s
Republic of Botswana Registered Bonds	24 500	58 560	24 500	58 560

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

32. Capital commitments

Capital commitments at the balance sheet date amounted to nil (2007: nil)

33. Average balances for the Group

The following are the average daily balances for the full year 2008 and 2007:

	2008 P'000s	2007 P'000s
Total Assets	7 729 237	7 226 386
Total Liabilities	7 606 549	6 977 476
Shareholders' Equity	372 902	423 672
Contingent liabilities and un-drawn commitments	245 164	298 981

34. Investment in wholly owned subsidiary companies

	BWP	BWP
Standard Chartered Bank Insurance Agency (Pty) Ltd	100	100
Standard Chartered Investments (Pty) Ltd	100	100

35. Segmental reporting

2008	Consumer Banking P'000s	Wholesale Banking P'000s	Total P'000s
Income statement			
Net interest income	381 685	163 823	545 508
Non funded income	109 254	86 706	195 960
Net interest income before impairment	490 939	250 529	741 468
Impairment charge	(51 778)	3 994	(47 784)
Net interest income after impairment	439 161	254 523	693 684
Operating expenditure	(206 965)	(116 241)	(323 206)
Profit before taxation	232 196	138 282	370 478
Taxation			(78 002)
Profit for the year	232 196	138 282	292 476
Balance sheet			
Performing advances and BoBCs	2 016 292	5 057 281	7 073 573
Non performing advances	348 099	112 647	460 746
Total deposits	2 557 992	5 419 715	7 977 707
2007			
Income statement			
Net interest income	344 435	105 423	449 858
Non funded income	96 922	86 708	183 630
Net interest income before impairment	441 357	192 131	633 488
Impairment charge	(30 522)	(44 421)	(74 943)
Net interest income after impairment	410 835	147 710	558 545
Operating expenditure	(169 414)	(86 073)	(255 487)
Profit before taxation	241 421	61 637	303 058
Taxation			(63 690)
Profit for the year	241 421	61 637	239 368
Balance sheet			
Performing advances and BoBCs	2 349 108	4 482 104	6 831 212
Non performing advances	32 736	78 671	111 407
Total deposits	2 192 294	4 568 466	6 760 760

Notice to Members

Notice is hereby given that the 34th Annual General Meeting of the members of Standard Chartered Bank Botswana Limited will be held on Thursday, 28 May 2008 at 1800 hrs at the Gaborone International Convention Centre for the following purposes:

1. To receive, consider and adopt the Chairperson's Report.

2. To receive, consider and adopt the Chief Executive Officer's Report.

3. To receive, consider and adopt the Annual Financial Statement for the year ended 31 December 2008, together with the Auditor's Reports therein.

4. To note the resignations of Mr David Moir and Madam Mmasekgoa Masire Mwamba in accordance with Article 89 (e) of the Articles of Association.

5. To confirm the appointment of Messrs Gurcharan Singh Kadan, Bojosi Otlhogile and Madam Serty Leburu as Non-Executive Directors and Executive Director respectively in accordance with Article 90 of the Articles of Association.

6. To fix the remuneration of the directors for the year 2009.

7. To approve the remuneration of the auditors for the year ended 31 December 2008.

8. To confirm the appointment of KPMG as auditors for the year 2009.

9. To transact any other business that may be properly transacted at the Annual General Meeting.

Notes

Any member entitled to attend and vote, is entitled to a proxy to attend and speak and, on a poll, vote in his/her stand. The person so appointed need not be a member. Proxy forms should be forwarded to reach the secretary, at Standard Chartered Bank Botswana Limited, Head Office, 5th Floor, Standard House, The Mall, PO Box 496, Gaborone, or fax to 3918299, not less than 48 hours before the meeting.

All shareholders attending should RSVP to Chawa Bale on 3601577 or Monei Matenge 3601504

By order of the Board

THATO MMILE
Company Secretary

Standard Chartered

Proxy Form

Please complete in block letters

I/We --

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

-- or failing him or her

-- or failing him or her

The chairman of the meeting, as my proxy to vote on my behalf at the annual general meeting of the company to be held on the 28 May 2009 at 18:00

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

Signature ------------------------ Date ------------------------ 2009

Notes --

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1. Any alteration to this form must be initialled by the signatory.
2. This form of proxy should be completed and returned so as to reach the Secretary of the company on the 5th Floor, Standard House, The Mall, PO Box 496, Gaborone, or send a fax to 3918299, no later than 48 hours before the meeting.