Audited summarised consolidated financial statements and dividend announcement

for the year ended 30 June 2024

First National Bank Botswana Limited. Registration Number BW00000790476
Member of the Deposit Insurance Scheme of Botswana

Audited summarised consolidated financial statements and dividend announcement

for the year ended 30 June 2024

The Directors take pleasure in presenting the audited summarised consolidated financial statements and dividend announcement of First National Bank of Botswana Limited and its subsidiaries (referred to as "FNBB" or "the bank") for the year ended 30 June 2024.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The bank's underlying audited consolidated financial statements from which the summarised consolidated financial statements have been extracted have been prepared in accordance with FRS® Accounting Standards, including IFRIC interpretations issued by the International Accounting Standards Board ("IFRS Accounting Standards"), and in compliance with the Banking Act (Cap 46:04) and the Companies Act of Botswana (Companies Act, 2003). The principal accounting policies and the methods of computation are consistent in all material aspects with those adopted in the previous year. The new or amended IFRS that became effective for the period under review had no impact on the bank's reported earnings, financial position, reserves, or accounting policies.

In the preparation of the consolidated financial statements, the bank has applied sound business principles with key assumptions concerning any inherent uncertainties in recording various assets and liabilities. These assumptions were applied consistently to the audited summarised consolidated financial statements for the financial year ended 30 June 2024 and have been thoroughly assessed by management to ensure the appropriateness thereof. The critical accounting estimates and areas of judgements are:

- Impairment of financial assets.
- Impairment of goodwill.
- Application and interpretation of tax regulations.
- Provisions, contingent liabilities, and contingent assets.

The Directors confirm that this information has been correctly extracted from the audited consolidated financial statements.

The Directors have reviewed and approved three-year forward-looking budgets. The Directors have further reviewed the bank's funding position and available sources of funding and conclude that these are adequate to support the bank's funding requirements. The Directors are confident that the bank's operations will continue to remain uninterrupted. Based on this review and considering the current financial position and profitable trading history, the directors are satisfied that the bank has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS – INDEPENDENT AUDITOR'S OPINION

Ernst & Young, First National Bank of Botswana Limited's independent auditor, has audited the consolidated financial statements of First National Bank of Botswana Limited from which the summarised consolidated financial statements have been derived, and have expressed an unmodified audit opinion on the consolidated financial statements. The summarised consolidated financial statements comprise the summarised consolidated statement of financial position at 30 June 2024, summarised consolidated income statement, summarised consolidated statement of other comprehensive income, summarised consolidated statement of changes in equity and summarised consolidated statement of cash flows for the year ended 30 June 2024, and related notes. The audited consolidated financial statements and audit report thereon are available for inspection at First National Bank of Botswana Limited's registered office. The audited consolidated financial statements do not necessarily report on all the information contained in this announcement. For a better understanding of the bank's financial position and the statements of its operations for the year and the scope of the audit engagement, these summarised consolidated financial statements should be read in conjunction with the audited consolidated financial statements from which the summarised consolidated financial statements were derived, and the audit report thereon. The audit of the consolidated financial statements was conducted in accordance with International Standards on Auditing.

FORWARD-LOOKING STATEMENTS

Any reference to future financial performance included in this announcement has not been audited or reported on by the bank's auditors.

Highlights

FINANCIAL RESULTS OVERVIEW

PROFIT BEFORE TAX

25% ↑ **P1.8bn**

(2023 P1.4bn)

COST TO INCOME

40bps ↑ **49.4%**

(2023 49.0%)

ROA

40bps ↑ **4.2%**

(2023 3.8%)

ROE

350bps ↑ **35.5%**

(2023 32%)

CREDIT LOSS RATIO

(70bps) ↓ **(0.2%)**

(2023 0.5%)

DIVIDEND PER SHARE

34% ↑ **43 thebe**

(2023 32 thebe)

CUSTOMER FOCUS

ADVANCES TO CUSTOMERS

13.5% ↑ **P18.5bn**

(2023 P16.3bn)

DEPOSITS FROM CUSTOMERS

28% ↑ **P30bn**

(2023 P23.3bn)

NPLs/ADVANCES

(100bps) ↓ **4.0%**

(2023 5%)

ECONOMIC UPDATE

GLOBAL ECONOMIC OVERVIEW

Divergent growth as risks abound

The Global economy displayed resilience over the past year, albeit with a somewhat divergent growth profile owing to escalating geopolitical risks and high interest rates in some major global markets. Economic activity in the US remained robust despite escalated interest rates. Although growth momentum in the Chinese economy surpassed expectations, recording a 5.3% quarter on quarter annualised expansion for the first quarter of 2024, headwinds are expected mainly as a result of debt sustainability risks and depressed activity in the real estate sector. An export-led rebound in the downstream industrial activity could support growth in China, but uncertainties remain following the enactment of steep US import tariff barriers targeted at China's exports, including electric vehicles. There are however visible mitigations that authorities are putting in place to allay concerns, such as the resolve to buy excess property stock as a measure to curtail the deterioration in property sector sentiment.

More broadly, differences in productivity growth and elevated borrowing costs that filtered into real economic activity across economies has led to varied growth trajectories between developing and emerging economies, with country-level differences in monetary policy significantly contributing to the various post-pandemic growth outcomes. The withdrawal of pandemic-era global fiscal support also exerted volatility on near-term growth dynamics across some emerging economies.

Going into 2025, economic slowdown could be mild should inflation remain in check, allowing central banks to take a less restrictive monetary policy stance for the remainder of 2024. This is more likely in the EU zone than it is for the US economy, where resurgence in inflationary pressures could mean policy rates remain elevated for longer.

The IMF projects global growth at 3.2% both in 2024 and 2025, slower than the 4.2% the Fund projects for emerging economies for the 2 years.

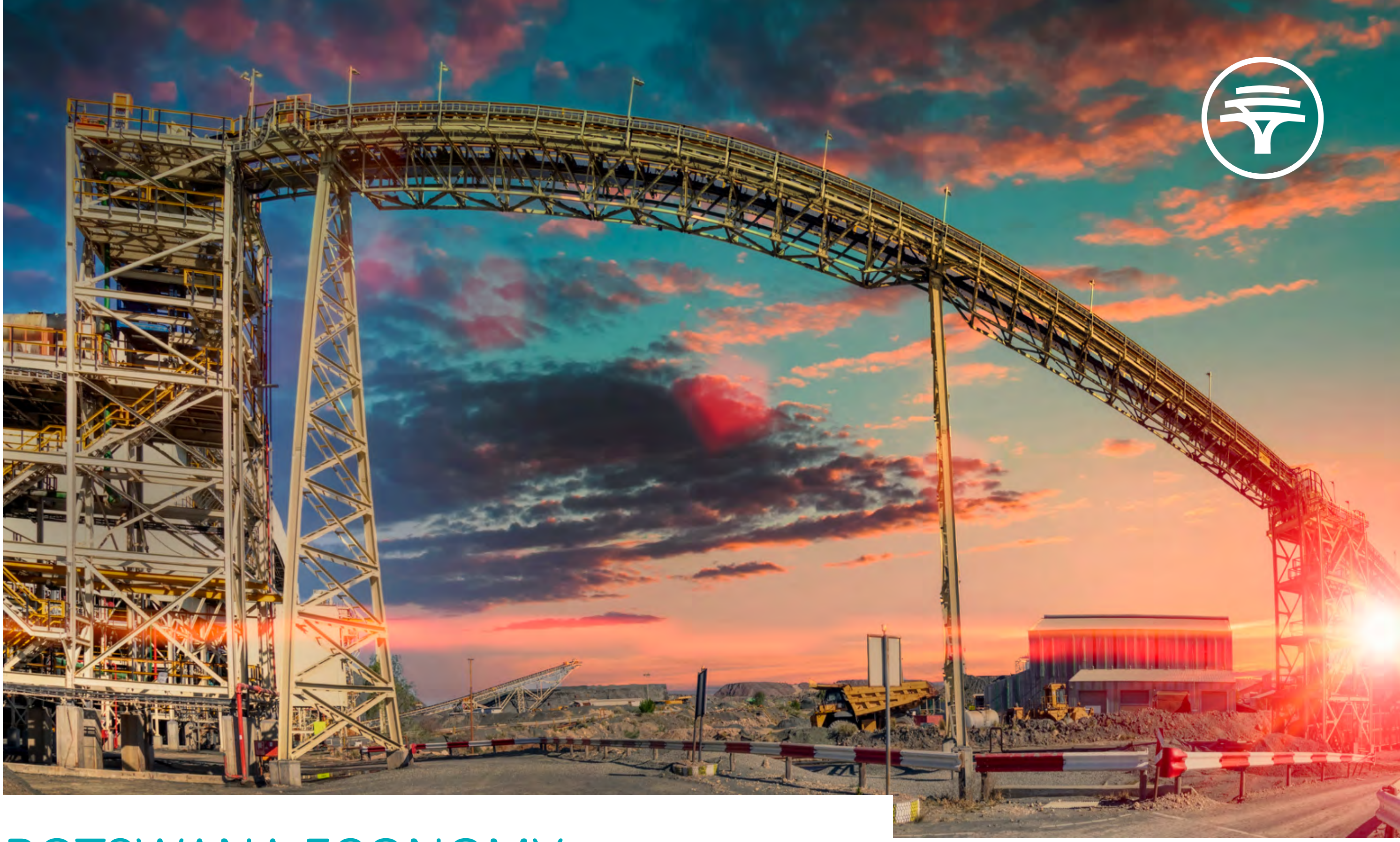
REGIONAL ECONOMY

Sub-Saharan Africa's growth to outpace Developed Markets' growth

The sub-Saharan Africa economy is relying on positive commodity price movements and global trade for growth prospects in 2024 amid concerns of possible supply disruptions, rising oil prices and instability in food prices, all as a result of geopolitical shocks. The El Niño phenomenon poses a real threat to agriculture, and its effects could trigger a resurgence in inflation, thus disturbing the anticipated growth trend, which the IMF projects at 3.8% in 2024 and 4.0% in 2025 – slightly lower than the Fund's projected growth for all emerging economies at 4.2%.

Public debt generally remains above pre-pandemic levels and cost of funding remains elevated across many markets, thus increasing debt vulnerabilities and constrained fiscal policy. Revenue generation remains key, yet difficult for many economies prompting subsidy reforms in economies like Angola, Egypt, Nigeria and Zambia, among others. However, broader socio-political considerations could lead to a slow down in fiscal consolidation efforts, keeping debt-to-GDP ratios elevated.

Inflationary pressures have largely been easing off across many sub-Saharan Africa economies, however, global food and energy price pressures and currency devaluations in some countries have a potential to reverse the trend. In 2024, Angola, Egypt, Ghana, Nigeria and Zambia are expected to experience double-digit inflation, with high inflation economies like Nigeria and Zambia likely to tighten monetary policy over the remainder of 2024.



BOTSWANA ECONOMY

Weak diamond sales, and the proliferation synthetics, present headwinds to growth

Botswana's gross domestic product (GDP) contracted by 5.3% year-on-year in the first quarter of 2024 (relative to 5.3% year-on-year growth in the first quarter of 2023). This significant contraction in activity was evident across both the mining and non-mining sectors of the economy. Output was severely reduced in the diamond trading, mining, quarrying, utilities, and manufacturing industries. Diamond trading, mining and manufacturing activity was subdued owing to weak diamond demand and low prices globally during the first half of 2024. Growth data for the period is thus expected to be reflective of these challenges, with a moderate improvement expected over the second half of the year.

The ongoing drought will present headwinds to policies aimed at improving agricultural output and processing capacity. Additionally, the proliferation of lab grown diamonds poses real risk to growth prospects, should demand for natural diamonds be significantly reduced as a result. This could potentially limit mineral taxes and royalties, stemming from reduced diamond sales and negatively affecting Botswana's developmental ambitions over the medium term. The stimulus budget announced for the financial year 2024/25 presents growth opportunities for the construction as well as SME sectors, among others but Botswana's growth will likely be below its 4% historical average this year owing to the challenges affecting the mining sector.

Inflation to average within range, with rates supportive of spending

The Bank of Botswana's (BoB) Monetary Policy Committee (MPC) cut the Monetary Policy Rate (MoPR) by 25bps in June 2024, against general market expectations for rates to remain unchanged. This followed inflation having reverted to the Central Bank's objective range, subsequently, the MPC cut MoPR further by 25bps in August 2024. Core inflation has steadily moderated since the start of the year, reaching 2.9% in June 2024 from 4.1% in January, supported by limited price growth from the supply side as major utility providers suspended rate increases this year. The Central Bank expects inflation to average 3% and 3.2% in 2024 and 2025 respectively, supporting a relatively stable policy interest rate environment.

Local price growth will continue to be driven by developments that affect the transport index – any upward pressure on global oil prices will drive up local fuel prices. The current drought, coupled with food import reforms, will likely keep local food prices elevated through to 2025. Despite risks to overall inflation being tilted to the upside due to some instability in the global geo-political environment, we expect demand-side pressures to be muted over the near term, which will likely support a relatively accommodative monetary policy stance.

BWP value exposed to US and SA dynamics

The Rand continues to be the dominant factor in influencing the Pula outlook and Pula movements will continue to be driven through effects from the political and economic events in the South African market. The Rand is anticipated to be on a strengthening trend against the US Dollar for the balance of 2024, leading to an appreciation of the Pula against the US Dollar. However, the Pula is expected to depreciate against the Rand during this period.

Core inflation reached 2.9% in June from 4.1% in January

FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL POSITION

The bank balance sheet grew 22% year-on-year, with a solid growth of P2.2 billion (14%) in advances led by a P1.1 billion (11%) growth in retail loans, Commercial and Corporate (RMB) loans were up 16% and 20% respectively. Within the Retail loan portfolio, personal loans continued to define growth trajectory, particularly after revamping the value proposition for certain key lending schemes in critical services within the public sector.

After a few years of lacklustre growth due to difficult economic conditions following Covid-19, the strategic review of the Commercial segment undertaken 18 months ago is now showing good traction with good growth in assets, while maintaining a good trend in deposit growth. The Commercial Asset Backed Finance (WesBank) portfolio grew 52%, thus driving the overall 16% growth in the segment's advances.

In overall, the WesBank book closed the year on an upward trajectory across both Retail and Commercial segments following a revamp of the offering.

RMB (Corporate segment) closed landmark deals within the bank's ESG framework, participating in a solar plant deal and fully financing a green building for a corporate client. The segment also continued its support to key SOEs (Energy and Agriculture) as well as some material enterprises within the Non-Banking Financial services sector.

Non-Performing Loans (NPLs) are down P86 million (10%) year-on-year, and the trend is across all sectors. There has also been an attendant 1% decline in the NPL/gross advances which closed at 4%. Both recovery and cures drove this performance.

The growth in Treasury deposits, comprising liabilities from financial institutions and certain key corporates grew P4.4 billion during the year and this was mainly driven by the localisation of pension funds previously held offshore, these constitute the bulk of the P6.6 billion (28%) growth in overall deposit base. Typically, these funds go through deposit accounts before deployment to target asset classes. Management continued pursuing a refreshed deposit mix strategy throughout the year, with current, savings and call accounts contributing to a greater part of the growth on core deposit base. Growth in other corporate term deposits was muted, while fixed deposits grew within the Retail and SMME portfolios. In overall, Commercial segment deposits grew P1 billion (11%) during the year, and the balance of the growth (P0.9 billion) is equally split between the Retail and Corporate portfolios.

The loan-to-deposit ratio declined 8 pct points to 63% as at year end, but largely expected to track back upwards towards the 70% range as temporary pension funds get repatriated to targeted assets.

> **Non-Performing Loans (NPLs)** are down P86 million (10%) year-on-year, and the trend is across all sectors

NON PERFORMING LOANS

10% ↓ **P777mn**

(2023 P863mn)

NET INTEREST INCOME

24% ↑ **1.8bn**

(2023 1.5bn)

INCOME STATEMENT

Total bank income grew 21% in 2024, driven mainly by pre-impairment interest income uplift of P444 million (23%). Despite two MoPR cuts during the year, culminating to 50 bps, interest on advances grew 14% on account of a higher momentum year-on-year. Interest Expense grew at a slower pace of 18%, as a direct result of managing the deposit mix, coupled with a number of yield management initiatives rolled out during the year. There was an overall credit impairment release of P48 million in 2024 compared to an overall charge of P94 million in the prior year. The net release position resulted from improved underlying credit performance, improved collections as well as unwinding some risk provisions held from the previous year.

Interest from Treasury placements grew P237 million (56%), benefiting from both volumes and rates, particularly from within the US Dollar environment where yields remained favourable.

Overall Net Interest Income grew 24% year-on-year.

Non-Interest Revenue registered a 7% growth as key income drivers were up year-on-year, mainly service fees (6% up), card commissions (21% up), forex (7%) and custody (13%), among others. A few lines however partially offset this growth, including a significant growth in commission paid to CashPlus agents as a result of volumes and number of agents. Further, there are certain penalty fees that the bank has since ceased to charge, rewards (awarded to retail customers based on certain transactional patterns) were also up year-on-year, and there were day 1 bond revaluation losses that resulted from a bond switch initiative that the bank participated in. The bond switch losses do, however, fully unwind during the tenor of the bonds in question.

Overall, the Bank expenses went up 16% in 2024, with staff costs (14%), IT costs (32%), Support and IT Development costs (27%). The growth in staff costs was influenced by annual employee emoluments review as well as a number of Employee Value Proposition enhancements rolled out during the year. Operational efficiencies and client experience improvements remain key focus areas, and the growth in IT support and development costs is reflective of this.

Cost To Income ratio closed the year at 49.4%.

Profit Before Tax for the year is at P1. 781 billion, which is 25% higher than prior year.

LOOKING AHEAD

The Botswana economy is believed to be currently operating below potential, but uncertainties within the diamond market will likely limit prospects of ramping up to full potential in the near term. Inflation is expected to remain within policy range, subject to food supply shocks owing to draught conditions and any likely disruptions to supply chains. GDP growth, on the other hand could remain below earlier estimates.

The policy rate environment is expected to remain stable, keeping MoPR at current levels for the balance of 2024, into 2025.

The bank will continue placing client experience as a high priority, with significant investments planned for the year ahead. This will be a continuation of a number of product and channel enhancements rolled out during the current year, which include the introduction of eWallet Pro following the discontinuation of cheques, as well as branch optimisation in Maun.

The operational efficiencies journey embarked on a few years ago is expected to deliver material benefits on how the bank operates, specifically how employees work and interact with each other as well as with customers. Resources will be deployed into embedding a number of platform projects that have been initiated and are now running successfully. By extension, innovation will remain a key area, with a number of initiatives expected in the leveraging of AI and Data science in enhancing employee and customer experience, as well as realising certain business opportunities. Inadvertently, future proofing the bank operations from cybersecurity threats will remain inherent in all what the bank does in its journey to continuously modernise operations.

The bank enhanced its Employee Value Proposition during the year, with a number of policies being revamped to support this initiative. Further enhancements will be made during the new financial year. There will be a sustained focus on creating an environment supportive of a high performance culture, employee welfare and wellbeing, employee development and retention to position the bank as an employer of choice.

Sustainability has become part of the bank's operations, and while in the recent past we have focused on curating policies to guide the sustainability journey, the year ahead will see accelerated implementation of these policies. The businesses have set ambitious targets within the entire ESG spectrum, which includes green financing and Diversity, Equity, Belonging and Inclusion (DEBI).

The Capital and Liquidity positions of the bank ended the 2024 financial year at levels in line with thresholds set by the Board, and optimally ahead of regulatory prescripts. The bank is well positioned for uninterrupted and sustainable growth into the future.

EVENTS AFTER REPORTING DATE

There were no conditions after the reporting period that require disclosure or adjustment to the financial statements. The impact of events that occur after the reporting period will be accounted for in future reporting periods

CORPORATE GOVERNANCE

The Board and management are responsible for ensuring that FNBB's operations are conducted in accordance with all applicable laws and regulations, including the responsibility for ensuring the following:

1. Adequate and effective management of corporate governance and risk in accordance with current best practice;
2. Maintenance of appropriate internal controls, including the reporting of material malfunctions;
3. The bank's continued ability to operate as a going concern; and
4. The bank's consideration of the environmental and social impact of conducting business.

The Board is comprised of a majority of independent, non-executive Directors and meets regularly, reviews executive management's performance, and retains effective control over the bank. The Board is assisted by sub-committees, which are responsible for various aspects of governance.

- Audit
- Credit Risk
- Directors Affairs and Governance
- Human Capital and Remuneration
- Risk and Capital Management
- Compliance and Conduct

SHARED PROSPERITY

FNB Botswana's purpose is to build a shared future of prosperity, and this entails doing business in a manner that benefits the bank and the communities it serves. More specifically, the bank intentionally uses its core business activities – including allocating capital to the economy – to add value to society, profitably and at scale. We call this 'shared Prosperity'.

Achieving shared value requires alignment with environmental, social and governance (ESG) principles. And in this regard, a suite of ESG policies were adopted to guide the execution of shared value strategies. Progress was made during the year, with over P610 million worth of green loans approved during the year in line with our resolve to meaningfully participate in sustainable finance.

There was also a significant growth with the CashPlus service offering, which remains the bank's flagship channel in pursuit of financial inclusion. The number of CashPlus agents grew to 1,481 (from 1,099 in the prior year), facilitating a substantial increase of the bank's presence in areas designated as 'remote'. CashPlus volumes grew 43% during the year.

The bank holds the support for small, micro and medium enterprises (SMMEs) high on its agenda, and this includes credit extension, with SMME exposures continuing to grow year-on-year. An SMME focused incubation programme, dubbed the "FirstPreneur" had its inception during the year. The programme is implemented in partnership with the Neo Hub and targets small enterprises at infancy stages, mainly those owned by women and youth. For its first cohort, the programme admitted 150 participants, of which 60% are women-owned businesses. The participants will undergo mentoring, supported by the bank with some tailor made banking solutions.

A final dividend of 27 thebe per share has been declared for the year ended 30 June 2024

CAPITAL AND LIQUIDITY MANAGEMENT

FNBB maintains sound capital ratios to maintain confidence in the solvency and the quality of its capital during both calm and turbulent periods in the economy and in financial markets. The bank aims to maintain capital ratios in line with its risk appetite, thereby appropriately safeguarding its operations and stakeholder interests.

Furthermore, FNBB's capital management strategy is to ensure an optimal level and composition of capital, effective allocation of financial resources including capital and risk capacity, with a view of achieving a sound return on equity and a sustainable dividend distribution to shareholders. The capital planning process is conducted on a forward-looking basis and considers, inter alia, the organic growth requirements and a safety margin for unexpected fluctuations in business plans and earnings volatility. Through this approach, compliance with both internal and regulatory capital adequacy requirements can be achieved, shareholders' returns can be safeguarded, and the bank can ensure that it remains a sound going concern even under severe stress conditions.

The capital focus has been directed to the composition of the capital structure and efficiency of the risk-weighted assets. The Directors' review and approve macroeconomic scenarios quarterly in a year due to the rapidly changing world economic environment for regulatory and business purposes. Additionally, the Directors' review the Capital Management Framework annually, and this together with the approval of the economic scenarios forms the basis of the Internal Capital Adequacy Assessment Process (ICAAP) which provides a sound basis for managing our capital in a constantly dynamic world. For the financial year ended 30 June 2024, FNBB continued to operate above both the internal and regulatory minimum capital adequacy ratios.

DECLARATION OF DIVIDEND

Notice is hereby given that a final dividend of 27 thebe per share has been declared for the year ended 30 June 2024. The dividend will be paid on or about 11 October 2024 to shareholders registered at the close of business on 3 October 2024. The ex-dividend date is 27 September 2024. In terms of the Income Tax Act (Cap 52.01) as amended, withholding tax at the rate of 10% will be deducted by the bank from gross dividends. If a change of address or dividend instructions is to apply to this dividend, notification should reach the Transfer Secretaries by 4th October 2024.

For and on behalf of the Board.

B M Bonyongo
Chairperson

S L Bogatsu
Chief Executive Officer

Gaborone, 22 August 2024

TRANSFER SECRETARIES
Central Securities Depository
Company of Botswana,
Plot 70667, 4th Floor,
Fairscape Precinct, Fairgrounds
Private Bag 00417, Gaborone

SUMMARISED CONSOLIDATED INCOME STATEMENT (P'000)	Year ended 30 June 2024 Audited	Year ended 30 June 2023 Audited	% Change
Interest income using effective interest rate and similar income	2,394,530	1,950,758	23
Interest expenses and similar charges	(554,645)	(469,175)	18
Net interest income before impairment of advances	**1,839,885**	**1,481,583**	**24**
Impairment of advances	48,032	(93,557)	(151)
Net interest income after impairment of advances	**1,887,917**	**1,388,026**	**36**
Non-interest income and expense	1,583,945	1,486,904	7
Income from operations before operating expenditure	**3,471,862**	**2,874,930**	**21**
Operating expenses	(838,397)	(710,067)	18
Employee benefits expenses	(824,025)	(725,879)	14
Income before indirect taxation	**1,809,440**	**1,438,984**	**26**
Indirect tax	(28,756)	(19,108)	50
Profit before direct taxation	**1,780,684**	**1,419,876**	**25**
Direct taxation	(394,153)	(304,104)	30
Profit for the year attributable to owners of the company	**1,386,531**	**1,115,772**	**24**
Total comprehensive income for the year	**1,386,531**	**1,115,772**	**24**
Average number of shares in issue during the period (thousands)	2,543,700	2,543,700	-
Earnings per share (thebe) (based on weighted average number of shares outstanding)	54.51	43.86	24

RATIOS AND MARKET INFORMATION	Year ended 30 June 2024 Audited	Year ended 30 June 2023 Audited	% Change
Dividend per share (thebe)	43	32	34
Dividend cover (times)	1.3	1.4	(7)
Cost to income ratio (percent)*	49.4	49.0	1
Return on equity (percent)	35.5	32.0	11
Return on average assets (percent)	4.2	3.8	11
Capital adequacy ratio (percent)	18.8	18.1	5
Closing share price (thebe)	490	367	34
Price earnings ratio (percent)	9.0	8.4	7
Earnings per share (thebe)	54.51	43.86	24
Number of ordinary shares issued	2,543,700	2,543,700	-

*Cost to income ratio is based on total non-interest expenditure including indirect taxation (Value Added Tax) and excludes impairments of advances

FINANCIAL PERFORMANCE continued

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (P'000)	Year ended 30 June 2024 Audited	Year ended 30 June 2023 Audited	% Change
Assets			
Cash and short-term funds	5,391,077	6,715,040	(20)
Derivative financial instruments	17,368	36,897	(53)
Investment securities	11,603,074	5,972,948	94
Advances to customers	18,494,002	16,274,676	14
Current taxation	4,999	88,368	(94)
Due from related parties	9,938	6,804	46
Other assets	447,825	369,882	21
Property and equipment	616,301	566,148	9
Goodwill	26,963	26,963	-
Deferred Taxation	8,252	-	100
Total assets	**36,619,799**	**30,057,726**	**22**
Equity and Liabilities			
Liabilities			
Derivative financial instruments	10,623	25,623	(59)
Accrued interest payable	20,729	40,922	(49)
Due to related parties	38,887	72,460	(46)
Other liabilities	668,295	781,428	(14)
Deposit from banks	501,449	849,454	(41)
Deposit from customers	30,021,044	23,333,051	29
Employee benefits liabilities	131,205	116,915	12
Borrowings	1,029,156	1,100,887	(7)
Deferred taxation	777	10,151	(92)
Total liabilities	**32,422,165**	**26,330,981**	**23**
Capital and reserves attributable to ordinary equity holders			
Stated capital	51,088	51,088	-
Reserves	3,459,747	3,167,007	9
Dividend reserve	686,799	508,740	35
Total equity	**4,197,634**	**3,726,835**	**13**
Total Equity and Liabilities	**36,619,799**	**30,057,726**	**22**
Undrawn commitments to customers	2,611,048	2,729,340	(4)
Guarantees and letters of credit	846,548	743,191	14

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (P'000) AUDITED	Stated capital	Dividend reserve	Retained earnings	Total
Balance at 01 July 2022	**51,088**	**406,992**	**2,865,219**	**3,323,299**
Profit for the year	-	-	1,115,772	1,115,772
2022 Final Dividends paid	-	(406,992)	-	(406,992)
2023 Interim Dividends paid	-	-	(305,244)	(305,244)
2023 Final Dividends proposed	-	508,740	(508,740)	-
Total contributions by and distributions to owners of company recognized directly in equity	**-**	**101,748**	**(813,984)**	**(712,236)**
Balance at 30 June 2023	**51,088**	**508,740**	**3,167,007**	**3,726,835**
Profit for the year	-	-	1,386,531	1,386,531
2023 Final Dividends paid	-	(508,740)	-	(508,740)
2024 Interim Dividends paid	-	-	(406,992)	(406,992)
2024 Final Dividends proposed	-	686,799	(686,799)	-
Total contributions by and distributions to owners of company recognized directly in equity	**-**	**178,059**	**(1,093,791)**	**(915,732)**
Balance at 30 June 2024	**51,088**	**686,799**	**3,459,747**	**4,197,634**

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS (P'000)	Year ended 30June 2024 Audited	Year ended 30June 2023 Audited	% Change
Cash flows from operating activities			
Cash used in operations before taxation and working capital changes	(15,486)	(110,495)	(86)
Interest and similar income received	2,364,657	1,949,109	21
Interest and expenses paid	(481,287)	(445,412)	8
Taxation paid	(328,093)	(306,358)	7
	1,539,791	**1,086,844**	**42**
Movement in amounts due to other banks	(348,005)	(39,408)	783
Movement in deposits and current accounts	6,621,447	1,985,439	234
Movement in amounts due to related companies	(33,573)	47,685	(170)
Movement in accrued interest payable	(1,139)	208	(648)
Movement in other liabilities	(157,881)	196,555	(180)
Movement in employee benefits liabilities	14,290	18,688	(24)
Movement in investments - fair value through profit or loss	(54,288)	14,539	(473)
Movement in investments – carried at amortised cost	(2,775,726)	(33,764)	8121
Movement in advances to customers	(2,141,421)	(1,285,121)	67
Movement in other assets	(77,943)	(41,176)	89
Movement in amounts due from related companies	(3,453)	(241)	1333
Net cash flows from operating activities	**2,582,099**	**1,950,248**	**32**
Cash flows used in investing activities			
Acquisition of property and equipment	**(85,379)**	**(85,870)**	**(1)**
Cash flows used in financing activities			
Repayment of borrowings	(50,000)	(236,746)	(79)
Interest paid on borrowings	(34,571)	-	(100)
Lease liability interest	(8,679)	(4,788)	81
Lease liability payments	(28,510)	(25,582)	11
Dividends paid	(915,732)	(712,236)	29
Net cash used in financing activities	**(1,037,492)**	**(979,352)**	**6**
Cash movement for the year	**1,459,228**	**885,026**	**(65)**
Cash and cash equivalents at the beginning of the year	8,213,753	7,097,680	16
Effect of exchange rate movement on cash balances	16,921	231,047	(93)
Total cash and cash equivalents at end of the year	**9,689,902**	**8,213,753**	**18**
Cash and short-term funds	5,391,077	6,715,040	(20)
Investment in Bank of Botswana Certificates	4,298,825	1,498,713	187

SEGMENTAL REPORTING

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 their performance. All operating segments used by the bank meet the definition of a reportable segment.

The bank has four primary business segments:

1. **FNB Retail segment** comprising advances and deposits and the revenue flowing from individual customers;
2. **FNB Commercial segment** comprising advances and deposits and the revenue flowing from commercial and SME customers;
3. **RMB Corporate segment** comprising advances and deposits and the revenue flowing from corporate customers;
4. **Treasury** manages the Group's liquidity and funding.

To determine the performance, profitability and efficiency of the segments, the Bank presents interest income after the cost of funding and interest expenditure after the benefit of funding.

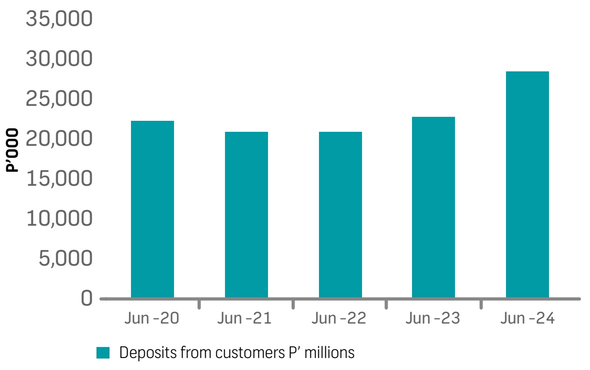
SUMMARISED SEGMENTAL REPORTING	Retail	Commercial	Corporate	Treasury	Total
30 JUNE 2024 (P'000)- (AUDITED)					
SUMMARISED CONSOLIDATED INCOME STATEMENT					
Interest and similar income	601,437	134,608	105,144	1,553,341	2,394,530
Non- interest income	689,365	582,674	332,556	(20,650)	1,583,945
Total segment revenue	**1,290,802**	**717,282**	**437,700**	**1,532,691**	**3,978,475**
Interest expense and similar expenses	194,996	285,173	176,861	(1,211,675)	(554,645)
Segment operating income before impairments	**1,485,798**	**1,002,455**	**614,561**	**321,016**	**3,423,830**
Impairment of advances	10,360	33,487	4,185	-	48,032
Net interest income after impairment of advances	**1,496,158**	**1,035,942**	**618,746**	**321,016**	**3,471,862**
Depreciation	(84,774)	(614)	(555)	(177)	(86,120)
Total expenditure	(681,347)	(623,498)	(271,559)	102	(1,576,302)
Profit before indirect taxation	**730,037**	**411,830**	**346,632**	**320,941**	**1,809,440**
Indirect taxation	(25,127)	(1,312)	(1,247)	(1,070)	(28,756)
Profit before direct taxation	**704,910**	**410,518**	**345,385**	**319,871**	**1,780,684**
Direct taxation					(394,153)
Profit for the year					**1,386,531**
SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Gross advances to customers	**11,779,996**	**3,564,041**	**4,062,050**	**-**	**19,406,089**
Impairments	(486,558)	(348,105)	(77,424)	-	(912,087)
Net advances to customers	**11,293,438**	**3,215,936**	**3,984,626**	**-**	**18,494,002**
Deposits from customers	**6,692,671**	**10,379,557**	**7,411,677**	**5,537,139**	**30,021,044**

SUMMARISED SEGMENTAL REPORTING	Retail	Commercial	Corporate	Treasury	Total
30 JUNE 2023 (P'000)– (AUDITED)					
SUMMARISED CONSOLIDATED INCOME STATEMENT					
Interest and similar income	594,658	128,522	87,004	1,140,574	1,950,758
Non- interest income	644,322	515,544	327,580	(542)	1,486,904
Total segment revenue	1,238,980	644,066	414,584	1,140,032	3,437,662
Interest expense and similar expenses	168,994	232,513	128,157	(998,839)	(469,175)
Segment operating income before impairments	**1,407,974**	**876,579**	**542,741**	**141,193**	**2,968,487**
Impairment of advances	(73,642)	28,061	(47,976)	-	(93,557)
Net interest income after impairment of advances	**1,334,332**	**904,640**	**494,765**	**141,193**	**2,874,930**
Depreciation	(80,208)	(744)	(470)	(67)	(81,489)
Total expenditure	(576,369)	(551,094)	(225,183)	(1,811)	(1,354,457)
Profit before indirect taxation	**677,755**	**352,802**	**269,112**	**139,315**	**1,438,984**
Indirect taxation	(16,642)	(70)	(1,718)	(678)	(19,108)
Profit before direct taxation	**661,113**	**352,732**	**267,394**	**138,637**	**1,419,876**
Direct taxation					(304,104)
Profit for the year					**1,115,772**

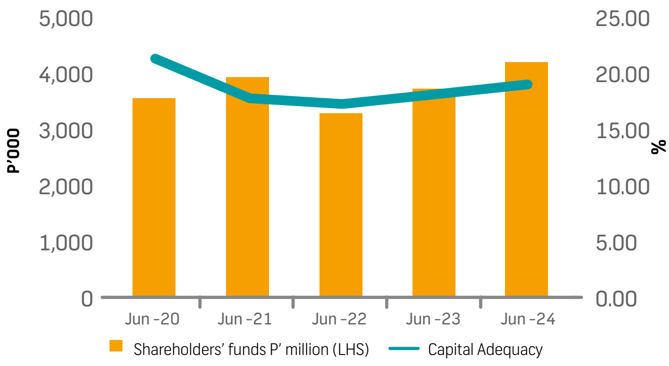
SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Retail	Commercial	Corporate	Treasury	Total
Gross Advances to customers	**10,757,448**	**3,156,990**	**3,391,0945**	**-**	**17,305,532**
Impairments	(572,874)	(376,718)	(81,264)	-	(1,030,856)
Net advances to customers	**10,184,574**	**2,780,272**	**3,309,8301**	**-**	**16,274,676**
Deposits from customers	**6,252,968**	**9,268,574**	**6,990,175**	**821,334**	**23,333,051**

FINANCIAL GRAPHS

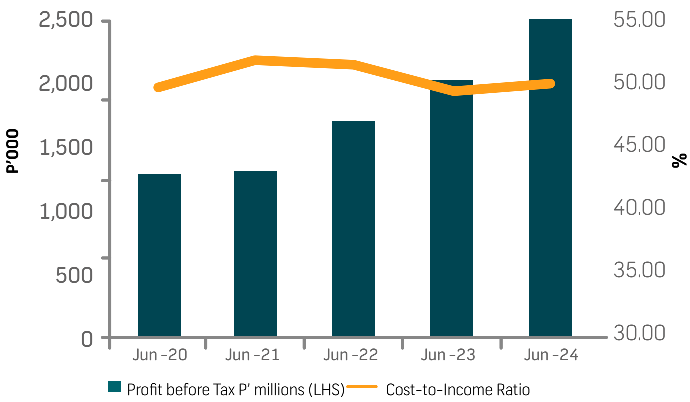
Deposits



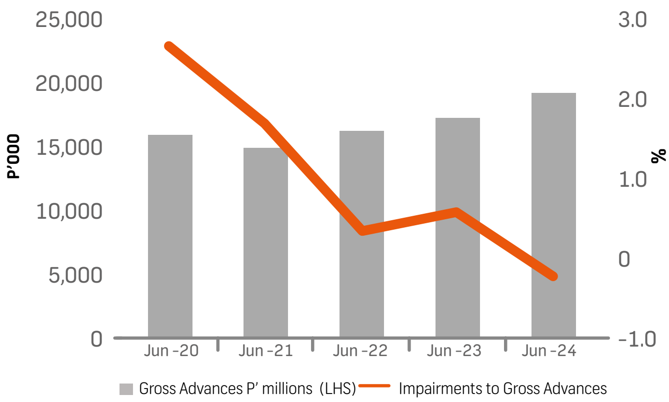
Shareholders' Funds vs Capital Adequacy



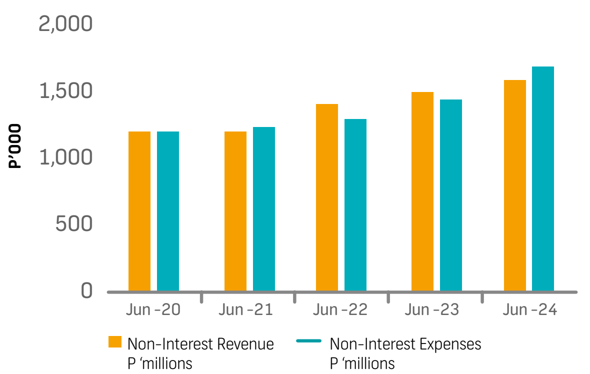
Profit before Tax vs Cost-to-Income Ratio



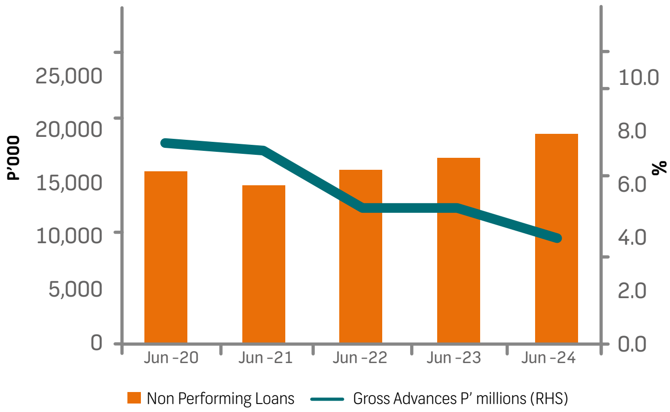
Gross Advances vs Impairments to Gross Advances



Non-Interest Revenue vs Non-Interest Expenses



Gross Advances vs NPLs



ACCOUNTING POLICIES

The accounting policies and other methods of computation applied in the preparation of the consolidated financial statements, from which the summarised consolidated financial statements were derived, are in terms of IFRS Accounting Standards and are consistent with those accounting policies applied in the preparation of the previous summarised consolidated financial statements.

The consolidated financial statements, from which this summary consolidated financial statements are extracted, are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS Accounting Standards.

International tax reform - Pillar two model rules - amendments to IAS 12, Initial application of IFRS 17 and IFRS 9 - Comparative information, Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12, Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2, Definition of accounting estimates: Amendments to IAS 8, Classification of Liabilities as Current or Non-Current - Amendment to IAS 1 and IFRS 17 Insurance Contracts become effective in the current year. None of these amendments to IFRS Accounting Standards impacted the bank's reported earnings, financial position or reserves, or the accounting policies.

ADVANCES

ANALYSIS OF ADVANCES PER CLASS - 2024 (P'000)-(AUDITED)	Amortised cost	Loss allowance	Total
Term loans	9,622,590	(308,798)	9,313,792
Instalment sales	2,064,940	(114,600)	1,950,340
Property loans	6,104,932	(241,614)	5,863,318
Overdraft and managed account	1,294,163	(206,616)	1,087,547
Other	319,464	(40,459)	279,005
Total	**19,406,089**	**(912,087)**	**18,494,002**

ANALYSIS OF ADVANCES PER CLASS - 2023 (P'000)-(AUDITED)	Amortised cost	Loss allowance	Total
Term loans	7,812,186	(317,132)	7,495,054
Instalment sales	1,722,924	(110,032)	1,612,892
Property loans	6,177,956	(352,776)	5,825,180
Overdraft and managed account	1,297,551	(226,146)	1,071,405
Other	294,915	(24,770)	270,145
Total	**17,305,532**	**(1,030,856)**	**16,274,676**

IMPAIRMENT OF ADVANCES

ANALYSIS OF GROSS ADVANCES AND LOSS ALLOWANCE – 2024 (P'000)-(AUDITED)	Gross advances				Loss allowance			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Amortised cost								
Amount as at 01 July 2023	**14,146,741**	**2,295,739**	**863,052**	**17,305,532**	**255,112**	**223,716**	**552,028**	**1,030,856**
Stage 2 to stage 1	1,466,916	(1,466,916)	-	-	90,820	(90,820)	-	-
Stage 3 to stage 1	48,725	-	(48,725)	-	9,268	-	(9,268)	-
Stage 3 to stage 2	-	20,130	(20,130)	-	-	8,476	(8,476)	-
Stage 1 to stage 2	(1,709,504)	1,709,504	-	-	(14,327)	14,327	-	-
Stage 2 to stage 3	(131,212)	-	131,212	-	(1,700)	-	1,700	-
Stage 1 to stage 3	-	(115,681)	115,681	-	-	(20,286)	20,286	-
Opening balance after transfers	**13,821,666**	**2,442,776**	**1,041,090**	**17,305,532**	**339,173**	**135,413**	**556,270**	**1,030,856**
Net movement current year	**2,627,873**	**(263,099)**	**(101,859)**	**2,262,915**	**(191,878)**	**92,867**	**116,333**	**17,322**
Attributable to change in measurement period	-	(53,230)	-	(53,230)	-	10,695	-	10,695
Attributable to change in risk parameters	-	-	-	-	(241,331)	53,639	92,213	(95,479)
Change due to new business net of attrition	2,627,873	(209,869)	(101,859)	2,316,145	49,453	28,533	24,120	102,106
Bad debts written off	-	-	(162,358)	(162,358)	-	-	(162,358)	(162,358)
Net interest released	-	-	-	-	-	-	26,267	26,267
Amount as at 30 June 2024	**16,449,539**	**2,179,677**	**776,873**	**19,406,089**	**147,295**	**228,280**	**536,512**	**912,087**

ANALYSIS OF GROSS ADVANCES AND LOSS ALLOWANCE - 2023 (P'000)-(AUDITED)	Gross advances Stage 1	Stage 2	Stage 3	Total	Loss allowance Stage 1	Stage 2	Stage 3	Total
Amortised cost								
Amount as at 01 July 2022	**13,647,419**	**1,646,389**	**802,278**	**16,096,086**	**167,636**	**237,906**	**609,081**	**1,014,623**
Stage 2 to stage 1	468,531	(468,531)	-	-	14,767	(14,767)	-	-
Stage 3 to stage 1	13,949	-	(13,949)	-	4,244	-	(4,244)	-
Stage 2 to stage 3	-	2,284	(2,284)	-	-	2,111	(2,111)	-
Stage 2 to stage 1	(1,310,009)	1,310,009	-	-	(25,026)	25,026	-	-
Stage 3 to stage 1	(71,865)	-	71,865	-	(706)	-	706	-
Stage 3 to stage 2	-	(63,535)	63,535	-	-	(9,728)	9,728	-
Opening balance after transfers	**12,748,025**	**2,426,616**	**921,445**	**16,096,086**	**160,915**	**240,548**	**613,160**	**1,014,623**
Net movement current year	**1,398,716**	**(130,877)**	**120,199**	**1,388,038**	**94,197**	**(16,832)**	**76,258**	**153,623**
Attributable to change in measurement period	-	(69,002)	-	(69,002)	-	26,043	-	26,043
Attributable to change in risk parameters	-	-	-	-	54,057	(80,671)	17,489	(9,125)
Change due to new business net of attrition	1,398,716	(61,875)	120,199	1,457,040	40,140	37,796	58,769	136,705
Bad debts written off	-	-	(178,592)	(178,592)	-	-	(178,592)	(178,592)
Net interest suspended/ released	-	-	-	-	-	-	41,202	41,202
Amount as at 30 June 2023	**14,146,741**	**2,295,739**	**863,052**	**17,305,532**	**255,112**	**223,716**	**552,028**	**1,030,856**

The Bank reports exposures based on the impairment stage at the end of the reporting period. The Bank transfers opening balances (back book), at the value as at 1 July of each year, based on the impairment stage at the end of the reporting period. Any movements in provisions are included in the impairment stage as at the end of the reporting period. Exposures in the back book, can move directly from stage 3 to stage 1, if the curing requirements have been met in a reporting period. All new advances are included in the change in exposure due to new business in the current year based on the exposures' impairment stage at the end of the reporting period. Similarly, exposures in the new business lines can be reported in stage 3 at the end of the reporting date. Changes in exposure reflects the net amount of:

- Additional amounts advanced on the back book and any settlements. Transfers on the back book are reflected separately.
- New business originated during the financial year, the transfers between stages of the new origination and any settlements

IMPAIRMENT OF ADVANCES

Significant estimates, judgements and assumptions related to the impairment of advances.

Impairment of financial assets: Staging of Financial Assets and Significant Increase in Credit Risk (SICR)

In accordance with IFRS 9, all exposures are assessed to determine whether there has been a significant increase in credit risk (SICR) at each reporting date. The assessment is performed monthly.

SICR assessments are client behavioural based determined by applying client behavioural risk scores as well as judgemental factors. Factors may include behavior on other products, industry specific stresses and anticipated changes in legislation, and other relevant factors. Judgmental factors may result in the client being added to the watch list through the bank's ongoing risk management process.

SICR triggers are portfolio specific and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk with reference to historic default rates within that portfolio. The bank uses a relative movement in Probability Defaults (PD) between reporting date and origination date to determine if there was a significant increase in credit risk. Corporate, Commercial and Small to Medium Sized Enterprise portfolio (SME) assessments include deal and client specific factors and are calibrated over time to determine what level of deterioration, which is reflective of a significant increase in credit risk.

Approach to Incorporate Forward-Looking Indicators (FLI)

Forward-looking macro-economic indicators (FLI) have been incorporated into expected loss estimates through the application of quantitative modelling and expert judgement-based adjustments applied to PDs. The techniques applied estimate the impact of forecasted FLIs on ECL using regression techniques.

The macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for various scenarios. These scenarios are overseen by a governance forum, which is responsible for oversight and is independent from credit and modelling functions.

To arrive at the macroeconomic forecasts, a bottom-up and top-down process is followed. The process is conducted by a team of professional economists. These economists assess micro and macroeconomic developments to formulate (bottom-up) and adjust (top-down) the macroeconomic forecasts. Probabilities are assigned to each scenario with supporting rationale. The creation of macroeconomic scenarios and the determination of associated probabilities are subjective, with final ECL results dependent on the assumptions applied during the process.

Economic Scenarios Applied in June 2024 ECL computation.

The FLI component of ECL is a dual factor including GDP and monetary policy rate.

The economic scenarios applied are described as follows:

Upside: The government successfully rolls out the last year of the transitional NDP, leading to a significant uptick in activity across sectors such as agriculture, manufacturing and construction, which have traditionally had low contribution to Botswana's economy. Global commodity prices rise significantly which boosts diamond and copper production and exports. Public sector stakeholders progressively implement the NDP 12 framework which unlocks private investments in key sectors. The government successfully restructures several state-owned enterprises, eliminating the duplication of mandates, this relieves pressure on Botswana's fiscus while simultaneously leading to a notable productivity boost. Improved power and water supply facilitate greater economic activity and productive efficiency. A successful roll-out of the government's digitisation drive improves domestic operating conditions.

Baseline: Electricity generation and water reticulation projects support economic activity. A rebound in global activity should support diamond and copper sales through improved demand increased copper production capacity supports growth. Fast tracked implementation of outstanding NDP projects unlocks private investment in key sectors such as agriculture, manufacturing, and construction. Progress in structural reforms focusing on rationalism of state-owned enterprises relieves pressure on Botswana's fiscus while simultaneously leading to a boost in productivity. Improvement in fiscal balances over the forecast period are growth supportive. Roll-out of the state's digitisation drive improves efficiency in government service delivery Drought conditions constrain productivity growth in agricultural processing.

Downside: An increase in red tape precipitates a deterioration in capital investments and employment levels. Diamond production slumps due to escalating input costs, persistently weak global demand and delays in the implementation of the Cut 3 and Cut 9 projects at Jwaneng. Government finances come under pressure as SACU revenues fall. Credit agencies downgrade Botswana due to reduced government revenues as well as budget deficit increases. The government fails to privatise/restructure loss making state-owned entities, causing further drag on the fiscus. Increased political noise around a more interventionist government, related to Economic inclusion Bill, weakens investor sentiments. The ZAR depreciates sharply against the USD in response to sustained levels of global investor risk aversion. BWP/ZAR increases sharply as a result. Rise in social and political tension due to food and/or water insecurity rising as a result of a prolonged drought.

GDP			
FLIs: Applied in ECL Models			
Scenario - 2024	**Upside**	**Baseline**	**Downside**
2025	8.25	4.20	0.25
2026	8.50	4.00	1.00
2027	8.00	3.80	1.50
Weighting	**15%**	**66%**	**19%**

Monetary Policy			
FLIs: Applied in ECL Models			
Scenario - 2024	**Upside**	**Baseline**	**Downside**
2025	2.10	2.40	3.70
2026	2.10	2.40	3.70
2027	2.10	2.40	3.70
Weighting	**15%**	**66%**	**19%**

GDP			
FLIs: Applied in ECL Models			
Scenario - 2023	**Upside**	**Baseline**	**Downside**
2023	7.50	4.50	1.00
2024	7.90	4.40	1.20
2025	8.00	4.30	1.20
Weighting	**14%**	**65%**	**21%**

Monetary Policy			
FLIs: Applied in ECL Models			
Scenario - 2023	**Upside**	**Baseline**	**Downside**
2023	3.10	4.20	8.40
2024	3.10	4.20	8.40
2025	3.10	4.20	8.40
Weighting	**14%**	**65%**	**21%**

IMPAIRMENT OF ADVANCES

Fair Value Financial Instruments

Fair value hierarchy and measurements
The bank 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 bank 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 market 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 bank 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 must be benchmarked, extrapolated, or otherwise calculated from a market input. When applying mark-to-model, an extra degree of conservatism is applied. The bank considers 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 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. FNBB considers factors such as counterparty and own credit risk when making appropriate valuation adjustments.

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 bank 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 and industry standard	The Black Scholes model is used. The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves, and for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and by applying extrapolation techniques.	Strike price of the option; market related discount rate; spot or forward rate, the volatility of the underlying dividends and share prices.	Not applicable
Swaps	Level 2	Discounted cash flows and industry standard models.	The future cashflows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The set date of each swaplet is determined in terms of legal documents pertaining to the swap. The industry standard models calculate fair value based on input parameters such as share price, dividends, volatilities, interest rates, equity repo curves and for multi asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and by applying extrapolation techniques to match the appropriate risk profile.	Market interest rates and curves, volatilities, Dividends, and share prices.	Not applicable
Forward contracts	Level 2	Discounted cash flows	The future cashflows are projected using a related forecasting curve and then discounted using a market related discounting curve over the contractual period. Projected cashflows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Spot prices of underlying instruments, market interest rate curves, and dividend yield.	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					
Corporate investment banking book held at fair value	Level 3	Discounted cash flows	The future cashflows are discounted using a market related Interest rate. 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 and the internal credit committee rating criteria. The fair value measurement includes the original credit spread and is repriced when there is a change in rating of the counterparty. A decline in credit rating would result in an increase in the spread above the base rate for discounting purposes and consequently a reduction of the fair value of the advance.	Market interest rates and curves	Credit inputs- market related interest rates
Other loans and advances	Level 2 and 3	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
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 adjusted for credit inputs over the contractual period.	Market interest rates and credit spreads	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					
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 credit spreads.	Not applicable
Negotiable certificates of deposit (NCD	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 market quotes for NCD instruments	Not applicable
Treasury Bills	Level 2	Bank of Botswana quoted prices	Bank of Botswana quoted prices.	Market interest rates and curves	Not applicable
Deposits					
Other deposits	Level 2	Discounted cash flows	The related forecasting curve is 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	Not applicable
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	Not applicable
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Level 2	Discounted cash flows	The future cash flows are discounted using a market related interest rate and curves adjusted for credit inputs. Where the value of the liability is linked to the performance of an underlying and the underlying is observable, these liabilities are classified as level 2.	Market interest rate curves or performance of underlying	Not applicable

The following represents the fair values of financial instruments carried at ammortised cost in the consolidated summarised statement of financial position (P'000)-(Audited)

2024	Level 1	Level 2	Level 3	Fair value	Amortised cost
Advances	-	-	18,462,794	18,462,794	18,494,002
Investment securities	11,488,193	-	-	11,488,193	11,520,740
Due from related parties	-	-	185,897	185,897	185,897
Other assets	-	-	9,938	9,938	9,938
Total financial assets at amortised cost	**11,488,193**	**-**	**18,658,629**	**30,146,822**	**30,210,577**
Deposits and current accounts	-	30,107,111	-	30,107,111	30,021,044
Long-term borrowings	-	1,014,486	-	1,014,486	1,000,365
Due to related parties	-	-	38,887	38,887	38,887
Accrued interest payable	-	20,729	-	20,729	20,729
Other liabilities	-	411,825	-	411,825	411,825
Total financial liabilities at amortised cost	**-**	**31,554,151**	**38,887**	**31,593,038**	**31,492,850**

2023	Level 1	Level 2	Level 3	Fair value	Amortised cost
Advances	-	-	16,242,831	16,242,831	16,274,676
Investment securities	5,695,630	-	-	5,695,630	5,944,902
Due from related parties	-	-	111,778	111,778	111,778
Other assets*	-	-	6,804	6,804	6,804
Total financial assets at amortised cost	**5,695,630**	**-**	**16,361,413**	**22,057,043**	**22,338,160**
Deposits and current accounts	-	23,405,219	-	23,405,219	23,333,051
Long-term borrowings	-	981,908	-	981,908	968,241
Due to related parties	-	-	72,460	72,460	72,460
Accrued interest payable	-	40,922	-	40,922	40,922
Other liabilities	-	604,751	-	604,751	604,751
Total financial liabilities at amortised cost	**-**	**25,032,800**	**72,460**	**25,105,260**	**25,019,425**

*In the prior year, other assets disclosed as P369,882,000 erroneously included non-financial assets of P258,104,000. This disclosure has been corrected in the current year with the comparatives updated accordingly.

The following represents the fair values of financial instruments carried at fair value in the consolidated summarised statement of financial position (P'000)-(Audited)

2024	Level 1	Level 2	Level 3	Total
Mandatory fair value through profit and loss				
- Investments securities	-	82,334	-	82,334
- Derivative financial instruments	-	17,368	-	17,368
Non-financial assets				
Total assets	**-**	**99,702**	**-**	**99,702**
Financial liabilities held for trading				
- Derivative financial instruments	-	10,623	-	10,623
Designated at fair value through profit or loss				
- Zero coupon deposit	-	95,387	-	95,387
Total liabilities	**-**	**106,010**	**-**	**106,010**

2023	Level 1	Level 2	Level 3	Total
Mandatory fair value through profit and loss				
- Investments securities	-	28,046	-	28,046
- Derivative financial instruments	-	36,897	-	36,897
Non-financial assets				
Total assets	**-**	**64,943**	**-**	**64,943**
Financial liabilities held for trading				
- Derivative financial instruments	-	25,623	-	25,623
Designated at fair value through profit or loss				
- Zero coupon deposit	-	132,646	-	132,646
Total liabilities	**-**	**158,269**	**-**	**158,269**

DIRECTORS:

Balisi Bonyongo (Chairperson), Steven L. Bogatsu (CEO - Executive Director)
John K. Macaskill (Non - Executive Director) Doreen Ncube (Independent Non - Executive Director),
Naseem B. Lahri (Independent Non - Executive Director), Ephraim Letebele(Independent Non - Executive Director)
Massimo M. Marinelli (Independent Non - Executive Director), Asad Petkar (Independent Non - Executive Director)
Louis F. Jordaan (Non - Executive Director), Mbako Mbo (CFO - Executive Director)
Keneilwe Mere – (Independent - Non Executive Director)**, Pinkie Mothopeng- Makepe (Independent- Non Executive Director)**
Lee- Anne van Zyl (Non-Executive Director)

**K Mere appointed on 3 July 2024 and P Mothopeng-Makepe appointed 20 August 2024.
Both appointments occurred post year-end and are to be tabled at the upcoming AGM.

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