Annual Report | 2016

FNB
First National Bank


25
50

Welcome to the FNBB 2016 Annual Report

We take pleasure in presenting the First National Bank of Botswana Limited 2016 Annual Report. We hope that once you have read it you will agree with us that FNBB continues to be a profitable organisation, a sound investment and an exemplary corporate citizen.

The Bank's continued success in challenging economic circumstances comes as a result of an enormous amount of commitment, energy and effort from the FNBB team. It is only through their endeavours that we can confidently ask our customers "How can we help you?" with the certainty that we are indeed able to offer them meaningful solutions to their unique needs.

What's Inside!

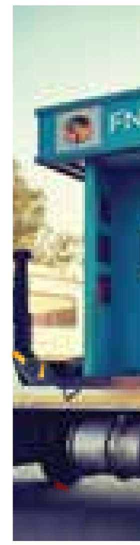
Celebrating

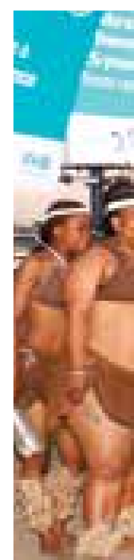
helpful partnerships & achievements

"My banking with FNB has been made unforgettable by the people from the bank who have really helped me for the past 25 years" – Mrs Giddie


ROUND TABLE
ORAPA BEER FEST

CELEBRATING 25 YEARS OF HELP





THEME RATIONALE

As FNB Botswana celebrates its Silver Jubilee, we look back on 25 years of helping Botswana develop and assisting Batswana to achieve their individual goals.

As members of the FNBB family we reflect on the outcomes of all our practical support and hard work: a quarter-century of infrastructural development, business expansion, and personal ambitions attained.

As we celebrate Botswana's 50 years of independence, we are honoured by the role we have played in helping to make ours a country we can all be proud of. Since we first opened our doors, our wholehearted commitment to helping our customers has been the guiding principle of our product and service offering, and has propelled us forward to where we are now. Customer-centricity, innovation, a strong product and service offering – coupled with a wide national branch footprint and effortlessly accessible digital platforms – have been key contributors to our success.

There is no more relevant a time to savour the rich stories that make up the fabric of all that we have achieved together – we, the people of FNBB and the people of Botswana – and this annual report gathers together snapshots of some of these stories.

As we celebrate past and present achievements marking our first 25 years of existence, we look forward to the next 25 years in anticipation of greater achievements, both for our FNBB family and all the people of this great country.

Rationale for Creative Design

The design of this annual report is inspired by the bi-metal P5 coin. This idea is motivated by the unique coincidence of Botswana's Golden Jubilee (50 years of independence) and FNBB's Silver Jubilee (25 years of service) being reflected in the coin's colours. The P5 coin is an apt metaphor for this dovetailing, and is a fitting symbol of the vital roles that FNBB and the people of Botswana have played in realising the growth, confidence and economic stability of which our country is justly proud.

FNBB is a Bank with a truly national focus, reach and appeal. This annual report is also a tribute to one of the most used and iconic pieces of Botswana's legal tender, making a rare and symbolic statement about the special nature of the shared milestones between the country and its most innovative bank.

With this in mind, this year's annual report espouses a celebratory spirit, exemplifying the many diverse elements that tie FNBB so closely to Botswana and her people.

Pula!

Celebrating **the power** *that drives our service*

We are thrilled to celebrate our accomplishments as a Bank.

In doing so we recognise the contribution of illustrious FNBers who have walked the distance with us, continuously driving our success, as well as securing our legacy, our future and our integrity.

Here is to the next 25 years of making history.

Celebrating

dedication to serving

Elizabeth Botana

I joined the Bank on the 1st of April, 1990. This was the former Zimbank which was then taken over by FNBB in 1994, so you can say the Bank found me already here! I became the Branch Manager at Letlhakane in January 2012, the post I hold today.

For me FNBB's 25th anniversary marks a great achievement, a milestone in the business life cycle of my employer. I have witnessed the growth of FNBB from three branches in Gaborone, one in Lobatse and two in Francistown in 1995, to 22 branches countrywide in 2016. I have watched while the Bank's profits have grown year on year, on the back of new products, better customer service and improvements in technology every year.

What I like most about FNBB is how it takes care of its employees – medical aid, pension, special interest rates, personal development growth, maternity leave on full salary... you can name them all! FNBB plays a massive part in the welfare of its employees.

I am very proud to be part of this journey. I joined FNBB as a Ledgers Supervisor, and today I am a Branch Manager with many achievements, including Silver and Gold performance Awards for our efforts in Letlhakane Branch.

I will conclude by saying: as Botswana moves from Analogue to Digital, FNBB is moving from Bricks to Clicks, always leading the way.

Financial H

+7%
NON-INTEREST INCOME

-15%
PROFIT AFTER TAX

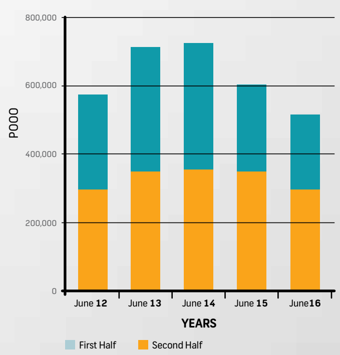
52.6%
COST-TO INCOME RATIO

+12%
ADVANCES TO CUSTOMERS

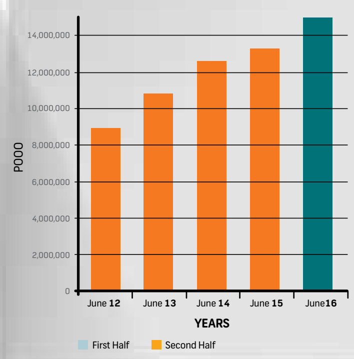
11t
DIVIDEND

Highlights

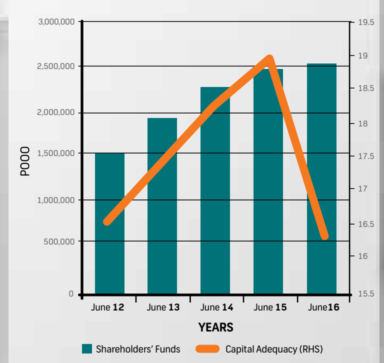
Profit after Tax



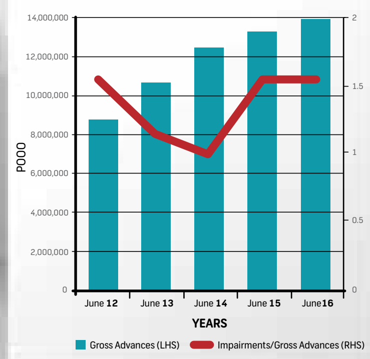
Loans and Advances



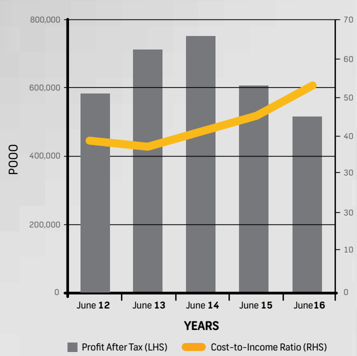
Shareholders' Funds vs Capital Adequacy



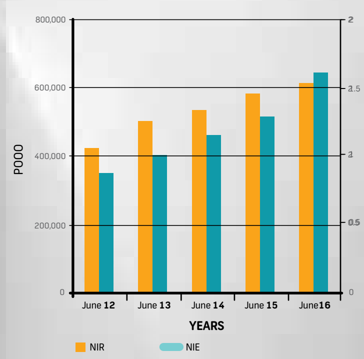
Advances vs Impairments to Gross Advances



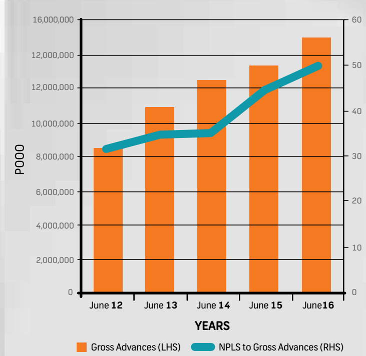
Profit After Tax vs Cost-To-Income Ratio



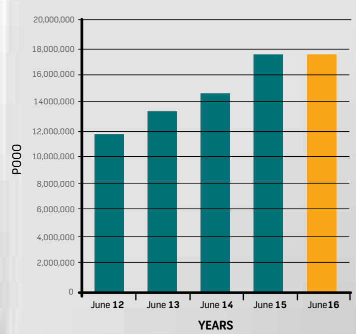
Non-Interest Revenue vs Non-Interest Expenses



Gross Advances VS NPLs to Gross Advances



Deposits



Statement of Financial Position

In an environment of limited lending and investment opportunities, the Group made a deliberate strategy of focusing on balance sheet efficiencies. This focus resulted in reduced deposits from customers which declined by 1%, and in changes in the deposit mix in order to manage interest expenditure and elongate funding term to address the maturity profile.

Although showing overall decline in deposits from customers, current, call and fixed deposits all grew while notice deposits and foreign currency deposits declined. Borrowings grew by 177% over the period, due to the success of a bond issue. This funding mix reflects our success in achieving diversification of both source and term funding, so as to mitigate future liquidity and concentration risk.

The Group's total balance sheet grew by 4%, with market share of deposits declining year-on-year while the loan-to-deposit ratio increased from 75% to 84%.

Advances posted a growth of 12%, outpacing market growth of 8% and making up 66% of the total assets. Growth emanated from the Retail segment and in particular the term loans product. WesBank, the vehicle asset finance product of the Group, also posted good growth over the period under review. Conversely, the Business and RMB advances books reduced by 3% and 8% respectively in line with general business credit trends and in the number of viable lending opportunities. Notwithstanding, the Group maintained its overall market share in advances. The improved balance sheet efficiency is also evident from the significant decrease in non-interest bearing assets in the form of cash and cash equivalents which declined by 15%, while excess liquidity in investment securities posted moderate growth of 8%.

Statement of Comprehensive Income

Growth in net interest income of 8% has been spurred by the reduction in interest expense as the market stabilised from a strain in liquidity in the previous year by our success in diversifying funding sources to optimise the Bank's balance sheet. Interest income, on the other hand saw growth of only 2%, as the opportunities for advances growth emanated from the lower-yielding asset classes.

The cumulative rate cut of 100bps in February 2015 and a further 50 bps in August 2015 has put a strain on the top line and contributed to the low growth in interest income from advances. However, this position remains satisfactory and reflects our focus on improving the quality of the book, although priced at lower margins. Despite deliberate reduction in credit risk, impairments grew by 14% year-on-year, driven mainly by specific impairments from business closures and a difficult business environment, but in trend terms, it is a significant improvement from the impairments growth of 64% experienced in the prior year. Furthermore, a more conservative approach to portfolio provisioning was introduced as a prudent precaution, and focus on collections remains.

In a low-interest environment, income diversification continues to be a focus area. To this end, stimulation of transactional volumes has been a key priority with significant growth being recorded on FNB Connect at 94%, Online Banking at 15%, Mobile banking at 16% as well as new offerings such as Hyphen which have also gained momentum. Growth in the branch network volumes, the more expensive channel for our customers, showed lower growth levels of only 1%, reflecting success in our strategy to encourage customers to make more use of the electronic products in favour of visiting branches, so as to pass on real savings to our customers in terms of bank charges. The Bank grew its customer base by 5.8% in customer numbers and 8.1% growth in account numbers, together with improved cross-selling of a wider product range. Acccordingly, and despite the effective continuation of a moratorium on increases to bank charges, the non-interest income has increased by 7%, due entirely to increasing the volume of transactions and the range of products on offer.

Employee benefit costs grew by 19%. Notwithstanding the difficult economic environment significant investments have been made in our employees. Firstly, investing in leadership and development talent which is a key to ensuring continued innovation and sustained success of the Group. Secondly, within the highly regulated environment that banks around the world operate in and the extensive legislation that is necessary to ensure the appropriate level of internal controls and oversight, considerable focus has been devoted to building the governance and support structures with the right people that are able to support the growth of the Bank. In today's rapidly and ever changing environment this is, and continues to be an important focus.

The Bank's improvement of its operating systems and investment in infrastructure has resulted in further increases in other operating costs. Enhancements in the year included the improvement of existing infrastructure such as point of sale machines, refurbishment of 4 branches in the last 18 months as well as the rollout of ATMs with Deposit functionality from 20 to 40 as at year end. This ongoing investment is critical in ensuring that we continue to provide world class services and environments in which our clients are serviced, maintaining our competitiveness in this space. It is in the light of these infrastructure enhancements and systems upgrades that the evaluation of existing assets was undertaken leading to a change in estimate of the depreciation for some of our plant and equipment.

The investment in infrastructure, increased depreciation of assets and regulatory processes enhancements have contributed to the growth of our operating expenses of 31%.

As a result of the above, profit before tax declined by 13% from the prior year. The fundamentals of the Bank remain strong with return on equity at a healthy 20%.

ABOUT FNB BOTSWANA

BALANCE SHEET	EMPLOYEES	ATMs	ATMs WITH DEPOSIT	SLIMLINE ATMs
21.9Bil	1386	134	40	34

Various acquisitions led to the Bank becoming a listed entity on the Botswana Stock Exchange in 1993. As at June 2016, FNBB is the largest company on the Botswana Stock Exchange by capitalisation. The Bank has the largest balance sheet of all banks in Botswana, totalling P21.9 billion, and the largest advances book over P14 billion. FNBB has, in its 25 years of operation, become the most profitable bank in Botswana with the most diversified balance sheet structured to achieve sustainable profits in all economic conditions.

FIRST NATIONAL BANK BOTSWANA (FNBB) WAS REGISTERED IN 1991, AS A WHOLLY OWNED SUBSIDIARY OF FIRST NATIONAL BANK HOLDINGS (BOTSWANA).

Employing 1386 people, FNBB services customers across the country through a network of 134 ATMs, 34 Slimline ATMs, 40 ATMs with Deposit and 22 branches.

FNBB is a leader in innovative banking products and has had many firsts in Botswana: **First** to introduce a Pula based credit card; **First** to offer internet banking; **First** to introduce inContact - real time transaction based SMS/email messaging; **First** bank in Botswana to establish a charitable Foundation; **First** to introduce Cellphone Banking; **First** to introduce an instant accounting solution for SMMEs; **First** to introduce Mobile ATMs; **First** to introduce a one stop payment solution - FirstPay Portal; **First** to introduce eWallet, **First** to introduce ATM Advance; **First** to introduce eWallet Bulk Send, **First** to introduce Smart Device offering, **First** to introduce FNB withdraw with PayPal and **First** to introduce the eBucks Rewards Programme.

The Bank executes its corporate social responsibility through the FNBB Foundation which is one of the biggest corporate donors and a leader in CSR not only in the financial services sector but also in the country. Established in 2001, to date the Foundation has invested more than P35 million in various social responsibility projects, enriching and uplifting the lives of many people in need across the country. Annually, the Bank contributes up to 1% of its after tax profits to the Foundation. An extension of the Foundation's commitment towards the community is the Staff Volunteer Programme which is an initiative that affords the Bank's employees an opportunity to identify a deserving project of their choice in their respective localities, to donate funds and volunteer their time.

Vision & Purpose

VISION

The Bank of choice delivering innovative solutions and a superior customer experience.

PURPOSE

We are a Bank of Excellence with an exceptional team, continually outperforming by offering innovative financial services and solutions. We create sustainable wealth exceeding ALL stakeholders' expectations.

WesBank

A division of First National Bank of Botswana

LEADER IN VEHICLE AND ASSET FINANCE

WesBank is a division of First National Bank of Botswana Limited. WesBank partners with various motor dealers and supplier stakeholders to deliver its major product, which is vehicle and asset finance. Its entire spectrum of asset finance includes passenger and commercial vehicles, plant and machinery, agricultural equipment, aircraft, leisure (boats and motorbikes) and earth moving equipment.

RMB BOTSWANA

Traditional values. Innovative ideas.

RMB Botswana is a corporate and investment banking division of First National Bank of Botswana Limited. RMB Botswana offers clients access to a comprehensive suite of investment banking products and services, including: advisory; corporate finance; trading solutions; infrastructure and project finance; structured trade and commodity finance; fixed income; currency and commodity services; and investment opportunities.

Our Firsts

1. First Bank in Botswana to introduce a Pula based Credit card.
2. First Bank in Botswana to provide Internet Banking
3. First Bank in Botswana to provide InContact- real time transaction based SMS/email messaging
4. First Bank in Botswana to establish a charitable Foundation
5. First Bank in Botswana to introduce cellphone banking
6. First Bank in Botswana to introduce Mobile ATM
7. First Bank in Botswana to introduce a one stop payment solution; FirstPay Portal
8. First Bank in Botswana to introduce eWallet
9. First Bank in Botswana to introduce ATM with Deposit
10. First Bank in Botswana to introduce eWallet Bulk Send
11. First Bank in Botswana to introduce FNB Withdraw service with PayPal
12. First Bank in Botswana to introduce eBucks Rewards Programme

eB eBucks rewards from FNB

Our Milestones

1991

FNBB was established in Botswana in September as a registered subsidiary of the FirstRand Group.

1992 | FNBB took over the operations of BCCB which was under Bank of Botswana administration and operated 5 branches. This was the start of Main, Industrial, Lobatse and 2 Francistown branches.

1993 | FNBB acquired Financial Services Company, a leasing and property finance company from which FNBB Property finance and WesBank were born.

1993 | FNBB obtained listing on the Botswana Stock Exchange.

1994 | FNB acquired Zimbank Limited.

1998 | FNBB introduced a Pula based Credit card. These VISA cards were accepted in more than 200 countries worldwide.

2001 | FNBB established the FNBB Foundation; one of the biggest corporate givers and a leader in CSR in the financial services sector. To date, the FNBB has contributed more than P35 million to the Foundation to be invested in various projects, enriching and uplifting the lives of Batswana.

2003 | FNBB harnessed the power and functionality of the cellphone and email by introducing *inContact*; a free message service that sends customers a real time SMS or email confirming all transactions taking place on their accounts.

2004 | FNBB pioneered Internet Banking in Botswana. The service offers customers the benefit of direct, secure and real-time access to their accounts 24/7.

2006 | FNBB Cellphone Banking brought new meaning to convenient banking, giving customers the freedom to bank anytime and anywhere. Today, more than 250 000 utilise cellphone banking.

2010 | FNBB won the Euromoney Best Bank Award in Botswana. The award is attributed to the Bank's demonstration of leadership, innovation and momentum in the market.

2010 | The FNBB soccer themed 2010 Annual Report won the best published Corporate Report and Accounts in the Financial Service Sector category by the PriceWaterHouseCoopers Annual Report Awards.

2010

FNBB introduced eWallet; a card-less money transfer service that allows customers to instantly send money to anyone in Botswana with an active cell number. Recipients can use the money in the eWallet to buy airtime.

2011

FNBB unveiled the first ever mobile ATM in Botswana. This forms part of the Bank's efforts to bank the unbanked and take banking to the people.

2012 | . FNBB opened the Airport Junction Branch, its 21st branch in its 21 years of operation in Botswana. The Bank continues to grow its footprint in the interest of serving a wider customer base.

2012 | FNBB was voted the Best Commercial Bank in the World Finance Awards. The award is testament to the hard work and dedication of staff and the Bank's commitment to provide a full range of innovative financial services and products to all customers.

2012 | FNBB introduced FirstPay Portal; a debit and credit card payment platform that allows FNB and non-FNB customers the ability to pay their utilities and services online.

2013 | FNBB was awarded the Best Local Trade Finance Bank in Botswana by the Global Trade Review (GTR).The Best Local Trade Finance award is given to a bank that provides effective trade finance solutions to the demands of the local market. Therefore, the award takes into account the innovation, service, consistency, flexibility and pricing of the solution.

2013. | FNBB received the Leader Award for the Top Acquirer in Sub Saharan Africa at the 2013 Visa Security Summit. The annual LEADER Award recognizes the exceptional efforts taken by the risk management functions of selected Visa clients in effectively combating fraud risks.

2013 | FNBB unveiled its new Head Office; First Place, a state-of-the art building that boasts the banks' "one-stop-shop" capability by hosting all the Bank's divisions at one location.

2013

FNBB introduced Slimline ATMs to offer customers easy banking access and convenience at locations where the bank does not have branch representation or a conventional ATM. FNBB replaced its old mini-ATMs with Slimline ATM's across the country.

2013 | FNBB collaborated with Botswana Post who were appointed by Botswana Power Corporation as one of the Super Vendors for purchase of pre-paid electricity. FNBB introduced virtual purchases which are card based to provide pre-paid electricity to all VISA and MasterCard credit and debit card holders irrespective of issuing bank.

2013 | FNBB introduced *174# Mobile Transact; With the *174# Mobile Transact, one can purchase pre-paid electricity, make real-time payments to Multichoice, anytime, anywhere in comfort and convenience even when roaming. The *174# Mobile Transact service is open to MasterCard and VISA cardholders irrespective of the issuing bank. The user must be a beMobile or Mascom subscriber.

2013 | FNBB launched the FNB Smartphone Banking App that works on iOS Apple, BlackBerry10 as well as on Android Smartphones. The FNB App is a safe and secure banking application that allows customers direct and easy access to their FNB accounts.

2013 | FNBB rebranded its corporate and investment banking activities to RMB Botswana. The addition of a new brand supports FNB Botswana's strategy of growing its business by broadening the range of corporate and investment products and services.

2014. FNBB launched the ATM with Deposit with real-time cash deposit, a first of its kind in Botswana and also a first in the FNB Group subsidiaries. FNB's new ATM with Deposit with real time cash deposits is available 24/7 affording customers banking convenience.

2014 | FNBB introduced South African Rand (ZAR) dispensing ATMs. The foreign currency withdrawal capability is available at selected FNB ATMs in Botswana.

2014 | FNBB is the largest Bank by market capitalization in the Botswana Stock Exchange at BWP8.8 billion as at July 2014.

2014 | FNBB was voted the Most Innovative Bank in Botswana by the Global Banking & Finance Review 2014. Global Banking and Finance Review awards were created to honour companies of all sizes that stand out in particular areas of expertise within the banking and finance industry. The awards recognise innovative banking, investment strategies and achievements, as well as progressive and inspirational changes within the financial sector.

2014 | FNBB partnered with Multichoice Botswana to enable instant reconnection to DStv, when one pays through FNBB various e-channels. This offers customers the benefit and convenience of paying for their DStv subscription anytime, anywhere and receiving instant connection.

2015

The FNBB *174# Mobile Transact Innovation won a whopping **R1 million at the 2014 FNB Group Innovations Competition.**

2015 FNBB launched Nthula Lounge. FNB Private Clients can experience a place where chaos can't enter, where the journey matters as much as the destination and where a deep breath can last hours. Nthula Lounge offers a brief rejuvenating pause before one re-enters the real world. Nthula Lounge boasts the following: Luxurious seating with massage chairs; free access to Wi-Fi, printing and faxing facilities; access to DSTV channels on LED screens; seasonal, freshly prepared food; assorted soft drinks, juices, tea and freshly percolated coffee, house wine and beer; recreational and business books for reading pleasure; and private bathrooms.

2015 | FNBB was awarded the Diamond Arrow Award in the Business Banking Sector, the Diamond Arrow Award in Credit Cards Services in Botswana, and the Diamond Arrow Award in Personal Banking Services in Botswana by the PMR Africa awards 2015.

2015 | FNBB recorded more than P2.7 billion eWallet sent, since its inception in 2010, proving that mobile money is fast becoming an accepted replacement for person to person cash payments.

2015 | FNBB launched a a 7-Day Notice Account which offers business clients increased flexibility of accessing funds while also benefiting from high returns.

2015 | FNBB launched a Premier Service suite as a way to improve our service in the portfolio. As at December 2015, the suite serviced 4157 customers.

2015 | FNBB Foundation invested more than P2, 9 million to refurbish a community recreational facility park and rebranded it to First Park.

2015 | FNBB's ATMs with Deposit taking machines were doubled from 10 to 20.

2016

- FNBB launched eWallet Bulk Send, a payment solution that allows business account holders to pay single or multiple ewallets at a go through Online Banking Enterprise Platform. The solution supports business to perform multiple eWallets payments to an unlimited number of recipients.
- FNBB launched an attractive innovative Home Loan value add solution; FNB 105% Mortgage Offering; a seamless solution for aspiring first-time home owners. The offer allows FNB Home loans to consider financing up to 100% of the purchase price plus an additional 5% of the said purchase price towards legal and administration fees.
- RMB Botswana was awarded the Best Trade Finance Bank in Botswana title for 2015 by Global Trade Review (GTR). GTR is a leading global news source, publisher and analyst organisation for the global trade, commodity, export and supply chain finance industries. The GTR award considers the performances of financial institutions in areas including turnaround time, reliability with service delivery and in-depth knowledge of their local market.
- FNB Botswana launched FNB Withdraw service with PayPal; this service allows residents in Botswana to withdraw money directly from their PayPal accounts to their qualifying FNB bank account. This service gives local businesses the flexibility they need to not only accept PayPal payments but also settle locally - opening up the opportunity to do business on a global level and have access to PayPal's 179 million active customer accounts in 203 countries and markets.
- FNB Botswana launched eBucks Rewards Programme; a Rewards Programme providing qualifying customers with the opportunity to get rewarded when they purchase prepaid airtime or prepaid electricity through FNBB's electronic channels and Private Clients could earn up to 1.5% back in eBucks on qualifying Credit Card swipes.

2017

eBucks rewards from FNB

Celebrating

helpful partnerships & achievements

"I cherish their willingness to assist our business to grow and going forward, I know they will always be supportive"

– Mr Mosam

Leaders

FNB
First National Bank
how can we help you?

MESSAGE FROM THE ACTING CHAIRMAN

A Gold and Silver Jubilee

As Botswana celebrates 50 years of independence and reflects on the progress and development that have transformed one of the then poorest countries in the world into a sparkling, middle-income success story, First National Bank Botswana is proud to look back on a quarter-century during which it has grown rapidly from being the new kid on the block to being the largest bank in the country. FNBB is truly proud of the contribution it has made to the thriving, forward-looking country we all hold so dear.

ship

Acting Chairman's Message *[continued]*

The history of FNBB can be summarised as a list of firsts. Since its inception in 1991 and the takeover of the Bank of Credit and Commerce (BCCB) operations in 1992, the Bank has led the industry, in terms of both innovation and customer service. The Bank was the first to introduce a Pula-based credit card, internet banking, InContact SMS alerts, cellphone banking, mobile ATMs, eWallet and ATMs with Deposit and the first bank to link to the PayPal worldwide online payments system.

It has been an illustrious journey for FNBB, that began with the commencement of operations in five locations: Main Branch - in what had been the BCCB building on Khama Crescent in Gaborone's Government enclave, the Gaborone Industrial Branch, a branch in Lobatse and two in Francistown. Today the Bank boasts a nationwide branch footprint with 22 customer-friendly walk-in service touchpoints, complemented by the most advanced, multi-platform e-banking offering in the country.

OUR COMMITMENT TO THE COMMUNITY

The FNB Foundation was also a first – the first charitable foundation to be established by a bank in Botswana. Through the Foundation the Bank commits up to one percent of its after tax profit annually to support community projects that benefit the most vulnerable sectors of society.

To date the Foundation has invested more than P35m in a variety of worthy projects, all selected for their capacity to uplift needy communities and disadvantaged groups. The Foundation funds education, arts and culture, sports and recreation, social welfare development and environmental sustainability in Botswana by identifying beneficiaries who are in need and deserving of assistance and where such assistance will have real and lasting benefits.

In the fifteen years since the formation of the FNB Foundation Trust Fund, which has an independent board, a broad range of beneficiary organisations have been recipients of financial or material assistance for capital projects, the provision of working assets, or, in certain circumstances, cash for working capital. Over the years, the Foundation has assisted Childline Botswana, Camphill Community Rankoromane, the Legodimo Trust, the Motswedi Rehabilitation Centre, the Botswana Society for the Deaf, Somarelang Tikologo (Environment Watch Botswana), the Holy Cross Hospice and many more community and faith-based organisations. A highlight of the year is the Winter Shoe Drive, which every winter provides school shoes to the pupils of various rural primary schools identified by Government as being in greatest need.

We are particularly proud of our flagship First Park project. Situated in Tawana, Gaborone, the park provides a safe and relaxing facility for the local community to socialise, exercise, relax and play.

FNBB will continue to ensure that the excellent work of the Foundation, one of the country's largest CSR entities, makes a worthwhile contribution to enhancing the lives of the neediest members of our society.

The Foundation also supports the voluntary efforts of FNBB staff who initiate their own social benefit projects in the communities in which they operate. Along with the Trust, the employees of FNBB have ensured that the work of the Foundation will leave a lasting legacy, of which FNBB can be justifiably proud.

EVER INCREASING FOCUS ON REGULATION

The new banking landscape is characterised by the ever changing and intensive focus now being placed on the regulatory environment, requiring the Bank to invest substantially in the Risk, Compliance and Regulatory function in order to be able to ensure compliance with evolving requirements emanating from both local and international regulatory bodies. The cost to the Bank of maintaining and upskilling adequate risk and compliance capacity and of responding to new requirements is reflected by our increased human resource costs.

The regulatory capital requirements are particularly pertinent in the wake of the challenging environment of the last two years and the Bank strictly observes capital adequacy ratio requirements and continues to maintain a ratio with an adequate buffer above the Bank of Botswana's required ratio of 15%.

MARKET DEVELOPMENTS

While market conditions have eased after the liquidity crisis of last year, the financial services sector, and the banking industry in particular, continue to operate in a stagnant economy struggling to restart after the slump in diamond production and depressed commodity prices that saw cutbacks in diamond production and the mothballing of a number of non-diamond mining operations. Although Botswana has weathered the global economic uncertainties reasonably well, it remains vulnerable to geopolitical and macroeconomic event risk and it is therefore important that the Bank consolidate its recovery and steer a course that will keep it in relatively calm and predictable waters. I believe that the various initiatives in the area of strengthening the quality of the book and optimising funding sources with a focus on balance sheet efficiencies will continue to ensure the Bank's agility and ability to successfully navigate unchartered and unforeseen challenges.

PERFORMANCE AND OUTLOOK

Despite the 15% decline in attributable profits, a number of highlights deserve mention. Advances to customers grew by 12% to P14.4bn and this growth, well above the industry average of 8% was characterised by tighter credit extension criteria and a marked decline in impairments from a 64% increase in 2014-2015 to 14% in 2015-2016. However, a concerning trend is that this growth is driven by consumption credit and not business or investment credit extension. Additionally, net income after impairments, as well as non-interest income both increased by 7%. This reflects the concerted efforts of management and your board to adapt to the challenging economic environment and position the Bank to take advantage of the opportunities that clearly exist in the country. The business fundamentals of the Bank are sound and we can expect a return to good profit growth in the 2016-2017 financial year. The Bank will continue to refine its systems and processes and will continue to lead the market in innovation and service excellence, as it has done in the last 25 years, leading to improved shareholder returns and increased value of the business.

The Bank continues to lead the industry in innovation and customers benefit from a comprehensive product and service offering through a combination of channels - branches, ATMs, slimline ATMs, deposit taking ATMs and PoS, as well as internet and mobile banking solutions. These provide a comprehensive customer service experience focussed on convenience, ease of access and value for money. We believe that our continual technological innovation will continue to attract new customers and drive customer loyalty and retention.

OUR PEOPLE

The Bank prides itself on being the market's employer of choice, attracting the best minds in the industry and ensuring that our skills development provides our employees with career opportunities that will retain the best talent so as to be able to continue to lead the banking sector with confidence.

Skills Development Strategy

Central to our human resource development strategy is the alignment of our talent profile with our business strategy. This involves developing commitment to our customer-centric outlook and high engagement levels with our clients in order to be able to provide appropriate, tailor-made financial solutions coupled with exemplary service.

Acting Chairman's Message *[continued]*

Leadership growth

Strategies to strengthen alignment of skills with our business strategy and succession pipeline include focusing on top talent retention and the development of globally relevant skills. Succession planning is in place throughout the organisation and appropriate training and career development is given high priority. Localisation of executive positions continues throughout the Bank, driven by targeted graduate development programmes. We continue to align our human resource development processes with future operational developments by means of flexible reward systems and by bringing competency development targets into line with strategic priorities.

CUSTOMER SERVICE

In pursuance of raising the bar and setting our sights on ever higher standards of service excellence, during the year the Bank appointed a new Service Director who is charged with revitalising and invigorating our customer-centric focus and driving service quality. The increased use of customer data analytics and targeted service satisfaction surveys will further enhance our service delivery and proactive service refinement and enhancement processes.

ECONOMIC OUTLOOK

Botswana growth is expected to remain below trend as the lagged impact of last year's mining slowdown affects related industries such as services, logistics, excavation and equipment supplies and water and electricity constraints continue. These challenges, exacerbated by the ongoing drought, weigh on the agricultural and non-mining private sectors and slow the pace of economic diversification. FNBB will continue to explore strategies to counter these macroeconomic challenges and to focus on providing innovative solutions for our customers.

ACKNOWLEDGEMENTS

It has been a tough year and I would like to thank all of the Group's employees for their dedication and hard work. The employees are the drivers of the Bank's customer-centric service culture and their on-going commitment to this strategy and the energy required to maintain the highest standards of service will make the difference going forward in producing sustainable and increasing performance of your Bank.

I acknowledge the key role played by the CEO and his executive management team in guiding FNBB through a difficult year and I thank them for their commitment and dedication.

It is with great sadness that we announce that Peter Stevenson, our Chairman, passed away following a protracted illness. The thoughts of the directors, management and staff are with Peter's family at this sad time. On behalf of the Board I also express our deep appreciation for the role played by Peter, who has inspirationally led the Board through the recent difficult trading landscape.

To our customers, shareholders and other stakeholders, I would like to express my thanks for your loyalty and support and I assure you I have every confidence that FNBB will continue to grow and prosper in the years ahead.

John Kienzley Macaskill
Acting Chairman


adership


Innovat

FNB
First National Bank
how can we help you?

CHIEF EXECUTIVE OFFICER'S REPORT

"FNBB has weathered the storm in the banking industry over the last two years, and the solid results published in this report speak to the commitment and dedication of FNBB's employees to the success of the Bank and our determination to adapt and flourish in difficult circumstances."

Steven Lefentse Bogatsu
FNBB CEO

3.4%

GLOBAL ECONOMIC GROWTH IN 2015

Chief Executive Officer's Report *[continued]*

The 2015 – 2016 financial year was the most challenging in the Bank's history and saw overall performance by FNBB decline in a tough economic climate, with profit after tax (PAT) down by 15% on the previous year. Profit before tax was down by 13% for the year under review.

A major impact was the effect of some once-off adjustments, such as, a change in accounting estimates for depreciation which exaggerated operational cost growth. These adjustments in no way affect the underlying soundness and core functioning of the Bank. Additionally the Bank has been investing substantially in systems and people to manage the ever increasing regulatory environment. With appropriate processes now in place, there is a big focus on costs and non-interest income which increased by 7%, despite a tough economic environment demonstrating that there is positive momentum in the Bank.

A CHALLENGING GLOBAL ECONOMY

Economic growth and real wage increases remain subdued in the face of structural impediments such as weaker growth, geopolitical tensions, ageing populations, slower advances in global trade and rising corporate indebtedness, coupled with currency volatility.

The global economy remains vulnerable to event risk. The recent "Brexit" decision by the United Kingdom (UK) to leave the European Union (EU) has already impacted on the economic outlook for both the UK and EU and an extended period of uncertainty faces these economies in the medium-term. These challenges will have wide-reaching adverse global implications and despite some positive indications in the United States (US) economy, the International Monetary Fund (IMF) has now revised global growth forecasts downwards by 0.1% to 3.1% for 2016 and 3.4% for 2017.

Additional short-term uncertainty over China's rebalancing and rising debt stock to Gross Domestic Product (GDP), rate hikes by the United States Federal Reserve Bank (US Fed) leading to rising US capital inflows and further US dollar strength, slower than anticipated recovery of commodity prices and the possibility that further EU countries may hold exit referenda are factors which will impact the global and regional economy.

Closer to Home

The South African economy contracted in the first quarter of 2016, mainly due to weak commodity prices and the resultant reduction in mining and production activity, coupled with reduced consumer demand and low business confidence; and 2016 GDP forecasts suggest close to zero growth. Private business and household spending remain under pressure, while fiscal and monetary policy options have limited capacity to cushion any further negative economic developments. Political currents sweeping the ruling African National Congress, as well as rising concerns over official corruption, add to the bleak outlook for our neighbour - one of our major trading partners.

novation

TENTATIVE RECOVERY OF THE BOTSWANA ECONOMY

GDP

Year-on-year growth of 4.4% in the non-mining private sector assisted real GDP to grow to 2.8% in 2016 from 1.9% the end of 2015. The pick-up was mainly driven by improvements in the supply of electricity and water, strong performance of the tourism sector and positive spill-overs from the emerging recovery in the mining sector. Economic growth is projected to be 3.1% in 2016 and to average 4.0% over the next three years, driven by a steady recovery in the diamond industry, increased fiscal investment under the Government's Economic Stimulus Package, and National Development Plan 11(NDP11). Greater stability in water and electricity supply is also expected to support business confidence and economic expansion.

Risks

Continuing risks to economic growth associated with the direction of growth and some haphazard policy initiatives leave the economy vulnerable to medium and long-term exposures. Household consumption growth at 45% of total GDP, coupled with rising unemployment and eroded purchasing power, continues to be a source of concern. Despite the services sector having led growth by over 50% in the past decade, diversification remains a priority for Government as export concentration depends heavily on diamonds at over 80% of exports.

Inflation

With more than half of Botswana's consumption imports coming from South Africa, the weak Rand has helped reduce imported inflation. Despite the ongoing drought, food inflation in Botswana has risen by less than 3% and general inflation is expected to remain within the Bank of Botswana's 3% - 6% target range, averaging 3.3% in 2016 and 4% in the medium term.

Interest Rates

The Bank of Botswana has cut rates by a cumulative 150bps in the past year, in the wake of weak growth and low inflation, and rates have remained unchanged since August 2015. Interest rates are expected to be kept at current levels through to 2017 and to rise only gradually thereafter.

Liquidity

The local banking industry is still slowly recovering from the liquidity crisis experienced in 2014-2015. The Bank has been successful in countering the strain on liquidity by diversifying its funding sources to optimise its balance sheet.

Economic Outlook

Under these circumstances, the outlook is cautiously optimistic for gradual economic recovery. Any robust growth in the medium-to long-term would be determined by increased employment and productivity, as well as real investment in the economies of Botswana's major trading partners.

PERFORMANCE

The balance sheet grew by 4% in 2015-2016. Deposits declined by 1% on the back of a balance sheet strategy to maximise deposit side returns, while advances increased by 12%, driven largely by lendings to the Retail segment.

The non-interest income increase of 7% is as a result of growth in both the number of customers and the number of products used per customer. The Bank uses a Vertical Sales Index (VSI) to measure the number of products any one customer uses and seeks to maximise cross-selling to new and existing customers to achieve a higher VSI.

During the course of this financial year Bank of Botswana lifted the fee moratorium on increases to bank charges. The impact of the lifting of the moratorium will only be felt in the 2016-2017 financial year as the Bank applied its Revised Tariff Guide in August 2016. Despite the static fee structure, non-interest income constituted 56.41% of total income from operations.

Costs

Despite the difficult trading environment, the Bank continues to invest in the business. During the year under review, FNBB completed the refurbishment of three branches in Kanye, Gaborone Industrial and First Place in the Gaborone CBD, where enhancements include a new suite for Private Clients. New branches are planned for the 2016-2017 financial year.

Chief Executive Officer's Report *[continued]*

Other significant costs relate to an increased investment in ATMs with Deposit and ATMs across the branch network to further expand automated cash handling technology for the convenience of our customers. The rollout of new products such as eWallet Pro for bulk payments and collaboration with the PayPal worldwide online payments system are other significant investments that have driven up costs, but which pave the way for downstream efficiencies.

Human resource costs rose by 19% and this increase was primarily related to the need to strengthen the Risk, Compliance and Regulatory capacity of the Bank in order to comply with the requirements of an ever-evolving and increasingly complex regulatory landscape.

Credit Growth

Market credit extension was softer in the second half of 2015, averaging 7% compared to almost 14% in the first half of 2015. As at June 2016, year-on-year credit growth for the banking industry as a whole averaged 8%, posting a decline from the 13.5% of the previous year. The softer credit extension is a reflection of the structural headwinds as economic and investment growth remains muted, although credit extension for FNBB grew by 12% during the year. While the Bank is gratified to be ahead of the industry average, the concern is that credit extension growth in the main has been driven primarily by individuals and consumers, and not by businesses. Business credit extension grew by only 0.2% and mainly saw limited expansion opportunities and low demand for viable working capital facilities.

The decline in mining activity during the 2014-2015 financial year has had a direct impact on consumer disposable income, inducing individuals to borrow to augment their stretched incomes. The sluggish mining sector places the Bank in a situation where business confidence has declined to the extent that businesses struggle to identify new growth opportunities. Reduced mining activity leads to lower tax revenue and reduced mining royalties to Government, decreasing its ability to spend into the business community.

When individuals borrow, they do so primarily to consume. However, when businesses seek credit it is in order to realise growth opportunities which create employment and invigorate the economy. At a time when interest rates are at a historical low, household debt is outstripping business debt. During the year, housing loans increased by 7% and vehicle loans by 8%, while unsecured personal loans grew by 15%. Credit growth is expected to be 10% in 2016 with the increased focus by financial institutions on stricter credit extension criteria. Business credit extension growth is expected to recover slowly in line with economic growth and the Bank is firmly on track to optimise business credit extension opportunities in the short to medium term.

Impairments

There was an increase in impairments in the business environment, particularly SMMEs, as well as in residential properties. Impairments grew by 14% year-on-year, driven mainly by specific impairments from business closures and a difficult business environment, but in trend terms this is a significant improvement from the impairments growth of 64% experienced in the prior year.

Regulation

The heightened regulatory environment that was discussed in last year's annual report still continues to pose challenges and to drive our human resource costs. FNBB has invested significantly in human resources to cater for the risk, compliance and regulatory requirements of Basel III and the revised Bank of Botswana, South African Reserve Bank and Financial Intelligence Agency regulations. The Bank has strengthened its Risk, Compliance and Regulatory functions by employing additional personnel in this division in order to align with the evolving regulatory environment. The Bank is now well positioned to make key specialist appointments and fortunately no retrenchments have been necessary.

Customer Centricity

In pursuit of our objective to become fully customer centric, a new Contact Centre has been launched to ensure that customers are engaged and have a dedicated line for sales of products and services and to assist customers with the resolution of their queries. The Contact Centre adds convenience for customers by enhancing service provision through 24-hour access (for card cancellation) and providing a single contact point for account enquiries, first call resolution, e-Banking queries, electricity and airtime token redemption and more. The outbound arm of the Contact Centre is serviced by a highly trained sales team that focuses on cross-selling and promotions.

INVESTING IN OUR PEOPLE

The continued investment in our people will see us provide training scholarships and technical training opportunities for our employees, supplemented by appropriate attachments to other Group companies. Succession planning and top talent retention for future leadership roles, as well as graduate development programmes, will ensure that FNBB continues to attract and retain the best people with the right skills.

LOOKING AHEAD

Against the backdrop of subdued economic expectations, the Bank remains confident that opportunities exist in selective markets. At the same time, internal focus on people strategy of becoming the employer of choice in the market is critical. In addition, a number of operational initiatives are being driven simultaneously to improve the internal processes to make banking more effective and efficient. In conjunction with this, the Bank is implementing various new processes to comply with changes in the regulatory environment. The Bank will continue to invest in infrastructure, notably branches as well as other channels such as ATM with deposit and Point of Sale machines to make the customer experience better, simpler and more efficient.

ACKNOWLEDGEMENTS

FNBB has weathered the storm in the banking industry over the last two years, and the solid results published in this report speak to the commitment and dedication of FNBB's employees to the success of the Bank and our determination to adapt and flourish in difficult circumstances. The challenging trading conditions have brought out the very best in our employees and I would like to thank each and every member of the FNBB family for their unswerving dedication to the Bank's continued success, both as a business and as a force for positive change in our society.

> *I also thank the late Chairman, the Acting Chairman, Board of Directors and the executive management team for their commitment and hard work.*

In conclusion I would like to express my thanks to you, the shareholders, for your continued confidence, and assure you that we will constantly strive to protect your best interests. I am confident that FNBB has come through the recent turmoil in the financial services sector stronger than before and I believe that FNBB will continue to adapt and grow with the changing times to provide you with a reliable and profitable return on your investment.

Steven Lefentse Bogatsu
Chief Executive Officer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CHIEF FINANCIAL OFFICER'S REPORT

"The Bank grew its customer base by 5.8% in customer numbers and by 8.1% in account numbers, together with improved cross-selling of a wider product range."

MAKGAU DIBAKWANE
CHIEF FINANCIAL OFFICER

19%
RETURN ON AVERAGE EQUITY
down from 25.0% in 2015 to 20.2% in 2016

23%
RETURN ON AVERAGE ASSETS
down from 3.1% in 2015 to 2.4% in 2016

FINANCIAL HIGHLIGHTS

P659,012

PROFIT BEFORE TAX
down 13 % from P756,503 in 2015

15%

PROFIT AFTER TAX
down to P503,891 from P591,483 in 2015

12%

ADVANCES TO CUSTOMER
up to P14,386,819 from P12,846,481 in 2015

52.6%

COST-TO-INCOME RATIO
from 44.8 % in 2015 translating to 17% change

FINANCIAL PERFORMANCE

In an environment of limited lending and investment opportunities, the Bank implemented a deliberate strategy of focusing on balance sheet efficiencies. This focus resulted in reduced deposits from customers, which declined by 1%, and in changes in the deposit mix in order to manage interest expenditure and elongate funding term to address the maturity profile.

Statement of Financial Position

Although showing overall decline in deposits from customers, current, call and fixed deposits all grew, while notice deposits and foreign currency deposits declined. Borrowings grew by 177% over the period, due to the success of a bond issue. This funding mix reflects our success in achieving diversification of both source and term funding, so as to mitigate future liquidity and concentration risk. The Group's total balance sheet grew by 4%, with market share of deposits declining year-on-year, while the loan-to-deposit ratio increased from 75% to 84%.

Advances posted a growth of 12%, outpacing market growth of 8% and making up 66% of the total assets. Growth emanated from the Retail segment and in particular the term loans product. WesBank, the vehicle asset finance product of the Bank, also posted good growth over the period under review. Conversely, the Business and RMB advances books reduced by 3% and 7% respectively, in line with general business credit trends and in the decline in the number of viable lending opportunities. Notwithstanding, the Bank maintained its overall market share in advances.

The improved balance sheet efficiency is also evident from the significant decrease in non-interest bearing assets in the form of cash and cash equivalents, which declined by 15%, while excess liquidity in investment securities posted moderate growth of only 8%.

Income Statement

Growth in net interest income of 8% has been spurred by the reduction in interest expense as the market stabilised from a strain in liquidity in the previous year by our success in diversifying funding sources to optimise the Bank's balance sheet. Interest income, on the other hand, saw growth of only 2%, as the opportunities for advances growth emanated from the lower-yielding asset classes. The cumulative Central Bank rate cuts of 100bps in February 2015 and a further 50 bps in August 2015, have put a strain on the top line and contributed to the low growth in interest income from advances. However, this position remains satisfactory and reflects our focus on improving the quality of the book, although priced at lower margins. Despite deliberate reduction in credit risk, impairments grew by 14% year-on-year, driven mainly by specific impairments from business closures and a difficult business environment, but in trend terms this is a significant improvement from the impairments growth of 64% experienced in the prior year. Furthermore, a more conservative approach to portfolio provisioning was introduced as a prudent precaution and focus on collections remains.

In a low-interest environment, income diversification continues to be a focus area. To this end, stimulation of transactional volumes has been a key priority, with significant growth being recorded on FNB Connect at 94%, Online Banking at 15% and Mobile banking at 16%, as well as new offerings such as Hyphen, which have also gained momentum. Growth in the branch network volumes, the more expensive channel for our customers, showed lower growth levels of only 1%, reflecting success in our strategy to encourage customers to make more use of electronic products instead of visiting branches, so as to pass on real savings to our customers in terms of bank charges. The Bank grew its customer base by 5.8% in customer numbers and by 8.1% in account numbers, together with improved cross-selling of a wider product range. Acccordingly, and despite the effective continuation of a moratorium on increases to bank charges, the non-interest income has increased by 7%, due entirely to increasing the volume of transactions and the range of products on offer.

Employee benefit costs grew by 19%. Notwithstanding the difficult economic environment, significant investments have been made in our employees. Firstly, focus is placed on investing in leadership and development talent, which is key to ensuring continued innovation and sustained success of the Bank. Secondly, within the highly regulated environment that banks around the world operate in and the extensive legislation that is necessary to ensure the appropriate level of internal controls and oversight, considerable focus has been devoted to building the governance and support structures with the right people who are able to support the growth of the Bank. In today's rapidly changing environment this is, and will continue to be an important focus.

The Bank's improvement of its operating systems and investment in infrastructure has resulted in further increases in other operating costs. Enhancements in the year included the improvement of existing infrastructure such as point of sale machines, refurbishment of 4 branches in the last 18 months, as well as the rollout of ATMs with Deposit functionality from 20 to 40 as at year end. This ongoing investment is critical in ensuring that we continue to provide world class services and environments in which our clients are serviced, maintaining our competitiveness in this space. It is in the light of these infrastructure enhancements and systems upgrades that the evaluation of existing assets was undertaken leading to a change in estimate of the depreciation for some of our plant and equipment.

The investment in infrastructure, increased depreciation of assets and regulatory process enhancements have contributed to the growth of operating expenses of 31%.

As a result of the above, profit before tax declined by 13% from the prior year. The fundamentals of the Bank remain strong with return on equity at a healthy 20%.

Capital Management

The Bank's objectives when managing capital, which is a broader concept than "equity" as shown on the statement of financial position, are to comply with the Bank of Botswana, to safeguard shareholders' returns, to maintain the ability to continue as a going concern and to ensure the Bank has a strong capital base to support growth and development of the business.

The Bank continues to manage its capital in line with the Board's approved capital management framework and to prepare for the transition from Basel II to Basel III, being the new Bank of Botswana requirements which were adopted in Botswana in 2016.

As part of the Bank's capital management strategy, assessment is conducted on a regular basis to ascertain if the Bank is appropriately capitalised from an economic risk point of view. Economic capital is defined as the capital which the Bank must hold, commensurate with its risk profile, under severe stress conditions. This is to give comfort to stakeholders that the Bank will be able to discharge its obligations to third parties in accordance with an indicated degree of certainty even under stress conditions and would continue to operate as a going concern.

The regulatory capital requirements are strictly observed when managing economic capital. The Bank's capital adequacy ratio before dividend, has been maintained at 16.38% as at 30 June 2016, and is above the Bank of Botswana required ratio of 15%.

Makgau Dibakwane
Chief Financial Officer

Executive COMMITTEE

FROM LEFT TO RIGHT

RICHARD WRIGHT
DIRECTOR - CREDIT

OLEBILE MAKHUPE
TREASURER

BOMOLEMO SELALEDI
DIRECTOR - CLIENT SERVICES

STEVEN LEFENTSE BOGATSU
CHIEF EXECUTIVE OFFICER

OGONE MADISA-KGWARAE
DIRECTOR - FNB BUSINESS

YOLISA PHILLIPS-LEJOWA
DIRECTOR - ESOLUTIONS

OBONYE MALOPE
DIRECTOR- MARKETING & COMMUNICATIONS

BOIKI TEMA
DIRECTOR - COVERAGE, RMB BOTSWANA

FROM LEFT TO RIGHT

KGOPODISO JUSTINE BASIAMI
DIRECTOR – WESBANK

PAULINE MOTSWAGAE
DIRECTOR – RMB BOTSWANA

MAKGAU DIBAKWANE
CHIEF FINANCIAL OFFICER

LORATO CHANA SEKGOROROANE
DIRECTOR – CHANNELS

EDIRETSE RAMAHOBO
CHIEF OPERATIONS OFFICER

LESEGO THUPAYAGALE
CHIEF RISK OFFICER

GAONE MACHOLO
DIRECTOR – HUMAN RESOURCES

LEHUKA IGNATIUS MASENG
CHIEF INFORMATION OFFICER

BOITUMELO MOGOPA
DIRECTOR – RETAIL

Celebrating
passion, dedication & service

Angela Modimoofile

I joined what eventually became First National Bank Botswana, the Bank of Credit and Commerce International, in 1983. We were taken over by FNBB in 1991.

When I joined the Bank I began working at the Industrial Branch as a Ledgers Supervisor, and at the present moment I am the Service Coordinator at Riverwalk Branch.

What does the Bank's 25th anniversary mean to me? It means so much achievement! It means 25 years' loyalty to this organisation. It means deciding to make FNBB my employer of choice.

I have been a witness to every one of the Bank's creations, to every innovation and to every service improvement. I was here when BoB ATMs machines were first introduced!

In those early years we used casting machines to balance tills – there were no coin scales or note counters. We counted cash by hand. There was no Internet banking, no Electronic Fund Transfer, no Code Line Clearing machine; there were no scanners and no emails.

I have walked this journey from its very beginning right up till today, and am immensely proud to be an FNBEer!


Helping you save
time and money.

RETAIL REPORT

Summary of Key Points

- 25% of the market share of both advances and deposits
- **6%** growth in customer base
- **9%** growth in non-interest income
- **33%** increase in gross advances
- **40%** growth in deposits

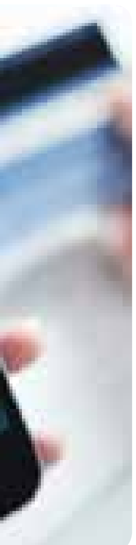
INTRODUCTION

The Retail Segment is responsible for providing banking, insurance and wealth advisory solutions to the Bank's individual customers. The Segment seeks to understand customers' lifestyles and to design solutions that suit their needs. These solutions are delivered through our various touchpoints: the branches; the contact centre; self-service channels such as ATMs and deposit taking machines; and the digital channels – online banking, cell phone banking and the FNB App.

During the year under review, the Retail segment conducted a comprehensive market research to acquire deeper insights into customer behaviour drivers. Informed by the research findings we further refined our segments into Private Clients, Premier, and the Smart and Gold sub segments, each of which have clearly defined strategies targeted at giving every client the right solutions and service models to suit their individual requirements.

The Segment is enabled by the Bank's support functions such as the Risk, Human Resources, Finance, Marketing and Operations. It designs solutions and value adds centred on the four recognised life quadrants, or primary needs of human beings: the need to transact, insure, invest and borrow.

The products that enable transactions are cheque and transmission accounts that come with internationally accepted Visa chip and pin debit cards. Our clients' insurance needs are met by credit life products as well as the Moemedi funeral policy. To address their investments needs, our customers can choose from a wide array of solutions such as the Flexi Fixed account, notice and fixed deposits with varying terms, as well as savings products such as Future Save and Poloko. To address customers' borrowing needs, a variety of solutions ranging from short-term products such as overdrafts and credit cards, to longer-term personal and home loans.



Our affluent sub segment has access to a suite of more sophisticated investment and fiduciary solutions designed to grow and protect their wealth. During the year, we opened two Premium suites - at First Place and at the Industrial branch - to service Private and Premier Clients. Private and Premier clients can look forward to more of these suites for an improved and personalised engagement model.

The service suite at First Place has dedicated in house team of personal bankers, fiduciary specialists and wealth managers. The virtual service suite has also evolved and clients can now call in for assistance on all their transactions.

A QUARTER-CENTURY OF INNOVATION

Twenty-five years ago First National Bank of Botswana opened its first branch in the Government enclave, Gaborone, called Main Branch. Back then, branches were dull and heavily characterised by old-fashioned timber finish with roomy back office spaces and cramped and constricted front offices. This is in stark contrast with the up-to-date look of our branches today - a case in point being the elegant, newly opened Industrial branch. Today the bank prides itself with a network of 22 branches across the country and is committed to continuously enhancing the look and feel of the branches to give them a modern touch and customer focused ergonomics. This year two branches were relocated and refurbished, with more planned for the coming financial year.

Since its founding, the Bank has been the leader in innovation, and older customers will remember products such as BobT and Bob Junior, which were very popular with the younger customers, and the first Pula based credit card that were the first of their kind in Botswana. Since then the Bank's first-to-market products and services, particularly innovations in the digital space, such as online and cellphone banking, the FNB app, and eWallet, continue to keep FNBB at the forefront of creating cutting-edge client solutions. Other unique offerings include our ATMs with Deposit and the competitive Smart Device offering.

MRS EDITH MOLEFHI:

RETAIL BANKING'S VERY OWN BRAND AMBASSADOR FOR THE PAST 25 YEARS.

Ms Edith Molefhi is Retail Segment's longest serving member, having joined FNB Botswana in 1994. It is colleagues like Edith who remind us of the Bank's humble beginnings and the huge expansion that has taken place during the years.

Edith began her career with FNB as a Foreign Exchange teller, she worked at Treasury, International Trade, 5 branches and the ATM centre. She rose through the ranks to Administration Manager, a position she holds today. Edith is a well rounded banker and a proud FNBer.

Retail Report *[continued]*

25 YEARS OF SUSTAINED GROWTH

The last 25 years saw the Segment in its various forms grow exponentially from a customer base of just over 1000 in 1991 to over 430,000 today. This translates to over 50% market share on customer numbers. From an advances and deposits perspective, the Segment maintains a 25% market share which is above the Bank's natural market share.

While the Segment has been on a concerted "Bricks to Clicks" strategy drive, encouraging customers to migrate to the new digital service platforms, we still saw the need to increase the Bank's physical branch footprint - the latest branches being Ghanzi and First Place. The development of additional branches in strategic locations will continue to be considered where these make financial sense.

The Retail Segment's core strategy remains; to continue to educate customers on the convenience and benefits of utilising digital channels. Today our customers can transact anytime through internet banking, cellphone banking and the FNB App, and enjoy 24-hour access to 134 ATMS and 40 ATMs with Deposit. They also enjoy access to 34 slim lines beyond banking hours across the country. The Bank continues to improve the quality and connectivity of point of sale machines across country, and our Point Of Sale channel now commands more than 70% market share.

THE RETAIL MARKET

The Segment is currently operating under very challenging and tough market conditions. The typical Retail client is under sustained pressure from declining or stagnant disposable income and this situation is exacerbated by rising levels of unemployment as both government and the private sector struggle to create significant numbers of new jobs to absorb new entrants into the labour pool. The growth of household debt has outpaced that of business, and this is not a sustainable picture in the long run.

However there is an energetic, sophisticated much more tech savvy Retail client sub segment emerging, and such clients seek value for money and are looking for a bank that can solve their evolving needs most conveniently, offering services through their preferred platforms and service channels. We are focused on seizing the opportunity to serve this rapidly growing sub segment and will endeavour to continue to introduce targeted digital banking solutions that meet these discerning clients' needs.

PERFORMANCE

During the year under review, the Segment succeeded in growing its customer base by 6%. There was significant growth of 33% in advances over the prior year, driven by the scheme personal loans and home loans. This growth is aligned to the Segment's risk appetite and the quality of the book is satisfactory. Deposits grew by 40% during the year, driven by current accounts and fixed deposits. The Flexi Fixed deposit product proved to be particularly popular for its flexibility and high return.

6%

RETAIL SEGMENT
customer base growth

9%

YEAR-ON-YEAR GROWTH
in non-interest income

We are very pleased with the 9% year-on-year growth in non-interest income which was driven by increased transactional volumes on digital and self-service channels as well as insurance income. Non-interest income growth will continue to be the segment's focus area as the market continues to see declining interest rates.

The Segment was successful in launching the following products and enhancements during the year under review:

- Smart Device solution
- Moemedi funeral policy
- 105% home loan financing targeted at first time home buyers
- The Get Gold value proposition
- Loyalty and reward programs with certain merchants, and partnership with Camelot, Blue Tree World of Golf and Nthula Lounge

service

FUTURE OUTLOOK

We continue to seek opportunities to engage with and educate our customers, particularly in the use of digital channels, and to ensure that we are banking them right. We continue to introduce new value adds to them and cross-sell effectively to maximise product uptake. The Segment has an excellent opportunity within the current base to do more with, and for, our customers. The upcoming eBucks programme will be a game changer as it will reward customers for targeted banking behaviours.

There is always room to further improve service engagement models for our customers, and we have a clear vision of how to achieve a superior customer experience. We will continue to refine and improve the offering to our customers based on their evolving needs.


Chara

HUMAN RESOURCES REPORT

Introduction

First National Bank Botswana opened its doors in 1991 and shortly thereafter took over the Bank of Credit and Commerce Botswana (BCCB) with its five branch network; and in 1994 acquired Zimbank Limited. FNBB has now grown to 22 branches and will be opening a further two during 2016.

Human Resources Report *[continued]*

HUMAN RESOURCE STRATEGY

Over the years, the Bank's human resource strategy has evolved from concentrating on only operational and administrative matters, to focusing on long term strategic issues. This includes tackling national issues that affect the nation, such as HIV/AIDS and Talent Management. The journey for the Bank's HR strategy evolution began with rapid but tightly managed growth, as a number of branches were opened outside Gaborone, requiring the necessary logistical planning to deploy newly inducted staff to the new locations.

The FNB Botswana Training Centre

The Training Centre was established in the early 1990's with the objective of enabling the Bank to upskill its staff on a continuous basis, and by 1996 the centre was conducting an average of two courses per week. During that year, 666 employees - 100% of the then staff complement - attended various courses. The focus was on upskilling clerical staff through basic banking courses such as introductory programmes in banking practice, foreign exchange, securities, mandates, etc.

By the early 2000's the focus of the Training Centre had evolved to management development with a view to localising supervisory and managerial positions that were held by expatriates. In 2002, the staff complement of 625 included 34 expatriates - an expatriate to citizen ratio of 1:17. Today the staff complement is 1 386, with 1 383 citizens and three expatriates - a ratio of 1:461. Today this transformation includes a citizen Chief Executive Officer and clear succession planning for the remaining expatriate held positions.

The Training Centre continues to play a critical role in maintaining the Bank's forward momentum. The Bank's learning and growth vision is to become "a knowledge centre focused on developing the skills and attitudes which will deliver customer centric solutions." The priority areas to achieve this vision are Leadership, Credit, Relationship Management and Sales & Service, all of which support the Bank's overall strategy of Customer Centricity. During the past financial year the Training Center offered 65 different courses, attended by a total of 1 211 employees.

TALENT MANAGEMENT STRATEGY

The success of FNB Botswana is also attributable to its solid talent management strategy. In 1993 the Bank introduced a Graduate Development Programme, which targeted new graduates and put them through a two-year curriculum covering areas such as Branch Banking, Asset Finance, Treasury, Lending, etc. Over the years the Programme has groomed a number of haracter

graduates, four of whom today hold executive positions within the Bank and a number of others have ascended to senior positions in other organisations, as well as many others who occupy middle and junior management posts.

The talent management strategy continues to play a critical role in terms of the Bank's overarching strategy of leveraging value through its people. During the 2015 – 2016 financial year, FNBB placed four employees in an international graduate development programme managed by FNB International, which is headquartered in the Republic of South Africa. These are employees with particularly high potential whose managerial development will be fast-tracked to allow them to assume senior positions. While the International graduate programme will be producing specialists, FNB Botswana continues its local graduate programme, which focuses on meeting local skills requirements. Candidates undergo a 24-month, Botswana based development programme geared at producing well rounded bankers.

OUR CULTURE

FNBB has managed to separate itself from its competitors through its 'owner manager' management philosophy, a corporate culture which can be traced back to the inception of First Rand. This management style places major emphases on innovation and entrepreneurship. While the Bank continues to reinvent itself in terms of enhanced processes and an innovative service delivery chain, its underlying philosophy has remained constant.

Looking After our Human Resource

The Bank evaluates its HR strategy in terms of the Employee Value Proposition (EVP). FNB Botswana focuses on delivering the five elements of its EVP: Reward, Opportunities, People, Organisation and Work.

In the last five years, the Bank improved its reward from paying at the lowest compared to competitors in 2010 to paying competitively in line with the market. The Bank's comprehensive development strategy focuses on top talent, providing them with unique opportunities and exposure to bigger markets such as South Africa and other Subsidiaries

FNB Botswana strives to instil a sense of pride in its employees, ensuring that they know that their contribution is valued by the Bank, thereby improving the retention of exceptional talent. The EVP element "Work" encourages employees to love their work enough to improve it, be this through the enhancement of processes or the pioneering of innovative ideas. The "People" element of EVP is all about employee collegiality – employees enjoying each other's company, cooperating and being inspired by each other and their leadership.

The Bank believes in working hard and playing equally hard.

CELEBRATING BOT 50 & FNB 25

The Bank believes in working hard and playing equally hard. The theme of BOT 50, FNB 25 has filled the Bank with an air of celebration while it continues to work hard at maintaining its market share. As FNBB celebrates 25 rewarding years, employees are being offered plentiful opportunities to play. The 'play' includes sports, cooking, talent, theatre and drama competitions; and through these a revitalisation of the First Rand philosophy and culture that drive us to keep on winning.

Human Resources Report *[continued]*

character


Integri

BUSINESS REPORT

Introduction

Initially known as the Wholesale Segment in its early days, then as the Commercial Segment in 2014, the name was changed to the Business Segment in 2015. Despite the change in names over the years, the Segment has consistently lead the market in service and innovation.

Business Report *[continued]*

EVOLUTION OF THE BUSINESS SEGMENT

Today's Business Segment comprises four sub-segments: Business Banking (serving micro, small and medium business), Commercial, Local Corporate and Public Sector. These all came into being in response to evolving customer needs:

Business Banking: Back in the day customers had business accounts at the branches, even if they were a major company. There was no 'next tier' to serve these clients until 2011 when we embarked on a customer segmentation journey under the segmentation model of 2011, which segmented customers according to their needs and turnover. Some businesses had been using personal accounts to conduct their business affairs as there were no dedicated business bankers to partner with the business for their growth. Business cheques could easily be transferred to personal accounts, leading to poor accounting practices and tax compliance; today our risk management security checks do not allow this, separating business and personal transactions for enhanced customer compliance and best practice.

Commercial: Today, the Commercial Sub-segment serves companies in their growth phase; offering a range of appropriate products such as Government Purchase Order Financing - in the old days, customers could only execute their Government orders by applying for an overdraft, which required them to provide security. Today's Commercial customers are looked after of by dedicated relationship managers, each of whom take care of only a small number of customers, allowing them to focus on clients' unique service needs on an individual level.

integrity

Local Corporates: Before the implementation of the segmentation in 2011 some clients who qualified to be Corporate clients were managed out of the branches. This Model was inbound based as clients had to come to the bank for their banking needs. In 2011 these clients were made Corporate clients and assigned relationship managers who are outbound. Fast forward to 2016, our clients are now categorised into 6 distinct sectors, namely Retail, Franchise, Construction and Manufacturing, Financial Institutions, Mining Support & Services and Transport and Logistics. These sectors have specialised relationship managers who offer client specific value propositions. We provide innovative solutions that solve customers' sleepless nights by integrating with customer back end systems to assist with reconciliation and to provide online banking services that reduce clients' finance costs.

Public Sector: In the early years of the Bank, Public Sector customers existed but a lack of segmentation meant that there was no specific focus on Public Sector requirements until 2005. Today the Bank's Public Sector Sub-segment understands the unique challenges and the Bank provides tailor made solutions, such as payments and collections, to facilitate a more efficient model of doing business by harnessing the power of technology and the Bank's innovative platforms. The Bank leverages on partnerships with public sector entities such as BEC and BOCODOL, enabling customers to pay for utilities and fees at their convenience, and simplifying reconciliation for the service providers.

MARKET OVERVIEW

Following a difficult year in 2014-2015, the business environment continued to be challenging during the year under review and saw the larger corporates tapering down on investment and capital expenditure. Drought conditions resulted in low yields in the agricultural sector, and there was a general decline in business confidence. The property market remained subdued.

There was some encouraging activity in the SMME sector, resulting in increased activity and a growth in customer numbers.

ACHIEVEMENTS 2015/2016

In our quest to become a customer centric bank, we introduced eWallet Pro Bulk Send, an innovative product designed to assist clients to transact in an efficient manner with a large number of individuals, including those in the unbanked market. eWallet Bulk Send offers the business client the convenient capability of sending multiple payments directly to individuals' cell phones.

During the year we saw increased customer penetration through the Debit Card which enables Business clients to conveniently access their funds in an efficient and secure manner. Our e-migration strategy has begun to bear fruit with an increased number of clients utilising our ATMs with Deposit for deposits and withdrawals in favour of queuing for counter service. Our merchant acquisition business doubled during the year under review.

THE ROAD AHEAD

The core strategy of the Business Segment is focused around:

- Refined Service Model - enhancing client on-boarding and banking the client right
- Increasing our Channels – a new contact centre to be launched to cater for the micro business clients
- Introduction of Business Suites - to enhance our customer experience within the branches
- Optimising Business Outbound Sales - to increase our share of wallet and drive e-channel migration
- Automation of Credit Applications - to improve turnaround times and efficiencies
- Develop Unique Value Propositions - to grow revenue through acquisition and retention.


Mobili

WESBANK REPORT

Introduction

The key objective of WesBank - a division of First National Bank Botswana Limited - is to be the country's primary provider of vehicle and asset finance. Asset lines include passenger and commercial vehicles; plant and machinery; agricultural equipment; aircraft; generators; materials handling and earthmoving equipment; and leisure (boats and motorcycles).

WesBank partners with various motor dealers and suppliers to deliver vehicle and asset finance solutions. This partnership strategy is central to our operations and we work closely with our partners to offer customers tailor-made and affordable solutions for their vehicle and asset finance needs.

WESBANK *[continued]*

WHERE WE'RE FROM

The WesBank brand, as a division of First National Bank of Botswana, came into being in 1991. When the Bank subsequently acquired Financial Services Company (FSC), part of its moveable asset finance book was merged with that of WesBank. The business' traditional offering was the instalment sale model, but today WesBank's product offering includes vehicle and asset finance solutions ranging from instalment sale to lease and rental solutions to meet special circumstances. Structured deals with no deposit and deals with residual values to accommodate the customer`s cashflow circumstances are additional benefits offered. Finance solutions are available for acquisition of both local and imported assets. The business's target market ranges from private individuals to large corporations and includes businesses in all sectors of the economy.

A Botswana-Wide Footprint

Twenty-five years ago, customer touch points were limited to walk in service at branches and representation at the country's two major franchised dealer groups. Today the main sales channels are point of sale (dealerships), direct walk-in, leads from FNBB and RMB, and strategic alliances with suppliers. WesBank is represented in Gaborone, Francistown, Maun and Selebi Phikwe and operates nationally to finance a customer's choice of vehicle from approved car dealerships as well as private to private purchases. The country-wide FNBB footprint assists the brand in delivering its value proposition to its broad customer base.

The business is split between the Retail segment , which serves individuals and all juristic persons are financed under the Business segment.

mobility

KAGISO MOKGOSI:
WESBANK'S OWN BRAND
AMBASSADOR OF 25 YEARS.

Mr Kagiso Mokgosi is one of the longest serving staff members of the segment. Kagiso joined the Bank 28 years ago and progressed through the roles of Accounts Clerk, Supervisor - Customer Accounts, Chief Assistance Finance - FNBB, and Finance Manager – WesBank before taking on his present position as Head of Operations.

Kagiso reminiscences over how he used to know every customer by name, how close-knit and small the customer base was in the early years. To get assistance, customers always had to physically visit the Bank.

"Fast forward to 2016. Today customers are financially liberated, multi-banked and technologically savvy. Their needs have broadened and they are always looking for value-adds. WesBank has stood up to the challenge and today a customer can get an approval for their new vehicle in just 15 minutes."

MARKET OVERVIEW

The current market is largely dominated by Grey imports which form a major part of the used vehicle market. The trading environment in 2015-2016 has been very challenging for both Retail and Business clients: there have been increased levels of indebtedness in the Retail sector which has in turn led to an increase in impairments. Many business clients have tapered down their investments, reducing opportunities for growth, and both dealerships and suppliers have continued to record declining sales. New vehicle prices have continued to increase with a consequent reduction in opportunities for most consumers in the market. However, we believe that successes in the drive to diversify the economy, with emphasis on the water, energy, construction, agriculture and tourism sectors, will stimulate growth for both passenger and commercial vehicle sales in the coming year.

8%

YEAR-ON-YEAR DECREASE
Passenger units sold in dealerships

THE YEAR UNDER REVIEW

The period under review has seen a general slump in both passenger and commercial vehicles sales. Passenger units sold in dealerships recorded a year-on-year decrease of 8%. The major impact was on new units which were down by 15% when compared to the same period last year. This can be attributed to the general slowdown in the economy and associated retrenchments, mine closures and high levels of household debt, as well as to increased new vehicle prices. Commercial vehicles and yellow equipment suppliers' sales also indicate a decline over prior year, and this market is currently dominated by used units. Given the prevailing economic pressures, businesses have generally slowed their appetite for capital expenditure.

WESBANK Report *[continued]*

32%

FRANCHISED DEALER MARKET SHARE
maintained during the year

PERFORMANCE HIGHLIGHTS

Achievements

The overall balance sheet growth was 10% over 2015 – 2016, the bulk of which came from the Retail segment, at 18% year-on-year. Growth in the consumer segment was mainly driven by the group scheme portfolio and grew by 24% over the previous year. The Business segment experienced relatively slow growth and remained flat year-on-year. The non-interest revenue line performed very well on the back of dealer funding solutions revenue. The automated credit decision making tool (Score Card) for retail clients has been launched successfully, and this will further help the business leverage its key strategy: to consistently originate new business volumes of an acceptable credit appetite through the economic cycles to which the business is exposed. WesBank's share of the franchised dealer market was maintained at an average of 32% during the year, which is paramount to attaining its point of sale strategic pillar.

At WesBank we acknowledge that without customers we do not have a business at all

Opportunities

A number of opportunities were identified in the agricultural, construction and tourism industries. Infrastructure projects contribute towards employment creation – a key driver of vehicle growth. The agriculture and tourism sectors showed increased demand for commercial vehicles and machinery.

...and Challenges

Challenges faced by WesBank during the year under review included the re-introduction of the passenger train which has had a negative impact on the public transport sector. The sector was also constrained by recently implemented government regulations. A number of clients in the mining sector were affected by mine closures and employee retrenchments which led to increased impairments in the retail segment.

In response to these challenges, the business re-examined its concentration risk, particularly in the mining sector, and revised its origination and collection strategies.

FUTURE PROSPECTS

Despite the difficult economic circumstances, there are still opportunities for growth, and WesBank will continue to lead the market - in terms of industry firsts, leveraging on innovation as one of the key brand muscles. The business understands the vehicle and asset finance market and will continue to add mutual value for the various stakeholders in the sectors in which it operates.

Customers First

At WesBank we acknowledge that without customers we do not have a business at all. Therefore customer satisfaction is the critical success factor that drives our strategy. Customer satisfaction - and in the case of WesBank the term 'customer' includes both intermediaries and end-users - is regularly measured and monitored, and we pride ourselves in our consistent ability to 'wow' our customer base throughout the term of our engagement with them.

Automation and efficiencies remain key in our ability to differentiate risk and to price accordingly; and our continuous innovation in the sourcing of customers, delivery of products and client engagement throughout the contract life cycle are central to our continued success.

Over time we have built industry-wide relationships with key stakeholders in core sectors, and we continue to manage these to the mutual benefit of all parties.

Mobility


Did you know you can cash
and deposit in our ATM
Advance Machine?
WesBank
Audi A5 Sportback


RMB
BOTSWANA
Traditional values. Innovative ideas.
Passio

RMB BOTSWANA REPORT

Highlights of the Year

- Total revenue up by 19%
- Operating income before impairments increased by 22%
- Non-interest income up by 30%
- RMB advances book reduced by 7%

RMB BOTSWANA Report *[continued]*

INTRODUCTION TO RMB BOTSWANA

RMB Botswana is a diversified segment which offers its clients access to a comprehensive suite of investment banking products and services, including advice, finance, trading solutions, infrastructure and project finance, structured trade and commodity finance, fixed income, currency and commodity services, and investment opportunities.

RMB Botswana provides innovative advisory, capital markets, financing and principal investing solutions through its three pillars: Markets & Structuring, Corporate Banking and Investment Banking diivisions:

- Markets & Structuring products range from Fixed Income and Equity Trading to Custodial and Trustee services
- Corporate Banking offers transactional banking as well as trade and working capital solutions.
- The Investment Banking wing offers advisory services in addition to a suite of debt and equity financing solutions.

passion

STRATEGIC GOALS

RMB Botswana's core business objective is to create sustainable value, unique, personalised solutions and superior economic returns for our clients and shareholders in Botswana and beyond. We serve Government, state-owned enterprises, retailers, financial institutions as well as the property, services and manufacturing industries.

In line with the time-honoured values of RMB, a tradition of service excellence is infused into the very detail of how we conduct our business. Significant investment in human resources and digital platforms ensures that our clients' service experience is both seamless and satisfying.
The Bank's robust balance sheet allows us to be market makers, to provide liquidity, to transact, to invest and to hedge. Our ultimate aim is to be the investment partner of choice - both for our clients and our personnel - through our focus on continuous innovation.

OUR PEOPLE

Our experienced team is made up of exceptionally talented people from a variety of backgrounds, who are able to think outside the box and provide clients with customer specific solutions. This past year our excellence was recognised internationally as we were awarded Best Global Trade Bank 2015 by the Global Trade Review.

A number of human resources interventions were deployed during the financial year to ensure that our human capital remains relevant and optimally positioned to execute our mandate and achieve our vision. Attracting and retaining key talent, as well as intensive tutelage and personal skills development, remained a key focus area for the Segment.

THE YEAR UNDER REVIEW

Since its inception, RMB Botswana has made substantial strides in ensuring that its strategic objectives are achieved, and the year under review has seen us strive to maintain this momentum against a tough business environment challenged by reduced liquidity, tightened fiscal spending, poor performance of the mining sector, weak global commodity prices and other macroeconomic constraints.

Despite this difficult environment, we continued to reinvent and re-position ourselves as the investment partner of choice, and have succeeded in maintaining our client's confidence through exceptional service, appropriate client specific solutions, and substantial investment in technology and human resources. Continuing innovative product rollouts has preserved the Bank's status as a Bank of Firsts, and the year under review saw the introduction of the first sinking fund facility offered within the Group.

In our quest to contribute to sustainable economic development, we have continued to work with the government of Botswana and quasi government entities throughout the year to provide essential corporate finance and transactional banking solutions.

Although global forex continued to experience squeezed margins, turnover increased steadily throughout the year. In addition, more structuring solutions were offered to the market in an effort to meet demand and diversify revenue streams.
Although traditionally underweight on trade, this year saw RMB Botswana implement initiatives geared towards growing this line and a healthy pipeline has been established. We have managed to resuscitate old relationships and to forge new ones, and we continue to nurture the existing book.

Organic growth is also indicated from Prime Services and there has been focus to diversify our offering to include trustee services.

PERFORMANCE

Our corporate banking has grown year on year on the back of transactional banking driven by merchant services offering, an area where we maintain our number one spot. The fast pace of business, which has seen clients' needs evolve rapidly to demand more complex solutions, has been taken in our stride within a correspondingly evolving and aggressive competitive environment. Against this backdrop the Segment's total revenue increased by 19% to P244.8m. Operating income before impairments increased by 22% over 2015 to P338.3m although the advances book reduced by 8% in line with general business credit trends and the number of viable lending opportunities available in the market.


Delive

SERVICE REPORT

The Segment's Function

The core reasons for the existence of the Client Services office are to lead the implementation of an innovative and exciting service strategy and to facilitate the delivery of a consistent and trusted brand experience. This involves painting a picture of future service excellence, which once conceived, can be realised through unwavering purpose, diligent application and goal achievement.

Service Report *[continued]*

TARGETED SERVICE ENHANCEMENT

During the year, the Division conducted a number of targeted service enhancement campaigns and interventions. These are briefly summarised here:

Internal Service Campaigns

Periodic, themed service campaigns are presented to staff in all businesses to keep service at the forefront of all our activities. These service campaigns encourage the provision of a quality customer experience at all touchpoints.

FIRST Standards

All employees are required to subscribe to a set of non-negotiable behaviours prescribed by the Bank and deemed necessary for the improvement of our customers' experience. The FIRST Standards promise that service from FNBB will be Fast, Impeccable, Reliable, Solution-Driven and Timely.

Segment ServCos

Service Committees or ServCos have been set up in all Segments and Enablers within the Bank to drive the service agenda in their respective spaces, thus reducing the pan-bank service strategy to business level and ensuring operationalisation of key initiatives for service improvement.

Measurements

Streamlined measurements have been assigned to key service parameters and indicators, enabling the bank to have a holistic and accurate picture of the status of customers' satisfaction across touchpoints. It is essential that everything we do on the service front is accurately measured in order to determine, on a periodic basis, the levels of client satisfaction achieved by our service provision, as well as the effectiveness of our service enhancement interventions.

Escalation Procedures

Clear and concise escalation procedures for unresolved complaints have been developed for all Segments and are prominently displayed at all branches and service touchpoints. These have also been posted and emailed directly to all customers, by Segment, for clients' convenience.

Complaints Management Policy

It is essential that customers have full confidence that any issues with the Bank will be addressed in a structured and progressive manner. For its part, the Complaints Management Policy assures the Bank of a full and thorough resolution of issues for continuous improvement of its service offering. The Complaints Management Policy offers a framework to guide the Bank's efforts towards the attainment of these goals.

OUR CUSTOMER TOUCHPOINTS

Branches

Traditionally, our branches have been the primary customer interaction points, although we have introduced a variety of other touchpoints recently. Our extensive branch network continues to offer quality service at our customers' convenience and remains a vital point of contact in our journey towards customer centricity.

Service Suites

The Bank's Private Clients and Premier Suites are our offering to our high-end clientele. These well-appointed touchpoints offer premium service and allow features such as access to dedicated Relationship Managers and service zones, as well as packaged products, advantageous pricing and more.

Contact Centre

The Contact Centre is housed in the head office at First Place and adds convenience to our clientele by enhancing our service through 24 hour access (for card cancellation), and providing a single contact point for account enquiries, first call resolution, e-Banking queries, electricity and airtime token redemption, and more. Outbound Contact Centre services include promotions and telesales.

ATMs with Deposit

Our Automated Deposit Teller machines are deployed at branches countrywide providing clients the convenience of depositing at their convenience 24-hours a day, in real time. ADT services include cash withdrawal, eWallet, inter-account transfers, PIN changes, cellphone banking registration, and other services.

Digital Channels

Online Banking: The FNBB online banking platform offers a bouquet of services and key features which include secure banking (including temporary pins and log-in features), transaction history, print capabilities, inter-bank transacting, service and contact requests.

Mobile Banking: As mobile technology has taken over the world to dominate communication and everyday life, FNBB has embraced these technologies to enhance service to our clients by providing them with a comprehensive mobile banking capability.

Cellphone Banking: The more traditional cellphone banking platform offers various transacting capability such as account transfers, airtime and electricity purchases, eWallet, transaction history, and similar services.

The FNB App: In the palm of their hands, FNB customers now have transacting ability, branch locators, PIN changes, calculators, etc. through the FNB App.

Our Social Media Presence

Facebook: In a proactive approach to managing customer complaints and grievances, we have objectively established a Facebook persona to identify complaints regarding FNBB services on social media. Timeous resolution of customer complaints is key, and we continue to develop the intervention for greater impact and sustained

Contact Us: On the official FNB website, we have expanded the Contact Us feature to allow customers to make sales enquiries across segments, develop leads for the various business units and submit service queries or complaints.

THE FNBB SERVICE CULTURE

In line with its Customer Service Strategy, FNB Botswana seeks to differentiate itself through optimising the customer service experience. The fundamental premise of the strategy places the customer at the centre of all our business planning. In pursuit of customer centricity, the Bank is committed to providing the highest level of customer care, a single point of contact for query resolution and the availability of constantly reliable and timely information.

We employ only the most innovative, passionate, engaged and energised service teams, "Pioneers of Service" with a commitment to serve, ensuring *Exceptional Service – First time – Every time* – All the Time in pursuit of being the best service provider in the industry and in the country.

Service Report *[continued]*

THE YEAR UNDER REVIEW

Achievements

The Bank's customer service strategy and vision has a strong foundation upon which to build:

Bank Wide Commitment: The concept of quality service is built into FNBB's Service Vision and Purpose. The commitment to quality customer service has been a strong feature of many of the Bank's planning and measurement documents, including Service Journey Maps and Score Cards across all segments, enablers and channels.

Staff Commitment to Excellence in Customer Service: There is a broad-based understanding among employees of the importance of customer service. Providing excellent customer service is an essential part of their job and provides great satisfaction.

Broad-Based Understanding of The Bank's Range of Customers: These include consumer markets across segments, internal customers and business partners, vendors and suppliers. All these have a significant part to play in our customer value offering and coordinated efforts are underway to create seamless and meaningful synergies.

Other notable achievements during the year under review include the application and presentation of the Bank's first ever Business Partner Rating (an internal customer satisfaction rating) and the completion and presentation of the Bank's External Customer Satisfaction Survey.

Opportunities

A number of areas have been identified as key opportunities for improvement on our customer service journey. These include developing a better understanding of the Bank's customer service framework and how service is delivered end-to-end as per the prevailing business and segment service models. It also involves improving the timeliness of services rendered to customers across the service touchpoints; equipping employees with the necessary tools to provide effective service; maximising the benefits of technology to support effective service through integrated systems and using big data. The Bank is committed to developing an organisational leadership driven culture and associated systems that value, reinforce and continuously improve customer service.

Challenges

Some of the key challenges facing the Bank in its quest to support customer centricity aspirations currently include the inadequate attention to escalating customer complaints and system challenges. The recent survey has also identified weak customer engagement, communication barriers and poor recovery turnaround times when service breaks down.

Remedies

In response to these and other identified challenges, the Bank has embarked on an alignment of strategies, processes and models to achieve customer centricity through all its channels and service points. The articulation of escalation procedures and accountabilities is being refined through an exhaustive internal and external customer education and competency gap analysis, and clear consequences are prescribed for management for under-performance in customer service delivery.

FUTURE PROSPECTS

Client retention strategies

The capacity to implement the strategic directions set out by the Client Services office rests on the continued leadership, commitment and involvement of the FNBB Executive Committee, management and staff, and the Bank and will depend in the future on their commitment, teamwork and mutual support.

Our next steps will be informed by our pursuit of customer centricity and maximising our competitive advantage by building a culture of excellence, people-focus and a strong internal service emphasis.

delivery

Adoption of Technological Devices and Applications

The FNBB App, ATMs with Deposit machines, Social Media accounts and mobile or online banking platforms bear testament to the extent to which we would like to make our clients' service experience convenient and hassle-free.

Value Add Strategies

Having implemented initiatives such as EXCO on the Frontline, Service Fridays, the FNBB Complaints Management Policy, the Rewards and Recognition Programme and FIRST Standards, amongst others, we believe that such interventions will enhance the value that we stand to gain through our customer service strategy in the long-term.

Celebrating

helpful partnerships & achievements

"E sale ke banka le FNB go tswa bogologolo, e tlhabolotse botshelo jwame ka ditirelo tsa maemo a ntlha. Ke ba rata thata batho ba FNB. Ba a go tlhokomela fa o banka le bone"
– Mme Dingalo

Compa

FNB FOUNDATION REPORT

Foundation background

The First National Bank Foundation is the structure that administers the Corporate Social Investment funds of First National Bank of Botswana. The Foundation provides the opportunity for greater involvement and cooperation with the communities within which the Bank operates. The Foundation continues to evolve in response to key economic, social and environmental changes.

ssion

FNB Foundation Report *[continued]*

In 2001, the FNBB Board established an independent Trust to administer the Bank's social responsibility programme, resulting in the formation of the FNB Foundation Trust Fund. The Fund was established on the understanding that the bank would be committed to an annual contribution of up to one percent of its after tax profit. The Foundation is administered by a team of five full time employees.

The Fund Administrators report to a Board of Trustees, which comprises both directors of the Bank and independent members:

Foundation Mandate

The Foundation's mandate is 'to empower the communities in which FNBB operates'.
Foundation Strategic Goals

VISIBILITY: The Foundation recognises the importance of engaging in projects that leave the footprints of the FNB Foundation.

IMPACT: The Foundation focuses on projects that touch the lives of those in need.

SUSTAINABILITY: The Foundation only funds those projects that are able to stand on their own, beyond FNB Foundation funding.

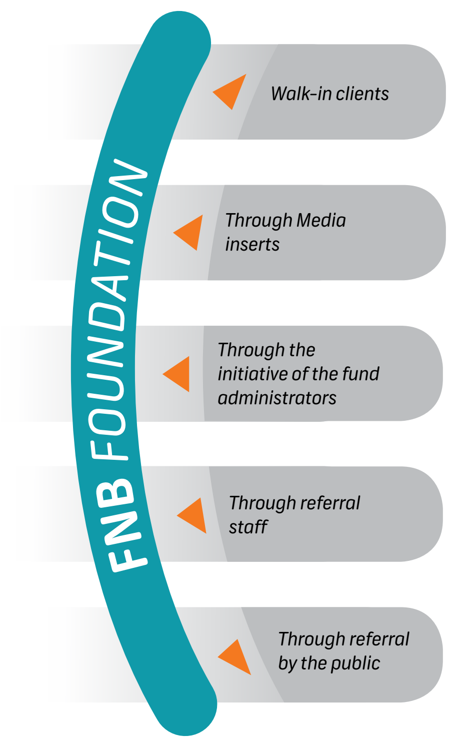
LASTING LEGACY: The Foundation perceives the value of funding projects that will be a heritage to society.

FOUNDATION AGENDA

The Foundation was established for the purpose of aiding educational, arts and culture, sports and recreation, environmental sustainability, as well as social and welfare development in Botswana. It identifies beneficiaries who are in need and deserving of assistance in kind, whether by way of infrastructure development, the provision of necessary working capital, or cash donation for a particular purpose.

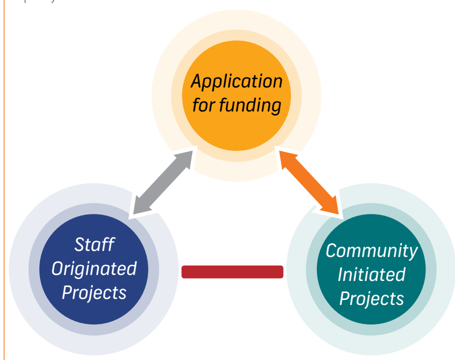
How Projects Come About

The Foundation has an application pack that includes an application form, a check list of what is required as well as the rules and guidelines of how the projects are screened. The Foundation has an 'open door' policy which allows applications for funding to be submitted throughout the year. Prospective beneficiaries can drop in anytime in person to enquire about funding as well as to submit applications if they are within Gaborone and surrounding areas. Applicants from outlying districts have the opportunity of submitting their applications by email, post mail, or through the branches.



Executing Community Social Responsibility Initiatives

The FNB Foundation receives applications from both staff and the public at large. All requests are screened to check if they meet the requirements. The FNB Branches and other departments are given an annual budget of P50 000.00 to execute their projects. FNBB employees feel more empowered when they are able to contribute meaningfully to the communities within which they operate. This opportunity is availed to all employees of the Bank through the FNB Staff Volunteer Programme. The Programme allows staff to identify a project of their choice and commit their time, share their skills or donate funds to help the project to achieve its objectives. Applications from the community are assessed on a case by case basis together with proposed staff projects.



Criteria for Selection of Projects for Funding

Over and above the requirement that projects be within the Foundation's focus areas, the following criteria is applied in selecting projects for funding:

- Entities must demonstrate that they have sound financial management processes and controls in place to ensure accountability of funding
- The applicant organisation should have been registered for at least a year, and have carried out a project over a period of their existence
- Applicant companies should be non-profit making entities
- Funding is geared towards benefiting the wider community and not individuals
- Funded projects should include an element of community self-help and should be designed to be self-sustaining, so as to ensure that the community assumes ownership and accountability.

It is also desirable that the primary driver of the project be its developmental impact, and projects should demonstrate a measurable and sustainable future. It is also important that funded projects have a solid alignment to the values and principles of FNBB.

Challenges

A number of challenges have presented themselves to the work of the Foundation. These include:

- Financial resource constraints
- The absence of any CSR law or policy that would allow the FNB Foundation to share the burden of uplifting communities with other stakeholders.

FNB Foundation Report *[continued]*

Expenditure since 2001

Year	Sports & Recreation (Pula)	Education (Pula)	Arts & culture (Pula)	Social Welfare (Pula)	Environmental Sustainability (Pula)	Total Amount (Pula)
2001/2	100,000	281,054				381,054
2002/3		542,778	192,000	692,864		1,427,642
2003/4	215,265	1,464,226		461,015		2,140,506
2004/5		1,442,405		150,000		1,592,405
2005/6	181,550	2,174,444	210,000	890,390		3,456,384
2006/7	426,699	1,618,919	500,000	1,713,050		4,258,668
2007/8	220,406	1,604,917		2,931,719		4,757,042
2008/9	259,534	444,000		130,800.		834,334
2009/10	176,000	563,000		156,000		895,000
2010/11		54,300		390,000		444,300
2011/12		405,000	250,000	1,018,402		1,673,402
2013/14		740,000		807,000		1,547,000
2014/15	30,000	250,000	7,500	1,081,148	1,493,618	2,862,266
2015/16		6,198,671	576,775	2,160,809	130,379	9,066,634
TOTAL	**1,609,454**	**17,783,714**	**1,736,275**	**12,583,197**	**1,623,997**	**35,336,637**

- FNBB Foundation has grown significantly over the past 15 years. Its annual investment in the community has grown from a total expenditure of only P381,054 in 2001-2002 to P9,066,568 in 2015-2016
- Over the past 15 years, the Foundation has invested a total of P39.3m in uplifting communities.

Summary of Foundation Projects for 2015/16

ORGANISATION	LOCATION	Education (Pula)	Arts & culture (Pula)	Social Welfare (Pula)	Environmental Sustainability (Pula)	AMOUNT (Pula)
Mochudi Resource Centre for the Blind (contribution towards the new centre)	**Mochudi**	2,000,000				2,000,000
FirstCarnival (carnival and theatre festival)	**Gaborone**		576,775			576,775
Legodimo Trust (boys' dormitory and kitchen/ dining area)	**Otse**	2,817,098				2,817,098
Childline (vehicle)	**Gaborone**			323,115		323,115
Masupe Primary School (Kombi)	**Tswapong**	312,000				312,000
Botswana Association for Psychological Rehabilitation (Operating expenses)	**Lobatse**			1,139,302		1,139,302
Winter Shoe Drive	**Several Districts**	492,387				492,387
Pula Sport Development Association	**Gaborone**				130,379	130,379
Total		**5,621,485**	**576,775**	**1,462,417**	**130,379**	**7,791,056**

FNB Foundation Report *[continued]*

Summary of Staff Volunteer Projects 2015/16

ORGANISATION	LOCATION	Education (Pula)	Environmental Sustainability (Pula)	AMOUNT (Pula)
Renovation of Xanagas Primary School library (Ghanzi Branch)	**Xanagas**	55,773		55,773
Set up of physiotherapy section at Ntlhantle Clinic (Banking Operations)	**Ntlhantle**		52,879	52,879
Waiting area at South East Clinic (Selebi Phikwe Branch)	**Selebi Phikwe**		49,926	49,926
Leobo at Buuhe Ward (Letlhakane Branch)	**Letlhakane**		54,346	54,346
Donation to Aerodome and Tonota Primary Schools (Francistown Branch)	**Tonota and Francistown**	49,470		49,470
Community hall at Nxaraga (Maun Branch)	**Nxaraga**		297,853	297,853
Toilets for disabled students at Manyana Primary School (Merchant)	**Manyana**		28,520	28,520
Donation of tracksuits – Monnathebe Primary School (Mall Branch)	**Monnathebe**	54,000		54,000
Refurbishment of Holycross Hospice (RMBB)	**Gaborone**		156,723	156,723
Provision of toilets at Mmopane Kgotla (Industrial Branch)	**Mmopane**		58,146	58,146
Moeding hostel refurbishment (Kgale Branch)	**Otse**	417,942		417,942
Total		**577,185**	**698,393**	**1,275,578**

Achievements through 15 Years of Corporate Social Investment

In the 15 years of the existence of the FNB Foundation, the Bank has invested in the following notable projects:

2002:

Tirisanyo Catholic Mission (HIV/AIDS Orphanage)

The Tirisanyo Catholic Commission was founded in 1984 with the aim of working with local people to help lift them out of poverty. The agency is the development arm of the Catholic Church in Botswana, with a mandate to serve as an umbrella body for its development and humanitarian organisations in the country. The Mission's vision is to foster integral human development through grassroots efforts that contribute towards the eradication of poverty and the improvement of infrastructure in communities, to provide social services for the disabled and to combat pandemics. The FNB Foundation invested P207,000 towards the construction of a pre-school for orphans and vulnerable children.

2003:

Childline Botswana

Childline Botswana is a non-profit making, non-governmental organisation that is geared towards assisting abused, orphaned and vulnerable children. Due to an escalating incidence of child abandonment, Childline was faced with many of children who needed shelter. As part of the FNB Foundation's focal area of 'social welfare', it opted to fund the construction of a fully-fledged children's' shelter, with a living room, children's bathroom, staff bathroom, kitchen, sick bay and laundry room. The shelter has the capacity to accommodate 20 children at a time. To make this shelter a reality the FNB Foundation invested a total of P530,000.

2004:

Emang Basadi (Legal aid and Counseling centre)

Emang Basadi (EB) is a non-governmental, non-profit making, women's human rights organisation which was formally established in Botswana in 1986. It is a membership organisation committed to the principles of equality, justice and peace. The current membership of approximately 2 000 comprises both men and women. The organisation's main goal is to develop action oriented strategies and to mobilise women to take steps that help change their social, political, economic and legal position in Botswana. In 2004, the FNB Foundation contributed P200,000 towards the construction of a Legal Aid and Counselling Centre.

2005:

UNICEF Botswana (Integrated Early Childhood Programme)

UNICEF is a leading humanitarian and development agency working globally for the rights of every child. Children's rights begin with safe shelter, nutrition, protection from disaster and conflict and traverse the life cycle, from pre-natal care for healthy births, to clean water and sanitation, health care and education for the growing child. UNICEF has spent nearly 70 years striving to improve the lives of children and their families. Working with and for children through adolescence and into adulthood requires a global presence and UNICEF's goal is not only to produce results but also to monitor the impact of their programmes. UNICEF also lobbies, and partners with, leaders, thinkers and policy makers to help all children - especially the most disadvantaged - realise their rights. In 2005 the FNB Foundation partnered with UNICEF to fund training workshops on the Early Childhood Programme to the tune of P1m.

FNB Foundation Report *[continued]*

2006:

Motswedi Rehabilitation Centre (Air-conditioning and Hydrotherapy Pool)

The Motswedi ('fountain') Community Based Rehabilitation Centre is a faith-based non-profit making welfare project initiated by the Mothers' Union of the Dutch Reformed Church in Mochudi, a member of Botswana Council of Churches (BCC). Besides meeting for spiritual nourishment, since its inception the Mothers' Union has been involved in welfare and community development projects. The services they provide are anchored on the scriptural premise that "whatever you did for one of the least of these brothers of mine you did for me". During the course of the Mothers' Union's work in the community many people with disabilities were found lying around their homes without any provision for their rehabilitation, welfare and educational needs. The FNB Foundation contributed P150,000 towards purchasing and installing air-conditioning equipment and a hydrotherapy pool for the centre. The hydrotherapy pool provides specialised physiotherapy sessions for disabled people unable to perform more common exercises.

2007:

Botswana Society for the Deaf (Construction of a 3 class block)

The Ramotswa Society for the Deaf is a registered non-governmental organisation with a vision to develop the full potential of every deaf person, including people who experience hearing loss in later life. To give effect to its vision, the Society provides full education, training, empowerment, rehabilitation, knowledge resources and care services for hearing-impaired persons up to Standard Seven before they proceed to high school. The Centre is a boarding school which caters for 90 boarders and four day students. In 2007 the FNB Foundation invested P756,250 to construct three classrooms and an ablution block.

2008:

Love Botswana (Construction and operational expenses for shelter)

The Love Botswana Outreach Mission Trust was established in 1995 to serve communities in Botswana's North-West District (Ngamiland). Programmes offered by Love Botswana Outreach Mission include social welfare and community development programmes for orphans and vulnerable children; and a family strengthening program which aims to rehabilitate and strengthen victims of alcohol abuse and affected families. The FNB Foundation invested P923,820 to contribute to the construction of the shelter and to provide assistance towards initial organisational and operational expenses.

2009:

Somarela Tikologo (Operational costs for the Green Shop at the Eco Park)

Somarelang Tikologo (Environment Watch Botswana) is a member-based environmental non-governmental organisation based in Gaborone. The aim of the organisation is to raise awareness of environmental issues through fundraising events and demonstration projects. Somarelang Tikologo comprises a small, dedicated staff and hundreds of committed volunteer members that undertake numerous environmental awareness-raising activities throughout the community each year. To keep Somarela Tikologo operational, the Foundation disbursed a total of P130,800 to assist the organisation to continue running.

2010:

Holy Cross Hospice

The Holy Cross Hospice is a non-governmental organisation established in 1994 by members of the Anglican Church and the Rotary Club, with the aim of providing palliative care services for people living with life threatening illnesses and those at the end of life stage. In 2010 the Foundation disbursed P176,000 to cover some of the organisation's operational expenses.

2011:

Legodimo Trust (Tea Garden refurbishment)

The Legodimo Trust is located in Otse. Legodimo offers vocational training and social support to teenagers aged 14 to 21 with mental and physical disabilities, and provides employment for local people from Otse. The project is divided into a number of vocational training workshops and associated activities. In its efforts to realise its own income streams to sustain the organisation, the Trust runs a tea garden which is open to the public, and in 2011 FNB Foundation donated P50,000 towards its refurbishment.

2012:

First Park

First Park was officially opened by the FNB CEO, Steven Lefentse Bogatsu on the 28th August 2015. The construction of this park is a corporate gesture of giving back to the community and exemplifies the high moral standards of FNBB as a good corporate citizen. This project is a befitting gesture, in stature and in quality, of FNBB's high standing, and is designed to cater for a wide variety of uses including:

- Community sports courts for the youth
- A secure, floodlit environment for joggers and others taking exercise, with security personnel close by
- A tranquil venue for recreational visits by families and friends, or for a Sunday stroll in the park
- Therapeutic use by any member of the public.

2013:

Painting of Athlone Paediatric ward

Established in 1929 during the colonial era, Athlone Hospital in Lobatse was the first Government hospital in Botswana. Before its inception, only mission hospitals such as the Scottish Livingstone Hospital in Molepolole, Deborah Retief in Mochudi and the Seventh Day Adventist Hospital in Kanye were operational in the country. The FNB Foundation invested a total of P50,000 towards the painting of the hospital's paediatric ward. The main aim of the project was to brighten the ward for the children to make it more appealing for them.

2014:

Winter Shoe Drive

In 2014 the FNB Foundation entered into a partnership with the Ministry of Local Government and Rural Development in order to reach children living in the more remote areas of the country, commonly referred to as Remote Area Dwellers (RADs). The basis of the partnership was that the Ministry would identify schools in those remote areas which would be recipients of the shoe donation. The first batch of shoes was donated in 2015. The Foundation usually targets the months leading up to winter to give out the shoes so as to reduce the hardship of the cold season for students, and each and every child in the chosen school is given a pair of Toughees school shoes. On an annual basis the Ministry submits names of schools chosen to benefit from the Winter Shoe Drive. The annual budget allocation for the shoe drive is P450,000.

2015:

First Carnival

The University of Botswana entered into a partnership with the FNB Foundation in 2015 to host the first ever Carnival in Botswana. The Foundation invested P576,775 towards the festival activities as well as assisting with the logistics for the event. The objectives of the project included the facilitation of capacity development skills in acting, costume design, arts management and is aimed at empowering young entrepreneurs through a 'training of trainers' program to build sustainable arts companies.

Legodimo Ground Breaking Ceremony

In March 2016, the Foundation announced a grant of P2, 817,098 towards the construction of a hostel and a dining facility at Legodimo Youth Centre for youth living with disabilities. The centre is a youth initiative of Camphill Community Trust. Once completed, the project will ensure that young people living with disabilities who are housed at Legodimo are in an environment that is conducive to accommodating their various physical impairments. The current dining area used is an open space, and when it rains or it is windy, the students are all packed in a small conference room. This project will dignify the stay of the people living with disability at Legodimo, and this will speed up their learning and rehabilitation.

FNB Foundation Report *[continued]*

Activities

Winter Shoe Drive at Kontle Primary School

Legodimo Ground Breaking Ceremony

FirstCarnival Sponsorship Announcement

Childline Combi Handover

Celebrating
passion, dedication & service

Keseyo Mazwigwila

I joined FNBB in February 1991, and rose through the ranks to the position of Administration Manager at Head Office at First Place in the Gaborone CBD.

As we celebrate the Bank's 25 years of growth, I can look back at FNBB's tenacious journey and the achievement of many great milestones.

The bank started out with a limited offering to customers of just a few products and has grown exceptionally during the last 25 years, with multiple innovative services and products being introduced and offered to customers. FNBB was first to market with almost all the products in the market.

There have been numerous changes and improvements to our processes, resulting in the Bank prioritising staff development to cope with changes and new products. The past 25 years have seen those of us who had been there right from the beginning grow in our skills and the way we look at the business, which is a fulfilling development for all of us on a personal level.


Vision

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

visionary

FROM LEFT TO RIGHT:

1. **JOHN KIENZLEY MACASKILL**
   Acting Chairman
2. **DORCAS ANA KGOSIETSILE**
   Independent Non - Executive Director
3. **MICHAEL WILLIAM WARD**
   Independent Non - Executive Director
4. **MMASEKGOA MASIRE–MWAMBA**
   Independent Non - Executive Director
5. **SIFELANI THAPELO**
   Independent Non - Executive Director
6. **DOREEN NCUBE**
   Independent Non - Executive Director
7. **NELSON MOKGETHI**
   Independent Non - Executive Director
8. **STEVEN LEFENTSE BOGATSU**
   FNBB CEO and Executive Director
9. **JABULANI RICHARD KHETHE**
   Non - Executive Director

Board of Directors' Profiles

A tribute to the late FNBB Board Chairman

Peter David Stevenson

Peter Stevenson passed on in September 2016 leaving the FNB family and stakeholder with many unforgettable memories.

Peter was a visionary leader who made outstanding contribution and commitment to the FNB Board. His diligence, integrity, ability, reliability and leadership led to his appointment as the Chairman of the Board in 2011, having served as a non-executive director since 2008. Peter's business expertise was highly valued within the Board and, up to the time of his death, he also served as Chairman of the Credit Committee and a member of the Directors Affairs and Governance Committee.

Mr Stevenson has also served on the boards of a number of private companies and charitable trusts and leaves a legacy of business leadership and community development that we shall forever cherish.

We salute you Peter! Rest in Peace.

By the Board.

1. John Kienzley Macaskill

Acting Chairman

John has been with FNB since 1972. Formerly CEO of FNB Botswana (1996-2003), he has held various senior positions within the FirstRand Group in South Africa, London and Hong Kong. His career in financial services spans across human resources, international corporate and retail banking. He retired from the First Rand Group in 2013. John serves on the boards of FNB's operations in Mozambique and Zambia. He is a graduate of the University of Pretoria and UNISA. John joined the FNBB Board on the 4th March 2014. He is the Chairman of the Audit Committee. He is also a member of the Risk and Compliance Committee and Directors Affairs and Governance Committee.

2. Steven Lefentse Bogatsu

FNBB CEO and Executive Director

Steven is currently Chief Executive Officer of FNBB. He returned to FNB Botswana after two years as CEO of FNB Swaziland. Prior to that appointment he had held a number of senior leadership positions at FNBB, including Chief Financial Officer and Director of Product Houses, where he was responsible for Property Finance, WesBank, Credit Card, International Trade and Custody.

Before joining the FNB Group, Steven trained at Ernst & Young, worked for Kgalagadi Breweries as Group Internal Auditor, Management Accountant and Project Accountant, for Barclays Africa Finance as a Financial & Business Analyst and for Stanbic Bank Botswana as Chief Financial Officer. Alongside his banking career, Steven has held directorships in several boards including the Local Enterprise Authority, the Botswana Medical Aid Society and Med Rescue International.

Steven holds a Masters' of Science in Strategic Management from the University of Derby and is a Certified Chartered Accountant. He was appointed to the Board as an executive director in January 2015. He is also the Chairman of the FNBB Foundation and a member of the Credit Committee.

3. Dorcas Ana Kgosietsile

Independent Non - Executive Director

Dorcas holds a Bachelor of Arts degree in Social Sciences with majors in accounting, economics and statistics, and a Master of Science in management. She started her professional career at the Auditor General's Office and joined the Botswana Development Corporation (BDC) soon thereafter. Over a period of 16 years at BDC she gained extensive business and entrepreneurship experience at managerial level.

In 2005 Dorcas joined the diplomatic service, notably being appointed Botswana's first High Commissioner to India. She continues to play a pivotal role in charity and social responsibility initiatives countrywide, which led to her being a recipient of the 2007 Indira Gandhi Priyadarshini Award in recognition of her positive impact as a woman leader. Dorcas re-joined the FNBB Board in November 2012 and is a member of the Audit Committee. She is currently a director on a number of boards which includes Choppies Enterprises Limited, Botho University, FSG Limited and is a Trustee of the FNBB Foundation.

4. Doreen Ncube

Independent Non - Executive Director

Doreen has worked in the banking sector for 22 years, Doreen has extensive experience in financial planning, risk management and compliance. She began her career with the Ministry of Commerce and Industry in 1990 where she served in various capacities including Senior Industrial Officer responsible for appraisal of projects for Government assistance schemes and sat on the Central Tender Board. After a brief spell with Shell Oil Botswana as an Assistant Marketing Manager, she joined the Bank of Botswana in 1991 where she occupied a number of positions including Senior Bank Examiner within the Financial Institutions Department and Deputy Director of the Banking Supervision Department, before moving to Barclays Bank Botswana Ltd in 2002 where she was appointed Head of Compliance. She served as Head of Risk Advisory Services and Regional Head of Compliance for Southern Africa Barclays Businesses before her retirement in 2012.

Doreen holds a BA in administration and accountancy from UBLS Botswana and an MSc in management from the Arthur D Little Management Education Institute in the USA. She has attended numerous international financial sector conferences, banking management seminars and courses on a variety of banking disciplines in Botswana, South Africa, Kenya, Zimbabwe, Switzerland, Zambia, Canada and the USA. She was appointed to the FNBB Board in July 2015. She formerly served on the Board of the Botswana Medical Aid Society (BOMaid) where she chaired the Board Finance Committee.

5. Mmasekgoa Masire-Mwamba

Independent Non - Executive Director

Mmasekgoa was appointed to the Board of FNBB on the 12th March 2015. She recently completed her term as the Deputy Secretary General with the Commonwealth Secretariat based in London. She is a renowned international civil servant who has served Botswana in various management capacities in the technical, development and diplomatic fields.

Mmasekgoa started her career with Botswana Telecommunications Corporation (BTC) as an Assistant Engineer and rose to Group Manager, positioning the corporation for a successful transition from a state owned monopoly to a privatised operator in a competitive and liberalised market. Almost 16 years after joining BTC, she emerged as one of the most influential female executives and continues to apply her skills and experiences in a range of economic and development fields.

Mmasekgoa previously served as CEO of the Botswana Export Development and Investment Authority (BEDIA), and has served on a number of boards and community service institutions in various fields including tourism, business, civil aviation and banking. She has also worked for the Commonwealth Telecommunications Organisation in London.

She holds a Bachelor of Law degree (LLB) and has been recognised in the legal field by the Honourable society of the Middle Temple which accorded her Honorary Bencher status in 2009. Most recently, she was awarded the 2015 International Distinguished Alumna Award by Pittsburgh University in recognition of her achievements in business leadership. Mmasekgoa also holds a BSc in electronics and physics from the University of London, Chelsea College, and an MBA from the University of Pittsburgh.

Mmasekgoa is currently the Chief Executive Officer of the Masire-Mwamba Office where she provides coaching, personal development and diplomacy services based on her broad international exposure and access.

6. Michael William Ward

Independent Non - Executive Director

Mike is a graduate in hotel management and has over 30 years' experience of business in Botswana, mainly in the field of commercial security. He created one of Botswana's first home-grown public companies, Inco Holdings, which he served as CEO until an international group acquired a controlling interest in 2003 and the company became G4S Botswana, now one of Botswana's largest employers. Mike was appointed regional director responsible for developing businesses in many countries in Africa, initially with the G4S group until 2008, and then with ADT. He is currently a director and shareholder of a Botswana based private equity company. Mike was first appointed as an FNBB Board member in August 2009. He is the Chairman of the Risk & Compliance Committee and a member of the Credit Committee.

7. Jabulani Richard Khethe

Non - Executive Director

Jabu holds a Bachelor of Commerce degree in banking from the University of Pretoria, South Africa. He also holds a Masters' in Business Administration (MBA) with Bond University and a Marketing Management Diploma. He has completed an Executive Management Development Programme with GIBS Management College, South Africa and INSEAD. Jabu is currently CEO of FNB International and has extensive banking, insurance and leadership experience with financial institutions in South Africa. He sits on a number of the FirstRand Group African subsidiaries boards (Namibia, Mozambique). Jabu has been a member of the FNBB Board of Directors since September 2005.He is the chairman of the Remuneration Committee and a member of the Directors Affairs and Governance Committee.

8. Nelson Mokgethi

Independent Non - Executive Director

Nelson was appointed to the Board of FNB Botswana on the 12th March 2015. He is currently the Director of Dikarabo Event Ventures where he generates infrastructure data reports for the African Development Bank and trains infrastructure data collectors from African countries' statistics offices under the African Infrastructure Knowledge Programme.

After obtaining his first degree in Economics, Nelson worked his way through the Division of Economic Affairs under The Ministry of Finance and Development Planning, eventually rising to become its Deputy Secretary. In 1992, he was transferred to head the Division of Budget Administration, assuming the Permanent Secretary level position of Secretary for Budget Administration. Nelson continued as Head of the Division until he retired from the Public Service in 2004.

Nelson has held directorships in a number of organisations including the Botswana Accountancy College, Botswana Railways, Air Botswana, the Botswana Public Officers' Pension Fund, the Public Procurement and Asset Disposal Board, Bank of Baroda, the MVA Fund and CEDA. He is currently Chairman of the board of BPOMAS Property Holdings.

In 1976 Nelson obtained a Bachelor of Arts degree in economics from the University of Botswana and Swaziland and a Masters' Degree in development economics from Williams College in the USA in 1978.He is a member of the Board Audit Committee.

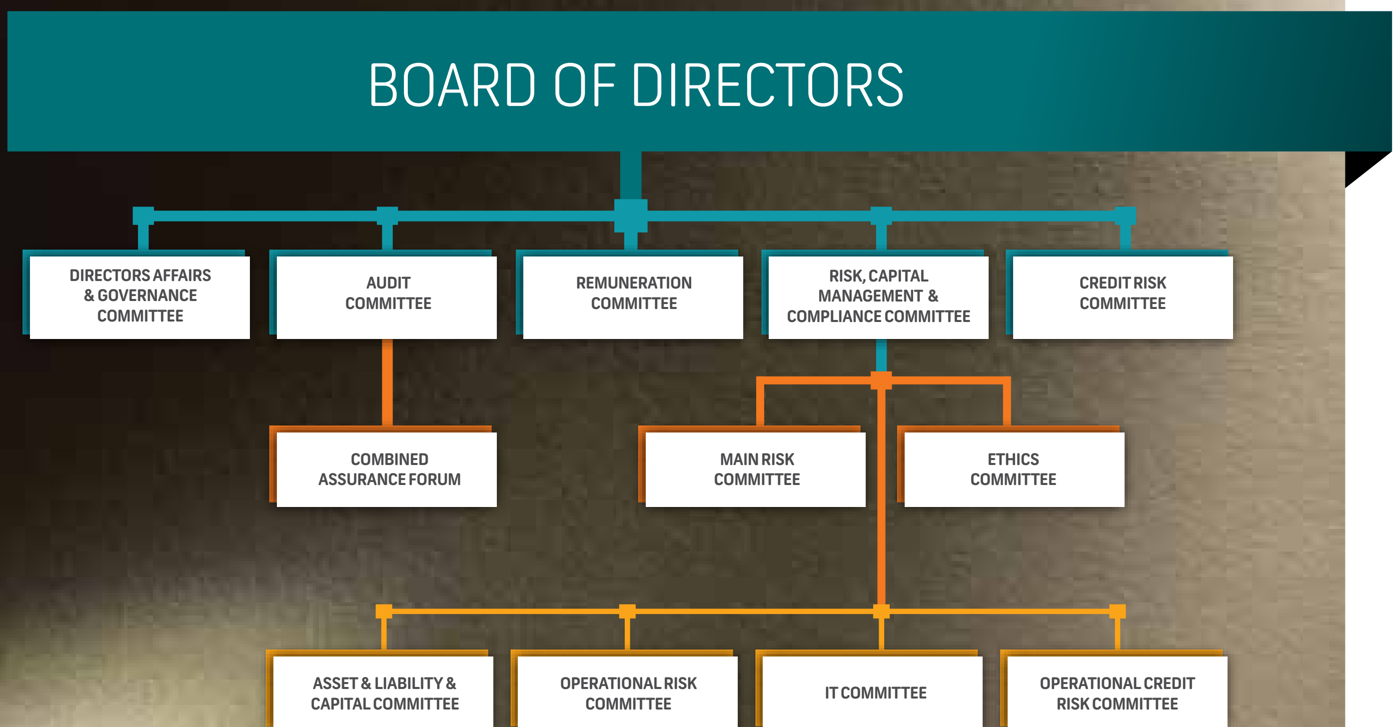
Corporate Governance Structure

INTRODUCTION

The Board of Directors and its Committees are the focal point of corporate governance and ensure that there are adequate people, processes and systems in place to facilitate the successful implementation of the strategy of the business while ensuring its long-term sustainability. The Board is supported by robust and independent risk control functions for which the Board has oversight.

Governance Structure

Each Board Committee has a clearly defined set of responsibilities and the Board is of the view that these Committees have effectively discharged their responsibilities as reflected in the various Board Charters during the financial year under review.



Integral to the governance structures and *terms of reference* is adherence to the Companies Act, the Banking Act and Regulations, the Botswana Stock Exchange Listing Requirements, Botswana Stock Exchange Code of Corporate Governance, the South African Banking Act and Regulations, the Constitution of the Bank and the King III principles, and flowing therefrom, the Board and Board Sub-Committee Charters.

The Board of Directors, through the Directors' Affairs and Governance Committee (DAGC), ensures that good corporate governance is implemented and monitored within the structures of the Bank and assures all stakeholders that the Bank has maintained the highest standards of corporate governance and practice in line with the terms of reference referred to above.

The FNBB Board ensures that the Bank is seen to be a responsible corporate citizen. It considers the financial performance of the business, together with the impact of its operations on the society within which it operates. FNBB is committed to a policy of fair, transparent dealing and integrity and expects its employees to share this commitment.

Governance Structure

Each Board Committee has a clearly defined set of responsibilities and the Board is of the view that these Committees have effectively discharged their responsibilities as reflected in the various Board Charters during the financial year under review.

Functions of the Board and Sub-Committees

Board – The Board meets at least four times a year and is responsible for reviewing and guiding corporate strategy, major plans of action, risk policy, risk controls, performance against budget and adopting a process of good corporate governance. The ultimate aim of the Board is the positive performance of the Bank and creating value for its shareholders, whilst taking into consideration the legitimate interests and expectations of all stakeholders. FNBB's stakeholders include the present and future beneficiaries of its products and services, clients, suppliers, employees, communities and the natural environment.

Credit Risk Committee - Approves large exposures and monitors them on an on-going basis. The Committee also assists the Board in ensuring that all the credit activities relating to large exposures are conducted within the risk strategy, policies and tolerance levels approved by the Board.

Audit Committee – Fulfils the vital role of ensuring the integrity of reporting on the financial position, financial controls (including accounting practices) and the general management of financial risks and internal controls. It ensures that there is combined assurance for all the significant risks identified.

The Committee ensures that:

- It has reviewed a documented assessment, including key assumptions prepared by management of the going concern status of the bank and has accordingly confirmed that the Bank will be a going concern for the foreseeable future
- The financial statements of the Bank accurately reflect the financial position and records of the Bank
- Effective accounting practices and policies have been maintained
- The skills and resources of Internal Audit and Finance functions are adequate and all requirements have been met
- Internal controls of the Bank have been effective in all material respects during the year under review
- The skills, experience and overall performance of the external auditors was acceptable and that they met all their obligations in all material respects. The committee recommends to stakeholders that Deloitte & Touche be re-appointed as external auditors for the 2016-2017 financial year.

Risk Capital Management and Compliance Committee - The Committee assists the Board in ensuring effective management of risk, risk controls and risk processes within the Bank by monitoring the effectiveness of the risk and compliance management structures and processes of the Bank.

The committee ensures that:

- It has received and reviewed the reports of the Chief Risk Officer, which highlights key risks of the Bank, including Legal, Compliance and IT risks
- The risk assessments, risk monitoring reports and management responses have been reviewed and challenge the effectiveness thereof
- Risk appetite and monitoring compliance is appropriate and effective
- Sufficient resources and systems are in place to identify and monitor risk
- There is effective management of credit and concentration risk
- The Internal Capital Adequacy Assessment Process (ICAAP) is undertaken and that the assumptions and stress tests are appropriate and the benchmarks are maintained
- All risk factors in the internal and external environment are properly assessed with

appropriate tolerance levels.

Remuneration Committee – Advises the Board on various aspect of the Bank's people strategy including remuneration of executive directors and makes recommendations of non-executive directors' fees. The Committee is responsible for evaluation of the adequacy, effectiveness and appropriateness of the reward and remuneration policies and ensures their alignment to best practice.

The Bank's reward philosophy is designed to:

- Attract and retain people with the ability, experience and skills required to successfully implement the business strategy
- Recognise and reward innovation and performance
- Inspire and motivate people to out-perform against business strategy, targets and objectives
- Incentivise employees to deliver consistent performance in line with strategic goals and risk tolerances
- Deliver compensation that is affordable and reasonable in terms of value created for stakeholders
- Encourage behaviour consistent with the Bank's code of ethics, business philosophy and corporate culture.

Executive Directors are employed on standard employment contracts similar to the terms of all other employees. Remuneration is paid in terms of the Bank's remuneration policy.

Non-executive Directors receive fees for service as Directors and for services provided as members of Board Committees. These fees are paid on a retainer as well as attendance basis. The fees vary depending on the role of the committee, are based on market comparisons, and are reviewed annually in line with the Bank's remuneration philosophy that advocates fair and responsible remuneration. The fees are reviewed by the Remuneration Committee and are approved, in advance, by shareholders at the annual general meeting.

Directors Affairs and Governance Committee - Assesses the adequacy, effectiveness and appropriateness of the corporate governance structures of the Bank and assesses their alignment with best practice.

The committee ensures that the Board is discharging its responsibilities relative to:

- Determining and evaluating the adequacy, efficiency and appropriateness of the corporate governance structures of the Bank
- Board and Board Committee structures
- Monitoring the implementation of the Code of Ethics
- Maintaining Board directorship continuity including;
  - the continuity of non-executive directors
  - the regular review of the competence of the board of directors, including skills, experience and other qualities to enhance the effectiveness of the Board; and
  - the selection and appointment of new directors

Board and Directors Matters

As at 30 June 2016 the Board of Directors consisted of 10 Directors, 8 of whom are independent non-executive directors. Independent non-executive directors are those directors who are not employed by the Bank or any of the companies in the FirstRand Group. The Board is therefore duly satisfied that Board composition is not in conflict with the Bank of Botswana Guidelines of appointments of new directors and senior officials of banks and that it ensures a balance and precludes any one director from exercising undue pressure on the decision making process.

The role of Board Chairman is held by a non-executive director and is therefore separate from that of the Chief Executive Officer. Towards the end of the period under review, due to unavailability of the substantive Chairman for health related issues, an Interim Chairman was appointed by the Board and Regulators and other Stakeholders were duly notified. The Board Chairmanship is reviewed In January each year as set out in the Bank's Constitution and the Board is satisfied with plans that are in place.

Rotation and re-election of Directors in terms of the Constitution

All Non-executive Directors are subject to retirement by rotation and re-election by Shareholders periodically, with a third of the Directors rotating annually in accordance with the Constitution of the Bank. The re-appointment of Directors is not automatic and is subject to performance and eligibility. This ensures that a balance is maintained in continuity in Board membership.

The Constitution ensures a staggered rotation of non-executive directors, so as to retain valuable skills and maintain continuity of knowledge and experience.

The re-appointment of the following directors, who retire in terms of the Constitution of the Bank, will be reviewed at the annual general meeting of the company:

- Mr Sifelani Thapelo, Independent Non-executive Director
- Mr Jabulani Richard Khethe, Non-executive Director
- Mr John Kienzley Macaskill, Independent

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Non-executive Director
Board Attendance

2015-2016 Board Attendance	August 2015	November 2015	January 2016	April 2016
P. D. Stevenson ** - Chairman	√	√	√	A
S. L. Bogatsu* - CEO	√	√	√	√
D. A. Kgosietsile**	√	√	√	√
J. R. Khethe***	√	√	√	√
S. Thapelo**	√	√	A	A
M. W. Ward**	√	√	√	√
D. Ncube**	√	√	√	√
J. K. Macaskill**	√	√	√	√
M. Masire-Mwamba**	√	√	√	√
D. N. Mokgethi**	√	√	√	√
R. C. Wright****	√	√	√	√

** Executive Director | ** Independent Non-Executive Director | *** Non-Executive Director | **** Alternate Executive Director | A Apologies*

Board Committee Composition

Audit Committee
- J. K. Macaskill - Chairman - independent non-executive director
- D. A. Kgosietsile - independent non-executive director
- D. N. Mokgethi - independent non-executive director

Credit Risk Committee
- P. D. Stevenson – Chairman - independent non- executive director
- M. Ward - independent non-executive director
- S. L. Bogatsu - executive director

Risk, Capital Management and Compliance Committee
- M. Ward - Chairman - independent non-executive director
- J. K. Macaskill - independent non-executive director
- P. D. Stevenson - independent non-executive director
- S. L. Bogatsu - executive director

Remuneration Committee
- J. R. Khethe - Chairman - non-executive director
- S. Thapelo - independent non-executive director
- P.D. Stevenson - independent non- executive director

Directors' Affairs and Governance Committee
- S. Thapelo - Chairman – independent non-executive director
- J. R. Khethe - non-executive director
- J.K. Macaskill - independent non-executive director

Board Attendance

2015-2016 Committee Attendance	Audit	Risk, Capital Management & Compliance	Senior Credit Risk	DAGC	REMCO
P. D. Stevenson ** - *Chairman*	4/4 (i)	3/4	12/12	3/4 (i)	2/3
S. L. Bogatsu* - *CEO*	4/4	4/4	8/12	4/4	1/3
D. A. Kgosietsile**	4/4	-	-	-	-
J. R. Khethe***	-	-	-	4/4	3/3
S. Thapelo**	-	-	-	3/4	3/3
M. W. Ward**	4/4 (i)	4/4	12/12	-	-
D. Ncube**	-	-	-	-	-
J. K. Macaskill**	4/4	4/4	-	4/4	1/1
M. Masire-Mwamba**	-	-	-	-	
N. D. Mokgethi**	3/4	-	-	-	
R. C. Wright****	4/4 (i)	4/4 (i)	11/12 (i)	-	2/3 (i)

* *Executive Director* | ** *Independent Non-Executive Director* | *** *Non-Executive Director* | **** *Iternate Director* | *(i) By invitation*

The above Board Committee meetings were held in line with the respective terms of reference and the Board can confirm that the Board committees have satisfied their responsibilities in terms of their respective Charters.

During the financial year under review, the Board has been able to maintain appropriate levels of qualifications and competence within its membership. This has been demonstrated by the composition of the Board which is complemented by the availability and involvement of internal and external subject matter experts where necessary, together with the appointment of an additional Board member during the year. On an annual basis, the Board also tests the effectiveness of its members and members of the various sub-committees against the objectives set out in the relevant terms of reference and the outcome of the assessments indicate that the Board Committees Directors have adequately discharged its functions and responsibilities relating to the business strategy, financial soundness and governance.

The Bank continues to strive to improve the effectiveness and quality of its governance structures by reviewing the composition of its committees and their skills at least three times a year to ensure that appropriate support is given to the Board.

Board Skills and Experience

The Board has a comprehensive and on-going training and development programme. The annual plan for on-going training focuses not only on the governance of risk and the needs identified during the annual assessment process, but also on the rapidly changing accounting, regulatory and legal environment as well as the rapidly changing risk universe and current assessment and monitoring initiatives. The training programme has been designed in such a way that the training is facilitated by in-house experts on the various areas of the business, coupled with training provided by external service providers.

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Corporate Governance Objectives

The Bank's overarching corporate governance objective for the financial year ended 30 June 2016 was to ensure that the structures, policies, processes and procedures implemented within the Bank enable the efficient and effective management of risks impacting the sustainability of the Bank. The Bank continues to focus on enhancing and aligning its policies, systems and processes to ensure sound corporate governance principles and ethical standards.

The above-mentioned objective includes compliance with King III Code of Corporate Governance Principles for South Africa (2009) and ensuring compliance with all relevant legislation and regulations relating to Banks.

Charters

In line with King III, the Bank reviews the charters for all its Committees on an annual basis. For the period under review, the charters of the Audit Committee, the Risk Capital Management and Compliance Committee, Remuneration Committee, Directors Affairs and Governance Committee and Credit Risk Committee were reviewed and approved by the Board.

Board Evaluations

The Directors' Affairs and Governance Committee, with the assistance of the Company Secretary, is responsible for ensuring that the assessment of the performance and effectiveness of the Board is undertaken. On an annual basis, members of the Board and members of the sub-committees, individually, complete a review of the Board and sub-committee structures and proceedings and comment thereon. Additionally, members undertake a peer group evaluation as well as and evaluation of the chairman of the Board. The outcomes are discussed, firstly and committee level and then at a Board level to address areas where improvement is required. Overall, the Board and committee performance is satisfactory.

2016 Governance Objectives

Following a detailed self-assessment process, the Board believes that processes and procedures are in place to ensure adherence to required standards of King III and the expectations of various stakeholders.

Objective	Progress /Outcome
Establish and maintain the functioning and effectiveness of the Board of Directors and sub-committees	The Board has effectively discharged its functions and responsibilities relating to the business, risk strategy, organisation, financial soundness and governance. The Board has ensured that the membership of the Board is composed of the appropriate qualified and competent individuals is in order to ensure sound and objective judgement at all times. The Board has also ensured that various governance structures are in place in order to assist the Board to adequately discharge its functions and responsibilities.
Ensure comprehensive and adequate risk management processes and practices are in place in order to mitigate various risks	The Board has ensured that appropriate risk management processes, practices, policies and procedures are in place and are robust enough to effectively mitigate against exposure to the various risks. The Business Performance and Risk Management Framework, Liquidity Risk Management Framework, and Credit Risk Frameworks have been approved and are in place to ensure appropriate guidance in the management of the risks of the Bank. The relevant risk functions also receive oversight at Group level.

2016 Governance Objectives *[continued]*

Objective	Progress /Outcome
Establish a formal service level agreement with Group Internal Audit Function	The Board has ensured that a service level agreement is in place between Internal Audit and Group Internal Audit. Group Internal Audit has oversight of the internal audit function and performs the role of quality assurance. Where gaps have been identified within Internal Audit in terms of insufficient resources or skills levels, Group Internal Audit provides the necessary support.
Ensure an independent compliance function that manages its supervisory and regulatory risks	The Board has ensured the existence of a compliance function that continuously reports on the management of its risks. The portfolio is headed by a senior official who has direct access to the Board chairperson, members of the Board, members of the Audit Committee and the external auditor where appropriate. A compliance manual is also maintained in order to ensure that all material risks to which the bank is exposed are duly addressed and monitored on an ongoing basis. Risk management plans for high risk legislation have been developed and focus on a monitoring programme which is in place.
Develop and maintain an appropriate strategy that ensures that the Bank maintains adequate capital.	The Board has ensured that the Bank has complied with the minimum prescribed capital adequacy requirements during the financial year under review. This has been monitored on an ongoing basis by the Board and Asset Liabilzty and Capital Committee (ALCCO). ALCCO has the responsibility of ensuring that the Bank maintains sufficient buffers in order to remain solvent, particularly during prolonged periods of financial market stress and illiquidity.
Appropriate reporting and disclosure in the Annual Financial Statements	The Bank has disclosed in its Annual Report its financial statements and other published documents, all relevant information in compliance with the minimum specified requirements of the Companies Act, Banking Act and the Botswana Stock Exchange Listing Requirements. The Board ensures that the disclosures to the public provide relevant and timely, qualitative and quantitative information. During the half year and year end process, relevant and appropriate disclosures are made to the public.
Provide effective leadership based on an ethical foundation.	The Board has ensured that the Bank adopts the group wide Code of Ethics. An effective whistle-blowing facility has been provided for employees to report theft, fraud, corruption and other serious offences. A toll-free line managed by an independent firm is available and staff training has been conducted.

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Governance confirmations

Internal Controls

The Board confirms that the Bank has established and maintained an appropriate and effective internal control structure in order to monitor the Bank's continued compliance with internal policies and procedures.

The Bank's internal controls are based on established policies and procedures and are implemented by skilled individuals. Adherence to implemented controls is continuously monitored and there is appropriate involvement with internal and external audit from an internal review perspective.

Internal Audit regularly reports to both the Board and Senior Management on the status of internal controls and annually presents the audit plan for approval to the Board. Internal Audit has a robust process in place to follow up responses that relate to audit findings and the implementation of the recommendations with a view to ensuring that the concerns raised have been appropriately and adequately addressed.

Internal Audit

An independent internal audit function is in place within the Bank and assists Executive Management and the Audit Committee to improve the effectiveness of the Bank's risk management, control and governance processes. Internal Audit has adopted an integrated risk-based approach to planning, incorporating combined assurance, leveraging management's assessment and external auditors' evaluation of the risk environment. This enabled a common view of risks that underpin the audit planning process. The audit planning process is flexible and will be reviewed on a quarterly basis as the organisation's risks, governance and controls processes evolve.

The Head of Internal Audit has direct and unrestricted access to the Board Chairperson, Chairperson of the Audit Committee and the Chief Executive Officer. He is a permanent invitee of the Audit Committee and the Risk and Compliance Committee.

The Board assures its stakeholders that the internal audit team conducts audit work in accordance with the internal auditing standards set by the Institute of Internal Auditing ("IIA").

External Audit

The annual financial statements have been audited by the independent auditors, Deloitte & Touche. The Bank is satisfied that the auditors continue to observe the highest level of business and professional ethics. There is no reason to believe that they have not at all times acted with unimpaired independence. The Audit Committee has confirmed the independence of the external auditors for the reporting period.

Details of the fees paid to the external auditors are disclosed in the notes of the financial statements, together with the details of non-audit services and fees paid in respect thereof.

Capital Adequacy and Capital Management

The Board confirms that, as part of the governance process, the Bank has in place an Internal Capital Adequacy Assessment Process (ICAAP) framework and strategy, which forms part of the Bank's Capital Management framework. The strategy ensures the maintenance of adequate capital based on the risks inherent in the Bank's balance sheet, including activities relating to risk mitigation.

Stress testing is conducted on an ongoing basis to identify possible events that could adversely affect the Bank and the results of the stress testing exercise are regularly presented to the Risk Capital Management and Compliance Committee when evaluating the adequacy of the Bank's capital adequacy buffers.

The ICAAP framework includes approved policies and processes designed to ensure that the Bank identifies, measures and reports all material risk exposures.

The Board assures its stakeholders that the Bank maintains adequate capital reserves to support the nature and extent of its risk exposure and further that the Bank has at all times complied with the minimum prescribed capital adequacy requirements during the financial year under review.

Dispute Resolution

The Banking Adjudicator's office is in place for our customer-related disputes and a formalised process is in place for resolving issues tabled at the Adjudicator's Office.

A formal dispute resolution policy and process is also in place for disputes related to staff. This process is in place for both internal and external disputes and ensures the effective, efficient and expeditious resolution of issues.

The Board has also approved a panel of entities or people that represent the Bank in the event of alternate dispute resolution for staff-related matters.

Enterprise Risk Management

Effective Risk Management is a focal point for the Bank. This is done by ensuring a risk focused culture through:

- A risk-focused culture and effective governance structure
- A combined assurance process to integrate, coordinate and align risk management processes to optimize level of risk, governance and control oversight
- Strong risk governance through the application of risk management disciplines through frameworks

The past year has seen increased changes in the regulatory landscape which requires the bank to deal with a number of changes and additional regulatory requirements. These include anti-money laundering, counter terrorist financing, market conduct, twin peaks, treating customer fairly and other regulatory requirements.

Approach to Risk Management:

The Bank's approach to risk management is the three lines of defence illustrated below:

RESPONSIBILITIES OF THE THREE LINES OF DEFENCE

FIRST LINE OF DEFENCE	The Board and management of First National Bank of Botswana are responsible for the implementation and the management of risk
SECOND LINE OF DEFENCE	The Risk & Compliance functions set policies across the Bank and conduct monitoring to ensure that the implementation of risk principles adhere to regulations and legislation
THIRD LINE OF DEFENCE	Internal Audit, provides additional assurance on the effectiveness of risk management in the organization

Risk Management Framework

The Bank has aligned its risk management structure in line with the Group's Business Performance and Risk Management Framework with the objective of ensuring a single view of risk across the Bank.

The organizational structure of risk management including roles and responsibilities are as follows:

- **The Board of Directors** provide overall direction and take responsibility in managing the risks faced by the Bank
- **Board Risk & Compliance Committee,** which is a sub-committee of the Board, discharges its duties as vested by the Board. Its duties include recommending policies and strategies for risk management to be executed by Executive Management
- **Main Risk Committee which reports to the Board Risk & Compliance Committee** has been set up to ensure operational efficiencies across all risk types. This committee has sub committees that include Asset, Liability & Capital Committee; Operational Risk Committee; Information Technology Committee; Credit Risk Committee
- **Chief Risk Officer** is responsible for the overall risk management leadership & execution. It is important to note however that in line with Group practice the responsibility for risk management resides with management at all levels, from members of the board to individuals throughout the Bank.

Risk Culture: The Bank recognizes that effective risk management requires the maintenance of an appropriate risk culture. The Bank believes that risk culture is underpinned by:

- Competent and ethical leadership in setting strategy, risk appetite and a positive attitude towards applying appropriate risk practices;
- Robust risk governance structures to ensure risk policies and frameworks are implemented;
- Best practice risk identification , assessment, management and reporting;
- A broader organizational culture which drives appropriate business ethics practices and supports risk goals.

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AUDITED FINANCIAL STATEMENTS | 2016

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CONTENTS

DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 30 June 2016

The Directors of First National Bank of Botswana Limited (the Bank or the Company) and its subsidiaries (the Group) are responsible for the preparation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards (IFRSs) and in compliance with the Companies Act of Botswana (Companies Act, 2003) and the Banking Act (Cap 46:04).

The consolidated and separate financial statements have been audited by the independent auditors, Deloitte & Touche, who were given unrestricted access to all financial records and related data, including minutes of the meetings of the Board of Directors and committees of the Board. The Directors believe that all representations made to the independent auditors during their audit are valid and appropriate. The independent auditor's report is presented on page 109.

After making enquiries the Directors have no reason to believe that the Group and the Company will not be a going concern in the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the consolidated and separate financial statements.

The Directors are also responsible for the Bank's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the consolidated and separate financial statements, and to adequately safeguard, verify and maintain accountability of the assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

Against this background, the Directors accept responsibility for the consolidated and separate financial statements and supplementary statements presented on pages 113 to 203, which were approved on 19 August 2016 and are signed on their behalf by:

J. K. Macaskill	**D. A. Kgosietsile**	**S. L. Bogatsu**
Acting Chairman	Director	Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

to the members of First National Bank of Botswana Limited

We have audited the consolidated and separate financial statements of First National Bank of Botswana Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2016, and the consolidated and separate income statements, consolidated and separate statements of other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 113 to 198.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 judgement, 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 controls 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 controls. 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 consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of First National Bank of Botswana Limited as at 30 June 2016, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter – Supplementary Information

Without qualifying our opinion, we draw attention to the fact that the supplementary information as set out on pages 199 to 203 does not form part of the financial statements and is presented as additional information. We have not audited this information and accordingly we do not express an opinion on it.

Deloitte & Touche

Deloitte & Touche
Certified Auditors
C. Ramatlapeng (20020075)

Gaborone
19 August 2016

REPORT OF THE AUDIT COMMITTEE

to the members and other users of the financial statements

The Group's Audit Committee comprises mainly non-executive Directors, in conformity with Section 23 of the Banking Act (Cap 46:04). The external and internal auditors attend Audit Committee meetings by invitation. The Committee meets at least four times a year and assists the Board in discharging its responsibilities for ensuring that the Group's financial and accounting systems provide accurate and up-to-date information on its current financial position, and that the Group's and Company's published financial statements present a fair reflection of this position.

It also ensures that appropriate accounting policies, control and compliance procedures are in place.

The objectives of the Committee are:

- To assist the Board of Directors in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied in the day-to-day management of the business;
- To provide a forum for communication between the Board of Directors, Management and the internal and external auditors; and
- To introduce such measures as, in the opinion of the Committee, may serve to enhance the credibility and objectivity of the financial statements and affairs of the Group and Company.

The Committee has met its objectives and has found no material weaknesses in controls. The Committee is satisfied that the consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards and in compliance with the Companies Act (Companies Act, 2003) and the Banking Act (Cap 46:04).

J. K. Macaskill
Acting Chairman

19 August 2016
Gaborone

DIRECTORS' REPORT

for the year ended 30 June 2016

The Directors have pleasure in submitting their report together with the separate financial statements of First National Bank of Botswana Limited (the Bank or the Company), and the consolidated financial statements of the Company and its subsidiaries (the Group) for the year ended 30 June 2016.

The consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Botswana (Companies Act, 2003) and the Banking Act (Cap 46:04).

The Bank maintains systems of internal control which are designed to provide reasonable assurance that the records accurately reflect its transactions and to provide protection against serious misuse or loss of the Bank's assets and those of its subsidiaries. The Directors are also responsible for the design, implementation, maintenance and monitoring of these systems of internal financial control. Nothing has come to the attention of the Directors to indicate that any significant breakdown in the functioning of these systems has occurred during the year under review.

The going concern basis has been adopted in preparing the financial statements. The Directors have no reason to believe that the Group will not be a going concern in the foreseeable future based on forecasts and available cash resources.

Nature of business

The Bank is a licensed financial institution which offers a wide range of banking and related services through its branches, divisions, automated teller machines, electronic banking and point of sale machines in Botswana. The Bank has four subsidiary companies. The operating subsidiaries comprise of a property owning company and an insurance agency. The property owned by the subsidiary is used primarily for branch and office accommodation.

Trading results

The consolidated income after tax attributable to ordinary shareholders of P504 Million (2015: P 591 Million) decreased by 15% compared to the results for the year ended 30 June 2015. Interest income was derived mainly from advances, installment credit, and investment securities. Non-interest income was derived from the Branch network, Firstcard, Merchant Services, Global Markets. International Trade, and Rand Merchant Bank

Stated capital

The Company's stated capital consists of 2 563 700 000 (2015: 2 563 700 000) ordinary shares, of which First National Bank Holdings (Botswana) Limited holds 1 780 590 000 (2015: 1 780 590 000) ordinary shares (69,45%) (2015: 69,45%), and the balance is traded on the Botswana Stock Exchange.

Directors' interests

The aggregate number of First National Bank of Botswana Limited shares held directly or indirectly by Directors of the Company amounts to 250 367 (2015:338 270), which represents approximately 0,0098% (2015:0,0130%) of the stated capital of the Company.

Dividends

An interim dividend of 5,00 thebe per share (2015: 5,00 thebe) for the year ended 30 June 2016 has been paid to holders of ordinary shares. The Directors propose a final dividend of 6,00 thebe per share (2015: 11,00 thebe).

DIRECTORS' REPORT *[continued]*

to the members and other users of the financial statements

Directorate

The composition of the Board as at 30 June 2016 was as follows:

Directors	Office	Nationality	Alternate Director	Appointed
P. D. Stevenson	Chairperson	Motswana		
S. L. Bogatsu	Chief Executive Officer	Motswana	R. C Wright	
D. A. Kgosietsile	Independent Non - Executive Director	Motswana		
J. R. Khethe	Non - Executive Director	South African	L. J. Haynes	
J. K. Macaskill	Independent Non - Executive Director	South African		
M. Masire - Mwamba	Independent Non - Executive Director	Motswana		
N. D. Mogethi	Independent Non - Executive Director	Motswana		
S. Thapelo	Independent Non - Executive Director	Motswana		
M. W. Ward	Independent Non - Executive Director	British		
D. Ncube	Independent Non - Executive Director	Motswana		2015/07/01

Transfer Secretaries	PricewaterhouseCoopers
Business address	Plot 50371 Fairgrounds
Postal address	P. O. Box 294 Gaborone

Auditors	Deloitte & Touche
Business address	Deloitte & Touche House Plot 64518 Fairgrounds
Postal address	P. O. Box 778 Gaborone

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 30 June 2016

1. INTRODUCTION

Reference to "Company or Bank" relates to First National Bank of Botswana Limited, and reference to "Group" relates to First National Bank of Botswana Limited (the Company) and its subsidiaries.

The Group and the Company have adopted the following accounting policies in preparing its consolidated and company financial statements.

1.1 Basis of presentation

The Group and Company's financial statements have been prepared in accordance with IFRS. No new or amended IFRS statements have been applied for the year ended 30 June 2016.

1.2 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non- controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

1.2 Consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 - Financial Instruments: Recognition and Measurement, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which Is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 - Income Taxes and IAS 19 - Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 - Share-Based Payment at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39 - Financial Instruments: Recognition and Measurement, or IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re- measured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

1.3 Interest income and expense

The Group recognises interest income and expense in profit and loss for instruments measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the average expected life of the financial instruments or portfolios of financial instruments.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income on instruments designated at fair value through profit or loss are included in fair value income except to the extent that the interest relates to:

- the group's insurance operations;
- funding liabilities that fund amortised cost assets; and
- items to which hedge accounting is applied.

From an operational perspective, the Group suspends the accrual of contractual interest on non-recoverable advances, subject to certain curing assumptions. However, in terms of IAS 39 - Financial Instruments: Recognition and Measurement, interest income on impaired advances is thereafter recognised based on the original effective interest.

Instruments with characteristics of debt, such as redeemable preference shares, are included in loans and advances or long-term liabilities as appropriate. Where these instruments are measured at amortised cost, dividends received or paid on these instruments are included in the cash flows used to determine the effective interest rate of the instrument.

The Group includes gains or losses, fair value adjustments and interest on trading financial instruments (including derivative instruments which do not qualify for hedge accounting in terms of IAS 39 - Financial Instruments: Recognition and Measurement as well as trading related financial instruments designated at fair value through profit or loss as fair value gains or losses in non-interest income.

1.4 Fee and commission

Fee and commssion income

The Group generally recognises fee and commission income on an accrual basis when the service is rendered.

Certain fees and transaction costs that form an integral part of the effective interest rate of available-for-sale and amortised cost financial instruments are capitalised and recognised as part of the effective interest rate of the financial instrument over the expected life of the financial instruments. These fees and transaction costs are recognised as part of the net interest income and not as non interest income.

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

Fees related to services rendered are recognised as fee and commission income on an accrual basis when the service is rendered, for example banking fee and commission income and asset management and related fees.

1.4 Fee and commission (Continued)

Fee and commssion income(Continued)

Fees earned on the execution of a significant act, for example knowledge-based fee and commission income and non- banking fee and commission income when the significant act has been completed.

Commission income on acceptances, bills and promissory notes endorsed is credited to profit or loss over the lives of the relevant instruments on a time apportionment basis.

Fee and commission expense

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

1.5 Dividend income

The Group recognises dividend income when the group's right to receive payment is established. This is on the "last day to trade" for listed shares and on the "date of declaration" for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares, except to the extent that the scrip dividend is viewed as a bonus issue, with no cash alternative and the transaction lacks economic significance.

1.6 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Botswana Pula ("P"), which is the functional and presentation currency of the Group.

Foreign currency transactions

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

At the end of the reporting period:

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

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

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

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

1.7 Borrowing costs

The Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset up to the date on which construction or installation of the assets is substantially completed. Other borrowing costs are expensed when incurred.

1.8 Recognition of assets

Assets

The Group recognises assets when it obtains control of a resource as a result of past events, and from which future economic benefits are expected to flow to the Group.

Contingent assets

The Group discloses a contingent asset where, as a result of past events, it is highly likely that economic benefits will flow to it, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Group's control.

Fiduciary activities

The Group engages in trust or other fiduciary activities that result in the managing of assets on behalf of clients. The Group excludes these assets and liabilities from the statements of financial position as these are not assets and liabilities of the Group but of the client.

Fee income earned and fee expenses incurred by the Group relating to these activities are, however, recognised in fee and commission income in the period to which the service relates.

1.9 Liabilities, provisions and contingent liabilities

Liabilities and provisions

The Group recognises liabilities, including provisions, when:

- it has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of the obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Contingent liabilities

The Group discloses a contingent liability when:

- it has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- it has a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources will be required to settle an obligation, or the amount of the obligation cannot be measured with sufficient reliability.

1.10 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents comprise:

- coins and bank notes:
- money at call and short notice;
- balances with central banks; and
- Bank of Botswana Certificates (BoBC's).

All balances from date of acquisition included in cash and cash equivalents have a maturity date of less than three months.

1.11 Financial instruments

Financial assets and liabilities are recognised on the Group's statement of financial position when the Group becomes party to the contractual provisions of instruments:

Financial assets and financial liabilities are initially measured at fair value. Transactional costs that are directly attributable to the acquisition of financial assets or financial liabilities (other than financial assets and financial liabilities and fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate on initial recognition. Transactional costs that are directly attributable to the acquisition of financial assets and financial liabilities and fair value through profit or loss are recognised immediately in profit or loss.

Financial assets as at fair value through profit or loss

This category has two subcategories: financial instruments held for trading and those designated at fair value through profit or loss on initial recognition.

A financial asset is classified as a trading instrument if acquired principally for the purpose of selling in the short term or if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking. Derivatives are also categorised as held for trading unless they are designated hedging instruments in an effective hedging relationship.

Financial assets and liabilities are designated on initial recognition as at fair value through profit and loss to the extent that it produces more relevant information because it either:

- results in the reduction of measurement inconsistency (or accounting mismatch) that would arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or
- the Group of financial assets and/or financial liabilities that is managed and is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and is the basis on which information about the assets and/or liabilities is provided internally to the entity's key management personnel; or
- is a financial asset or liability containing significant embedded derivatives that clearly require bifurcation.

The main financial assets and liabilities designated at fair value through profit and loss under criteria (i) are various advances to customers, structured notes and other investments that form part of the investment banking division. These financial instruments have been designated to eliminate the accounting mismatch between these assets and the underlying derivatives and funding instruments. If the assets were not designated at fair value through profit or loss, the mismatch would be as a result of the assets being recognised at amortised cost and the derivatives and funding instruments being recognised at fair value.

Different methods are used to determine the current period and cumulative changes in fair value attributable to credit risk for investment securities and advances. This is due to the differing inherent credit risk of these instruments. The current and cumulative change in the fair value of designated investment securities and designated financial liabilities that is attributable to changes in credit risk is determined as the change in fair value that is not attributable to changes in market conditions that gives rise to market risk, i.e. currency, interest rate and other price risk. The current and cumulative change in the fair value of designated advances that is attributable to changes in credit risk is the difference between the fair value of the advances based on the original credit spreads and the fair value of the advances based on the most recent market observable credit spreads.

Gains and losses arising from changes in the fair value of the financial instruments at fair value through profit or loss are included in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Group intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the Group upon initial recognition designates as at fair value through profit or loss;
- those that the Group upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available-for-sale.

Loans and recievables are measured at amortised costs using the effective interest rate method less any impairments.

This category also includes purchased loans and receivables, where the Group has not designated such loans and receivables in any of the other financial asset categories.

Held-to-maturity investments

Held-to-maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity.

If the Group sells more than an insignificant amount of held-to-maturity investments, the entire category would be is considered to be tainted in terms of IAS 39 and woul have to be reclassified as available-for-sale.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Available-for-sale financial assets

Available-for-sale financial assets are non derivative financial assets that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The Group recognises gains and losses arising from changes in the fair value of available-for-sale assets, in other comprehensive income. It recognises interest income on these assets as part of interest income, based on the instrument's original effective interest rate using the effective interest method. Dividends on availabie-for-sale equity instruments are recognised in profit or loss when the entity's right to receive payment is established and are included in gains or losses from investing activities. When the available-for-sale financial assets are disposed of or impaired, the related accumulated fairvalue adjustments are reclassified from other comprehensive income and included in profit or loss as gains and losses from investment activities.

Available for sale financial instruments are initially measured at fair value and stated at fair value at each reporting period since they are traded on an active market.

Treasury bills, debt securities and equity shares intended to be held on a continuing basis, other than those designated at fair value through profit and loss are classified as available-for-sale.

Financial liabilities, equity instruments and compound financial instruments

The Group classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement. If a financial instrument includes a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities on potentially unfavourable terms, such as redeemable preference shares, the financial instrument is classified as a financial liability. An instrument is classified as equity if it evidences a residual interest in the assets of the Group after the deduction of liabilities.

Compound instruments are those financial instruments that have components of both financial liabilities and equity. At initial recognition the compound financial instruments are split into its separate components and accounted for as financial liabilities or equity as appropriate. The Group separately measures and recognises the fair value of the debt component of an issued convertible bond as a financial liability, with the residual value allocated to equity.

The initial fair value of the liability component is recognised at the fair value of a similar non-convertible instrument. The equity component is initially recognised as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their carrying values.

The Group calculates interest on the liability component of compound financial instruments based on the market rate for a non-convertible instrument at the inception thereof.

A financial liability is classified as a trading instrument if incurred principally for the purpose of repurchasing in the short term, if it forms part of a portfolio of financial liabilities in which there is evidence of short term profit taking or if so designated by management.

Derivatives are also categorised as held for trading unless they are designated as effective hedges.

The Group designates certain liabilities on initial recognition at fair value through profit and loss to the extent that it produces more relevant information because it either:

- results in the reduction of measurement inconsistency (or accounting mismatch) that would arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or
- is a Group of financial assets and/or financial liabilities that is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and this is the basis on which information about the assets and/or liabilities is provided internally to the entity's key management personnel; or
- is a financial asset or liability containing significant embedded derivatives that clearly require bifurcation.

The Group recognises fair value adjustments on financial liabilities classified at fairvalue through profit and loss in fair value gains and losses.

The fair values of financial liabilities quoted in active markets are based on current offer prices. If the market for a financial liability is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

1.11 Financial instruments (Continued)

Financial liabilities, equity instruments and compound financial instruments (Continued)

Offsetting of financial instruments

The Group offsets financial assets and liabilities and reports the net balance in the statements of financial position where:

- there is a legally enforceable right to set off; and
- there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Embedded derivatives

The Group treats derivatives embedded in other financial or non financial instruments, such as the conversion option in a convertible bond, as separate derivatives when:

- their risks and characteristics are not closely related to those of the host contract;
- they meet the definition of a derivative; and
- the host contract is not carried at fair value, with gains and losses reported in profit or loss.

  Where embedded derivatives meet the criteria for hedge accounting, they are accounted for in terms of the applicable hedge accounting rules.

Derecognition

The Group derecognises a financial asset when:

- the contractual rights to the financial asset expire; or
- where there is a transfer of the contractual rights to receive the cash flows of the financial asset and substantially all of the risks and rewards related to the ownership of the financial asset are transferred; or
- the Group retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and rewards associated with the asset.

Where the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognise the financial asset in its entirety and recognises a financial liability for the consideration received. These financial assets and the related financial liabilities may not be offset.

Where the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group determines whether it has retained control of the financial asset.

In this case:

- if the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer; or
- if the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

On derecognition of financial assets in its entirety, the difference between the assets carrying amount and the sum of the consideration recieved and recievable and cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. A substantial modification of the terms and conditions of an existing financial liability or part of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new one. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Where the Group purchases its own debt, the debt is derecognised from the statements of financial position and any difference between the carrying amount of the liability and the consideration paid is included in fair value income in profit or loss.

Sale and repurchase agreements and securities lending

The consolidated financial statements reflect securities sold subject to a linked repurchase agreement ("repos") as trading or investment securities. These instruments are recognised at fair value through profit or loss. The counterparty liability is included in deposits held under repurchase agreements. These financial liabilities are either carried at fair value or amortised cost in line with the requirements of IAS 39.

Securities purchased under agreements to resell ("reverse repos") are recorded but the related advances relating to the repurchase transactions and recognised as advances under agreements to resell. These financial assets are either measured at fair value or amortised cost in line with the requirements of IAS 39 The difference between purchase and resale price is in substance interest and recognised in accordance with the Group's policy for interest income.

Securities lent to counterparties under securities lending arrangements are retained as trading and investment securities. Any deposits arising from collateral provided by the counterparties are recognised as deposits under securities lending arrangements and are measured at either fair value or amortised cost in accordance with the requirements of IAS 39.

The Group does not recognise securities borrowed in the consolidated financial statements, unless sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in fair value income. The obligation to return these securities is recorded as a liability at fair value.

Impairment of financial assets

General

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

Assets carried at amortised cost

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

Objective evidence that a financial asset or Group of financial assets is impaired includes observable data that comes to the attention of the Group about the following events:

- significant financial difficulty of the issuer or counterparty;
- a breach of contract, such as a default or delinquency in payments of principal or interest;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties or adverse changes in the market, economic or legal environment in which the entity operates; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a Group of financial assets since the initial recognition of those assets, although the decrease cannot yet be allocated to the individual financial assets in the Group, including:
  - adverse changes in the payment status of issuers or debtors in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the Group.

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit and loss. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether the Group elects to foreclose or not.

1.11 Financial instruments (Continued)

Assets carried at amortised cost (Continued)

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience. Changes in expected credit losses are recognised in profit or loss.

When a loan is uncollectible, it is written off against the related allowance account. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the profit and loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit and loss.

Past due advances

Advances are considered past due in the following circumstances:

- Loans with a specific expiry date (e.g. term loans etc) and consumer loans repayable by regular instalments (e.g. mortgage loans, personal loans)are treated as overduewhere one full installment is in arrears for one day or more and remains unpaid as at the reporting date; or
- loans payable on demand (e.g. overdrafts) are treated as overdue where a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction.

In these instances, the full outstanding amount is considered overdue even if part of it is not yet due.

The past due analysis is only performed for advances with specific expiry dates or instalment repayment dates or demand loans that have been demanded. The analysis is not applicable to overdraft products or products where no specific due date are be determined. The level of riskiness on these types of products is done with reference to the counterparty ratings of the exposures and reported as such.

Renegotiated advances

Financial assets that would otherwise be past due that have been renegotiated are separately classified as neither past due nor impaired assets. Renegotiated advances are advances where, due to deterioration in the counterparty's financial condition, the Group granted a concession where original terms and conditions of the facility were amended and the counterparty is within the new terms of the advance. Advances are only classified as renegotiated if the terms of the renegotiated contract have not yet expired, and remain classified as such until the terms of the renegotiated contract expire. Where the advances are reclassified as neither past due nor impaired the adherence to the new terms and conditions are closely monitored. Re-negotiated advances exclude advances extended or renewed as part of the ordinary course of business for simitar terms and conditions as the original. Non-performing advances are not reclassified as re-negotiated.

These assets are considered as part of the collective evaluation of impairment where financial assets are grouped on the basis of similar credit risk characteristics.

Repossessed assets

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of cost or net realisable value.

Available-for-sale financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a Group of financial assets is impaired.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss, is removed from other comprehensive income and recognised in profit and loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit and loss, the impairment loss is reversed through profit and loss.

In the case of a debt instrument classified as available-for-sale, the same objective evidence of impairment as for financial assets measured at amortised cost is considered in determining if an impairment exists. The difference between the acquisition cost and the current fair value less any previous impairment losses recognised in profit or loss is removed from other comprehensive income and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.12 Derivative financial instruments and hedging

The Group initially recognises derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other derivative financial instruments, in the statements of financial position at fair value. Derivatives are subsequently re-measured at their fair value with all movements in fair value recognised in profit and loss, unless it is a designated and effective hedging instrument.

The Group currently does not apply hedge accounting.

1.13 Property, plant and equipment

The Group carries property and equipment at historical cost less depreciation and accumulated impairment, except for land which is carried at cost less impairment. Historical cost includes expenses that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replacement part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

1.13 Property, plant and equipment (Continued)

Leasehold improvements are all improvements made to property which the Group leases under an operating lease in order to prepare the properly for its intended use and from which the Group is expected to benefit for more than one year. Leasehold improvements are capitalised as property and equipment.

Land and buildings held for use in the supply of services, or for administrative purposes, are stated in the statements of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated impairment losses. Revaluations are performed every three years such that the carrying amounts do not differ materially from those that would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is credited in other comprehensive income to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit and loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged.

A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Property and equipment is depreciated on a straight-line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives. Land is not depreciated.

Freehold properties and properties held under finance leases are broken down into significant components and depreciation is calculated on the expected useful lives of these components.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the previous recognised revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. The difference between the depreciation charge based on the revalued amount and the depreciation charge based on historical cost is transferred from the properties revaluation reserve to retained earnings for each reporting period.

The assets' residual values and expected useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

The following useful lives are used in the calculation of depreciation:

Item	
Leasehold buildings and improvements	Shorter of estimated life or period of lease
Freehold buildings	
Buildings and structures	50 years
Mechanical and electrical components	20 years
Sundries	3 - 5 years
Motor vehicles	5 years
Furniture & equipment	
Computer equipment	3 - 5 years
Furniture and fittings	3 - 10 years
Office equipment	3 - 10 years

Gains or losses on disposals are determined by reference to the carrying amount of the asset and the net proceeds received, and are recorded in profit and loss on disposal.

1.14 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.15 Leases

A group company is the lessee

Finance leases

The Group classifies leases as property and equipment where it assumes substantially all the benefits and risks of ownership as finance leases.

Finance leases are capitalised as assets at the fair value of the leased asset at the inception of the lease, or, if lower, at the estimated present value of the underlying lease payments.

The Group allocates each lease payment between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The interest component of the finance charge is recognised in the profit and loss over the lease period in interest espense.

The property and equipment acquired are depreciated over the useful life of the assets, unless it is not probable that the Group will take ownership of the assets, in which case the assets are depreciated over the shorter of the useful life of the asset or the lease period, on a basis consistent with similar owned property and equipment.

A group company is the lessor

Finance leases

The Group recognises as advances, assets sold under a finance lease at the present value of the lease payments receivable. The difference between the gross receivable and the present value of the receivable represents unearned finance income. Unearned finance income is recognised as interest income over the term of the lease using the effective interest rate method, which reflects a constant periodic rate of return.

Operating leases

The Group includes in a separate category as "assets held under operating lease" property and equipment assets leased out under operating leases. The Group depreciates these assets over their expected useful lives on a basis consistent with similar owned property and equipment. Rental income is recognised as other non-interest income on a straight-line basis over the lease term.

Instalment credit agreements

The Group regards instalment credit agreements as financing transactions and includes the total rentals and instalments receivable, less unearned finance charges, in advances. The Group calculates finance charges using the effective interest rates as detailed in the contracts and credits finance charges to interest income in proportion to capital balances outstanding.

1.16 Intangible assets

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.17 Income Tax

Current tax assets and liabilities

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

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax

Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not provided on temporary differences that arise on initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affect neither accounting profit or loss nor taxable income.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. In respect of temporary differences arising from the fair value adjustments on investment properties, deferred income tax is provided at the rate that would apply on the sale of the property i.e. the capital gains tax rate.

The Group recognises deferred income tax assets if it is probable that future taxable income will be available against which the unused tax losses can be utilised.

Temporary differences arise primarily from depreciation of property and equipment, revaluation of certain financial assets and liabilities including derivative contracts, provisions for pensions and other post-retirement benefits and tax losses carried forward. The Group reviews the carrying amount of deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred income tax related to fair value re-measurement of available-for-sale financial assets and property revaluations, which are recognised directly to other comprehensive income. Deferred tax recognised directly in other comprehensive income is subsequently reclassified to profit or loss at the same time as the related gain or loss.

Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. If the balances relate to the same tax authority but different tax entities that Group will offset only if it has a legally enforceable right and the entities intend to settle on a net basis or the tax assets and liabilities will be realised simultaneously.

1.18 Employee benefits

Post-employment benefits

The Group operates a defined contribution scheme, the assets of which are held in separate trustee-administered fund. The defined contribution plans is funded by contributions from employees and the Company, talking into account the recommendations of independent qualified actuaries. The Retirement Funds Act 2014 governs its administration. The fund is in an actuarially sound position. The liability of the Group is limited to the contributions made during the employment of the employee. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Post-retirement medical benefits

The Group does not provide post- retirement healthcare benefits to its employees.

Termination benefits

The Group recognises termination benefits as a liability in the statements of financial position and as an expense in profit or loss when it has a present obligation relating to termination. The Group has a present obligation at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognises any related restructuring costs.

Leave pay provision

The Group recognises in full employees rights to annual leave entitlement in respect of past service.

Bonuses

The Group recognises a liability and an expense for management and staff bonuses when it is probable that the economic benefits will be paid and the amount can be reliably measured. The expense is included in staff costs.

1.19 Stated capital

Share issue costs

Instruments issued by the Group are classified as equity when there is no obligation to transfer cash or assets. Incremental costs directly related to the issue of new shares or options are shown as a deduction from equity, net of any related tax benefit.

Dividends paid

Dividends on ordinary shares and non-cumulative non-redeemable preference shares are recognised against equity and a corresponding liability recognised when they have been appropriately approved by the company's shareholders and are no longer at the discretion of the entity. A Dividend reserve is maintained as at year end for dividends that will be paid out of retained earnings as at the reporting date but pending approval by the Board of Directors

Distribution of non-cash assets to owners

The Group measures the liability to distribute the non-cash assets as a dividend to owners at the fair value of the asset to be distributed. The carrying amount of the dividend payable is re-measured at the end of each reporting period and the settlement date, with changes recognised in equity as an adjustment to the distribution. The difference between the carrying amount of the assets distributed and the fair value of the assets on the date of settlement is recognised in profit or loss for the period.

Distributions of non-cash assets under common control are specifically excluded from the scope of IFRIC 17 and are measured at the carrying amount of the assets to be distributed.

Treasury shares

Where the Company or other members of the consolidated Group purchases the Company's equity stated capital, the consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity as treasury shares until they are reissued or sold. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental costs, and are included in shareholders' equity.

For purposes of the earnings per share calculation, the weighted average number of shares in issue is reduced by the number of shares held by the share trusts.

1.20 Segment reporting

An operating segment is a component of the Group that engages in business activities from which the Group may earn revenues and incur expenses. An operating segment is also a component of the Group whose operating results are regularly reviewed by the chief operating decision maker allocating resources, assessing its performance and for which distinct financial information is available. The Chief Executive Officer of the Group has been identified as the Group's operating decision maker. The Group's identification and measurement of operating segments is consistent with the internal reporting provided to the Chief Executive Officer.

The operating segments have been identified and classified in a manner that reflects the risks and rewards related to the segments' specific products and services offered in their specific markets.

Assets, liabilities, revenue or expenses that are not directly attributable to a particular segment are allocated between segments where there is a reasonable basis for doing so. The Group accounts for the inter-segment revenues and transfers as if the transactions were with third parties at current market prices.

Funding is provided to business units and segments based at internally derived transfer pricing rates taking into account the funding structures of the Group.

1.21 Shared based payment transactions

The Group operates equity settled and cash settled share based compensation plans for employees.

Equity-settled share based compensation plans

The Group expenses the fair value of the employee services received in exchange for the grant of the options, over the vesting period of the options, as employee costs, with a corresponding credit to a share based payment reserve in the statement of changes in equity. The total value of the services received is calculated with reference to the fair value of the options on grant date.

The fair value of the options is determined excluding non market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each reporting date, the Group revises its estimate of the number of options expected to vest. The Group recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to the share based payment reserve.

Amounts recognised for services received if the options granted do not vest because of failure to satisfy a vesting condition, are reversed through the statement of comprehensive income. If options are forfeited after the vesting date, an amount equal to the value of the options forfeited is debited against the share based payment reserve and credited against equity.

The proceeds received net of any attributable transaction costs are credited to stated capital (nominal value) and share premium when the options are exercised.

Cash-settled share based payment compensation plans

The Group measures the services received and liability incurred in respect of cash-settled share based payment plans at the current fair value of the liability. The Group re-measures the fair value of the liability at each reporting date until settled. The liability is recognised over the vesting period and any changes in the fair value of the liability are recognised in profit or loss.

1.22 Non-current assets disposal groups held for sale

Non-current assets and disposal Groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This classification is only used if the sale is highly probable and the assets or disposal groups are available for immediate sale.

In light of the group's primary business being the provision of banking, insurance and investment products, non-current assets held as investments are not classified as held for sale as the ongoing investment management implies regular purchases and sales in the ordinary course of business.

Immediately before classification as held for sale, the carrying amount of non-current assets and liabilities in relation to a disposal Group is recognised based upon the appropriate IFRS. On initial recognition as held for sale, the non-current assets and liabilities are in the measurement scope of IFRS 5 are recognised at the lower of carrying amount and fair value less costs to sell.

The following assets are excluded from the measurement scope of IFRS 5:

- Deferred tax assets;
- Assets arising from employee benefits;
- Financial assets;
- Investment properties measured at fair value;
- Biological assets measured at fair value less costs to sell; and
- Contractual rights under insurance contracts.

When these assets are classified as non-current assets held for sale or form part of a disposal Group held for sale they continue to be measured in accordance with the appropriate IFRS. The IFRS 5 presentation and disclosure requirements are applied to these assets.

Any impairment losses on initial classification as held for sale are recognised in profit or loss. If a disposal Group contains assets that are outside of the measurement scope of IFRS 5 any impairment loss is allocated to those non-current assets within the disposal Group that are within the measurement scope of IFRS 5.

After initial recognition as held for sale the non-current assets are measured at fair value less costs to sell. Where the fair value less costs to sell is less than the carrying value, any additional impairment losses are recognised in profit or loss. Any increases in fair value less costs to sell are only recognised when they are realised.

The non-current assets and disposal groups held for sale will be derecognised immediately when there is a change in intention to sell. Subsequent measurement of the asset or disposal Group at that date, will be the lower of:

- its carrying amount before the asset or disposal Group was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal Group not been classified as held for sale; and
- its recoverable amount at the date of the subsequent decision not to sell.

1.23 Standards and interpretations in issue but not yet effective

Details of the Standards and Interpretations, which were in issue at the date of the authorisation of these financial statements, but not yet effective, are set out in Note 45 to the annual financial statements.

INCOME STATEMENTS

for the year ended 30 June 2016

		GROUP		COMPANY	
	Notes	**30 June 2016 P'000**	30 June 2015 P'000	30 June 2016 P'000	30 June 2015 P'000
Interest and similar income	3	1 308 394	1 288 434	1 308 394	1 288 434
Interest expenses and similar charges	4	(363 565)	(415 321)	(362 023)	(413 135)
Net interest income before impairment of advances		944 829	873 113	946 371	875 299
Impairment advances	15	(228 570)	(201 068)	(228 570)	(201 068)
Net interest income after impairment of advances		716 259	672 045	717 801	674 231
Non-interest income	5	926 949	862 386	876 010	830 989
Income from operations		1 643 208	1 534 431	1 593 811	1 505 220
Operating expenses	6	(520 379)	(396 965)	(515 960)	(389 805)
Employee benefits expenses	7	(439 954)	(368 187)	(437 641)	(366 238)
Income before taxation		682 875	769 279	640 210	749 177
Indirect taxation	8	(23 863)	(12 776)	(23 662)	(12 739)
Profit before direct taxation		659 012	756 503	616 548	736 438
Direct taxation	8	(155 121)	(165 020)	(145 739)	(160 353)
Profit for the year attributable to owners of the parent		503 891	591 483	470 809	576 085
Earnings per share					
Per share information					
Basic earnings per share (thebe)	10	19,81	23,25		
Diluted earnings per share (thebe)	10	19,81	23,25		

STATEMENTS OF OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2016

	GROUP		COMPANY	
	30 June 2016 P'000	30 June 2015 P'000	30 June 2016 P'000	30 June 2015 P'000
Profit for the year	503 891	591 483	470 809	576 085
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Net losses on property revaluation	(6 836)	-	(10 122)	-
Deferred income tax on property revaluation	1 504	-	2 227	-
Total items that will not be reclassified to profit or loss	(5 332)	-	(7 895)	-
Other comprehensive loss for the year net of taxation	(5 332)	-	(7 895)	-
Total comprehensive income for the year attributable to owners of the parent	498 559	591 483	462 914	576 085

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2016

		GROUP		COMPANY	
		30 June	30 June	30 June	30 June
	Notes	**2016**	2015	2016	2015
		P'000	**P'000**	**P'000**	**P'000**
ASSETS					
Cash and short term funds	12	3 651 793	4 371 324	3 651 793	4 371 324
Derivative financial instruments	13	76 646	26 716	76 646	26 716
Advances to banks		324 960	640 000	324 960	640 000
Advances to customers	14	14 386 819	12 846 481	14 393 819	12 853 481
Investment securities	16	2 447 230	2 256 337	2 447 230	2 256 337
Current taxation	33	99 966	46 832	99 966	46 832
Due from related parties	17	6 324	6 319	6 324	6 319
Accounts receivable	18	376 245	211 080	364 287	208 822
Investments in subsidiaries	19	-	-	13 540	13 540
Property, plant and equipment	20	495 692	540 393	462 946	510 224
Goodwill	21	26 963	26 963	26 589	26 589
Total assets		21 892 638	20 972 445	21 868 100	20 960 184
EQUITY AND LIABILITIES					
Liabilities					
Deposits from banks	23	300 166	199 334	300 166	199 334
Deposits from customers	22	17 063 756	17 233 721	17 063 756	17 233 721
Accrued interest payable		30 553	88 895	30 553	88 895
Derivative financial instruments	13	42 631	13 796	42 631	13 796
Due to related parties	17	124 726	11 673	231 405	84 006
Creditors and accruals	25	429 680	360 109	414 053	354 609
Employee liabilities	26	68 127	61 949	67 926	61 627
Borrowings	24	1 094 239	395 376	1 094 239	395 376
Current taxation	33	898	650	-	-
Deferred taxation	9	203 509	160 956	198 195	156 366
Total liabilities		19 358 285	18 526 459	19 442 924	18 587 730
Capital and reserves attributable to ordinary equity holders					
Stated capital	29	51 088	51 088	58 088	58 088
Reserves		2 329 443	2 112 891	2 213 266	2 032 359
Dividend reserve		153 822	282 007	153 822	282 007
Total equity		2 534 353	2 445 986	2 425 176	2 372 454
Total equity and liabilities		21 892 638	20 972 445	21 868 100	20 960 184

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2016

Group	Stated capital P'000	Other non-distributable reserves P'000	Equity settled employee benefits reserve P'000	Dividend reserve P'000	Retained income P'000	Total Equity P'000
Balance at 01 July 2014	51 088	57 257	18 906	282 007	1 854 722	2 263 980
Total comprehensive income for the year	-	-	-	-	591 483	591 483
Profit for the year	-	-	-	-	591 483	591 483
Total comprehensive income for the year	-	-	-	-	591 483	591 483
Transfer from revaluation reserve	-	(2 068)	-	-	2 068	-
Recognition of share based payments	-	-	715	-	-	715
Transfer from equity settled employee benefits	-	-	(5 051)	-	5 051	-
2014 Final Dividends paid	-	-	-	(282 007)	-	(282 007)
2015 Interim Dividends paid	-	-	-	-	(128 185)	(128 185)
2015 Final Dividends proposed	-	-	-	282 007	(282 007)	-
Total contributions by and distributions to owners of company recognised directly in equity	-	(2 068)	(4 336)	-	(403 073)	(409 477)
Balance at 01 July 2015	51 088	55 189	14 570	282 007	2 043 132	2 445 986
Total comprehensive income for the year	-	(5 332)	-	-	503 891	498 559
Profit for the year	-	-	-	-	503 891	503 891
Other comprehensive loss	-	(5 332)	-	-	-	(5 332)
Transfer from revaluation reserve	-	(2 855)	-	-	2 855	-
Transfer from equity settled employee benefits	-	-	(14 570)	-	14 570	-
2015 Final dividends paid	-	-	-	(282 007)	-	(282 007)
2016 Interim dividends paid	-	-	-	-	(128 185)	(128 185)
2016 Final dividends proposed	-	-	-	153 822	(153 822)	-
Total contributions by and distributions to owners of company recognised directly in equity	-	(2 855)	(14 570)	(128 185)	(264 582)	(410 192)
Balance at 30 June 2016	51 088	47 002	-	153 822	2 282 441	2 534 353
Note				30		

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2016 (continued)

Company	Stated capital P'000	Other non-distributable reserves P'000	Equity settled employee benefits reserve P'000	Dividend reserve P'000	Retained income P'000	Total Equity P'000
Balance at 01 July 2014	58 088	42 633	18 906	282 007	1 804 212	2 205 846
Total comprehensive income for the year	-	-	-	-	576 085	576 085
Profit for the year	-	-	-	-	576 085	576 085
Transfer from revaluation reserve	-	(1 752)	-	-	1 752	-
Recognition of share based payments	-	-	715	-	-	715
Transfer from equity settled employee benefits	-	-	(5 051)	-	5 051	-
2014 Final Dividends paid	-	-	-	(282 007)	-	(282 007)
2015 Interim Dividends paid	-	-	-	-	(128 185)	(128 185)
2015 Final Dividends proposed	-	-	-	282 007	(282 007)	-
Total contributions by and distributions to owners of company recognised directly in equity	-	(1 752)	(4 336)	-	(403 389)	(409 477)
Balance at 01 July 2015	58 088	40 881	14 570	282 007	1 976 908	2 372 454
Total comprehensive income for the year	-	(7 895)	-	-	470 809	462 914
Profit for the year	-	-	-	-	470 809	470 809
Other comprehensive loss	-	(7 895)	-	-	-	(7 895)
Transfer from revaluation reserve	-	(2 218)	-	-	2 218	-
Transfer from equity settled employee benefits	-	-	(14 570)	-	14 570	-
2015 Final dividends paid	-	-	-	(282 007)	-	(282 007)
2016 Interim dividends paid	-	-	-	-	(128 185)	(128 185)
2016 Final dividends proposed	-	-	-	153 822	(153 822)	-
Total contributions by and distributions to owners of company recognised directly in equity	-	(2 218)	(14 570)	(128 185)	(265 219)	(410 192)
Balance at 30 June 2016	58 088	30 768	-	153 822	2 182 498	2 425 176
Note				30		

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2016

		GROUP		COMPANY	
	Notes	30 June 2016 P'000	30 June 2015 P'000	30 June 2016 P'000	30 June 2015 P'000
Cash flows from operating activities					
Cash generated from operations before taxation and working capital changes	31	980 441	991 144	937 268	970 710
Tax paid	32	(163 950)	(160 194)	(154 816)	(152 265)
Net cash from operating activities		**816 491**	**830 950**	**782 452**	**818 445**
Decrease in amounts due to other banks		100 832	187 177	100 832	187 177
(Decrease)/increase in deposits and current accounts	34	(169 965)	2 905 579	(169 965)	2 905 579
Increase/(decrease) in amounts due to related companies		113 053	(18 826)	147 399	(8 450)
(Decrease)/increase in accrued interest payable		(58 343)	49 868	(58 343)	49 868
Increase/(decrease) in creditors and accruals		71 627	66 125	61 501	69 044
Increase in employee benefits		6 178	1 361	6 299	1 355
Increase in investments - held for trading		(260 396)	(11 970)	(260 396)	(11 970)
Increase in investments - held to maturity		(156 660)	(41 593)	(156 660)	(41 593)
Increase in advances to customers	35	(1 772 461)	(922 697)	(1 772 461)	(922 697)
Decrease/(increase) in advances to banks		315 040	(178 079)	315 040	(178 079)
Increase in accounts receivable		(165 163)	(14 968)	(155 465)	(17 224)
Increase in amounts due from related companies		(6)	(47)	(6)	(47)
Net cash (utilised in)/generated from operating activities		**(1 159 773)**	**2 852 880**	**(1 159 773)**	**2 851 408**
Cash flows from investing activities					
Acquisition of property, plant and equipment	20	(50 786)	(54 232)	(50 786)	(52 760)
Proceeds on disposal of property, plant and equipment	20	8 858	2 555	8 858	2 555
Net cash utilised in investing activities		**(41 928)**	**(51 677)**	**(41 928)**	**(50 205)**
Cash flows from financing activities					
Borrowings raised		674 329	-	674 329	-
Repayment of borrowings		(8 131)	(75 125)	(8 131)	(75 125)
Dividends paid	36	(410 192)	(410 192)	(410 192)	(410 192)
Net cash generated from/(utilised in) financing activities		**256 006**	**(485 317)**	**256 006**	**(485 317)**
Net cash movement for the year		**(945 695)**	**2 315 886**	**(945 695)**	**2 315 886**
Cash and cash equivalents at the beginning of the year		6 183 534	3 867 648	6 183 534	3 867 648
Total cash and cash equivalents at end of the year	37	**5 237 839**	**6 183 534**	**5 237 839**	**6 183 534**

	Notes	GROUP 30 June 2016 P'000	GROUP 30 June 2015 P'000	COMPANY 30 June 2016 P'000	COMPANY 30 June 2015 P'000
2. SIGNIFICANT ACCOUNTING POLICIES					
The accounting policies of the Group are set out on pages 113 to 129.					
3. INTEREST AND SIMILAR INCOME					
Held for trading					
Investment securities		-	3 070	-	3 070
Loan and receivables					
Advances		1 205 365	1 178 881	1 205 365	1 178 881
Cash and short term funds		53 001	41 813	53 001	41 813
Related partiess	17	3 409	3 246	3 409	3 246
Unwinding of discounted present value		1 554	2 225	1 554	2 225
of security on non-performing loans (Note 15)	15				
Held to maturity					
Investment securities		15 588	11 886	15 588	11 886
Available-for-sale financial assets					
Investment securities		29 477	47 313	29 477	47 313
		1 308 394	1 288 434	1 308 394	1 288 434
4. INTEREST EXPENSE AND SIMILAR CHARGES					
Financial liabilities at amortised cost					
Term deposit accounts		243 846	299 999	242 304	297 813
Current and call accounts		71 063	74 455	71 063	74 455
Savings deposits		13 436	13 042	13 436	13 042
Deposits from banks and other financial institutions		13 629	17 301	13 629	17 301
Related parties	17	15	462	15	462
Borrowings		21 576	10 062	21 576	10 062
		363 565	415 321	362 023	413 135

5. NON-INTEREST INCOME

	GROUP		COMPANY	
	30 June 2016 P'000	30 June 2015 P'000	**30 June 2016 P'000**	30 June 2015 P'000
Fee and commission income: Loans and receivables				
Card commissions	176 202	155 414	176 202	155 414
Insurance commissions	44 942	34 173	11 572	18 983
Facility fees	47 235	35 549	47 235	35 549
Commissions - guarantees and letters of credit	9 082	8 355	9 082	8 355
Amortised cost				
Cash deposit fees	42 679	42 136	42 679	42 136
Commissions - bills, drafts and cheques	60 236	57 753	60 236	57 753
Service fees	204 359	180 193	204 359	180 193
Commissions - customer services	80 372	65 665	80 374	65 665
Net fee and commission income	**665 107**	**579 238**	**631 739**	**564 048**
Fair value gains or losses				
Gain/(loss) on bond trading	1 040	(1 926)	1 040	(1 926)
Net gain arising on financial assets at fair value through profit or loss	15 768	8 534	15 768	8 534
Net (loss)/gain arising on financial liabilities at fair value through profit or loss	(19 740)	25 135	(19 740)	25 135
Foreign exchange trading income	245 800	223 041	245 800	223 041
Fair value gains	**242 868**	**254 784**	**242 868**	**254 784**
Other non-interest income				
Non-financial assets and liabilities				
Gain on sale of property and equipment	(267)	898	(267)	898
Gain on disposal of investment in associate	19 241	27 466	1 670	11 259
Other non-interest income	18 974	28 364	1 403	12 157
Total non-interest income	**926 949**	**862 386**	**876 010**	**830 989**

6. OPERATING EXPENSES

	GROUP		COMPANY	
	30 June 2016 P'000	30 June 2015 P'000	**30 June 2016 P'000**	30 June 2015 P'000
Audit fees				
Current year	4 090	3 810	4 090	3 810
Other services	35	1 360	35	1 360
	4 125	5 170	4 125	5 170
Depreciation				
Buildings	27 130	11 106	26 421	10 737
Motor vehicles	1 657	219	1 657	219
Furniture and equipment	50 739	21 551	50 739	21 551
	79 526	32 876	78 817	32 507
Directors' remuneration				
For services as non-executive directors	2 010	2 920	2 010	2 920
For services as executive directors	2 617	4 825	2 617	4 825
	4 627	7 745	4 627	7 745
Operating lease charges				
Premises				
• Contractual	19 076	18 021	19 677	18 701
• Straight line lease rental adjustment	341	195	341	195
• Contractual amounts	5 880	4 310	5 827	4 290
Operating lease charges	25 297	22 526	25 845	23 186
Service fee paid to related company				
- Systems	98 601	95 785	97 761	95 582
- Services	18 404	17 878	18 250	17 843
- Products	14 461	14 049	14 355	14 035
	131 466	127 712	130 366	127 460
Exchange (gain)/loss on revaluations	(1 410)	1 439	(1 410)	1 439
Professional fees	17 512	10 823	17 465	10 771

6. OPERATING EXPENSES (continued)

	GROUP		COMPANY	
	30 June 2016 P'000	30 June 2015 P'000	**30 June 2016 P'000**	30 June 2015 P'000
Other operating expenses				
Advertising and marketing	51 453	38 340	49 430	33 348
Communication	23 819	21 001	23 771	20 878
Computer expenditure	12 464	13 654	12 460	13 654
Property maintenance	29 935	24 329	29 771	23 785
Stationery, storage and postage	25 194	16 835	25 125	16 798
Service fees	46 614	34 827	46 614	34 827
Other	69 757	39 688	68 954	38 237
Other operating costs	**259 236**	**188 674**	**256 125**	**181 527**
Total operating expenses	**520 379**	**396 965**	**515 960**	**389 805**

7. EMPLOYEE BENEFIT EXPENSES

	GROUP		COMPANY	
	30 June 2016 P'000	30 June 2015 P'000	**30 June 2016 P'000**	30 June 2015 P'000
Direct employee costs				
Salaries, wages and allowances	370 648	295 181	368 421	293 524
Defined contribution schemes: medical and other staff funds	49 253	38 495	49 167	38 267
Share based payments expense - equity settled	-	715	-	715
Share based payments expense - cash settled	(2 398)	19 193	(2 398)	19 193
Leave pay	3 616	50	3 616	6
Other	18 835	14 553	18 835	14 533
	439 954	**368 187**	**437 641**	**366 238**

Details of the post retirement benefits are provided separately in Note. 28.

8. TAXATION

	GROUP		COMPANY	
	30 June 2016 P'000	30 June 2015 P'000	**30 June 2016 P'000**	30 June 2015 P'000
Indirect taxation				
Value added tax	23 863	12 776	23 662	12 739
Direct taxation				
Income taxation expense				
Local income tax - current period	109 585	123 697	100 203	119 081
Prior year under/ (over) provision	1 479	(660)	1 479	(753)
	111 064	123 037	101 682	118 328
Deferred taxation				
Current year	44 520	42 668	44 520	42 710
Prior year (over)/under-provision	(463)	(685)	(463)	(685)
	44 057	41 983	44 057	42 025
Total direct taxation expense per income statement	155 121	165 020	145 739	160 353
Deferred tax arising on revaluation of property	1 504	-	2 227	-
Reconciliation of the taxation charge				
Reconciliation between accounting profit and tax expense.				
Accounting profit	659 012	756 503	616 548	736 438
Tax at the applicable tax rate of 22% (2015: 22%)	144 983	166 430	135 641	162 016
Tax effect of adjustments on taxable income)				
Under/(over) provision of current tax in prior years	1 479	(660)	1 479	(753)
(Over)/under provision of deferred tax in prior years	(463)	(685)	(463)	(685)
Disallowed expenses	9 122	2 010	9 082	1 808
Other allowances	-	(2 075)	-	(2 075)
Total tax expense per income statement	155 121	165 020	145 739	160 311

9. DEFERRED TAX

	GROUP		COMPANY	
	30 June 2016 P'000	30 June 2015 P'000	**30 June 2016 P'000**	30 June 2015 P'000
Deferred taxation				
Balance at beginning of year	160 956	118 973	156 366	114 342
Temporary differences for the year	44 520	42 668	44 520	42 710
Prior year (over)/under-provision	(463)	(685)	(463)	(685)
Arising on revaluation of property	(1 504)	-	(2 227)	-
Balance at the end of the year	**203 509**	**160 956**	**198 195**	**156 366**
The balance comprises				
Accelerated capital allowances	197 460	153 403	195 752	151 695
Revaluation surplus	12 856	14 360	9 250	11 478
Other temporary differences	(6 807)	(6 807)	(6 807)	(6 807)
	203 509	**160 956**	**198 195**	**156 366**

10. EARNINGS PER SHARE

Basic earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year, excluding the number of ordinary shares purchased by the Company and held as treasury shares.

There were no movements during the current year, in the number of shares in issue or the number of ordinary shares held by the Employees Share Participation Scheme, classified as treasury shares.

10 EARNINGS PER SHARE (continued)

	GROUP	
	2016	2015
Basic earnings per share	**P'000**	**P'000**
Earnings attributable to ordinary equity holders	503 891	591 483
	503 891	591 483
Number of ordinary shares in issue at beginning and end of year (thousands)	2 563 700	2 563 700
Less treasury shares (thousands)	(20 000)	(20 000)
Weighted average number of ordinary shares in issue (thousands)	2 543 700	2 543 700
Basic earnings per share (thebe)	19,81	23,25

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue by the share options in force assuming conversion of all dilutable potential ordinary shares.

Diluted earnings per share		
Earnings attributable to ordinary equity holders	503 891	591 483
Weighted average number of ordinary shares in issue (thousands)	2 543 700	2 544 358
Diluted earnings per share (thebe)	19,81	23,25

11. ANALYSIS OF ASSETS AND LIABILITIES BY CATEGORY

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies on 113 to 129. describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position per category of financial instrument to which they are assigned and therefore by measurement basis:

	GROUP		COMPANY	
	30 June 2016 P'000	30 June 2015 P'000	**30 June 2016 P'000**	30 June 2015 P'000
ASSETS				
Loans and receivables				
Cash and short-term funds	3 651 793	4 371 324	3 651 793	4 371 324
Advances to banks	324 960	640 000	324 960	640 000
Advances to customers	14 241 405	12 636 927	14 248 405	12 643 927
Due to related companies	6 324	6 319	6 324	6 319
Accounts receivable	376 245	211 080	364 287	208 822
Designated at fair value through profit or loss				
Advances to customers	145 414	209 554	145 414	209 554
Investment securities				
Available-for-sale	1 586 046	1 812 210	1 586 046	1 812 210
Held to maturity	321 223	164 562	321 223	164 562
Held for trading	539 961	279 565	539 961	279 565
Derivative financial instruments	76 646	26 716	76 646	26 716
Non-financial assets				
Current tax receivable	99 966	46 832	99 966	46 832
Investments in subsidiaries	-	-	13 540	13 540
Property, plant and equipment	495 692	540 393	462 946	510 224
Goodwill	26 963	26 963	26 589	26 589
Total assets	21 892 638	20 972 445	21 868 100	20 960 184

11. ANALYSIS OF ASSETS AND LIABILITIES BY CATEGORY (continued)

	GROUP		COMPANY	
	30 June 2016 P'000	30 June 2015 P'000	**30 June 2016 P'000**	30 June 2015 P'000
LIABILITIES				
Financial liabilities at amortised cost				
Deposits from banks	300 166	199 334	300 166	199 334
Deposit from customers	17 063 756	17 233 721	17 063 756	17 233 721
Borrowings	982 015	321 473	982 015	321 473
Accrued interest payable	30 553	88 895	30 553	88 895
Due to related companies	124 726	11 673	231 405	84 006
Employee liabilities	83 034	94 030	82 833	93 708
Creditors and accruals	395 548	321 004	382 147	316 763
Designated at fair value through profit or loss				
Borrowings	112 224	73 903	112 224	73 903
Held for trading				
Derivative financial instruments	42 631	13 796	42 631	13 796
Non-financial liabilities				
Value-added tax	19 224	7 024	16 999	5 765
Current taxation	898	650	-	-
Deferred taxation	203 509	160 956	198 195	156 366
Total liabilities	19 358 285	18 526 459	19 442 924	18 587 730

12. CASH AND SHORT TERM FUNDS

	Notes	GROUP 30 June 2016 P'000	GROUP 30 June 2015 P'000	COMPANY 30 June 2016 P'000	COMPANY 30 June 2015 P'000
Coins and bank notes		210 802	239 720	210 802	239 720
Money at call and short notice - related companies	17	79 159	77 334	79 159	77 334
Money at call and short notice - other banks		1 355 921	1 992 503	1 355 921	1 992 503
Balances with Bank of Botswana - Mandatory reserve balance		770 346	1 320 045	770 346	1 320 045
Balances with Bank of Botswana - Statutory account balance		93 148	10 216	93 148	10 216
Balances with other banks - related companies	17	739 585	471 506	739 585	471 506
Balances with other banks - other banks		402 832	260 000	402 832	260 000
		3 651 793	4 371 324	3 651 793	4 371 324
The carrying value of cash and short term funds approximates the					
Amounts denominated in foreign currencies included in above balances		1 569 084	2 439 666	1 569 084	2 439 666
Balances with Bank of Botswana - Mandatory reserve balance		770 346	1 320 045	770 346	1 320 045

Banks are required to deposit a minimum average balance, calculated monthly, with Bank of Botswana. These deposits bear no interest.

Money at short notice constitutes amounts withdrawable in 32 days or less

13. DERIVATIVE FINANCIAL INSTRUMENTS

Group and company

Strategy in using derivatives:

Interest rate swaps

Interest rate derivatives comprising mainly of interest rate swaps and forward rate agreements are utilised for hedging purposes to eliminate uncertainty and to reduce the risk that the Group faces due to volatile interest rates

The Group accepts deposits at variable rates and uses fixed interest rate derivatives as economic hedges of future interest payments, effectively converting borrowings from floating to fixed rates. The Group also has assets at fixed rates and uses variable interest rate derivatives as economic hedges of future interest receipts.

The notional amounts of the derivative instruments do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not present the Group's exposure to credit or pricing risk. Derivative instruments become favourable (assets) or unfavourable (liabilities) based on changes in market interest rates. The aggregate notional amount of derivative financial instruments, the extent to which the instruments are favourable or unfavourable, and thus the aggregate fair value can fluctuate significantly, over time.

Forward rate agreements

Forward rate agreements are negotiated interest rate contracts that call for cash settlement at a future date for the difference between the contractual and market rates of interest, based on a notional principal amount.

Currency options

The Group has written foreign currency option contracts that grant the holder the right, but not the obligation, to buy or sell currency at a specified exchange rate during a specified period of time. At the same time, the Group enters into a similar option with a related party in order to manage the risks associated with the options. These options are not designated as hedging instruments; consequently both options are recognised as derivative instruments in assets and liabilities in the statements of financial position. The fair value adjustments arising from valuation of both options are recognised in the profit or loss as part of fair value gains and losses. The premium on inception of the option is immediately recognised in the profit or loss.

Trading derivatives

The Group's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities in derivatives are entered into principally for the purpose of generating profits from short term fluctuations in price or margin. Positions may be traded actively or be held over a period of time to benefit from expected changes in currency rates, interest rates or other market parameters. Trading includes market making and positioning activities. Market making entails quoting bid and offer prices to other market participants for the purpose of generating revenues based on spread and volume; positioning entails managing market risk positions in the expectation of benefiting from favourable movements in prices, rates or indices. The trading derivatives relate to all spot and forward foreign exchange contracts which were unsettled as at year end. Further information pertaining to the risk management strategy of the Group is set out in note 40.

13. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	ASSETS		LIABILITIES	
Group and Company	**Notional P'000**	**Fair Value P'000**	**Notional P'000**	**Fair Value P'000**
2016				
Currency derivatives				
Currency options	1 212 659	14 470	1 212 658	14 470
Trading derivatives	1 497 053	2 318	102 607	1 370
Currency swaps	19 830	51	-	-
Interest rate derivatives				
Interest rate swaps	402 822	59 807	308 418	26 791
	3 132 364	76 646	1 623 683	42 631
Related party derivatives included in above balances				
Currency options	606 329	7 102	606 329	7 369
Trading derivatives	35 428	634	11 678	150
Interest rate swaps	94 406	32 987	308 418	26 791
Currency swaps	19 830	51	-	-
	755 993	40 774	926 425	34 310
2015				
Currency derivatives				
Currency options	1 125 973	8 597	1 125 973	8 597
Trading derivatives	301 665	1 784	478 333	5 199
Interest rate derivatives:				
Interest rate swaps	86 361	16 335	131 832	-
	1 513 999	26 716	1 736 138	13 796
Related party derivatives included in above balances				
Currency options	579 919	4 903	546 054	3 694
Trading derivatives	134 009	805	14 749	40
Interest rate swaps	86 361	16 335	131 832	3 283
	800 289	22 043	692 635	7 017

14. ADVANCES TO CUSTOMERS

	Notes	GROUP 30 June 2016 P'000	GROUP 30 June 2015 P'000	COMPANY 30 June 2016 P'000	COMPANY 30 June 2015 P'000
Sector analysis					
Agriculture		438 856	455 851	438 856	455 851
Building and property development		537 725	447 776	537 725	447 776
Business and trade		4 787 090	4 989 310	4 794 090	4 996 310
Individuals		8 029 601	6 181 636	8 029 601	6 181 636
Manufacturing		308 749	359 249	308 749	359 249
Mining		180 098	378 112	180 098	378 112
Transport and communications		370 575	357 575	370 575	357 575
Gross advances		14 832 694	13 169 509	14 839 694	13 176 509
Contractual interest suspended		(80 980)	(61 243)	(80 980)	(61 243)
Gross advances after contractual interest suspended		14 751 714	13 108 266	14 758 714	13 115 266
Less : impairment of advances	15	(364 895)	(261 785)	(364 895)	(261 785)
Net advances		**14 386 819**	**12 846 481**	**14 393 819**	**12 853 481**
Category analysis					
Term loans		6 270 282	5 088 623	6 277 282	5 095 623
Suspensive sale debtors		1 345 273	1 231 945	1 345 273	1 231 945
Property loans		5 004 265	4 780 653	5 004 265	4 780 653
Overdrafts and managed accounts debtors		1 126 467	1 108 690	1 126 467	1 108 690
Other		208 418	124 233	208 418	124 233
Lease payments receivable		877 989	835 365	877 989	835 365
Gross advances		14 832 694	13 169 509	14 839 694	13 176 509
Contractual interest suspended		(80 980)	(61 243)	(80 980)	(61 243)
Gross advances after contractual interest suspended		14 751 714	13 108 266	14 758 714	13 115 266
Less : impairment of advances	15	(364 895)	(261 785)	(364 895)	(261 785)
Net advances		**14 386 819**	**12 846 481**	**14 393 819**	**12 853 481**
Maturity analysis					
Maturity within one year		2 001 078	2 795 644	2 001 078	2 795 644
Maturity between one and five years		5 390 805	4 545 460	5 390 805	4 545 460
Maturity more than five years		7 440 811	5 828 405	7 447 811	5 828 405
		14 832 694	**13 169 509**	**14 839 694**	**13 169 509**
Included in the above advances are instalment loans maturing within:					
-one year		92 809	95 035	92 809	95 035
-two to five years		2 130 453	1 972 275	2 130 453	1 972 275
		2 223 262	**2 067 310**	**2 223 262**	**2 067 310**

These loans have been made under normal commercial terms and conditions. The above advances only expose the Group to credit risk in Botswana.

Included in the above are advances to:

- Directors	13 159	6 525	13 159	6 525

15. IMPAIRMENT OF ADVANCES

Significant loans and advances are monitored by the Director of the Credit Division and impaired according to the Group's impairment policy when an indication of impairment is observed.

The following factors are considered when determining whether there is objective evidence that the asset has been impaired:

- The estimated amount of collateral held against the loans and advances;
- Breaches of loan covenants and conditions;
- The time period of overdue contractual payments;
- Loss Given Default (LGD), Roll Rates (RR), Probability of Default (PD) and Exposure At Default (BAD);
- Actuarial credit models;
- Loss of employment or death of the borrower; and
- The probability of liquidation of the customer.

	Corporate & commercial P'000	Retail P'000	Total imparement P'000
2016			
Consolidated			
Specific impairment			
At the beginning of the year	58 212	72 292	130 504
Amounts written off	(51 969)	(104 070)	(156 039)
	6 243	(31 778)	(25 535)
Impairment loss recognised in the income statement			
New and increased provision	108 200	190 271	298 471
Release of provision	(31 708)	(51 735)	(83 443)
	76 492	138 536	215 028
At the end of the year	82 735	106 758	189 493
Present valuation of security adjustment			
At the beginning of the year	6 412	17 595	24 007
Charge/(release) to the income statement	8 396	23 039	31 435
At the end of the year	14 808	40 634	55 442
Total specific impairment	97 543	147 392	244 935
Recoveries of bad debts previously written off	(11 218)	19 361)	(30 579)
Portfolio impairment			
At the beginning of the year	42 959	15 983	58 942
Charge/(release) to the income statement	(23 900)	7 801	(16 099)
At the end of the year	19 059	23 784	42 843
IBNR impairment			
At the beginning of the year	21 950	26 382	48 332
Charge to the income statement	6 144	22 641	28 785
At the end of the year	28 094	49 023	77 117
Total charge to the income statement	55 914	172 656	228 570
Total impairment at the end of the year	**144 696**	**220 199**	**364 895**

15. IMPAIRMENT OF ADVANCES (continued)

	Corporate & commercial P'000	Retail P'000	Total imparement P'000
2015			
Consolidated			
Specific impairment			
At the beginning of the year	56 175	84 262	140 437
Amounts written off	(61 583)	(136 833)	(198 416)
	(5 408)	(52 571)	(57 979)
Impairment loss recognised in the income statement			
New and increased provision	82 802	156 118	238 920
Release of provision	(19 182)	(31 255)	(50 437)
	63 620	124 863	188 483
At the end of the year	58 212	72 292	130 504
Present valuation of security adjustment			
At the beginning of the year	5 531	15 176	20 707
Charge to the income statement	1 476	4 049	5 525
Unwinding of discounted present value of security on non-performing loans	595)	(1 630)	(2 225)
At the end of the year	6 412	17 595	24 007
Total specific impairment	64 624	89 887	154 511
Recoveries of bad debts previously written off	(4 993)	(22 477)	(27 470)
Portfolio impairment			
At the beginning of the year	20 937	19 280	40 217
Charge/(release) to the income statement	22 022	(3 297)	18 725
At the end of the year	42 959	15 983	58 942
IBNR impairment			
At the beginning of the year	13 739	18 788	32 527
Charge to income statement	8 211	7 594	15 805
At the end of the year	21 950	26 382	48 332
Total charge to the income statement	90 336	110 732	201 068
Total impairment at the end of the year	129 533	132 252	261 785

15. IMPAIRMENT OF ADVANCES (continued)

	Security held P'000	interest suspended P'000	Specific imparement P'000	including interest suspended P'000
Non-performing advances – loans and receivables				
Consolidated and Company				
Sector analysis – 2016				
Agriculture	90 915	7 470	11 253	109 638
Building and property development	50 204	11 498	41 392	103 094
Individuals	68 647	16 930	75 323	160 900
Manufacturing and commerce	94 560	37 882	22 171	154 613
Transport and communication	18 343	2 804	7 004	28 151
Other advances	132 129	4 396	87 792	224 317
Total non – performing advances – 30 June 2016	454 798	80 980	244 935	780 713
Sector analysis – 2015				
Agriculture	17 304	3 042	8 771	29 117
Building and property development	84 702	14 888	42 933	142 523
Individuals	100 200	13 729	17 498	131 427
Manufacturing and commerce	37 762	6 638	19 141	63 541
Transport and communication	22 361	3 931	11 334	37 626
Other advances	86 093	19 015	54 834	159 942
Total non – performing advances – 30 June 2015	348 422	61 243	154 511	564 176
Category analysis – 2016				
Overdrafts and managed accounts	71 662	13 477	21 935	107 074
Term loans	201 975	38 941	144 143	385 059
Suspensive and instalment sale debtors	37 425	4 647	42 634	84 706
Property loans	143 560	21 297	33 174	198 031
Other advances	176	2 618	3 049	5 843
Total non – performing advances – 30 June 2016	454 798	80 980	244 935	780 713
Category analysis – 2016				
Overdrafts and managed accounts	37 347	5 921	8 185	51 453
Term loans	101 063	30 973	93 799	225 835
Suspensive and instalment sale debtors	49 919	3 870	28 670	82 459
Property loans	160 093	16 207	19 998	196 298
Other advances	-	4 272	3 859	8 131
Total non – performing advances – 30 June 2015	348 422	61 243	154 511	564 176

	Group and Company	
	30 June 2016 P'000	30 June 2015 P'000
At the beginning of the year	61 243	51 794
Written – off during the year	(25 238)	(34 807)
Suspended during the year	44 975	44 256
At the end of the year	80 980	61 243

16. INVESTMENT SECURITIES

	Held for trading P'000	Held to maturity P'000	Available for- sale P'000	Total P'000
Group and Company - 2016				
Bank of Botswana Certificates	-	-	1 586 046	1 586 046
Government Bonds	-	321 223	-	321 223
Treasury Bills, Government and Parastatal Bonds	539 961	-	-	539 961
	539 961	321 223	1 586 046	2 447 230
Group and Company - 2015				
Bank of Botswana Certificates	-	-	1 812 210	1 812 210
Government Bonds	-	164 562	-	164 562
Treasury Bills, Government and Parastatal Bonds	279 565	-	-	279 565
	279 565	164 562	1 812 210	2 256 337

P1 586 046 (2015: P 1 812 210) of the Bank of Botswana Certificates form part of the Group's liquid assets portfolio in terms of section 16 (5) of the Banking Act (Cap 46:04).

The fair value of investment securities is based on the ruling market prices as at the reporting date. The Bank of Botswana Certificates have maturities ranging from one to three months.

17. RELATED PARTIES

Relationships	
Ultimate holding company	FirstRand Emerging Markets Africa (EMA) Holdings Limited
Holding company	First National Bank Holdings Limited
Subsidiaries	Refer to note 19
Subsidiary company	Financial Services Properties (Proprietary) Limited
Subsidiary company	Plot Four Nine Seven Two (Proprietary) Limited
Common management	First National Bank Limited - South Africa

The Group identifies a related party if an entity or individual:

- directly, or indirectly through one or more intermediaries, controls, is controlled by, or is for common control with, the entity (this includes parent companies, subsidiaries and fellow subsidiaries) (Refer to Note 19 for subsidiaries);
- has an interest in the entity that gives it significant influence over the entity;
- has control over the entity;
- is an associate company, joint venture, or is jointly controlled ; or
- is a member of key management personnel of the Group.

Key management personnel comprise Non-executive Directors, the Chief Executive Officer, the Chief Risk Officer,the Chief Operating Officer, the Chief Financial Officer, the Director of Human Resources, the Treasurer, Director of Credit.

The Group's holding company is First National Bank Holdings Limited, a company registered in Botswana. The Group's ultimate holding company is FirstRand Emerging Markets Africa (EMA) Holdings Limited, a company registered in the Republic of South Africa.

17. RELATED PARTIES (continued)

	Notes	GROUP 30 June 2016 P'000	GROUP 30 June 2015 P'000	COMPANY 30 June 2016 P'000	COMPANY 30 June 2015 P'000
Related party balances					
Due from related parties					
First National Bank Limited - South Africa		818 744	548 840	818 744	548 840
First National Bank Holdings (Botswana) Limited		6 324	6 319	6 324	6 319
		825 068	555 159	825 068	555 159
Less money at call and short notice - related companies					
First National Bank Limited - South Africa	12	(79 159)	(77 334)	(79 159)	(77 334)
Less balances with other banks	12	(739 585)	(471 506)	(739 585)	(471 506)
		6 324	6 319	6 324	6 319
Due from related parties					
Financial Services Company (Proprietary) Limited		-	-	5 886	4 493
Financial Services Properties (Proprietary) Limited		-	-	(47)	(47)
First National Insurance Agency (Proprietary) Limited		-	-	99 828	66 875
First Funding (Proprietary) Limited		-	-	1 000	1 000
Plot Four Nine Seven Two (Proprietary) Limited		-	-	12	12
First National Bank Limited - South Africa		124 726	11 673	124 726	11 673
Due to related companies - creditors and accruals		124 726	11 673	231 405	84 006

Refer to Note 22 for amounts included in deposits from customers and Note 23 for amounts included in deposits from banks.

Related party transactions

Transactions were carried out in the ordinary course of business and were supported as detailed below:

		GROUP 30 June 2016 P'000	GROUP 30 June 2015 P'000	COMPANY 30 June 2016 P'000	COMPANY 30 June 2015 P'000
Interest income					
First National Bank Limited - South Africa		3 409	3 246	3 409	3 246
Interest expenditure					
First National Bank Holdings (Botswana) Limited		15	462	15	462
Operating expenses:					
Rent paid - Subsidiary companies		-	-	667	667
Service fees - related company		131 466	127 712	130 366	127 460
		131 466	127 712	131 033	128 127

17. RELATED PARTIES (continued)

	GROUP		COMPANY	
	30 June 2016 P'000	30 June 2015 P'000	**30 June 2016 P'000**	30 June 2015 P'000
Transactions with key management personnel:				
Compensation paid to key management personnel				
Share-based payments	2 868	2 265	2 868	2 265
Salaries and allowances	11 868	11 373	11 868	11 373
Other employee benefits	112	371	112	371
Total short term benefits	14 848	14 009	14 848	14 009
Pension contribution	465	691	465	691
Advances				
Personal loans	1 043	414	1 043	414
Overdrafts	1 000	4 787	1 000	4 787
Credit card	655	930	655	930
Instalment finance	1 609	916	1 609	916
Property loans	13 755	10 841	13 755	10 841
Total advances	18 062	17 888	18 062	17 888

No impairments have been recognised in respect of the above advances (2015: P Nil). Interest rates are in line with normal rates charged to customers or staff rates in line with company policy. For all the above facilities, normal credit checks are performed.

Personal loans are repayable over 4 years. Property loans and instalment finance loans are repayable monthly over 20 years, and 5 years respectively. Property loans are collaterised by properties with a total fair value of P17 380 000 (2015: P 15 300 000).

Personal loans, overdrafts and credit card balances are unsecured.

18. ACCOUNTS RECEIVABLE

	Group 2016	Group 2015	Company 2016	Company 2015
Items in transit	80 724	70 453	87 328	84 225
Other sundry debtors	295 112	140 218	276 550	124 188
School debentures	409	409	409	409
	376 245	211 080	364 287	208 822

The above carrying value of accounts receivable approximates their fair value.

19. INVESTMENT IN SUBSIDIARY COMPANIES

Company Name of company	Nature of business	30June 2016 Carrying amount P'000	30June 2015 Carrying amount P'000
Financial Services Company of Botswana Limited	Property owning company	12 500	12 500
First Funding (Proprietary) Limited	Group loan scheme	1 000	1 000
Premium Credit Botswana (Proprietary) Limited	Insurance premium finance	10	10
First National Insurance Agency (Proprietary) Limited	Insurance agency	30	30
		13 540	13 540

All subsidiary companies are wholly owned, incorporated in Botswana and are not listed on the Botswana Stock Exchange. Premium Credit Botswana (Proprietary) Limited ceased operations in 2002 and is awaiting de-registration. Insurance premium financing is now carried out through a division of the Bank.

With effect from 1 July 2004, First Funding (Proprietary) Limited ceased to operate as a separate company and is now dormant. Personal loan schemes financing is carried out through a division of the Bank.

The directors consider the valuation of these unlisted investments to be fair.

20. PROPERTY, PLANT AND EQUIPMENT

	2016			2015		
Group	Cost / Valuation P'000	Accumulated depreciation P'000	Carrying value P'000	Cost / Valuation P'000	Accumulated depreciation P'000	Carrying value P'000
Freehold and leasehold land and buildings	325 308	-	325 308	343 941	(12 879)	331 062
Leasehold improvements	104 337	(49 665)	54 672	96 626	(29 866)	66 760
Capital work-in-progress	2 822	-	2 822	7 572	-	7 572
Furniture and equipment	230 389	(119 615)	110 774	226 428	(93 435)	132 993
Motor vehicles	9 033	(6 917)	2 116	7 360	(5 354)	2 006
Total	671 889	(176 197)	495 692	681 927	(141 534)	540 393

	2016			2015		
Company	Cost / Valuation P'000	Accumulated depreciation P'000	Carrying value P'000	Cost / Valuation P'000	Accumulated depreciation P'000	Carrying value P'000
Freehold and leasehold land and buildings	294 928	-	294 928	314 112	(10 853)	303 259
Leasehold improvements	103 095	50 767	52 328	93 911	(29 495)	64 416
Capital work-in-progress	2 822	-	2 822	7 572	-	7 572
Furniture and equipment	230 367	(119 615)	110 752	226 190	(93 219)	132 971
Motor vehicles	9 033	(6 917)	2 116	7 360	(5 354)	2 006
Total	640 245	(177 299)	462 946	649 145	(138 921)	510 224

20. PROPERTY, PLANT AND EQUIPMENT (continued)

	Opening balance P'000	Additions P'000	Disposals P'000	Transfers P'000	Revaluations P'000	Depreciation P'000	Closing balance P'000
Reconciliation of property, plant and equipment – Group – 2016							
Freehold and leasehold land and buildings	331 062	695	(8 848	16 276	(6 836)	(7 041)	325 308
Leasehold improvements	66 760	202	-	7 799	-	(20 089)	54 672
Capital work-in-progress	7 572	12 742	-	(17 492)	-	-	2 822
Furniture and equipment	132 993	35 389	(277)	(6 592)	-	(50 739)	110 774
Motor vehicles	2 006	1 758	-	9	-	(1 657)	2 116
	540 393	50 786	(9 125)	–	(6 836)	(79 526)	495 692

	Opening balance P'000	Additions P'000	Disposals P'000	Depreciation P'000	Closing balance P'000
Reconciliation of property, plant and equipment – Group – 2015					
Freehold and leasehold land and buildings	338 409	399	(1 657)	(6 089)	331 062
Leasehold improvements	47 380	24 397	-	(5 017)	66 760
Capital work-in-progress	-	7 572	-	-	7 572
Furniture and equipment	133 304	21 240	-	(21 551)	132 993
Motor vehicles	1 601	624	-	(219)	2 006
Total	520 694	54 232	(1 657)	(32 876)	540 393

	30 June 2016 P'000	30 June 2015 P'000
Cost or valuation consists of:		
Freehold and leasehold land and buildings - cost	292 878	287 736
Freehold and leasehold land and buildings - valuation adjustment	32 430	60 135
Leasehold land improvements - cost	104 337	92 696
Capital work-in-progress	2 822	7 572
Motor vehicles - cost	9 033	7 360
Furniture and equipment - cost	230 389	226 428
	671 889	681 927

20. PROPERTY, PLANT AND EQUIPMENT (continued)

	Opening balance P'000	Additions P'000	Disposals P'000	Transfers P'000	Revaluations P'000	Depreciation P'000	Closing balance P'000
Reconciliation of property, plant and equipment – Company – 2016							
Freehold and leasehold land and buildings	303 259	695	(8 848)	16 276	(10 122)	(6 332)	294 928
Leasehold improvements	64 416	202	-	7 799	-	(20 089)	52 328
Capital work-in-progress	7 572	12 742	-	(17 492)	-	-	2 822
Furniture and equipment	32 971	35 389	(277)	(6 592)	-	50 739)	110 752
Motor vehicles	2 006	1 758	-	9	-	(1 657)	2 116
	510 224	50 786	(9 125)	-	(10 122)	(78 817)	462 946

	Opening balance P'000	Additions P'000	Disposals P'000	Depreciation P'000	Closing balance P'000
Reconciliation of property, plant and equipment – Company – 2015					
Freehold and leasehold land and buildings	310 274	399	(1 657)	(5 757)	303 259
Leasehold improvements	46 471	22 925	-	(4 980)	64 416
Capital work-in-progress	-	7 572	-	-	7 572
Furniture and equipment	133 282	21 240	-	(21 551)	132 971
Motor vehicles	1 601	624	-	(219)	2 006
Total	491 628	52 760	(1 657)	(32 507)	510 224

	30 June 2016 P'000	30 June 2015 P'000
Cost or valuation consists of:		
Freehold and leasehold land and buildings - cost	273 308	265 716
Freehold and leasehold land and buildings - valuation adjustment	21 621	48 396
Leasehold land and buildings - cost	103 095	93 911
Capital work-in-progress	2 822	7 572
Motor vehicles - cost	9 033	7 360
Furniture and equipment - cost	230 366	226 190
	640 245	649 145

20. PROPERTY, PLANT AND EQUIPMENT (continued)

Group and company

Change in estimate - depreciation

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the current year, the directors performed a review of useful lives of certain items of equipment and determined that their lives should be shortened.

The financial effect of this reassessment has been accounted for prospectively as a change in accounting estimates and as a result, the depreciation charges of the Group for the current financial year have been increased by P40m consisting of the following:

	30 JUNE 2016 P'000
Leasehold improvements	15 044
Furniture and equipment	24 424
Motor vehicles	589
	40 057

Revaluation of property

Freehold and leasehold land and buildings consist of commercial and residential properties. The properties were valued by Stocker Fleetwood-Bird, Apex Properties, Riberry, Kwena Property Services and Property Development and Valuation Surveyors, professional, Independent property valuers in June 2016, on the basis of open market values for existing use. Properties are revalued every three years. Leasehold land and buildings consist of five residential properties and include the costs of improvements to bank premises. The unexpired portion of all the leases is in excess of 50 years.

Details of the Group's freehold and leasehold land and buildings and information about the fair value hierachy as at the end of the reporting period are as follows;

2015 - 2016 period

Valuation technique

Fair value hierarchy

- Level 2

Description of valuation technique

- The net income based on the rental for comparable properties is divided by the capitalisation rate.

Observable inputs

- Rental per square metre: P100 - P120
- Capitalisation rate: 8 - 10%

Valuation technique

- Cost approach

Fair value hierarchy

- Level 2

Description of valuation technique

- The cost approach is a method which surmises that the price a buyer should pay for a property should the cost of erecting a similar building adjusted for depreciation.

Observable inputs

- Cost per square metre P1250 - P6000
  The valuation techniques used in the current year are similar to the ones used in 2013 when a revaluation of the assets was last carried out.

21. GOODWILL

	2016			2015		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
	P'000	P'000	P'000	P'000	P'000	P'000
Group						
Goodwill	26 963	-	26 963	26 963	-	26 963
Company						
Goodwill	26 589	-	26 589	26 589	-	26 589

There were no movements in the carrying value of goodwill during the current year.

During the financial year, the Group assessed the recoverable amount of goodwill, and determined that it was not impaired. The recoverable amount of the cash generating units were determined with reference to the value in use. The assumptions used are that the free cash flows will grow at 3,00% (2015: 3,00%) for the next four years. The discount rate used is 12,40% (2015: 12,40%) and the forecast period is 4 years (2015: 4 years).

22. DEPOSITS FROM CUSTOMERS

	GROUP	COMPANY
	30 June 2016 P'000	30 June 2015 P'000
Group and Companv		
Current and managed accounts	6 045 546	6 786 494
Savings accounts	1 086 159	1 020 271
Call and term deposits	9 932 051	9 426 956
	17 063 756	17 233 721

Included in the call and term deposits is a balance of P89 874 821 (2015: P 89 117 307) relating to First National Bank Holdings (Botswana) Limited.

	GROUP	COMPANY
	30 June 2016 P'000	30 June 2015 P'000
Maturity analysis		
Withdrawal on demand	11 122 491	10 742 173
Maturing within one year	5 562 733	6 491 548
Maturing two to five years	378 532	-
	17 063 756	17 233 721

The maturity analysis is based on the remaining months to maturity from the reporting date.

23. DEPOSITS FROM BANKS

	GROUP		COMPANY	
	30 June 2016 P'000	30 June 2015 P'000	**30 June 2016 P'000**	30 June 2015 P'000
Unsecured and payable on demand	300 166	199 334	300 166	199 334

Included in this amount is a balance due to FirstRand Bank Limited of P47 000 (2015: P 162 000), First National Bank Zambia P177 000 (2015: P 245 000), and First National Bank Swaziland P22 000 (2015: P 6 000), First National Bank Namibia P1 889 000 (2015: P 1 923 000) and First National Bank South Africa P3 019 000 (2015: P Nil).

24. BORROWINGS

	GROUP 30 June 2016 P'000	GROUP 30 June 2015 P'000	COMPANY 30 June 2016 P'000	COMPANY 30 June 2015 P'000
Public debt service fund	8 488	16 880	8 488	16 880
Subordinated Unsecured Bonds				
Floating rate				
154,48 Medium Term Notes of P1 000 000 each (2015:154,48 at P1 000 000 each)	154 480	154 480	154 480	154 480
Floating rate				
23 771,00 Medium Term Notes of P10 000 each (2015:- at P- each	237 710	-	237 710	-
Fixed rate				
25,00 Medium Term Notes of P1 000 000 each (2015:25,00 at P1 000 000 each)	25 000	25 000	25 000	25 000
	417 190	179 480	417 190	179 480
Botswana Life Insurance Limited (BLIL) (Proprietary) Limited				
15 year zero coupon deposit	112 224	73 903	112 224	73 903
Botswana Railways				
Cross currency sinking fund.	111 408	-	111 408	-
Botswana Insurance Fund Management Limited	219 666	-	219 666	-
Fleming Asset Management Botswana	91 595	-	91 595	-
Zero coupon deposits	534 893	73 903	534 893	73 903
Negotiable Certificate of deposit	133 668	125 113	133 668	125 113
Total borrowings	1 094 239	395 376	1 094 239	395 376

24. BORROWINGS (continued)

	GROUP		COMPANY	
	30 June 2016 P'000	30 June 2015 P'000	**30 June 2016 P'000**	30 June 2015 P'000

Public Debt Service Fund Loans, which are unsecured, have fixed repayment terms and bear interest at fixed rates ranging from 7,5% to 9,5% per annum and are repayable in half yearly Instalments of P4 432 334 (2015: P 4 960 352), inclusive of interest. The loans have maturities ranging from August 2016 to February 2018.

Unsecured bond notes are subordinated to claims of senior creditors and claims of depositors and mature in December 2021. These bear interest at floating rates of bank rate plus 75 basis point and Bank rate plus 100 basis points.

The cross currency sinking fund is a transaction where the Bank receives USD 9 million from Botswana Railways and will recieve a further 13 monthly deposits of P6.4 million. At maturity in May 2017 the Bank will repay Botswana Railways USD 16.7 million.

The Subordinated Unsecured Registered Bonds bear interest at fixed and floating rates of 7,25% and bank rate less 190 basis points per annum respectively and mature in 2021. Interest Is paid semi-annually on the fixed rate note and quarterly on the floating rate note.

The 15 year zero coupon deposit from BLIL bears interest at a fixed rate of 8,98% and matures In 2026. Repayments of P50 million will be made in 2023, 2024, 2025, and 2026 respectively. The deposit is carried at fair value.

The negotiable certificate of deposits bear interest at a fixed rate of 8.90% per annum and mature in March 2015. Interest is paid semi-annually. Also included are two 10 year negotiable certificate of deposits of P52 million and P50 million due to Botswana Insurance Fund Management (BIFM), at fixed rates of 8,55% and 8,10%, maturing in May 2022 and September 2022 respectively as well as a deposit for Botswana Colliery Limited (BCL) for P47 million at a fixed rate of 4.7% maturing in March 2019.

25. CREDITORS AND ACCRUALS

Accounts payable	22 732	24 206	20 803	23 519
Other creditors and accruals	196 011	100 772	182 332	100 315
Items in transit	192 007	199 550	191 988	195 194
Operating lease liability arising from straight lining of lease payments	1 983	1 642	1 983	1 642
Employee share participation schemes	14 907	32 081	14 907	32 081
Audit fees	2 040	1 858	2 040	1 858
Creditors and accruals	429 680	360 109	414 053	354 609

26. EMPLOYEE LIABILITIES

	GROUP		COMPANY	
	30 June 2016 P'000	30 June 2015 P'000	**30 June 2016 P'000**	30 June 2015 P'000
Leave pay				
At the beginning of the year	20 605	20 550	20 605	20 550
Additional accrual recognised	6 932	6 050	6 932	6 050
Utilised	(3 317)	(5 995)	(3 317)	(5 995)
At the end of the year	24 220	20 605	24 220	20 605
Bonus				
At the beginning of the year	41 344	40 038	41 344	39 722
Additional accrual recognised	52 917	45 052	52 916	45 052
Utilised	(50 354)	(43 746)	(50 554)	(43 752)
At the end of the year	43 907	41 344	43 706	41 022
At the end of the year	68 127	61 949	67 926	61 627

The bonus accruals are expected to be settled within the next twelve months.

27. CAPITAL ADEQUACY

	Notes	GROUP 30 June 2016 P'000	GROUP 30 June 2015 P'000
Tier 1 – Core capital			
Stated capital		51 088	51 088
Retained earnings - adjusted to revised operating capital by Bank of Botswana		2 256 002	2 043 132
		2 307 090	2 094 220
Goodwill		(26 963)	(26 963)
		2 280 127	2 067 257
Tier 2 – Supplementary capital			
Revaluation reserves subject to 50% risk adjustment		-	27 595
Portfolio and IBNR provisions		119 960	107 274
Subordinated Unsecured Bonds	24	143 584	179 480
		263 544	314 349
Total qualifying capital		2 543 671	2 381 606
Risk adjusted assets			
- balance sheet items		14 993 411	12 282 438
- off-balance sheet items		531 420	258 000
		15 524 831	12 540 438
Capital adequacy ratios (%)		16,38	18,99
Core capital (%) (Basel Committee guide: minimum 4%)		14,69	16,48
Supplementary capital (%)		1,69	2,51
Total (%)		16,38	18,99
Bank of Botswana required minimum risk asset ratio (%)		15,00	15,00

The Group largely consists of the Bank, which is a licenced financial institution and is subject to regulatory capital requirements. The capital base of the Group provides the foundation for lending, off-balance sheet transactions and other activities. The capital adequacy of the Group is measured in accordance with the requirements of the Banking Act (Cap 46:04) in terms of which the Bank must maintain a minimum level of capital based on its risk weighted assets and exposures not reflected on the statements of financial position.

28. POST-RETIREMENT FUND LIABILITIES

The Group had no post-retirement liability as at the reporting date (2015: P Nil).

The Group operates a defined contribution scheme, the assets of which are held in a separate trustee-administered fund. The pension plan is funded by payments from employees and the Group, and the Pension and Provident Funds Act governs its administration. The fund currently has a total contribution rate of 18% (2015: 18%of pensionable salary towards retirement funding). This is made up of an employee contribution rate of 6,5% (2015: 6,5%) and an employer contribution rate of 11,5% (2015: 11,5%). The liability of the Group is limited to the contributions made during the employment of the employee.

The Group does not provide post-retirement health care benefits to its employees.

29. STATED CAPITAL

	GROUP		COMPANY	
	30 June 2016 P'000	30 June 2015 P'000	**30 June 2016 P'000**	30 June 2015 P'000
Ordinary shares				
2,563,700,000 (2015: 2,563,700,000)	58 088	58 088	58 088	58 088
Shares owned by the Company's Employee Share Participation Scheme				
20,000,000 (2015: 20,000,000)	(7 000)	(7 000)	-	-
	51 088	51 088	58 088	58 088

Employee Share Participation Scheme Details of the First National Bank of Botswana Limited share option scheme are set out in Note 42.

30. RESERVES

	GROUP 30 June 2016 P'000	GROUP 30 June 2015 P'000	COMPANY 30 June 2016 P'000	COMPANY 30 June 2015 P'000
Other non-distributable reserves				
Balance at the beginning of the year	55 189	57 257	40 881	42 633
Transfer directly to equity	(2 855)	(2 068)	(2 218)	(1 752)
Arising on revaluation of properties	(6 836)	-	(10 122)	-
Deferred tax arising on revaluation of properties	1 504	-	2 227	-
Balance at the end of the year	47 002	55 189	30 768	40 881
Equity-settled employee benefits reserve				
Balance at the beginning of the year	14 570	18 906	14 570	18 906
Share-based payment expense during the year	-	715	-	715
Transfer to retained earnings	(14 570)	(5 051)	(14 570)	(5 051)
Balance at the end of the year	-	14 570	-	14 570
Retained earnings				
Balance at the beginning of the year	2 043 132	1 854 722	1 976 908	1 804 212
Transfers from revaluation reserve	2 855	2 068	2 218	1 752
Transfer from equity settled employee benefits	14 570	5 051	14 570	5 051
Profit for the year	503 891	591 483	470 809	576 085
Interim dividend paid	(128 185)	(128 185)	(128 185)	(128 185)
Final dividend proposed	(153 822)	(282 007)	(153 822)	(282 007)
Balance at the end of the year	2 282 441	2 043 132	2 182 498	1 976 908
Total reserves (excluding the dividend reserve	2 329 443	2 112 891	2 213 266	2 032 359

31. CASH GENERATED BY OPERATIONS BEFORE TAXATION AND WORKING CAPITAL CHANGES

	GROUP		COMPANY	
	30 June 2016 P'000	30 June 2015 P'000	**30 June 2016 P'000**	30 June 2015 P'000
Profit before taxation	659 012	756 503	616 548	736 438
Adjustments for:				
Depreciation and amortisation	79 526	32 876	78 817	32 507
Loss/(profit) on sale of property and equipment	267	(898)	267	(898)
Impairment losses on loans and advances	228 570	201 068	228 570	201 068
Unrealised gain on derivative financial instruments	(21 095)	(6 422)	(21 095)	(6 422)
Straight line lease rental adjustments	341	195	341	195
Net loss/(gain) on financial instruments held at fair value through profit and loss	36 218	(12 086)	36 218	(12 086)
Share-based payment expense - equity settled	-	715	-	715
Share-based payment expense - cash settled	(2 398)	19 193	(2 398)	19 193
	980 441	991 144	937 268	970 710

32. CURRENT INCOME TAXATION PAID

Amounts overpaid at the beginning of the year	(46 832)	(12 895)	(46 832)	(12 895)
Amounts underpaid at the beginning of the year	650	3 870	-	-
Charged to the income statement	111 064	123 037	101 682	118 328
Amounts overpaid at the end of the year	99 966	46 832	99 966	46 832
Amounts owing at the end of the year	(898)	(650)	-	-
Cash amounts paid	163 950	160 194	154 816	152 265

33. CURRENT INCOME TAXATION {ASSET}/LIABILITY

Opening liability	(650)	(3 870)	-	-
Opening asset	46 832	12 895	46 832	12 895
Charged to the income statement	(111 064)	(123 037)	(101 682)	(118 328)
Cash amounts paid	163 950	160 194	154 816	152 265
Closing liability/(asset)	99 068	46 182	99 966	46 832
Closing (asset)	99 966	46 832	99 966	46 832
Closing liability	(898)	(650)	-	-
	99 068	46 182	99 966	46 832

34. INCREASE IN DEPOSITS AND CURRENT ACCOUNTS

	Notes	GROUP 30 June 2016 P'000	GROUP 30 June 2015 P'000	COMPANY 30 June 2016 P'000	COMPANY 30 June 2015 P'000
(Decrease)/increase in current and managed account deposits		(740 948)	2 490 209	(740 948)	2 490 209
Increase in savings deposits		65 888	67 144	65 888	67 144
Increase in call and term deposits		505 095	348 226	505 095	348 226
		(169 965)	2 905 579	(169 965)	2 905 579

35. INCREASE IN ADVANCES TO CUSTOMERS

	Notes	GROUP 30 June 2016 P'000	GROUP 30 June 2015 P'000	COMPANY 30 June 2016 P'000	COMPANY 30 June 2015 P'000
Net amount outstanding at the beginning of the year		12 846 481	12 131 415	12 853 481	12 138 415
Impairment advances		(228 570)	(201 068)	(228 570)	(201 068)
Net amount outstanding at the end of the year		(14 386 819)	(12 846 481)	(14 393 819)	(12 853 481
Fair value adjustment - Morupule loan		(3 553)	(6 563)	(3 553)	(6 563)
		(1 772 461)	(922 697)	(1 772 461)	(922 697)

36. DIVIDENDS PAID

	Notes	GROUP 30 June 2016 P'000	GROUP 30 June 2015 P'000	COMPANY 30 June 2016 P'000	COMPANY 30 June 2015 P'000
Previous year's final dividend paid during the year		282 007	282 007	282 007	282 007
Interim dividend paid		128 185	128 185	128 185	128 185
Total dividends paid to shareholders		410 192	410 192	410 192	410 192

37. CASH AND CASH EQUIVALENTS

	Notes	GROUP 30 June 2016 P'000	GROUP 30 June 2015 P'000	COMPANY 30 June 2016 P'000	COMPANY 30 June 2015 P'000
Cash and short term funds	12	3 651 793	4 371 324	3 651 793	4 371 324
Bank of Botswana Certificates	12	1 586 046	1 812 210	1 586 046	1 812 210
		5 237 839	6 183 534	5 237 839	6 183 534

38. CONTINGENCIES AND COMMITMENTS

	Notes	GROUP 30 June 2016 P'000	GROUP 30 June 2015 P'000	COMPANY 30 June 2016 P'000	COMPANY 30 June 2015 P'000
Contingencies		1 097 757	984 333	1 097 757	984 333

The above contingencies represent guarantees and letters of credit.

	Notes	GROUP 30 June 2016 P'000	GROUP 30 June 2015 P'000	COMPANY 30 June 2016 P'000	COMPANY 30 June 2015 P'000
Commitments					
Undrawn commitments to customers					
- as previously stated		1 498 117	1 588 479	1 498 117	1 588 479

The above commitments are wholly in respect of property and equipment, and funds to meet these commitments will be provided from the Group's Internal resources.

38. CONTINGENCIES AND COMMITMENTS (continued)

	GROUP		COMPANY	
	30 June 2016 P'000	30 June 2015 **P'000**	**30 June 2016 P'000**	30 June 2015 **P'000**
Operating lease commitments				
Payable within one year	12 676	16 221	12 676	16 221
Payable within two to five years	18 735	20 595	18 735	20 595
	31 411	36 816	31 411	36 816

The above lease commitments are in respect of property rentals of the various branch network channels, which are negotiated at market rates for a period of up to five years with an option to renew for a further similar period.

Contingent liabilities

The Group may be from time to time be involved in legal proceedings, including inquiries from or discussions with governmental authorities, that are incidental to its operations. However, the Group is not currently involved in any legal or adjudication proceedings (including any governmental authority proceedings which are pending) which may have, or have had in the twelve months preceding the date of this report, a significant effect on the financial position or profitability of the Group

39. TRUST ACTIVITIES

The Group acts as a trustee and in other fiduciary capacities that result in holding or placing of assets on behalf of customers.

At 30 June 2016 the Group acted as a custodian in respect of Botswana Government bonds amounting to P6 558 385 725 (2015: P 5 215 407 198), treasury bills amounting to P Nil (2015: P 2 008 771), money markets P34 260 738,00 (2015: P Nil) and equities amounting to P13 613 644 178 (2015: P 8 773 826 598). These assets were held In a trust or in a fiduciary capacity and are not treated as assets of the Bank, Accordingly, they have not been included in the statements of financial position.

40. FINANCIAL RISK MANAGEMENT

The Group's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Group's risk management are to identify all key risks for the Group, measure these risks, manage the risk positions and determine capital allocations. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

Risk control policies and exposure limits for the key risk areas of the Group are approved by the Board, while operational policies and control procedures are approved by the relevant risk committees.

The Group has experienced a significant increase in credit risk during the current year. Management is monitoring this risk closely. There have been no significant changes in exposure to other risks and the Group's objectives, policies and processes for managing risks in the current or prior year.

The Group is principally exposed to credit risk, market risk, and liquidity risk. The exposures to these risks as at 30 June 2016 are set out below:

40. FINANCIAL RISK MANAGEMENT (continued)

Credit risk management

Credit risk is the risk that a counterparty will be unable to repay amounts when they fall due. In general, the Group manages its credit risk exposure by placing limits on the acceptable risk exposure to individual borrowers or groups of borrowers, and within geographic and industry segments. Credit risk is monitored on an ongoing basis.

Significant credit exposure at year end were:

	ASSETS	
	P'000	P'000
Geographical distribution		
Botswana	19 144 524	18 046 606
Southern Africa	768 603	575 556
North America	1 163 827	1 611 159
Europe	187 420	113 183
Rest of the world	5 643	11 753
	21 270 017	20 358 257
Distribution by sector		
Banks including Bank of Botswana	3 712 313	5 124 758
Government and parastatal organisations	861 184	444 127
Individuals	8 209 601	6 181 636
Business/trading	4 787 090	4 989 310
Others	3 699 829	3 618 426
	21 270 017	20 358 257

Economic sector risk concentrations in respect of advances are set out in Note 14.

Collateral pledged

The Group pledges assets under the following terms and conditions;

Mandatory reserve deposits are held with the Bank of Botswana in accordance with statutory requirements. These deposits are not available to finance the Group's day-to-day operations. Assets are pledged as collateral under repurchase agreements with other banks and for security deposits relating to local futures and options. All other pledges are conducted under terms which are usual and customary to lending arrangements.

Collateral held

The Group does not hold any collateral which it has the ability to sell or repledge in the absence of default. Collateral is an important mitigant of credit risk. In accordance with the Group's credit risk management strategy the following principal types of collateral are held as security for funds advanced by the Group:

- Vehicle finance; Vehicles subject to the finance agreement normally serve as collateral. In general, vehicles which make up the collateral can be sold when the customer has defaulted under the agreement and a notice of default has been issued. Where more than one third of all instalments have been paid, legal judgement has to be passed before vehicles can be repossessed. For some products, title over the vehicles is held by the Group. Title only passes to the customer once instalments are fully paid.
- Property finance; Collateral consists of first and second mortgage bonds over property, individual's pension plans, employer and personal guarantees, loss insurance purchased by the client. The collateral can only be sold or exercised on default by the customer.
- Overdrafts and personal loans; These advances are secured by means of cession of debtors, equity portfolios and deposits, claims against individual's pension plans as well as bonds over fixed property and other moveable assets. Credit insurance is sold as an additional component of the loans.

40. FINANCIAL RISK MANAGEMENT (continued)

Collateral held (continued)

When the Group takes possession of collateral which is not cash or not readily convertible into cash the Group determines a minimum sale amount ("pre-set sale amount") and auctions the asset for the pre-set sale amount. Where the Group is unable to obtain the pre-set sale amount in an auction, the Group will continue to hold the asset while actively marketing it to ensure an appropriate value is obtained.

The collateral is valued at inception of the credit agreement and subsequently in specific circumstances for example, when the advance becomes a non-performing loan or when the Group is to sell the asset on auction. No valuation is performed between these two dates for Small and Medium Entities (SME) and large corporate counterparties.

The valuation at inception is based on physical inspection. Updated valuations are performed by revaluing security during the counterparty review process.

Collateral taken possession of and recognised in the statements of financial position.

Collateral in the form of deposits amounted to P40 452 971 (2015: P 89 920 409).

Maximum exposure to credit risk

The table below presents the maximum exposures to credit risk of financial instruments recognised on the statements of financial position and exposures not recognised In the statements of financial position, before taking account of any collateral held.

GROUP 2016	Retail	Other	Total exposure (after interest in suspense	Year to date average exposure (after interest in suspense
	P'000	P'000	P'000	P'000
Exposures recognised in the statements of Financial Position exposures				
- Money at call and short notice	79 159	-	79 159	2 959 029
- Balances with other banks	-	2 577 497	2 577 497	1 263 979
	79 159	2 577 497	2 656 656	4 223 008
Advances to banks	-	324 961	324 961	484 031
Advances to customers - (after interest in suspense)	9 161 768	-	14 739 088	13 476 556
Investment securities - debt	-	2 447 230	2 447 230	1 839 021
Accounts receivable	-	481 779	481 779	1 115 763
Derivatives	-	76 646	76 646	7 183
Related parties	-	6 324	6 324	5 198
Exposures not recognised in the statements of Financial Position				
Financial and other guarantees	32 450	-	1 097 756	1 058 570
Loan commitments not drawn	974 816	-	1 498 117	1 543 298
Total	**10 248 193**	**5 914 437**	**23 328 557**	**23 752 628**

40. FINANCIAL RISK MANAGEMENT (continued)

GROUP 2015	Retail	Corporate & commercial	Other	Total exposure (after interest in suspense	Year to date average exposure (after interest in suspense
	P'000	P'000	P'000	P'000	P'000
Exposures recognised in the statements of Financial Position exposures					
- Money at call and short notice	77 334		-	77 334	221 831
- Balances with other banks	-	-	4 054 270	4 054 270	4 070 836
	77 334	-	4 054 270	4 131 604	4 292 667
Advances to banks	-	5 229 770	640 000	640 000	1 242 384
Advances to customers - (after interest in suspense)	7 878 496	-	-	13 108 266	13 146 447
Investment securities - debt	-	-	2 256 337	2 256 337	2 329 048
Accounts receivable	-	-	211 080	211 080	404 441
Derivatives	-	-	26 716	26 716	30 763
Related parties	-		6 319	6 319	6 303
Exposures not recognised in the statements of Financial Position					
Financial and other guarantees	29 097	955 236	-	984 333	669 584
Loan commitments not drawn	1 037 512	550 967	-	1 588 479	1 354 698
Total	**9 022 439**	**6 735 973**	**7 194 722**	**22 953 134**	**23 476 335**

Credit quality

The table below presents an analysis of the credit quality of neither past due nor impaired (i.e. performing) advances based on the Group's internal credit ratings:

GROUP 2016	Investment grade	Non- invest-ment grade	Total neither past due nor impaired
	P'000	P'000	P'000
Home loans	383 313	4 058 623	4 441 936
Credit Cards	-	164 351	164 351
Term loans	283 623	5 222 230	5 505 853
Overdrafts	553 513	123 027	676 540
WesBank	120 711	1 754 369	1 875 080
Total	**1 341 160**	**11 322 600**	**12 663 760**

40. FINANCIAL RISK MANAGEMENT (continued)

GROUP 2015	Investment grade P'000	Non- investment grade P'000	Total neither past due nor impaired P'000
Home loans	-	4 127 343	4 127 343
Credit Cards	-	105 519	105 519
Term loans	1 439 344	3 164 704	4 604 048
Overdrafts	106 407	672 928	779 335
WesBank	-	1 696 793	1 696 793
Total	1 545 751	9 767 287	11 313 038

The table below presents an analysis of the credit quality of financial assets other than advances that are neither past due nor impaired:

GROUP 2016 Credit quality of financial assets other than advances neither past due nor impaired	Derivatives P'000	Related parties P'000	Other Government and Government guaranteed stock P'000	Cash and short term funds P'000	Accounts receivable P'000
Investment Grade	76 646	6 324	2 447 230	3 651 793	376 245

GROUP 2015 Credit quality of financial assets other than advances neither past due nor impaired	Derivatives P'000	Related parties P'000	Other Government and Government guaranteed stock P'000	Cash and short term funds P'000	Accounts receivable P'000
Investment Grade	26 716	6 319	2 256 337	4 371 324	211 080

Investment grade are those financial assets rated in one of the four highest rating categories in line with international rating agencies. Non-investment grade assets are those rated in the rest of the rating categories in line with international rating agencies. International ratings obtained from FirstRand for our loan book have been applied .

40. FINANCIAL RISK MANAGEMENT (continued)

The tables below present an age analysis of arrears of advances per class,

GROUP 2016 Age analysis of arrears of advances	Neither past due nor impaired P'000	Past due but not impaired 1 - 30 days P'000	31 - 60 days P'000	61 - 90 days P'000	Impaired P'000	Total P'000
Home loans	4 441 936	187 097	108 829	68 373	176 733	4 982 968
Other loans Including credit card	164 284	27 011	6 294	4 986	3 225	205 800
Term loans	5 497 552	292 983	53 733	40 954	346 119	6 231 341
Overdraft	676 540	-	-	342 853	93 597	1 112 990
WesBank asset finance	1 896 074	146 694	68 965	26 824	80 058	2 218 615
Total	**12 676 386**	**653 785**	**237 821**	**483 990**	**699 732**	**14 751 714**
GROUP 2015						
Home loans	4 127 343	298 741	102 542	57 377	178 443	4 764 446
Other loans including credit card	105 699	6 448	2 339	1 782	3 693	119 961
Term loans	4 603 868	67 607	157 860	51 788	176 527	5 057 650
Overdraft	779 335	-	-	256 293	67 141	1 102 769
WesBank asset finance	1 696 793	184 856	68 407	36 255	77 129	2 063 440
Total	**11 313 038**	**557 652**	**331 148**	**403 495**	**502 933**	**13 108 266**

The above assets are managed with reference to the days in arrears and include assets where monthly payments are due such as residential mortgages, instalment sale products, credit card products and personal loans.

Company financial risk management disclosures

Management has opted to disclose only consolidated figures due to the fact that in their opinion there is no material difference between the consolidated and Company financial risk management disclosures. The related disclosures include:

- credit risk management;
- liquidity risk management; and
- fair value of financial instruments.

The consolidated disclosures are reflective of the Company in all material respects.

Market risk

The Group's activities expose it to market risk. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The primary risk control mechanism used for risk control purposes are stress loss tests and limits

40. FINANCIAL RISK MANAGEMENT (continued)

Foreign exchange risk management

The Group, through Treasury, manages foreign currency risk in accordance with broad market risk guidelines set by the Board and FirstRand Bank Limited. Foreign currency risk arises as a result of fluctuations in exchange rates and the resultant impact on the Group's position, which is established during normal day-to-day trading. Even though Treasury may take positions on any major currency, these are consolidated and reported in USD. During the financial year under review, the Bank's authorised market risk limit was USD35 million (2015; USD35 million) for all asset classes (foreign currency and interest rate risk). The Group takes positions to mitigate the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Consequently the Group strives to match its foreign currency assets and liabilities. The Group manages foreign currency exposures in terms of approved limits. The table below sets out the currency position as at the year-end.

	ASSETS		LIABILITIES	
Consolidated	**30 June 2016 P'000**	30 June 2015 **P'000**	**30 June 2016 P'000**	30 June 2015 **P'000**
Distribution by currency				
Botswana Pula	20 052 186	18 413 485	19 750 415	18 181 725
South African Rand	172 180	397 781	225 399	451 306
United States Dollar	1 449 397	2 024 534	1 719 448	2 218 250
British Pound	93 217	49 213	77 723	46 907
Euro	108 191	66 705	105 508	58 030
Others	17 467	20 727	14 145	16 227
	21 892 638	20 972 445	21 892 638	20 972 445

The Group is mainly exposed to foreign currency risk on its USD denominated assets and liabilities. The following table details the gains or losses in response to a 10% increase and decrease in the Pula (BWP) against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

	30 June 2016 P'000	30 June 2015 **P'000**
Loss arising from a 10% decrease		
South African Rand	5 322	-
United States Dollar	27 005	19 372
	32 327	19 372

	30 June 2016 P'000	30 June 2015 **P'000**
Gain arising from a 10% decrease		
South African Rand	(5 322)	-
United States Dollar	(27 005)	(19 372)
	(32 327)	(19 372)

The above gain/(loss) would affect the income statement

40. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk management

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effect of fluctuations in the prevailling levels of market interest rates on both its fair value and cash flow risks.

The table below summaries the Group's exposure to interest rate risk. Included in the table are the Group's assets and liabilities at carrying amounts, catergorised by the earlier of repricing or maturity dates.

The table below summarises the Banking Group's exposure to interest rate risk, categorised by contractual maturity date.

	Consolidated – Term to repricing						
	Carrying amount P'000	Demand P'000	1 - 3 months P'000	3-12 months P'000	1-5 years P'000	Over 5 years P'000	Non-interest bearing P'000
2016							
Total assets	21 892 638	3 507 668	14 889 286	662 279	471 328	44 922	2 317 155
Total liabilities and equity	(21 892 638)	(13 953 849)	(2 676 924)	(1 169 157)	(754 300)	(130 737)	(3 207 671)
Net interest sensitivity gap	–	(10 446 181)	12 212 362	(506 878)	(282 972)	(85 815)	(890 516)
2015							
Total assets	20 972 445	4 382 974	13 466 130	108 921	353 748	52 443	2 608 229
Total liabilities and equity	(20 972 445)	(12 500 093)	(4 018 148)	(1 156 251)	(277 370)	(65 674)	(2 954 909)
Net interest sensitivity gap	–	(8 117 119)	9 447 982	(1 047 330)	76 378	(13 231)	(346 680)

Interest rate sensitivity tests are performed on the Group's statements of financial position and reviewed by the Asset Liability Committee (ALCO). The table below presents the potential gains or losses that could arise if interest rates rise or fall by 100 basis points and 200 basis points:

CONSOLIDATED	30 June 2016 P'000	30 June 2015 P'000
100 basis points parallel increase - gains	159 268	74 210
100 basis points parallel decrease - losses	(159 268)	(74 210)
200 basis points parallel increase - gains	296 840	148 420
200 basis points parallel decrease - losses	(296 840)	(148 420)

40. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk management

The Group is exposed to daily liquidity requirements from overnight deposits, current accounts, maturing deposits, loan draw-downs and other cash requirements. The Group manages its cash resources based on historical experience to meet all liquidity requirements.

The matching and controlled mismatching of maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched since business transactions are often of uncertain terms and of different types. An unmatched position potentially enhance profitability, but may also increase the risk of loss.

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

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by a separate Group Treasury, includes:

- Day-to-day funding, mananged by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Group maintains an active presence in global markets to enable this to happen.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring the liquidity ratios of the consolidated statements of financial position against and internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

The table below sets out the maturity analysis of the Group's statements of financial position based on the remaining period from year-end to contractual maturity. Demand denotes assets or liabilities with a contractual maturity of 32 days or less.

				Consoidated – Term to maturity			
	Carrying amount P'000	Demand P'000	1 - 3 months P'000	3-12 months P'000	1-5 years P'000	Over 5 years P'000	Non sensitive P'000
2016							
Total assets	21 892 638	4 425 947	3 268 474	2 159 428	7 519 174	3 702 539	817 076
Total liabilities and equity	(21 892 638)	(12 784 780)	(3 867 015)	(1 344 239)	(892 409)	(245 205)	(2 758 990)
Net liquidity gap	–	(8 358 833)	(598 541)	815 189	6 626 765	3 457 334	(1 941 914)
2015							
Total assets	20 972 445	5 971 601	3 009 801	1 428 510	6 242 161	3 611 759	708 613
Total liabilities and equity	(20 972 445)	(12 337 661)	(4 363 957)	(1 156 251)	(432 583)	(65 674)	(2 616 319)
Net liquidity gap	–	(6 366 060)	(1 354 156)	272 259	5 809 578	3 546 085	(1 907 706)

Although negatively gapped in the short term, the balance sheet comprises of behaviouraly core deposits, while assets are primarily liquid assets (Bank of Botswana Certificates) which can be liquidated in times of stress to ensure the Bank is sufficiently able to meet its short term commitments. Further details on the liquidity risk management process are set out in the Risk Report included in the Annual Report.

40. FINANCIAL RISK MANAGEMENT (continued)

Consolidated

The table below has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to settle.

	Term to maturity					
	Call Demand P'000	1 - 3 months P'000	4 - 12 months P'000	1 - 5 1-5 years P'000	Over 5 years P'000	Total P'000
2016						
Amounts due to other banks	300 166	-	-	-	-	300 166
Deposit and current accounts	11 122 491	4 655 078	2 229 876	378 792	-	18 386 237
Borrowings	-	9 053	198 311	552 554	521 520	1 281 438
Due to related companies	124 726	-	-	-	-	124 726
Creditors and accruals	2 020	76 452	367 188	-	5 080	450 740
Employee liabilities	-	-	68 127	-	-	68 127
	11 549 403	4 740 583	2 863 502	931 346	526 600	20 611 434
2015						
Amounts due to other banks	199 334	-	-	-	-	199 334
Deposit and current accounts	10 749 172	4 093 908	2 627 184	337 911	260 520	18 068 695
Borrowings	-	6 760	22 110	127 429	182 927	339 226
Due to related companies	11 673	-	-	-	-	11 673
Creditors and accruals	39 861	326 902	1 035	-	5 080	372 878
Employee liabilities	-	-	61 949	-	-	61 949
	11 000 040	4 427 570	2 712 278	465 340	448 527	19 053 755

40. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial instruments

Fair value hierarchy and measurements

The Group classifies assets and liabilities measured at fair value using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. If this information is not available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. The valuation techniques employed by the Group include, inter alia, quoted prices for similar assets or liabilities in an active market, quoted prices for the same asset or liability in an inactive market, adjusted prices from recent arm's length transactions, option-pricing models, and discounted cash flow techniques. The details per type of asset or liability are set out in the tables below.

Where a valuation model is applied and the Group cannot mark-to-market, it applies a mark-to-model approach, subject to prudent valuation adjustments. Mark-to-model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. When applying mark-to-model, an extra degree of conservatism is applied. The Group will consider the following in assessing whether a mark-to-model valuation is prudent:

- As far as possible, market inputs are sourced in line with market prices;
- Generally accepted valuation methodologies are consistently used for particular products unless deemed inappropriate by the relevant governance forums;
- Where a model has been developed in-house, it is based on appropriate assumptions, which have been assessed and challenged by suitably qualified parties independent of the development process;
- Formal change control procedures are in place;
- Awareness of the weaknesses of the models used and appropriate reflection in the valuation output where relevant;
- The model is subject to periodic review to determine the accuracy of its performance; and
- Valuation adjustments are only made when appropriate, for example, to cover the uncertainty of the model valuation.

Valuations based on observable inputs include:

Level 1

Fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities where this is readily available and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. This category includes listed bonds and equity, exchange-traded derivatives, exchange-traded commodities and short trading positions.

Level 2

Fair value is determined using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly such as quoted prices for similar items in an active market or for an identical item in an inactive market, or valuation models using observable inputs or inputs derived from observable market data. This category includes loans and advances to customers, equities listed in an inactive market, debt instruments, private equity investments, non-recourse investments and deposits, over the counter derivatives, deposits, other liabilities, long- term borrowings, commodities which are not exchange-traded and investment properties.

Level 3

Fair value is determined using a valuation technique and significant inputs that are not based on observable market data (i.e. unobservable inputs) such as an entity's own assumptions about what market participants would assume in pricing assets and liabilities. The assumptions applied by the Group are set out in the table below. This category includes certain loans and advances to customers, certain over-the-counter derivatives such as equity options, investments in debt instruments, private equity investments, and certain deposits such as credit linked notes.

40. FINANCIAL RISK MANAGEMENT (continued)

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of Level 3 items
Derivative financial instruments					
- Option contracts	Level 2	Option pricing model	The Black Scholes model is used.	Strike price of the option; market related discount rate; forward rate and cap and floor volatility.	Not applicable
- Futures contracts	Level 2	Discounted cash flows	The future cashflows are discounted using a market related interest rate. Projected cashflows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Market interest rates and curves	Not applicable
- Swaps	Level 2	Discounted cash flows	The future cashflows are projected using a forward curve and then discounted using a market related discount curve over the contractual period.There set date of each swaplet is determined in terms of legal documents pertaining to the swap.	Market interest rates and curves	Not applicable
- Forward rate agreements	Level 2	Discounted cash flows	The future cashflows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates and curves	Not applicable
- Forward contracts	Level 2	Discounted cash flows	The future cashflows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. Projected cashflows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Market interest rates and curves	Not applicable
- Credit derivatives	Level 2 and 3	Discounted cash flows	The future cashflows are discounted using a market related interest rate. Where prices are obtainable from the market, individual credit spreads are used	Market interest rates and curves	Credit inputs

40. FINANCIAL RISK MANAGEMENT (continued)

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of Level 3 items
Loans and advances to customers					
- RMB investment banking book held at fair value	Level 3	Discounted cash flows	The future cashflows are discounted using a market related interestrate. To calculate the fair value of loan book the Group uses a valuation methodology based on the credit spread matrix, which considers loss given default, ten or and the internal credit committee rating criteria. The fair value measurement includes the original credit spread and is repriced when there is a change in rating of the counterparty. A decline in credit rating would result in an increase in the spread above the base rate for discounting purposes and consequently a reduction of the fair value of the advance.	Market interest rates and curves	Credit inputs
- Other loans and advances	Level 2 and Level 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves	Credit inputs
Investment securities and other investments					
- Equities/bonds listed in an inactive market	Level 2	Discounted cash flows	For listed equities and bonds, the listed price is used where the market is active (i.e.Level1). However if the market is not active and the listed price is not representative of fair value these are classified as Level 2 and a valuation technique is used, for example the discounted cashflow is used for listed bonds. This will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. The future cashflows are discounted using a market related interest rate.	Market interest rates and curves	Not applicable
- Unlisted bonds	Level 2 and Level 3	Discounted cash flows	Unlisted bonds are valued similarly to advances measured at fair value. The future cashflows are discounted using a market related interest rate adjusted for credit in puts, over the contractual period.	Market interest rates and curves	Credit inputs
- Negotiable certificates of deposit	Level 2	Discounted cash flows	The future cash flows are discounted using a market related interest rate. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and curves	Not applicable
- Treasury Bills	Level 2	Bank of Botswana quoted prices	Bank of Botswana quoted prices	Market interest rates and curves	Not applicable

40. FINANCIAL RISK MANAGEMENT (continued)

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of Level 3 items
Deposits					
- Call and non-term deposits	Level 2	None - the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand i.e. the undiscounted amount of the deposit.	None - the undiscounted amount approximates fair value and no valuation is performed	Not applicable
- Other deposits	Level 2 and Level 3	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs
Other liabilities and Tier 2 liabilities	Level 2	Discounted cash flows	The future cash flows are discounted using a market related interest rate.	Market interest rates and curves	Not applicable
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Level 2 and Level 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate and curves adjusted for credit inputs.	Market interest rates and curves	Credit inputs

40. FINANCIAL RISK MANAGEMENT (continued)

(i) Financial instruments not measured at fair value

The following represents the fair values of financial instruments carried at amortised cost on the statements of financial position.

GROUP – 2016	Level 1 P'000	Level 2 P'000	Level 3 P'000	Fair value P'000	Carrying amount P'000
ASSETS					
Advances					
Home loans	-	693 485	3 774 858	4 468 343	5 004 265
Credit card	-	208 418	-	208 418	208 418
Term loans	-	926 782	5 044 771	5 971 553	6 124 868
Overdraft	-	1 126 467	-	1 126 467	1 126 467
WesBank asset finance	-	344 281	1 895 177	2 239 458	2 223 262
Total advances at amortised cost	-	3 299 433	10 714 806	14 014 239	14 687 280
Accounts receivable	-	376 245	-	376 245	376 245
Total financial assets at amortised cost	-	3 675 678	10 714 806	14 390 484	15 063 525
LIABILITIES					
Deposits and current accounts					
Balances from banks and financial institutions (current and managed)	-	5 305 941	-	5 305 941	5 305 941
Balances from customers (term)	-	5 275 613	-	5 275 613	5 321 309
Other deposits (call and savings)	-	6 436 767	-	6 436 767	6 436 506
Total deposits and current accounts	-	17 018 321	-	17 018 321	17 064 017
Long-term borrowings	-	979 364	-	979 364	982 015
Creditors and accruals	-	429 680	-	429 860	429 680
Total financial liabilities at amortised cost	-	18 427 365	-	18 427 365	18 475 451

40. FINANCIAL RISK MANAGEMENT (continued)

(i) Financial instruments not measured at fair value (continued)

The following represents the fair values of financial instruments carried at amortised cost on the statements of financial position.

Group – 2015	Level 1 P'000	Level 2 P'000	Level 3 P'000	Fair value P'000	Carrying amount P'000
ASSETS					
Advances					
Home loans	-	377 690	4 076 286	4 453 976	4 780 653
Credit card	-	124 233	-	124 233	124 233
Term loans	-	647 259	4 217 973	4 865 232	4 879 069
Overdraft	-	1 108 690	-	1 108 690	1 108 690
WesBank asset finance	-	177 494	1 915 634	2 093 128	2 067 310
Total advances at amortised cost	-	2 435 366	10 209 893	12 645 259	12 959 955
Accounts receivable	-	211 080	-	211 080	211 080
Total financial assets at amortised cost	-	2 646 446	10 209 893	12 856 339	13 171 035
LIABILITIES					
Deposits and current accounts					
Balances from banks and financial institutions (current and managed)	-	5 651 151	-	5 651 151	5 651 151
Balances from customers (term)	-	5 467 038	-	5 467 038	5 447 585
Other deposits (call and savings)	-	6 134 985	-	6 134 985	6 134 985
Total deposits and current accounts	-	17 253 174	-	17 253 174	17 233 721
Long-term borrowings	-	322 652	-	322 652	321 473
Creditors and accruals	-	360 109	-	360 109	360 109
Total financial liabilities at amortised cost	-	17 935 935	-	17 935 935	17 915 303

40. FINANCIAL RISK MANAGEMENT (continued)

(ii) Fair value hierachy

Assets and liabilities measured at fair value

Group – 2016	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
Financial assets held for trading				
- Investments securities	-	539 961	-	539 961
- Derivative financial instruments	-	40 774	-	40 774
Designated at fair value through profit or loss				
- Term loan	-	-	145 414	145 414
Available for sale financial assets				
- Investments securities	-	1 586 046	-	1 586 046
Non-financial assets				
- Freehold and leasehold land and buildings	-	325 308	-	325 308
Total assets	-	2 492 089	145 414	2 637 503
Financial liabilities held for trading				
- Derivative financial instruments	-	34 310	-	34 310
Designated at fair value through profit or loss				
- Zero coupon deposit	-	-	112 224	112 224
Total liabilities	-	34 310	112 224	146 534
GROUP – 2015				
Financial assets held for trading				
- Investment securities	-	279 565	-	279 565
- Derivative financial instruments	-	26 716	-	26 716
Designated at fair value through profit or loss				
- Term loan	-	-	-	209 554
Available for sale financial assets				
- Investment securities	-	1 812 210	-	1 812 210
Non-financial assets				
- Freehold and leasehold land and buildings	-	331 062	-	331 062
Total assets	-	2 449 553	209 554	2 659 107
Financial liabilities held for trading				
- Derivative financial instruments	-	13 796	-	13 796
Designated at fair value through profit or loss				
- Zero coupon deposit	-	-	73 903	73 903
Total liabilities	-	13 796	73 903	87 699

40. FINANCIAL RISK MANAGEMENT (continued)

Fair value heirachy (continued)

Consolidated	30 June 2016 P'000	30 June 2015 P'000
Reconciliation of level 3 fair value measurements		
Designated at fair value through profit or loss (assets)		
Balance at the beginning of the year	209 554	264 122
- amounts recognised in profit or loss for the year	(3 553)	(6 563)
Repayments	(60 587)	(48 005)
Balance at the end of the year	145 414	209 554
Designated at fair value through profit or loss (liabilities)		
Balance at the beginning of the year	73 903	92 897
- Amounts recognised in profit or loss for the year	38 321	(18 994)
Balance at the end of the year	112 224	73 903

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the consolidated statements of financial position, are:

i) To comply with the capital requirements set by the central bank (Bank of Botswana);

ii) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

iii) To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the Basel, as implemented by Bank of Botswana for supervisory purposes. The required information is filed with the central bank on a monthly basis.

The Group maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with the central bank which takes into account the risk profile of the Group.

The Group's regulatory capital is managed by the Finance Department and comprises two tiers:

i)Tier 1 capital: stated capital (net of any book values of the treasury shares) non-controlling interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 Capital

ii) Tier 2 capital: qualifying subordinated loan capital and collective impairment allowances.

41. SEGMENTAL REPORTING

Segmental analysis

Operating segments are reported in accordance with the internal reporting provided to the Chief Executive Officer (the Chief Operating Decision-Maker), who is responsible for allocating resources to the reportable segments and assesses its performance. All operating segments used by the Group meet the definition of a reportable segment.

The Group has five main business segments:

i) Retail segment - comprising advances and deposits and the revenue flowing from individual customers;

ii) Business segment - comprising advances and deposits and the revenue flowing from business customers;

iii) Rand Merchant Bank (RMB) - comprising advances and deposits and the revenue flowing from RMB customers;

iv) WesBank - comprising vehicle and asset financing; and

v) Treasury - manages the Group's liquidity and funding.

The revenue from external parties reported to the Chief Executive Officer is measured in a manner consistent with that in the income statement.

The Group presents interest income after the cost of funding and interest expenditure after the benefit of funding for each reportable segment. These are the amounts that are presented to the Chief Executive Officer for management reporting purposes when assessing performance and allocating resources. This presentation is in line with the management approach of presenting segment information.

The information provided about each segment is based on the internal reports about segment performance, assets and liabilities, which are regularly reviewed by the Chief Executive Officer.

41. SEGMENTAL REPORTING (continued)

	Retail P '000	Business P '000	RMB P '000	WesBank P '000	Treasury P '000	Total P '000
2016						
Income statement						
Interest income	364 926	158 229	26 147	141 370	617 722	1 308 394
Non-interest income	389 591	315 910	218 652	24 033	(21 237)	926 949
Total segment revenue	754 517	474 139	244 799	165 403	596 485	2 235 343
Interest expenditure	34 384	104 472	93 486	(55 689)	(540 218)	(363 565)
Segment operating income before impairments	788 901	578 611	338 285	109 714	56 267	1 871 778
Impairment of advances						(228 570)
Net interest income after impairment of advances						1 643 208
Total expenditure						(960 333)
Profit before indirect taxation						682 875
Indirect taxation						(23 863)
Profit before direct taxation						659 012
Direct taxation						(155 121)
Profit after direct taxation						503 891
Statement of financial position:						
Gross advances	6 957 248	4 346 564	1 273 861	2 255 021	-	14 832 694
Deposits	3 910 258	6 591 603	4 849 304	-	1 712 591	17 063 756

Geographical segments

No segmental reporting for the geographical segment are presented as no significant income is generated outside Botswana. The geographical distribution of assets and liabilities is provided in Note 40.

Major customers

In terms of IFRS 8, a customer is regarded as a major customer if the revenue from transactions with this customer exceeds 10% or more of the entity`s revenue. The Group has no major customers as defined and is, therefore, not reliant on the revenue from one or more major customers.

41. SEGMENTAL REPORTING (continued)

	Retail P'000	Business P'000	RMB P'000	WesBank P'000	Treasury P'000	Total P'000
2015						
Income statement						
Interest income	246 661	119 665	37 347	179 217	705 544	1 288 434
Non-interest income	358 265	312 813	168 809	5 324	17 175	862 386
Total segment revenue	604 926	432 478	206 156	184 541	722 719	2 150 820
Interest expenditure	48 780	113 077	71 594	(91 795)	(556 977)	(415 321)
Segment operating income before impairments	653 706	545 555	277 750	92 746	165 742	1 735 499
Impairment of advances						(201 068)
Net interest income after impairment of advances						1 534 431
Total expenditure						(765 152)
Profit before indirect taxation						769 279
Indirect taxation						(12 776)
Profit before direct taxation						756 503
Direct taxation						(165 020)
Profit after direct tax						591 483
Statement of financial position:						
Gross advances	5 229 688	4 478 345	1 381 264	2 080 212	-	13 169 509
Deposits	2 785 599	4 633 035	5 537 518	-	4 277 569	17 233 721

Secondary segments

No segmental reporting for the secondary segments (geographical) as no significant income is generated outside Botswana. The geographical distribution of assets and liabilities is provided in Note 40.

Major customers

In terms of IFRS 8, a customer is regarded as a major customer if the revenue from transactions with this customer exceeds 10% or more of the entity`s revenue. The Group has no major customers as defined and is, therefore, not reliant on the revenue from one or more major customers.

42. EMPLOYEE SHARE PARTICIPATION SCHEMES

First National Bank of Botswana Limited operates an equity based share participation scheme. The scheme started in April 2001 and was amended in November 2003, allowing employees to acquire shares in the Group in order to increase the proprietary interests of the employees in the Group's success and encourage employees to render their best service to the Group. The number of shares granted is calculated in accordance with the performance based formula approved by the Remuneration Committee. The scheme has now been closed to further grants and has been wound down. The details of the scheme were as follows:

Consolidated	30 June 2016 P'000	30 June 2015 P'000
Number of options in force at beginning of the year	1 943 342	3 173 337
Granted at prices ranging between P3.32 to P1.51		
Number of options exercised during the year	-	(1 129 994)
Market value range between P0.00 to P0.00 (2015: P2.69 to P3.68)		
Number of options cancelled/ lapsed during the year	(1 943 342)	(100 001)
Granted at a price range between P2.69 and P3.32		
Number of options in force at end of the year	-	1 943 342
Granted at prices ranging between P3.32 to P1.51 (2015:P3.32 to P1.51)		
Number of options available for future allocation	20 000 000	18 056 658
Total number of options of the scheme	20 000 000	20 000 000
Number of participants		
Options outstanding are exercisable over the following periods:		
(first date able to release)		
Financial year 2015/2016	-	1 943 342
Total	-	1 943 342
Options outstanding		
(by expiry date)		
Financial year 2015/2016	-	1 943 342
The significant assumptions used to estimate the fair value of the options granted are as follows		
Weighted average share price (thebe)	-	280
Expected volatility (percentage)	-	33,45
Expected option life (years)	-	5
Expected risk free rate (percentage)	-	14
Expected dividend growth (percentage)	-	20

42. EMPLOYEE SHARE PARTICIPATION SCHEMES (continued)

In addition to its own share option schemes, the Group has employees who participate in the share options of FirstRand Limited (The Group's ultimate holding company, a company registered in the Republic of South Africa). The schemes are described below:

FirstRand conditional share plan

The conditional award comprises a number of full free shares that will vest conditionally over a period of three years. The number of shares that vest is determined by the extent to which the performance conditions are met. Conditional awards will be made annually and vesting will be subject to specified financial and non-financial performance, which will be set annually by the FirstRand Group's Remuneration Committee.

First National Bank Botswana conditional share plan

The conditional award comprises a number of notional shares that will vest conditionally over a period of three years. The number of shares that vest is determined by the extent to which the performance conditions are met. Conditional awards will be made annually and vesting will be subject to specified financial and non-financial performance, which will be set annually by the Group's Remuneration Committee. The scheme is cash settled based on the share market price.

42. EMPLOYEE SHARE PARTICIPATION SCHEMES (continued)

	FirstRand Conditional share plan P'000	FNB Botswana Conditional share plan P'000
Share option detail – 2016		
Number of options in force at the beginning of the year	402 449	9 094 179
Granted at prices ranging between (P)	-	-
Weighted average (thebe)	-	-
Number of options granted/transferred in during the year	393 510	-
Granted at a price of (P)	-	-
Weighted average (P)	-	-
Number of options transferred within the Group during the year	-	-
Granted at a price of P3.00	-	-
Weighted average (P)	-	-
Number of options exercised / released during the year	(127 000)	(2 408 373
Market value range at date of exercise / release (P)	50.73 - 50.73	-
Weighted average share price for the year (P)	50.73	-
Number of options exercised / released during the year	(52 000)	-
Granted at prices ranging between (P)	-	-
Weighted average (P)	-	-
Number of options in force at the end of the year	616 959	6 685 806
Granted at prices ranging between (P)		
Weighted average (P)		
Options are exercisable over the following periods (first date able to release):		
Financial year 2016/2017	105 000	2 695 007
Financial year 2017/2018	107 000	3 990 799
Financial year 2018/2019	404 959	-
	616 959	6 685 806
Options outstanding (by expiry date)		
Financial year 2016/2017	105 000	2 695 007
Financial year 2017/2018	107 000	3 990 799
Financial year 2018/2019	404 959	-
	616 959	6 685 806
Total options outstanding - in the money	616 959	6 685 806
Total options outstanding - out of the money	-	-
	616 959	6 685 806
Number of participants	47	53

42. EMPLOYEE SHARE PARTICIPATION SCHEMES (continued)

	FirstRand Employee Trust P'000	FirstRand Conditional share plan P'000	FNB Botswana Conditional share plan P'000
Share option detail – 2015			
Number of options in force at the beginning of the year	1 424 800	368 492	6 655 137
Granted at prices ranging between (P)	12.28 - 19.89	-	-
Weighted average (thebe)	12.41	-	-
Number of options granted/transferred in during the year	-	161 745	3 002 042
Granted at a price of (P)			
Weighted average (P)			
Number of options transferred within the Group during the year	-	-	-
Granted at a price of P3.00	-	-	-
Weighted average (P)	-	-	-
Number of options exercised / released during the year	(1 424 800)	(127 788)	-
Market value range at date of exercise / release (P)	48.92 - 48.92	43.98 - 43.98	-
Weighted average share price for the year (P)	48.92	43.98	-
Number of options cancelled / lapsed during the year	-	-	(563 000)
Granted at prices ranging between (P)	-	-	-
Weighted average (P)	-	-	-
Number of options in force at the end of the year	-	402 449	9 094 179
Granted at a price of			
Weighted average (P)			
Options are exercisable over the following periods			
(first date able to release):			
Financial year 2015/2016	-	135 384	3 402 137
Financial year 2016/2017	-	152 286	2 690 000
Financial year 2017/2018	-	114 779	3 002 042
	-	402 449	9 094 179
Options outstanding (by expiry date)			
Financial year 2015/2016	-	135 384	3 402 137
Financial year 2016/2017	-	152 286	2 690 000
Financial year 2017/2018	-	114 779	3 002 042
	-	402 449	9 094 179
Total options outstanding - in the money	-	402 449	9 094 179
Total options outstanding - out of the money	-	-	-
	-	402,449	9,094,179
Number of participants	-	11	57

42. EMPLOYEE SHARE PARTICIPATION SCHEMES (continued)

	GROUP 30 June 2016 P'000	COMPANY 30 June 2015 P'000
The income statement charge for all share based payments is as follows:		
FirstRand Employee Trust	-	491
First National Bank of Botswana share option scheme	-	224
Total equity settled share option scheme (credit)/charge to income statement	-	715
The income statement charge for all cash settled share based payments is as follows:		
Conditional share plan	4 510	6 556
FNB Botswana Conditional Share Plan	(6 908)	12 637
Total cash settled share option scheme (credit)/charge to income statement	**(2 398)**	**19 193**
Credit/Charge to income statement	-	19 193

At year end, the liability for cash-settled share schemes amounted to P14 907 329 (2015: P 32 081 104) and has been included in creditors and accruals.

43. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that will affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Credit impairment losses on loans and advances

The Group assesses its credit portfolios for impairment at each reporting date. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.

For purposes of these judgements' the performing portfolio is split into two parts:

i) Performing loans

The first part consists of the portion of the performing portfolio where an incurred impairment is inherent in the portfolio of performing advances but has not specifically been identified. An incurred but not reported (IBNR) provision is calculated on this sub-segment of the portfolio, based on historical analysis of loss ratios, roll rates from performing status into non-performing status and similar risk indicators over an estimated loss emergence period.

Estimates of roll rates, loss ratios and similar risk indicators are based on analysis of internal and, where appropriate, external data. Estimates of the loss emergence period are made in the context of the nature and frequency of credit assessments performed, availability and frequency of updated data regarding customer creditworthiness and similar factors. Loss emergence periods differ from portfolio to portfolio, but typically range from 1 to 12 months

The second part consists of the portfolio specific impairment (PSI) to reflect the decrease in estimated future cash flows for the sub-segment of the performing portfolio where there is objective evidence of impairment. The decrease in future cash flows is primarily estimated based on analysis of historical loss and recovery rates for comparable sub- segments of the portfolio.

The assessment of whether objective evidence of impairment exists requires judgement and depends on the class of the financial asset. In the FNB Retail and WesBank portfolios, the account status, namely arrears versus non-arrears status, is taken as a primary indicator of an impairment event. In the FNB Commercial portfolios other indicators such as the existence of high risk accounts, based on internally assigned risk ratings and management judgement, are used, while the wholesale (includes RMB Investment Banking and RMB Corporate Banking) portfolio assessment includes a judgemental review of individual industries for objective signs of distress.

43. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(ii) Non-performing loans

Retail loans are individually impaired if three or more instalments are due and unpaid, or if there is evidence before this that the customer is unlikely to repay its obligations in full. Commercial and Wholesale loans are analysed on a case-by-case basis taking into account breaches of key loan conditions, excesses and similar risk indicators.

Management's estimates of future cash flows on individually impaired loans are based on internal historical loss experience, supplemented by analysis of comparable external data (for Commercial and Wholesale loans) for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Refer to Note 15 for a detailed analysis of the impairment of advances and the carrying amounts of the specific and portfolio provisions.

(b) Impairment of available-for-sale equity instruments

The Group determines that available-for-sale equity instruments are impaired and the impairment recognised as such in profit or loss when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates factors such as, inter alia, the normal volatility in share prices, evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(c) Income taxes

The Group is subject to direct tax within the Repulic of Botswana. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The Group recognises liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, the difference will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The Group believes that the tax balances and income statement items appropriately reflect the amount of tax due under current legislation.

Refer to note 8 and note 33 for more information regarding the direct and deferred income tax charges, assets and liabilities.

(d) Impairment of goodwill

The recoverable amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. The recoverable amount of the cash generating units (CGU) has been determined based on value-in-use calculations or fair value less cost to sell. The value in use is calculated as the net present value of the discounted cash flows of the CGU. Details of the main assumptions applied in determining the net present value of the CGU are provided in note 21.

(e) Residual values and useful lives of property, plant and equipment

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. These are adjusted based on future circumstances measured at current prices.

(f) Revenue recognition

Management needs to apply judgement to determine whether the Group acts as a principal or agent in certain revenue-generating transactions. If the Group acts as an agent, the gross economic benefits include amounts collected on behalf of the principal and do not result in increases in the equity of the Group.

The amount collected on behalf of the principal is not recognised as revenue of the Group, instead the Group recognises the fee or commission that it earns while acting as an agent as non-interest income. An entity is acting as a principal when it has exposure to significant risks and rewards associated with selling the goods or providing the services. The Bank Group considers the following as indicators when assessing whether the Group is acting as a principal in a transaction:

43. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(f) Revenue recognition (continued)

- the Group has the primary responsibility of providing the goods or services;
- the Group carries the inventory risk; and
- the Group has the ability to establish the price, either directly or indirectly.

(g) Fair valuation of financial instruments

The Group classifies assets and liabilities measured at fair value a fair value hierachy that reflects whether observable or unobersable inputs are used in determing the fair value of the item. If this information is not available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Information about use of relevant observable inputs and minimises the use of unobservable inputs. Information about valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in note 40.

(h) Revaluation of freehold and leasehold land and buildings

The Group carries its freehold and leasehold land and buildings at revalued amounts, with changes in the fair value being recognised in the statement of other comprehensive income. The Group engaged independent professional valuers to assess the fair values as at 30 June 2016 for the freehold and leasehold land and buildings. For commercial properties, a valuation methodology based on the income approach model was used as there are reliable rental values in the market. For residential properties, the cost approach was deemed more reliable and was used. In both models, the available data was adjusted to suit the specific market factors, such as nature, location and condition of the subject properties.

The key assumptions used to determine the fair value of the properties are provided in note 20.

44. EVENTS AFTER THE REPORTING PERIOD

There were no material events that occurred after the reporting date that require adjustment to the amounts recognised in the financial statements or that require disclosure in the financial statements.

45. NEW STANDARDS

45.1 Standards not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 01 July 2016 or later periods:

Amendment to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations: Changes in methods of disposal

The amendment clarifies that non-current assets held for distribution to owners should be treated consistently with non-current assets held for sale. It further specifies that if a non-current asset held for sale is reclassified as a non - current asset held for distribution to owners or visa versa, that the change is considered a continuation of the original plan of disposal.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The Group expects to adopt the amendment for the first time in the 2017 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the Group's consolidated financial statements.

Amendment to IFRS 7: Financial Instruments: Disclosures

The amendment provides additional guidance regarding transfers with continuing involvement. Specifically, it provides that cash flows excludes cash collected which must be remitted to a transferee. It also provides that when an entity transfers a financial asset but retains the right to service the asset for a fee, that the entity should apply the existing guidance to consider whether it has continuing involvement in the asset.

The effective date of the amendment is for years beginning on or after 01 January 2016.

45. NEW STANDARDS (continued)

The Group expects to adopt the amendment for the first time in the 2017 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the Group's consolidated financial statements.

Amendment to IAS 19: Employee Benefits: Discount rate: Regional market issue

The amendment clarifies that when a discount rate is determined for currencies where there is no deep market in high quality corporate bonds, then market yields on government bonds in that currency should be used.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The Group expects to adopt the amendment for the first time in the 2017 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the Group's consolidated financial statements.

Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements

The amendment provides new requirements when an entity presents subtotals in addition to those required by IAS 1 in its consolidated financial statements. It also provides amended guidance concerning the order of presentation of the notes in the consolidated financial statements, as well as guidance for identifying which accounting policies should be included. It further clarifies that an entity's share of comprehensive income of an associate or joint venture under the equity method shall be presented separately into its share of items that a) will not be reclassified subsequently to profit or loss and b) that will be reclassified subsequently to profit or loss.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The Group expects to adopt the amendment for the first time in the 2017 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the Group's consolidated financial statements.

Amendment to IAS 34: Interim Financial Reporting. Disclosure of information "elesewhere in the interim financial report"

The amendment allows an entity to present disclosures required by paragraph 16A either in the interim consolidated financial statements or by cross reference to another report, for example, a risk report, provided that other report is available to users of the consolidated financial statements on the same terms as the interim consolidated financial statements and at the same time.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The Group expects to adopt the amendment for the first time in the 2017 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the Group's consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

45. NEW STANDARDS (continued)

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 01 January 2018.

The Group expects to adopt the standard for the first time in the 2019 consolidated financial statements.

The adoption of this standard is not expected to impact on the results of the Group, but may result in more disclosure than is currently provided in the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC

15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31

Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

45. NEW STANDARDS (continued)

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 01 January 2018.

The Group expects to adopt the standard for the first time in the 2019 consolidated financial statements.

It is unlikely that the standard will have a material impact on the Group's consolidated financial statements.

Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

The amendments apply to the acquisitions of interest in joint operations. When an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3, it shall apply, to the extent of its share, all of the principles on business combinations accounting in IFRS 3, and other IFRSs, that do not conflict with the guidance in this IFRS and disclose the information that is required in those IFRSs in relation to business combinations. This applies to the acquisition of both the initial interest and additional interests in a joint operation in which the activity of the joint operation constitutes a business.

The effective date of the amendments is for years beginning on or after 01 January 2016.

The Group expects to adopt the amendments for the first time in the 2017 consolidated financial statements.

It is unlikely that the amendments will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendment clarifies that a depreciation or amortisation method that is based on revenue that is generated by an activity that includes the use of the asset is not an appropriate method. This requirement can be rebutted for intangible assets in very specific circumstances as set out in the amendments to IAS 38.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The Group expects to adopt the amendment for the first time in the 2017 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents profit or loss only to the extent of the unrelated investors interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents profit or loss.

The effective date of the Group is for years beginning on or after 01 January 2016.

The Group expects to adopt the amendment for the first time in the 2017 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the Group's consolidated financial statements.

Amendment to IAS 27: Equity Method in Separate Financial Statements

The amendment adds the equity method to the methods of accounting for investments in subsidiaries, associates and joint ventures in the separate consolidated financial statements of an entity.

The effective date of the amendment is for years beginning on or after 01 January 2016.

45. NEW STANDARDS (continued)

The Group expects to adopt the amendment for the first time in the 2017 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the Group's consolidated financial statements.

IFRS 14 Regulatory Deferral Accounts

The new standard is an interim standard applicable to entities subject to rate regulation. The standard is only applicable to entities adopting IFRS for the first time. It permits entities to recognise regulatory deferral account balances in the statements of financial position. When the account has a debit balance, it is recognised after total assets. Similarly, when it has a credit balance, it is recognised after total liabilities. Movements in these accounts, either in profit or loss or other comprehensive income are allowed only as single line items.

The effective date of the standard is for years beginning on or after 01 January 2016.

The Group expects to adopt the standard for the first time in the 2017 consolidated financial statements.

It is unlikely that the standard will have a material impact on the Group's consolidated financial statements.

Amendments to IFRS 10, 12 and IAS 28: Investment Entities. Applying the consolidation exemption

The amendment clarifies the consolidation exemption for investment entities. It further specifies that an investment entity which measures all of its subsidiaries at fair value is required to comply with the "investment entity" disclosures provided in IFRS 12. The amendment also specifies that if an entity is itself not an investment entity and it has an investment in an associate or joint venture which is an investment entity, then the entity may retain the fair value measurement applied by such associate or joint venture to any of their subsidiaries.

The effective date of the Group is for years beginning on or after 01 January 2016.

The Group expects to adopt the amendment for the first time in the 2017 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants

The amendment defines bearer plants and include bearer plants within the scope of IAS 16 Property, Plant and Equipment. A bearer plant is defined as a living plant used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce. Bearer plants were previously within the scope of IAS 41 Agriculture.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The Group expects to adopt the amendment for the first time in the 2017 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the Group's consolidated financial statements.

VALUE ADDED STATEMENTS

for the year ended 30 June 2016

	GROUP		COMPANY	
	30 June 2016 P'000	30 June 2015 P'000	**30 June 2016 P'000**	30 June 2015 P'000
Value added				
Value added is the wealth the Group has been able to create by providing clients with a quality value added service				
Income earned by providing banking services	2 235 343	2 150 820	2 184 404	2 119 423
Cost of services	(1 502 882)	(1 358 269)	(1 485 025)	(1 342 307)
Value added banking services	732 461	792 551	699 379	777 116
Non-operating and other income and expenditure	472 508	382 616	459 904	375 631
Value added	**1 204 969**	**1 175 167**	**1 162 183**	**1 152 747**
Value allocated				
To employees				
Salaries, wages and other benefits	442 571	373 012	443 158	371 063
To providers of capital				
Dividends to shareholders	282 007	410 192	282 007	410 192
To Government				
Taxation	178 982	177 796	169 400	173 092
To expansion and growth				
Retained earnings	221 884	181 291	188 802	165 893
Depreciation	79 525	32 876	78 816	32 507
	301 409	214 167	267 618	198 400
	1 204 969	**1 175 167**	**1 162 183**	**1 152 747**
Summary				
Employees	36,7	31,7	38,0	32,2
Providers of capital	23,4	34,9	24,3	35,6
Government	14,9	15,2	14,6	15,0
Expansion growth	25,0	18,2	23,0	17,2
	100,0	**100,0**	**100,0**	**100,0**

TEN-YEAR CONSOLIDATED INCOME STATEMENTS

for the year ended 30 June 2016

	30 June 2016 P'000	30 June 2015 P'000	30 June 2014 P'000
INCOME STATEMENT			
Interest and similar income	1,308,394	1,288,434	1,244,817
Interest expense and similar charges	(363,565)	(415,321)	(290,200)
Net interest income before impairment of advances	944,829	873,113	954,617
Impairments losses on loans and advances	(228,570)	(201,068)	(122,510)
Net interest income after impairment of advances	716,259	672,045	832,107
Non interest income	926,949	862,386	794,557
Income from operations	1,643,208	1,534,431	1,626,664
Operating expenses	(984,196)	(777,928)	(704,425)
Income before taxation	659,012	756,503	922,239
Taxation	(155,121)	(165,020)	(202,578)
Income after taxation	503,891	591,483	719,661
Dividends paid and proposed	(282,007)	(410,192)	(384, 555)
Retained income for the year	221,884	181,291	335,106

	30 June 2013 P'000	30 June 2012 P'000	30 June 2011 P'000	30 June 2010 P'000	30 June 2009 P'000	30 June 2008 P'000	30 June 2007 P'000
	1,210,031	1,111,862	1,094,078	1,062,618	1,296,474	1,168,337	1,005,074
	(312,629)	(342,799)	(432,327)	(518,978)	(773,578)	(768,085)	(657,297)
	897,402	769,063	661,751	543,640	522,896	400,252	347,777
	(120,673)	(132,714)	(59,211)	(43,420)	(40,752)	(20,804)	(22,012)
	776,729	636,349	602,540	500,220	482,144	379,448	325,765
	743,042	629,108	505,793	410,610	371,196	348,980	244,931
	1,519,771	1,265,457	1,108,333	910,830	853,340	728,428	570,696
	(614,373)	(535,496)	(470,596)	(378,858)	(324,860)	(279,148)	(205,052)
	905,398	729,961	637,737	531,972	528,480	449,280	365,644
	(204,446)	(161,168)	(63,897)	(95,922)	(121,760)	(75,253)	(55,797)
	700,952	568,793	573,840	436,050	406,720	374,027	309,847
	(333,281)	(179,459)	(589,651)	(230,734)	(230,734)	(205,097)	(252,525)
	376,671	389,334	(15,812)	205,316	175,986	168,930	57,322

TEN-YEAR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

for the year ended 30 June 2016

STATEMENT OF FINANCIAL POSITION	30 June 2016 P'000	30 June 2015 P'000	30 June 2014 P'000
ASSETS			
Cash and short term funds	3,651,793	4,371,324	2,721,384
Derivative financial instruments	76,646	26,716	24,922
Advances to banks	324,960	640,000	461,921
Advances to customers	14,386,819	12,846,481	12,131,415
Investment securities	2,447,230	2,256,337	1,536,828
Current taxation	99,966	46,832	12,895
Due from related companies	6,324	6,319	6,272
Accounts receivable	376,245	211,080	196,112
Non-current assets held for sale	-	-	-
Investment in associated company	-	-	-
Property and equipment	495,692	540,393	520,694
Goodwill	26,963	26,963	26,963
Total assets	21,892,638	20,972,445	17,639,406
LIABILITIES			
Deposits from banks	300,166	199,334	12,157
Deposits from customers	17,063,756	17,233,721	14,328,142
Accrued interest payable	30,553	88,895	39,027
Derivative financial instruments	42,631	13,796	18,079
Current taxation	898	650	3,870
Due to related companies	124,726	11,673	30,499
Creditors and accruals	429,680	360,109	274,596
Employee liabilities	68,127	61,949	60,588
Borrowings	1,094,239	395,376	489,495
Deferred taxation	203,509	160,956	118,973
Total liabilities	19,358,285	18,526,459	15,375,426
EQUITY			
Stated capital	51,088	51,088	51,088
Reserves	2,329,443	2,112,891	1,930,885
Dividend reserve	153,822	282,007	282,007
Total ordinary equity holder's funds	2,534,353	2,445,986	2,263,980
Total equity and liabilities	21,892,638	20,972,445	17,639,406

30 June 2013 P'000	30 June 2012 P'000	30 June 2011 P'000	30 June 2010 P'000	30 June 2009 P'000	30 June 2008 P'000	30 June 2007 P'000
2,288,285	2,557,842	1,706,573	1,201,491	1,185,914	1,796,013	904,941
10,138	7,861	2,996	758	22,611	59,514	18,476
51,975	-	361,178	-	-	-	-
10,369,937	8,420,553	7,170,842	5,803,009	4,643,241	3,969,496	3,073,209
2,290,494	2,699,551	3,496,862	4,946,059	6,085,772	5,363,202	4,060,061
2,117	-	4,622	1,041	-	-	-
6,138	7,839	13,133	5,075	3,956	2,029	1,151
251,474	170,800	170,502	57,719	363,392	181,911	197,447
7,101	5,511	-	-	-	-	-
-	-	3,058	3,151	2,037	2,297	2,421
502,086	317,559	202,200	187,306	115,601	80,737	63,184
26,963	26,963	26,963	26,963	26,963	26,963	26,963
15,806,708	14,214,479	13,158,929	12,232,572	12,449,487	11,482,162	8,353,070
53,903	166,900	215,186	4,000	13,851	142,310	125,463
12,932,767	11,448,851	10,597,398	10,304,632	10,552,699	9,763,624	6,744,640
34,767	45,179	36,696	45,661	70,142	86,594	85,100
16,964	32,912	18,794	559	21,388	59,514	18,476
-	461	-	-	7,494	5,173	308
19,597	57,883	140,031	50,209	175,827	97,587	213,482
225,215	275,972	616,691	336,647	166,538	91,514	57,517
62,076	52,252	42,646	23,830	24,741	43,267	34,776
422,791	519,047	244,971	207,827	416,612	424,694	430,907
110,360	82,296	98,350	100,648	79,071	43,267	34,776
13,878,440	12,681,753	12,010,763	11,074,013	11,528,363	10,757,544	7,745,445
51,088	51,088	51,088	51,088	51,088	51,088	51,088
1,620,810	1,276,542	1,045,804	979,286	754,669	583,800	400,151
256,370	205,096	51,274	128,185	115,367	89,730	156,386
1,928,268	1,532,726	1,148,166	1,158,559	921,124	724,618	607,625
15,806,708	14,214,479	13,158,929	12,232,572	12,449,487	11,482,162	8,353,070

SHAREHOLDER INFORMATION

FIRST NATIONAL BANK OF BOTSWANA DIRECTORY

BRANCHES

AIRPORT JUNCTION
Shop 01A Airport Junction
Plot 70665, Block 10
Tel: 3924461
Fax: 3937346

BROADHURST INDUSTRIAL
Plot 5681, Orchid Centre
P/Bag BR 69, Gaborone
Tel: 397 5561
Fax: 397 5352

SCHEME CENTRE
Plot 4716
Rail Park Mall
Tel: 392 5245
Fax: 391 4135

FRANCISTOWN
Plot 32753/4
Blue Jacket Street
Francistown
Tel: 241 3831
Fax: 241 2879

GHANZI
Plot 8624
Unit 10, Taung Mall
P/Bag 0019, Ghanzi
Tel: 659 6670
Fax: 659 6424

INDUSTRIAL
Plot 1278
Luthuli Road
P O Box 871, Gaborone
Tel: 364 2900
Fax: 397 2949

JWANENG
Plot 2334, Diamond Centre
Teemane Ave
P/Bag 049, Jwaneng
Tel: 588 0470
Fax: 588 1029

KANYE
Unit 1, 2 & 3
NDB Building
Kanye
Tel: 544 0452
Fax: 544 0620

KASANE
Plot 2296
Waterfront Mall
Box 740, Kasane
Tel: 625 2414
Fax: 625 2416

KGALE VIEW
Shop No N3
Game City
P/Bag 00452, Gaborone
Tel: 368 0700
Fax: 391 0867

LETLHAKANE
Plot 4639
Tawana Road
Box 1061, Letlhakane
Tel: 297 8930
Fax: 297 8144

LOBATSE
Plot 282, 1st Khama Ave
Box 381, Lobatse
Tel: 533 0827
Fax: 533 2102

MAIN BRANCH
Plot 2843, Ground Floor
Khama Crescent
Gaborone
Box 1552 Gaborone
Tel: 364 2800
Fax: 397 4369

FIRST PLACE
Plot 54362, CBD
Gaborone
Box 1552 Gaborone
Tel: 370 6100
Fax: 390 0322

MALL
Ground Floor
Capitol Building
Plot 1108 Main Mall
P/Bag BO 52 Gaborone
Tel: 395 9422
Fax: 391 2596

MAHALAPYE
Plot 799, Main Road
P/Bag 48
Mahalapye
Tel: 471 1300
Fax: 471 1301

MAUN
Plot 152
Ngami Centre
P/Bag 231 Maun
Tel: 686 0919
Fax: 686 0920

MOLEPOLOLE
Shop 36, Plot 39
Mafenyatlala Mall
P/Bag 27, Molepolole
Tel: 590 8800
Fax: 592 1601

PALAPYE
Plot 1077, Main Road
P/Bag 110
Palapye
Tel: 492 2340
Fax: 492 2341

RIVERWALK
Plot 25117
Tlokweng Rd
P O Box 4878, Gaborone
Tel: 368 6600
Fax: 370 0654

SELEBI-PHIKWE
Plot 6567 Tshekedi Rd Mall
P/Bag 2529
Selebi-Phikwe
Tel: 261 1430
Fax: 261 1569

SEROWE
Plot 2461, Unit 1
Botteko Junction Shopping
Newton Ward
P O Box 1343, Serowe
Tel: 463 0765
Fax: 463 0815

BUSINESS UNITS

AUDIT
Plot 54362 CBD
4th Floor, First Place, Gaborone
P O Box 1552, Gaborone
Tel: 370 6101

BUSINESS SEGMENT
Plot 54362 CBD
First Place Gaborone
Box 1552, Gaborone
Tel: 370 6000
Fax: 390 2953

CLIENT SERVICE
Plot 54362 CBD,
4th Floor, First Place, Gaborone
Box 1552, Gaborone
Tel: 370 6097
Fax: 390 6679

CREDIT & RISK
Plot 54362 CBD
First Place Gaborone
Box 1552, Gaborone
Tel: 370 6160
Fax: 317 0662

CONSUMER SEGMENT
Plot 54362 CBD
First Place, Gaborone
Box 1552, Gaborone
Tel: 370 6000
Fax: 390 3705

E SOLUTIONS
Plot 54362 CBD
First Place, Gaborone
Box 1552, Gaborone
Tel: 370 6355
Fax: 390 2953

EXECUTIVE
Plot 54362 CBD
First Place, Gaborone
Box 1552, Gaborone
Tel: 370 6013

FINANCE
Plot 54362 CBD
First Place, Gaborone
P O Box 1552, Gaborone
Tel: 370 6033
Fax: 390 6130

FIRSTCARD
Plot 54362 CBD
First Place, Gaborone
P/Bag BO113, Gaborone
Tel: 370 6000
Fax: 3904250

FIRST NATIONAL
INSURANCE AGENCY
Plot 54362 CBD
First Place, Gaborone
Box 1552, Gaborone
Tel: 370 6421
Fax: 390 2475

HUMAN RESOURCES
Plot 54362 CDB
First Place, Gaborone
Box 1552, Gaborone
Tel: 370 6056
Fax: 390 4260

INTERNATIONAL TRADE
Plot 54362 CBD
First Place, Gaborone
Box 1552, Gaborone
Tel: 370 6366
Fax: 318 1608

ISLAMIC FINANCE
Plot 54362 CBD
First Place, Gaborone
Box 1552, Gaborone
Tel: 370 6520
Fax: 390 0748

LEGAL AND COMPLIANCE
Plot 54362 CBD
First Place, Gaborone
P O Box 1552, Gaborone
Tel: 370 6047
Fax: 390 4260

MARKETING &
COMMUNICATIONS
Plot 54362 CBD
First Place, Gaborone
Box 1552, Gaborone
Tel: 370 6082
Fax: 390 6679

PRIVATE CLIENTS
Plot 54362 CBD
First Place, Gaborone
P O Box 1552, Gaborone
Tel: 370 6069
Fax: 395 3577

HOME LOANS
Plot 54362 CBD
First Place, Gaborone
Box 1552, Gaborone
Tel: 370 6502
Fax: 390 4761

RMB-CUSTODY &
TRADE FINANCE
Plot no 54362, CBD
2nd Floor, First Place, Gaborone
Box 1552, Gaborone
Tel: 390 6562
Fax: 391 7462

RMB-INVESTMENTS BANKING
Plot 54362, CBD
2nd Floor, First Place, Gaborone
Box 1552, Gaborone
Tel: 390 6562
Fax: 390 8984

RMB-GLOBAL MARKETS
Plot 54362, CBD
2nd Floor, First Place, Gaborone
Box 1552, Gaborone
Tel: 390 6562
Fax: 390 8984

TECHNOLOGY
SERVICE DIVISION
Plot 54362 CBD
First Place, Gaborone
P O Box 1552, Gaborone
Tel: 370 6000
Fax: 390 2944

TREASURY
Plot 54362 CBD
First Place, Gaborone
Box 1552, Gaborone
Tel: 395 6749
Fax: 390 2725

WESBANK
Plot 54362 CBD
First Place, Gaborone
Box 1129, Gaborone
Tel: 370 6000
Fax: 390 0259

WESBANK
Plot 32753/4 Blue Jacket St
Box 951, Francistown
Tel: 241 2160
Fax: 241 4137

WESBANK
Plot 152 Shop No 16
Ngami Centre, Maun
Tel: 686 2496
Fax: 686 4227

WESBANK
Plot 3197, Meepo Road
Bamangwato Motors
P/Bag 109, Selibe Phikwe
Tel: 261 4788
Fax: 261 4603

NOTICE OF ANNUAL GENERAL MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in doubt as to the action you should take in relation to this document, please consult your stockbroker, banker, legal advisor or other professional advisor immediately.

Action required:

1. If you have disposed of all of your shares in First National Bank of Botswana Limited, this circular should be sent to the agent through whom you have disposed of such shares, for onward delivery to the purchaser of those shares.

2. A notice convening an Annual General Meeting of Shareholders of First National Bank of Botswana ("AGM"), to be held at 12h00 on Thursday 3 November 2016 at Avani Hotel, Gaborone is attached hereto, which notice forms an integral part of this Circular. The relevant form of proxy is also attached. Shareholders who are unable to attend the AGM should complete the attached form of proxy and return it to the Transfer Secretaries of the Company so as to be received by no later than 12h00 on Tuesday 01 November 2016. Submission of a form of proxy will not preclude shareholders from attending and voting in person at the AGM, should they so desire.

Salient Dates And Times (Year 2016)		
Forms of proxy to be received by 12h00	Tuesday	1 November
Annual General Meeting at 12h00	Thursday	3 November

The above dates and times are subject to change. Any amendment will be published in the press.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Shareholders of the Company will be held at Avani Hotel, Gaborone, at 12h00 on Thursday 3 November 2016, for the purpose of transacting the following business and considering and if deemed fit, passing, with or without modification, the following resolutions:

Agenda

Ordinary Business

1. To read the notice and ascertain the presence of a quorum required in terms of the Constitution.

2. Ordinary Resolution 1:
   RESOLVED THAT, the Audited Annual Financial Statements for the Year Ended 30 June 2016 together with Directors and Auditors Reports thereon be adopted.

3. Ordinary Resolution 2:
   RESOLVED THAT the final dividend of 11 thebe per ordinary share, for the Financial Year Ended 30 June 2016 as recommended by the Directors be and is hereby approved.

4. Ordinary Resolutions 3,4, and 5
   RESOLVED THAT the following Directors of the Company who retire by rotation in terms of the Company's Constitution and being eligible, offer themselves for re-election be re-elected:

   Mr. S. Thapelo (Non-executive Director)
   Mr. J. K Macaskill (Independent Non-executive Director)
   Mr. J. R. Khethe (Non-executive Director)

   Biographical information of the directors to be re-elected is set out on pages 92 and 93 of the Annual Report

5. Ordinary Resolutions 6:
   RESOLVED THAT the appointment of the following Director of the Company who was appointed during the course of the last financial year be ratified:
   Ms Doreen Ncube (Non-executive Director)

6. Ordinary resolution number 7:
   RESOLVED THAT the annual fees of the Non-Executive Directors, as reflected below be approved for the 2016/17 financial year.

	Proposed 2016/17 fee (BWP)
First National Bank Botswana Board	
Member	106 960
Chairperson	213 920
Audit committee	
Member	61 120
Chairperson	122 240
Risk Capital and Compliance Committee	
Member	79 456
Chairperson	158 912
Remuneration Committee	
Member	21 090
Chairperson	36 908
Directors' Affairs and Governance Committee	
Member	34 380
Chairperson	55 362
Credit Risk Committee	
Member	210 900
Chairperson	210 900
Strategy	61 120
Training	34 380

7. Ordinary Resolution 8:
RESOLVED THAT Deloitte and Touche be re-appointed as auditors of the company and authorise the Directors to determine the remuneration of the auditors.

8. To transact any other business which maybe transacted at an Annual General Meeting.

Voting and proxies

All holders of Ordinary Shares entitled to vote will be entitled to attend and vote at the Annual General Meeting.

A holder of shares who is present in person, or by authorized representative or by proxy shall have one vote on a show of hands and have one vote for every ordinary share held on a poll.

Each Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (none of whom need be a Shareholder of the Company) to attend, speak and subject to the Constitution of the Company vote in his/her/its stead.

The form of proxy for the Annual General Meeting, which sets out the relevant instructions for its completion, is annexed hereto.

In order to be effective, a duly completed form of proxy must be received at the Transfer Secretaries, PricewaterhouseCoopers (Pty) Ltd, Plot 50371, Fairgrounds Office Park, and P O Box 294, Gaborone by not later than 12h00 on Tuesday 1 November 2016.

By Order of the Board

J. K Macaskill

ACTING CHAIRMAN OF THE BOARD OF DIRECTORS

S.L Bogatsu

CHIEF EXECUTIVE OFFICER

FORM OF PROXY

For completion by holders of Ordinary Shares

PLEASE READ THE NOTES OVERLEAF BEFORE COMPLETING THIS FORM.

EXPRESSIONS USED IN THIS FORM SHALL, UNLESS THE CONTEXT REQUIRES OTHERWISE, BEAR THE SAME MEANINGS AS IN THE CIRCULAR TO SHAREHOLDERS OF FNBB ISSUED ON 17 OCTOBER 2016.

For use at the Annual General Meeting of Shareholders of the Company to be held at Avani Hotel, Gaborone at 12h00 on Thursday 3 November 2016.

I/We ______________________________

(Name/s in block letters) ______________________________

Of ______________________________

(Address) ______________________________

Appoint (see note 2): ______________________________

1. ______________________ of failing him/her, ______________________
2. ______________________ of failing him/her, ______________________
3. ☐ the Chairman of the Meeting,

as my/our proxy to act for me/us at the General Meeting which will be held, in addition to considering the ordinary business, for the purpose of considering and if deemed fit, passing with or without modification, the resolutions to be proposed under the special business vote thereat and at each adjournment thereof, and to vote for or against the resolutions and/or abstain from voting in respect of the Ordinary Shares registered in my/our name in accordance with the following instructions (see note 2):

	NUMBER OF ORDINARY SHARES		
	For	Against	Abstain
1. Ordinary Resolution 1			
2. Ordinary Resolution 2			
3. Ordinary Resolution 3			
4. Ordinary Resolution 4			
5. Ordinary Resolution 5			
6. Ordinary Resolution 6			
7. Ordinary Resolution 7			
8. Ordinary Resolution 8			

Signed at:______________________ on: ______________2016 Signature:______________________

Assisted by (where applicable)

Each Shareholder is entitled to appoint one or more proxies (who need not be Member/s of the Company) to attend, speak and vote in place of that Shareholder at the General Meeting.

Please read the notes on the reverse side thereof.

Notes

1. A Shareholder must insert the names of two alternative proxies of the Shareholder's choice in the space provided, with or without deleting "Chairman of the Annual General Meeting". The person whose name appears first on the form of proxy, and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.

2. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorize the proxy to vote at the General Meeting as he/she deems fit in respect of the Shareholder's votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorize the proxy to vote in favor of the resolution. A Shareholder or his/her proxy is obliged to use all the votes exercisable by the Shareholder or by his/her proxy.

3. Forms of proxy must be lodged at or posted to the Transfer Secretaries of the Company, PricewaterhouseCoopers (Pty) Ltd, Plot 50371, Fairgrounds Office Park, P O Box 294, Gaborone to be received not later than 24 hours before the General Meeting before 12h00 on 1 November 2016.

4. The completion and lodging of this form will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such Shareholder wish to do so.

5. The Chairman of the General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he is satisfied as to the manner in which the Shareholder concerned wishes to vote.

6. An instrument of proxy shall be valid for the General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.

7. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the Shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the Ordinary Shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the General Meeting or adjourned General Meeting at which the proxy is to be used.

8. The authority of a person signing the form of proxy under a power of attorney or on behalf of a company must be attached to the form of proxy, unless the authority or full power of attorney has already been registered by the Company or the Transfer Secretaries.

9. Where Ordinary Shares are held jointly, all joint Shareholders must sign.

10. A minor must be assisted by his/her guardian, unless relevant documents establishing his/her legal capacity are produced or have been registered by the Company.


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