ENRICHING YOUR BANKING EXPERIENCE

ANNUAL REPORT | 2017

FNB

Welcome

to the FNBB 2017 Annual Report

It gives us great pleasure to present a report that speaks to our continued success, stability and commitment to serving our customers and the community in which we operate.

This Annual Report illustrates how the Bank's continued dedication to customer centricity, innovation and service excellence enriches the customer's banking experience while maintaining the highest standards of corporate governance and capital management. FNBB is a profitable organisation, a sound investment and an exemplary corporate citizen, and will continue to grow in stature as the country's leading Bank.

"How can we help you?" is not a rhetorical question. It is the very essence of why we are here. We will continue to innovate, to excel, and do whatever it takes to deliver on our promise by offering our customers meaningful solutions that fulfil their unique needs.

contents

2017 THEME RATIONALE

THEME RATIONALE

FNBB is continuously
banking experience,
understand banking

EN
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YOUR
BANKING
EXPERIENCE

striving to enrich the customer's and in order to achieve this it needs to from the customer's perspective.

By listening to our customers, and by anticipating their evolving banking needs, we are constantly looking at ways to proactively refine our modus operandi through a combination of innovative products and customer centric service excellence.

The idea behind this theme is to illustrate how the Bank, through its products and services, adds value to customers' lives, thereby enhancing their banking experience. It is an illustration of how the Bank's solutions are tailored to be helpful, convenient, accessible, speedy and to meet the needs of our customers.

The theme celebrates the big and small things that FNBB staff do on a daily basis to make the lives of customers better, bringing the slogan "How can we help you" to life by sharing stories of customer experiences. We are courageous and customer-centric; and we can demonstrate this by showcasing the impact of our innovative solutions to the banking landscape in Botswana.

Rationale for Creative Design

The design of this Annual Report is inspired by our commitment to make the customer's banking experience as seamless and convenient as possible, and to illustrate how our products and services express this promise to our customers. The design celebrates the diverse needs of the different segments of our customer base, and demonstrates how the Bank will continue to enrich the customer experience by removing friction from their lives; helping them to seamlessly connect with our services through all our touchpoints; and by offering appropriate, innovative products that meet all their banking needs.

eBucks
rewards from FNB

..rewarding

our clients for utilising our convenient, electronic channels to transact every day, as they enjoy more of life.

Financial Highlights

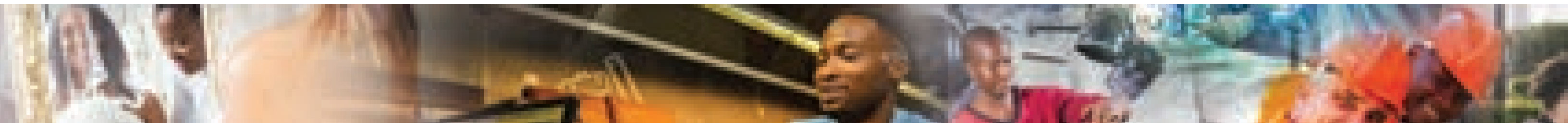
+6%
NON-INTEREST INCOME

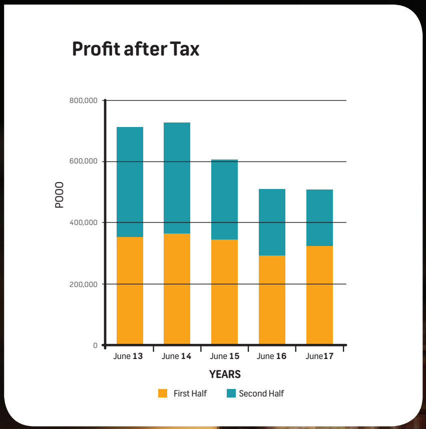
+3%
PROFIT BEFORE TAX

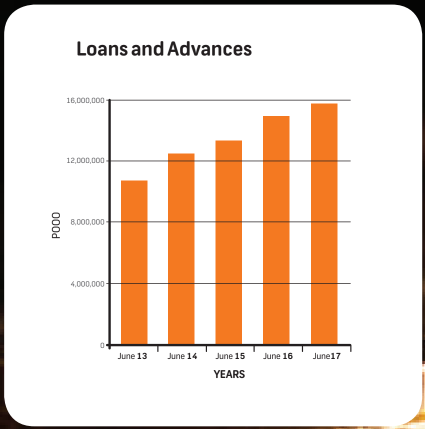
+4%
ADVANCES TO CUSTOMERS

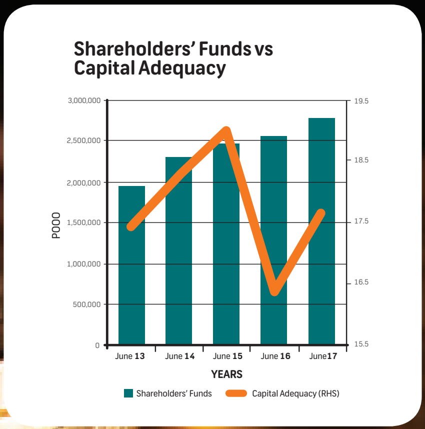
51.4%
COST-TO-INCOME RATIO

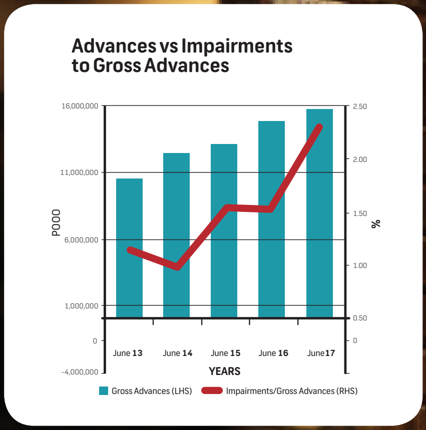
11t
DIVIDEND

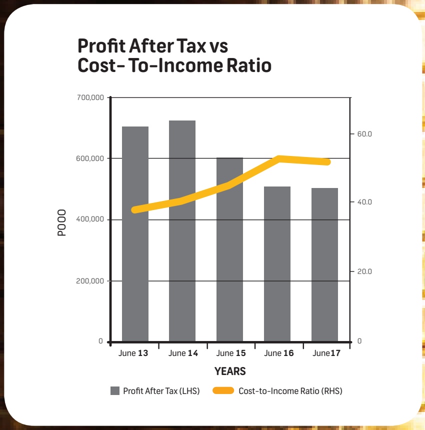


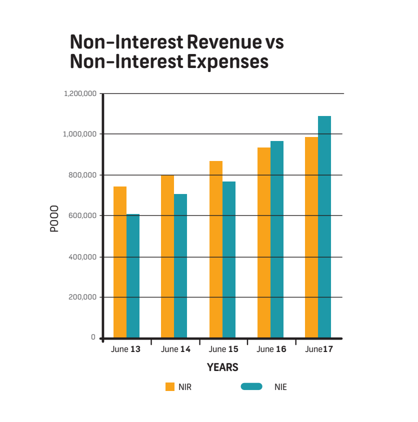

Profit after Tax
800,000
600,000
400,000
200,000
0
P000
June 13
June 14
June 15
June 16
June17
YEARS
First Half
Second Half

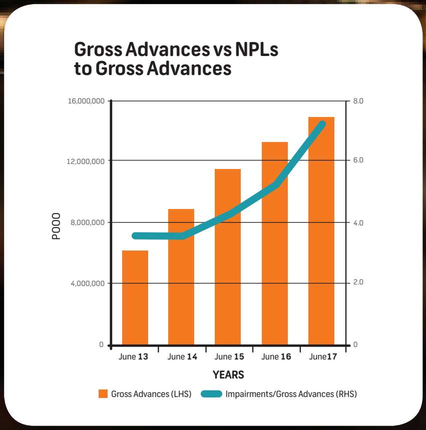

Loans and Advances
16,000,000
12,000,000
8,000,000
4,000,000
0
P000
June 13
June 14
June 15
June 16
June17
YEARS

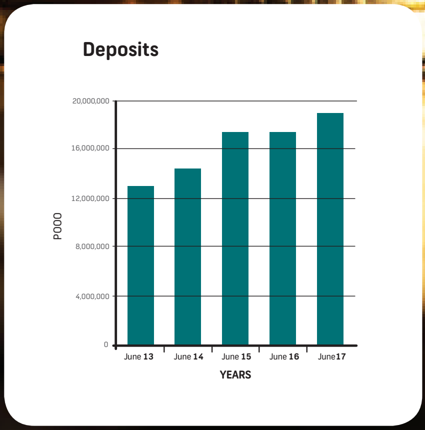

Shareholders' Funds vs
Capital Adequacy
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
P000
19.5
18.5
17.5
16.5
15.5
June 13
June 14
June 15
June 16
June17
YEARS
Shareholders' Funds
Capital Adequacy (RHS)

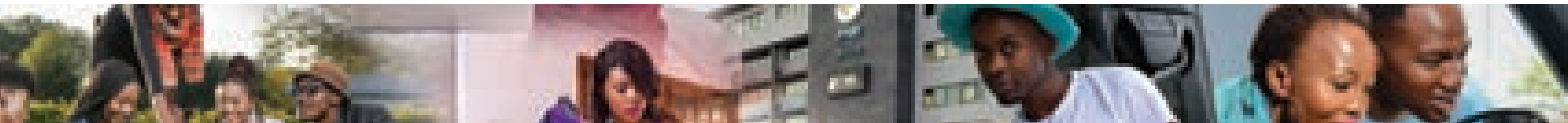

Advances vs Impairments
to Gross Advances
16,000,000
11,000,000
6,000,000
1,000,000
0
-4,000,000
P000
2.50
2.00
1.50
1.00
0.50
0
%
June 13
June 14
June 15
June 16
June17
YEARS
Gross Advances (LHS)
Impairments/Gross Advances (RHS)


Profit After Tax vs
Cost- To-Income Ratio
700,000
600,000
400,000
200,000
0
P000
60.0
40.0
20.0
0
June 13
June 14
June 15
June 16
June17
YEARS
Profit After Tax (LHS)
Cost-to-Income Ratio (RHS)


Non-Interest Revenue vs
Non-Interest Expenses
1,200,000
1,000,000
800,000
600,000
400,000
200,000
0
P000
June 13
June 14
June 15
June 16
June17
YEARS
NIR
NIE


Gross Advances vs NPLs
to Gross Advances
16,000,000
12,000,000
8,000,000
4,000,000
0
P000
8.0
6.0
4.0
2.0
0
June 13
June 14
June 15
June 16
June17
YEARS
Gross Advances (LHS)
Impairments/Gross Advances (RHS)


Deposits
20,000,000
16,000,000
12,000,000
8,000,000
4,000,000
0
P000
June 13
June 14
June 15
June 16
June17
YEARS



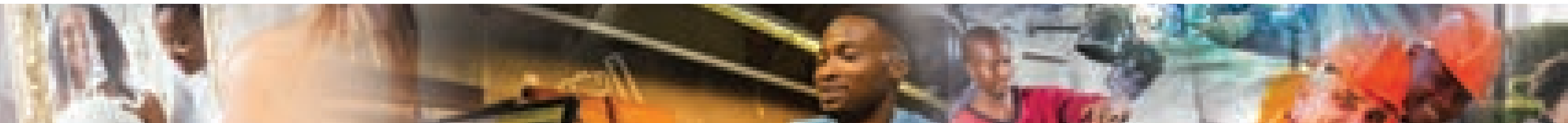
About FNB Botswana

First National Bank Botswana (FNBB) was registered in 1991, as a wholly owned subsidiary of First National Bank Holdings (Botswana).

Various acquisitions led to the Bank becoming a listed entity on the Botswana Stock Exchange in 1993. As at June 2017, 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 P23.6 billion, and the largest advances book – over P15 billion. FNBB has, in its 26 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.

Employing **1269 people**, FNBB services customers across the country through a network of **149 ATMs**, **25 Slimline ATMs, 49 ATMs** with Deposit and **23 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 ATMs with Deposit; 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 (CSR) 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 approximately **P40 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

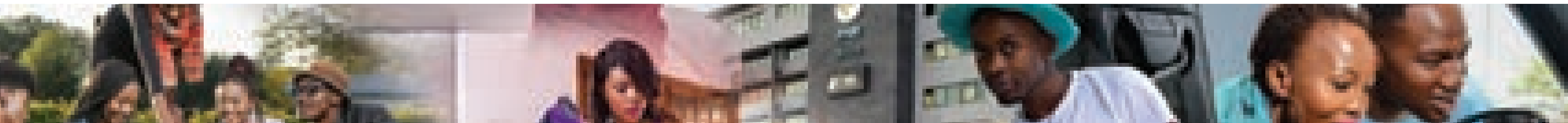
We are a Bank of Excellence with an exceptional team, continually outperforming by offering innovative financial services and solutions. We create sustainable wealth exceeding ALL stakeholders' expectations.

WesBank

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

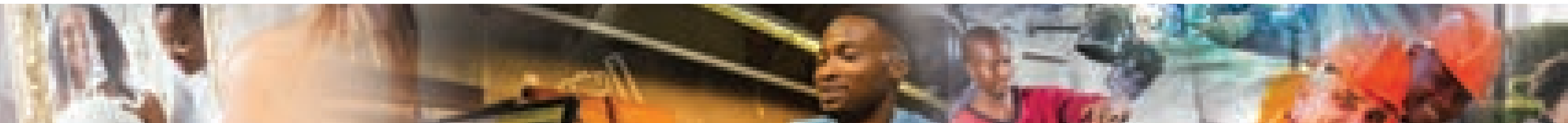
RMB Botswana is a corporate and investment banking division of First National Bank of Botswana Limited. RMB Botswana offers clients access to a comprehensive suite of investment banking products and services, including: advisory; corporate finance; trading solutions; infrastructure and project finance;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



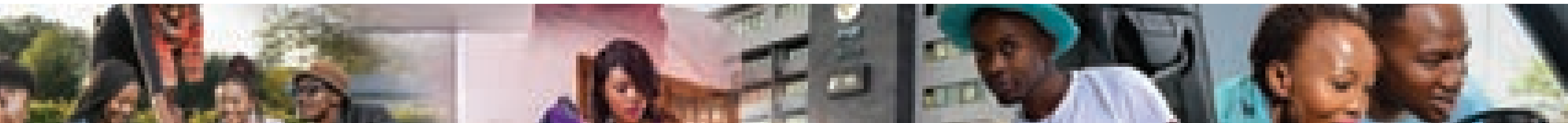
..helping

our clients realise their dreams, especially when our “yes” to an application turns into a blissful “I do” for a happy couple, and leads to a lifetime of joyous family moments.

MESSAGE FROM THE CHAIRMAN



The year under review has been as challenging as the previous year, if not more so, and it is credit to the dedication and support of the directors, management and staff that the Bank continues to play a leading role in the banking industry.



MESSAGE from the Chairman [Cont.]

INTRODUCTION

Our customers' banking experience is enriched by a combination of excellent service rendered consistently through easily accessible electronic, self-service and branch banking channels. Our objective is to provide a functional and satisfying business experience that focuses on the interests of the economy, the welfare of the people and the environment, and which plays a leading role in the country's development.

At FNBB we strive for this through our service offering, together with our support to society as a whole through the FNBB Foundation.

17.67%

CAPITAL ADEQUACY RATIO

Performance

The Bank's earnings performance has been flat in what has been another challenging year, with sluggish economic growth of 0.8%, compounded by the liquidation of BCL mine which had a direct and material effect on the Bank's performance. The impact was not only on general confidence in the economy, but more directly had a severe effect on the downstream businesses and on the lives of the community in Selebi Phikwe and the surrounding region. The directors comprehensively assessed the effect of the BCL liquidation on the Bank, and consider that management handled this difficult process well, and that the strength of the business has been securely maintained.

Our capital management strategies, which are reviewed regularly in detail, factor in severe stress situations, and in this regard the Bank maintains a very strong capital base in order to be able to withstand such shocks in the economy. As directors we are satisfied with our capital management strategies which maintain sound capital ratios specifically to ensure solvency during both calm and turbulent periods in the economy. Reflective of this is our capital adequacy ratio of 17.67%, post dividend, which is well above the Bank of Botswana regulatory requirement of 15%, and which is in turn one of the highest in international terms.

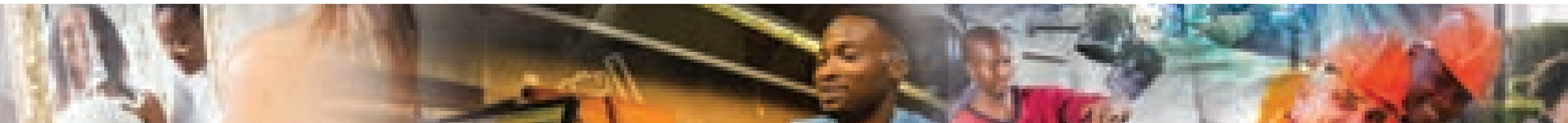
In line with the impact of the market conditions on the Group's profitability and the upcoming implementation of IFRS 9 for the year ending 30 June 2019, the Directors believe that it is appropriate to maintain its prudent approach to capital management.

Products and Service

Within the current environment, management continued to deliver on service, innovation and diversification with a short-term insurance offering and an insurance broking arm. In terms of the more traditional forms of banking service, two new branches in Mogoditshane and Mochudi were opened, together with further investment in Automated Deposit and Teller Machines (ADTs), which were launched in the previous financial year. The added enhancement of the eBucks rewards programme appears to be further improving our customers' banking experience.

People and Systems

It is our systems and efficiencies that will drive success in today's competitive business environment. However, it is our people and the focus on leadership, training and delivering excellent service that is the differentiating factor that will continue to stand us in good stead. Our people strategy is driven by our executive team and the strong leadership culture that has been developed over the past few years. Constantly reviewing the succession planning process is a priority, and cultivates fresh leadership qualities and stability.



Economic Outlook

The outlook for the Botswana economy is one of modest improvement, particularly with the rise in international commodity prices, which are expected to be sustainable over the medium term and, more specifically, the improved global demand for diamonds. All economic indicators are stable with inflation expected to remain within the Bank of Botswana's 3% to 6% range. The Bank Rate of 5.5%, and the possibility of a 25bps cut over the next 6 months, should have a stabilising affect and lead to a steady improvement in sentiment, which in turn should gradually feed positively into the business environment.

Risk and Governance Processes

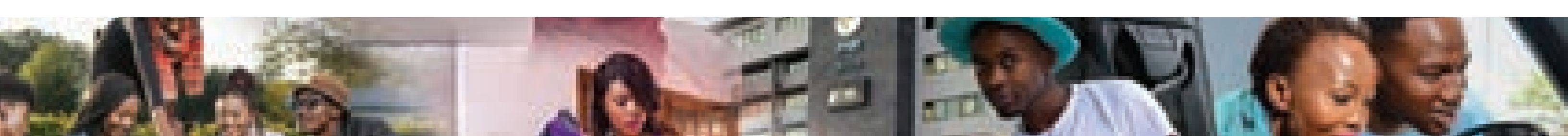
The directors continue to review and monitor the Bank's risk and governance processes within the ever increasing regulatory environment. Know Your Customer (KYC) laws and regulations have an impact on our customers, with the need to ensure that we have on record all the documentation now required by international regulation. As this intensive and costly project concludes over the forthcoming year, both the banking industry and country will satisfy all local and international standards, permitting the banking industry to operate effectively in international markets.

Acknowledgements

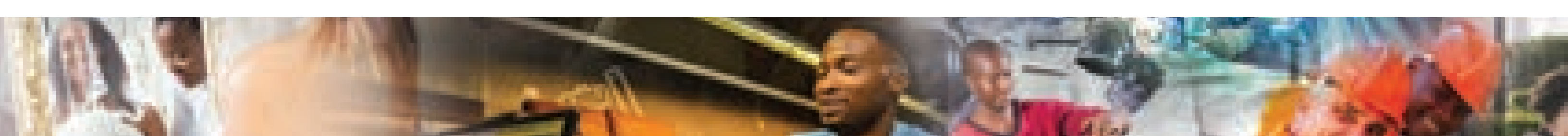
The year under review has been as challenging as the previous year, if not more so, and it is credit to the dedication and support of the directors, management and staff that the Bank continues to play a leading role in the banking industry. I wish to thank them all for their support and look forward to their hard work over the past year bearing fruit.

Our customers are the lifeblood of our business, and with their support as well as the support of our shareholders, the Bank is well positioned to leverage off new business opportunities in a more positive environment in the year ahead, and we trust that the coming year will be rewarding for all our stakeholders.

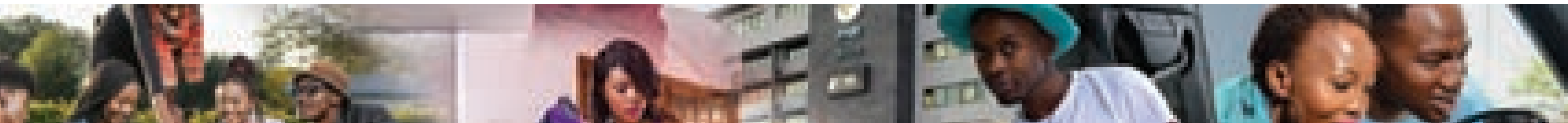
John Kienzley Macaskill
Chairman



CHIEF EXECUTIVE OFFICER'S REPORT




We continue to innovate and avail new channels such as our enhanced call centre services and broadened e-solutions, illustrating our commitment to enriching the customer experience.



CHIEF EXECUTIVE OFFICER'S Report [Cont.]

FINANCIAL PERFORMANCE

It has been a challenging year for First National Bank of Botswana, and the tough trading conditions were exacerbated by the closure of major mines and associated business failures which placed a large number of consumers under considerable pressure and negatively impacted their disposable incomes.

The consequence to the Bank was a sharp increase in nonperforming loans (NPLs), particularly in the Retail consumer segment, which rose to unprecedented levels. Downstream businesses in the transport, hospitality, accommodation and associated service industries that supported the mines were likewise severely impacted, affecting the Business segment's performance. Employees of theses support industries were in turn impacted, compounding the knock-on effect on the Bank's overall performance.

An Uncertain Global Outlook

The global economy has been somewhat stagnant during the year, with uncertainties on many fronts. The US economy has not performed as well as expected in the wake of the new administration's failure to deliver on key election promises that were to rejuvenate the American economy, and while there have been some minor improvements, these have not yet gained the anticipated momentum. Brexit, with its many unresolved issues, has also had a negative impact on the world economy as countries wait to see the shape of a post-Brexit Europe and whether, and on what terms, the UK will re-invent itself as an independent economy. China's reduction in infrastructure spending impacted commodity demand and this resulted in a price collapse.

The political and economic landscape in South Africa is having a negative effect on the rand-pula exchange rate and the downturn in that country has had an adverse impact on the local market.

A Slow Recovery at Home

The local economy presents a somewhat mixed picture, with some positive developments offset against a number of challenges. Business confidence showed an improvement in the first half of 2017 and there has been some recovery in the commodity space. There was no growth in diamond production, but diamond sales, which are mostly exports, were significantly higher than in the previous year. These developments had only a slight impact on the capital intensive local economy and did not translate into short-term employment growth.

On the negative side, mining revenues which feed into government coffers were stable or declining during the year, resulting in small businesses not being paid on time; and this had a knock-on effect on the cash flows of most of their downstream clients. The negative impact of the closure of the BCL and Letlhakane mines is likely to be aggravated by looming retrenchments recently announced by some organisations.

Liquidity

The liquidity situation in the market remained stable and appears to have recovered from the considerable pressure it experienced during the liquidity crisis of late 2014.

Risks

As alluded to earlier, increasing impairments constitute the most significant risk the Bank is facing. Impairments have grown exponentially during the year under review, owing to the increased pressure on the consumer, and this has particularly affected the Retail and lower end Business segments.

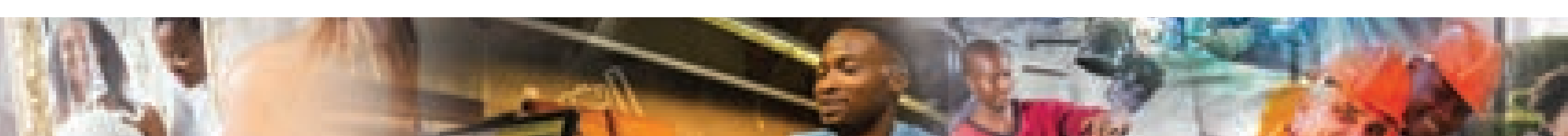
Inflation

Annual inflation in June 2017 was 3.5%, 0.5% above the lower limit of the Bank of Botswana's target 3% to 6% range. Inflation is expected to gradually increase in the second half of 2017 before falling back towards 3% in the first half of next year.

There were no interest rate adjustments during the financial year.

Performance

Overall performance was relatively flat, with profit before tax increasing by 3% to P680.3 million and profit after tax marginally down on the previous year at P500.5 million. The balance sheet grew by 8% with 4% increase in net advances. Leadership renewal and the Bank's Productivity Project led to increased employee benefit costs which rose



by 17% to P514.8 million. Continued investment in infrastructure, including the opening of two new branches, also impacted on costs.

Credit Extension

Market credit extension grew 4% year on year. Growth in advances to businesses remained flat at 1%, a slight improvement on the 0.2% decline recorded in the previous year. This is a welcome development as the pendulum has swung from the consumer to the business segment. Consumer segment credit extension declined from 13% to 7% during the financial year, reflecting the pressure that the consumer is under at the moment. The decrease in household credit extension illustrates slower growth across all the main loan categories. There is continued pressure in the property finance space, particularly for properties above P2 million, while the value and rental prospects of properties below P1.5 million have remained resilient.

The Regulatory Environment

The heightened regulatory environment, which has resulted in the need for increased anti-money laundering (AML) awareness, has guided the Bank's efforts to meet the Know your Customer (KYC) requirements as stipulated by the Bank of Botswana, the South African Reserve Bank and the Financial Intelligence Agency (FIA). I acknowledge that the KYC process has been arduous and sometimes inconvenient for our customers and would like to take this opportunity to thank them for their patience and endurance. With the KYC process nearing completion and staff able to resume their core duties, customers can expect a return to service excellence.

Our Customers

FNBB's underpinning strategy is Customer Centricity; placing the customer at the centre of everything we do. We continue to innovate and avail new channels such as our enhanced call centre services and broadened e-solutions, illustrating our commitment to enriching the customer experience.

Our People

The Bank continues to invest heavily in staff training, ensuring that it has both the critical skills and succession capacity to maintain its best bank status. During the year, FNBB started a new international secondment and attachment programme that places top performers from various universities to undergo a year's rigorous training within the Group in South Africa, after which they are redeployed to Botswana. The Bank also awarded five full employee scholarships to ensure the development of the high-level skillsets essential for Botswana.

At any one time a number of our employees are on attachment at various divisions within the Group in South Africa for periods of between six months and two years.

Looking Ahead

Indications are that the diamond industry is recovering, and the tourism and agricultural sectors are performing well. We expect the economy to start showing positive signs of recovery in the short- to medium-term and are encouraged that the Bank of Botswana perception index indicates that the business community is buoyant about future prospects for the country. The improvement to business credit extension is further evidence that the economy is on the road to recovery, and we believe that we can confidently look forward to a better 2018.

Acknowledgements

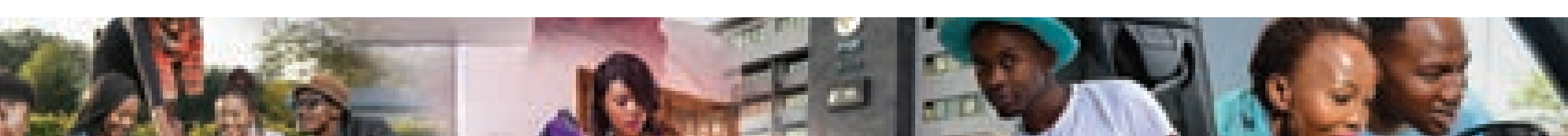
I extend our gratitude to all those colleagues who have left the Bank after many years of dedicated service. Their contributions, as Executive Committee members, managers and employees of all levels have made FNBB the great bank it is today.

To the current staff I say thank you for a year of continued commitment, hard work and dedication to serving our customers. I thank the Chairman, the Board of Directors and the executive management team for their diligence and support.

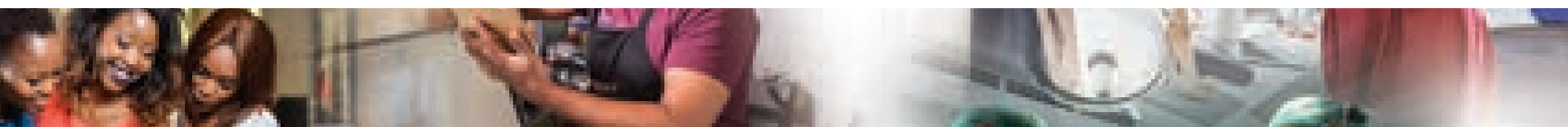
As mentioned earlier, special appreciation is due to our customers for bearing with us through the onerous KYC process, which has been an unqualified success, thanks to your cooperation. We appreciate your custom and continued loyalty through the difficult economic circumstances we have experienced.

Finally I would like to thank you, the shareholders, for your continued confidence in FNBB. I am confident that the Bank will continue to lead the industry and provide you with a reliable and profitable return on your investment. We will endeavour to protect your best interests at all times.

Steven Lefentse Bogatsu
Chief Executive Officer



CHIEF FINANCIAL OFFICER'S REPORT




Our strategy of helping our customers reduce their banking costs showed success, as we encouraged migration to lower-priced electronic channels

CHIEF FINANCIAL OFFICER'S Report [Cont.]

FINANCIAL PERFORMANCE

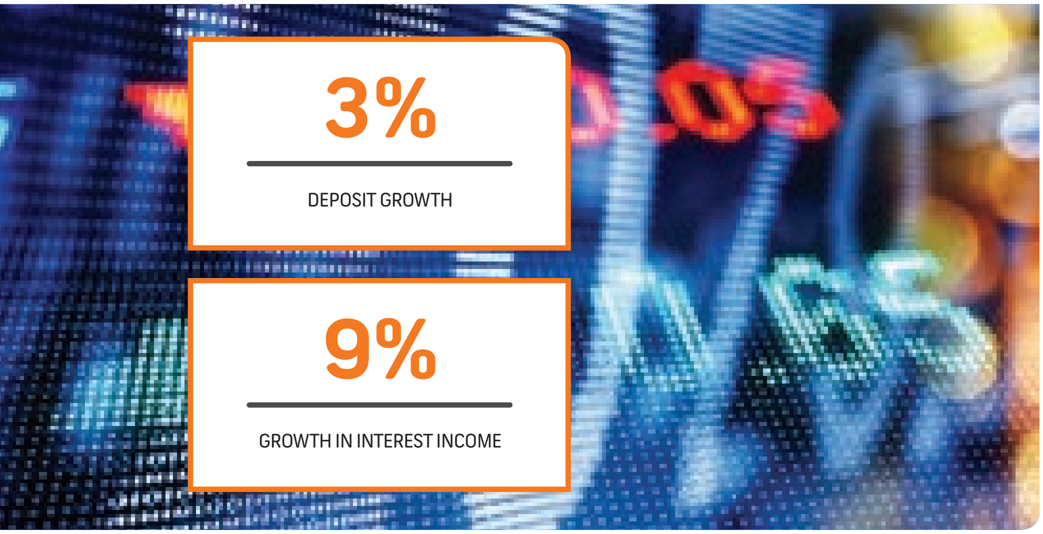
With a total statement of financial position of P24 billion, representing an 8% growth year-on-year, the Bank has maintained its market share of just over 30%. The structure of the balance sheet continues to be an area of specific focus. Despite a more cautious risk appetite, total advances grew by 4% year-on-year, outpacing market credit growth of 2%.

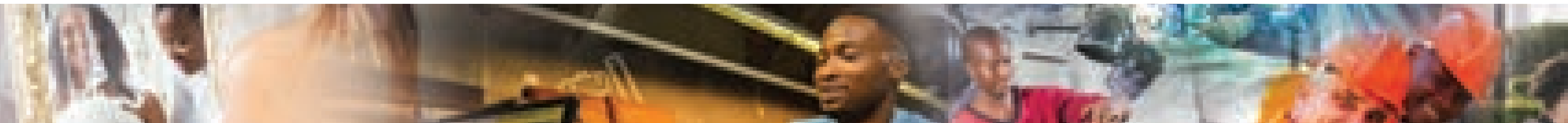
At the back of this, deposit growth was at 3% emanating predominantly from good growth in short-term funding over the year with current and call accounts posting growth of 28% and 9% respectively as well as the improvement in the market liquidity over the period leading to a decline of 27% in interest expense. The Bank also continued with efforts to improve and lengthen the tenure of its book, which will see the Bank enjoy benefits under the Basel III framework, which requires enhanced capital and liquidity requirements to ensure long term funding sustainability.

The growth in total advances emanated mainly from Retail term loans, but with mild growth also posted in the WesBank book. This, plus repricing of new business to align with risk resulted in growth in interest income of 9%. RMB and FNB Business segment posted regressions in their respective books, attributable to the market conditions and, specifically, muted demand in business credit. The latter situation has, however, shown recent indications of improvement in line with improved business confidence.

Avenues to invest excess funds improved with increases in the investment securities availed by the central bank over the year. The Bank also took advantage of investment vehicles available offshore. As a consequence, and following the Bank's initiative to improve efficiencies, investment securities posted good growth of 35% which contributed to the growth in gross interest income, whilst non-interest bearing assets in the form of cash grew by 20%.

Despite a more selective and cautious approach to lending risk, the Bank experienced increased impairments, attributable predominantly to the liquidation of the BCL mining group. This increased the impairment charge to levels of 2.3% of gross advances, which is still considered reasonable. Looking ahead, the Bank has been prudent around its property portfolio where additional provisions have been taken to cater for the ailing property values. Additionally, a proactive approach has been and will continue to be adopted in respect of provisioning against the effects of possible economic strain.





The Bank continued to listen to its customers and responded with loyalty programmes as well as packaged relevant offerings to meet lifestyle needs. E-Bucks, which was launched towards the end of the previous financial year, performed well during the year and customers were rewarded for using the efficient channels of banking. The launch of the Gold campaign in conjunction with a customer-upgrade campaign, was also well received by our customers. Our strategy of helping our customers reduce their banking costs showed success, as we encouraged migration to lower-priced electronic channels. Although this led to non-interest income growth of only 6%, there will be a growing recognition of these benefits by customers.

Continual reinvestment and innovation are crucial components in the Bank ensuring long-term sustainability. Automated Deposit Taking Machines (ADTs) as well as Automated Teller Machines (ATMs) were both revamped and increased in numbers. In addition, two new branches were opened in Mogoditshane and Mochudi. Investment was also committed for the purpose of ensuring compliance with the rapid increase in regulation within the banking environment. Know Your Customer (KYC) as well as Anti-Money Laundering (AML) regulations have in particular required priority resourcing, much of which will be temporary in nature. The Bank also undertook a productivity exercise aimed at streamlining its processes in order to attain efficiencies which ultimately will lead to improved service levels. These planned strategic initiatives led to operating costs growing at 8%.

Also indicative of the Bank's focus on sustainability, and in recognition of the mature state of the business, a leadership renewal was undertaken which is aimed at refreshing the executive team but which led to one-off costs. Investment in temporary staff for the regulatory KYC project, also affected our cost base, much of which is incurred on a project basis and is not expected to recur after 2018. With the increasing amount of regulation, the permanent resourcing of Risk and Compliance structures has been necessary in order to meet the governance requirements. Consequently, employee benefit costs grew by 17% from the corresponding period.

Profit before tax grew by 3% year-on-year. Return on equity ended the year at 18.9% (20.2% in 2016), which is above the Bank's internal hurdles and considered reasonable in relation to the market. The lower return on equity is largely due to the increase in retained income which has resulted in higher capital balances.

The Directors believe it is prudent to hold higher levels of capital to cater for the slow economic growth and in anticipation of the introduction of IFRS 9. This new standard, which is to be fully implemented for the year ending 30 June 2019 and requires opening retained earnings to be adjusted as at 1 July 2018, is expected to have a significant impact on the timing and recognition of losses on credit assets based on additional governance processes around forward looking macro-economic information.

Capital Management

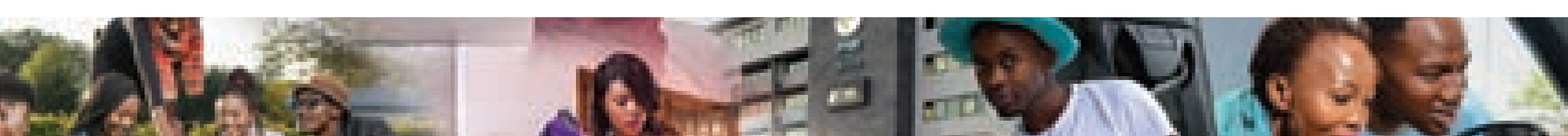
The Group's objectives when managing capital, which is a broader concept than "equity" as shown on the statement of financial position, are to comply with the Bank of Botswana, to safeguard shareholders' returns, maintain the ability to continue as a going concern and to ensure the Bank has a strong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

The Bank seeks to establish and manage a portfolio of businesses and associated risks that will deliver sustainable returns to its shareholders within appropriate levels of earnings volatility.

The regulatory capital requirements are strictly observed when managing economic capital.

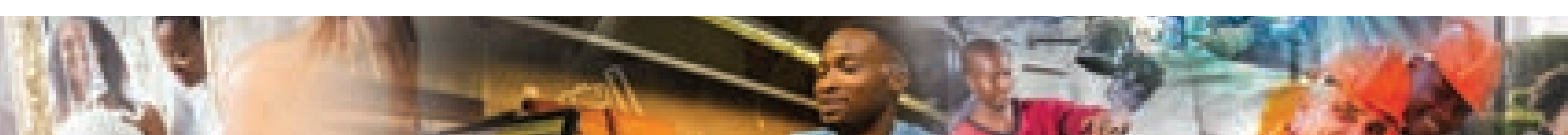
Makgau

Makgau Dibakwane
Chief Financial Officer

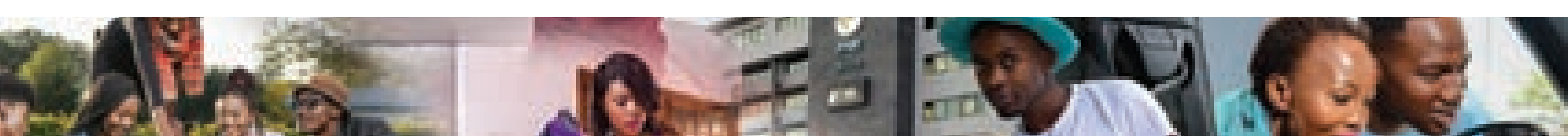


EXECUTIVE COMMITTEE

STEVEN LEFENTSE BOGATSU
CHIEF EXECUTIVE OFFICER



(1) **Makgau Dibakwane:** Chief Financial Officer (2) **Gaone Macholo:** Director - Human Resources (3) **Boiki Tema:** Director - Coverage, RMB Botswana (4) **Boitumelo Mogopa:** Director - Retail (5) **Richard Wright:** Director - Credit (6) **Kgopodiso Justine Basiami:** Director - Wesbank (7) **Lesego Thupayagale:** Chief Risk Officer (8) **Ngoni Chikore:** Chief Information Officer (9) **Obonye Malope:** Director - Marketing & Communications (10) **Ediretse Ramahobo:** Chief Operations Officer (11) **Ogone Madisa-Kgwarae:** Director - FNB Business (12) **Lorato Chana Sekgororoane:** Director - Channels (13) **Olebile Makhupe:** Treasurer (14) **Pauline Motswagae:** Director - RMB Botswana



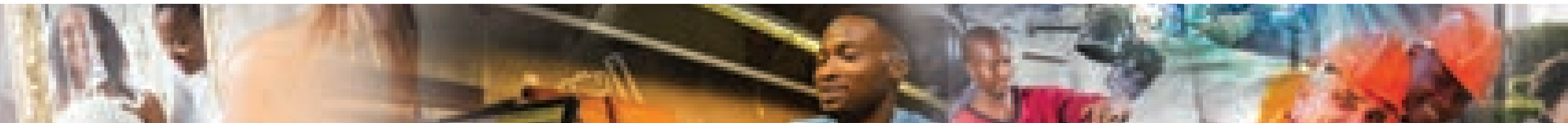
..protecting

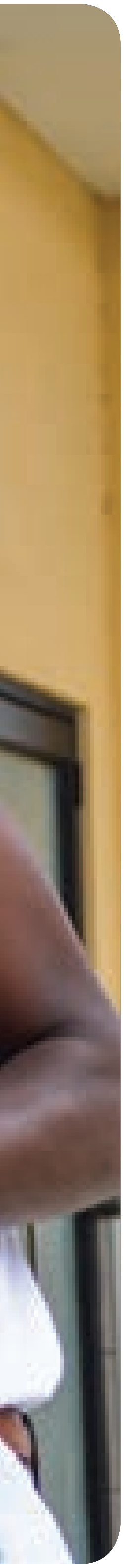
our customer's hard earned income, big or small, with easy and affordable insurance solutions that are available from any FNB branch.

RETAIL REPORT

Summary of Key Points

28% OF ADVANCES MARKET SHARE	**27%** OF DEPOSITS MARKET SHARE	**2%** GROWTH IN CUSTOMER BASE
12% GROWTH IN NON-INTEREST INCOME	**19%** 18% INCREASE IN ADVANCES	**6%** DECLINE IN DEPOSITS





INTRODUCTION

The Retail Segment is responsible for driving the Bank's strategy and delivering banking, insurance, wealth and advisory solutions to individual customers. By striving to understand customers' requirements, the Segment seeks to design value propositions that fit their needs and meet or exceed their expectations. These solutions are delivered through our various touch-points: the branches; the contact centre; self-service channels such as ATMs and deposit taking machines; as well as our digital channels – online banking, cell phone banking and the FNB App.

The Bank's support functions, such as the Risk, Human Resources, Finance, Marketing and Operations divisions enable the Retail Segment to provide solutions and value-adds that fulfil our customers' needs.

Transactional products include cheque accounts that come with internationally accepted visa chip and pin debit cards. Clients can choose from a variety of investment solutions, such as our Flexi Fixed account, 7 days' notice account, fixed deposits with varying terms, as well as savings products such as Future Save and Poloko. Customers' borrowing needs are fulfilled by a variety of solutions ranging from short-term products such as overdrafts and credit cards, to longer-term personal and home loans, while our customers insurance needs are met by credit life products and the Moemedi funeral policy.

Our Private and Premier Clients have access to a suite of more sophisticated investment and fiduciary solutions designed to grow and protect their wealth. A number of key developments occurred during the year:

Premium Suites and Service Suites

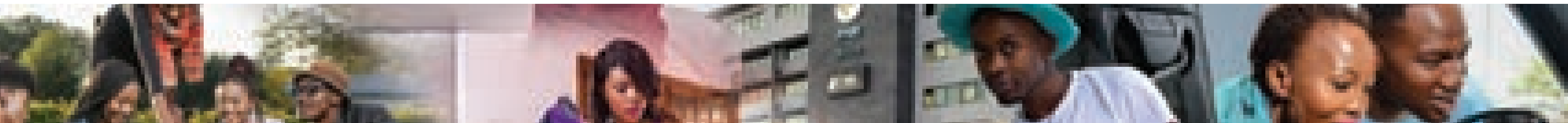
The Retail Segment currently boasts a total of six suites at select branches countrywide, with the goal of providing convenient, exclusive banking for Premier and Private banking customers. Premium suites are currently located in the Industrial, Kgale, Maun, Francistown, Orapa and First Place branches. To increase alternative channels of service for Premier and Private banking customers, a Premium Service Suite in the form of a dedicated contact centre has been introduced for Premium customers where they are able to perform transfers, loan applications, eWallet services, Foreign Currency Account (FCA) transactions and forex transfers; as well as make statement requests and receive responses to a variety of queries.

Wealth Advisory Desk

By definition, wealth management is a blend of expert financial services solutions incorporating financial, retirement, risk and estate planning, legal and tax advice, with the goal of growing and sustaining long term wealth. The FNB Wealth Advisory Desk offers the full suite of wealth management services to Premium clients. In collaboration with FNB Insurance Brokers, which hosts our wealth management division, the advisory desk is able to unlock the individual risk potential that lies in the market, and help shape the business into a true 'next best thing' outside the conventional banking or insurance industry landscape.

eBucks and Rewards

Our rewards initiatives come from our customers' responses to the question "How do you want to be rewarded by your Bank?" The Segment has introduced two programmes to address customer expectations regarding this question. The first is our eBucks Rewards Programme that gives customers up to 15% back in eBucks on their prepaid airtime and qualifying electricity and credit card spend. The second initiative is the discounts we have negotiated through our Lifestyle Rewards Partnership programme, with instant discounts - in some cases up to 35% - available to our customers when using an FNB debit or credit card at participating merchant stores.



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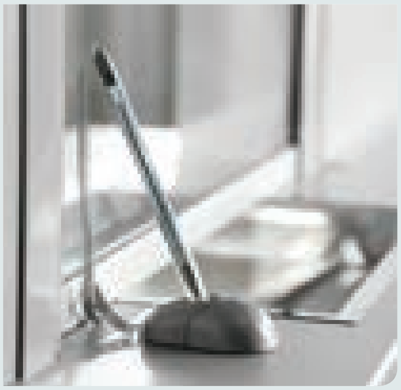


Insurance

By embedding our credit life product within our loans, we not only strive to minimise the Bank's risks in a customer's inability to cover their loan commitments, but more importantly, the undesirable instance where family members are called upon to service a late loved one's commitments. By embedding the credit life product within the loan, we have made the branch a "one-stop-shop" for all of a client's financial service needs, while making the loan application process much more streamlined and customer friendly. The Moemedi funeral Insurance product has now been running for more than a year, augmenting the one-stop-shop convenience.

Enriching the Banking Experience

During the year the Segment continued to refine its offering in response to market research findings that allow us to acquire deeper insights into customer expectations and behaviour drivers, enabling us to target the various customer segments - Private Clients, Premier, and the Smart & Gold with clearly defined strategies. In this way we are able to ensure that every client has the right solutions and service models to suit their individual requirements.

Clients clearly articulated their preference for a bank that will provide innovative, affordable banking solutions that are relevant to their lifestyle needs.

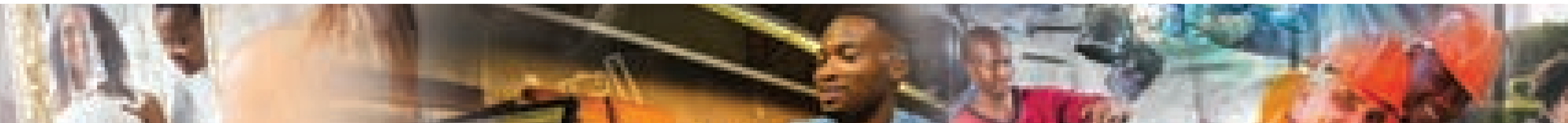
Product Access and Convenience

The most critical element of access to funding is the turnaround time on loan applications. This year, the Retail Segment has successfully re-engineered the home loan and personal loan application processes, with turnaround times reduced to six days and 24 hours respectively. Our ATM's with deposit have also been well received by our customers, and for the first time since the devices were introduced, the inherent convenience of the ATM's has resulted in more deposits being made at ATM's than at the branches.

Our new branches in Mochudi and Mogoditshane have brought FNB banking services closer to our customers in the Kgatleng and Kweneng districts. The opening of the Mochudi branch marks the first time FNB has opened its doors to customers in the Kgatleng district while Mogoditshane serves as the second branch to help service an ever growing client base in Kweneng.

The much older Mahalapye and Industrial branches were in need of a face lift this year, and the results were well received by our customers. In addition to providing more service space, the branches now boast modern digital zones to help drive the bank's digital strategy.

Our new products and product enhancements are at the forefront of the reason why the Bank was awarded the accolade of Best Bank in Botswana by Euromoney in May 2017. Some of these are outlined below:



- **105% mortgage financing** has been introduced to help first time home buyers finance up to 100% of the purchase price of their home of choice, plus provide an additional 5% to help cover their legal fees.
- **Channel Island:** an investment solution for Premium clients who want to diversify into investing offshore.
- **eBucks rewards:** the first comprehensive rewards programme offered by a bank in Botswana for debit card holders.
- **Lifestyle discount rewards:** where customers can receive up to 35% off the purchase of products and services at participating merchant partners when using their FNB card.

Our digital platforms continue to be the driving force for innovation and change at FNB, and with innovations such as cardless withdrawal on our FNB banking APP, increasing the limit on our hugely popular eWallet platform to P5,000 to provide even more utility and convenience for our customers on this platform, we continue to enhance our customers' banking experience. We are proud to have acquired online Visa transaction verification which is now available on our debit cards for secure online purchasing.

The Retail Market

The 2017 financial year saw a difficult operating environment for most companies in the Botswana market. The banking sector was particularly challenged, facing all the hallmarks of a tough economy; eroding purchasing power of the consumer (in terms of wages vs. inflation), increasing levels of indebtedness and increased income inequality. Retrenchments increased across both the public and private sectors leaving the market to carry significant non-performing loans.

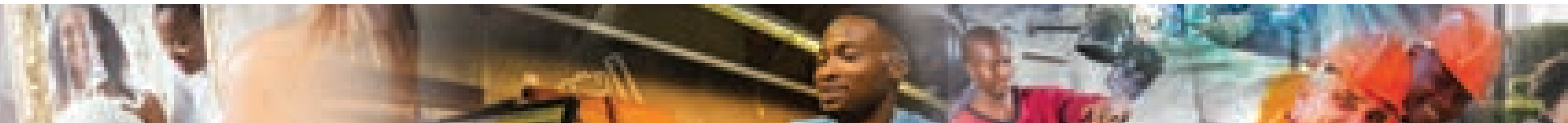
Segment Performance

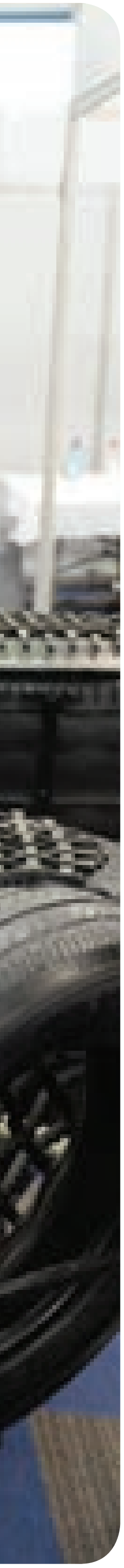
The Retail Segment performed particularly well given the difficult trading environment. The key drivers of performance were a 2% year-on-year increase in customer base, an 19% increase in advances driven by our Schemes and First Funding business, a 12% growth in Non-Interest Income and a 24% year-on-year increase in profit before tax (PBT). While our deposits showed a decline of 6% from the previous year, these were largely due to a decrease in foreign currency deposit balances.

Future Outlook

Going forward, the Bank is keen to extend its service offerings to more Batswana in districts that have not been sufficiently supported in the past. One example is the new outlet in Orapa, another is extending comprehensive banking services to new, younger markets that have historically been underserviced. With our new rewards programmes, we believe we will help drive a deeper relationship with our customers by giving back to them the more they bank with us. This approach, coupled with our improved focus on faster more efficient service delivery - led by our digital platforms that help customers help themselves, will enable us to afford all our customers a world-class, seamless and efficient banking experience from the comfort of their own homes or while they are on the go.

BUSINESS REPORT





INTRODUCTION

The Business Segment comprises the Business Banking, Commercial, Local Corporate and Public Sector sub-segments. The segment also hosts three product houses; Agriculture, Commercial Property Finance and Islamic Banking. The segmentation model has enabled the Business Segment to develop a sub-segment specific and client centric strategy to enhance customer service and improve turnaround times through enhanced process efficiencies.

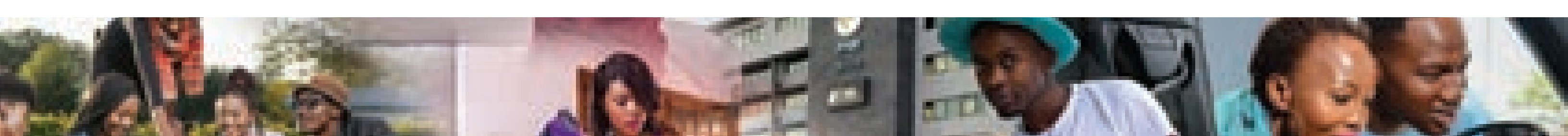
The Business Segment has consistently led the market in service and innovation, steadily enhancing its understanding of its customers' needs and responding with customer focussed solutions.

The Business Banking Sub-segment: This sub-segment looks after emerging, small to medium businesses by categorising them according to their needs and turnover. This segmentation has ended the practice of smaller businesses operating through personal accounts and introduced dedicated business bankers to attend to micro, small and medium business clients. Through constant innovation and an improved understanding of customer's needs and expectations, and the creation of appropriate solutions, Business Banking clients are assured continual enhancement of their banking experience.

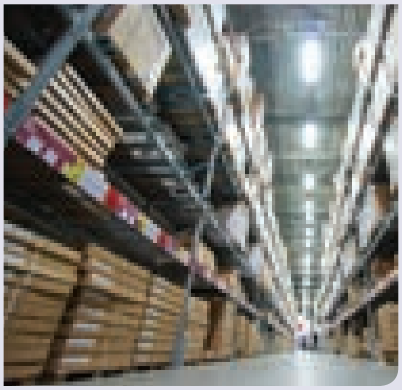
The Commercial Sub-segment: The Commercial Sub-segment serves companies in their growth phase, offering a range of industry-specific e-solutions such as the Transact Account and Purchase Order Financing. Today's commercial customers are looked after by dedicated relationship managers, each of whom take care of a small number of customers, allowing them to focus on clients' unique service needs and ensuring that they experience seamless, hassle-free, personalised service.

Local Corporates Sub-segment: This segment consists of clients that have complex needs and require specialised banking solutions. In order to fittingly service these clients, they have been categorised into distinct sectors, each with a dedicated relationship manager and service consultant. This service model assists the corporate customer to understand banking better, while at the same time allowing the Bank to cater proactively for evolving customer needs. The continual refinement of online banking platforms and the introduction of new features such as online FOREX, has provided both cost reductions and an enhanced banking experience for customers.

Public Sector Sub-segment: In 2005 the Bank created a dedicated segment to cater to the needs of public sector customers with a specific focus on public sector banking requirements. The Bank's Public Sector Sub-segment understands the unique challenges of this sector and by harnessing the power of technology the Bank is able to provide tailor made solutions to facilitate a more efficient model of doing business. The Bank leverages on partnerships with public sector entities such as the Public Procurement Asset Disposal Board (PPADB), enabling customers to pay for services at their convenience, and simplifying reconciliation for the service providers.



BUSINESS Report [Cont.]



Enriching the Banking Experience

In our continuing efforts to enrich the customer experience, we introduced an automated credit application system for business banking clients which allows for automated scoring of customers' credit applications based on the behaviour of their transactional account. The system has improved turnaround times and introduced another level of convenience for the client.

Business banking customers can now obtain personalised service at new service suites at four hotspot branches: Maun, Francistown, Kgale and First Place. The introduction of the Siebel Client Relationship Management (CRM) tool enables comprehensive monitoring of client queries and assists the corporate service consultants to manage queries effectively. The introduction of the CRM tool has resulted in significantly improved turnaround times in query resolution, thereby enhancing customer satisfaction. During the year, our account opening processes were reviewed, with all necessary forms consolidated into a convenient single pack, simplifying the application process and providing our sales team a platform from which to cross-sell other products.

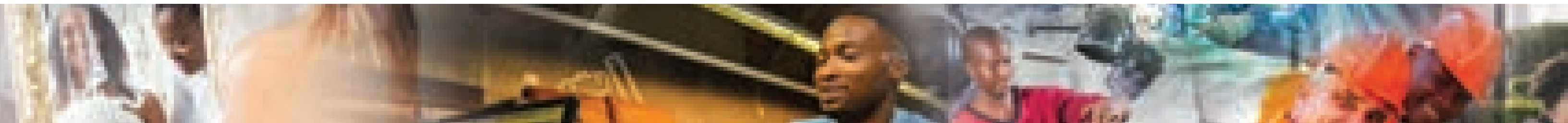
Market Overview

The 2016-2017 year proved to be challenging, with the mining sector and the many businesses that support this industry under particular pressure. Knock-on effects of the BCL and other mine closures had a wide-reaching impact on the Segment, with business credit extension on the decline. However, the last quarter of the year saw an improvement, indicating that businesses are finding investment opportunities across the market. The year saw the larger corporates continuing to taper down their investment and capital expenditure. The property market remained subdued and there has been no significant growth in the asset space.

The SMME sector continued to show increased activity and an encouraging growth in customer numbers.

Achievements 2016-2017

During the year the Segment focused on implementing our core strategy of enhancing client on-boarding and banking the client right. In terms of our refined service model we have continued to increase our channels and a new contact centre was launched to cater for the micro business clients, while additional Business Suites were introduced to enhance our customers' experience within the branches.



Progress was made in optimising business outbound sales through driving e-channel migration, and turnaround times and efficiencies have been enhanced through innovations such as the automation of credit applications.

The Segment continued to focus on developing unique value propositions to grow revenue through customer acquisition and retention. During the year under review, the Segment saw its customer base grow by 16% with a double digit increase in Online Banking Enterprise revenue of 19%. The year also saw the launch of the Business Flexi Fixed deposit product for business clients, increased debit card penetration and the successful launch of OBE on smart devices.

Opportunities

The Segment will aim to increase its share of wallet in the Public Sector sub-segment by leveraging on the payment gateway and Point of Sales provision at the Government revenue offices. Rollout of the automated Credit Application System by the Commercial and Corporate sub-segments for lower overdraft limits and loan amounts will dramatically improve response times and customer convenience. We believe that utilisation of the CRM tool across the Segment will not only shorten client query turnaround times, but also reduce the overall number of client queries.

Challenges

Generic customer solutions require refinement to cater directly to the needs of customers, and the Segment is developing its value propositions and establishing the business transactional product continuum in order to streamline the client's entire banking experience.

In our ongoing endeavour to enhance customer satisfaction, we believe that the rollout and optimisation of the credit application system will have a measurable positive impact going forward, particularly with regard to turnaround times. The branch service model will continue to be refined to enhance the clients' in-person banking experience, and optimisation of the new account opening process will further improve turnaround times. Within the service suites, operations and service functions have been separated so as to optimise responsiveness to specific client queries or requirements.

In difficult economic times, maintaining asset quality becomes increasingly challenging. The Segment has therefore developed a collection strategy to improve on recoveries and minimise impairments.

The Road Ahead

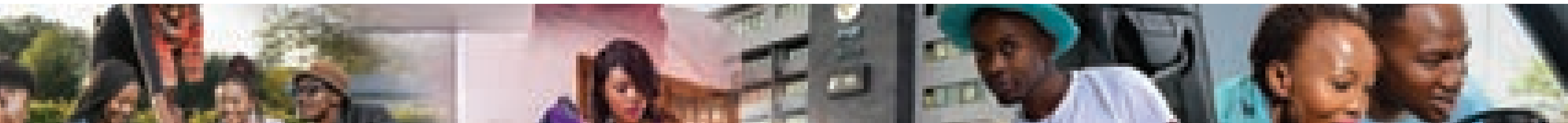
The Bank's e-Migration agenda remains a core focus for the Segment; and optimising the advantages of enhanced integration with clients' systems to improve efficiencies around payment collection and reconciliation will assist in driving the e-Migration strategy.

Business outbound sales are set to commence with the aim of attaining fulfilment through cross-selling products so as to maximise product penetration per client.

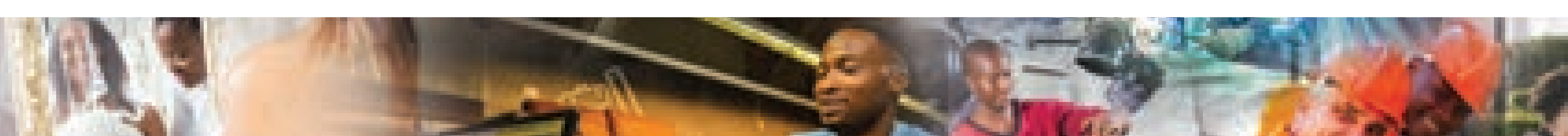
In order to optimise customer retention going forward, the Business Segment is developing sub-segment specific value propositions tailored to fulfil client requirements on a sector-by-sector basis as identified through comprehensive market research.

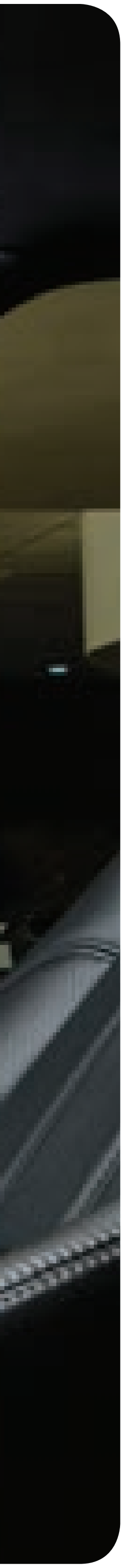
In an effort to increase our bouquet of products we intend to shortly launch Cellphone Banking for Business, a product that will also assist in driving the e-Migration agenda. The launch of Mogwebi Insurance for Business Banking will be an important value add for the Segment.

We will strive to optimise utilisation of the automated credit application system to further improve turnaround times for increased customer convenience.



WESBANK REPORT





INTRODUCTION

WesBank - a division of First National Bank Botswana Limited - aspires to be the country's number one solution provider for 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).

In partnership with various motor dealers and equipment suppliers, WesBank provides a wide range of customer focused vehicle and asset finance solutions. This partnership strategy is central to WesBank's operations as the business works very closely with its partners to offer tailor-made and affordable solutions that meet customers' unique vehicle and asset finance needs.

WesBank's product offering includes vehicle and asset finance solutions for both local and imported assets. Solutions range from instalment sale to finance leases and rental solutions. Structured deals with no deposit and deals with residual values to accommodate the customer`s cash flow requirements are additional benefits offered. The segment's target market ranges from private individuals to businesses in all sectors of the economy.

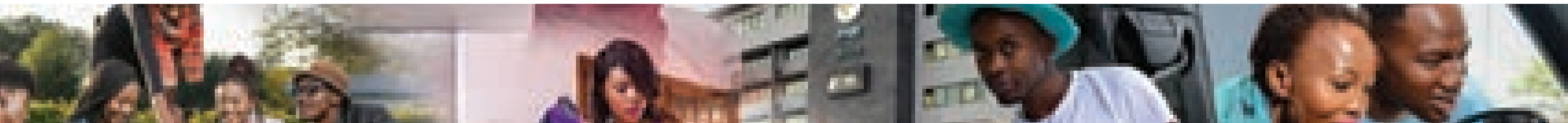
WesBank operates countrywide to finance a customer's choice of vehicle or asset from approved dealerships or equipments suppliers as well as private to private purchases and is represented in Gaborone, Francistown, Maun, Selebi Phikwe and FNBB branches. WesBank's main sales channels are point of sale at the dealerships, dealerships, walk-in clients at FNBB branches, leads from RMB and equipment suppliers. The nationwide FNBB footprint assists WesBank to offer its superior value proposition to its broad client base.

The segment is split between the Retail sub-segment which serves individuals and the Business sub-segment which takes care of all businesses.

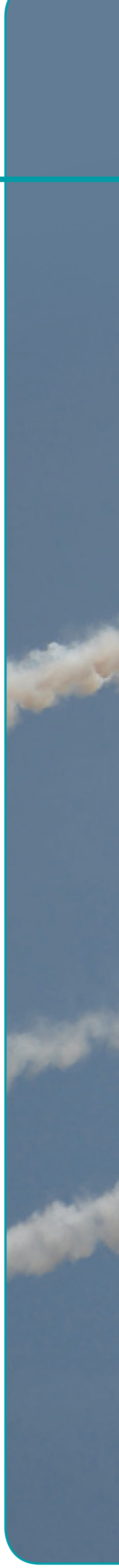
Market Overview

Used cars continue to dominate the auto market in Botswana and a significant increase has been seen over the past 5 years. According to the Statistics Botswana Transport and Infrastructure Brief for the first quarter of 2017, first registrations have increased at an annual rate of 7.4%. 81% of newly registered vehicles are used, originating primarily from Japan (87%), followed by Singapore (4.8%) and other countries (8.2%). The new vehicle market is only 19% of total vehicle sales and mainly comprises vehicles from South Africa.

For the year ended June 2017, total units available for finance in the franchised dealer market were down 12% year-on-year (466 units in 2017 vs. 528 units in 2016). This decline was driven by the new vehicle market as new vehicle sales from the franchised dealers were down 15% on the previous year. The used vehicle component in the franchised dealer space registered a marginal increase of 4%. WesBank's overall market share remained stable over the period at 30%. Cash remained a strong competitor as the cash market share increased to 52% year-on-year, with the rest of the banks sharing the remaining 18%.



WESBANK
Report [Cont.]



Summary of Key Points

30%
MARKET SHARE MAINTAINED IN FRANCHISED DEALERS

6%
UPWARD MOVEMENT IN TOTAL REVENUE

49%
INCREASE IN OPERATING INCOME BEFORE IMPAIRMENTS

18%
INCREASE IN NON-INTEREST INCOME

The Year under Review

The business environment continued to be challenging during the year under review and many businesses continued to taper down on investment and capital expenditure. There was some encouraging activity in the last two months of the financial year which saw the segment convert a significant portion of the pipeline due to increased activities in the construction industry. Advances to customers for the period were 2% below prior year as the segment continued to struggle to convert the pipeline; and the retail market continued to be under pressure.

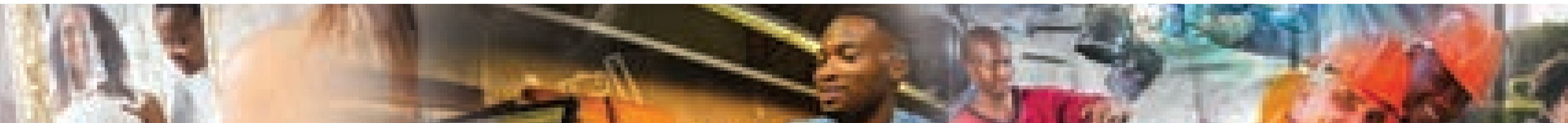
The Retail sub-segment achieved 4% growth compared to the same period in the previous year. The slow growth in the Retail sub-segment came as a result of the very tough market conditions as household consumption continued to be restrained by high unemployment, constrained job creation and low wage increases. For the period under review, the Bank took a deliberate decision, in line with the risk appetite, to suspend five major schemes due to uncertainties prevailing in state owned entities.

The Business sub-segment realised a decline of 8% compared to the same period in the prior year. This was largely due to the sluggish activity in the local business environment. Facilities were approved but few of these facilities were used. However, the segment continued to focus on maintaining relationships with key clientele.

Despite the lack of growth in advances, interest income growth was in line with the general business trends in the auto industry. Operating income was significantly up by 49% year-on-year. This was as a result of reduced interest expense and the business continued to price for risk on new deals and repricing initiatives were put in place for the existing book. The quality of the book is satisfactory. Non-interest revenue income was up 18% on prior year, driven mainly by the value added products which are part of the solution offering.

Future prospects

The segment has continued to maintain its market share and will continue to devise strategies on customer retention. An uptick in economic growth will lead to improved consumer sentiments in the industry and support sales growth. Government spend on transport and power infrastructure development, as well as renewed investment in the mining sector, will support increased vehicle ownership.

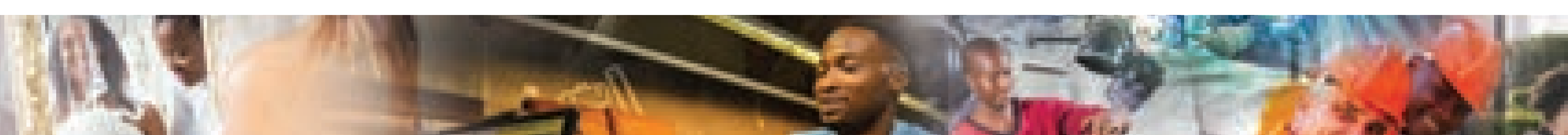


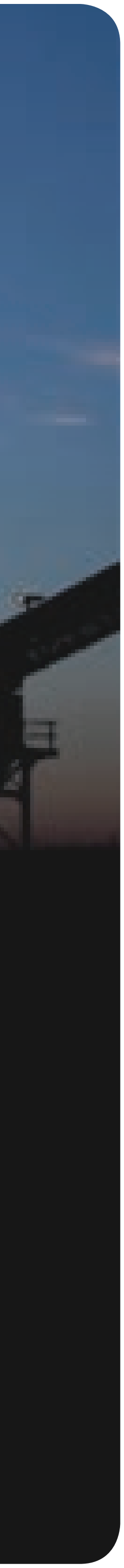
The success of WesBank will continue to be based on the strategic partnerships that are the foundation of its business model. Customer centricity continues to play a significant role in the business and WesBank will continue to influence the key decisions made by the customers at point of sale. Automation and efficiencies, including market feedback and brand positioning, will remain key in giving the business a competitive edge in the market. The business will continue to improve its customer engagement models to achieve the ultimate customer experience.

RMB BOTSWANA REPORT

Highlights of the Year

6%	6%	7%
REDUCTION IN RMB ADVANCES BOOK	INCREASE IN OPERATING INCOME BEFORE IMPAIRMENTS	DECREASE IN NON-INTEREST INCOME





INTRODUCTION

As part of RMB's international network we have the capacity to be market makers, to provide liquidity, to transact, provide investment and risk management solutions in currencies and across multiple jurisdictions; we are the investment bank of choice - both for our clients and our personnel - through our focus on continuous innovation and customer centricity.

Enriching the Banking Experience

A tradition of service excellence underpins the manner in which we conduct our business. This is testament to the long established traditional values of RMB, and ensures that our clients' banking experience is first-rate and tailor-made to address their specific needs.

Our partnerships with our clients in developing and delivering platforms that are relevant to their businesses have enabled greater convenience in management of payments, receipting, reconciliation and cash flow administration processes. Through collaboration with FNB Business, these solutions have also been made available to medium sized companies, further enhancing fluidity in cash flow management across our clients' ecosystems.

RMB continues to streamline deal execution capabilities. Recently, speed and efficacy with which a working capital facility was executed for a client resulted in the client's holding company approaching us for a similar facility.

Our People

At RMB, our most valuable resource is our people. We attract the best talent in the market and provide an enabling environment for them to achieve professional success and fulfilling careers. To build first rate talent, we expose our people to different markets. This past year, a number of our employees were given the opportunity to work in other RMB businesses outside of Botswana to gain experience, learn new skills and for career development opportunities.

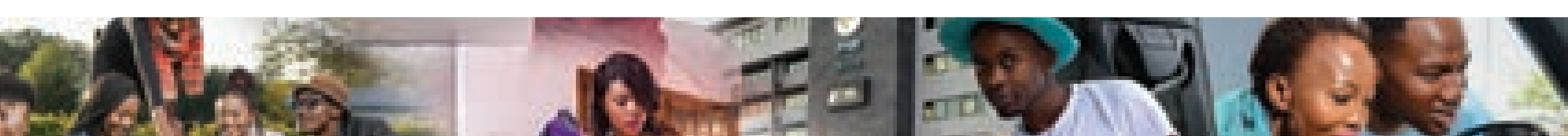
The Year under Review

The challenging economic environment offered limited opportunities for growth in the asset book as business sentiment remained dampened. Trading conditions were particularly tough in the commodities and mining sectors. The year saw increased incidents of closure of uneconomically viable companies and the liquidation of distressed operations, resulting in limited lending and transactional banking opportunities. Economic stimulus projects, whilst spurring some activity in the small and medium enterprises sector, only marginally improved sentiment.

Achievements

Despite the difficult trading environment, there were a number of noteworthy successes. RMB won some notable pension fund management increasing market share and assets under management.

Our transactional banking continues to offer ground breaking innovations and to address our clients' specific needs. The business has increased its footprint in the roll out of payment, collection and reconciliation solutions. The Bank is the first in Botswana to enable mobile subscribers to transact on mobile money through its channels.



RMB BOTSWANA
Report [Cont.]

The business has also made significant strides in enabling e-commerce and m-commerce for clients. The launch of an online store and mobile App has afforded the business the opportunity to lead the market, enabling retailers to effectively compete in the ever-changing commercial landscape and future-proof their businesses in the advent of rapid technological developments.

RMB was also named the Best Global Foreign Exchange (GFX) provider in Botswana in 2016 by Global Finance, testimony to the cutting edge solutions offered by the Global Markets and Foreign Exchange divisions.

Opportunities

While the past year saw low utilisation on borrowing facilities by clients, there were a number of advisory deals which contributed to the performance of the business, whilst also cementing the positioning of RMB as the investment bank of choice for our clients. The expected economic recovery will improve utilisation of facilities as projects are implemented. Our trade and working capital business is expected to register strong growth in the next financial year.

Challenges

The liquidation of BCL and the associated closure of a number of businesses in the mining and associated support services sectors adversely affected the business as impairments were registered for the first time.

Future Prospects

RMB is embarking on a number of exciting new prospects, such as exploring opportunities in new markets in the GFX area. The current market shift to e-commerce and m-commerce provides a unique opportunity for enhanced solutions to clients in the payments space.

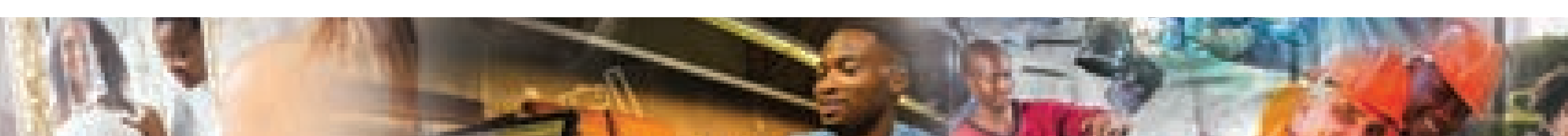
Caring for the customer

RMB prides itself in its proactive and continuous interaction with the client at all levels.

Our enhanced and robust service model will continue to provide our clients with all possible service enhancements as well as through strategic client engagement initiatives to disseminate product and service information.

Leading through Technology

There are several projects and platform enhancements in the pipeline that will bear testament to the extent to which the business intends to improve our product and service offerings, increase convenience and improve overall client experience.




FNB
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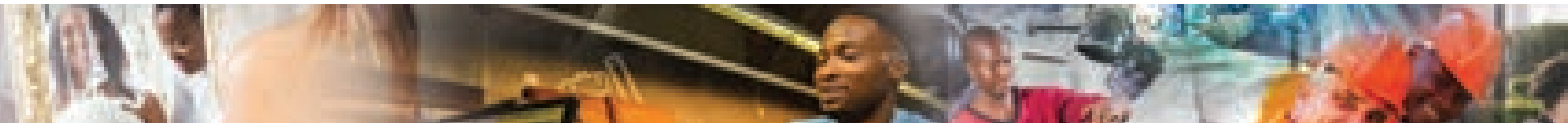
SERVICE REPORT



INTRODUCTION

The Client Services office leads the implementation of an innovative and customer focused service strategy and facilitates the delivery of a consistent and trusted brand experience. This involves envisioning future service excellence and strategies to deliver on the brand promise: How can we help you?

Enriching the Banking Experience

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

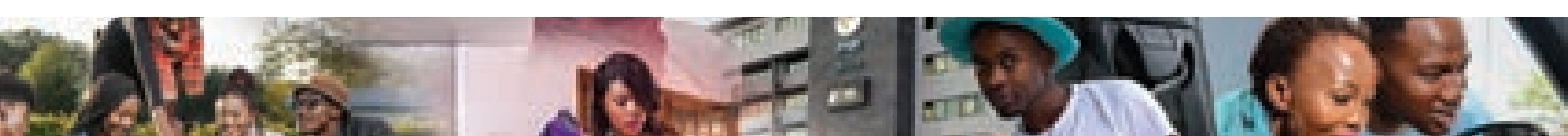
- The introduction of CARE; the Bank's new complaint management system that allows for more efficient tracking and enhanced internal communications in complaints resolution. It also provides valuable market intelligence to inform management on efforts to improve the customer experience.

This initiative compliments the application of a Bank-wide training intervention; "Creating the Ultimate Customer Experience" which drives our customer centric approach to ever-improving service provision.

- The Client Services roadshow cascaded the Bank's service strategy to the widest possible audience, and the CEO's service recognition certificates and bandanas acknowledged service excellence.
- A Business Partner Rating system to establish and correct internal service satisfaction levels has been implemented, and complaint management includes the clear display of escalation procedures at all customer touch points as well as an automated escalations protocol on the CARE system to alert management in case of delayed resolutions.
- The most common recurring area of service quality contention is undoubtedly the issue of long queues in the branches, and the Bank continues to mitigate these through the introduction of alternative channels. The success of this strategy is illustrated in the table below, which shows the dramatic impact on long queues brought about by the introduction of ADTs at the branches from 2015 to 2017:

Calendar Month Year	# of Branch transactions	# of ATMs with Deposit transactions
July 2015	105 350	65 290
June 2017	54 722	158 824

In order to optimise turnaround times for services sought from the Bank, we have instituted internal SLAs to manage handoffs and improve synergies for process efficiencies.



SERVICE Report [Cont.]

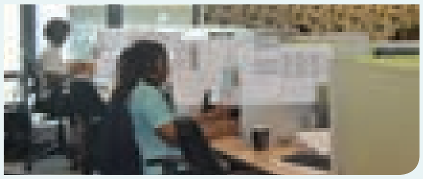
How Can We Help You?

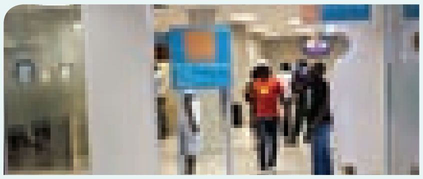
- some noteworthy instances

One rainy day, an elderly lady client walked into the Bank drenched and wet. A staff member went out of her way to find a dry t-shirt and offered it to the elderly lady, to her undisguised delight.

A business client queried a payment that he believed the Bank had failed to record when he made it 2 years ago. Having misplaced his deposit slips and records, he could not provide the necessary proof of payment and was unhappy that the Bank insisted on such in order to record the debt as paid. At the end the Bank availed statements for both his credit card account and the current account from which he was making repayments, dated all the way back to 2013 when he opened the account. On careful examination, the client found that he had not made the payment after all.

Our Customer Touchpoints





Branches

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

Well-appointed Private Clients and Premier Suites are availed to our high-end clientele. These 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

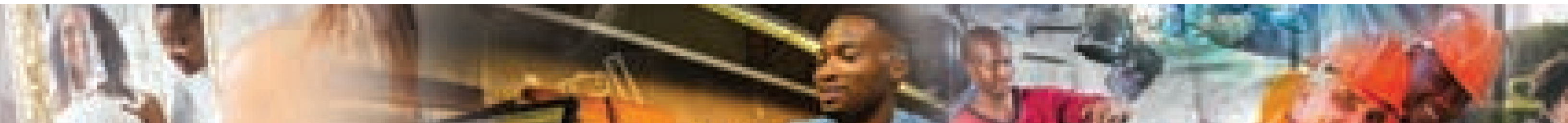
The Contact Centre at First Place offers nationwide convenience to our clientele by providing a single contact point for account enquiries, first call resolution, e-Banking queries, electricity and airtime token redemption, and more; as well as 24 hour access for card cancellations. The outbound Contact Centre services include promotions and telesales and provide a conduit for garnering customer feedback.

ATMs with Deposit

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

Digital Channels

Our customers continue to enjoy banking beyond traditional banking hours through the Online Banking, Mobile banking, and the FNB App channels. This experience is also enriched by the ability to transact beyond borders. The digital banking channels all offer a bouquet of services and key features which include secure banking (including temporary pins and log-in features), transaction history, inter-bank transacting, account transfers, airtime and electricity purchases and eWallet transactions.



In Pursuit of Customer Centricity

FNBB is committed to providing the highest level of customer care with a single point of contact for query resolution and access to constantly reliable and timely information. In line with its Customer Service Strategy, FNBB differentiates itself from its competitors through optimising the customer service experience. The fundamental premise of the strategy places the customer at the centre of all our business planning.

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 our aim to be the best service provider in the industry.

The FNBB Customer Service Strategy

The Bank's Customer Service Strategy is founded on core tenets upon which to build and enhance the customer experience:

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.

The FNBB Customer Service Strategy seeks to:

- Build an operating model around a deep understanding of the Bank's customers, what they value and the contribution each makes to the profitability of the Bank
- Outline customer processes that are engineered in recognition of the different customer segment needs
- Deliver a positive and seamless customer experience at every touchpoint across all the Bank's segments and service channels.

Acknowledgements and Awards

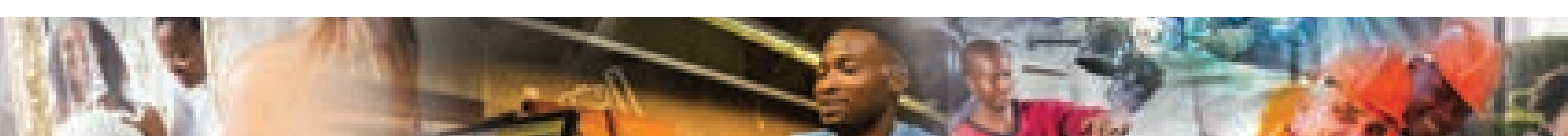
FNBB was awarded the **Consistent Participation and Commitment to Service** award at the Diamond Service Awards in December 2016. One of our employees was awarded the **Gem Amongst Diamonds** award, being the best among the best service personnel across all industries in Botswana, measured over a 10 year period.

The Road Ahead

We believe FNBB will continue to maintain its market leader position by delivering a differentiated service experience that provides a sustainable competitive advantage and unique identity, and it will do this by ensuring the necessary cultural and mindset shifts are made across the board; both in the approach of staff and in a market demanding ever higher standards. The Bank will continue to provide exceptional services to our external customers by staying on top of our game internally and by living the Bank's service vision.

Looking ahead, the Bank is committed to developing and introducing mechanisms for digital customer feedback with real time capability. This will ensure we continue to provide exceptional service for an enduring competitive advantage.

HUMAN RESOURCES REPORT



ENRICHING THE BANKING EXPERIENCE

Creating competitive advantage through our human resources is at the centre of how we do business at FNBB. This approach is premised on the view that human resources are “valuable, rare and inimitable”. In order to accomplish this strategy, the focus is on acquiring talent with appropriate skills and ensuring that such talent is retained and nurtured. This includes making certain that all employees are given effective, comprehensive and appropriate training on the Bank’s culture and philosophy, as well as on its products and services.

The Bank has realised that while it is important to have the right skills and attitudes, it is equally essential to have the right business processes and systems. In this regard, the Bank is involved in an extensive project to re-engineer its processes. A dedicated department has been established to focus solely on business improvement and part of this role is to re-engineer processes and devise systems that will enhance efficiencies within the Bank.

Human Resource Strategy

The Bank’s human resource strategy focuses on long term strategic objectives that guide the Bank to deliver on operational and administrative efficiencies. In pursuance of this strategy, the Human Resource (HR) department proactively directs the training and deployment of its human capital to fill the Bank’s evolving needs and to anticipate service challenges and bottlenecks so as to ensure the highest standards of service provision in an ever changing and more demanding market.

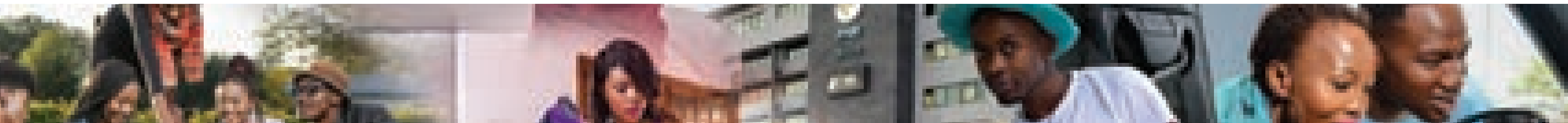
Achievements

There were a number of notable HR achievements during the year under review. These include improvements in the staff wellness profile, productivity and the automation of human resource and talent management.

The Bank’s Wellness Programme has significantly contributed to the improvement in the overall level of staff wellness, resulting in a reduction of medical aid costs. This was achieved largely through promoting physical exercise through the Runners’ Club, the Cyclists’ Club and competition in other sporting codes, particularly soccer.

The Bank also focused on productivity improvement. The Productivity Improvement project is geared at refining business processes with the aim of improving turnaround times and ultimately, providing the best possible customer experience. The benefits of the project will not only improve turnaround times and customer service but will reduce operational costs. The project will also develop scalable capacity building models that will be adapted for high volume and low volume cycles in the business.

Talent management is another area where FNBB has made great strides in building a pipeline of leaders and employees with rare skills. The Bank has embarked on an International graduate training programme conducted in South Africa, and the first cohort has graduated from the programme and is now adding significant value to the business.



HUMAN RESOURCES Report [cont]

Challenges

FNBB's greatest challenge continues to be maintaining its differentiation through service excellence. While human capital is the engine of the business, providing the requisite level of service consistent with the Bank's vision requires extraordinarily high skills levels which the Bank is constantly trying to attain.

Another key challenge concerns the development of specific programmes to take care of the generational gap. While most new recruits are young and tech savvy, many established personnel are from an older generation, and this can result in a generational communication gap. In the next year the Bank plans to develop programmes that will address the needs of the different generations; be it in learning and development, engagement processes or communication. These programmes are a crucial leverage that will improve the employee value proposition and consequent retention of staff.

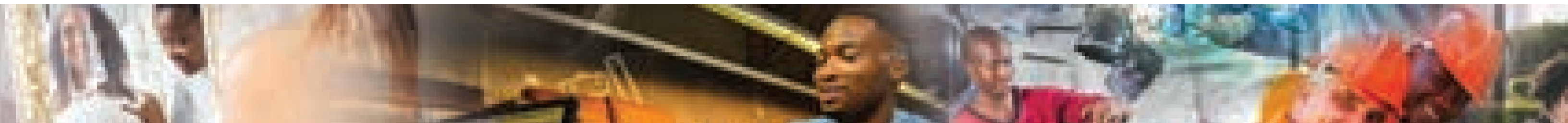
Training and Development

The Bank's learning and growth vision is to "become a knowledge centre that focuses towards developing skills and attitudes which will deliver customer centric solutions." The priority areas continue to be Leadership, Credit, Relationship Management and Sales & Service. The Bank also plans to collaborate with other institutions to provide unique courses that the Botswana market thus far has not been able to offer. A Premier Training Academy has been established and courses in specific rare skills are being developed.

Talent Management Strategy

The Bank's talent management programmes include scholarships for its permanent employees for bachelors' and postgraduate degrees. The objective of the scheme is to support employee development while creating a pool of skills in specific areas of need.

During the previous financial year, the Bank sponsored five employees for undergraduate and post graduate programmes in Marketing, Economics, Human Resources and Business. In the current financial year ten additional employees were awarded sponsorships in the areas of Actuarial Science, Investment Banking, Entrepreneurship, Financial Analysis (CFA), Financial Management, Accounting (ACCA), Strategic Management and Human Resource Management.



Our Culture

FNBB has consistently differentiated itself from its competitors through its 'owner manager' management philosophy, a corporate culture that can be traced back to the creation of FirstRand in 1998. This management style emphasises innovation and entrepreneurship, and 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 Capital

The Bank believes in offering a strong employee value proposition which has five elements: Reward, Opportunities, People, Organisation and Work. This value proposition has driven an improvement of employee engagement levels over the last four years, among other benefits.

The rewards element has seen an improvement to the 75th percentile and above of the financial sector market. The Bank's comprehensive development strategy focuses on recruiting and retaining top talent while offering unique career development opportunities and exposure to bigger markets such as South Africa and the rest of Africa. A number of employees have had the opportunity to be placed in RSA, Mozambique and Swaziland.

Janet Koolese

FNB helped me attain a B.Com in HR & Industrial Relations through the Bank's scholarship programme. I enrolled for a degree programme to augment my Diploma in HR and Business Management and FNB sponsored the programme for two-and-a-half years. My qualification has transitioned me from a Contact Centre Consultant to an Administrator responsible for Human Recourses within the department. This transition has been a dream come true and I aspire to grow my career through the HR office, at FNBB or within the Group. I thank the Bank for the sponsorship and the knowledge I have acquired.

Tumelo Lecage

Credit related matters are a major part of the dealings of a financial institution. As part of FNB's talent pool, through RMB, the Bank's Corporate & Investment arm, I was seconded to our Johannesburg office to handle corporate credit transactions in Sub-Saharan Africa and East Africa, affording me the opportunity to sharpen and deepen my credit skills. I recently travelled to FNB Namibia to perform ancillary credit functions including a review of their credit risk management practices and processes. At present, there are no financial institutions that can compete with FNB's exceptional career development opportunities. My next challenge, and the next step in my career development, starts in January 2018, when I will join the RMB Africa Corporate Credit team in Johannesburg as a permanent member.

Jennifer Makgabenyane

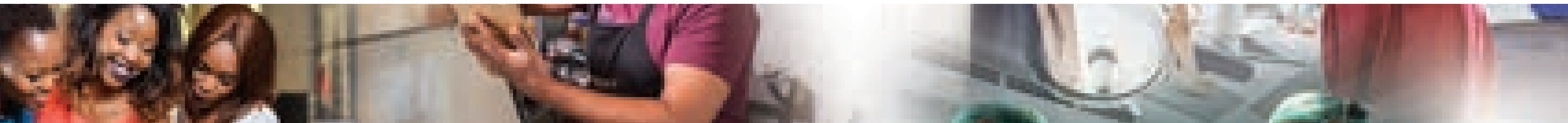
When the Bank sent me to FNB Mozambique, it was confident that I would perform well in my new assignment because it had invested in my training and development. Working in Mozambique has been a wonderful and rewarding journey, enabling me to transition from a Senior Relationship Manager at FNB Botswana to Head of Coverage. It has given me business exposure and sharpened my leadership skills, enabling me to own my strategy - from implementation to results monitoring. I ensure that the team I work with is motivated, appropriately trained and understands our business objectives and principles. I have come to appreciate how FNB Botswana has progressed in terms of product offering, innovation and service quality. It was a once in a lifetime experience when in 2016, my team was awarded the Best Coverage Team in Africa, and I am honoured to be able to contribute to the growth of the African franchises.

FNBB 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 Employee Value Proposition (EVP) element "Work" encourages employees to love their work enough to improve it through the enhancement of processes and the pioneering of innovative ideas; in the understanding that these will contribute to the overall quality of our customers' banking experience. The "People" element of EVP is all about employees enjoying each other's company, cooperating and being inspired by each other and their leadership so as to be able to deliver on this promise.

..empowering

our clients to steer their way to meaningful commitments that match their ambitions.

FNBB FOUNDATION REPORT



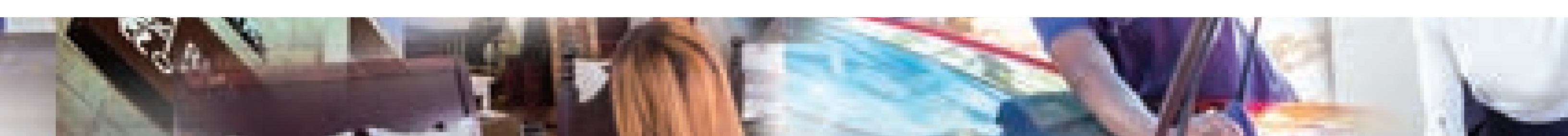
INTRODUCTION

Every year, First National Bank of Botswana commits up to one percent of its after tax profit to Corporate Social Investment (CSI) through the FNB Foundation. The FNBB Board established an independent Trust in 2001 to provide the Bank with an appropriate vehicle to channel its involvement and cooperation with the communities within which it operates.

Over the last sixteen years, the Foundation has evolved in response to key economic, social and environmental changes, and continues to target the neediest and most deserving with its interventions.

The Foundation is administered by a team of five full time employees who report to a Board of Trustees which comprises both directors of the Bank and independent members:

1. Mr Steven Lefentse Bogatsu
   FNBB CEO and Trust Chairperson
2. Ms Dorcas Ana Kgosietsile
   Independent Trustee
3. Ms Myra Sekgororoane
   Independent Trustee
4. Ms Regina Vaka-Sikalesele
   Independent Trustee
5. Ms Paulilne Oreeditse Motswagae
   RMB Director
6. Dr Odiseng Lesedinyana
   Independent Trustee



FNBB FOUNDATION Report [Cont.]

Foundation Trustees Profiles

Mr Steven Lefentse Bogatsu

Dorcas Ana Kgosietsile

See profiles under Board Profiles on ***page 70***

Regina Sikalesele-Vaka

Regina is a well-known corporate leader who is currently the CEO of Bona Life, the first citizen owned life insurance company in Botswana, which she founded in 2014 and co-owns with the Botswana Public Officers Pension Fund (BPOPF). A lawyer by training, her career spans three decades, beginning as a private attorney and migrating to the corporate world, first as CEO at the Motor Vehicle Accident Fund in 1997. In 2004 she became the first citizen and the first woman to be appointed CEO of the country's largest life insurance company, Botswana Life.

In 2010, she became the first female to lead a publicly listed company in Botswana as Group CEO of Botswana Insurance Holdings Limited (BIHL). Regina's public service includes chairing the Olympics 2nd African Youth Games in 2014 and in 2015 she was appointed to the Presidential Task Team to craft Vision 2036.

She is the founding Chairman of the Government-owned Mineral Development Company of Botswana and has served as the Chairman of the Botswana Stock Exchange.

Her corporate governance experience includes directorships of a number of listed companies and charitable trusts, including FNB Botswana, Botswana Insurance Holdings Limited, Business Botswana, Sechaba Breweries Limited, Motor Vehicle Accident Fund and ENGEN Botswana among others.

Regina is the founder and chairman of iNako Holdings, a citizen-owned financial services holding company.

Pauline Motswagae

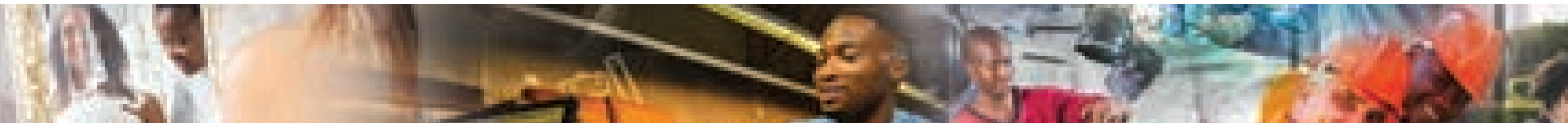
Pauline is the former Head of RMB Botswana, a division of the Bank she successfully set up in 2013. She has led the division to being one of the biggest investment and corporate banking businesses in the Botswana market. She has 25 years' experience in banking and has been exposed to all areas of commercial banking in various leadership roles, both locally and regionally. She has held the positions of Treasury Manager-Debswana Diamond Company, Treasurer-First National Bank Botswana and Treasurer-Rand Merchant Bank Nigeria.

In addition to her previous role as Head of RMB Botswana, Pauline was also responsible for the FNB Foundation, a role that afforded her the opportunity to make sustainable impact on the communities in which the Bank operates; through sponsorship of community initiatives and coordination of employee volunteer activities. She is passionate about driving change on issues such as education, natural resources conservation, gender, human rights, health and environmental issues.

Myra Tshephoyame Sekgororoane

Myra's professional background is in the Hotel and Tourism Industry. She studied in the Republic of Ireland and gained international hotel work experience in Switzerland and the United Kingdom. She has undertaken executive management development courses through the University of the Witwatersrand (RSA) and Cornell University in the USA.

Her professional experience derives from initial practical training with Trusthouse Forte Hotels in the United Kingdom and Movenpick in Switzerland leading on to a variety of increasingly senior positions in the Botswana hospitality sector where she served as GM of several hotels. She was the Group Operations Director for



Cresta Hospitality in 1999 when she left to pursue her own ventures in tourism. She was the founding CEO of the now Botswana Tourism Organisation (BTO) which she led from its inception in 2006 to 2013.

She has served in the Executive Committee and as chairperson of HATAB and is a former board member of the National Advisory Council for Tourism; a former vice-chairperson of the Botswana Telecommunications Authority (BTA) and the Botswana Export Development and Investment Authority (BEDIA); and a former non-executive director of FNBB. Myra has also previously served as chairperson of the FNB Foundation and is a non-executive director of Sechaba Holdings Limited and Kgalagadi Breweries Limited.

Myra is currently the CEO of Fairground Holdings (Pty) Ltd - a BDC Member - which trades in the Meetings, Incentives, Conferences and Events sector.

Dr Odiseng Lesedinyana

Dr Lesedinyana Odiseng is the founding Head of the Department of Sports and Exercise Medicine, Rehabilitation, and Occupational Medicine at Bokamoso Private Hospital and is the only accredited specialist in occupational medicine in Botswana. Lesedinyana is currently the Medical Director of the Medical Orthopaedic Sports and Occupational (MOSO) clinics based at Bokamoso. He spent the previous 12 years working in occupational medicine in the UK, six of these as Senior Occupational Physician for BUPA Wellness, looking after a variety of companies across the United Kingdom. He has previously been the Faculty of Occupational Medicine representative in the Intercollegiate Board of The Faculty of Sports and Exercise Medicine (UK) and a council member of the Specialist Advisory Committee (SAC).

He has served on the BNSC medical sub-committee and presently chairs the Botswana Football Association Medical Committee. He was also the medical advisor to the 2017 Netball Youth World Cup held in Gaborone. Lesedinyana is the IOC National Sports Medicine Course Director for Botswana and is a founding trustee of Health 1st Foundation, an organisation whose mandate is to bring quality health care to the marginalised in Botswana.

Lesedinyana holds BMedSci and BMBS degrees from the University of Nottingham, UK and an MSc from the Leads Metropolitan University. At specialist level he is a Member of the Faculty of Occupational Medicine, a Member of the Faculty of Sports and Exercise Medicine and a Fellow of the Faculty of Sports and Exercise Medicine in Ireland.

FNBB FOUNDATION
Report [Cont.]

Foundation Mandate

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

FOUNDATION STRATEGIC GOALS

EMPATHY
Caring for people and society

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 Focal Areas

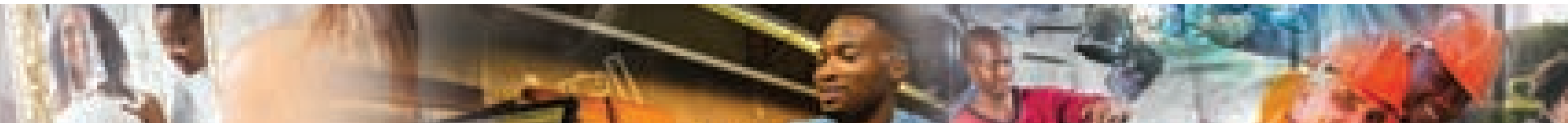
The purpose of the Foundation is to promote educational, arts and culture, sports and recreation, as well as social and welfare development in Botswana. It identifies deserving beneficiaries who are in need of assistance, which may be provided in kind - such as the erection of facilities, the establishment of amenities or the provision of necessary working assets. In some cases, support may be in the form of cash for a particular purpose or for working capital.

Application Procedures

The Foundation offers prospective beneficiaries an application pack that includes an application form, a check list of what is required as well as the rules and guidelines of how proposed 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 or post.

Corporate Social Investment (CSI) Project Execution

Applications are received from both staff and the public at large and all requests are assessed on a case by case basis and screened to check if they meet the criteria. The FNB Branches are each given an annual budget of P50,000 to execute projects they have identified in their communities. This empowers them to contribute meaningfully to the people amongst whom they operate, and all employees have the opportunity to identify a project of their choice and commit their time through the FNB Staff Volunteer Programme. Through the Programme, staff are able to share their skills or donate funds to help the project to achieve its objectives - be these to further educational, arts and culture, sport and recreation or social welfare development in Botswana. By identifying beneficiaries who are in need and deserving of assistance, FNB employees are able to provide support for the disadvantaged and handicapped in their communities.



Project Funding Criteria

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, so as to have an existing track record.
- 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 and Remedies

Despite the considerable sums the Foundation has invested in the community, it has come to realise that the measurable impact of these investments has been difficult to establish. To address this, the Foundation has embarked on a journey to re-engineer its processes so as to align them to the various funding phases in order to ensure that, through enhanced monitoring and evaluation, it is better able to serve the targeted communities. The Foundation anticipates that at the conclusion of this exercise a better product will be revealed which is not only aligned to national NDP 11 priorities and the global sustainable development goals (SDGs), but which also clearly represents what FNBB stands for in the community.

Future Prospects

The Foundation will continue to forge partnerships with all relevant stakeholders in order to be in a position to assist larger scale projects that may have a more meaningful contribution to society. The Foundation's strategy includes deliberate efforts to sell the Foundation's services to the public through showcasing them to the wider community at public shows and similar events.

FNBB FOUNDATION
Report [Cont.]

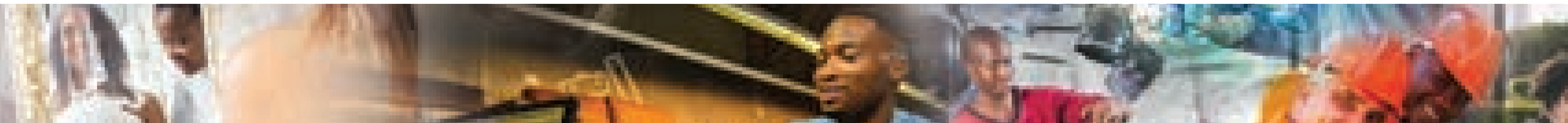
Summary of Foundation Projects for 2016-17
External Projects (Amounts in Pula)

ORGANISATION / ACTIVITY	AMOUNT	LOCATION	Sports & Recreation	Education	Arts & Culture	Social Welfare	Environmental Sustainability
Pula Sport Development Association	565,768	Gaborone					565,768
Hope World Wide Botswana	339,080	Molepolole				339,080	
Tshidilo Stimulation (physiotherapy equipment)	93,594	Maun				93,594	
FNB Sponsored Walk	191,850	Gaborone				191,850	
FNB Christmas Party	53,370	Hunhukwe				53,370	
Bana Ba Metsi (vehicle purchase)	292,733	Sekanduka		292,733			
Adore Little Children Botswana (vehicle, sewing project, meals)	476,383	Ngarange				476,383	
Winter Shoe Drive	429,265	Countrywide		429,265			
Nswazwi Marathon	60,000	Sebina	60,000				
Total	**2,502,043**		**60,000**	**721,998**	-	**1,154,277**	**565,768**

PULA SPORT DEVELOPMENT ASSOCIATION

The Pula Sport Development Association (PSDA), is an NGO formed by a group of passionate young people who aim to enrich the lives of young people in low income communities by bringing sporting facilities closer to them. In support of this iconic project, PSDA was funded to construct an eco-friendly sports park in Bontleng.

The park facilities encompass an all-in-one sport court (for futsal, netball, basketball, and volleyball), a garden that promotes conservation agriculture and aquaponics, and a recycling centre. The PSDA team works closely with the Bontleng Primary School to empower the children and give them life skills. All the activities at the park are coordinated in partnership with the local community to ensure that there is appropriate skills transfer.



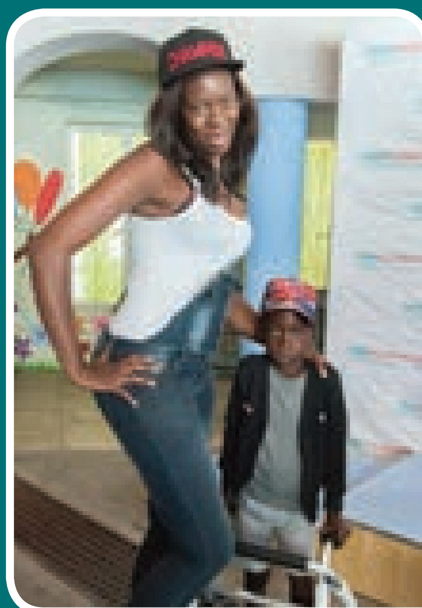
HOPE WORLD WIDE BOTSWANA

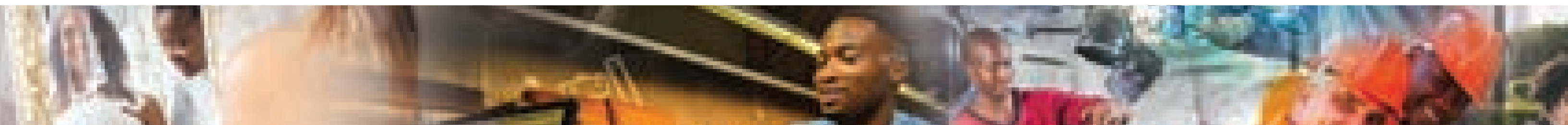
Hope World Wide Botswana (HWWB) is an NGO operating in Mosokotso, Mmakanke, Mmatseta, Borakalalo, Mmanoko, Mogonono, Bonewanang, Kopong and Kgaphamadi. HWWB works to mitigate the impact of HIV/ AIDS related challenges in Botswana, with a driving purpose of bridging the service gap in the communities in which it operates. In doing so, HWWB has adopted the Comprehensive Family Care (CFC) model, with five main focus areas: orphans and vulnerable children (OVC) care, poverty, health (specifically HIV related), gender, and education. As the children enrolled in the Institute of Early Childhood Development (IECD) program are taught under trees, the FNBB Foundation assisted the centre by providing a PortaCabin with facilities for an office, a kitchen for preparing meals, storage space for toys and toilets for both adults and children.

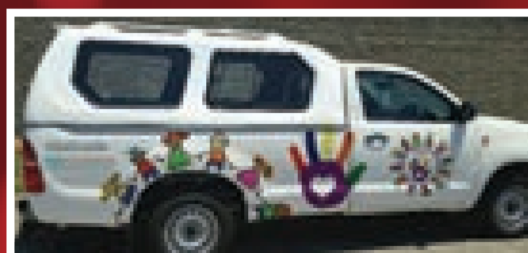
FNBB FOUNDATION
Report [Cont.]

TSHIDILO STIMULATION CENTRE

The Tshidilo Stimulation Centre is an NGO based in Maun, offering services such as rehabilitation, stimulation, social services and wellness to children living with a disability in the North West District. On a monthly basis the Tshidilo Stimulation Centre caters for 60 children living with disabilities. Over 40 children are enrolled in the special class for stimulation and rehabilitation, and are provided with food and other essential basic care giving needs. The Foundation donated top-of-the-range mobile physiotherapy equipment to the centre to ensure that they can expand their outreach to areas surrounding Maun and ensure that even more children are given a better chance of fulfilling their potential.







ADORE LITTLE CHILDREN BOTSWANA (ALCB)

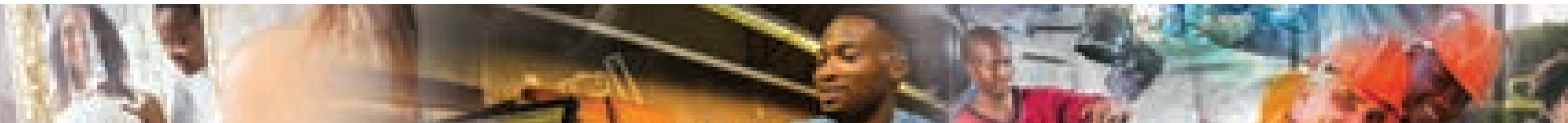
Adore Little Children Botswana is a community based organisation in Ngarange which runs a day care program for children between 2 and 5 years old aimed at preparing them for primary school by teaching them basic Setswana and English; as the area is predominantly Mbukushu. In addition to language classes there is a feeding program for the children, as well as a sewing project initiated by the Foundation. This project has the aim of capacitating women in the community and making ALCB self-sustaining. The Foundation also assisted the organisation with the purchase of a 4x4 vehicle to ensure they will be able to reach their target market in all areas around the delta.

FNBB FOUNDATION

Report [Cont.]

Staff Projects 2016 -17

PROJECT	EXECUTED BY	AMOUNT	LOCATION	Sports & Recreation	Education	Arts & culture	Social Welfare
Artist development program	Retail	50,000	Gaborone			50,000	
BOT50 fanpark for OVC	Marketing	185,775	Gaborone				185,775
Youth Centre refurbishment	Ghanzi branch	54,154	Ghanzi		54,154		
Toilets upgrade at Kamogelo Day Care Centre	First National Insurance Agency	50,000					50,000
Water system refurbishment at Ramotswa Society for the Deaf	Operations Centre	65,946	Ramotswa		65,946		
Play area	Finance	51,084	Bokaa	51,084			
Special needs PortaCabin donation	Security	140,000	Gaborone		140,000		
Toilets at Mmopane Kgotla	Industrial Branch	25,000	Mmopane				25,000
Fun day- Autism Botswana	Chief Risk Office	65,000	Gaborone				65,000
Total		**686,959**		**51,084**	**260,100**	**50,000**	**325,775**



2001-2017 Projects						
Year	**Sports & Recreation**	**Education**	**Arts & culture**	**Social Welfare**	**Environmental Sustainability**	**Total Amount**
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		4,258,667
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		6,198,670	576,775	2,160,809	130,379	9,066,568
2016/17	111,084	982,098	50,000	1,480,051	565,768	3,189,000
TOTAL	**1,720,538**	**18,765,811**	**1,786,275**	**14,063,248**	**2,189,765**	**38,525,637**

The FNBB Foundation has grown significantly over the past 16 years. Its total annual investment in the community has increased from only P381,054 in 2001-2002 to P3,189,000 in 2016-2017.

Over the past 16 years, the Foundation has invested a total of P38.5 million in uplifting communities.

..securing

homes for our clients; a place to belong, to love, to nurture and plan bigger things, a lasting legacy for succeeding generations.

BOARD OF DIRECTORS

7 **MMASEKGOA MASIRE-MWAMBA**
Independent Non - Executive Director

6 **STEVEN LEFENTSE BOGATSU**
FNBB CEO and Executive Director

2 **SIFELANI THAPELO**
Deputy Chairman
Independent Non - Executive Director

1 **JOHN KIENZLEY MACASKILL**
Chairman


4
3
8
5
9
MICHAEL WILLIAM WARD
Independent Non - Executive Director
DOREEN NCUBE
Independent Non - Executive Director
DORCAS ANA KGOSIETSILE
Independent Non - Executive Director
NELSON MOKGETHI
Independent Non - Executive Director
JABULANI RICHARD KHETHE
Non - Executive Director

BOARD OF DIRECTORS PROFILES

1. John Kienzley Macaskill

INDEPENDENT NON-EXECUTIVE DIRECTOR (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 including in South Africa, London and Hong Kong. His career in financial services spans across human resources, international corporate and retail banking. John serves on the boards of FNB's operations in Mozambique and Zambia. He is a graduate of the University of Pretoria and UNISA. He joined the FNBB Board on the 4th March 2014 and was elected Chairman in January 2017.

2. Sifelani Thapelo

INDEPENDENT NON-EXECUTIVE DIRECTOR (DEPUTY CHAIRMAN)

Sifelani holds a Master of Laws from the University of Cambridge, with majors in corporate law and finance, and securities regulations. He has extensive litigation experience and currently holds the position of Senior Partner in his law firm based in Francistown. Sifelani has been a member of the FNBB Board since November 2002. He presently chairs the Board's Directors Affairs and Governance Committee. Sifelani is a member of the Cambridge Commonwealth Society, Alumni of the International Development Law Organisation as well as a member of several other boards. Sifelani was elected Deputy Chairman in January 2017.

3. Michael William Ward

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mike, a graduate in hotel management, has over 30 years' experience in business in Botswana, mainly in the field of commercial security. He is credited with creating one of Botswana's first home-grown public companies, Inco Holdings, and was CEO of that company until a controlling interest was acquired in 2003 by an international group to become G4S, which is now one of Botswana's largest employers. Since 2003, Mike was employed as regional director responsible for developing businesses in many countries in Africa, firstly 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 to the FNBB Board in August 2009, and chairs the Board's Risk, Capital Management & Compliance Committee and Credit Risk Committee.

4. Dorcas Ana Kgosietsile

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dorcas holds a BA in social sciences majoring in accounting, economics, and statistics and an MSc in management. She started her professional career at the Auditor General's Office and joined the Botswana Development Corporation (BDC) soon thereafter, where she gained extensive managerial experience in business and entrepreneurship over a 16 year period. In 2005 Dorcas joined the diplomatic corps, notably being appointed Botswana's first High Commissioner to India. She continues to play an important role in charity and social responsibility initiatives countrywide, and was 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 Board Audit Committee. She is currently a Trustee of the FNBB Foundation.

5. Jabulani Richard Khethe

NON-EXECUTIVE DIRECTOR

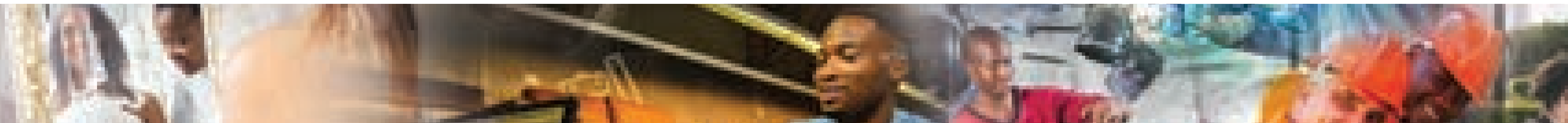
Jabu holds a BCom in banking from the University of Pretoria, South Africa. He also holds an MBA from Bond University, a Marketing Management Diploma and has completed an Executive Management Development Programme with GIBS Management College, South Africa and INSEAD. Until his retirement in March 2017, Jabu was CEO of FNB International Africa and has extensive banking, insurance and leadership experience with financial institutions in South Africa. He sits on the boards of a number of the FirstRand Group's African subsidiaries in Namibia, Mozambique, and Nigeria. Jabu has been on the FNBB Board since September 2005 and is a member of the Directors Affairs and Governance Committee and Remuneration Committee.

6. Steven Lefentse Bogatsu

FNBB CEO, EXECUTIVE DIRECTOR

Steven became CEO of FNB Botswana, a Bank he has worked for in a number of senior leadership roles, in April 2015. This followed two years as CEO of FNB Swaziland; and previously he had held the position of CFO and Director of Product Houses at FNBB, responsible for Property Finance, WesBank, Credit Card, International Trade and Custody.

Prior to joining the FNB Group, Steven trained at Ernst & Young and worked at Kgalagadi Breweries as Group Internal Auditor, Management Accountant and Project Accountant; at Barclays Africa Finance as a Financial & Business Analyst and at Stanbic Bank Botswana as CFO.



Alongside his Banking career, Steven has held directorships on several boards including the Local Enterprise Authority, Botswana Medical Aid and Med Rescue International. Steven is a Certified Chartered Accountant, and holds an MSc in strategic management from the University of Derby.

7. Mmasekgoa Masire-Mwamba

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mmasekgoa is the CEO of the Masire-Mwamba Office where she provides coaching, personal development and diplomacy services based on her broad international exposure and access. She recently completed two terms as Deputy Secretary-General for the Commonwealth 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 the Botswana Telecommunications Corporation (BTC) as an Assistant Engineer and 16 years later emerged as one of the most influential female executives in the country. She was the CEO of the Botswana Export Development and Investment Authority (BEDIA) where she initiated and successfully managed the process of Branding Botswana. She continues to apply her skills and experience in a broad range of economic and development fields. Mmasekgoa has served on various boards and community service institutions in the arenas of tourism, business, civil aviation and banking, among others.

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

8. Nelson Mokgethi

INDEPENDENT NON-EXECUTIVE DIRECTOR

Nelson is currently the Director of Dikarabo/Event Ventures where he consults for the African Development Bank to produce infrastructure data reports and train infrastructure data collectors from African countries' statistics offices under the African Infrastructure Knowledge Programme.

Nelson has a BA in economics from the University of Botswana and Swaziland and a Masters in development economics from Williams College in the USA. After obtaining his first degree, Nelson worked his way through the Division of Economic Affairs, eventually rising to become its Deputy Secretary. In 1992, he transferred to the Division of Budget Administration to head the Division as Secretary for Budget Administration until his retirement from the public service in 2004.

Nelson has been a director of a number of organisations including Botswana Accountancy College, Botswana Railways, Air Botswana, Botswana Public officers Pension Fund, Public Procurement and Asset Disposal Board, Bank of Baroda, MVA Fund and CEDA. He currently serves as Chairman of BPOMAS Property Holdings (Pty) Limited.

9. Doreen Ncube

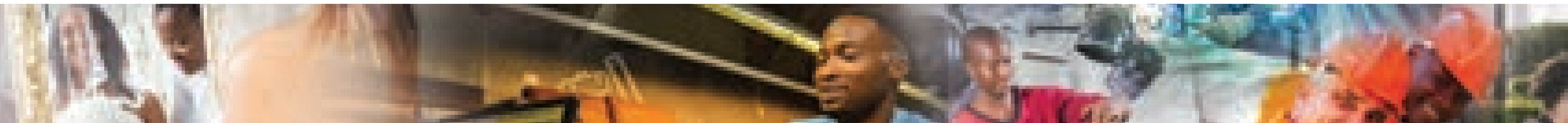
INDEPENDENT NON – EXECUTIVE DIRECTOR

Doreen has worked in the banking sector for 22 years and 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 rose to Senior Industrial Officer 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 being appointed Head of Compliance at Barclays Bank Botswana Ltd in 2002. 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 was appointed to the FNBB Board in July 2015 and was formerly on the board of the Botswana Medical Aid Society where she chaired the Board Finance Committee.

CORPORATE GOVERNANCE Report [Cont.]



INTRODUCTION

As the focal point of corporate governance, the Board of Directors is committed to upholding best practices, business ethics and integrity by ensuring that there are adequate people, processes and systems to facilitate successful implementation of the Bank's strategy. The Board is supported by robust and independent risk control functions over which it has oversight.

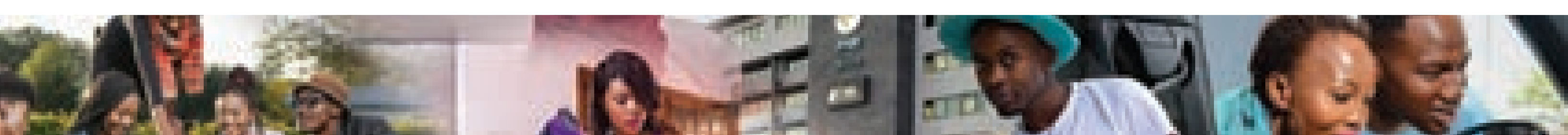
The Board of Directors, through the Directors Affairs and Governance Committee, has invested a significant amount of time and resources to bring the structures of the Bank in line with the highest standards of corporate governance espoused within the principles of King III and recommended international best practice. In addition, implications of the recently published King IV are currently being assessed.

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.

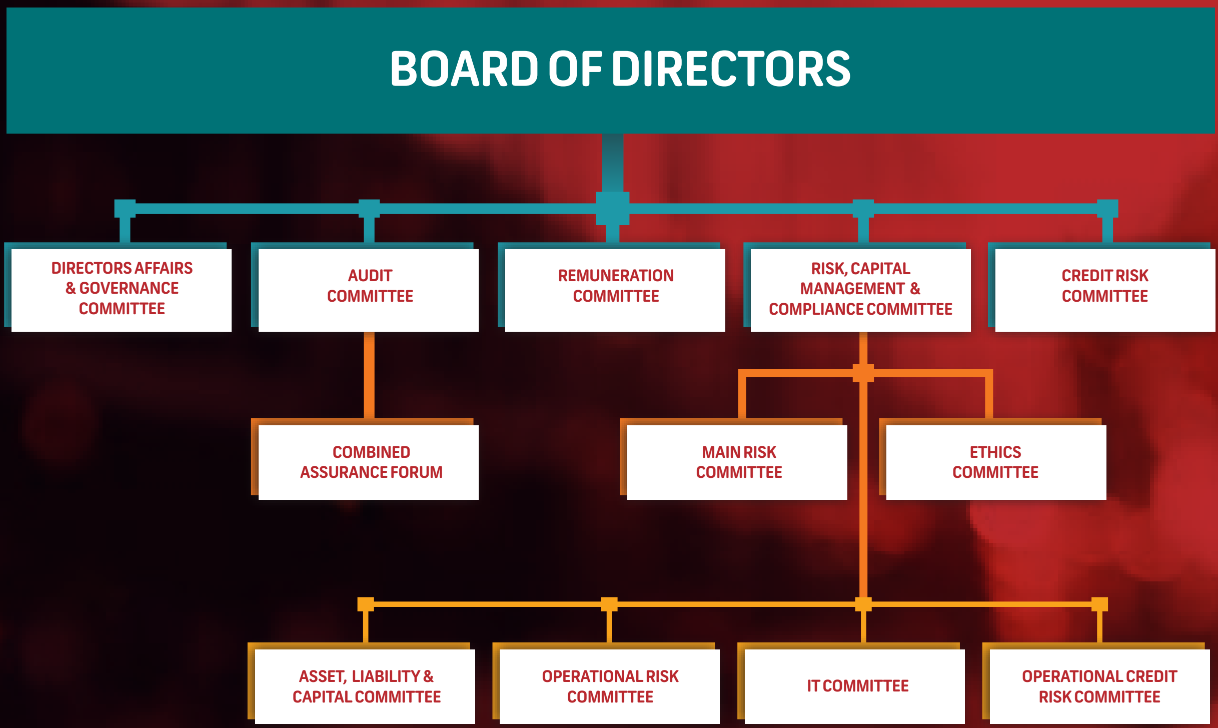
Corporate Governance Objectives

The Bank's overarching corporate governance objective for the financial year ending 30 June 2017 was to ensure that structures, policies, processes and procedures implemented within the Bank enable 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 compliance with sound corporate governance principles and ethical standards.

This objective includes compliance with King III Code of Corporate Governance Principles, and ensuring compliance with all relevant Legislation and Regulations such as the Banking Act and the Botswana Stock Exchange Listing Requirements.

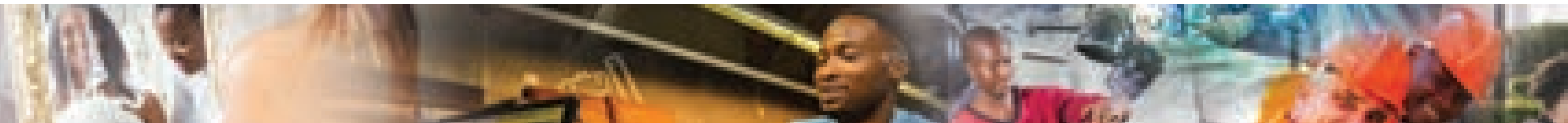


CORPORATE GOVERNANCE Report [Cont.]



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 its Committees

Board – The Board's paramount responsibility is ensuring positive performance of the Bank and creating value for its shareholders, whilst taking into consideration legitimate interests and expectations of all stakeholders. FNBB's stakeholders include present and potential 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 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 significant risks identified.

The Committee ensures that:

- It has reviewed a documented assessment of the going concern status of the Bank including key assumptions prepared by Management 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 the 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 2017-2018 financial year.

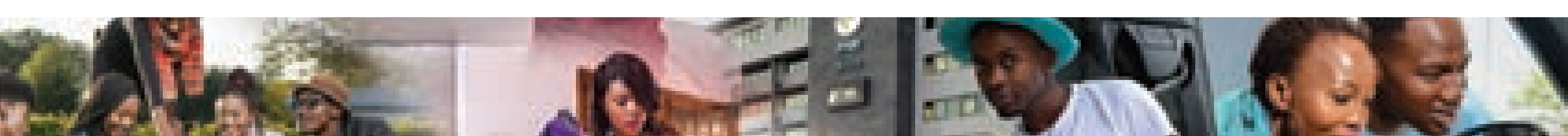
Risk, Capital Management and Compliance Committee (RCCC) – The Committee assists the Board in ensuring effective management of risk within the Bank by monitoring the effectiveness of its risk and compliance management structures and processes. Additionally, the Committee assists the Board in reviewing the Capital Management process and also reviews all Frameworks and Policies falling under the Board's ambit of control. For effective risk monitoring, the Chairman of the RCCC is also a member of the Audit Committee.

The Committee ensures that:

- It has received and reviewed the reports of the Chief Risk Officer, which highlight key risks of the Bank, including Legal, Compliance and IT risks;
- 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; and
- All risk factors in the internal and external environment are properly assessed with appropriate tolerance levels.

A detailed report on specific risk management actions undertaken during the period under review is provided in the Basel Pillar 3 disclosure, available on the Bank's website on www.fnbbotswana.co.bw

Remuneration Committee (REMCO) – Advises the Board on various aspects 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 reward and remuneration policies and ensures their alignment to best practice. The Bank's reward philosophy is designed to:



CORPORATE GOVERNANCE Report [Cont.]

- 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 and;
- 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 (DAGC) - 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 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, through regular review of the competence of the Board of Directors, including skills, experience and other qualities to enhance effectiveness of the Board; and
- The nomination and appointment of new Directors.

Board Committee Composition

Audit Committee

JK Macaskill - Chairman
(Independent Non-Executive Director)

DA Kgosietsile - member
(Independent Non-Executive Director)

DN Mokgethi - member (Independent Non-Executive Director)

MW Ward – in his capacity as Chairman of RCCC *(Independent Non-Executive Director)*

Credit Risk Committee

MW Ward - Chairman
(Independent Non-Executive Director)

D Ncube - member
(Independent Non-Executive director)

SL Bogatsu – member
(Executive Director)

Risk, Capital Management and Compliance Committee

MW Ward - Chairman *(Independent Non-Executive Director)*

JK Macaskill – member
(Independent Non-Executive Director)

D Ncube - member *(Independent Non-Executive Director)*

M Masire-Mwamba - member
(Independent Non-Executive Director)

Remuneration Committee

JR Khethe - Chairman
(Non-executive Director)

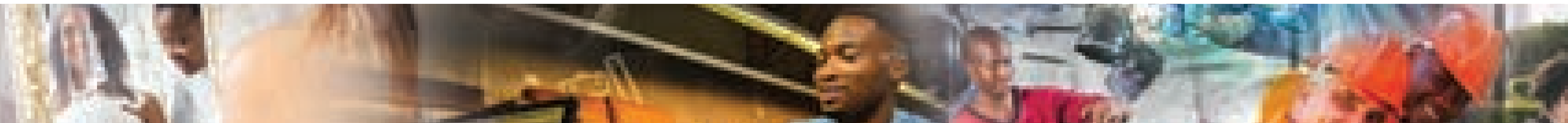
S Thapelo - member
(Independent Non-Executive Director)

Directors Affairs and Governance Committee

S Thapelo - Chairman
(Independent Non-Executive Director)

JR Khethe - member
(Non-Executive Director)

JK Macaskill - member
(Independent Non-Executive Director)



The Board Structure

The FNBB Board membership comprises both Executive and Non-Executive Directors, with majority being Non-Executive Directors who are independent. 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 its 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.

Whilst the Board of Directors does not consist of a balance of both Executive and Non-Executive Directors as recommended by King III, the Chief Executive Officer (CEO) sits on the Board together with other Non-Executive Directors from within the FirstRand Group of Companies. This composition is a function of regulatory restrictions on related party representation.

Board Composition

The Constitution of the Bank provides for a maximum of 13 Directors and a minimum of 4 Directors. As at 30 June 2017 the Board of Directors consisted of 8 Non-Executive Directors, 1 Executive Director and 1 Alternate Executive Director. This composition comprised of a balance of power, with a majority of Non- Executive Directors also being independent. To this end, the Board is satisfied that the possibility of conflict of interest is significantly low and that there is independence and objectivity in its decision making.

Board Changes during the Financial Period

In terms of the Constitution of the Bank, election of Chairman and/or Deputy Chairman is conducted on an annual basis. During the period under review, Messrs J K Macaskill and S Thapelo were elected Chairman and Deputy Chairman of the Board respectively.

The Chairman of the Board

The role of Board Chairman is held by an Independent Non-Executive Director and is therefore separate from that of the Chief Executive Officer. The Chairman of the Board is responsible for setting the ethical tone for the Board and providing overall leadership without limiting the principle of collective responsibility for Board decisions.

Board Meetings

The Board meets at least four times per annum to consider business philosophy and strategic issues, set risk parameters, approve financial results and budgets, and monitor the implementation of delegated responsibilities. Where appropriate,

decisions are also taken by way of circulated resolutions. Feedback from its Committees is considered, as well as a number of key performance indicators, variance reports and industry trends. A summary of meetings held and attended is presented below:

CORPORATE GOVERNANCE
Report [Cont.]

2016-2017 Board Attendance

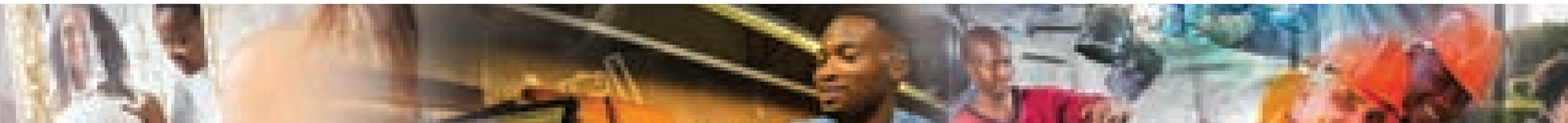
	August 2016	November 2016	January 2017	April 2017
JK Macaskill ** - Chairman	√	√	√	√
SL Bogatsu* - CEO	√	√	√	√
DA Kgosietsile**	√	√	√	√
JR Khethe***	√	√	A	√
S Thapelo**	√	√	√	√
MW Ward**	√	√	√	√
D Ncube**	√	√	√	√
M Masire-Mwamba**	√	√	√	√
DN Mokgethi**	√	√	√	√
RC Wright****	√	√	√	√

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

2016-2017 Board Committee Attendance

	Audit	Risk, Capital Management & Compliance	Senior Credit Risk	DAGC	REMCO
JK Macaskill - Chairman	4/4	4/4	-	4/4	1/3 (i)
SL Bogatsu* - CEO	4/4	4/4	5/11	4/4	3/3
DA Kgosietsile**	4/4	-	-	-	-
JR Khethe***	-	-	-	3/4	2/3
S Thapelo**	-	-	-	4/4	3/3
MW Ward**	4/4	4/4	11/11	-	-
D Ncube**	-	2/4	10/11	-	-
M Masire-Mwamba**	-	2/4		-	1/3 (i)
DN Mokgethi**	4/4	-	-	-	-
RC Wright****	4/4	4/4	10/11	-	-

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



The Board Committee meetings listed above 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 Charters.

The Bank continues to strive to improve the effectiveness and quality of its governance structures by reviewing the composition of its Committees where necessary. During the period under review, Ms M Masire-Mwamba and Ms D Ncube were added to the membership of the Risk, Capital Management and Compliance Committee. Ms Ncube was further added to the membership of the Credit Risk Committee.

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

All Non-Executive Directors are subject to retirement by rotation and re-election by Shareholders on an annual basis. The Constitution provides for a third of the Directors to retire, and if eligible, offer themselves for re-election at every Annual General Meeting. This re-election is not automatic. It is subject to set performance and eligibility criteria. The Constitution ensures a staggered rotation of Non-Executive Directors with a view to retain valuable skills and maintain continuity of knowledge and experience in the Board.

At the November 2017 Annual General Meeting, the following Directors shall retire by rotation and being eligible, offer themselves for re-election;

MW Ward
(Independent Non-Executive Director)

DA Kgosietsile
(Independent Non-Executive Director)

ND Mokgethi
(Independent Non-Executive Director)

Board Skills and Experience

The Board is composed of a total of nine Directors who are individuals of high calibre and credibility with the necessary skills and experience.

The Board has a comprehensive development programme. The annual plan for on-going training focuses on the governance of risk and the needs identified during the annual assessment process. The training programme has been designed in such a way that training is facilitated by in-house experts on various areas of the business, coupled with training provided by external service providers.

Board Nomination and Succession Planning

The Board has a formalised process for recruitment of Directors that takes cognisance of the skills and experience of the current and prospective Directors. The appointment process is formal and a matter for the Board as a whole through the assistance of the Director's Affairs and Governance Committee (DAGC). In its role of overseeing the nomination process and recommending potential candidates to the Board, the DAGC ensures that it takes cognisance of independence, demographics, and diversity, which applies to inter alia, academic qualifications, technical expertise, relevant industry knowledge, age, race, nationality and gender diversity at Board level.

Charters

The Board and its Committees operate in terms of formal Charters which are reviewed and adopted annually. The purpose of these Charters is to regulate the conduct of the Board's business in accordance with sound corporate governance principles. The objectives of each Charter are to ensure that all Directors are aware of their duties and responsibilities and the legislation and regulations affecting their conduct. Furthermore, The Bank, through the Charters seeks to ensure that sound corporate governance principles are applied in all dealings by Directors in respect of and on its behalf. The Charters set out the specific responsibilities to be discharged by the Directors collectively and individually.

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

CORPORATE GOVERNANCE Report [Cont.]

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, the Committees and individual Directors is done on an annual basis. During this period, two new annual assessments were introduced. These were the assessment of the Chairman's independence and performance and the assessment of the independence and performance of the longest serving Director (more than 10 years). The outcomes are deliberated at a Board meeting and the Chairman discusses the outcome of the individual Director assessments with each individual Director. Overall, the performance of the Board and its Committees is satisfactory, with improvement in Board succession planning identified as a key focus area going forward.

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 to the Board for approval. Internal Audit has a robust process in place to follow-up responses that relate to audit findings and the implementation of recommendations with a view to ensure 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. The 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 enables 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 risk, governance and control 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.

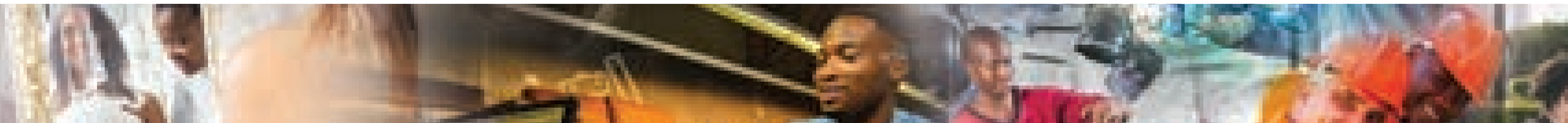
The Board assures its stakeholders that the internal audit team conducts audit work in accordance with the internal auditing standards set by the Institute of Internal Auditing (IIA).

Company Secretary and Professional Advice

We confirm that Ms Sethunya Thongbotho Molodi has been appointed as the Company Secretary of the Bank; she is appropriately skilled and empowered to fulfil this role. All Directors have unrestricted access to the advice and services of Ms Molodi who is accountable to the Board for ensuring that sound corporate governance and ethical principles are adhered to as well as compliance with prescribed procedures. The Company secretary is also responsible for facilitating the sourcing of independent professional advice at the request of any Director who requires advice in the discharge of his or her responsibilities.

External Audit

The external auditors provide an independent assessment of the Bank's systems of internal financial control and express an independent opinion on the Annual Financial Statements. The external audit function provides reasonable but not absolute assurance on the accuracy of the financial disclosures within disclosed thresholds of materiality.



The external auditor's plan is reviewed by the Audit Committee to ensure that significant areas of concern are covered, without infringing on the external auditor's independence and right to the audit. There exists close cooperation between the internal and external auditors to ensure that there is adequate coverage of all material areas of FNBB's business, sharing of information and minimisation of duplicated effort.

Dispute Resolution

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

A formal dispute resolution policy and process is in place for disputes related to stakeholder staff 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.

King III and Companies Act Requirements

We confirm that the Board has provided effective leadership based on an ethical foundation. The group-wide Ethics Code has been adopted and Ethics has been assigned to the Directors Affairs and Governance Committee (DAGC) for monitoring. The Board has completed a directors' pledge on the Code of Ethics as it is required to do on an annual basis.

CORPORATE GOVERNANCE Report [Cont.]

RISK MANAGEMENT

The future of risk management is evolving at a rapid pace. Risk conduct and culture are the pillars of effective risk management, and with focus on clear risk ownership by business units, risk management functions can provide adequate oversight and challenge the Bank's risk profile. In a rapidly changing world, effective combined assurance partnerships between business, risk management, compliance, internal audit and external audit will bring shareholders comfort.

The past year has seen increased changes in the regulatory landscape which require the Bank to deal with a number of regulatory adjustments and additional requirements. These include comprehensive regulations for anti-money laundering, counter terrorist financing, market and business conduct as well as other requirements.

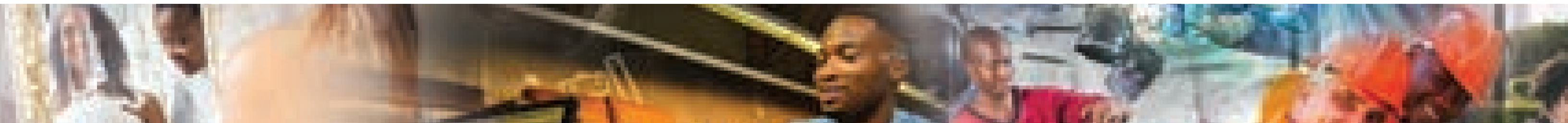
Approach to Risk Management:

The Bank's approach to risk management comprises three lines of defence as illustrated below:

RESPONSIBILITIES OF THE THREE LINES OF DEFENCE

FIRST LINE OF DEFENCE	The Management of FNBB are responsible for the management of risk and the implementation of risk strategy
SECOND LINE OF DEFENCE	The Risk Management functions (including Compliance) set policies across the Bank and conduct monitoring to ensure that the implementation of risk principles complies with regulations and legislation
THIRD LINE OF DEFENCE	The Board, Internal Audit and External Audit provide additional assurance on the effectiveness of risk management in the organisation

This approach ensures that risk competencies are integrated into all management functions, business areas and risk-type level across the Bank to support business by providing checks and balances to ensure sustainability, performance, achievement of desired objectives, and avoidance of adverse outcomes and reputational damage. The Bank's aim is not to eliminate risk, but to achieve an appropriate balance between risk and reward.



Risk Management Framework

The Bank has aligned its risk management structure to the Bank's business performance and risk management framework with the objective of ensuring an integrated view of risk across the Bank. As a policy directing both the Board and Executive Management, it articulates the roles and responsibilities of key stakeholders in business, support and control functions. The Bank believes that effective risk management is supported by effective governance structures, robust policies and frameworks, and a risk focused culture.

The organisational structure of risk management, including roles and responsibilities, is as follows:

- **The Board of Directors** provides overall direction and takes responsibility for managing the risks faced by the Bank.

- **Board Risk, Capital Management & Compliance Committee (RCCC)**, a sub-committee of the Board, discharges its duties as assigned by the Board, including recommending policies and strategies for risk management to be executed by Executive Management.

- **The Main Risk Committee**, which reports to the RCCC, ensures operational efficiencies across all risk types. Sub-committees of the Main Risk Committee include the Asset, Liability & Capital; Operational Risk; Information Technology and Credit Risk Sub-committees.

- **The Ethics & Conduct Committee**, which reports to the RCCC, focuses on business conduct and market conduct programmes (Treating Customers Fairly) with robust policies and frameworks in place.

- **Combined Assurance Forum:** The primary objective of the forum is for assurance providers to work together with management to deliver appropriate assurance leading to enhanced oversight and heightened awareness of emerging issues.

- **The Chief Risk Office** is responsible for the overall risk management leadership and execution. The office oversees the legal, compliance, operational risk, regulatory risk, financial crime, fraud, and liquidity and market risk departments, to ensure a comprehensive enterprise-wide risk view. However, it is important to note 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

Culture is the net result of values and behaviours of an organisation. The Bank recognises that effective risk management requires the maintenance of an appropriate risk culture, and believes that risk culture is underpinned by:

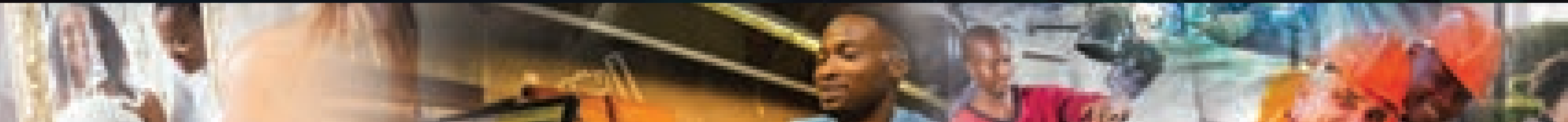
- Competent and ethical leadership in setting strategy and risk appetite; and a positive attitude towards applying appropriate risk practices;
- Increasing refinement of robust risk governance structures to ensure risk policies and frameworks are implemented;
- Best practice risk identification, assessment, management and reporting;
- A broader organisational culture which drives appropriate business ethics practices and supports risk goals ;
- Greater alignment of the risk assurance providers; and
- Enhanced risk management tools and capabilities.

..enabling

our clients to do business, transact, borrow and save in ways that suit their individual needs and lifestyles, because we are committed to enriching their banking experience.

First National Bank of Botswana Limited

AUDITED FINANCIAL STATEMENTS | 2017



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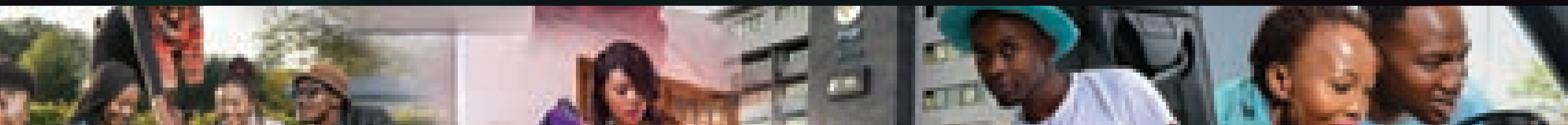

Directors' Responsibility Statements

FOR THE YEAR ENDED 30 JUNE 2017

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 pages 89-95.

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 Group and Company's system of internal financial controls. 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 99 to 211, which were approved on 11 August 2017 and are signed on their behalf by:

John .K. Macaskill	**Steven .L. Bogatsu**	**Dorcus .A. Kgosietsile**
Chairman	Chief Executive Officer	Director

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Independent Auditor's Report

TO THE MEMBERS OF FIRST NATIONAL BANK OF BOSTWANA LIMITED

Opinion

We have audited the consolidated and separate financial statements of First National Bank of Botswana Limited and its subsidiaries ("the Group"), set out on pages 99 to 206, which comprise consolidated and separate statements of financial position as at 30 June 2017, 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 notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group as at 30 June 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

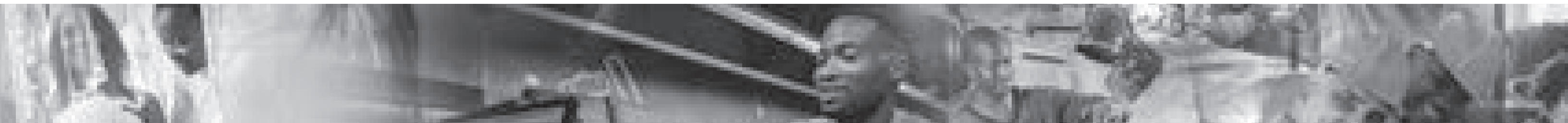
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B), together with other ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with these requirements applicable to performing audits in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

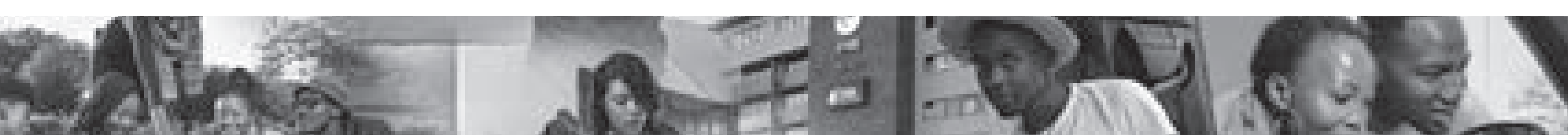
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as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

Deloitte

Key Audit Matter	How the matter was addressed in the audit
Impairment of Advances	
Significant judgement is required by the Directors in determining the impairment of advances disclosed in Note 15, which is determined based on the significant judgements and significant assumptions applied in the recognition and measurement of credit risk. Due to the significance of the impairment of advances balance to the consolidated and separate statements as a whole, combined with the significant judgements and significant assumptions associated with recognition and measurement of credit risk, this is considered to be a key audit matter.	We performed the following audit procedures: • Across all significant portfolios we assessed the advances impairment practices applied by the Directors against the requirements of International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement, and for consistency to prior periods; and • Evaluated the design and implementation and tested the effectiveness of relevant controls over the processes used to calculate impairments, including controls relating to data and models, and assessed the competence and capabilities of the management involved in the calculation of the impairment.
Individually significant advances The calculation of impairment on advances which are individually significant (typically corporate advances) is inherently judgemental in nature. The impact of macro-economic events, mine closures, retrenchments and restrained growth in personal incomes in Botswana result in a challenging operating environment with a consequential effect on the credit risk of underlying counterparties. As a result, the Directors apply significant judgement in identifying and assessing indications of impairment and related security values held when calculating impairment.	• We assessed the reasonableness of significant judgement and significant assumptions in respect of individually significant advances; • We assessed the appropriateness of assumptions made by the Directors in determining the level of impairment, including the probability of default and valuation of collateral against actual experience and industry practice; and • We selected a sample of high risk counterparties and tested the related advance balances for appropriateness of recognised impairments using best available external evidence.
Low value, high volume advances The calculation of impairment on the low value, high volume advances portfolios (typically retail advances) requires significant judgement and complex actuarial models to determine: • Whether impairment events have occurred which result in the need for an impairment; • Expected recoveries in the event of default, including the valuation of the underlying security and the potential curing of those loans in default; and • The impact of market factors, including macro-economic trends.	• Where impairment was specifically calculated, we assessed whether the loss event (that is the point at which impairment is recognised) had been identified in a timely manner by the Directors. Where impairments had been identified, we examined the forecasts of future cash flows and assumptions applied to external evidence by the Directors, where available; • Where impairments were calculated on a modelled basis (portfolio impairments), we assessed the appropriateness of these models and the data and assumptions used by the Directors, with the assistance of our internal specialists.



Key Audit Matter	How the matter was addressed in the audit
Impairment of Advances [continued]	
Related disclosures in the financial statements: • Consolidated note 40 – Credit risk management. • Consolidated and Separate note 14 – Advances to customers. • Consolidated and Separate note 15 – Impairment of advances. • Significant accounting policy 8.4 - Impairment of financial assets	This included: – Comparing those assumptions which could have a material impact with actual experience and industry practice; – Testing the operation of actuarial models, including, where required, building our own independent assessment with assistance from our internal specialists and comparing our results to those of the Directors; – We considered the potential for impairment to be affected by events which were not captured by the models (such as changes in economic conditions) and evaluated how the Group had responded to these by making further adjustments where appropriate; – Performed sensitivity analysis on the assumptions applied by the Directors; and – Reviewed the financial statements for appropriateness of impairment of advances disclosures in line with the IFRS disclosure requirements. We consider the credit impairments to be within an acceptable range in the context of an incurred loss model and found that the financial statements incorporated appropriate disclosures relating to the impairment of advances.
Suspense and clearing accounts	
There are significant considerations required by Directors in the identification, understanding and monitoring of suspense and clearing accounts. In addition, suspense and clearing accounts consist of considerable transaction volumes and manual interventions. The impact on the consolidated and separate financial statements is deemed to be significant due to the combination of material transaction volume and value, the limited relevant preventative controls in certain business units and significant manual intervention relating to certain suspense and clearing accounts. As a result, this is considered to be a key audit matter.	We performed the following audit procedures: • Identified suspense and clearing accounts subject to material transactional flows to understand the purpose of the accounts; • Understood the ageing and validity of uncleared items and the process followed to clear items by the Directors; • Evaluated the design and implementation and tested the operating effectiveness of relevant controls relating to the operation of suspense and clearing accounts, including an assessment of compensating controls in place where weaknesses in the relevant controls were noted;



Key Audit Matter	How the matter was addressed in the audit
Suspense and clearing accounts [continued]	
The identification, understanding and monitoring of suspense accounts are relevant to the Directors of the associated operational risk. This includes compliance with the Directors' suspense account management framework, the establishment of reasonable clearing periods and understanding the interplay with internal accounts. Suspense and clearing accounts are included as part of accounts receivables and creditors and accruals balances. Related disclosures in the financial statements: • Consolidated and Separate note 18 – Accounts receivable. • Consolidated and Separate note 25 – Creditors and accruals.	• Identified relevant manual interventions which may result in a material impact on the consolidated and separate financial statements and tested the appropriateness of said intervention by the Directors; and • Performed detailed testing on selected high risk account reconciliations which included obtaining an understanding of the purpose of the selected account, understanding acceptable ageing of items included on the reconciliation and testing a sample of reconciling items as at reporting date. After consideration of relevant compensating controls, which may be manual and detective in nature, or the performance of alternative audit procedures, no findings were noted that had a significant impact on the consolidated and separate financial statements.
Taxation	
The Group is currently involved in legal proceedings with the tax authorities regarding interpretation of tax regulations. Significant judgement is applied in the application and interpretation of tax regulation and these judgements as well as judgements resulting from the consideration of the impact of tax audits performed by the tax authorities may have significant impact on the consolidated and separate financial statements. Due to the significant judgement applied in the application and interpretation of tax regulation together with significant assumptions applied in the evaluation of the outcome of these legal matters in court, particularly whether the risk of loss is remote, possible or probable and assessing the quantum of provisions, if any, to be raised as well as the related disclosures, this is considered to be a key audit matter. Related disclosures in the consolidated financial statements: • Consolidated note 38 – Contingent liabilities. • Significant accounting policy 8.3 - Taxation	Our assessment of the impact of material interpretive tax matters included the following procedures: • Evaluated the design and implementation of relevant controls relating to the Directors' interpretation of the tax regulation and assessment of the likely outcome of the legal matters in court; • Analysed the judgements applied by the Directors, in context of supporting information; • Examined correspondence between the Group and the Revenue Service; • Obtained, examined and evaluated the advice obtained by the Directors from the FirstRand Group's tax specialists and legal advisers to support their assessment of the likely outcome of the legal matters in court; • With the assistance of our internal tax specialists, assessed the Directors' interpretation of the relevant tax regulation relating to the uncertain tax positions and matters, and evaluated the appropriateness of the key judgements and assumptions applied by the Directors relating to the outcome of these legal matters in court;

Key Audit Matter	How the matter was addressed in the audit
Taxation [continued]	
	• Evaluated the appropriateness of the Directors' significant assumptions and considerations were applied in determining the criteria for accounting for the tax matters in terms of IAS 12: Income Taxes and IAS 37: Provisions, Contingent Liabilities and Contingent Assets; and • Consulted our internal technical specialists to assess the appropriateness of the accounting treatment proposed by the Directors based on the facts in evidence. In the context of the uncertainty that exists and based on the facts in evidence, we found these matters were appropriately accounted for and disclosed in the consolidated financial statements.

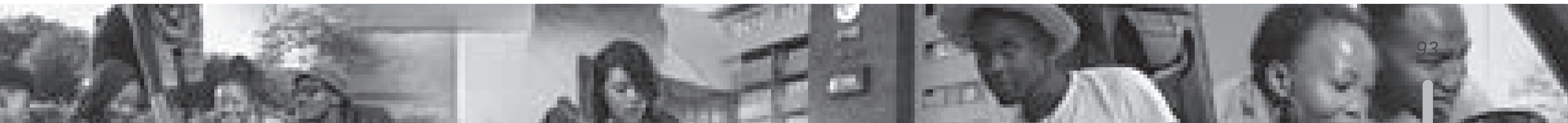
Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Responsibility Statement, Directors' Report, Report of the Audit Committee, Value Added Statements and Five Year Financial Summary, which we obtained prior to the date of this auditor's report and the Annual Report which will be made available after the date of our independent auditor's report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Deloitte.

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

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

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

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

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

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements for the year ended 30 June 2017, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the users' interest benefits of such communication.

Deloitte & Touche

Deloitte & Touche
Certified Auditors
C. Ramatlapeng (20020075)
Gaborone
11 August 2017

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

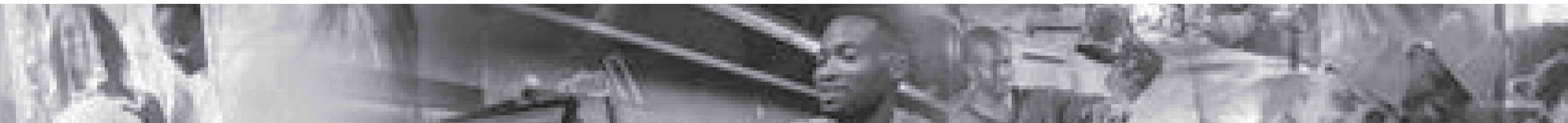
- To introduce such measures as, in the opinion of the Committee, may serve to enhance the credibility and objectivity of the financial statements and affairs of the Group and Company.

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 of Botswana (Companies Act, 2003) and the Banking Act (Cap 46:04).

John .K. Macaskill
Chairman

11 August 2017

Gaborone



Directors' Report

FOR THE YEAR ENDED 30 JUNE 2017

The Directors have pleasure in submitting their report together with the consolidated and 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 2017.

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 consolidated and separate financial statements. The Directors have no reason to believe that the Group and Company 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 P501 million (2016: P504 million) decreased by 0,7% compared to the results for the year ended 30 June 2016. The company income after tax of P476 million (2016: P471 million) increased by 1.1%, compared to the results for the year ended 30 June 2016. Interest income was derived mainly from advances 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

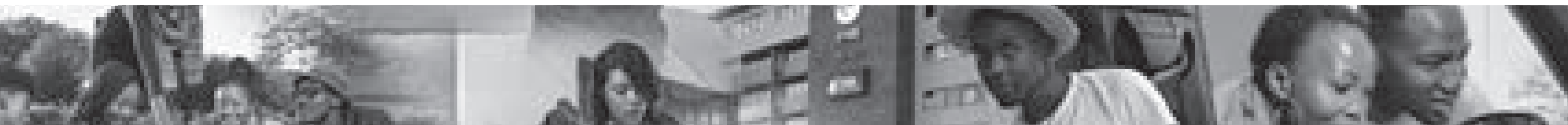
The Company's stated capital consists of 2 563 700 000 (2016: 2 563 700 000) ordinary shares, of which First National Bank Holdings (Botswana) Limited holds 1 780 590 000 (2016: 1 780 590 000) ordinary shares (69,45%) (2016: 69,45%), and the balance is traded on the Botswana Stock Exchange.

Directors' interests

The aggregate number of First National Bank of Botswana Limited shares held directly or indirectly by Directors of the Company amounts to 131 144 (2016: 250 367), which represents approximately 0,0051% (2016: 0,0130%) of the stated capital of the Company.

Dividends

An interim dividend of 5,00 thebe per share (2016: 5,00 thebe) for the year ended 30 June 2017 has been paid to holders of ordinary shares. The Directors propose a final dividend of 6,00 thebe per share (2016: 6,00 thebe).



Directors' Report [continued]

FOR THE YEAR ENDED 30 JUNE 2017

Directorate

The composition of the Board as at 30 June 2017 was as follows:

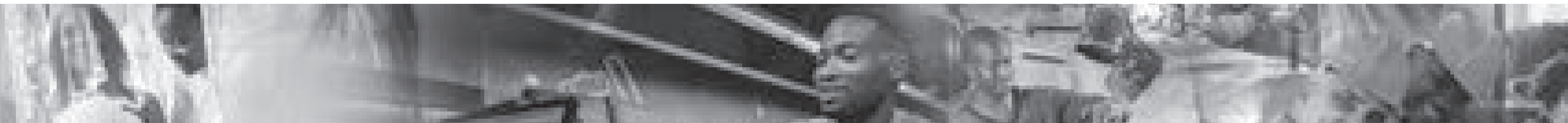
Directors	Office	Nationality	Alternate Director
John. K. Macaskill	Chairperson	South African	
Steven. L. Bogatsu	Chief Executive Officer	Motswana	Richard. C. Wright
Dorcus. A. Kgosietsile	Independent Non- Executive Director	Motswana	
Jabulani. R. Khethe	Non-Executive Director	South African	
Mmasekgoa. Masire-Mwamba	Independent Non-Executive Director	Motswana	
Nelson. D. Mokgethi	Independent Non- Executive Director	Motswana	
Sifelani. Thapelo	Independent Non- Executive Director	Motswana	
Michael. W. Ward	Independent Non- Executive Director	British	
Doreen. Ncube	Independent Non- Executive Director	Motswana	
Peter. D. Stevenson	Chairperson (deceased September 2016)	Motswana	

Transfer Secretaries

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

Auditors

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



1. INTRODUCTION AND BASIS OF PREPARATION

1.1 Introduction

The Group's consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including interpretations issued by the IFRS Interpretations Committee, the Companies Act of Botswana (Companies Act, 2003), and the Banking Act (Cap 46:04). The accounting policies are consistent with those applied in the prior year except for the effects of the amended IFRSs.

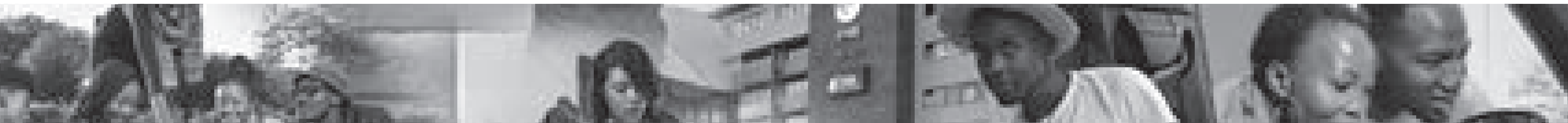
These financial statements comprise the statements of financial position (also referred to as the balance sheet) as at 30 June 2017, and the statements of comprehensive income, statement of profit and loss, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory notes.

The Group adopts the following significant accounting policies in preparing its financial statements:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.	**Subsidiaries, associates and joint arrangements**	Consolidation and equity accounting (section 2.1)	Related party transactions (section 2.2)	
3.	**Income, expenses and taxation**	Income and expenses (section 3.1)	Income tax expenses (section 3.2)	
4.	**Financial instruments**	Classification (section 4.1)	Measurement (section 4.2)	Impairment (section 4.3)
		Transfers and de- recognition (section 4.4)	Offseting and collateral (section 4.5)	Derivative financial instruments and hedge accounting (section 4.6)
5.	**Other assets and liabilities**	Property and equipment (section 5.1)	Intangible assets (section 5.1)	
		Provisions (section 5.1)	Leases (section 5.2)	
6.	**Capital and reserves**	Share capital and treasury shares (section 6)	Dividends and non-cash distributions (section 6)	Other reserves (section 6)
7.	**Transactions with employees**	Employee benefits (section 7.1)	Share-based payment transactions (section 7.2)	

These policies have been consistently applied to all years presented.



Significant Accounting Policies [continued]

FOR THE YEAR ENDED 30 JUNE 2017

1.2 Basis of preparation

The consolidated and separate financial statements have been prepared on the historical cost basis except for properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

There were no revised or new standards adopted in the current year that have an effect on the Group or Company's reported earnings, financial position or reserves or a material impact on the accounting policies.

The Group prepares consolidated financial statements which include the assets, liabilities and results of the operations of First National Bank of Botswana Limited and its subsidiaries (identified as Group). To compile the consolidated financial statements the audited information about the financial position and results of operations at 30 June each year for the Group is used.

The segmental analysis included in the segment report is based on the information reported to the chief operating decision maker for the respective segments under the current franchise management structures. The information is prepared in terms of IFRS and certain adjustments are made to the segment results in order to eliminate the effect of non-taxable income and other segment specific items that impact certain key ratios reviewed by the chief operating decision maker when assessing the operating segments' performance.

Presentation of financial statements, functional and foreign currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the functional currency).

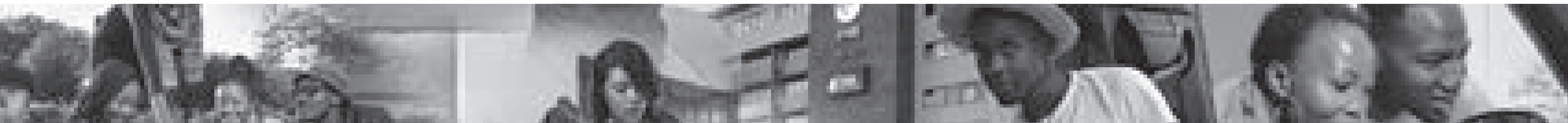
Presentation	The Group presents its statement of financial position in order of liquidity. Where permitted or required under IFRS, the Group offsets assets and liabilities or income and expenses and presents the net amount in the statement of financial position or in the statement of comprehensive income.
Materiality	IFRS disclosure is only applicable to material items. Management applies judgement and considers both qualitative and quantitative factors in determining materiality applied in preparing these financial statements.
Functional and presentation currency of the Group	Botswana Pula (P).
Level of rounding	All amounts are presented in thousands of Pula. The Group has a policy of rounding in increments of P500. Amounts less than P500 will therefore round down to P nil and are presented as a dash.

Translation and treatment of foreign denominated balances	Balances translated at the relevant exchange rates, depending on whether they are monetary items (in which case the closing spot rate is applied) or non-monetary items. For non-monetary items measured at cost the rate applied is the transaction date rate. For non-monetary items measured at fair value the rate at the date the fair value is determined (reporting date) is applied. Foreign exchange gains or losses are recognised in profit or loss in fair value gains or losses. To the extent that foreign exchange gains or losses relate to available-for-sale financial assets the following applies: • equity instruments are recognised in other comprehensive income as part of the fair value movement; and • debt instruments are allocated between profit or loss (those that relate to changes in amortised cost) and other comprehensive income (those that relate to changes in the fair value).

2 SUBSIDIARIES

2.1 Basis of consolidation

Subsidiaries	
Typical shareholding in the assessment of entities that are not structured entities	Greater than 50%
Nature of the relationship between the Group and the investee	Entities over which the Group has control as defined in IFRS 10 are consolidated.
Separate financial statements	
The Group measures investments in these entities at cost less impairment (in terms of IAS 36).	
Consolidated financial statements	
Initial recognition in the consolidated financial statements	Subsidiaries acquired are accounted for by applying the acquisition method of accounting to business combinations. The excess deficit of the sum of the consideration transferred, the value of non-controlling interest, the fair value of any existing interest, and the fair value of identifiable net assets, is recognised as goodwill or a gain on bargain purchase, as is set out further below. Transaction costs are included in operating expenses within profit or loss when incurred.

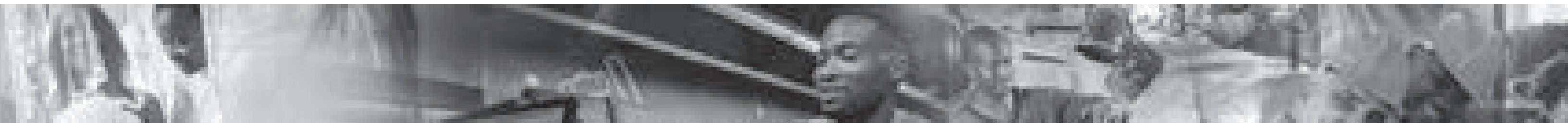


Significant Accounting Policies [continued]

FOR THE YEAR ENDED 30 JUNE 2017

2.1 Basis of consolidation [continued]

Intercompany transactions and balances	Intercompany transactions are all eliminated on consolidation, including unrealised gains. Unrealised losses on transactions between Group entities are also eliminated unless the transaction provides evidence of impairment of the transferred asset, in which case the transferred asset will be tested for impairment in accordance with the Group's impairment policies.
Consolidated financial statements	
	Consolidation
Impairment	In the consolidated financial statements either the cash generating unit (CGU) is tested i.e. a grouping of assets no higher than an operating segment of the Group; or if the entity is not part of a CGU, the individual assets of the subsidiary and goodwill are tested for impairment in terms of IAS 36.
Goodwill	Goodwill on the acquisition of businesses and subsidiaries represents excess consideration transferred, and is recognised as an intangible asset at cost less accumulated impairment losses. If this amount is negative, as in the case of a bargain purchase, the difference is immediately recognised in gains less losses from investing activities within non-interest revenue. Goodwill is tested annually for impairment by the Group in March or earlier if there are objective indicators of impairment. For subsidiaries acquired between March and June a goodwill impairment test is performed in June in the year of acquisition and thereafter annually in March. For testing purposes, goodwill is allocated to a suitable CGU. Impairment losses in respect of goodwill are not subsequently reversed.
Disposals	In a disposal transaction where the Group loses control of the subsidiary and the Group retains an interest in the entity after disposal, for example an investment in associate or investment security, the Group measures any retained investment in the entity at fair value at the time of the disposal. Thereafter the remaining investment is accounted for in accordance with the relevant accounting requirements. Gains or losses on all other disposals are recognised in gains less losses from investing activities in non-interest revenue. The Group may lose control of a subsidiary in a transaction where an interest in the investee is retained through an associate or joint venture. The Group eliminates the Group share of profits on these transactions in accordance with IAS 28.



2.2 Related party transactions

Related parties of the Group, as defined, include:

Subsidiaries	Post-employment benefit funds (pension funds)
Entities that have significant influence over the Group, and subsidiaries of these entities	Key management personnel (KMP)

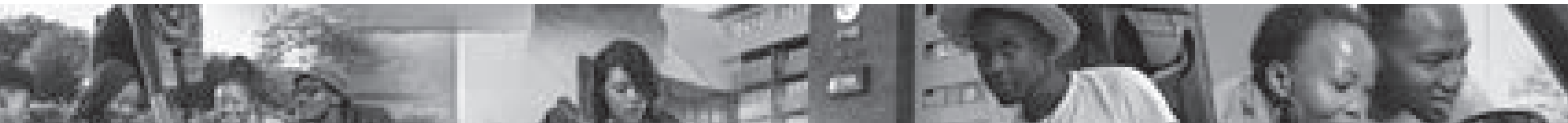
The principal shareholder of the First National Bank of Botswana Limited Group is First National Bank Holdings Limited, incorporated in Botswana. The ultimate shareholding of the company is FirstRand Limited, incorporated in South Africa.

Key management personnel of the Group are the First National Bank of Botswana board of directors and prescribed officers, including any entities which provide key management personnel services to the Group.

3 INCOME, EXPENSES AND TAXATION

3.1 Income and expenses

Net interest revenue recognised in profit or loss
Net interest includes: interest on financial instruments measured at amortised cost and available-for-sale debt instruments determined using the effective interest method; • interest on compound instruments. Where instruments with characteristics of debt, such as redeemable preference shares, are included in loans and advances or long-term liabilities and 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; • interest on debt instruments designated at fair value through profit or loss that are held by and managed as part of the Group's insurance or funding operations; • the difference between the purchase and resale price in repurchase and reverse repurchase agreements where the related advance or deposit is measured at amortised cost, because the amount is in substance interest; and • the interest portion of the net gains or losses on derivatives that are used to economically hedge interest rate risk. Interest income from a financial asset is recognised when it is probable that economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets net carrying amount on initial recognition.

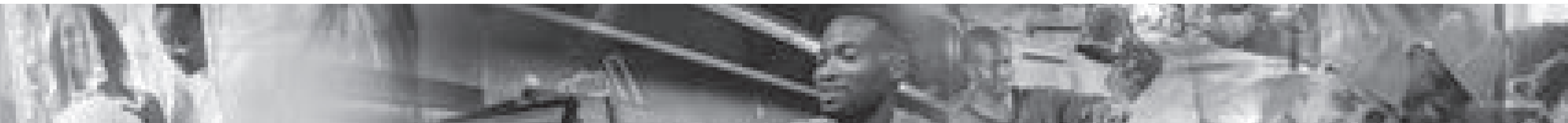


Significant Accounting Policies [continued]

FOR THE YEAR ENDED 30 JUNE 2017

3.1 Income and expenses [continued]

Non-interest revenue recognised in profit or loss **Net fee and commission income**	
Fee and commission 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 for services rendered are recognised on an accrual basis when the service is rendered, e.g. banking fee and commission income, and asset management and related fees; • fees earned on the execution of a significant act, e.g. knowledge-based fee and commission income, and non-banking fee and commission income, when the significant act has been completed; and • commission income on bills and promissory notes endorsed is credited to profit or loss over the life of the relevant instrument on a time apportionment basis. Commissions earned on the sale of insurance products to customers of the Group on behalf of an insurer and the income arising from third-party insurance cell captives and profit share agreements, are recognised as fee and commission income. Other non-banking fee and commission income relates to fees and commissions earned for rendering services to clients other than those related to the banking.
Fee and commission expenses	Fee and commission expenses are expenses that are incremental and directly attributable to the generation of fee and commission income, and are recognised as part of fee and commission income. These include transaction and service fees, which are expensed as the services are received.



Non-interest revenue recognised in profit or loss Fair value gains or losses

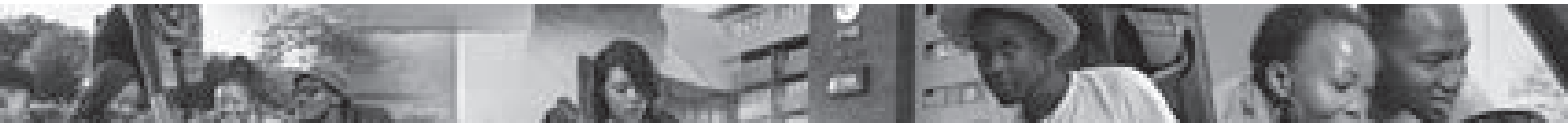
Fair value gains or losses of the Group recognised in non-interest revenue includes the following:

- fair value adjustments and interest on trading financial instruments including derivative instruments that do not qualify for hedge accounting and adjustments relating to non-recourse investments and deposits (except where the Group owns the commercial paper issued by the conduits);
- fair value adjustments that are not related to credit risk on advances designated at fair value through profit or loss;
- a component of interest expense that relates to interest paid on liabilities which fund the Group's fair value operations. The interest expense is reduced by the amount that is included in fair value income;
- fair value adjustments on financial instruments designated at fair value through profit or loss in order to eliminate an accounting mismatch, except for such instruments relating to the Group's funding operations for which the interest component is recognised in interest income;
- ordinary and preference dividends on equity instruments designated at fair value through profit or loss or held for trading; and
- any difference between the carrying amount of the liability and the consideration paid, when the Group repurchases debt instruments that it has issued.

Gains less losses from investing activities

The following items are included in gains less losses from investing activities:

- any gains or losses on disposals of investments in subsidiaries, associates and joint ventures. 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;
- any amounts recycled from other comprehensive income on disposal or impairment of available-for-sale financial assets; and
- dividend income on any equity instruments that are considered long term investments of the Group, including dividends from subsidiaries, associates and joint ventures. Income is recognised when the Group's right to receive payment is established.



Significant Accounting Policies [continued]

FOR THE YEAR ENDED 30 JUNE 2017

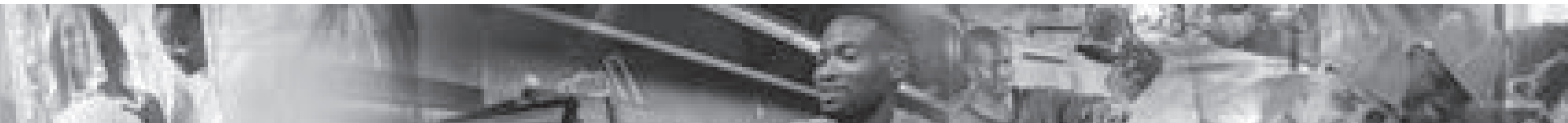
3.1 Income and expenses [continued]

Dividend income	
The Group recognises dividend income when the Group's right to receive payment is established. This is 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.	
Expenses	
Expenses of the Group, apart from certain fee and commission expenses included in net fee and commission income, are recognised and measured in terms of the accrual principle and presented as operating expenses in profit or loss.	
Indirect tax expense	Indirect tax includes other taxes paid to central and local governments including value added tax. Indirect tax is disclosed separately from income tax and operating expenses in the income statement.

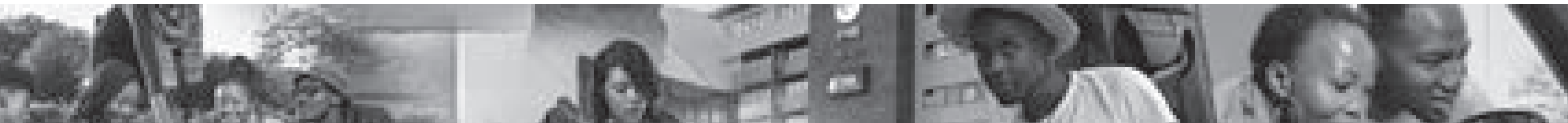
3.2 Income tax expenses

Income tax includes Botswana corporate tax payable and where applicable, includes capital gains tax.

Current income tax	
The current income tax expense is calculated by adjusting the net profit for the year for items that are non-taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the reporting date, in Botswana.	
Deferred income tax	
Recognition	On temporary differences arising between the tax base of assets and liabilities and their carrying amount in the financial statements.
Typical temporary differences in the Group that deferred tax is provided for	Depreciation of property and equipment; Revaluation of certain financial assets and liabilities, including derivative contracts; Provisions for pensions and other post-retirement benefits; Tax losses carried forward; and 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.



Measurement	Using the liability method under IAS 12 and applying 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. For 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.
Presentation	In profit or loss unless it relates to items recognised directly in equity or other comprehensive income. Items recognised directly in equity or other comprehensive income relate to: • the issue or buy back of share capital; • fair value re-measurement of available-for-sale investments; • re-measurements of defined benefit post-employment plans; and • derivatives designated as hedging instruments in effective cash flow hedges. • Tax in respect of share transactions is recognised directly in equity. Tax in respect of the other items is recognised directly in other comprehensive income and subsequently reclassified to profit or loss (where applicable) at the same time as the related gain or loss.
Deferred tax assets	The Group recognises deferred income tax assets only if it is probable that future taxable income will be available against which the unused tax losses can be utilised, based on management's review of the Group's budget and forecast information. 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.



Significant Accounting Policies [continued]

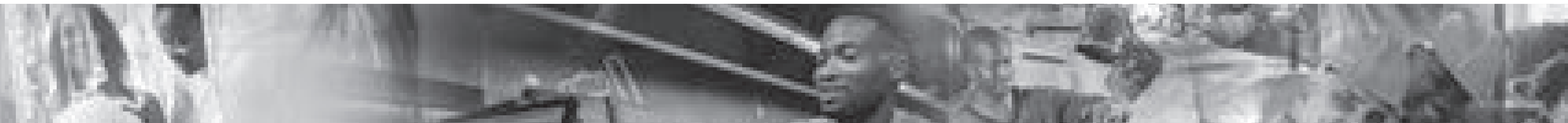
FOR THE YEAR ENDED 30 JUNE 2017

4 FINANCIAL INSTRUMENTS

4.1 Classification

Management determines the classification of its financial instruments at initial recognition. The following table sets out the different classes of financial instruments of the Group:

Derivatives
Derivatives are either designated as hedging instruments in effective hedging relationships or are classified as held for trading and measured at fair value through profit or loss.
Cash and cash equivalents and accounts receivable
Cash and cash equivalents comprise coins and bank notes, money at call and short notice and balances with central banks. All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition. Money at short notice constitutes amounts withdrawable in 32 days or less. Cash and cash equivalents and accounts receivable are measured at amortised cost in accordance with IAS 39.
Advances
Advances that are not designated at fair value through profit or loss are measured at amortised cost in accordance with IAS39. These include retail and corporate bank advances. Various advances to customers, structured notes and other investments held by the investment banking division of the Group, which would otherwise be measured at amortised cost, have been designated at fair value to eliminate the accounting mismatch between the assets and the underlying derivatives used to manage the risk arising from the assets and/or are managed on a fair value basis.
Investment securities
The majority of investment securities of the Group are either designated at fair value because they are managed on a fair value basis or are classified as available-for-sale. There is a portfolio of debt investment securities measured at amortised cost. Investment securities that represent an interest in the residual value of the investee are classified as equities within investment securities.

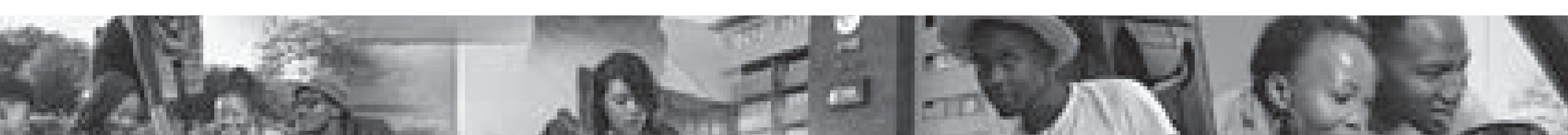


Financial liabilities and compound financial instruments
The Group classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement. Tier 2 instruments which have write down or conversion features are classified based on the nature of the instrument and the definitions of debt and equity. Compound instruments are those financial instruments that have components of both financial liabilities and equity such as issued convertible bonds. At initial recognition the instrument and the related transaction costs are split into their separate components in terms of the definitions and criteria of IAS 32 and are subsequently accounted for as a financial liability or equity.
Deposits and other funding liabilities
Liabilities are generally measured at amortised cost but may be measured at fair value through profit or loss if they are managed on a fair value basis or the fair value designation reduces or eliminates an accounting mismatch. Other funding liabilities are presented in separate lines on the statement of financial position of the Group.

4.2 Measurement

Initial measurement	All financial instruments are initially measured at fair value including transaction costs, except for those classified as fair value through profit or loss in which case the transaction costs are expensed upfront in profit or loss, usually as part of operating expenses. Any upfront income earned on financial instruments is recognised as is detailed under policy 3.1, depending on the underlying nature of the income.
Subsequent measurement	Amortised cost items are measured using the effective interest method, less any impairment losses. This includes available-for-sale debt instruments. Fair value items are measured at fair value at reporting date as determined under IFRS 13. The fair value gains or loss are either recognised in profit or loss (held for trading or designated at fair value through profit or loss) or in other comprehensive income (available-for-sale financial assets) until the items are disposed of or impaired.

The Group recognises purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) at settlement date, which is the date the asset is delivered or received.



Significant Accounting Policies [continued]

FOR THE YEAR ENDED 30 JUNE 2017

4.3 Impairment of financial assets

General

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment and its carrying amount is greater than its estimated recoverable amount. Included in impairments of loans and advances are the fair value of credit moves recognised in respect of advances designated at fair value through profit or loss.

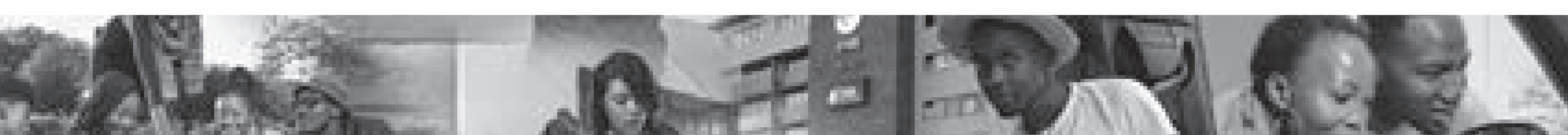
Scope	This policy applies to: • advances measured at amortised cost; • investment securities at amortised cost; • advances and debt instruments classified as available-for-sale; and • accounts receivable.
Objective evidence of impairment	The Group assesses at each reporting date whether there is objective evidence that a financial asset or Group of financial assets is impaired. The following factors are considered when determining whether there is objective evidence that the asset has been impaired: • breaches of loan covenants and conditions; • time period of overdue contractual payments; • actuarial credit models; • loss of employment or death of the borrower; and • probability of liquidation of the customer. Where objective evidence of impairment exists, impairment testing is performed based on loss given default (LGD), probability of default (PD) and exposure at default (EAD). For available-for-sale equity instruments objective evidence of impairment includes information about significant changes with an adverse effect on the environment in which the issuer operates and indicates that the cost of the investment in the equity instrument may not be recovered and a significant or prolonged decline in the fair value of the security below its cost.
Assessment of objective evidence of impairment	An assessment of impairment is first performed individually for financial assets that are individually significant and then 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. Financial 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.

Collective assessment	For the purposes of a collective assessment 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 financial assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the financial assets being evaluated.
Recognition of impairment loss	If there is objective evidence of impairment, an impairment loss is recognised in a separate line in profit or loss. The amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. 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. For available-for-sale financial assets which are impaired the cumulative loss is reclassified from other comprehensive income to profit or loss.
Reversal of impairment 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 (where applicable) and the amount of the reversal is recognised as part of operating expenses in profit or loss; and • impairment losses recognised on available-for-sale equity instruments are not subsequently reversed through profit or loss, but are recognised directly in other comprehensive income.

Impairment of advances

The adequacy of impairments of advances is assessed through the ongoing review of the quality of credit exposures. For amortised cost advances, impairments are recognised through the use of the allowance account method and an impairment charge in the income statement. For fair value advances, the credit valuation adjustment is charged to the income statement through fair value gains or losses and recognised as a change to the carrying value of the assets.

The following table sets out the Group policy on the ageing of advances (i.e. when an advance is considered past due or non-performing) and the accounting treatment of past due, impaired and written off advances:

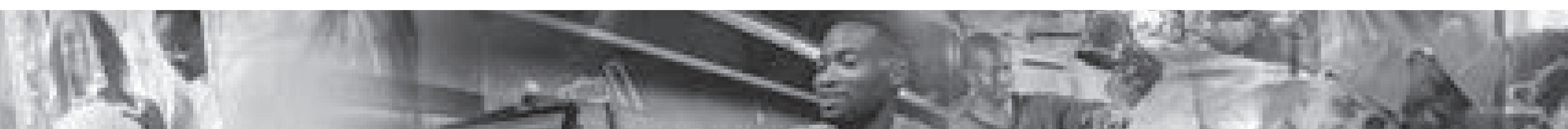


Significant Accounting Policies [continued]

FOR THE YEAR ENDED 30 JUNE 2017

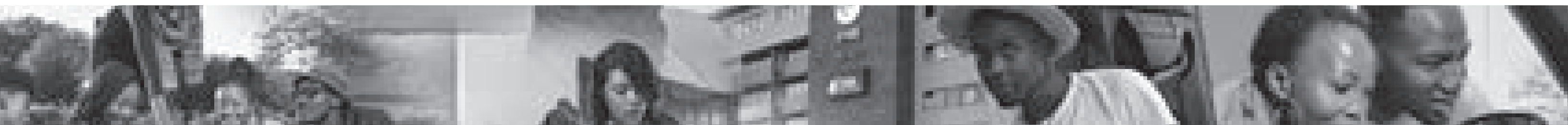
4.3 Impairment of financial assets [continued]

	Type of advance	Group policy on past due/impaired
Past due advances	The past due analysis is only performed for advances with specific expiry or instalment repayment dates or demand loans for which payment has been demanded. The analysis is not applicable to overdraft products or products where no specific due date is determined. The level of risk on these types of products is assessed with reference to the counterparty ratings of the exposures and reported as such.	
	Loans with a specific expiry date (e.g. term loans etc.) and consumer loans repayable by regular instalments (e.g. mortgage loans and personal loans)	Treated as overdue where one full instalment is in arrears for one day or more and remains unpaid as at the reporting date. Advances on which partial payments have been made are included in neither past due nor impaired until such time as the sum of the unpaid amounts equal a full instalment, at which point it is reflected as past due.
	Loans payable on demand (e.g. overdrafts)	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.
	The full outstanding amount is reported as past due even if part of the balance is not yet due.	
Non-performing loans	Retail loans	Individually impaired if three or more instalments are due or unpaid or if there is evidence before this that the customer is unlikely to repay the obligations in full.
	Commercial and wholesale loans	Analysed on a case-by-case basis taking into account breaches of key loan conditions, excesses and similar risk indicators.



Renegotiated advances	Advances that would otherwise be past due that have been renegotiated i.e. advances where, due to deterioration in the counterparty's financial condition, the Group granted a concession where the original terms and conditions of the facility were amended and the counterparty is within the new terms of the advance. Excludes advances extended or renewed as part of the ordinary course of business for similar terms and conditions as the original.	Separately classified as neither past due nor impaired assets and remain classified as such until the terms of the renegotiated contract expire. Non-performing advances cannot be reclassified as renegotiated but current unless the arrears balance has been repaid. Renegotiated advances are considered as part of the collective evaluation of impairment where advances are grouped on the basis of similar credit risk characteristics. The adherence to the new terms and conditions is closely monitored.

Impairments	
Specific	Created for non-performing loans where there is objective evidence that an incurred loss event will have an adverse impact on the estimated future cash flows from the advance. Potential recoveries from guarantees and collateral are incorporated into the calculation of impairment figures.
Portfolio	Created with reference to performing advances. The impairment provision on the performing portfolio is split into two parts: • an incurred but not reported (IBNR) provision i.e. the portion of the performing portfolio where an incurred impairment event is inherent in a portfolio of performing advances but has not specifically been identified; and • the portfolio specific impairment (PSI) which reflects the decrease in estimated future cash flows for the sub-segment of the performing portfolio where there is objective evidence of impairment.
Write offs	
When an advance is uncollectible, it is written off against the related allowance account. Such advances 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 impairment of advances in profit or loss.	



Significant Accounting Policies [continued]

FOR THE YEAR ENDED 30 JUNE 2017

4.4 Transfers and de-recognition

Financial instruments are derecognised when the contractual rights or obligations expire or are extinguished, discharged or cancelled for example an outright sale or settlement.

For financial assets this includes assets transferred that meet the de-recognition criteria. Financial assets are transferred when the Group has either transferred the contractual right to receive cash flows from the asset or it has assumed an obligation to pay over all the cash flows from the asset to another entity (i.e. pass through arrangement under IAS 39).

For financial liabilities this includes when there is a substantial modification to the terms and conditions of an existing financial liability. 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 following transactions are entered into by the Group in the normal course of business in terms of which it transfers financial assets directly to third parties or structured entities, and either achieves de-recognition or continues to recognise the asset:

Transaction type	Description	Accounting treatment
Transfers without derecognition		
Repurchase agreements	Investment securities and advances are sold to an external counterparty in exchange for cash and the Group agrees to repurchase the assets at a specified price at a specified future date. The counterparty's only recourse is to the transferred investment securities and advances that are subject to the repurchase agreement. The Group remains exposed to all the underlying risks on the assets including counterparty, interest rate, currency, prepayment and other price risks.	The underlying securities purchased under agreements to resell are not recognised on the statement of financial position. The Group does not recognise securities borrowed in the financial statements, unless these have been on sold to third parties, in which case the obligation to return these securities is recognised as a financial liability measured at amortised cost or fair value.
Transfers with derecognition		
Where the Group purchases its own debt	The debt is derecognised from the statement of financial position and any difference between the carrying amount of the liability and the consideration paid is included in fair value gains or losses within non-interest revenue.	

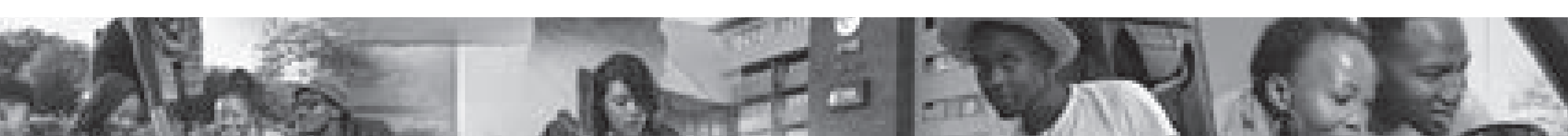
4.5 Offsetting of financial instruments and collateral

Where the requirements of IFRS are met, the Group offsets financial assets and financial liabilities and presents the net amount. Financial assets and financial liabilities subject to master netting arrangements (MNA) or similar agreements are not offset, if the right of set-off under these agreements is only enforceable in the event of default, insolvency and bankruptcy.

Details of the offsetting and collateral arrangements of the Group are set out in the following table:

Derivative financial instruments	The Group's derivative transactions that are not transacted on an exchange are entered into under International Derivatives Swaps and Dealers Association (ISDA) MNA. Generally, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. In certain circumstances, e.g. when a credit event such as default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions (close-out netting). Financial collateral (mostly cash) is also obtained, often daily, for the net exposure between counterparties to mitigate credit risk.
Repurchase and reverse repurchase agreements, and securities lending and borrowing transactions	These transactions by the Group are covered by master agreements with netting terms similar to those of the ISDA MNA. Where the Group has entered into a repurchase and reverse repurchase or securities borrowing and lending transaction, with the same counterparty, the advance and liability balances are set-off in the statement of financial position only if they are due on a single day, denominated in the same currency and the Group has the intention to settle these amounts on a net basis. The Group receives and accepts collateral for these transactions in the form of cash and other investment securities.
Other advances and deposits	The advances and deposits that are offset relate to transactions where the Group has a legally enforceable right to offset the amounts and the Group has the intention to settle the net amount.

It is the Group's policy that all items of collateral are valued at the inception of a transaction and at various points throughout the life of a transaction, either through physical inspection or indexation methods, as appropriate. For wholesale and commercial portfolios, the value of collateral is reviewed as part of the annual facility review. For mortgage portfolios, collateral valuations are updated on an ongoing basis through statistical indexation models. However, in the event of default, more detailed reviews and valuations of collateral are performed, which yields a more accurate financial effect.



Significant Accounting Policies [continued]

FOR THE YEAR ENDED 30 JUNE 2017

4.6 Derivative financial instruments and hedge accounting

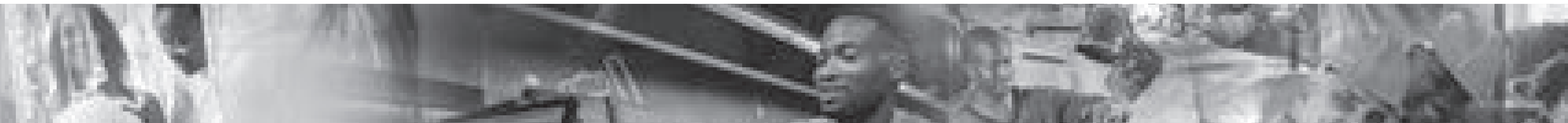
Derivative instruments are classified as held either for trading or formally designated as hedging instruments as required by IAS 39, which impacts the method of recognising the resulting fair value gains or losses.

For derivatives used in fair value hedges changes in the fair value of the derivatives are recorded in profit or loss as part of fair value gains or losses within non-interest revenue, together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

For derivatives used in cash flow hedges, the effective portion of changes in the fair value of derivatives is recognised in the cash flow hedge reserve in other comprehensive income and reclassified to profit or loss in the periods in which the hedged item affects profit or loss; the ineffective portion is recognised immediately in profit or loss as part of fair value gains or losses within non-interest revenue.

The Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions at the inception of the transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

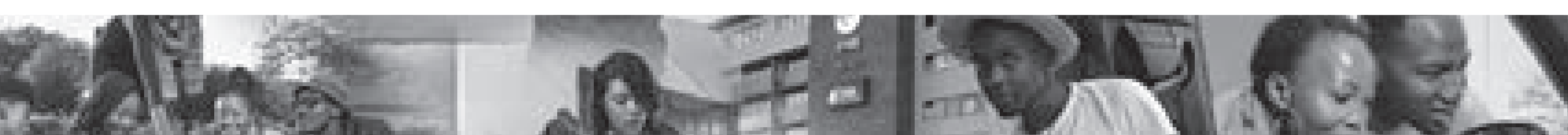
The Group treats derivatives embedded in other financial or non-financial instruments, such as the conversion option in a convertible bond, as separate derivatives when they meet the requirements for bifurcation of IAS 39. Where bifurcated derivatives meet the criteria for hedge accounting, they are accounted for in terms of the applicable hedge accounting rules.



5 OTHER ASSETS AND LIABILITIES

5.1 Classification and measurement

Classification	Measurement
Property and equipment	
Property and equipment of the Group includes: • assets utilised by the Group in the normal course of operations to provide services including freehold property and leasehold premises and leasehold improvements (owner occupied); • assets which are owned by the Group and leased to third parties under operating leases as part of the Group's revenue generating operations; • capitalised leased assets; and • other assets utilised in the normal course of operations including computer and office equipment, motor vehicles and furniture and fittings.	Fair value and/or historical cost less accumulated depreciation and impairment losses, except for land which is not depreciated. Depreciation is on a straight line basis over the useful life of the assets, except for assets capitalised under finance leases where the Group is the lessee, in which case depreciation is over the life of the lease. The useful lives of the Group and Company's assets are disclosed in section 8.5 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.
Intangible assets	
Goodwill arising from business combinations is recognised as an intangible asset.	Refer to policy 2.1.
Provisions	
The Group will only recognise a provision measured in terms of IAS 37 when there is uncertainty around the amount or timing of payment. Where there is no uncertainty the Group will recognise the amount as an accrual.	



Significant Accounting Policies [continued]

FOR THE YEAR ENDED 30 JUNE 2017

5.1 Classification and measurement [continued]

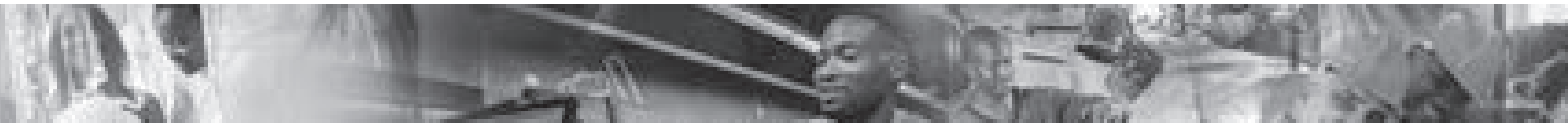
Other assets that are subject to depreciation and intangible assets, other than goodwill (refer to policy 2.1), are reviewed for impairment whenever objective evidence of impairment exists. Impairment losses are recognised in profit or loss as part of operating expenses.

Other assets are derecognised when they are disposed of or, in the case of intangible assets, when no future economic benefits are expected from its use. Gains or losses arising on derecognition are determined as the difference between the carrying amount of the asset and the net proceeds received, and are recorded in profit or loss as part of non-interest revenue.

5.2 Leases

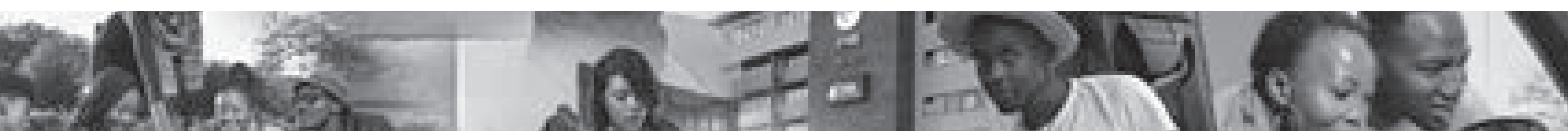
The Group classifies leases of property and equipment where the lessee assumes substantially all the risks and rewards of ownership as finance leases. The Group classifies leases as operating leases if the lessor effectively retains the risks and rewards of ownership of the leased asset.

	Group company is the lessee	Group company is the lessor
Finance leases		
At inception	Capitalised as assets and a corresponding lease liability for future lease payments is recognised.	Recognise assets sold under a finance lease as advances and impair as required, in line with policy 4.3.
Over the life of the lease	The asset is depreciated – refer to policy 5.1.	Unearned finance income is recognised as interest income over the term of the lease using the effective interest method.
Operating leases	Recognised as an operating expense in profit or loss on a straight line basis over the period of the lease. Any difference between the actual lease amount payable and the straight-lined amount calculated is recognised as a liability of the Group in creditors and accruals.	Assets held under operating leases are recognised as a separate category of property and equipment (assets held under leasing arrangements) and depreciated - refer to policy 5.1. Rental income is recognised as other non-interest revenue on a straight line basis over the lease term.
Instalment credit sale agreements where the Group is the lessor	The Group regards instalment credit sale 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 revenue in proportion to capital balances outstanding.	



6. CAPITAL AND RESERVES

Transaction	Liability	Equity
Shares issued and issue costs	Preference shares issued by the Group that meet the definition of liabilities are classified as liabilities. Preference shares which qualify as Tier 2 capital have been included in Tier 2 liabilities. Other preference share liabilities have been included in other liabilities as appropriate.	Ordinary shares and any preference shares which meet the definition of equity including non-cumulative non-redeemable (NCNR) preference shares issued by the Group are recognised as equity. Any incremental costs directly related to the issue of new shares or options, net of any related tax benefit, are deducted from the issue price.
Dividends paid/ declared	Recognised as interest expense on the underlying liability.	Dividends on ordinary shares and NCNR preference shares are recognised against equity. A corresponding liability is recognised when the dividends have been approved by the company's shareholders and distribution is 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 liability to distribute non-cash assets is recognised as a dividend to owners at the fair value of the asset to be distributed. The difference between the carrying amount of the assets distributed and the fair value of the assets on the date of distribution is recognised as non- interest revenue in profit or loss for the period.	The carrying amount of the dividend payable is re-measured at the end of each reporting period and on settlement date. The initial carrying amount and any subsequent changes are recognised in equity.
Treasury shares i.e. where the Group purchases its own equity share capital	If the Group re-acquires its own equity instruments, those instruments are deducted from the Group's equity.	The consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity as treasury shares until they are re-issued or sold. Where the shares are subsequently sold or re-issued, any consideration received net of any directly attributable incremental costs, is included in shareholders' equity.
Other reserves		Other reserves recognised by the Group include reserves arising from revaluation of owned properties.



Significant Accounting Policies [continued]

FOR THE YEAR ENDED 30 JUNE 2017

7 TRANSACTIONS WITH EMPLOYEES

7.1 Employee benefits

The Group operates a defined contribution scheme, the assets of which are held in separate trustee administered funds. These funds are registered in terms of the Retirement Funds Act, and membership of the pension fund is compulsory for all Group employees.

Defined contribution plans	
Contributions are recognised as an expense, included in staff costs, when the employees have rendered the service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.	
Termination benefits	
The Group recognises termination benefits as a liability in the statement of financial position and as an expense, included in staff costs, 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 or when the Group recognises any related restructuring costs.	
Liability for short term employee benefits	
Leave pay	The Group recognises a liability for the employees' rights to annual leave in respect of past service. The amount recognised by the Group is based on current salary of employees and the contractual terms between the employee and the Group. The expense is included in staff costs.
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.

7.2 Share-based payment transactions

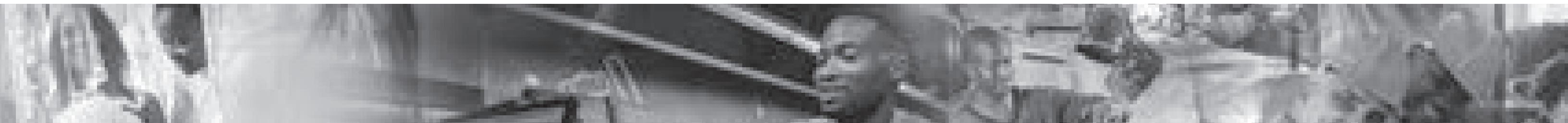
The Group operates cash settled share-based compensation plans for employees.

Options granted under cash settled plans result in a liability being recognised and measured at fair value until settlement. An expense is recognised in profit or loss for employee services received over the vesting period of the plans.

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

8.1 Introduction

In preparing the financial statements, the Directors makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions 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. Unless stated otherwise the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the critical accounting estimates, assumptions and judgements made by the Group, except those related to fair value measurement which are included in note 40



8.2 Impairment of goodwill

The recoverable amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. For impairment testing purposes, goodwill is allocated to CGUs at the lowest level of operating activity to which it relates, and is therefore not combined at Group level.

The recoverable amount of the CGU is determined as the higher of the value in use or fair value less costs to sell.

<table>
<tr><th>Value in use</th><th>Fair value less costs to sell</th></tr>
<tr><td>The value in use is calculated as the net present value of the discounted cash flows of the CGU. This is determined by discounting the estimated future pre-tax cash flows to its present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the CGU. The future cash flows are based on financial budgets approved by management covering a one year period. Cash flows beyond one year are extrapolated using the estimated growth rate for the CGU.

The key assumptions in determining the value in use of the CGU are therefore the discount rate and the real growth rate. The table below shows the discount rate and the growth rate used in calculating the value in use for the CGUs.

<table><tr><th colspan="2">Discount rates (%)</th><th colspan="2">Growth rates (%)</th></tr><tr><td>2017</td><td>2016</td><td>2017</td><td>2016</td></tr><tr><td>12.65</td><td>12.40</td><td>3.00</td><td>3.00</td></tr></table>The discount rate used is the weighted average cost of capital for the specific segment or entity, adjusted for specific risks relating to the segment or entity. Some of the other assumptions include investment returns, expense inflation rates, tax rates and new business growth.</td><td>The fair value less costs to sell is determined as the current market value of the CGU less any costs related to the realisation of the CGU.</td></tr>
<tr><td>The period over which management has projected cash flows is 4 years (2016: 4 years). The cash flows from the final cash flow period are extrapolated into perpetuity to reflect the long-term plans of the Group. The growth rate does not exceed the long-term average past growth rate for the business in which the CGU operates.

A reasonably possible change in the discount rate or growth rate of the above mentioned CGUs would not result in their recoverable amounts exceeding the carrying values. A change in the discount rates or growth rate applied and other reasonably possible change in the key assumptions would not result in additional impairment losses being recognised for goodwill in any of the CGU's. The recoverable amount is sufficiently in excess of the carrying amount that changes to the assumptions don't change the final outcome of the test.</td><td></td></tr>
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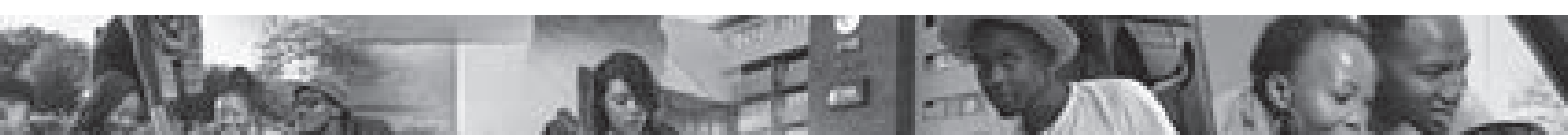


Significant Accounting Policies [continued]

FOR THE YEAR ENDED 30 JUNE 2017

8.3 Taxation

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. Significant judgement is applied in the application and interpretation of tax regulation and these judgements as well as judgements resulting from the consideration of the impact of tax audits performed by the tax authorities may have significant impact on the consolidated and separate financial statements as disclosed on note 38.

8.4 Impairment of financial assets

Impairment of financial assets	
In determining whether an impairment loss should be recognised, 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.	
General	
Collective impairment assessments of Groups of financial assets	Future cash flows in a Group of financial assets 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 financial 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 regularly reviewed by the Group to reduce any differences between loss estimates and actual loss experience.
Impairment assessment of collateralised financial assets	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.
The Group continuously assesses its credit portfolios for impairment. Significant advances are monitored by the credit committee and impaired according to the Group's impairment policy when an indication of impairment is observed. The objective of the measurement of an impairment loss is to produce a quantitative measure of the Group's credit risk exposure. In determining the amount of the impairment the Group considers the following: • the probability of default (PD) which is a measure of the expectation of how likely the customer is to default; and • the exposure at default (EAD) which is the expected amount outstanding at the point of default; and the loss given default (LGD) which is the expected loss that will be realised at default after taking into account recoveries through collateral and guarantees.	

Performing loans

The assessment of whether objective evidence of impairment exists requires judgement and depends on the class of the financial asset. In the retail portfolios the account status, namely arrears versus non-arrears status, is taken as a primary indicator of an impairment event. In the commercial portfolios, other indicators such as the existence of high-risk accounts, based on internally assigned risk ratings and management judgements are used, while the wholesale portfolio assessment (which includes RMB investment banking and RMB corporate banking) includes a judgemental review of individual industries for objective signs of distress.

Where impairment is required to be determined for the performing book, the following estimates are required:

The incurred but not recognised (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 - 12 months. The portfolio impairment is the decrease in future cash flows primarily estimated based on analysis of historical loss and recovery rates for comparable sub-segments of the portfolio.

8.5 Other assets and liabilities

Property and equipment

The useful life of each asset is assessed individually. The directors have applied their judgements based on prior experience on the life of assets in setting the benchmarks used when assessing the useful life of the individual assets set out below.

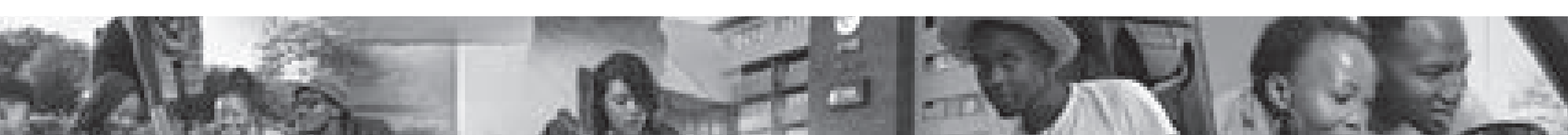
Leasehold premises	Shorter of estimated life or period of lease
Freehold property and property held under finance lease:	
Buildings and structures	50 years
Mechanical and electrical	20 years
Components	20 years
Sundries	3 - 5 years
Computer equipment	3 - 5 years
Other equipment	Various between 3 - 10 years
Motor vehicles	5 years

The directors have assumed that all assets have nil residual.

Provisions

The Group utilises the following in order to determine when to recognise provisions for potential litigation and claims:

- expert and in-house advise; and
- consideration of the likelyhood and probable outcome of the event so as to arrive at the best possible estimate.

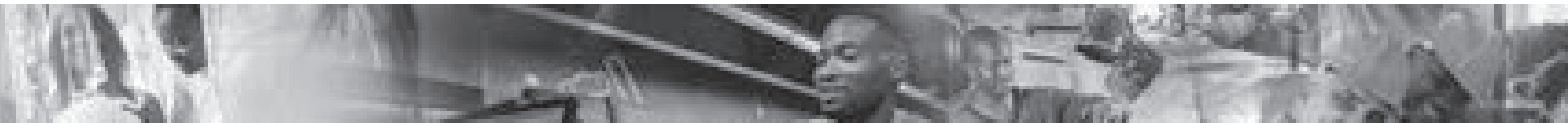


Significant Accounting Policies [continued]

FOR THE YEAR ENDED 30 JUNE 2017

8.6 Transactions with employees

Cash settled share-based payment plans	
Determination of fair value	The liability is determined using a Black-Scholes option pricing model with a zero strike price. The following estimates are included in the model to determine the value: • management's estimate of future dividends; • historical volatility is used as a proxy for future volatility; • the risk free interest rate is used; and • staff turnover and historical forfeiture rates are used as indicators of future conditions.



Statements of Profit or Loss

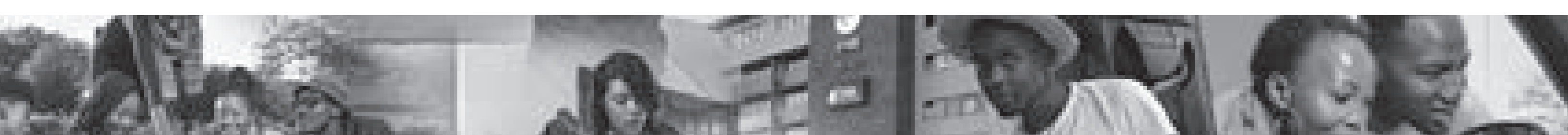
FOR THE YEAR ENDED 30 JUNE 2017

		GROUP		COMPANY	
	Note(s)	2017 P '000	2016 P '000	2017 P '000	2016 P '000
Interest and similar income	3	1 429 248	1 308 394	1 429 248	1 308 394
Interest expenses and similar charges	4	(265 128)	(363 565)	(263 454)	(362 023)
Net interest income before impairment of advances		1 164 120	944 829	1 165 794	946 371
Impairment of advances	15	(361 219)	(228 570)	(361 219)	(228 570)
Net interest income after impairment of advances		802 901	716 259	804 575	717 801
Non-interest income	5	978 155	926 949	928 644	876 010
Income from operations		1 781 056	1 643 208	1 733 219	1 593 811
Operating expenses	6	(562 005)	(520 379)	(548 558)	(515 960)
Employee benefits expenses	7	(514 832)	(439 954)	(513 062)	(437 641)
Income before taxation		704 219	682 875	671 599	640 210
Indirect taxation	8	(23 896)	(23 863)	(23 870)	(23 662)
Profit before direct taxation		680 323	659 012	647 729	616 548
Direct taxation	8	(179 804)	(155 121)	(171 971)	(145 739)
Profit for the year attributable to owners of the parent		500 519	503 891	475 758	470 809

Earnings per share

Per share information

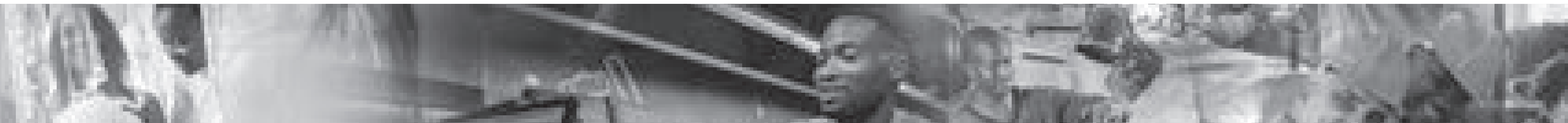
Basic earnings per share (thebe)	10	19,68	19,81
Diluted earnings per share (thebe)	10	19,68	19,81



Statements of Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2017

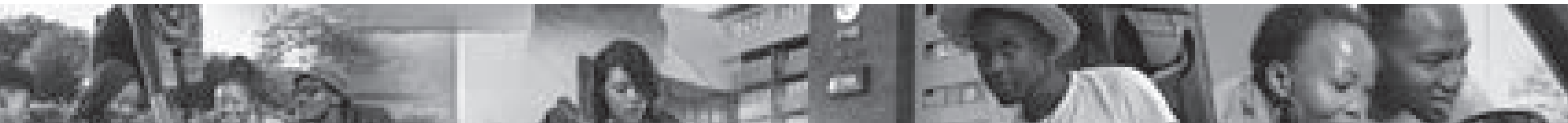
	GROUP		COMPANY	
	2017 P '000	2016 P '000	2017 P '000	2016 P '000
Profit for the year	500 519	503 891	475 758	470 809
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Net losses on property revaluation	–	(6 836)	–	(10 122)
Deferred income tax on property revaluation	–	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	500 519	498 559	475 758	462 914



Statements of Financial Position

FOR THE YEAR ENDED 30 JUNE 2017

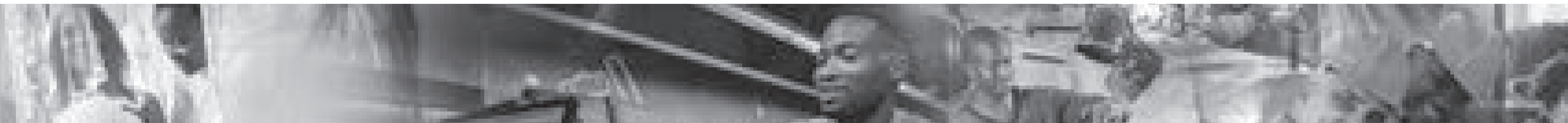
		GROUP		COMPANY	
	Note(s)	2017 P '000	2016 P '000	2017 P '000	2016 P '000
ASSETS					
Cash and short term funds	12	4 396 885	3 651 793	4 396 885	3 651 793
Investment securities	16	3 313 694	2 447 230	3 313 694	2 447 230
Derivative financial instruments	13	64 028	76 646	64 028	76 646
Advances to banks		-	324 960	-	324 960
Advances to customers	14	14 997 373	14 386 819	15 004 363	14 393 819
Current taxation	33	8 641	99 966	8 641	99 966
Due from related parties	17	9 448	6 324	9 448	6 324
Accounts receivable	18	288 831	376 245	270 318	364 287
Investments in subsidiaries	19	-	-	13 540	13 540
Property and equipment	20	505 496	495 692	473 910	462 946
Goodwill	21	26 963	26 963	26 589	26 589
Total assets		23 611 359	21 892 638	23 581 416	21 868 100
EQUITY AND LIABILITIES					
Liabilities					
Deposits from banks	23	1 397 685	300 166	1 397 685	300 166
Deposits from customers	22	17 567 471	17 063 756	17 567 471	17 063 756
Accrued interest payable		46 061	30 553	46 061	30 553
Derivative financial instruments	13	28 065	42 631	28 065	42 631
Due to related parties	17	36 175	124 726	148 410	231 405
Creditors and accruals	25	443 530	429 680	441 845	414 053
Employee liabilities	26	71 606	68 127	71 468	67 926
Borrowings	24	1 059 127	1 094 239	1 059 127	1 094 239
Current taxation	33	1 208	898	-	-
Deferred taxation	9	207 566	203 509	202 357	198 195
Total liabilities		20 858 494	19 358 285	20 962 489	19 442 924
Capital and reserves attributable to ordinary equity holders					
Stated capital	29	51 088	51 088	58 088	58 088
Reserves	30	2 547 955	2 329 443	2 407 017	2 213 266
Dividend reserve		153 822	153 822	153 822	153 822
Total equity		2 752 865	2 534 353	2 618 927	2 425 176
Total Equity and Liabilities		23 611 359	21 892 638	23 581 416	21 868 100



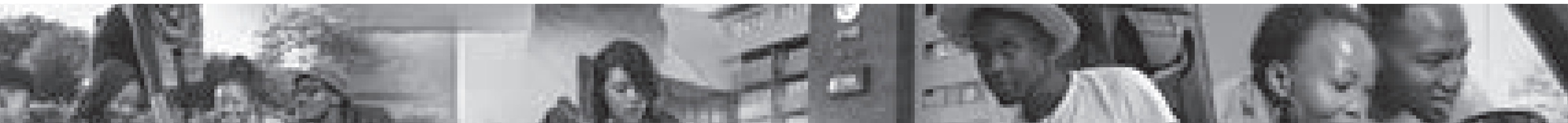
Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2017

	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
GROUP						
Balance at 01 July 2015	51 088	55 189	14 570	282 007	2 043 132	2 445 986
Profit for the year	–	–	–	–	503 891	503 891
Other comprehensive loss	–	(5 332)	–	–	–	(5 332)
Total comprehensive income for the year	–	(5 332)	–	–	503 891	498 559
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 01 July 2016	51 088	47 002	–	153 822	2 282 441	2 534 353
Profit for the year	–	–	–	–	500 519	500 519
Total comprehensive income for the year	–	–	–	–	500 519	500 519
Transfer from revaluation reserve	–	(2 680)	–	–	2 680	–
2016 Final Dividends paid	–	–	–	(153 822)	–	(153 822)
2017 Interim Dividends paid	–	–	–	–	(128 185)	(128 185)
2017 Final Dividends proposed	–	–	–	153 822	(153 822)	–
Total contributions by and distributions to owners of company recognised directly in equity	–	(2 680)	–	–	(279 327)	(282 007)
Balance at 30 June 2017	51 088	44 322	–	153 822	2 503 633	2 752 865
Note				30		



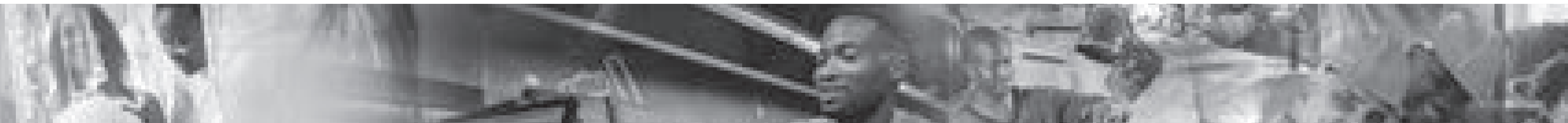
	Stated capital P '000	Other non-distributable reserves P '000	Equity settled employee benefits reserve P '000	Dividend reserve P '000	Retained income P '000	Total equity P '000
COMPANY						
Balance at 01 July 2015	58 088	40 881	14 570	282 007	1 976 908	2 372 454
Profit for the year	-	-	-	-	470 809	470 809
Other comprehensive loss	-	(7 895)	-	-	-	(7 895)
Total comprehensive income for the year	-	(7 895)	-	-	470 809	462 914
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 01 July 2016	58 088	30 768	-	153 822	2 182 498	2 425 176
Profit for the year	-	-	-	-	475 758	475 758
Total comprehensive income for the year	-	-	-	-	475 758	475 758
Transfer from revaluation reserve	-	(2 187)	-	-	2 187	-
2016 Final Dividends paid	-	-	-	(153 822)	-	(153 822)
2017 Interim Dividends paid	-	-	-	-	(128 185)	(128 185)
2017 Final Dividends proposed	-	-	-	153 822	(153 822)	-
Total contributions by and distributions to owners of company recognised directly in equity	-	(2 187)	-	-	(279 820)	(282 007)
Balance at 30 June 2017	58 088	28 581	-	153 822	2 378 436	2 618 927
Note				30		



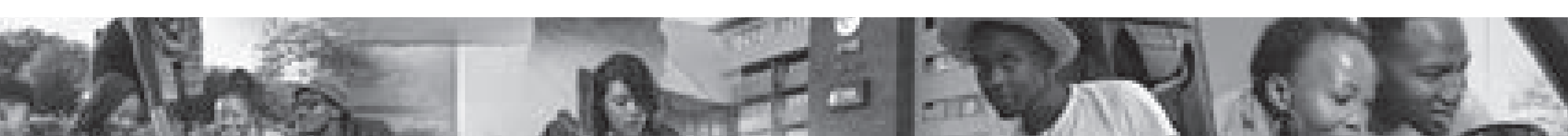
Statements of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2017

		GROUP		COMPANY	
	Note(s)	2017 P '000	2016 P '000	2017 P '000	2016 P '000
Cash flows from operating activities					
Cash generated from operations before taxation and working capital changes	31	1 102 504	980 441	1 068 742	937 268
Taxation paid	32	(84 112)	(163 950)	(76 484)	(154 816)
Cash from operating activities		1 018 392	816 491	992 258	782 452
Increase in amounts due to other banks		1 097 519	100 832	1 097 519	100 832
Increase/(decrease) in deposits and current accounts	34	503 715	(169 965)	503 715	(169 965)
(Decrease)/increase in amounts due to related companies		(88 551)	113 053	(82 995)	147 399
Increase/(decrease) in accrued interest payable		15 508	(58 343)	15 508	(58 343)
Increase in creditors and accruals		8 875	71 627	22 825	61 501
Increase in employee benefits		3 479	6 178	3 542	6 299
(Increase)/decrease in investments - held for trading		(71 264)	22 925	(71 264)	22 925
Increase in investments - held to maturity		(710 190)	(439 981)	(710 190)	(439 981)
Increase in advances to customers	35	(971 773)	(1 772 461)	(971 763)	(1 772 461)
Decrease in advances to banks		324 960	315 040	324 960	315 040
Increase/(decrease) in accounts receivable		87 414	(165 163)	93 969	(155 465)
Increase in amounts due from related companies		(3 124)	(6)	(3 124)	(6)
Cash generated from/(utilised in) operating activities		1 214 960	(1 159 773)	1 214 960	(1 159 773)
Cash flows from investing activities					
Acquisition of property, plant and equipment	20	(67 765)	(50 786)	(67 765)	(50 786)
Proceeds on disposal of property and equipment		27	8 858	27	8 858
Cash utilised in investing activities		(67 738)	(41 928)	(67 738)	(41 928)
Cash flows from financing activities					
Borrowings raised		216 540	674 329	216 540	674 329
Repayment of borrowings		(251 652)	(8 131)	(251 652)	(8 131)
Dividends paid	36	(282 007)	(410 192)	(282 007)	(410 192)
Cash (utilised in)/generated from financing activities		(317 119)	256 006	(317 119)	256 006
Cash movement for the year		830 103	(945 695)	830 103	(945 695)
Cash and cash equivalents at the beginning of the year		5 237 839	6 183 534	5 237 839	6 183 534
Total cash and cash equivalents at end of the year	37	6 067 942	5 237 839	6 067 942	5 237 839



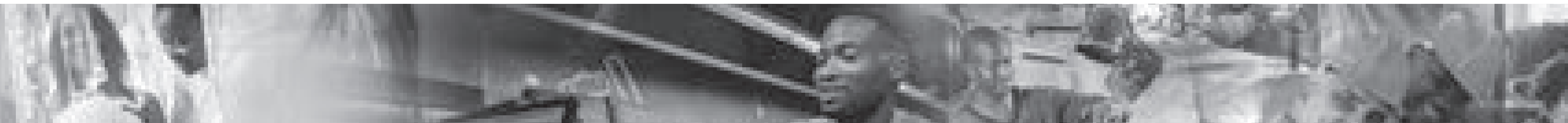
		GROUP		COMPANY	
	Note(s)	2017 P '000	2016 P '000	2017 P '000	2016 P '000
2. SIGNIFICANT ACCOUNTING POLICIES					
The significant accounting policies of the Group are set out on pages 99 -124.					
3. INTEREST AND SIMILAR INCOME					
Loans and receivables					
Advances		1 348 113	1 205 365	1 348 113	1 205 365
Cash and short term funds		24 651	53 001	24 651	53 001
Related parties	17	3 615	3 409	3 615	3 409
Unwinding of discounted present value on off- market advances		2 183	1 554	2 183	1 554
Held to maturity					
Investment securities		25 107	15 588	25 107	15 588
Available-for-sale financial assets					
Investment securities		25 579	29 477	25 579	29 477
		1 429 248	1 308 394	1 429 248	1 308 394
4. INTEREST EXPENSE AND SIMILAR CHARGES					
Financial liabilities at amortised cost					
Term deposit accounts		154 197	243 846	152 523	242 304
Current and call accounts		41 436	71 063	41 436	71 063
Savings deposits		12 476	13 436	12 476	13 436
Deposits from banks and other financial institutions		11 069	13 629	11 069	13 629
Related parties	17	356	15	356	15
Borrowings		45 594	21 576	45 594	21 576
		265 128	363 565	263 454	362 023



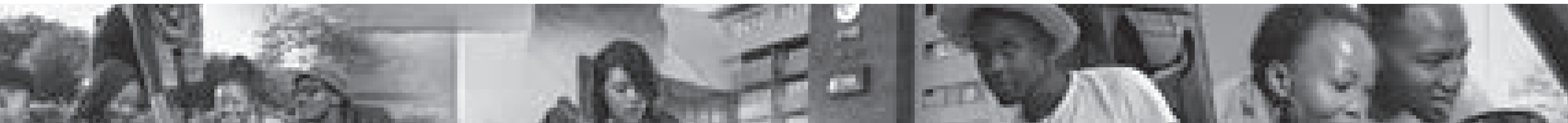
Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

	GROUP		COMPANY	
	2017 P '000	2016 P '000	2017 P '000	2016 P '000
5. NON-INTEREST INCOME				
Fee and commission income:				
Loans and receivables				
Card commissions	185 366	176 202	185 366	176 202
Insurance commissions	37 815	44 942	6 801	11 572
Facility fees	38 474	47 235	38 474	47 235
Commissions - guarantees and letters of credit	8 883	9 082	8 883	9 082
Amortised cost				
Cash deposit fees	41 459	42 679	41 459	42 679
Commissions - bills, drafts and cheques	82 657	60 236	82 657	60 236
Service fees	233 064	204 359	232 698	204 359
Commissions - customer services	81 620	80 372	81 619	80 374
Net fee and commission income	709 338	665 107	677 957	631 739
Fair value gains or losses:				
Gain on bond trading	3 395	1 040	3 395	1 040
Net gain arising on financial assets at fair value	-	15 768	-	15 768
Net loss arising on financial liabilities at fair value through profit or loss	(76)	(19 740)	(76)	(19 740)
Foreign exchange trading income	238 628	245 800	238 628	245 800
Fair value gains or losses	241 947	242 868	241 947	242 868



	GROUP		COMPANY	
	2017 P '000	**2016 P '000**	**2017 P '000**	**2016 P '000**
5. Non-interest income [continued]				
Other non-interest income				
Non-financial assets and liabilities				
Loss on sale of property and equipment	(74)	(267)	(74)	(267)
Other non-interest income	26 944	19 241	8 814	1 670
Other non-interest income	26 870	18 974	8 740	1 403
Total non-interest income	978 155	926 949	928 644	876 010
6. OPERATING EXPENSES				
Audit fees				
Current year	4 327	4 090	4 327	4 090
Prior year	483	-	483	-
Other services	-	35	-	35
	4 810	4 125	4 810	4 125
Depreciation				
Buildings	20 318	27 130	19 282	26 421
Motor vehicles	884	1 657	884	1 657
Furniture and equipment	36 647	50 739	36 533	50 739
	57 849	79 526	56 699	78 817
Director's remuneration				
For services as non-executive directors	2 510	2 010	2 510	2 010
For services as executive directors	3 582	2 617	3 582	2 617
	6 092	4 627	6 092	4 627

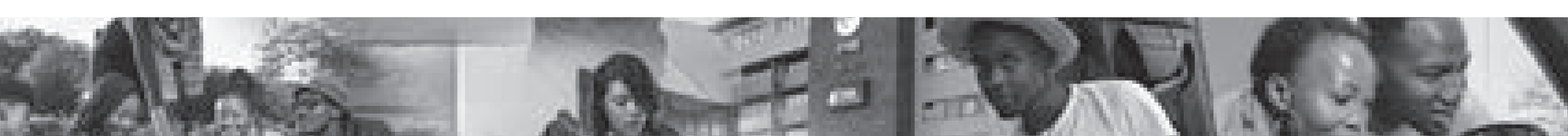


Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

	GROUP		COMPANY	
	2017 P '000	2016 P '000	2017 P '000	2016 P '000
6. OPERATING EXPENSES [continued]				
Operating lease charges				
Premises				
• Contractual amounts	21 372	19 076	22 039	19 677
• Straight line lease rental adjustments				
Equipment	2 046	341	2 046	341
• Contractual amounts	1 832	5 880	1 820	5 827
Operating lease charges	25 250	25 297	25 905	25 845
Service fee paid to related company				
- Systems	144 201	98 601	143 278	97 761
- Services	26 218	18 404	26 316	18 250
- Products	20 393	14 461	20 468	14 355
	190 812	131 466	190 062	130 366
Foreign exchange gain on revaluations	(24)	(1 410)	(24)	(1 410)
Professional fees	28 430	17 512	28 235	17 465
Other operating expenses				
Advertising and marketing	47 663	51 453	46 852	49 430
Communication	27 939	23 819	27 855	23 771
Computer expenditure	12 156	12 464	12 156	12 460
Property maintenance	37 610	29 935	37 458	29 771
Stationery, storage and postage	26 994	25 194	26 877	25 125
Service fees	48 683	46 614	48 683	46 614
Other	47 741	69 757	36 898	68 954
Other operating costs	248 786	259 236	236 779	256 125
Total operating expenses	562 005	520 379	548 558	515 960

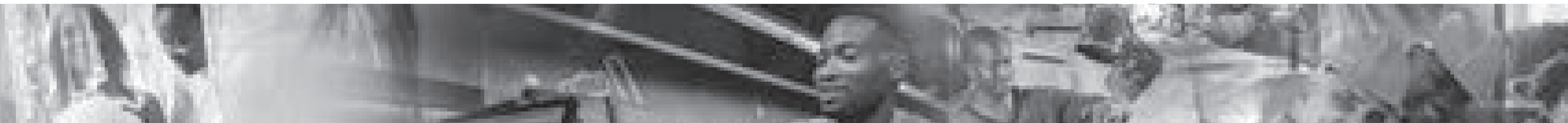
	GROUP		COMPANY	
	2017 P '000	**2016 P '000**	**2017 P '000**	**2016 P '000**
7. EMPLOYEE BENEFIT EXPENSES				
Direct employee costs				
Salaries, wages and allowances	400 555	370 648	399 106	368 421
Defined contribution schemes: medical and other staff funds	57 213	49 253	56 911	49 167
Share based payments expense - cash settled	2 929	(2 398)	2 929	(2 398)
Leave pay	10 247	3 616	10 254	3 616
Other	43 888	18 835	43 862	18 835
	514 832	439 954	513 062	437 641
Details of the post retirement benefits are provided separately in note 28.				
8. TAXATION				
Indirect taxation				
Value added tax	23 896	23 863	23 870	23 662
Direct taxation				
Current taxation				
Current period	175 747	109 585	167 809	100 203
Prior year under provision	-	1 479	-	1 479
	175 747	111 064	167 809	101 682
Deferred taxation				
Current year	4 057	44 520	4 162	44 520
Prior year over provision	-	(463)	-	(463)
	4 057	44 057	4 162	44 057
Total direct taxation expense per income statement	179 804	155 121	171 971	145 739
Deferred tax arising on revaluation of property	-	1 504	-	2 227



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

		GROUP		COMPANY	
		2017 P '000	2016 P '000	2017 P '000	2016 P '000
8.	**TAXATION** [continued]				
	Reconciliation of the taxation charge				
	Profit before direct taxation	680 323	659 012	647 729	616 548
	Tax at the applicable tax rate of 22% (2016: 22%)	149 671	144 983	142 500	135 641
	Tax effect of adjustments on taxable income				
	Under provision of current tax in prior years	-	1 479	-	1 479
	Over provision of deferred tax in prior years				
	Disallowable expenses:	-	(463)	-	(463)
	Section 41 disallowable expense	27 987	-	27 987	-
	Donations	1 121	1 306	1 121	1 306
	Regulatory fines	-	5 321	-	5 321
	Other	1 025	2 495	362	2 455
	Total tax expense per income statement	179 804	155 121	171 970	145 739
9.	**DEFERRED TAX**				
	Deferred taxation				
	Balance at beginning of year	203 509	160 956	198 195	156 366
	Temporary differences for the year	4 057	44 520	4 162	44 520
	Prior year over provision	-	(463)	-	(463)
	Arising on revaluation of property	-	(1 504)	-	(2 227)
	Balance at the end of the year	207 566	203 509	202 357	198 195
	The balance comprises				
	Accelerated capital allowances	198 852	197 460	197 249	195 752
	Revaluation surplus	12 856	12 856	9 250	9 250
	Other temporary differences	(4 142)	(6 807)	(4 142)	(6 807)
		207 566	203 509	202 357	198 195



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.

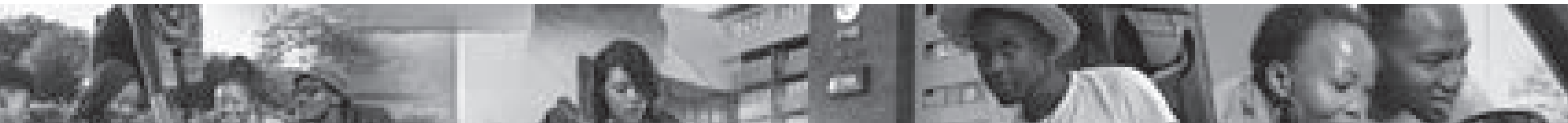
There were no movements during the current year, in the number of shares in issue or the number of ordinary shares held by the Employees Share Participation Scheme, classified as treasury shares.

Basic earnings per share	GROUP	
	2017	2016
Earnings attributable to ordinary equity holders (P'000)	500 519	503 981
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)	19,68	19,81

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	2017	2016
Earnings attributable to ordinary equity holders (P'000)	500 519	503 891
Weighted average number of ordinary shares in issue (thousands)	2 543 700	2 543 700
Diluted earnings per share (thebe)	19,68	19,81



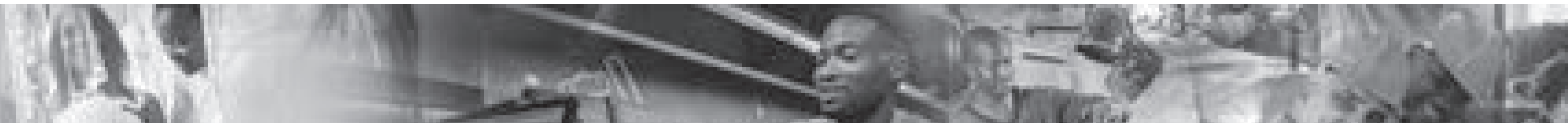
Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

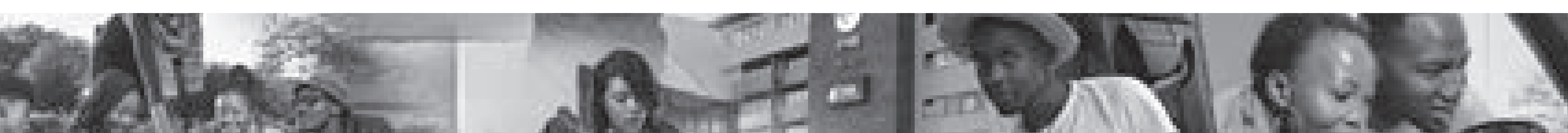
11. ANALYSIS OF ASSETS AND LIABILITIES BY CATEGORY

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies on pages 99 to 124 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	
	2017 P '000	2016 P '000	2017 P '000	2016 P '000
ASSETS				
Loans and receivables				
Cash and short term funds	4 396 885	3 651 793	4 396 885	3 651 793
Advances to banks	-	324 960	-	324 960
Advances to customers	14 997 373	14 241 405	15 004 363	14 248 405
Due to related companies	9 448	6 324	9 448	6 324
Accounts receivable	288 831	376 245	270 318	364 287
Designated at fair value through profit or loss				
Advances to customers	-	145 414	-	145 414
Investment securities				
Available-for-sale	1 671 057	1 586 046	1 671 057	1 586 046
Held to maturity	1 561 990	851 801	1 561 990	851 801
Held for trading	80 647	9 383	80 647	9 383
Derivative financial instruments	64 028	76 646	64 028	76 646
Non-financial assets				
Current tax receivable	8 641	99 966	8 641	99 966
Investments in subsidiaries	-	-	13 540	13 540
Property and equipment	505 496	495 692	473 910	462 946
Goodwill	26 963	26 963	26 589	26 589
Total assets	23 611 359	21 892 638	23 581 416	21 868 100



	GROUP		COMPANY	
	2017 P '000	2016 P '00	2017 P '000	2016 P '00
LIABILITIES				
Financial liabilities at amortised cost				
Deposits from banks	1 397 685	300 166	1 397 685	300 166
Deposits from customers	17 567 471	17 063 756	17 567 471	17 063 756
Borrowings	942 041	982 015	942 041	982 015
Accrued interest payable	46 061	30 553	46 061	30 553
Due to related companies	36 175	124 726	148 410	231 405
Employee liabilities	86 511	83 034	86 373	82 833
Creditors and accruals	422 230	395 549	421 359	382 147
Designated at fair value through profit or loss				
Borrowings	117 086	112 224	117 086	112 224
Held for trading				
Derivative financial instruments	28 065	42 631	28 065	42 631
Non-financial liabilities				
Value added tax	6 395	19 224	5 581	16 999
Current tax payable	1 208	898	-	-
Deferred tax	207 566	203 509	202 357	198 195
Total liabilities	20 858 494	19 358 285	20 962 489	19 442 924



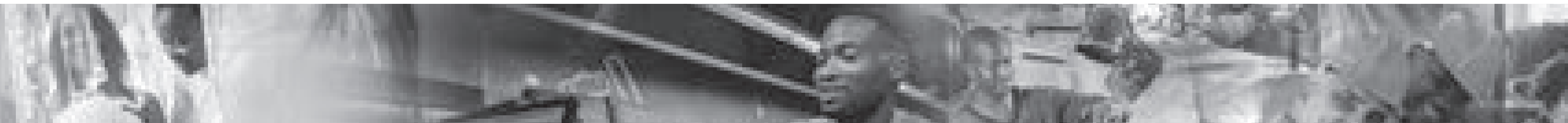
Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

	Note	GROUP 2017 P '000	GROUP 2016 P '000	COMPANY 2017 P '000	COMPANY 2016 P '000
12. CASH AND SHORT TERM FUNDS					
Coins and bank notes		306 327	210 802	306 327	210 802
Money at call and short notice - related companies	17	41 401	79 159	41 401	79 159
Money at call and short notice - other banks		1 921 210	1 355 921	1 921 210	1 355 921
Balances with Bank of Botswana - Mandatory reserve balance		920 898	770 346	920 898	770 346
Balances with Bank of Botswana - Statutory account balance		-	93 148	-	93 148
Balances with other banks - related companies	17	694 752	739 585	694 752	739 585
Balances with other banks - other banks		512 297	402 832	512 297	402 832
		4 396 885	3 651 793	4 396 885	3 651 793
The carrying value of cash and short term funds approximates the fair value.					
Amounts denominated in foreign currencies included in above balances		1 912 841	1 569 084	1 912 841	1 569 084
Balances with Bank of Botswana - Mandatory reserve balance		920 898	770 346	920 898	770 346

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 INSTRU MENTS

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

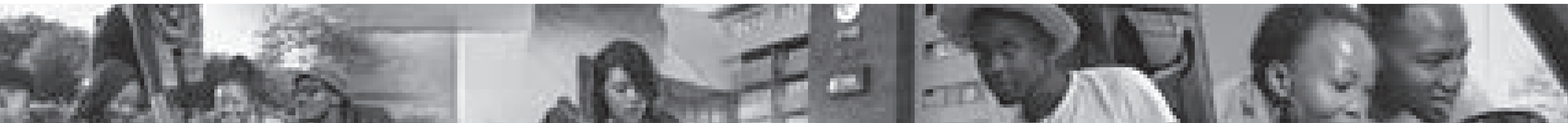
Forward rate agreements are negotiated interest rate contracts that call for cash settlement at a future date for the difference between the contractual and market rates of interest, based on a notional principal amount.

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.



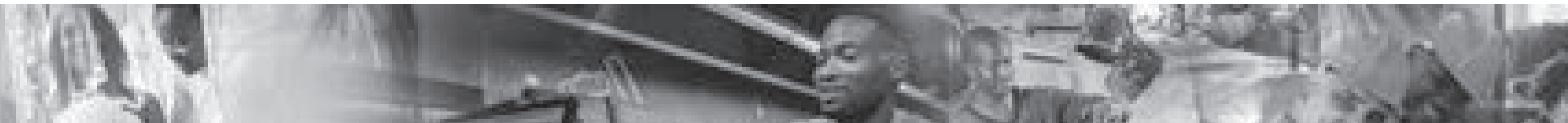
Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

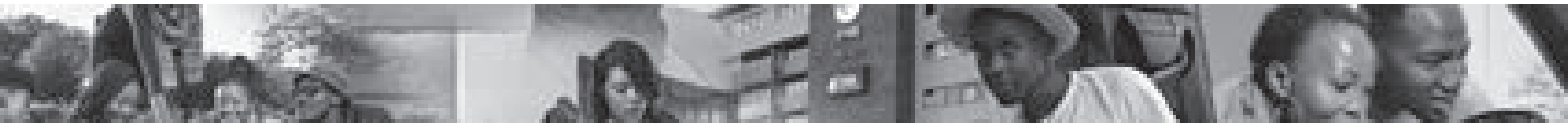
13. Derivative financial instru ments [continued]

Goup and Company

	Assets		Liabilities	
	Notional P '000	Fair value P '000	Notional P'000	Fair value P'000
2017				
Currency derivatives				
Currency options	566 589	4 972	566 589	4 972
Trading derivatives	280 039	2 035	399 946	2 835
Currency swaps	52 100	11	-	-
Interest rate derivatives				
Interest rate swaps	437 520	57 010	334 345	20 258
	1 336 248	64 028	1 300 880	28 065
Related party derivatives included in above balances				
Currency options	335 395	1 616	335 395	1 616
Trading derivatives	-	-	80 062	655
Interest rate swaps	201 503	40 463	236 017	16 547
Currency swaps	52 100	11	-	-
	588 998	42 090	651 474	18 818
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



	Note	GROUP 2017 P '000	GROUP 2016 P '000	COMPANY 2017 P '000	COMPANY 2016 P '000
14. Advances to customers					
Sector analysis					
Agriculture		359 104	438 856	359 104	438 856
Building and property development		449 747	537 725	449 747	537 725
Business and trade		4 342 778	4 787 090	4 349 768	4 794 090
Individuals		9 413 004	8 209 601	9 413 004	8 209 601
Manufacturing		487 590	308 749	487 590	308 749
Mining		152 396	180 098	152 396	180 098
Transport and communications		444 997	370 575	444 997	370 575
Gross advances		15 649 616	14 832 694	15 656 606	14 839 694
Contractual interest suspended		(125 629)	(80 980)	(125 629)	(80 980)
Gross advances after contractual interest suspended		15 523 987	14 751 714	15 530 977	14 758 714
Less : impairment of advances	15	(526 614)	(364 895)	(526 614)	(364 895)
Net advances		14 997 373	14 386 819	15 004 363	14 393 819
Category analysis					
Term loans		7 014 779	6 270 282	7 021 769	6 277 282
Suspensive sale debtors		1 356 681	1 345 273	1 356 681	1 345 273
Property loans		5 155 480	5 004 265	5 155 480	5 004 265
Overdrafts and managed accounts debtors		1 085 756	1 126 467	1 085 756	1 126 467
Other		248 730	208 418	248 730	208 418
Lease payments receivable		788 190	877 989	788 190	877 989
Gross advances		15 649 616	14 832 694	15 656 606	14 839 694
Contractual interest suspended		(125 629)	(80 980)	(125 629)	(80 980)
Gross advances after contractual interest suspended		15 523 987	14 751 714	15 530 977	14 758 714
Less : impairment of advances	15	(526 614)	(364 895)	(526 614)	(364 895)
Net advances		14 997 373	14 386 819	15 004 363	14 393 819



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

14. Advances to customers [continued]

	GROUP		COMPANY	
	2017 P '000	2016 P '000	2017 P '000	2016 P '000
Maturity analysis				
Maturity within one year	1 696 456	2 001 078	1 696 456	2 001 078
Maturity between one and five years	5 611 839	5 390 805	5 611 839	5 390 805
Maturity more than five years	8 341 321	7 440 811	8 348 311	7 447 811
	15 649 616	14 832 694	15 656 606	14 839 694
Included in the above advances are instalment loans maturing within:				
– one year	181 854	92 809	181 854	92 809
– two to five years	1 963 017	2 130 453	1 963 017	2 130 453
	2 144 871	2 223 262	2 144 871	2 223 262

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:

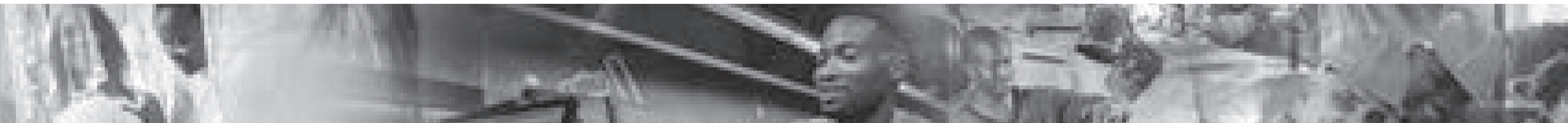
– Directors and key management personnel	15 199	18 500	15 199	18 500

15. Impairment of advances

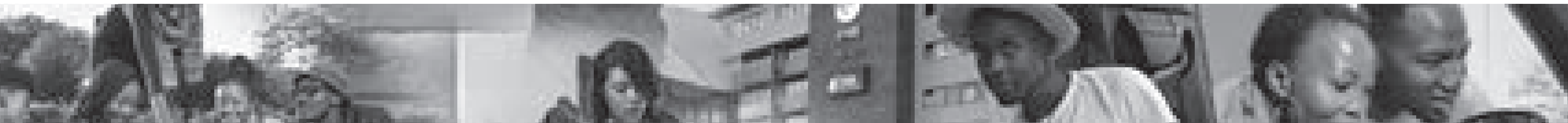
Significant loans and advances are monitored by the Director of the Credit Division and impaired according to the Group's impairment policy when an indication of impairment is observed.

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 (EAD);
- 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 Impairment P'000
2017			
Group and Company			
Specific impairment			
At the beginning of the year	82 735	106 758	189 493
Amounts written-off	(64 876)	(158 289)	(223 165)
	17 859	(51 531)	(33 672)
Impairment loss recognised in the income statement			
New and increased provision	168 028	227 511	395 539
Release of provision	(27 186)	(22 998)	(50 184)
	140 842	204 513	345 355
At the end of the year	158 701	152 982	311 683
Present valuation of security adjustment			
At the beginning of the year	14 808	40 634	55 442
Charge to the income statement	6 956	19 087	26 043
At the end of the year	21 764	59 721	81 485
Total specific impairment	**180 465**	**212 703**	**393 168**
Recoveries of bad debts previously written off	(8 682)	(14 983)	(23 665)
Portfolio impairment			
At the beginning of the year	19 059	23 784	42 843
(Release)/charge to the income statement	(2 789)	18 652	15 863
At the end of the year	16 270	42 436	58 706
IBNR impairment			
At the beginning of the year	28 094	49 023	77 117
Charge to the income statement	6 044	(8 421)	(2 377)
At the end of the year	34 138	40 602	74 740
Total charge to the income statement	**142 371**	**218 848**	**361 219**
Total impairment at the end of the year	230 873	295 741	526 614



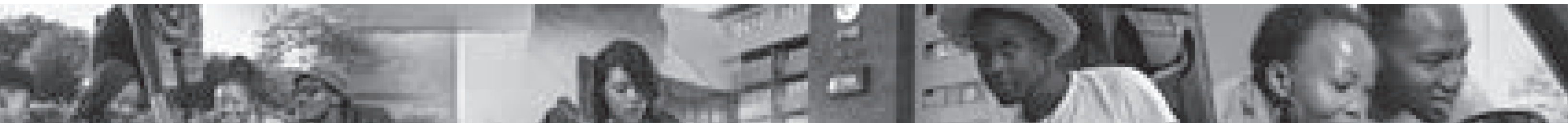
Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

15. Impairment of advances [continued]

	Corporate & commercial P'000	Retail P'000	Total Impairment P'000
2016			
Group and Company			
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 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
(Release)/charge 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

	Security held P'000	Contractual interest suspended P'000	Specific impairment P'000	Total including interest suspended P'000
Non-performing advances - loans and receivables:				
Consolidated and Company				
Sector analysis - 2017				
Agriculture	46 786	7 285	14 651	68 722
Building and property development	74 297	24 489	86 335	185 121
Individuals	166 587	31 695	179 512	377 794
Manufacturing and commerce	209 978	41 213	67 826	319 017
Transport and communication	42 619	4 526	14 676	61 821
Other advances	79 556	16 421	30 168	126 145
Total non-performing advances - 30 June 2017	619 823	125 629	393 168	1 138 620
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
Category analysis - 2017				
Overdrafts and managed accounts	64 303	17 089	64 340	145 732
Term loans	197 489	60 617	170 807	428 913
Suspensive and instalment sale debtors	41 679	5 722	48 214	95 615
Property loans	316 352	41 396	103 415	461 163
Other advances	-	805	6 392	7 197
Total non-performing advances - 30 June 2017	619 823	125 629	393 168	1 138 620



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

15. Impairment of advances [continued]

	Security held P'000	Contractual interest suspended P'000	Specific impairment P'000	Total including interest suspended P'000
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 - 2016	454 798	80 980	244 935	780 713

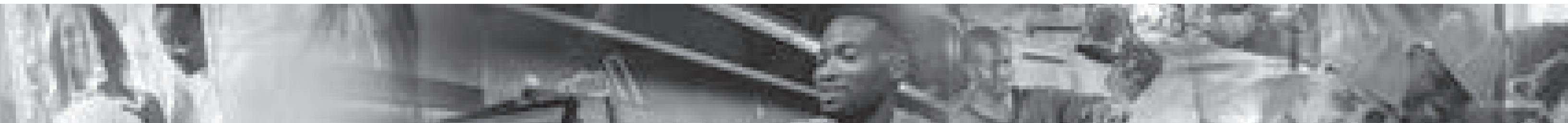
Contractual interest suspended

	GROUP AND COMPANY 2017 P '000	2016 P '000
At the beginning of the year	80 980	61 243
Written-off during the year	(13 621)	(25 238)
Suspended during the year	58 270	44 975
At the end of the year	125 629	80 980

16. Investment securities

Group and Company - 2017

	Held for trading P '000	Held to maturity P '000	Available -for-sale P '000	Total P '000
Bank of Botswana Certificates	-	-	1 671 057	1 671 057
Government Bonds	-	1 008 365	-	1 008 365
Government and Parastatal Bonds	80 647	-	-	80 647
Treasury Bills	-	553 625	-	553 625
	80 647	1 561 990	1 671 057	3 313 694



Group and Company - 2016

	Held for trading P '000	Held to maturity P '000	Available -for-sale P '000	Total P'000
Bank of Botswana Certificates	-	-	1 586 046	1 586 046
Government Bonds	-	321 223	-	321 223
Government and Parastatal Bonds	9 383	-	-	9 383
Treasury Bills	-	530 578	-	530 578
	9 383	851 801	1 586 046	2 447 230

P1 671 057 (2016: P 1 586 046) 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 Bank of Botswana Certificates have maturities ranging from one to three months.

17. Related parties

Relationships:

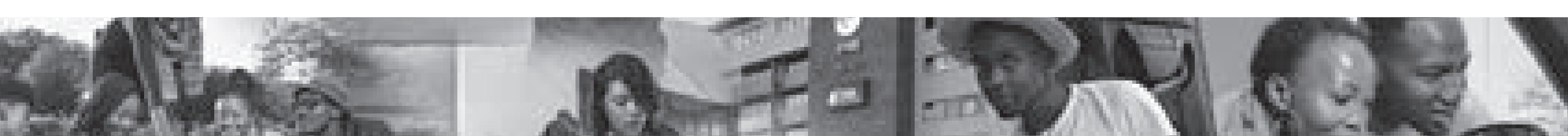
Ultimate holding company	FirstRand Limited
Holding company	First National Bank Holdings Limited
Subsidiaries	Refer to note 19
Common management	FirstRand Limited - South Africa

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 Limited, a company registered in the Republic of South Africa.



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

17. Related parties [continued]

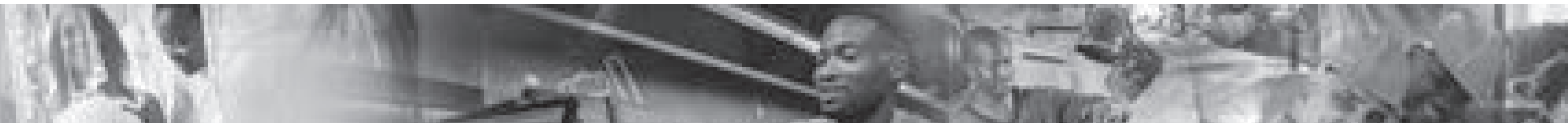
		GROUP		COMPANY	
	Note	2017 P '000	2016 P '000	2017 P '000	2016 P '000
Related party balances					
Due from related parties					
FirstRand Limited - South Africa		736 153	818 744	736 153	818 744
First National Bank Holdings (Botswana) Limited		9 448	6 324	9 448	6 324
		745 601	825 068	745 601	825 068
Less money at call and short notice					
FirstRand Limited - South Africa - call balances	12	(41 401)	(79 159)	(41 401)	(79 159)
FirstRand Limited - South Africa - nostro balances	12	(694 752)	(739 585)	(694 752)	(739 585)
		9 448	6 324	9 448	6 324
Due to related companies- current liabilities					
Financial Services Company (Proprietary) Limited		-	-	6 566	5 886
Financial Services Properties (Proprietary) Limited		-	-	(47)	(47)
First National Insurance Agency (Proprietary) Limited		-	-	104 704	99 828
First Funding (Proprietary) Limited		-	-	1 000	1 000
Plot Four Nine Seven Two (Proprietary) Limited		-	-	12	12
FirstRand Limited - South Africa		36 175	124 726	36 175	124 726
Due to related companies - creditors and accruals		36 175	124 726	148 410	231 405

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, were not secured, and were supported as detailed below:

The service fees paid to related parties relate to systems and products such as inter alia the Core banking, Digital banking, Merchant services platforms as well as Technology Architectural services.

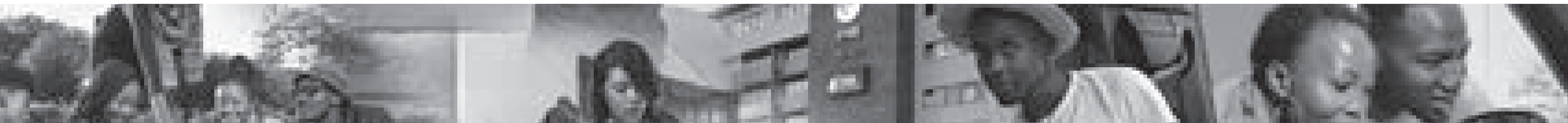


	GROUP		COMPANY	
	2017 P '000	2016 P '000	2017 P '000	2016 P '000
Interest income				
FirstRand Limited - South Africa	3 615	3 409	3 615	3 409
Interest expenditure				
First National Bank Holdings (Botswana) Limited	356	15	356	15
Operating expenses:				
Rent paid - Subsidiary companies	-	-	667	667
Service fees - FirstRand Limited	190 812	131 466	190 062	130 366
	190 812	131 466	190 729	131 033
Transactions with key management personnel:				
Compensation paid to key management personnel				
Share-based payments	2 118	2 868	2 118	2 868
Short term employee benefits	18 876	14 485	18 876	14 485
Other employee benefits	-	112	-	112
Total short term benefits	20 994	17 465	20 994	17 465
Post employment benefits				
Pension	1 871	465	1 871	465
Advances				
Personal loans	1 093	1 043	1 093	1 043
Overdrafts	1 050	1 000	1 050	1 000
Credit card	255	685	255	685
Instalment finance	1 635	2 017	1 635	2 017
Property loans	11 166	13 755	11 166	13 755
Total advances	15 199	18 500	15 199	18 500

No impairments have been recognised in respect of the above advances (2016: 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 P14 549 579 (2016: P 15 300 000).

Personal loans, overdrafts and credit card balances are unsecured.



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

	GROUP		COMPANY	
	2017 P '000	2016 P '000	2017 P '000	2016 P '000
18. Accounts receivable				
Suspense accounts	110 065	80 724	116 447	87 328
Other sundry debtors	178 357	295 112	153 462	276 550
School debentures	409	409	409	409
	288 831	376 245	270 318	364 287

The above carrying value of accounts receivable approximates their fair value. These are neither past due nor impaired.

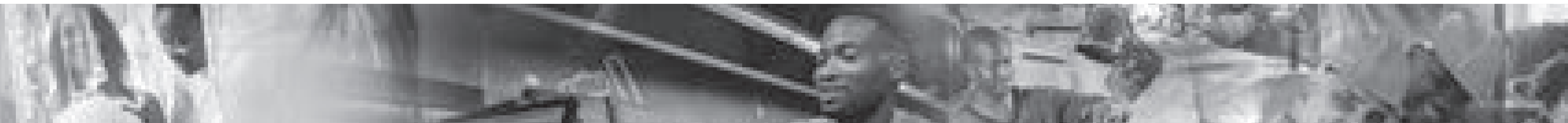
19. Investments in subsidiary companies

Company

Name of company	Nature of Business	Carrying amount 2017 P '000	Carrying amount 2016 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.

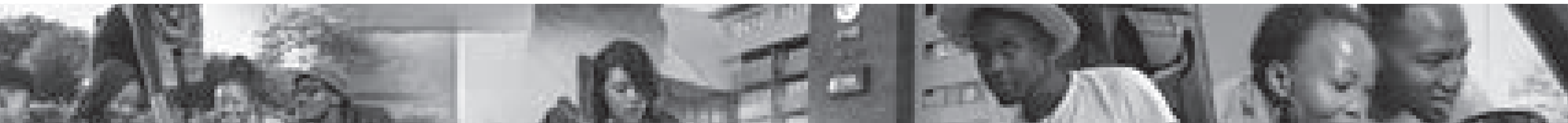
With effect from 1 July 2004, First Funding (Proprietary) Limited ceased to operate as a separate company and is now dormant. Personal loan schemes financing is carried out through a division of the Bank.



20. Property and equipment

GROUP	2017			2016		
	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	376 304	(38 756)	337 548	325 308	-	325 308
Leasehold improvements	118 017	(57 658)	60 359	104 337	(49 665)	54 672
Capital work-in-progress	20 895	-	20 895	2 822	-	2 822
Furniture and equipment	214 292	(130 106)	84 186	230 389	(119 615)	110 774
Motor vehicles	10 309	(7 801)	2 508	9 033	(6 917)	2 116
Total	739 817	(234 321)	505 496	671 889	(176 197)	495 692

COMPANY	2017			2016		
	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	347 026	(38 709)	308 317	294 928	-	294 928
Leasehold improvements	115 673	(57 658)	58 015	103 095	(50 767)	52 328
Capital work-in-progress	20 895	-	20 895	2 822	-	2 822
Furniture and equipment	214 281	(130 106)	84 175	230 367	(119 615)	110 752
Motor vehicles	10 309	(7 801)	2 508	9 033	(6 917)	2 116
Total	708 184	(234 274)	473 910	640 245	(177 299)	462 946



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

20. Property and equipment [continued]

Reconciliation of property and equipment – Group – 2017

	Opening balance P '000	Additions P '000	Disposals P P'000	Transfers P '000	Depreciation P '000	Closing balance P '000
Freehold and leasehold land and buildings	325 308	1 225	–	24 442	(13 427)	337 548
Leasehold improvements	54 672	12 578	–	–	(6 891)	60 359
Capital work-in-progress	2 822	18 073	–	–	–	20 895
Furniture and equipment	110 774	34 612	(101)	(24 442)	(36 647)	84 185
Motor vehicles	2 116	1 277	–	–	(884)	2 509
	495 692	67 765	(101)	–	(57 849)	505 496

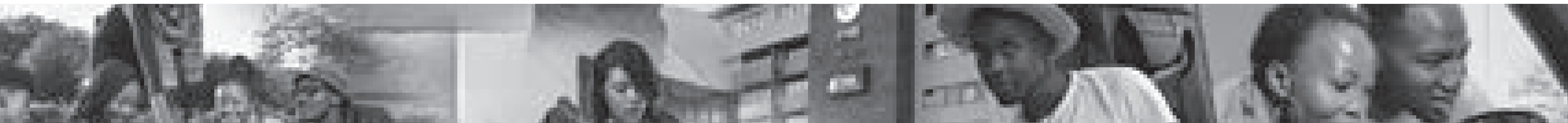
Reconciliation of property and equipment – Group – 2016

	Opening balance P '000	Additions P '000	Disposals P '000	Transfers P '000	Revaluations P '000	Depreciation P '000	Closing balance P '000
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

Cost or valuation consists of:	30 June 2017 P '000	30 June 2016 P '000
Freehold and leasehold land and buildings - cost	343 874	292 878
Freehold and leasehold land and buildings - valuation adjustment	32 430	32 430
Leasehold land improvements - cost	118 017	104 337
Capital work-in-progress	20 895	2 822
Motor vehicles - cost	10 309	9 033
Furniture and equipment - cost	214 292	230 389
	739 817	671 889

Reconciliation of property and equipment – Company – 2017

	Opening balance P '000	Additions P '000	Disposals P '000	Transfers P '000	Depreciation P '000	Closing balance P '000
Freehold and leasehold land and buildings	294 928	1 338	-	24 442	(12 391)	308 317
Leasehold improvements	52 328	12 578	-	-	(6 891)	58 015
Capital work-in-progress	2 822	18 073	-	-	-	20 895
Furniture and equipment	110 752	34 499	(101)	(24 442)	(36 533)	84 174
Motor vehicles	2 116	1 277	-	-	(884)	2 509
	462 946	67 765	(101)	-	(56 699)	473 910



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

20. Property and equipment [continued]

Reconciliation of property and equipment – Company – 2016

	Opening balance P '000	Additions P '000	Disposals P '000	Transfers P '000	Revaluations P '000	Depreciation P '000	Closing balance P '000
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	132 971	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

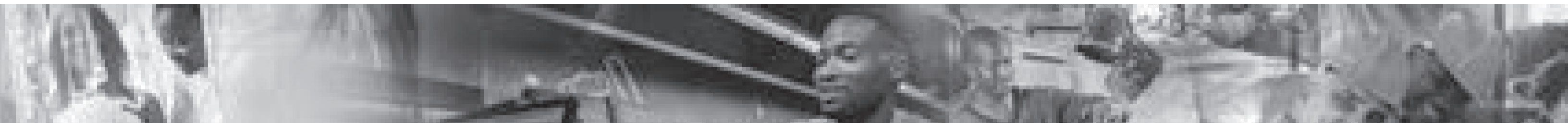
Cost or valuation consists of:	30 June 2017 P '000	30 June 2016 P '000
Freehold and leasehold land and buildings - cost	325 405	273 308
Freehold and leasehold land and buildings - valuation adjustment	21 621	21 621
Leasehold land and buildings - cost	115 673	103 095
Capital work-in-progress	20 895	2 822
Motor vehicles - cost	10 309	9 033
Furniture and equipment - cost	214 281	230 366
	708 184	640 245

Group and company

Change in estimate - depreciation

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

The financial effect of this reassessment was accounted for prospectively as a change in accounting estimates and as a result, the depreciation charge of the Group for the prior year increased by P40m (current year - NIL) consisting of the following:



	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

2016 financial year

Valuation technique
- Cost approach

Fair value hierarchy
- Level 3

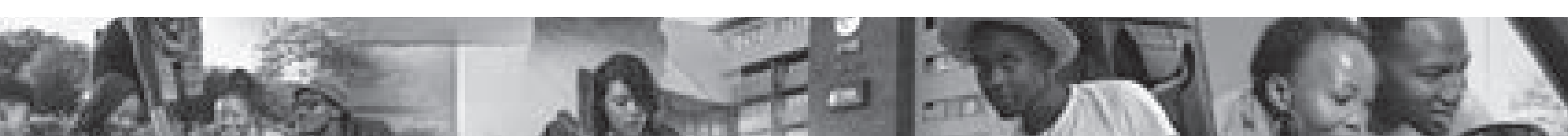
Description of valuation technique
- The net income based on the rental for comparable properties is divided by the capitalisation rate.

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

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 were similar to the ones used in 2013 when a revaluation of the assets was last carried out.



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

21. GOODWILL

GROUP	2017			2016		
	Cost/ P '000	Accumulated impairment P '000	Carrying value P '000	Cost P '000	Accumulated impairment P '000	Carrying value P '000
Goodwill	26 963	–	26 963	26 963	–	26 963

COMPANY	2017			2016		
	Cost/ P '000	Accumulated impairment P '000	Carrying value P '000	Cost P '000	Accumulated impairment P '000	Carrying value P '000
Goodwill	26 589	–	26 589	26 589	–	26 589

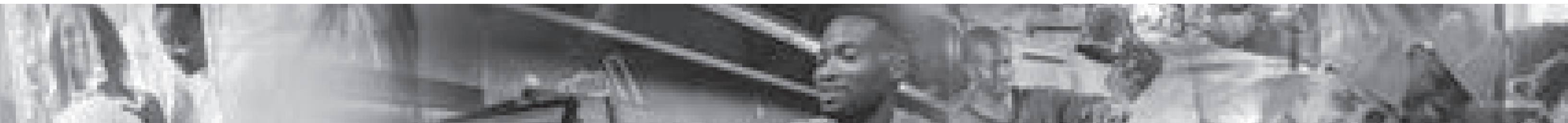
There were no movements in the carrying value of goodwill during the current year.

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% (2016: 3,00%) for the next four years. The discount rate used is 12,65% (2016: 12,40%) and the forecast period is 4 years (2016: 4 years).

22. DEPOSITS FROM CUSTOMERS

GROUP AND COMPANY	2017 P '000	2016 P '000
Current and managed accounts	6 051 622	6 045 546
Savings accounts	1 178 480	1 086 159
Call and term deposits	10 337 369	9 932 051
	17 567 471	17 063 756

Included in the call and term deposits is a balance of P89 874 821 (2016: P 89 117 307) relating to First National Bank Holdings (Botswana) Limited.



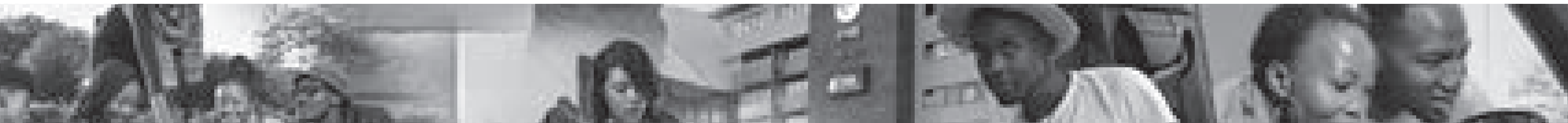
Maturity analysis	2017 P '000	2016 P '000
Withdrawal on demand	13 414 694	11 122 491
Maturing within one year	4 104 969	5 562 733
Maturing two to five years	47 808	378 532
	17 567 471	17 063 756

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

	GROUP		COMPANY	
	2017 P '000	2016 P '000	2017 P '000	2016 P '000
23. DEPOSIT FROM BANKS				
Unsecured and payable on demand	1 397 685	300 166	1 397 685	300 166

Included in this amount is a balance due to FirstRand Bank Limited of P47 000 (2016: P 47 000), First National Bank Zambia P39 000 (2016: P 177 000), and First National Bank Swaziland P6 000 (2016: P 6 000), First National Bank Namibia P1 981 000 (2016: P 1 889 000) and First National Bank South Africa P276 479 000 (2016: P 3 019 000).

24. BORROWINGS	GROUP 2017 P '000	GROUP 2016 P '000	COMPANY 2017 P '000	COMPANY 2016 P '000
Public debt service fund	2 187	8 488	2 187	8 488
Subordinated Unsecured Bonds (Qualifying as Tier 2 capital)				
Floating rate	161 840	154 480	161 840	154 480
161,84 Medium Term Notes of P1 000 000 each (2016:154,48 at P1 000 000 each)				
Fixed rate	40 000	25 000	40 000	25 000
40,00 Medium Term Notes of P1 000 000 each (2016:25,00 at P1 000 000 each)				
	201 840	179 480	201 840	179 480
Unsubordinated Unsecured Bonds				
Floating rate	237 710	237 710	237 710	237 710
23 771,00 Medium Term Notes of P10 000 each (2016:23 771,00 at P10 000 each)				
	439 550	417 190	439 550	417 190



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

24. BORROWINGS [continued]

	GROUP		COMPANY	
	2017 P '000	2016 P '000	2017 P '000	2016 P '000
Botswana Life Insurance Limited (BLIL)				
(Proprietary) Limited				
15 year zero coupon deposit	117 086	112 224	117 086	112 224
Botswana Railways	-	111 408	-	111 408
Cross currency sinking fund.				
Zero coupon deposits				
Botswana Insurance Fund Management Limited	238 601	219 666	238 601	219 666
Fleming Asset Management Botswana	98 894	91 595	98 894	91 595
	337 495	311 261	337 495	311 261
Negotiable Certificates of deposit	162 809	133 668	162 809	133 668
Total borrowings	1 059 127	1 094 239	1 059 127	1 094 239

Public Debt Service Fund Loans, which are unsecured, have fixed repayment terms and bear interest at fixed rates of 9,5% per annum and are repayable in half yearly Instalments of P1 057 136 (2016: P 4 432 334), inclusive of interest. The loans have maturities ranging from August 2017 to September 2017.

The Subordinated Unsecured Registered Bonds bear interest at fixed and floating rates of 7,48% and Bank rate plus 180 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.

Unsubordinated 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 between Bank rate plus 75 basis points and Bank rate plus 100 basis points.

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 cross currency sinking fund was a transaction where the Bank received USD 9 million from Botswana Railways and a further 13 monthly deposits of P6.4 million. The fund matured in June 2017 and the funds were transferred to the foreign currency account for Botswana Railways and the funds are accounted for as part of deposits from customers.

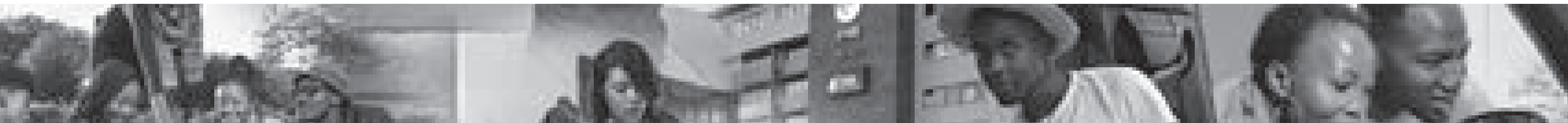
The negotiable certificate of deposits are from Botswana Insurance Fund Management (BIFM) for P14.7 million at a rate of 7.5% maturing in March 2027, Capital Management Botswana for P69.2 million at a rate of 11.79% maturing in May 2022, and BIFM for P66 million at a rate of 11.15% maturing in September 2022.

	GROUP		COMPANY	
	2017 P '000	2016 P '000	2017 P '000	2016 P '000
25. CREDITORS AND ACCRUALS				
Accounts payable	19 973	22 732	19 532	20 803
Other creditors and accruals	213 053	196 011	211 828	182 332
Suspense accounts	189 900	192 007	189 881	191 988
Operating lease liability arising from straight lining of lease payments	3 119	1 983	3 119	1 983
Employee share participation schemes	14 905	14 907	14 905	14 907
Audit fees	2 580	2 040	2 580	2 040
Creditors and accruals	443 530	429 680	441 845	414 053

The directors believe the fair values of the creditors and accruals approximate their carrying amounts.

	GROUP 2017 P '000	GROUP 2016 P '000	COMPANY 2017 P '000	COMPANY 2016 P '000
26. EMPLOYEE LIABILITIES				
Leave pay				
At the beginning of the year	24 220	20 605	24 220	20 605
Additional accrual recognised	8 148	6 932	8 148	6 932
Utilised	(6 511)	(3 317)	(6 511)	(3 317)
At the end of the year	25 857	24 220	25 857	24 220
Bonus				
At the beginning of the year	43 907	41 344	43 706	41 344
Additional accrual recognised	56 644	52 917	56 332	52 916
Utilised	(54 802)	(50 354)	(54 427)	(50 554)
At the end of the year	45 749	43 907	45 611	43 706
At the end of the year	71 606	68 127	71 468	67 926

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



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

27. CAPITAL ADEQUACY

	Note	GROUP 30 June 2017 P '000	GROUP 30 June 2016 P '000
Tier 1 – Core capital			
Stated capital		51 088	51 088
Retained income – adjusted to revised operating capital by Bank of Botswana		2 490 528	2 256 002
		2 541 616	2 307 090
Goodwill		(26 963)	(26 963)
		2 514 653	2 280 127
Tier 2 – Supplementary capital			
Portfolio and IBNR provisions		133 446	119 960
Subordinated Unsecured Bonds	24	201 840	143 584
		335 286	263 544
Total qualifying capital		2 849 939	2 543 671
Risk adjusted assets			
– credit risk weighted assets (Simple Approach)		14 154 095	14 993 411
– Market risk weighted assets		78 962	85 011
– Operational weighted assets		1 899 596	1 758 578
		16 132 653	15 524 831
Capital adequacy ratios (%)		17,67	16,38
Core capital (%) (Basel Committee guide: minimum 4%)		15,59	14,69
Supplementary capital (%)		2,08	1,69
Total (%)		17,67	16,38
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 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 Retirement Funds Act governs its administration. The fund currently has a total contribution rate of 20% (2016: 18%of pensionable salary towards retirement funding). This is made up of an employee contribution rate of 7,0% (2016: 6,5%) and an employer contribution rate of 13,0% (2016: 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.

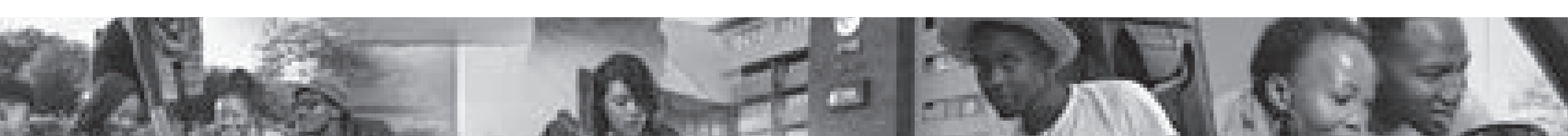
29. STATED CAPITAL

	GROUP		COMPANY	
	2017 P '000	2016 P '000	2017 P '000	2016 P '000
Ordinary shares	58 088	58 088	58 088	58 088
2,563,700,000 (2016: 2,563,700,000) Shares owned by the Company's Employee Share Participation Scheme 20,000,000 (2016: 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 2017 P '000	GROUP 2016 P '000	COMPANY 2017 P '000	COMPANY 2016 P '000
Other non-distributable reserves				
Balance at the beginning of the year	47 002	55 189	30 768	40 881
Transfer directly to equity	(2 680)	(2 855)	(2 187)	(2 218)
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 year	44 322	47 002	28 581	30 768
Equity-settled employee benefits reserve				
Balance at the beginning of the year	-	14 570	-	14 570
Transfer to retained earnings	-	(14 570)	-	(14 570)
Balance at the end of the year	-	-	-	-



Notes to the Consolidated and Separate Financial Statements [continued]

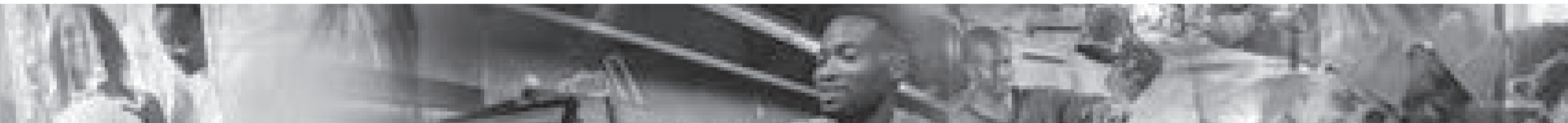
FOR THE YEAR ENDED 30 JUNE 2017

30. RESERVES [continued]

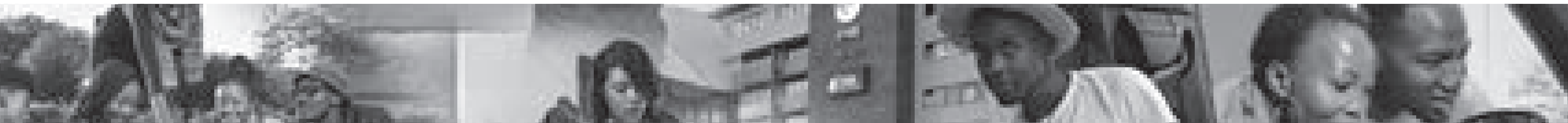
	GROUP		COMPANY	
	2017 P '000	2016 P '000	2017 P '000	2017 P '000
Retained earnings				
Balance at the beginning of the year	2 282 441	2 043 132	2 182 498	1 976 908
Transfers from revaluation reserve	2 680	2 855	2 187	2 218
Transfer from equity settled employee benefits	-	14 570	-	14 570
Profit for the year	500 519	503 891	475 758	470 809
Interim dividend paid	(128 185)	(128 185)	(128 185)	(128 185)
Final dividend proposed	(153 822)	(153 822)	(153 822)	(153 822)
Balance at the end of the year	2 503 633	2 282 441	2 378 436	2 182 498
Total reserves (excluding the dividend reserve)	2 547 955	2 329 443	2 407 017	2 213 266

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

	GROUP		COMPANY	
	2017 P '000	2016 P '000	2017 P '000	2017 P '000
Profit before taxation	680 323	659 012	647 729	616 548
Adjustments for:				
Depreciation and amortisation	57 849	79 526	56 699	78 817
Loss on sale of property and equipment	74	267	74	267
Impairment losses on loans and advances	361 219	228 570	361 219	228 570
Unrealised gain on derivative financial instruments	(1 988)	(21 095)	(1 988)	(21 095)
Straight line lease rental adjustments	2 046	341	2 046	341
Net loss on financial instruments held at fair value through profit and loss	52	36 218	34	36 218
Share-based payment expense/(credit) - cash settled	2 929	(2 398)	2 929	(2 398)
	1 102 504	980 441	1 068 742	937 268



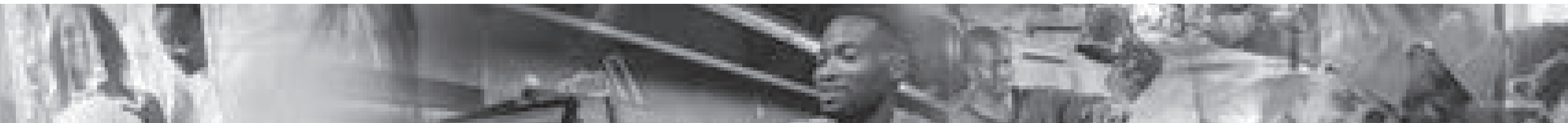
	GROUP		COMPANY	
	2017 P '000	2016 P '000	2017 P '000	2017 P '000
32. CURRENT INCOME TAXATION PAID				
Amounts overpaid at the beginning of the year	(99 966)	(46 832)	(99 966)	(46 832)
Amounts underpaid at the beginning of the year	898	650	–	–
Charged to the income statement	175 747	111 064	167 809	101 682
Amounts overpaid at the end of the year	8 641	99 966	8 641	99 966
Amounts owing at the end of the year	(1 208)	(898)	–	–
Cash amounts paid	84 112	163 950	76 484	154 816
33. CURRENT INCOME TAXATION (ASSET)/LIABILITY				
Opening liability	(898)	(650)	–	–
Opening asset	99 966	46 832	99 966	46 832
Charged to the income statement	(175 747)	(111 064)	(167 809)	(101 682)
Cash amounts paid	84 112	163 950	76 484	154 816
Closing liability	7 433	99 068	8 641	99 966
Closing asset	8 641	99 966	8 641	99 966
Closing liability	(1 208)	(898)	–	–
	7 433	99 068	8 641	99 966
34. INCREASE/(DECREASE) IN DEPOSITS AND CURRENT ACCOUNTS				
Increase/(decrease) in current and managed account deposits	6 076	(740 948)	6 076	(740 948)
Increase in savings deposits	92 321	65 888	92 321	65 888
Increase in call and term deposits	405 318	505 095	405 318	505 095
	503 715	(169 965)	503 715	(169 965)



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	GROUP 2017 P'000	GROUP 2016 P'000	COMPANY 2017 P'000	COMPANY 2016 P'000
35. INCREASE IN ADVANCES TO CUSTOMERS					
Net amount outstanding at the beginning of the year		14 386 819	12 846 481	14 393 819	12 853 481
Impairment of advances		(361 219)	(228 570)	(361 219)	(228 570)
Net amount outstanding at the end of the year		(14 997 373)	(14 386 819)	(15 004 363)	(14 393 819)
Fair value adjustment – Morupule loan		–	(3 553)	–	(3 553)
		(971 773)	(1 772 461)	(971 763)	(1 772 461)
36. DIVIDENDS PAID					
Previous year's final dividend paid during the year		153 822	282 007	153 822	282 007
Interim dividend paid		128 185	128 185	128 185	128 185
Total dividends paid to shareholders		282 007	410 192	282 007	410 192
37. CASH AND CASH EQUIVALENTS					
Cash and short term funds	12	4 396 885	3 651 793	4 396 885	3 651 793
Bank of Botswana Certificates	16	1 671 057	1 586 046	1 671 057	1 586 046
		6 067 942	5 237 839	6 067 942	5 237 839
38. CONTINGENCIES AND COMMITMENTS					
Letters of credit		301 862	445 436	301 862	445 436
Guarantees – performance		902 218	617 611	902 218	617 611
Guarantees – other		48 916	34 710	48 916	34 710
		1 252 996	1 097 757	1 252 996	1 097 757
Commitments					
Undrawn commitments to customers		2 194 381	1 498 117	2 194 381	1 498 117
Capital commitments					
Capital expenditure approved by the Directors – not yet contracted for		116 074	213 078	116 074	213 078



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

	GROUP		COMPANY	
	2017 P'000	2016 P'000	2017 P'000	2016 P'000
Operating lease commitments				
Payable within one year	15 920	12 676	15 920	12 676
Payable within two to five years	27 430	18 735	27 430	18 735
	43 350	31 411	43 350	31 411

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.

Other contingent liabilities

The Group will from time to time be involved in legal proceedings, including inquiries from or discussions with governmental authorities that are incidental to its operations. The Group is currently involved in legal proceedings with the tax authorities regarding the interpretation of tax regulations. The disputed tax matters principally relate to the judgement on whether withholding tax is applicable on certain payments to foreign service providers and the deductibility of wear and tear capital allowances in respect of lease liability assets written by the Bank. The opinions of legal counsel and other subject matter experts regarding the tax treatment of these items have been sought. In light of this the directors believe that the ultimate resolution of these matters will not materially impact the results of the Bank's operations, financial position or cash flows. The directors have assessed the probability of incurring the liability which is ultimately subject to the outcome of the court case, and believe the likelihood of an ultimate loss is remote.

39. TRUST ACTIVITIES

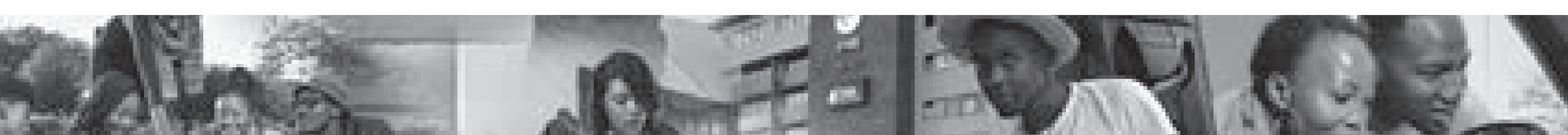
The Group acts as a trustee and in other fiduciary capacities that result in holding or placing of assets on behalf of customers.

At 30 June 2017 the Group acted as a custodian in respect of Botswana Government bonds amounting to P8 036 357 787 (2016: P6 558 385 725), money markets P18 349 473,00 (2016: P34,260,738) and equities amounting to P12 627 486 925 (2016: P13 613 644 178). 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.



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

40. FINANCIAL RISK MANAGEMENT [continued]

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 2017 are set out below:

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.

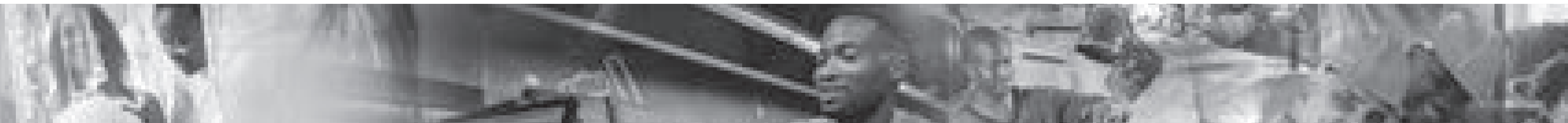
Significant credit exposure at year end were:

	Assets	
Geographical distribution	2017 P'000	2016 P'000
Botswana	20 370 867	19 144 524
Southern Africa	879 969	768 603
North America	1 638 683	1 163 827
Europe	178 446	187 420
Rest of the world	2 294	5 643
	23 070 259	21 270 017
Distribution by sector		
Banks including Bank of Botswana	4 513 165	3 712 313
Government and parastatal organisations	1 089 012	861 184
Individuals	9 413 004	8 209 601
Business/trading	4 342 778	4 787 090
Others	3 712 300	3 699 829
	23 070 259	21 270 017

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, individuals' 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.

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.

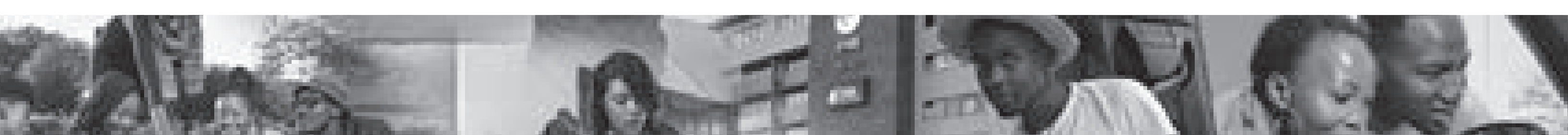
The collateral is valued at inception of the credit agreement and subsequently in specific circumstances for example, when the advance becomes a non-performing loan or when the Group is to sell the asset on auction. No valuation is performed between these two dates for Small and Medium Entities (SME) 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 P117 803 256 (2016: P 40 452 971).

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.



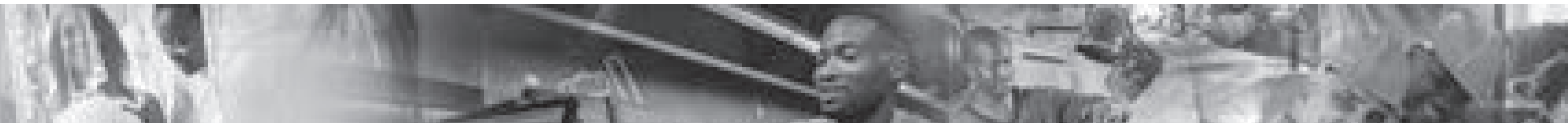
Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

40. FINANCIAL RISK MANAGEMENT [continued]

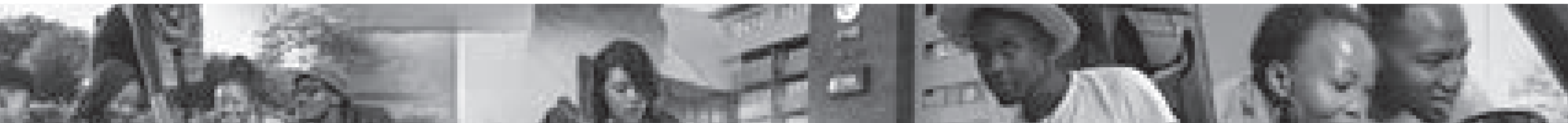
GROUP 2017

	Retail P '000	Corporate & commercial P '000	Other P '000	Total exposure (after interest in suspense) P '000	Year to date average exposure (after interest in suspense) P '000
Exposures recognised in the statements of Financial Position					
- Money at call and short notice	41 401	-	-	41 401	60 280
- Balances with other banks	-	-	4 049 157	4 049 157	919 193
	41 401	-	4 049 157	4 090 558	979 473
Advances to banks	-	-	-	-	187 453
Advances to customers - (after interest in suspense)	9 211 973	6 311 924	-	15 523 897	15 556 789
Investment securities - debt	-	-	3 313 694	3 313 694	2 898 243
Accounts receivable	-	-	288 831	288 831	465 127
Derivatives	-	-	64 028	64 028	26 276
Related parties	-	-	9 448	9 448	7 433
Exposures not recognised in the statements of Financial Position					
Financial and other guarantees	36 550	1 216 446	-	1 252 996	1 078 163
Loan commitments not drawn	1 430 723	773 808	-	2 204 531	1 848 147
Total	10 720 647	8 302 178	7 725 158	26 747 983	23 047 104



GROUP 2016

	Retail P '000	Corporate & commercial P '000	Other P '000	Total exposure (after interest in suspense) P '000	Year to date average exposure (after interest in suspense) P '000
Exposures recognised in the statements of Financial Position					
– Money at call and short notice	79 159	–	–	79 159	2 959 029
– Balances with other banks	–	–	3 361 832	3 361 832	1 263 979
	79 159	–	3 361 832	3 440 991	4 223 008
Advances to banks	–	–	324 961	324 961	484 031
Advances to customers - (after interest in suspense)	9 161 768	5 589 946	–	14 751 714	13 476 556
Investment securities - debt	–	–	2 447 230	2 447 230	1 839 021
Accounts receivable	–	–	376 245	376 245	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	1 065 306	–	1 097 756	1 058 570
Loan commitments not drawn	974 816	523 301	–	1 498 117	1 543 298
Total	10 248 193	7 178 553	6 593 238	24 019 984	23 752 628



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

40. FINANCIAL RISK MANAGEMENT [continued]

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:

	Investment grade P '000	Non-investment grade P '000	Total neither past due nor impaired P '000
GROUP 2017			
Home loans	29 907	4 309 707	4 339 614
Credit cards	–	236 045	236 045
Term loans	–	6 230 663	6 230 663
Overdrafts	20 366	432 358	452 724
WesBank	–	1 775 850	1 775 850
Total	50 273	12 984 623	13 034 896
GROUP 2016			
Home loans	383 313	4 058 623	4 441 936
Credit Cards	–	164 284	164 284
Term loans	283 623	5 213 929	5 497 552
Overdrafts	553 513	123 027	676 540
WesBank	120 711	1 775 363	1 896 074
Total	1 341 160	11 335 226	12 676 386

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

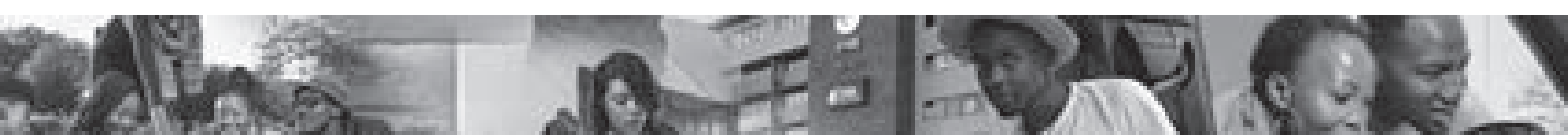
	Derivatives P '000	Related parties P '000	Other Government and Government guaranteed stock P '000	Cash and short term funds P '000	Accounts receivable P '000
GROUP 2017					
Investment Grade	64 028	9 448	3 313 694	4 396 885	288 831
GROUP 2016					
Investment Grade	76 646	6 324	2 447 230	3 651 793	376 245

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 Limited for our loan book have been applied.

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

Group and Company		Past due but not Impaired				
	Neither past due nor impaired P '000	1 - 30 days P '000	31 - 60 days P '000	61 - 90 days P '000	Impaired P '000	Total P '000
2017						
Age analysis of arrears of advances						
Home loans	4 339 614	198 559	102 768	53 374	419 769	5 114 084
Other loans Including credit card	236 045	3 732	1 437	593	6 118	247 925
Term loans	6 230 663	252 142	62 592	40 196	368 569	6 954 162
Overdraft	452 724	-	-	487 300	128 643	1 068 667
WesBank asset finance	1 775 850	169 578	68 487	35 341	89 893	2 139 149
Total	13 034 896	624 011	235 284	616 804	1 012 992	15 523 987
2016						
Age analysis of arrears of advances						
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	53 732	40 954	346 120	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	237 820	483 990	699 733	14 751 714

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.



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

40. FINANCIAL RISK MANAGEMENT [continued]

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.

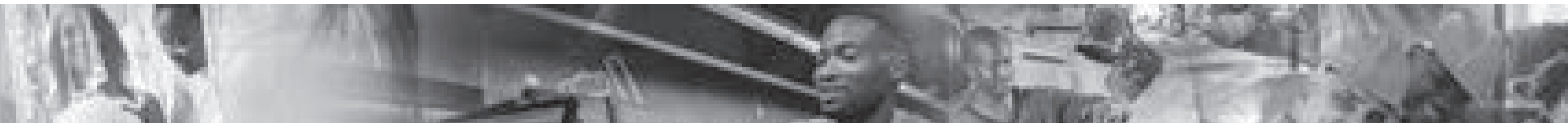
Market risk

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.

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 (2016: 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.

Group and Company	Assets		Equity and Liabilities	
Distribution by currency	30 June 2017 P '000	30 June 2016 P '000	30 June 2017 P '000	30 June 2016 P '000
Botswana Pula	21 514 220	20 052 186	21 062 729	19 750 415
South African Rand	149 993	172 180	203 408	225 399
United States Dollar	1 753 483	1 449 397	2 173 751	1 719 448
British Pound	85 014	93 217	80 428	77 723
Euro	92 862	108 191	89 058	105 508
Others	15 787	17 467	1 985	14 145
	23 611 359	21 892 638	23 611 359	21 892 638



The Group is mainly exposed to foreign currency risk on its USD and ZAR 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 2017 P '000	30 June 2016 P '000
Loss arising from a 10% decrease		
South African Rand	5 342	5 322
United States Dollar	42 027	27 005
	47 369	32 327
Gain arising from a 10% increase		
South African Rand	(5 342)	(5 322)
United States Dollar	(42 027)	(27 005)
	(47 369)	(32 327)

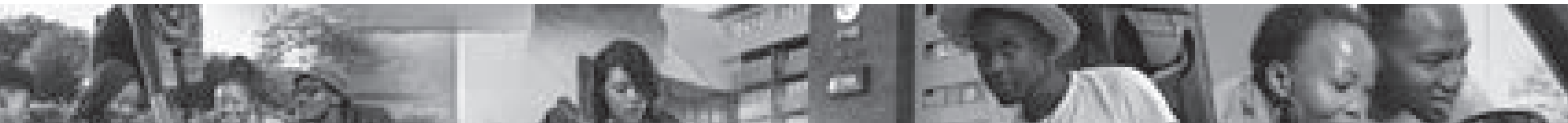
The above gain/(loss) would affect the income statement.

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.



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

40. FINANCIAL RISK MANAGEMENT [continued]

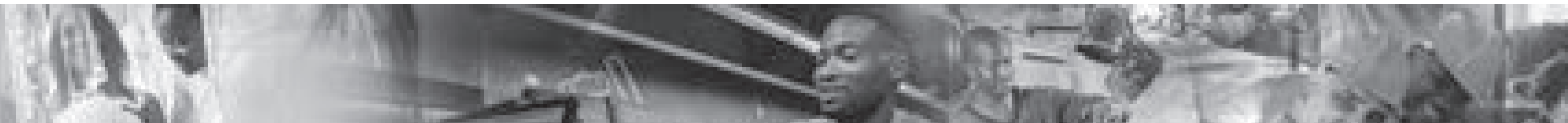
Consolidated – Term to repricing

	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
2017							
Total assets	23 611 359	6 273 168	14 633 201	271 026	1 154 082	70 150	1 209 732
Total liabilities and equity	(23 611 359)	(16 664 631)	(853 126)	(1 715 359)	(318 742)	(518 496)	(3 541 005)
Net interest sensitivity gap	–	(10 391 463)	13 780 075	(1 444 333)	835 340	(448 346)	(2 331 273)
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)

Interest rate sensitivity tests are performed on the Group's statements of financial position and reviewed by the Asset, Liability, and Capital Committee (ALCCO). 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:

GROUP AND COMPANY

	30 June 2017 P '000	30 June 2016 P '000
100 basis points parallel increase - gains	45 110	159 268
100 basis points parallel decrease - losses	(78 480)	(159 268)
200 basis points parallel increase - gains	90 220	296 840
200 basis points parallel decrease - losses	(199 800)	(296 840)



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 managment 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.

	Group – 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
2017							
Total assets	23 611 359	6 120 034	2 206 905	2 172 346	8 620 755	3 863 139	628 180
Total liabilities and equity	(23 611 359)	(14 772 334)	(3 112 751)	(1 747 146)	(159 345)	(958 045)	(2 861 738)
Net liquidity gap	-	(8 652 300)	(905 846)	425 200	8 461 410	2 905 094	(2 233 558)

Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

40. FINANCIAL RISK MANAGEMENT [continued]

Group – 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)

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.

GROUP

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.

	Call P '000	1 – 3 months P '000	4 – 12 months P '000	5 years P '000	Over 5 years P '000	Total P '000
2017						
Amounts due to other banks	1 397 685	–	–	–	–	1 397 685
Deposit and current accounts	13 414 694	2 155 052	1 995 200	915 387	206 204	18 686 537
Borrowings	–	5 133	8 836	509 429	983 323	1 506 721
Due to related companies	36 175	–	–	–	–	36 175
Creditors and accruals	103 274	11 419	410 535	–	–	525 228
Employee liabilities	–	–	71 606	–	–	71 606
	14 951 828	2 171 604	2 486 177	1 424 816	1 189 527	22 223 952

	Call P '000	1 - 3 months P '000	4 - 12 months P '000	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

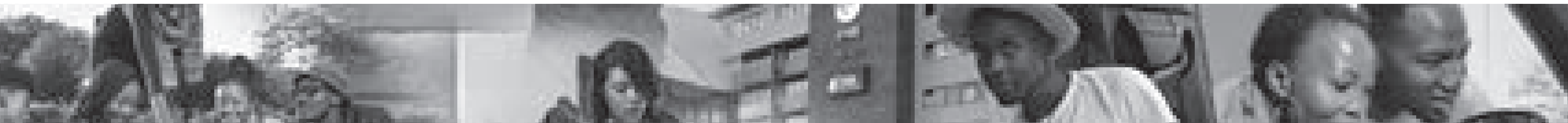
Fair value financial instruments

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.



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

40. FINANCIAL RISK MANAGEMENT [continued]

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.

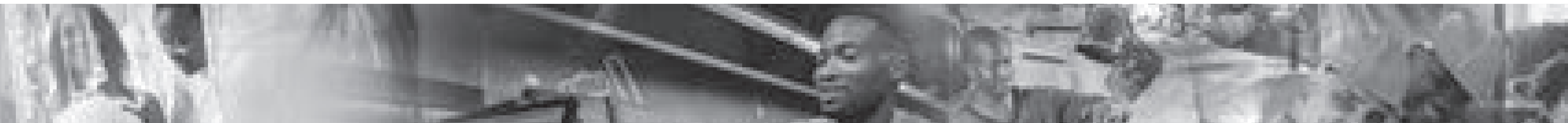
Level 2

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.

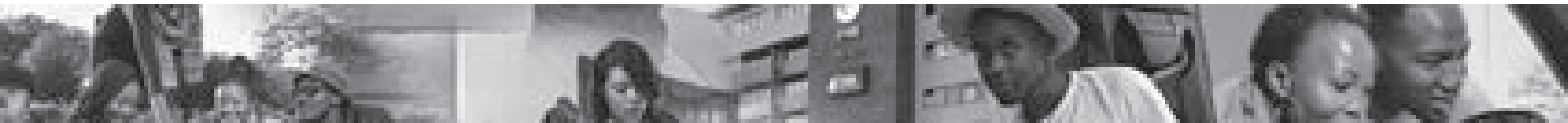
Level 3

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.

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 contract	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



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 [continued]					
- 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 artes 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 rate 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

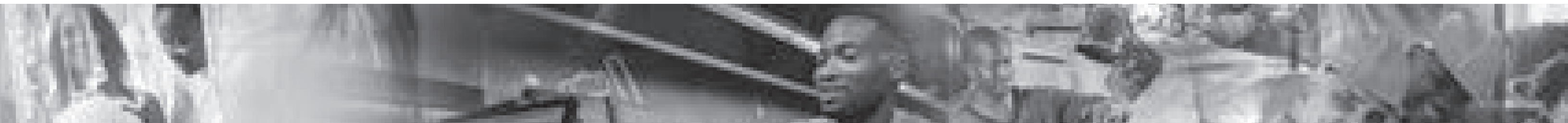


Notes to the Consolidated and Separate Financial Statements [continued]

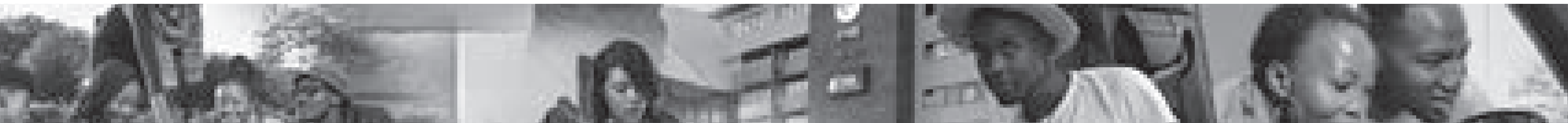
FOR THE YEAR ENDED 30 JUNE 2017

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.	Markets interest rates and curves	Credit inputs
- Other loans and advances	Level 2	Discounted cash flows	The future cashflows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves	Credit inputs



Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of Level 3 items
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	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

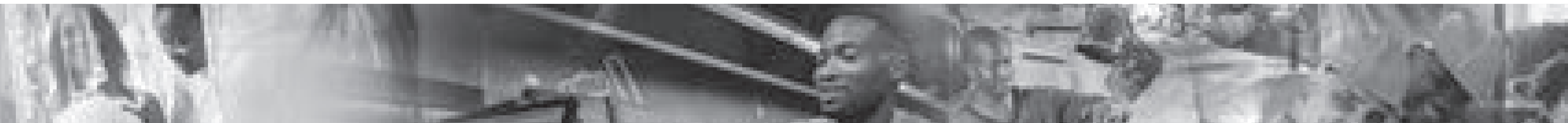


Notes to the Consolidated and Separate Financial Statements [continued]

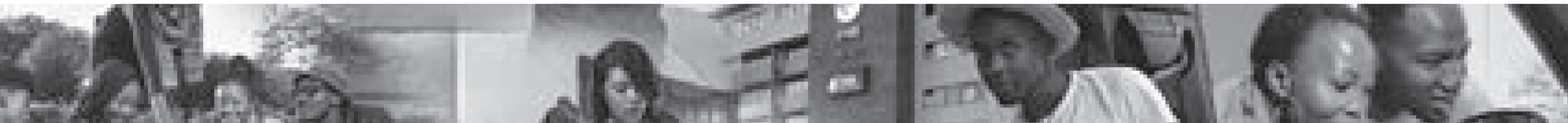
FOR THE YEAR ENDED 30 JUNE 2017

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
Investment securities and other investments [continued]					
- Negotiable certificates of deposit	Level 2	Discounted cash flows	The future cashflows 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
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 undidscounted amounts approximates fair value and no valuation is performed	Not applicable
- Other deposits	Level 2 and 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



Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of Level 3 items
Deposits [continued]					
Financial assets and [a]liabilities not measured at fair value but for which fair value is disclosed	Level 2 and 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



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

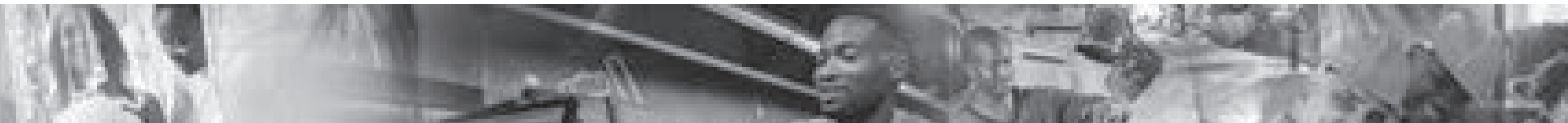
40. FINANCIAL RISK MANAGEMENT [continued]

(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.

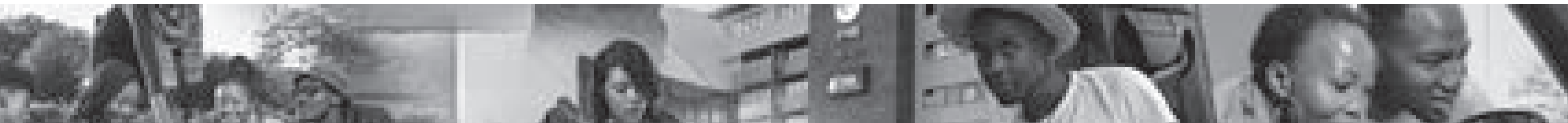
GROUP – 2017

Assets	Level 1 P '000	Level 2 P '000	Level 3 P '000	Fair value P '000	Carrying amount P '000
Advances					
Home loans	–	–	4 446 687	4 446 687	5 155 480
Credit card	–	248 730	–	248 730	248 730
Term loans	–	–	6 577 973	6 577 973	7 014 779
Overdraft	–	1 085 756	–	1 085 756	1 085 756
WesBank asset finance	–	–	2 056 466	2 056 466	2 144 871
Total advances at amortised cost	–	1 334 486	13 081 126	14 415 612	15 649 616
Accounts receivable	–	–	288 831	288 831	288 831
Total financial assets at amortised cost	–	1 334 486	13 369 957	14 704 443	15 938 447
Liabilities					
Deposits and current accounts					
Balances from banks and financial institutions (current and managed)	–	6 051 622	–	6 051 622	6 051 622
Balances from customers (term)	–	4 506 363	–	4 506 363	4 422 351
Other deposits (call and savings)	–	7 093 498	–	7 093 498	7 093 498
Total deposits and current accounts	–	17 651 483	–	17 651 483	17 567 471
Long-term borrowings	–	960 882	–	960 882	942 041
Creditors and accruals	–	443 530	–	443 530	443 530
Total financial liabilities at amortised cost	–	19 055 895	–	19 055 895	18 953 042



GROUP – 2016

Assets	Level 1 P '000	Level 2 P '000	Level 3 P '000	Fair value P '000	Carrying amount P '000
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	6 270 282
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	14 832 694
Accounts receivable	–	–	376 245	376 245	376 245
Total financial assets at amortised cost	–	3 299 433	11 091 051	14 390 484	15 208 939
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	17 063 756
Long-term borrowings	–	979 364	–	979 364	982 015
Creditors and accruals	–	429 680	–	429 680	429 680
Total financial liabilities at amortised cost	–	18 427 365	–	18 427 365	18 475 451



Notes to the Consolidated and Separate Financial Statements [continued]

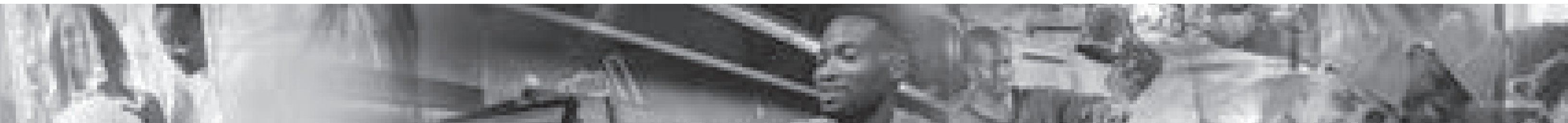
FOR THE YEAR ENDED 30 JUNE 2017

40. FINANCIAL RISK MANAGEMENT [continued]

(ii) Fair value heirachy

Assets and liabilities measured at fair value

	Level 1 P '000	Level 2 P '000	Level 3 P '000	Total P '000
GROUP – 2017				
Financial assets held for trading				
– Investments securities	–	80 647	–	80 647
– Derivative financial instruments	–	64 028	–	64 028
Available for sale financial assets				
– Investments securities	–	1 671 057	–	1 671 057
Non-financial assets				
– Freehold and leasehold land and buildings	–	337 548	–	337 548
Total assets	–	2 153 280	–	2 153 280
Financial liabilities held for trading				
– Derivative financial instruments	–	28 065	–	28 065
Designated at fair value through profit or loss				
– Zero coupon deposit	–	–	117 086	117 086
Total liabilities	–	28 065	117 086	145 151
Group – 2016				
Financial assets held for trading				
– Investment securities	–	9 383	–	9 383
– Derivative financial instruments	–	76 646	–	76 646
Designated at fair value through profit or loss				
– Term loan	–	–	145 414	145 414
Available for sale financial assets				
– Investment securities	–	1 586 046	–	1 586 046
Non-financial assets				
– Freehold and leasehold land and buildings	–	325 308	–	325 308
Total assets	–	1 997 383	145 414	2 142 797
Financial liabilities held for trading				
– Derivative financial instruments	–	42 631	–	42 631
Designated at fair value through profit or loss				
– Zero coupon deposit	–	–	112 224	112 224
Total liabilities	–	42 631	112 224	154 855



	2017 P '000	2016 P '000
Reconciliation of level 3 fair value measurements Designated at fair value through profit or loss (assets)		
Group – Term loan		
Balance at the beginning of the year	145 414	209 554
– amounts recognised in profit or loss for the year	–	(3 553)
Repayments	(145 414)	(60 587)
Balance at the end of the year	–	145 414
Designated at fair value through profit or loss (liabilities)		
Group – Deposit		
Balance at the beginning of the year	112 224	73 903
– Amounts recognised in profit or loss for the year	4 862	38 321
Balance at the end of the year	117 086	112 224

Capital risk management

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:

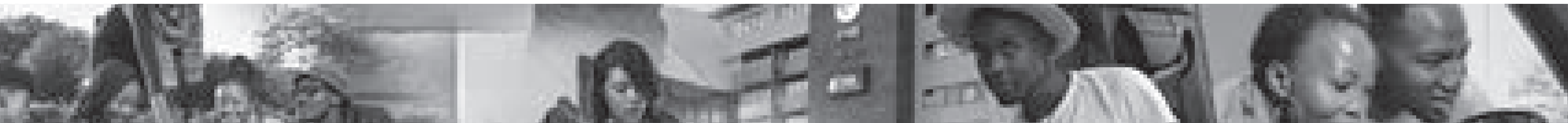
- To comply with the capital requirements set by the central bank (Bank of Botswana);
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the used 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:

- 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.
- Tier 2 capital: qualifying subordinated loan capital and collective impairment allowances.



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

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.

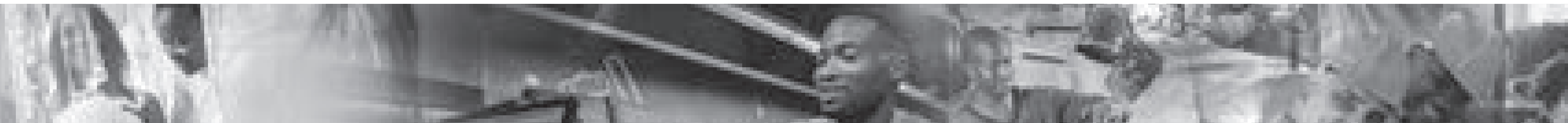
The Group has five main business segments:

- Retail segment - comprising advances and deposits and the revenue flowing from individual customers;
- Business segment - comprising advances and deposits and the revenue flowing from business customers;
- Rand Merchant Bank (RMB) - comprising advances and deposits and the revenue flowing from RMB customers;
- WesBank - comprising vehicle and asset financing; and
- 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.



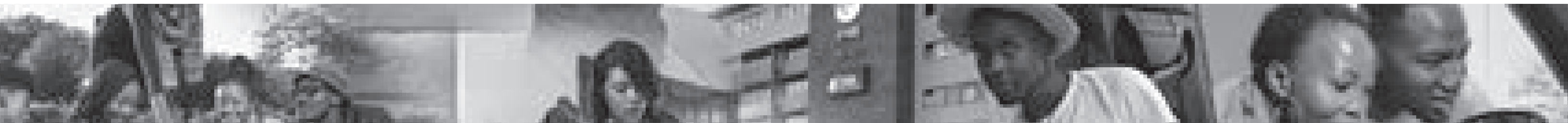
	Retail P '000	Business P '000	RMB P '000	WesBank P '000	Treasury P '000	Total P '000
2017						
Income statement						
Interest income	530 965	154 035	27 096	135 890	581 262	1 429 248
Non-interest income	436 396	313 231	202 603	18 500	7 425	978 155
Total segment revenue	967 361	467 266	229 699	154 390	588 687	2 407 403
Interest expenditure	80 831	157 388	128 338	(8 547)	(623 137)	(265 128)
Segment operating income before impairments	1 048 192	624 654	358 037	145 843	(34 450)	2 142 275
Impairment of advances						(361 219)
Net interest income after impairment of advances						1 781 056
Total expenditure						(1 076 837)
Profit before indirect taxation						704 219
Indirect taxation						(23 896)
Profit before direct taxation						680 323
Direct taxation						(179 804)
Profit after direct taxation						500 519
Statement of financial position:						
Gross advances	8 291 886	3 944 114	1 192 827	2 220 789	-	15 649 616
Deposits	3 683 444	5 825 842	6 421 985	-	1 636 200	17 567 471

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.



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

41. SEGMENTAL REPORTING [continued]

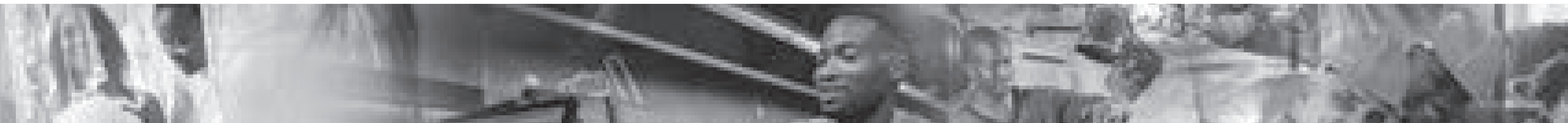
	Retail P '000	Business P '000	RMB P '000	WesBank P '000	Treasury P '000	Total P '000
2016						
Income statement						
Interest income	364 926	158 229	26 147	141 370	617 722	1 308 394
Non-interest income	389 591	315 910	218 652	24 033	(21 237)	926 949
Total segment revenue	754 517	474 139	244 799	165 403	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 tax						503 891
Statement of financial position:	6 957 248	4 346 564	1 273 861	2 255 021	-	14 832 694
Gross advances Deposits	3 910 258	6 591 603	4 849 304	-	1 712 591	17 063 756

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:

GROUP AND COMPANY

	30 June 2017	30 June 2016
Number of options in force at beginning of the year Granted at prices ranging between P3.32 to P1.51	-	1 943 342
Number of options cancelled/ lapsed during the year Granted at a price range between P2.69 and P3.32	-	(1 943 342)
Total number of options of the scheme	-	-

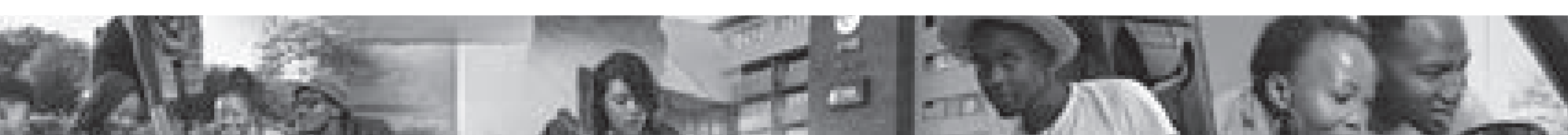
The Group has employees who participate in the share options of FirstRand Limited (The Group's ultimate holding company, a company registered in the Republic of South Africa). The schemes are described below:

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.



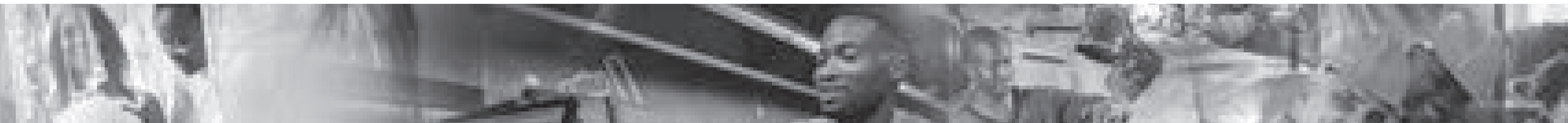
Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

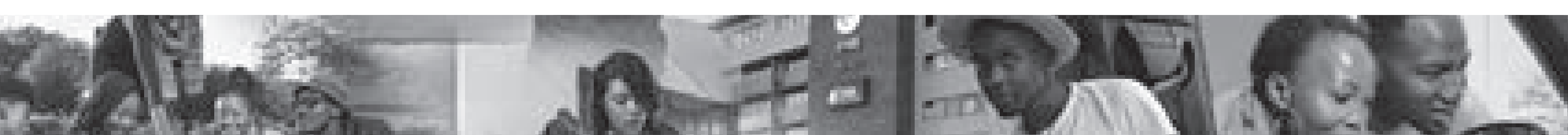
42. EMPLOYEE SHARE PARTICIPATION SCHEMES [continued]

Share option detail – 2017	FirstRand Conditional share plan	FNB Botswana Conditional share plan
Number of options in force at the beginning of the year	616 959	6 685 806
Granted at prices ranging between (P)	–	–
Weighted average (thebe)	–	–
Number of options granted/transferred in during the year Granted at a price of (P)	412 882	–
Weighted average (P)		–
Number of options transferred within the Group during the year	(2 114)	–
Granted at a price of P3.00 Weighted average (P)		–
Number of options exercised / released during the year	(104 872)	–
Market value range at date of exercise / release (P)	47,25 - 47,25	–
Weighted average share price for the year (P)	47,25	–
Number of options cancelled / lapsed during the year	(20 315)	(6 685 806)
Granted at prices ranging between (P)		–
Weighted average (P)		–
Number of options in force at the end of the year	902 540	–
Granted at a price of		–
Weighted average (P)		–
Options are exercisable over the following periods (first date able to release):	–	–
Financial year 2017/2018	107 168	–
Financial year 2018/2019	386 718	–
Financial year 2019/2020	408 654	–
	902 540	–

The FNB Botswana Conditional share plan did not meet the vesting conditions, hence the scheme has now been closed.



	FirstRand Conditional share plan	FNB Botswana Conditional share plan
Options outstanding (by expiry date)		
Financial year 2017/2018	107 168	-
Financial year 2018/2019	386 718	-
Financial year 2019/2020	408 654	-
	902 540	**-**
Total options outstanding - in the money	902 540	-
Total options outstanding - out of the money	-	-
	902 540	**-**
Number of participants	65	-

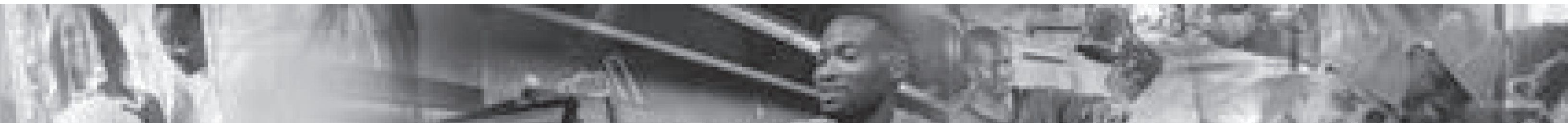


Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

42. EMPLOYEE SHARE PARTICIPATION SCHEMES [continued]

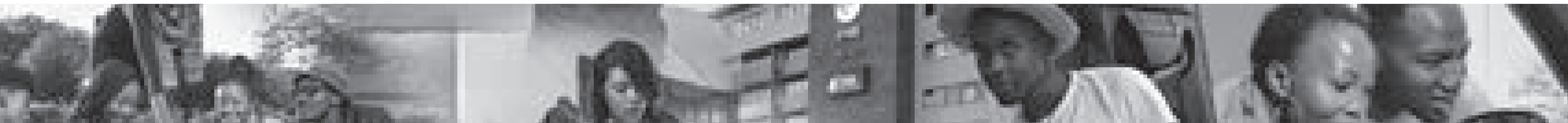
Share option detail - 2016	FirstRand Conditional share plan	FNB Botswana Conditional share plan
Number of options in force at the beginning of the year	402 449	9 094 179
Granted at prices ranging between (P)		
Weighted average (thebe)		
Number of options granted/transferred in during the year	393 510	-
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 cancelled / lapsed 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 a price of		
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



Share option detail – 2016	FirstRand Conditional share plan	FNB Botswana Conditional share plan
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

	Group and Company	
	30 June 2017 P'000	30 June 2016 P'000
The income statement charge for all cash settled share based payments is as follows:		
Conditional share plan	10 495	4 510
FNB Botswana Conditional Share Plan	(7 566)	(6 908)
Total cash settled share option scheme charge/(credit) to income statement	2 929	(2 398)

At year end, the liability for cash-settled share schemes amounted to P14 905 178 (2016: P 14 907 329) and has been included in creditors and accruals.



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

43. 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.

44. NEW STANDARDS AND INTERPRETATIONS

44.1 Standards and interpretations effective and adopted in the current year

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

Amendment to IFRS 5: Non-current Assets Held for Sale and Discontinued Operations: Annual Improvements project

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 Group is for years beginning on or after 01 January 2016.

The Group has adopted the amendment for the first time in the 2017 consolidated and separate financial statements. The amendment had no impact on the consolidated and separate financial statements.

Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project

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 Group is for years beginning on or after 01 January 2016.

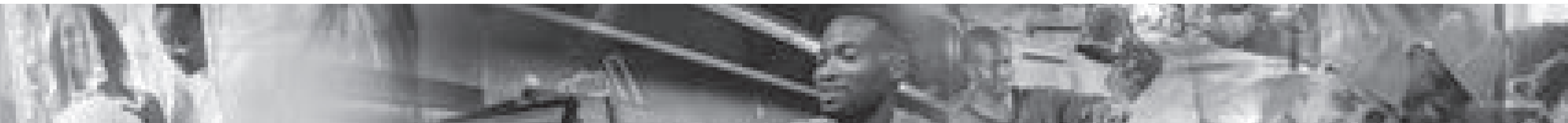
The Group has adopted the amendment for the first time in the 2017 consolidated and separate financial statements. The impact of the amendment is not material.

Amendment to IAS 19: Employee Benefits: Annual Improvements project

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 Group is for years beginning on or after 01 January 2016.

The Group has adopted the amendment for the first time in the 2017 consolidated and separate financial statements. The amendment had no impact on the consolidated and separate 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 and separate financial statements. It also provides amended guidance concerning the order of presentation of the notes in the consolidated and separate 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 Group is for years beginning on or after 01 January 2016.

The Group has adopted the amendment for the first time in the 2017 consolidated and separate financial statements. The amendment had no impact on the consolidated and separate financial statements.

Amendment to IAS 34: Interim Financial Reporting. Annual Improvements project

The amendment allows an entity to present disclosures required by paragraph 16A either in the interim consolidated and separate 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 and separate financial statements on the same terms as the interim consolidated and separate financial statements and at the same time.

The effective date of the Group is for years beginning on or after 01 January 2016.

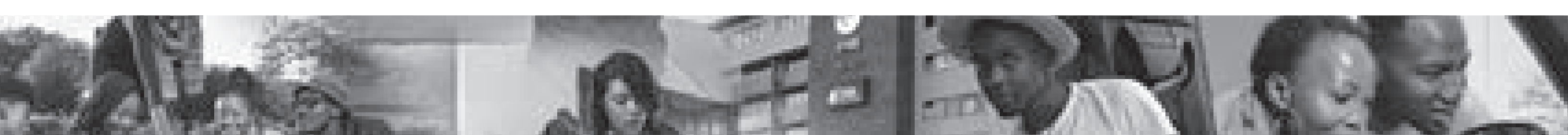
The Group has adopted the amendment for the first time in the 2017 consolidated and separate financial statements. The amendment had no impact on the consolidated and separate financial statements.

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 has adopted the amendment for the first time in the 2017 consolidated and separate financial statements. The amendment had no impact on the consolidated and separate financial statements.



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

44. NEW STANDARDS AND INTERPRETATIONS [continued]

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 statement 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 has adopted the standard for the first time in the 2017 consolidated and separate financial statements.
The amendment had no impact on the consolidated and separate 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 and separate financial statements of an entity.

The effective date of the amendment is for years beginning on or after 01 January 2016.

The Group has adopted the amendment for the first time in the 2017 consolidated and separate financial statements.
The amendment had no impact on the consolidated and separate 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 has adopted the amendment for the first time in the 2017 consolidated and separate financial statements.
The amendment had no impact on the consolidated and separate 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 has adopted the amendments for the first time in the 2017 consolidated and separate financial statements.
The amendment had no impact on the consolidated and separate financial statements.

44.2 Standards and interpretations 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 2017 or later periods:

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 amendment is to be determined by the IASB.

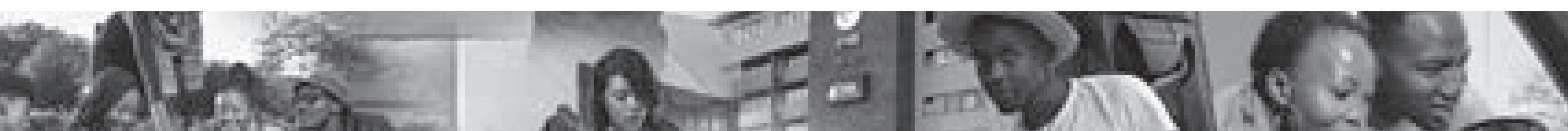
It is unlikely that the amendment will have a material impact on the Group's consolidated and separate financial statements.

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the Group are as follows:

Group as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

44. NEW STANDARDS AND INTERPRETATIONS [continued]

- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Group as lessor:

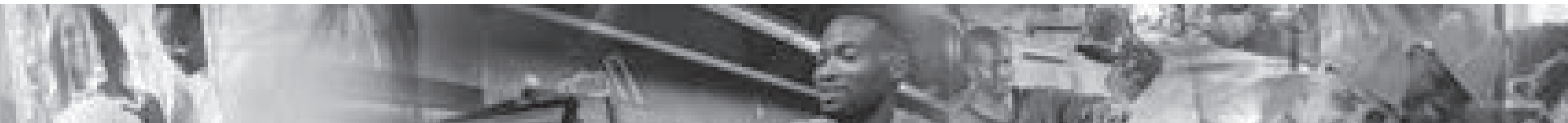
- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of- use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after 01 January 2019.

The Group expects to adopt the standard for the first time in the 2020 consolidated and separate financial statements. The impact of this standard is currently being assessed.



Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendment to IFRS 4 provides a temporary exemption, allowing insurers to apply IAS 39 rather than IFRS 9. The exemption only applies in certain circumstances and only for annual periods beginning before 1 January 2021.

The exemption also introduces an "overlay approach" in specific circumstances. This approach requires the insurer to reclassify an amount between other comprehensive income and profit or loss. This results in the profit or loss for designated financial assets being the same as if the insurer had applied IAS 39 rather than IFRS 9.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The Group expects to adopt the amendment for the first time in the 2019 consolidated and separate financial statements. The impact of this amendment is currently being assessed.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendment now specifies the treatment of vesting and non-vesting conditions with regards to cash-settled share- based payment transactions. The treatment is essentially similar to the treatment of such conditions for equity-settled share-based payment transactions. That is, non-market vesting conditions are taken into consideration when estimating the number of awards which are expected to vest (and which ultimately vest), while market conditions and other non- vesting conditions are taken into consideration when determining the fair value of the share based payment liability, both initially and subsequently.

The amendment also provides for share-based payment transactions with a net settlement feature for withholding tax obligations. Essentially, where the entity is required to withhold part of the equity instruments equal to the tax obligation, the entity is required to account for the payment to tax authorities as a reduction in equity, except to the extent that the payment exceeds the fair value of the equity instruments withheld at net settlement date. The entity should also disclose the amount that it expects to transfer to tax authorities in terms of such transactions.

The amendment further provides guidance in terms of modifications which convert cash-settled share-based payment transactions to equity -settled share-based payment transactions. For such modifications, the equity-settled share based payment transaction is measured by reference to the fair value of the equity instruments granted at modification date, to the extent to which goods or services have been received. The liability for cash-settled share based payment transactions is derecognised on the modification date. Any difference between the two is recognised immediately in profit or loss.

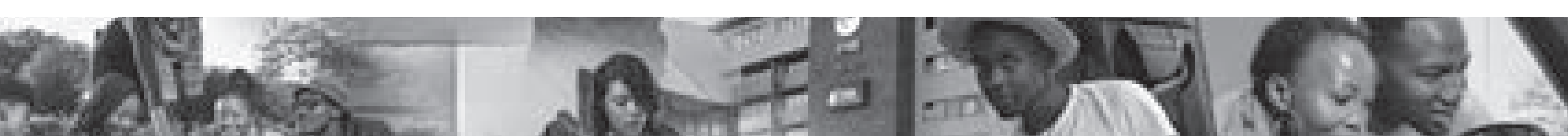
The effective date of the amendment is for years beginning on or after 01 January 2018.

The Group expects to adopt the amendment for the first time in the 2019 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the Group's consolidated and separate 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.



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

44. NEW STANDARDS AND INTERPRETATIONS [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 and separate financial statements. The impact of this standard is currently being assessed.

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.

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 and separate financial statements.

It is unlikely that the standard will have a material impact on the Group's consolidated and separate financial statements.

Amendments to IAS 7: Disclosure initiative

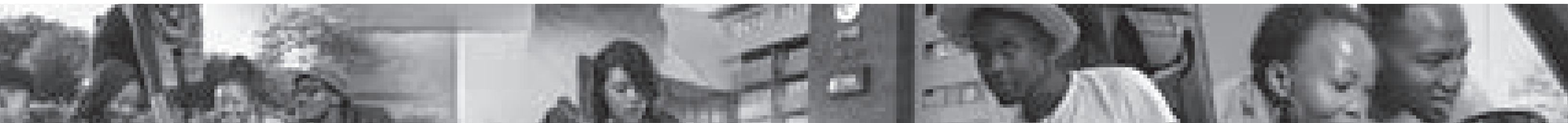
The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities. Specifically, entities are now required to provide disclosure of the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchanges;
- changes in fair values; and
- other changes.

The effective date of the amendment is for years beginning on or after 01 January 2017.

The Group expects to adopt the amendment for the first time in the 2018 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the Group's consolidated and separate financial statements.



Notes to the Consolidated and Separate Financial Statements [continued]

FOR THE YEAR ENDED 30 JUNE 2017

44. NEW STANDARDS AND INTERPRETATIONS [continued]

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

In terms of IAS 12 Income Taxes, deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The following amendments have been made, which may have an impact on the Group:

If tax law restricts the utilisation of losses to deductions against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

Additional guidelines were prescribed for evaluating whether the Group will have sufficient taxable profit in future periods. The Group is required to compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of those deductible temporary differences.

The amendment also provides that the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

The effective date of the amendment is for years beginning on or after 01 January 2017.

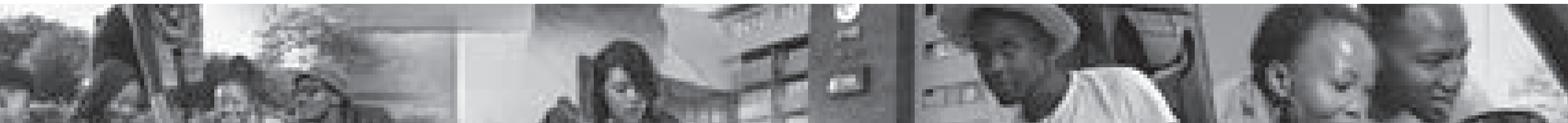
The Group expects to adopt the amendment for the first time in the 2018 consolidated and separate financial statements.

It is unlikely that the amendment will have a material impact on the Group's consolidated and separate financial statements.

Value Added Statements

FOR THE YEAR ENDED 30 JUNE 2017

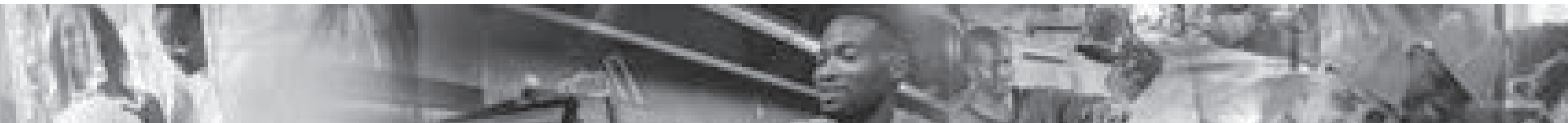
	GROUP		COMPANY	
	30 June 2017 P '000	30 June 2016 P '000	30 June 2017 P '000	30 June 2016 P '000
Income earned by providing banking services	2 407 403	2 235 343	2 357 892	2 184 404
Cost of services	(1 704 560)	(1 502 882)	(1 685 244)	(1 485 025)
Value added banking services	702 843	732 461	672 648	699 379
Non-operating and other income and expenditure	577 638	472 508	572 294	459 904
Value Added	1 280 481	1 204 969	1 244 942	1 159 283
Value allocated				
To Pay Employees				
Salaries, wages and other benefits	518 413	442 571	516 644	440 258
To Pay Providers of Capital				
Dividend paid	282 007	282 007	282 007	282 007
To Pay Government				
Income tax	203 700	178 982	195 841	169 400
To expansion and growth:				
Retained earnings	218 512	221 884	193 751	188 802
Depreciation	57 849	79 525	56 699	78 816
	276 361	301 409	250 450	267 618
	1 280 481	1 204 969	1 244 942	1 159 283
Employee statistics	%	%	%	%
Employees	40,5	36,7	31,7	38,0
Providers of capital	22,0	23,4	34,9	24,3
Government	15,9	14,9	15,2	14,6
Expansion and growth	21,6	25,0	18,2	23,1
	100,0	100,0	100,0	100,0



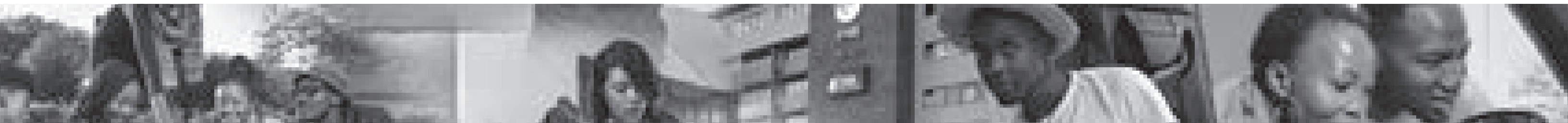
Ten-Year Consolidated Income Statements

FOR THE YEAR ENDED 30 JUNE 2017

	30 June 2017 P'000	30 June 2016 P'000	30 June 2015 P'000
INCOME STATEMENT			
Interest and similar income	1,429,248	1,308,394	1,288,434
Interest expense and similar charges	(265,128)	(363,565)	(415,321)
Net interest income before impairment of advances	1,164,120	944,829	873,113
Impairments losses on loans and advances	(361,219)	(228,570)	(201,068)
Net interest income after impairment of advances	802,901	716,259	672,045
Non interest income	978,155	926,949	862,386
Income from operations	1,781,056	1,643,208	1,534,431
Operating expenses	(1,100,733)	(984,196)	(777,928)
Income before taxation	680,323	659,012	756,503
Taxation	(179,804)	(155,121)	(165,020)
Income after taxation	500,519	503,891	591,483
Dividends paid and proposed	(282,007)	(282,007)	(410,192)
Retained income for the year	218,512	221,884	181,291



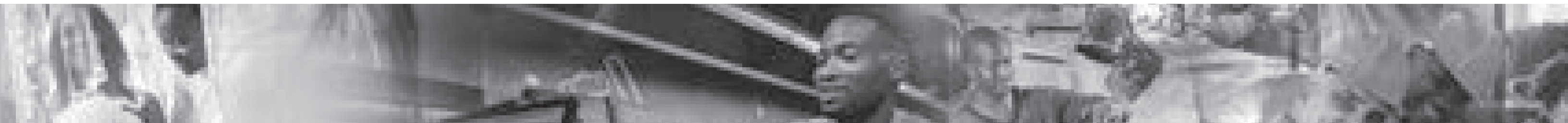
30 June 2014 P '000	30 June 2013 P '000	30 June 2012 P '000	30 June 2011 P '000	30 June 2010 P '000	30 June 2009 P '000	30 June 2008 P '000
1,244,817	1,210,031	1,111,862	1,094,078	1,062,618	1,296,474	1,168,337
(290,200)	(312,629)	(342,799)	(432,327)	(518,978)	(773,578)	(768,085)
954,617	897,402	769,063	661,751	543,640	522,896	400,252
(122,510)	(120,673)	(132,714)	(59,211)	(43,420)	(40,752)	(20,804)
832,107	776,729	636,349	602,540	500,220	482,144	379,448
794,557	743,042	629,108	505,793	410,610	371,196	348,980
1,626,664	1,519,771	1,265,457	1,108,333	910,830	853,340	728,428
(704,425)	(614,373)	(535,496)	(470,596)	(378,858)	(324,860)	(279,148)
922,239	905,398	729,961	637,737	531,972	528,480	449,280
(202,578)	(204,446)	(161,168)	(63,897)	(95,922)	(121,760)	(75,253)
719,661	700,952	568,793	573,840	436,050	406,720	374,027
(384,555)	(333,281)	(179,459)	(589,651)	(230,734)	(230,734)	(205,097)
335,106	376,671	389,334	(15,812)	205,316	175,986	168,930



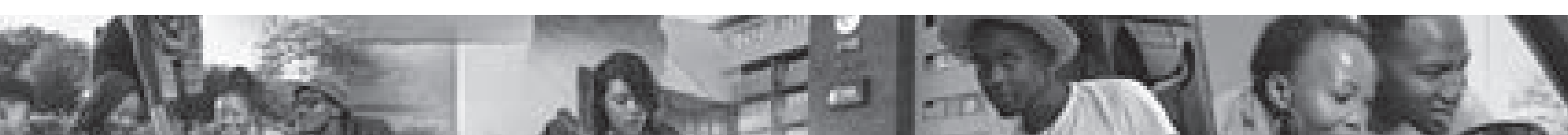
Ten-Year Consolidated Statements of Financial Position

FOR THE YEAR ENDED 30 JUNE 2017

STATEMENT OF FINANCIAL POSITION	30 June 2017 P '000	30 June 2016 P '000	30 June 2015 P '000
ASSETS			
Cash and short term funds	4,396,885	3,651,793	4,371,324
Derivative financial instruments	64,028	76,646	26,716
Advances to banks	-	324,960	640,000
Advances to customers	14,997,373	14,386,819	12,846,481
Investment securities	3,313,694	2,447,230	2,256,337
Current taxation	8,641	99,966	46,832
Due from related companies	9,448	6,324	6,319
Accounts receivable	288,831	376,245	211,080
Non-current assets held for sale	-	-	-
Investment in associated company	-	-	-
Property and equipment	505,496	495,692	540,393
Goodwill	26,963	26,963	26,963
Total assets	23,611,359	21,892,638	20,972,445
LIABILITIES			
Deposits from banks	1,397,685	300,166	199,334
Deposits from customers	17,567,471	17,063,756	17,233,721
Accrued interest payable	46,061	30,553	88,895
Derivative financial instruments	28,065	42,631	13,796
Current taxation	1,208	898	650
Due to related companies	36,175	124,726	11,673
Creditors and accruals	443,530	429,680	360,109
Employee liabilities	71,606	68,127	61,949
Borrowings	1,059,127	1,094,239	395,376
Deferred taxation	207,566	203,509	160,956
Total liabilities	20,858,494	19,358,285	18,526,459
EQUITY			
Stated capital	51,088	51,088	51,088
Reserves	2,547,955	2,329,443	2,112,891
Dividend reserve	153,822	153,822	282,007
Total ordinary equity holder's funds	2,752,865	2,534,353	2,445,986
Total equity and liabilities	23,611,359	21,892,638	20,972,445



30 June 2014 P '000	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
2,721,384	2,288,285	2,557,842	1,706,573	1,201,491	1,185,914	1,796,013
24,922	10,138	7,861	2,996	758	22,611	59,514
461,921	51,975	-	361,178	-	-	-
12,131,415	10,369,937	8,420,553	7,170,842	5,803,009	4,643,241	3,969,496
1,536,828	2,290,494	2,699,551	3,496,862	4,946,059	6,085,772	5,363,202
12,895	2,117	-	4,622	1,041	-	-
6,272	6,138	7,839	13,133	5,075	3,956	2,029
196,112	251,474	170,800	170,502	57,719	363,392	181,911
-	7,101	5,511	-	-	-	-
-	-	-	3,058	3,151	2,037	2,297
520,694	502,086	317,559	202,200	187,306	115,601	80,737
26,963	26,963	26,963	26,963	26,963	26,963	26,963
17,639,406	**15,806,708**	**14,214,479**	**13,158,929**	**12,232,572**	**12,449,487**	**11,482,162**
12,157	53,903	166,900	215,186	4,000	13,851	142,310
14,328,142	12,932,767	11,448,851	10,597,398	10,304,632	10,552,699	9,763,624
39,027	34,767	45,179	36,696	45,661	70,142	86,594
18,079	16,964	32,912	18,794	559	21,388	59,514
3,870	-	461	-	-	7,494	5,173
30,499	19,597	57,883	140,031	50,209	175,827	97,587
274,596	225,215	275,972	616,691	336,647	166,538	91,514
60,588	62,076	52,252	42,646	23,830	24,741	43,267
489,495	422,791	519,047	244,971	207,827	416,612	424,694
118,973	110,360	82,296	98,350	100,648	79,071	43,267
15,375,426	**13,878,440**	**12,681,753**	**12,010,763**	**11,074,013**	**11,528,363**	**10,757,544**
51,088	51,088	51,088	51,088	51,088	51,088	51,088
1,930,885	1,620,810	1,276,542	1,045,804	979,286	754,669	583,800
282,007	256,370	205,096	51,274	128,185	115,367	89,730
2,263,980	**1,928,268**	**1,532,726**	**1,148,166**	**1,158,559**	**921,124**	**724,618**
17,639,406	**15,806,708**	**14,214,479**	**13,158,929**	**12,232,572**	**12,449,487**	**11,482,162**



SHAREHOLDER INFORMATION

SHAREHOLDER'S DIARY

Declaration of dividend and announcement of results	August 2017
Publication of Annual Financial Statements	August 2017
Payment of final dividend	October 2017
Annual General Meeting	2 November 2017
Publication of half-year interim report and dividend announcement	February 2018
Payment of interim dividend	March 2018
Next financial year end	30 June 2018

LIST OF MAJOR SHAREHOLDERS

Share Analysis – Ordinary Shareholders

1- 5,000	**Shareholders** Number of holders	**% of holders**	Shares held	**Shares held** % of Issued shares
	4,097	78.86%	3,687,695	0.1%
5,001-10,000	378	7.28%	3,162,927	0.1%
10,001- 50,000	429	8.26%	10,679,082	0.4%
50,001-100,000	106	2.04%	8,422,498	0.3%
100,001- 500,000	110	2.12%	23,530,862	0.9%
500,001 - 1,000,000	19	0.37%	13,267,172	0.5%
OVER 1,000,000	56	1.07%	2,500,949,764	97.7%
Total	**5,195**	**100.00%**	**2,563,700,000**	**100.00%**

Top ten shareholders

First National Bank Employee Share Scheme Trust	FNB NOMS (Pty) Ltd Re: Employee Share Scheme Trust	20,000,000	0.78%
Debswana Pension Fund	Investec Re: DPF	27,072,577	1.06%
Stanbic Nominees Re: BIFM	Botswana Insurance Fund Management	47,996,911	1.87%
Kgori Capital - BPOPF WPPP	FNB Botswana Nominees (Pty) Ltd Re: Kgori BPOPF WP	48,169,269	1.88%
Motor Vehicle Accident Fund	Motor Vehicle Accident Fund	50,993,910	1.99%
IAM BPOPF - Equity	FNB BW NOMS(Pty) Ltd Re: IAM BPOPFP 10001031	61,741,313	2.41%
BIFM BPOPF - Equity	FNB Botswana Nominees (Pty) Ltd Re: BIFM BPOPF - Equity	86,522,913	3.37%
AA BPOPF - Equity	FNB Botswana Nominees (Pty) Ltd Re: AA BPOPF - Equity	103,142,781	4.02%
Kgori Capital- BPOPF Equity	Botswana Public Officers Pension Fund	115,620,602	4.51%
FNB Holdings Botswana Limited	FNB Holdings Botswana Limited	1,780,590,000	69.45%
Others		221,849,724	8.66%
		2,563,700,000	**100.00%**

	Shareholders Number	%	**Shares held** Number	%
Category				
Corporate bodies	242	4.66%	1,786,236,040	69.67%
Nominees companies	98	1.89%	659,042,366	25.71%
Trust accounts	6	0.12%	1,817,618	0.07%
Private individuals	4,849	93.33%	116,603,976	4.55%
	5,195	100.00%	2,563,700,000	100.00%

	Shareholders Number	%	**Shares held** Number	%
Geographic Ownership				
Botswana	5,135	98.85%	2,562,247,487	99.95%
Africa	36	0.69%	1,106,227	0.04%
International	24	0.46%	346,286	0.01%
	5,195	100.00%	2,563,700,000	100.00%

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 13h00 on Thursday 2 November 2017 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 31 October 2017. 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 2017)		
Forms of proxy to be received by 12h00	Tuesday	31 October
Annual General Meeting at 13h00	Thursday	2 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 13h00 on Thursday 2 November 2017, 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 2017 together with Directors' and Auditors' Reports thereon be adopted.

3. Ordinary Resolution 2:
   RESOLVED THAT dividends of 5 thebe per ordinary share declared on 3 February 2017 and 6 thebe per ordinary share declared on 11 August 2017, for the Financial Year Ended 30 June 2017 be approved as recommended by the Directors.

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 by way of separate resolutions:

   Mr. M.W Ward (Independent Non-executive Director)
   Mr. N.D Mokgethi (Independent Non-executive Director)
   Mrs. D.A Kgosietsile (Independent Non-executive Director)

Biographical information of the directors to be re-elected is set out on pages 70 of the Annual Report

5. Ordinary Resolutions 6:
The repurchase and cancellation by the Company of 20 000 000 shares from the FNBB Employee Share Participation Scheme Trust, at a price per share that equates to the volume weighted average price of a share in the Company on the Botswana Stock Exchange for the 30 days up to and including the date of approval of this ordinary shareholder resolution. Refer to Insert Circular.

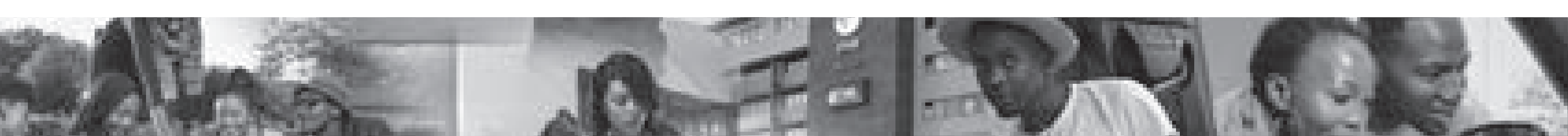
6. Ordinary resolution number 7:
RESOLVED THAT the annual fees of the [1]Non-Executive Directors, as reflected below be approved for the 2018:

RESOLVED THAT the annual fees of the Non-Executive Directors, as reflected below be approved for the 2018 financial year:	**Proposed 2018 fees (BWP)**
First National Bank Botswana Board	
Member	106 960
Chairperson	213 920
Audit committee	
Member	61 120
Chairperson	122 240
Risk Capital Management and Compliance Committee	
Member	61 120
Chairperson	122 640
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
[2]Policies & Frameworks Committee	
Member	48 896
Chairperson	48 896
Strategy	26 740
Training	34 380

[1] Executive Directors and Non-Executive Directors who are Executives of the FirstRand group do not receive fees as members of the Board and Sub-Committees.

[2] Due to extensive legislation and compliance requirements a Policies & Frameworks Committee has been established as an extension to the Risk Capital Management and Compliance Committee.

[3] Additional meetings and ad hoc work are remunerated at the prescribed hourly rate set for the Board and individual Sub-Committees.



NOTICE OF ANNUAL GENERAL MEETING [continued]

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 31 October 2017.

By Order of the Board

Sethunya T. Molodi
COMPANY SECRETARY

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 16 OCTOBER 2017.

For use at the Annual General Meeting of Shareholders of the Company to be held at Avani Hotel, Gaborone at 13h00 on Thursday 2 November 2017.

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: ____________ 2017

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.

FORM OF PROXY [continued]

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 31 October 2017.

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.

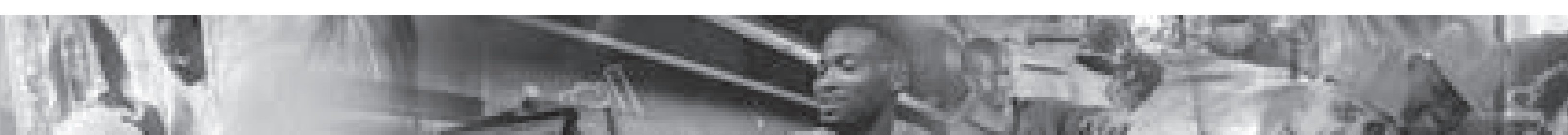
6. An instrument of proxy shall be valid for the General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.

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.



First National Bank of Botswana Limited

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Telephone: +267 370 6675 • Fascimile: +267 390 6679 • Website: www.fnbbotswana.co.bw

Registered Bank • Registration Number 1119 • S.W.I.F.T. • Firnbwgx

Share Transfer Secretaries • PriceWaterHouseCoopers • Plot 50371 • Fairgrounds Office Park • Gaborone