AUDITED CONSOLIDATED SUMMARISED FINANCIAL RESULTS

AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2017

FNB
First National Bank
how can we help you?

The Directors have pleasure in announcing the audited summarised consolidated financial results and dividend announcement of First National Bank of Botswana Limited (the Company or Bank) and its subsidiaries (the Group) for the year ended 30 June 2017.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The summarised consolidated financial results have been prepared in terms of International Accounting Standard 34 ("IAS 34") - Interim Financial Reporting, and applying the recognition and measurement criteria in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

In preparing the underlying consolidated financial statements from which these summarised consolidated financial results were extracted, all relevant and applicable International Financial Reporting Standards and International Reporting Interpretations Committee interpretations issued and effective for annual periods ended 30 June 2017 have been applied.

The Group's underlying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and in compliance with the Companies Act of Botswana (Companies Act, 2003) and the Banking Act (Cap 46:04). The principal accounting policies are consistent in all material aspects with those adopted in the previous years' consolidated financial statements. In the preparation of the summarised consolidated financial results, the Group has applied key assumptions concerning any inherent uncertainties in recording various assets and liabilities. These assumptions were applied consistently to the summarised consolidated financial results for the year ended 30 June 2016. The assumptions and estimates are subject to ongoing review.

The critical accounting estimates and areas of judgements are on the following elements of the consolidated financial statements:

- Impairment of financial assets;
- Taxation;
- Impairment of goodwill;
- Useful lives of property and equipment; and
- Transactions with employees.

AUDITED SUMMARISED CONSOLIDATED RESULTS

– INDEPENDENT AUDITOR'S OPINION

Deloitte & Touche, First National Bank of Botswana Limited's independent auditors, have audited the consolidated financial statements of First National Bank of Botswana Limited from which the summarised consolidated financial results have been derived, and have expressed an unmodified audit opinion on the consolidated financial statements. The summarised consolidated financial results comprise the summarised consolidated statement of financial position at 30 June 2017, summarised consolidated statement of profit and loss, summarised consolidated statement of other comprehensive income, summarised consolidated statement of changes in equity and summarised consolidated statement of cash flows for the year then ended, and related notes.

The full set of financial statements and audit report thereon are available for inspection at First National Bank of Botswana Limited's registered office. The auditor does not necessarily report on all of the information contained in this announcement. For a better understanding of the Group's financial position and the results of its operations for the year and the scope of the audit engagement, the summarised consolidated financial results should be read in conjunction with the audited consolidated financial statements from which the summarised consolidated financial results were derived and the audit report thereon. The audit of the summarised 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 reviewed or reported on by the Group's auditors.

FINANCIAL HIGHLIGHTS

	Year ended Audited 30 June 2017	Year ended Audited 30 June 2016	% change
Profit before tax (P'000)	680,323	659,012	3
Profit after tax (P'000)	500,519	503,891	(1)
Non-interest income (P'000)	978,155	926,949	6
Net Advances to customers (P'000)	14,997,373	14,386,819	4
Ratios			
Cost-to-income ratio (%)	51.4	52.6	(2)
Return on average equity (%)	18.9	20.2	(6)
Return on average assets (%)	2.2	2.4	(8)

+3%
PROFIT BEFORE TAX

+6%
NON-INTEREST INCOME

51.4%
COST-TO-INCOME RATIO

ECONOMIC UPDATE

GLOBAL ECONOMIC OVERVIEW

GAINING MOMENTUM

The global economy seems to be at a turning point following the improvement in international appetite for commodities. With a buoyant financial market and the cyclical recovery in the manufacturing and trade underway, global growth is expected to rise from 3.1% recorded in 2016 to 3.5% and 3.6% in 2017 and 2018 respectively.

Improvement in productivity is expected to pick up in emerging markets and developing economies, as the macroeconomic strains from low commodity prices gradually ease. Developed economies have benefited from broad projections of continued growth in the United States, with Japan and Europe also expected to follow suit.

Directly relevant to the region however, South Africa's economy has been weakening, with business and investor confidence detrimentally affected by political events. The resultant weakness in domestic expenditure has started to weigh strongly on the tertiary sector. The economic growth outlook remains poor with growth forecast at 0.3% and 1.0% in 2017 and 2018 respectively. Investment levels are expected to remain subdued until a more stable and clear policy environment emerges.

COMMENTARY ON AUDITED CONSOLIDATED SUMMARISED FINANCIAL RESULTS AND DIVIDEND ANNOUNCEMENT

for the year ended 30 June 2017

BOTSWANA **ECONOMY**

GROWTH

The economy has recorded sluggish growth of 0.8% year-on-year and 0.2% quarter-on-quarter in the first quarter 2017, compared to the 0.1% quarter-on-quarter growth figure recorded in the same period in 2016. The weak growth is ascribed partly to base effects. Unreliable and inadequate supply of water and electricity during 2016 depressed general business growth as well having a direct impact on Water and Electricity, and Manufacturing sectors, which contracted by 28.8% and 0.3% respectively. The Mining sector contracted by 32.2% due to low global demand in 2016, culminating in the closure of the BCL mine. Positive growth figures were recorded however in Trade, Hotels & Restaurants (18.7%) and Finance & Business Services and Finance (5.4%).

The outlook for the local economy is one of mild improvement, with the recent rise in international commodity prices expected to be sustained in the medium term, and assisted further by improved global demand for diamonds. Annual GDP growth of 3.3% is forecast for 2017, extending to an annual average of 3.9% to 2020. Given the positive outlook for diamond sales, Debswana has embarked on the Cut 9 project at Jwaneng mine which should extend the life of the mine to 2033. The improved global outlook, together with reliability regained in water and power supplies, the index monitoring business confidence in the non-mining sectors improved to 48% (H1:2017) from 43% (H2:2016), suggesting the potential for increased business investment.

Notwithstanding the improved outlook, certain headwinds present significant challenges which have the potential of inhibiting growth. An existing high rate of unemployment (20.5%), especially among the youth, may be exacerbated by slow job creation and by the possibility of redundancies within the parastatals. Low wage increases, led by Government, have constrained household consumption. Efforts to diversify the economy and thereby reduce dependency on diamonds, have been met with limited success to date, but a recent Government policy to establish special economic zones could help attract investors, and thus address both job creation and improved diversification.

INFLATION

The inflation rate remains within the central bank's target range of 3%-6%. The effect on both food and fuel prices as a result of the 17.5% increase in fuel tax, together with some weakening of the Pula/US Dollar exchange rate, are projected to cause a modest increase in inflation of 3.9% and 4.4% in 2017 and 2018 respectively. These growth rates are still within the central bank's target range, but will further restrict household spending power without parallel improvements in job creation and wage increases.

MONETARY POLICY

The Monetary Policy Committee ("MPC") maintained the bank rate at 5.5% in the first half of 2017 following the 50bp cut in August 2016. This decision is in conjunction with the central bank's objective of maintaining inflation with the 3%-6% in the medium-term. With the objective to continue maintaining financial stability, the Bank of Botswana is expected to continue to focus on supporting economic growth with an accommodative monetary policy, leading to the possibility of a 25bp rate cut in the second half of 2017.

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 the 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 involved one-off costs. Investment in temporary staff for the regulatory KYC project, also affected our cost base, much of this 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.

COMMENTARY ON AUDITED CONSOLIDATED SUMMARISED FINANCIAL RESULTS AND DIVIDEND ANNOUNCEMENT

for the year ended 30 June 2017

LOOKING AHEAD

After slowing in 2016, we expect credit demand to be supported by the feed-through from a recovering mining sector, and the Government's recently-launched National Development Plan (number 11), which leans on public-private partnerships to finance major infrastructure projects.

Although credit demand from the mining sector has been low, at just 0.6% of total loans as at February 2017, the sector's health feeds into the manufacturing, transport and trade sectors, which, combined, account for 16.6% of loans. Credit to all four sectors was weak or in a downtrend over the last year, but viable credit demand should improve as these sectors benefit from the improvement in mining activity. Consumer credit demand could also benefit from subdued inflation and low interest rates, although growth will be restricted by limited household income.

Against the backdrop of expectations of the market, the Bank is comfortable that the right investments have been made in ensuring operational efficiencies as a bare minimum. From a strategic point of view, the Bank's drive for deeper understanding of its customers, will cement its position by aligning its product offering to market demand. This, plus its strategic drive to diversify and evolve into a full financial services business, is the bedrock on which future success will be underpinned.

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.

As part of our capital management strategy, we assess on a regular basis if the Group is appropriately capitalised from an economic risk point of view. Economic capital is defined as the capital which the Group must hold, commensurate with its risk profile, under severe stress conditions. The Bank, therefore, maintains sound capital ratios to ensure confidence in the solvency and quality of capital in the Bank during calm and turbulent periods in the economy and the financial markets. This is to give comfort to stakeholders that the Bank will be able to discharge its obligations to third parties in accordance with an indicated degree of certainty even under stress conditions and would continue to operate as a going concern.

Allocating resources, including capital and risk capacity effectively in terms of the Group's risk appetite and in a manner that maximises value for shareholders is a core competence and a key focus area. Sound capital management practices therefore, form an important component of the Bank's overall business strategy.

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

The Group's capital adequacy ratio, after dividend, has been maintained at 17.67% as at 30 June 2017, and is above the ratio of 15% required by Bank of Botswana.

In line with the impact of the market conditions on the Group's profitability and the 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.

On this basis, the Directors propose a final dividend of 6.0 thebe per share.

EVENTS AFTER REPORTING DATE

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.

CORPORATE GOVERNANCE

The Board and management are responsible for ensuring that the Group'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 and in accordance with recommended current best practice;
2. Maintenance of appropriate internal controls including the reporting of material malfunctions; and
3. The Group's continued capability to operate as a going concern.

The Board comprises a majority of independent, non-executive Directors and meets regularly, overviews executive management performance and retains effective control over the Group. The Board is assisted by committees, which are responsible for different aspects of governance.

The main Board committees include Audit, Credit, Directors Affairs and Governance, Remuneration and Risk, Compliance and Capital Management.

SOCIAL RESPONSIBILITY

The Group remains committed to its social responsibility to the community, which function it performs through the FNBB Foundation.

The FNBB Foundation has independent Trustees who ensure that a wide spectrum of sustainable social welfare and development activities nationwide are prudently assessed and funded.

FNB Botswana has committed to contributing up to 1% of its profit after tax to the Foundation annually. Since its inception in 2001, the Group has made grants in excess of P40 million to the Foundation, which has been channeled accordingly to qualifying beneficiaries. For details of criteria for eligibility visit the website: www. fnbbotswana.co.bw.

DECLARATION OF DIVIDEND

Notice is hereby given that a final dividend of 6.0 thebe per share has been declared for the year ended 30 June 2017. The dividend will be paid on or about 27 October 2017 to shareholders registered at the close of business on 6 October 2017. The transfer registers will be closed from 9 October to 13 October 2017, both dates inclusive.

In terms of the Income Tax Act (Cap 52.01) as amended, withholding tax at the rate of 7.5% will be deducted by the Group from gross dividends. If a change of address or dividend instructions is to apply to this dividend, notification should reach the Transfer Secretaries by 10 October 2017.

For and on behalf of the Board.

John K. Macaskill
Chairman

Steven L. Bogatsu
Chief Executive Officer

Gaborone, 11 August 2017

TRANSFER SECRETARIES

PricewaterhouseCoopers (Proprietary) Limited
Plot 50371, Fairgrounds
PO Box 294
GABORONE

SUMMARISED CONSOLIDATED **STATEMENT OF PROFIT AND LOSS**

	Year ended 30 June 2017 Audited P'000	Year ended 30 June 2016 Audited P'000	% Change
Interest income and similar income	1,429,248	1,308,394	9
Interest expense and similar charges	(265,128)	(363,565)	(27)
Net interest income before impairment of advances	1,164,120	944,829	23
Impairment of advances	(361,219)	(228,570)	58
Net interest income after impairment of advances	802,901	716,259	12
Non-interest income	978,155	926,949	6
Income from operations	1,781,056	1,643,208	8
Operating expenses	(562,005)	(520,379)	8
Employee benefit costs	(514,832)	(439,954)	17
Profit before indirect taxation	704,219	682,875	3
Indirect taxation	(23,896)	(23,863)	-
Profit before direct taxation	680,323	659,012	3
Direct taxation	(179,804)	(155,121)	16
Profit for the year attributable to owners of the parent	500,519	503,891	(1)
Earnings per share (thebe) (based on weighted average number of shares outstanding)	19.68	19.81	(1)
Diluted earnings per share (thebe) (based on weighted average number of shares in issue)	19.68	19.81	(1)
Average number of shares outstanding takes into account 20 million shares held by the FNBB Employees Share Participation Trust			

SUMMARISED CONSOLIDATED **STATEMENT OF OTHER COMPREHENSIVE INCOME**

	Year ended 30 June 2017 Audited P'000	Year ended 30 June 2016 Audited P'000	% Change
Profit for the year	500,519	503,891	(1)
Other comprehensive income	-	(5,332)	
Net losses on property revaluation	-	(6,836)	
Deferred income tax	-	1,504	
Total comprehensive income for the year attributable to owners of the parent	500,519	498,559	-

RATIOS AND MARKET INFORMATION

	Year ended 30 June 2017 Audited P'000	Year ended 30 June 2016 Audited P'000	% Change
Dividend per share (thebe)	11	11	-
Dividend cover (times)	1.8	1.8	-
* **Cost to income ratio (percent)**	51.4	52.6	(2)
Return on equity (percent)	18.9	20.2	(6)
Return on average assets (percent)	2.2	2.4	(8)
Capital adequacy ratio (percent)	17.67	16.38	8
Closing share price (thebe)	273	340	(20)
Price earnings ratio	13.9	17.2	(19)

* *Cost to income ratio is based on total non-interest expenditure including indirect taxation (Value Added Tax).*

SUMMARISED CONSOLIDATED **STATEMENT OF FINANCIAL POSITION**

	At 30 June 2017 Audited P'000	At 30 June 2016 Audited P'000	% Change
ASSETS			
Cash and short term funds	4,396,885	3,651,793	20
Investment securities	3,313,694	2,447,230	35
Derivative financial instruments	64,028	76,646	(16)
Advances to banks	-	324,960	(100)
Advances to customers	14,997,373	14,386,819	4
Current taxation	8,641	99,966	(91)
Due from related companies	9,448	6,324	49
Accounts receivable	288,831	376,245	(23)
Property and equipment	505,496	495,692	2
Goodwill	26,963	26,963	-
Total assets	23,611,359	21,892,638	8
EQUITY AND LIABILITIES			
Liabilities			
Deposits from banks	1,397,685	300,166	366
Deposits from customers	17,567,471	17,063,756	3
Accrued interest payable	46,061	30,553	51
Derivative financial instruments	28,065	42,631	(34)
Due to related companies	36,175	124,726	(71)
Creditors and accruals	443,530	429,680	3
Provisions	71,606	68,127	5
Borrowings	1,059,127	1,094,239	(3)
Current taxation	1,208	898	35
Deferred taxation	207,566	203,509	2
Total liabilities	20,858,494	19,358,285	8
Capital and reserve attributable to ordinary equity holders			
Stated capital	51,088	51,088	-
Reserves	2,547,955	2,329,443	9
Dividend reserve	153,822	153,822	-
Total equity	2,752,865	2,534,353	9
Total equity and liabilities	23,611,359	21,892,638	8

CONTINGENCIES AND COMMITMENTS (OFF BALANCE SHEET ITEMS)

Undrawn commitments to customers	2,194,381	1,498,117	46
Guarantees, letters of credit and other contingent liabilities	1,252,996	1,097,757	14
Total contingencies and commitments	3,447,377	2,595,874	33

Changes to the Group's other contingent liabilities during the current year are adequately disclosed in the financial statements.

SUMMARISED CONSOLIDATED **STATEMENT OF CHANGES IN EQUITY**

	Stated capital P'000	Other non-distributable reserves P'000	Equity settled employee benefits reserve P'000	Retained earnings P'000	Dividend reserve P'000	Total P'000
Balance at 1 July 2015 (Audited)	**51,088**	**55,189**	**14,570**	**2,043,132**	**282,007**	**2,445,986**
Profit for the year	-	-	-	503,891	-	503,891
Other comprehensive loss for the year	-	(5,332)	-	-	-	(5,332)
Dividends paid - 2015 final	-	-	-	-	(282,007)	(282,007)
Dividends paid - 2016 interim	-	-	-	(128,185)	-	(128,185)
Dividends proposed -2016 final	-	-	-	(153,822)	153,822	-
Transfer from equity-settled employee benefits reserve	-	-	(14,570)	14,570	-	-
Transfer from revaluation reserve	-	(2,855)	-	2,855	-	-
Balance at 30 June 2016 (Audited)	**51,088**	**47,002**	**-**	**2,282,441**	**153,822**	**2,534,353**
Profit for the year	-	-	-	500,519	-	500,519
Dividends paid - 2016 final	-	-	-	-	(153,822)	(153,822)
Dividends paid - 2017 interim	-	-	-	(128,185)	-	(128,185)
Dividends proposed - 2017 final	-	-	-	(153,822)	153,822	-
Transfer from revaluation reserve	-	(2,680)	-	2,680	-	-
Balance at 30 June 2017 (Audited)	**51,088**	**44,322**	**-**	**2,503,633**	**153,822**	**2,752,865**

SUMMARISED CONSOLIDATED **STATEMENT OF CASH FLOWS**

	Year ended 30 June 2017 Audited P'000	Year ended 30 June 2016 Audited P'000	% Change
Cash flows from operating activities			
Cash generated by operations	1,102,504	980,441	12
Taxation paid	(84,112)	(163,950)	(49)
	1,018,392	816,491	25
Change in funds from operating activities	196,568	(1,976,264)	(110)
Net cash generated from / (utilised in) operating activities	1,214,960	(1,159,773)	(205)
Net cash utilised in investing activities	(67,738)	(41,928)	62
Net cash (utilised in) / generated from financing activities	(317,119)	256,006	(224)
Net increase / (decrease) in cash and cash equivalents	830,103	(945,695)	(188)
Cash and cash equivalents at the beginning of the year	5,237,839	6,183,534	(15)
Cash and cash equivalents at the end of the year	6,067,942	5,237,839	16
Cash and short-term funds	4,396,885	3,651,793	20
Investment in Bank of Botswana Certificates	1,671,057	1,586,046	5
Cash and cash equivalents at the end of the year	6,067,942	5,237,839	16

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 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;
- Business segment;
- Rand Merchant Bank (RMB);
- WesBank; and
- Treasury.

The revenue from external parties reported to the Chief Executive Officer is measured in a manner consistent with that in the statement of profit and loss.

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.

SUMMARISED **SEGMENTAL REPORTING (Audited)**

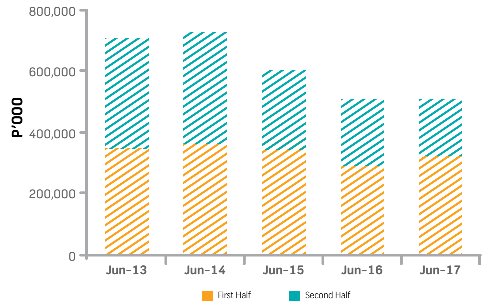
	Retail	Business	RMB	WesBank	Treasury	Total
30 JUNE 2017 (P'000)						
Interest income	**530,965**	**154,035**	**27,096**	**135,890**	**581,262**	**1,429,248**
Non- interest income	436,396	313,231	202,603	18,500	7,425	978,155
Total segment revenue	**967,361**	**467,266**	**229,699**	**154,390**	**588,687**	**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 income after impairment of advances						**1,781,056**
Total other 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 for the year						**500,519**
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**

Note: The advances disclosed in the segment report represents gross advances while the rest of the document reflects net advances.

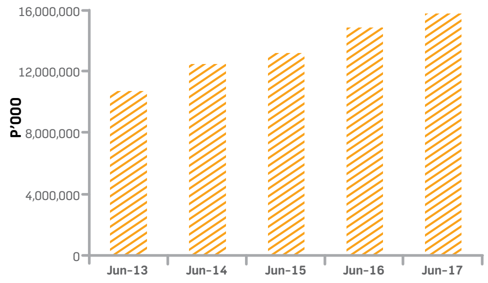
SUMMARISED **SEGMENTAL REPORTING (Audited)**

	Retail	Business	RMB	WesBank	Treasury	Total
30 JUNE 2016 (P'000)						
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 income after impairment of advances						**1,643,208**
Total other expenditure						(960,333)
Profit before indirect taxation						**682,875**
Indirect taxation						(23,863)
Profit before direct taxation						**659,012**
Direct taxation						(155,121)
Profit for the year						**503,891**
Gross Advances	**6,957,248**	**4,346,564**	**1,273,861**	**2,255,021**	**-**	**14,832,694**
Deposits	**3,910,258**	**6,591,603**	**4,849,304**	**-**	**1,712,591**	**17,063,756**

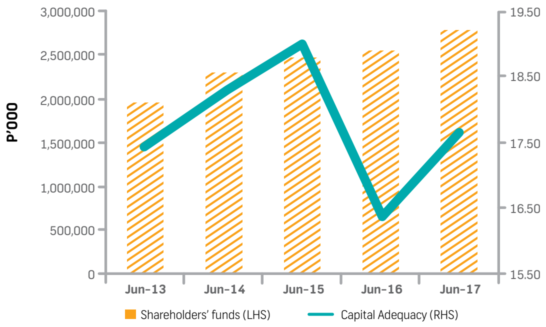
Profit After Tax



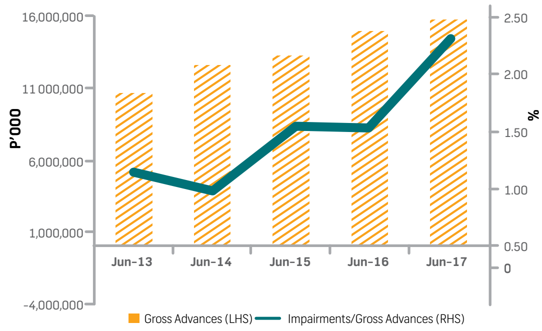
Loans and Advances



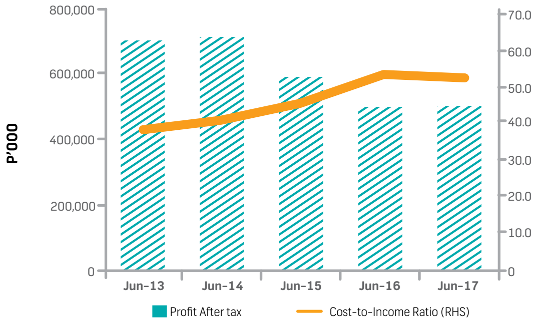
Shareholders' Funds vs Capital Adequacy



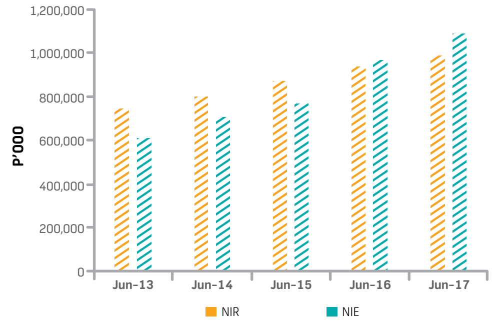
Advances vs Impairments to Gross Advances



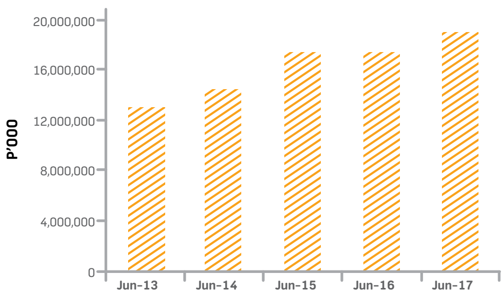
Profit After Tax vs Cost-To-Income Ratio



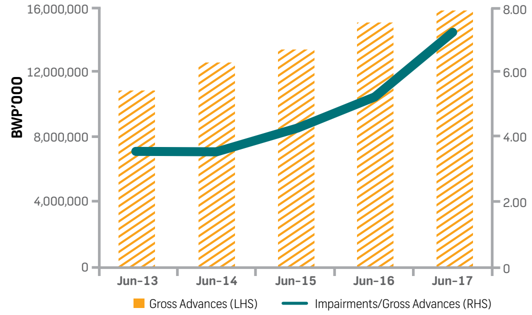
Non-Interest Revenue vs Non-Interest Expenses



Deposits



Gross Advances vs NPLs to Gross Advances



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.

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.

The following represents the fair values of financial instruments carried at amortised cost on the statement of financial position.

GROUP 2017	Level 1 P'000	Level 2 P'000	Level 3 P'000	Fair Value P'000	Carrying amount P'000
ASSETS					
Advances	-	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
Deposits	-	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	Level 1 P'000	Level 2 P'000	Level 3 P'000	Fair Value P'000	Carrying amount P'000
ASSETS					
Advances	-	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
Deposits	-	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

The following represents the fair values of financial instruments carried at fair value on the statements of financial position.

GROUP 2017	Level 1 P'000	Level 2 P'000	Level 3 P'000	Carrying amount P'000
ASSETS				
Financial assets held for trading	-	144,675	-	144,675
Designated at fair value	-	-	-	-
Available for sale financial assets	-	1,671,057	-	1,671,057
Non-financial assets	-	337,548	-	337,548
Total assets	-	2,153,280	-	2,153,280
Financial liabilities held for trading	-	28,065	-	28,065
Designated at fair value through profit or loss	-	-	117,086	117,086
Total liabilities	-	28,065	117,086	145,151

GROUP 2016	Level 1 P'000	Level 2 P'000	Level 3 P'000	Carrying amount P'000
ASSETS				
Financial assets held for trading	-	86,029	-	86,029
Designated at fair value	-	-	145,414	145,414
Available for sale financial assets	-	1,586,046	-	1,586,046
Non-financial assets	-	325,308	-	325,308
Total assets	-	1,997,383	145,414	2,142,797
Financial liabilities held for trading	-	42,631	-	42,631
Designated at fair value through profit or loss	-	-	112,224	112,224
Total liabilities	-	42,631	112,224	154,855

DIRECTORS:

Log on to **www.fnbbotswana.co.bw** to access our latest and historic financial reports.

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