how can we help you?

Audited Summarised Financial Results and Dividend Announcement **for the year ended 30 June 2015**

FNB

First National Bank

Key performance **indicators**

for the year ended 30 June 2015

The Directors have pleasure in announcing the audited financial results of First National Bank of Botswana Limited (the Company or Bank) and its subsidiaries (the Group) for the year ended 30 June 2015.

FINANCIAL HIGHLIGHTS

	Year ended Audited 30 June 2015	Year ended Audited 30 June 2014	% change
Profit before tax (P'000)	756,503	922,239	(18)
Profit after tax (P'000)	591,483	719,661	(18)
Non-interest income (P'000)	862,386	794,557	9
Advances to customers (P'000)	12,846,481	12,131,415	6
Ratios			
Cost-to-income ratio (%)	44.8	40.3	11
Return on average assets (%)	3.1	4.3	(28)
Dividend (thebe)	16	16	-

-18%
PROFIT AFTER TAX

+9%
NON-INTEREST INCOME

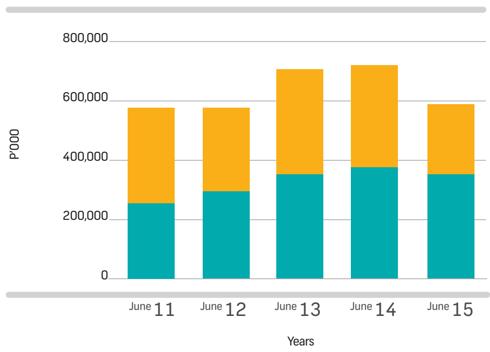
+6%
ADVANCES

44.8%
COST-TO-INCOME RATIO

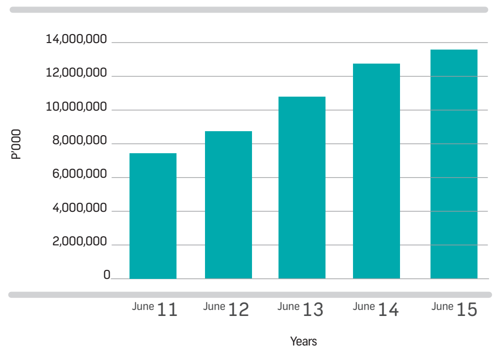
16t
DIVIDEND

PROFIT AFTER TAX

■ First Half ■ Second Half

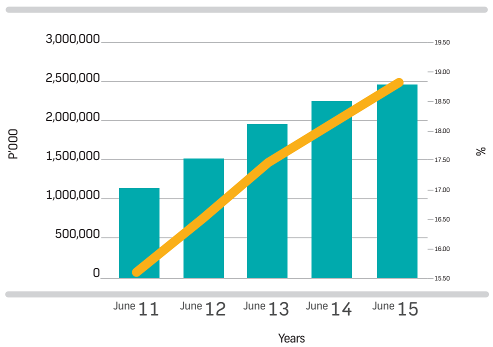


LOANS AND ADVANCES



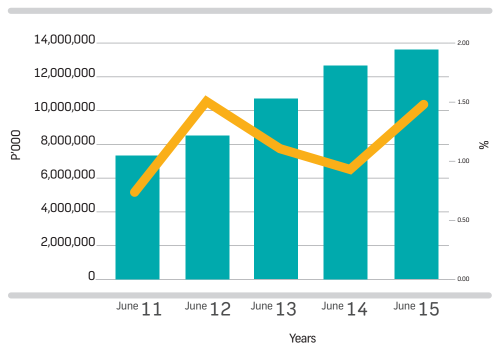
SHAREHOLDERS' FUNDS VS CAPITAL ADEQUACY

■ Shareholders' funds (LHS) ▬ Capital adequacy (RHS)



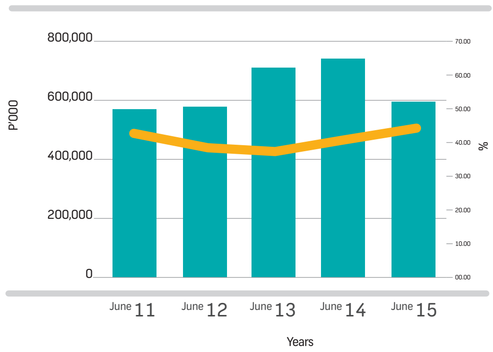
GROSS ADVANCES VS IMPAIRMENTS TO GROSS ADVANCES

■ Gross advances (LHS) ▬ Impairments/Gross advances (RHS)



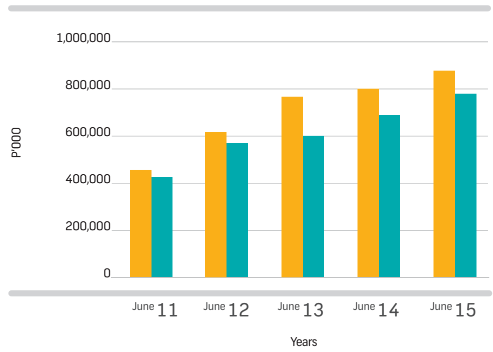
PROFIT AFTER TAX VS COST-TO-INCOME RATIO

■ Profit after tax (LHS) ▬ Cost-to-income ratio (RHS)



NON-INTEREST INCOME (NII) VS NON-INTEREST EXPENSES (NIE)

■ NII ■ NIE



BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The summarised 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 financial results were extracted, all International Financial Reporting Standards and International Reporting Interpretations Committee interpretations issued and effective for annual periods ended 30 June 2015 have been applied.

The Group's underlying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The principal accounting policies are consistent in all material aspects with those adopted in the previous year, except for the adoption of revisions in standards and interpretations which have not had a material impact on the financial statements.

In the preparation of the summarised consolidated financial results, the Group has applied key assumptions concerning inherent uncertainties in recording various assets and liabilities. These assumptions were applied consistently to the financial results for the year ended 30 June 2015. The assumptions and estimates are subject to ongoing review and possible amendments. The critical accounting estimates and areas of judgements are on the following elements of the consolidated financial statements:

- Credit impairment losses on loans and advances;
- Income taxes;
- Impairment of goodwill;
- Residual values and useful lives of property and equipment;
- Revenue recognition; and
- Fair valuation of financial instruments.

SUMMARISED CONSOLIDATED INCOME STATEMENT

	Year ended 30 June 2015 Audited P'000	Year ended 30 June 2014 Audited P'000	% Change
Interest income and similar income	1,288,434	1,244,817	4
Interest expense and similar charges	(415,321)	(290,200)	43
Net interest income before impairment of advances	873,113	954,617	(9)
Impairment of advances	(201,068)	(122,510)	64
Net interest income after impairment of advances	672,045	832,107	(19)
Non-interest income	862,386	794,557	9
Income from operations	1,534,431	1,626,664	(6)
Operating expenses	(396,965)	(342,988)	16
Employee benefit costs	(368,187)	(350,339)	5
Profit before indirect taxation	769,279	933,337	(18)
Indirect taxation	(12,776)	(11,098)	15
Profit before direct taxation	756,503	922,239	(18)
Direct taxation	(165,020)	(202,578)	(19)
Profit for the year attributable to owners of the parent	591,483	719,661	(18)
Average number of shares in issue during the period (thousands)	2,563,700	2,563,700	
Earnings per share (thebe) (based on weighted average number of shares outstanding)	23.25	28.29	(18)
Diluted earnings per share (thebe) (based on weighted average number of shares in issue)	23.25	28.28	(18)

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 2015 Audited P'000	Year ended 30 June 2014 Audited P'000	% Change
Profit for the year	591,483	719,661	(18)
Other comprehensive income			
Items that may not subsequently be reclassified to profit or loss	-	-	
Items that may be subsequently be reclassified to profit or loss	-	-	
Total comprehensive income for the year attributable to owners of the parent	591,483	719,661	(18)

AUDITED 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 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 2015, 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 then ended, and related notes. The audit report on these summarised consolidated financial statements and the audit report on the consolidated financial statements 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 financial results should be read in conjunction with the audited consolidated financial statements from which the summarised financial results were derived and the audit report thereon. The audit 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.

RATIOS AND MARKET INFORMATION

		Year ended 30 June 2015 Audited	Year ended 30 June 2014 Audited	% Change
	Dividend per share (thebe)	16	16	-
	Dividend cover (times)	1.4	1.8	(22)
*	Cost to income ratio (percent)	44.8	40.3	
**	Return on equity (percent)	25	34	
***	Return on average assets (percent)	3.1	4.3	
	Capital adequacy ratio (percent)	18.99	18.27	
	Closing share price (thebe)	393	348	13
	Dividend yield - ordinary shares (percent)	4.1	4.6	
	Price earnings ratio	16.9	12.3	37

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

** Return on shareholders' funds is annualised and includes proposed dividend (dividend reserve).

*** Return on average assets is annualised.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 30 June 2015 Audited P'000	At 30 June 2014 Audited P'000	% Change
ASSETS			
Cash and short term funds	4,371,324	2,721,384	61
Derivative financial instruments	26,716	24,922	7
Advances to banks	640,000	461,921	39
Advances to customers	12,846,481	12,131,415	6
Investment securities	2,256,337	1,536,828	47
Current taxation	46,832	12,895	263
Due from related companies	6,319	6,272	1
Accounts receivable	211,080	196,112	8
Property and equipment	540,393	520,694	4
Goodwill	26,963	26,963	-
Total assets	20,972,445	17,639,406	19
EQUITY AND LIABILITIES			
Liabilities			
Deposits from banks	199,334	12,157	1,540
Deposits from customers	17,233,721	14,328,142	20
Accrued interest payable	88,895	39,027	128
Derivative financial instruments	13,796	18,079	(24)
Due to related companies	11,673	30,499	(62)
Creditors and accruals	360,109	274,596	31
Provisions	61,949	60,588	2
Borrowings	395,376	489,495	(19)
Current taxation	650	3,870	(83)
Deferred taxation	160,956	118,973	35
Total liabilities	18,526,459	15,375,426	20
Capital and reserve attributable to ordinary equity holders			
Stated capital	51,088	51,088	-
Reserves	2,112,891	1,930,885	9
Dividend reserve	282,007	282,007	-
Total equity	2,445,986	2,263,980	8
Total equity and liabilities	20,972,445	17,639,406	19

CONTINGENCIES AND COMMITMENTS (OFF BALANCE SHEET ITEMS)

		Restated	
Undrawn commitments to customers			
• as previously stated	1,588,479	1,343,724	
• restatement	-	346,489	
Total	1,588,479	1, 690, 573	(6)
Guarantees and letter of credit	984, 333	883, 026	11
Total contingencies and commitments	2,572,812	2,573,599	

The prior year comparatives were restated to account for previously omitted commitments.

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 2013 (Audited)	51,088	61,971	18,300	1,540,539	256,370	1,928,268
Profit for the year	-	-	-	719,661	-	719,661
Dividends paid - 2013 final	-	-	-	-	(256,370)	(256,370)
Dividends paid - 2014 interim	-	-	-	(128,185)	-	(128,185)
Dividends proposed - 2014 final	-	-	-	(282,007)	282,007	-
Recognition of share-based payments	-	-	606	-	-	606
Transfer of associate company retained earnings	-	(2,819)	-	2,819	-	-
Transfer from revaluation reserve	-	(1,895)	-	1,895	-	-
Balance at 30 June 2014 (Audited)	51,088	57,257	18,906	1,854,722	282,007	2,263,980
Profit for the year	-	-	-	591,483	-	591,483
Dividends paid - 2014 final	-	-	-	-	(282,007)	(282,007)
Dividends paid - 2015 interim	-	-	-	(128,185)	-	(128,185)
Dividends proposed - 2015 final	-	-	-	(282,007)	282,007	-
Recognition of share-based payments	-	-	715	-	-	715
Transfer from equity-settled employee benefits reserve	-	-	(5,051)	5,051	-	-
Transfer from revaluation reserve	-	(2,068)	-	2,068	-	-
Balance at 30 June 2015 (Audited	51,088	55,189	14,570	2,043,132	282,007	2,445,986

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 30 June 2015 Audited P'000	Year ended 30 June 2014 Audited P'000	% Change
Cash flows from operating activities			
Cash generated by operations	991,144	1,053,341	(6)
Taxation paid	(160,194)	(200,873)	(20)
	830,950	852,468	(3)
Change in funds from operating activities	2,021,930	(1,041,099)	(294)
Net cash generated from/(utilised in) operating activities	2,852,880	(188,631)	(1,612)
Net cash utilised in investing activities	(51,677)	(16,656)	210
Net cash utilised in financing activities	(485,317)	(333,020)	46
Net increase/(decrease) in cash and cash equivalents	2,315,886	(538,307)	530
Cash and cash equivalents at the beginning of the year	3,867,648	4,406,155	(12)
Cash and cash equivalents at the end of the year	6,183,534	3,867,848	60
Cash and short-term funds at the end of the year			
Cash and short-term funds	4,371,324	2,721,384	61
Investment in Bank of Botswana Certificates	1,812,210	1,146,264	58
	6,183,534	3,867,648	60

SUMMARISED SEGMENTAL REPORTING

30 JUNE 2015 (Audited)	Consumer P'000	Commercial P'000	RMB P'000	WesBank P'000	Treasury P'000	Other P'000	Total P'000
Interest income	246,661	119,665	37,347	179,217	705,544	-	1,288,434
Non-interest income	342,158	312,813	168,809	5,324	17,175	16,107	862,386
Total segment revenue	588,819	432,478	206,156	184,541	722,719	16,107	2,150,820
Interest expenditure	48,780	113,077	71,593	(91,795)	(556,976)	-	(415,321)
Segment operating income before impairments	637,599	545,555	277,749	92,746	165,743	16,107	1,735,499
Impairment of advances							(201,068)
Net income after impairment of advances							1,534,431
Total expenditure							(765,152)
Profit before indirect taxation							769,279
Indirect taxation							(12,776)
Profit before direct taxation							756,503
Direct taxation							(165,020)
Profit for the year							591,483
Gross Advances	5,229,688	4,478,345	1,381,264	2,080,212	-	-	13,169,509
Deposits from customers	2,785,599	4,633,035	5,537,518	-	4,277,569	-	17,233,721

30 JUNE 2014 (Audited)	Consumer P'000	Commercial P'000	RMB P'000	WesBank P'000	Treasury P'000	Other P'000	Total P'000
Interest income	337,803	308,017	44,042	172,571	382,384	-	1,244,817
Non-interest income	220,515	301,518	256,655	5,130	(6,648)	17,387	794,557
Total segment revenue	558,318	609,535	300,697	177,701	375,736	17,387	2,039,374
Interest expenditure	51,861	(92,906)	51,311	(69,798)	(230,668)	-	(290,200)
Segment operating income before impairments	610,179	516,629	352,008	107,903	145,068	17,387	1,749,174
Impairment of advances							(122,510)
Net income after impairment of advances							1,626,664
Total expenditure							(693,327)
Profit before indirect taxation							933,337
Indirect taxation							(11,098)
Profit before direct taxation							922,239
Gross Advances	4,427,278	4,781,513	1,306,739	1,901,567	-	-	12,417,097
Deposits from customers	2,490,425	4,221,510	3,342,733	-	4,273,474	-	14,328,142

Global Themes – China economic growth slows; Greece finances in turmoil and geopolitical tensions continue

Global Economic overview

Global growth is expected to remain moderate in 2015 and is projected at 3.3% according to the International Monetary Fund (World Economic Outlook, June 2015), marginally lower than the 3.4% recorded in 2014. In 2016, growth is expected to strengthen to 3.8%. As the second largest export market, the slowdown in the Chinese economy has resulted in a downturn in commodity prices and thus affecting the trade account prospects for most African countries. Financial instabilities across markets, notably the Greek crisis and possibility of contagion, weigh heavily on growth and spending prospects. This is particularly so amidst high levels of debt across the public, corporates and households, which has warranted some structural reforms to stimulate growth instead of singular focus on the monetary policies. Capital growth and productivity stimuli remain in the top agenda to curb lower demand prospects and weak growth.

For the first half of 2015, we note the distributional implications which have come from the following three factors:

- Decline in oil prices – with Iran talks having pressured prices down further;
- Large exchange rate movements with most emerging market currencies under duress due to the Greek crisis and China economic slowdown; and
- Greek financial crisis.

The strengthening of the dollar has given breathing room to emerging markets as it increases the dollar denominated receipts on exports. It is worth noting that the outcomes of the increase in financial and geopolitical risks are creating winners and losers across markets.

BOTSWANA ECONOMY

GDP

The outlook for the local economy has become slightly less favourable over the last few months due to weak domestic demand, low levels of business confidence (from 52% to 44%), and with electricity and water shortages adding constraint to economic activity. We expect GDP growth to remain under 5% over the next few years with 2016 now expected to register growth of 4.8% (from 5.0% forecast previously). Robust growth rates in the services sector, trade, retail and hotels as well as transport and communications are expected to continue. We note that the rating agencies have continued to indicate risks to economic growth which is tilted towards the mining sector in particular. The current indication of consumption-led rather than investment-led growth is equally worrisome, given declining prospects for business and households. The drought situation and an increase in operational expenses is already taking its toll, with Agriculture slowing 0.7% compared to 0.3% growth the same time last year. Some infrastructure take-ups have led to growth in manufacturing and construction which accelerated by 4.4% and 4.9% respectively in the first quarter of 2015, relative to growth of 1.5% in manufacturing and 1.7% in construction respectively in the first quarter of 2014.

The load curtailment has however yielded some positive changes on the water and electricity sector which slowed by 1.7% in the first quarter of 2015 compared to decline of 32.3% in the first quarter of 2014. Further risks to growth emanate from the demand and financing conditions for diamonds, and in turn weigh on diamond prices. However, we expect to see a return to healthier growth rates when the commodity cycle picks up, and once confidence on the water and power supplies is regained.

The supportive monetary policy is currently partially offset by tighter fiscal policy, with the government targeting a surplus of 0.8% of GDP for 2015/16. Lower trade volumes in Southern Africa, as well as trade and labour disputes at the revenue service poses downward risks to revenue. However, we draw comfort from the debt-to-GDP levels which remain below self-imposed and regional thresholds, from favourable sovereign debt ratings and from reserves which translate to at least 18 months of import cover.

MONETARY POLICY

Although CPI is forecast to increase from the current 3.0% level, it should remain within the Bank of Botswana target range as the Pula weakens gradually against the US dollar and marginally gains against a volatile Rand (thus limiting foreign exchange inflation pass-through). Muted demand prospects will also keep endogenous triggers in check and thus limit domestic inflationary pressures. However, higher than expected inflation in South Africa, further increases in prices for food, electricity and water, coupled with unanticipated increases in local levies and tariffs, pose upside risk to the inflation forecast of 3.5% and 4.0% in 2015 and 2016 respectively.

It is forecast that monetary conditions will eventually ease. In the short term, relief has come from remittance of offshore pension funds (though mostly transitory), coupled with 5% reduction in primary reserve requirements. Nonetheless, and as reflected in the credit extension figures, intermediation has not necessarily improved the situation as credit risk appetite reflects aversion following the liquidity experiences of the second half of 2014.

CREDIT EXTENSION AND LIQUIDITY

Despite an accommodative monetary policy, total credit growth continues to slow with year-on-year credit growth at 9.7% as at May 2015 compared to 13.3% and 20.7% for the same period in 2014 and 2013 respectively. This emanates more from household credit – particularly mortgage growth as property market normalises.

The slowdown in credit extension results from compressed income levels within households together with a perceived threat of job losses. Muted demand prospects within the business space have resulted in a tapering down of investment expenditure and working capital facilities. Weak local debt appetite from government has coincided with general tightening of credit. Arrears have increased year-on-year from P1.3 billion and P2.1 billion in the first quarter of 2013 and the first quarter of 2014 respectively, to P2.3 billion in the first quarter of 2015. Both the consumer and businesses show signs of strain, with year-on-year increase in arrears peaking to 84% in December 2014 mostly in the business segment.

The intermediation ratio has significantly decreased from 88% in December 2014 to 76% in April 2015 and overnight market liquidity improved from short positions in the beginning of the year, to a long position of around P5 billion in June 2015. This liquidity relief has mostly been due to the reduction in the primary reserve requirement to 5% which released around P2.1 billion in April 2015, as well as onshore repatriation of pension funds – although some of it is expected to be transitory. Offshore pension funds' investments remain relatively high at approximately 50%, thus presenting an opportunity to structure Botswana Pula products which could ensure competitive advantage in the international markets. The liquidity environment continues to be closely watched as excess liquidity levels remain below the pre-2014 levels.

FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL POSITION

Notwithstanding an economy that has been characterised by tight liquidity challenges and subdued credit growth, the Bank was successful in posting healthy statement of financial position growth of 19% buoyed by 20% growth in deposits and resulting in a sound liquidity position. At the back of this ability to attract funding, advances posted growth of 6% driven by growth in consumer segment, term loans (group schemes), business segment, commercial property finance and WesBank. This growth aligns with the Bank's credit risk appetite of focusing on the more secure asset classes aimed at preserving the overall quality of the book. The growth of the statement of financial position has allowed the Bank to consistently maintain its market share.

At the back of its sound liquidity position, and in line with the Banks prudent stance with regards to credit extension, the Bank was successful in investing its excess liquidity in Bank of Botswana Certificates (BOBCs) which posted growth of 58%.

STATEMENT OF COMPREHENSIVE INCOME

Despite having limited lending opportunities in the market, the 6% growth in advances coupled with growth in investment securities translated to a 4% increase in interest income.
The liquidity challenges experienced in the market called for all banks to increase the rates being paid on deposits in a bid to attract much needed funding. Deposits growth posted a 20% year on year increase leading to an interest expense increase of 43% which is reflective of the prevailing market conditions. Accordingly, the Bank will continue on its drive to provide innovative products to attract less expensive funding sources, and to grow its non-interest income through both transaction volumes and diversification. To this end, the Bank launched

3.3%

GLOBAL GROWTH is expected to remain moderate in 2015 according to the International Monetary Fund (World Economic Outlook, June 2015), marginally lower than the 3.4% recorded in 2014.

5%

GDP GROWTH is expected to remain under 5% over the next few years with 2016 now expected to register growth of 4.8% (from 5.0% forecast previously).

The Group's **capital adequacy ratio** has been maintained at **18.99%** as at 30 June 2015, and is above the Group's internal limit as well as the Bank of Botswana required ratio of 15%

products such as flexi-fixed which offer consumers attractive rates but priced below the levels of professional funding.

In a market characterised by increasing levels of arrears, the Bank has strengthened its collections strategies and maintained selective lending practices. Despite this, impairments still rose by 64% which is reflective of both consumer strain and the ailing property market. To this end, the Bank has adopted a conservative approach to its provisioning policy to ensure that the requisite levels of provisions have been taken. The Bank is therefore comfortable with this outcome and confident that this strategy will allow the Bank to preserve future sustainability of earnings.

Due to the tightened credit risk appetite, transactional volume drive was very key in the current year to bolster growth. As a result the Bank encouraged use of its innovative platforms such as the Advance Deposit Taking machine (ADT), Point of Sale machines and Online Banking. These platforms have allowed the Bank to drive customer behaviour increasingly away from the branch network which is a more expensive channel. In light of this the Bank grew its non-interest revenue by 9% through growing volumes which is evidence of the success of its revenue diversification drive. This growth was achieved despite the moratorium on fee increases.

In line with its customer centricity strategy, the Bank has also given significant focus to growing its leadership and talent pool through various interventions. To this end, substantial outflows were invested in marketing activities as well as training and development.

Furthermore, the Bank's improvement of its operating systems and investment in infrastructure has resulted in further increases in other operating costs. These continual system enhancements provide efficiencies that are aimed at creating optimal structures; hence the increase in staff costs by only 6%.

Other enhancements in the year included the improvement in existing infrastructure such as the point of sale machines, refurbishment of three branches during the year as well as the roll out of the Advance Deposit Taking machines, taking the number to 20 as at year end. These were deemed crucial in maintaining the Bank's competitiveness hence the 14% growth in operating expenses.

As a result of the above, profit before tax declined by 18% from the prior year whilst the fundamentals of the Bank remain strong with return on equity at a healthy 25%.

LOOKING AHEAD

Having successfully embedded its segmentation model aimed at fully understanding and responding proactively to customer needs, the Bank is well positioned for the future.

Against the backdrop of subdued economic expectations, the Bank remains confident that opportunities exist in selective markets. At the same time, we are internally focused on our people strategy of becoming the employer of choice in the market. In addition, a number of operational initiatives are being driven simultaneously to improve our own internal processes to make Banking more effective and efficient. In conjunction with this, the Bank is implementing various new processes to comply with changes in the regulatory environment. The Bank will continue to invest in infrastructure, notably branches as well as other channels such as Advance Deposit Taking machines and Point of sale machines.

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 Regulator, 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 Group continues to manage its capital in line with the Board's approved capital management framework and Basel 2.5, being the new Bank of Botswana requirements which will be adopted in Botswana in 2016, and with parallel runs currently underway in 2015.
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. This is to give comfort to stakeholders that the Bank will be able to discharge its obligations to third parties in accordance with an indicated degree of certainty even under

stress conditions and would continue to operate as a going concern.

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

The Group's capital adequacy ratio, which excludes the dividend reserve, has been maintained at 18.99% as at 30 June 2015, and is above the Group's internal limit as well as the Bank of Botswana required ratio of 15%.

In line with the substantial growth in assets, the planned impact of the introduction of Basel 2.5, and the effect that these factors will have on the capital adequacy ratio, the Directors believe that it is appropriate to continue with the prudent approach to capital management.

On this basis, the Directors propose a final dividend of 11.0 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;
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, Risk and Remuneration.

SOCIAL RESPONSIBILITY

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

The FNBB Foundation, which has an independent board, supporting educational, arts and culture, and social welfare development in Botswana by identifying beneficiaries who are in need and deserving of assistance, and where such assistance will have real and lasting benefits.

FNB Botswana has committed to contributing up to 1% of its profit after tax to the Foundation. Since the inception of the Foundation in 2001, the Group has made grants in excess of P45 million to the Foundation, and in turn, the Foundation has approved donations and pledges to qualifying beneficiaries. Details of the foundation and criteria for eligibility can be found at the Group's website:

www.fnbbotswana.co.bw

DECLARATION OF DIVIDEND

Notice is hereby given that a final dividend of 11.0 thebe per share has been declared for the year ended 30 June 2015. The dividend will be paid on or about 23 October 2015 to shareholders registered at the close of business on 9 October 2015. The transfer registers will be closed from 12 October to 16 October 2015, 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 13 October 2015.

For and on behalf of the Board.

P D Stevenson
Chairman

S L Bogatsu
Chief Executive Officer

Gaborone, 12 August 2015

TRANSFER SECRETARIES

PricewaterhouseCoopers (Proprietary) Limited
Plot 50371, Fairgrounds
P O Box 294
Gaborone

INDEPENDENT AUDITORS

Deloitte & Touche
Plot 64518, Fairgrounds
P O Box 778
Gaborone

DIRECTORS:

Peter D Stevenson (Chairman),
Steven L Bogatsu (CEO – Executive Director),
Jabulani R Khethe (SA), Sifelani Thapelo, Michael W Ward,
John K Macaskill (SA), Nelson D Mokgethi, Mmasekgoa G Masire-Mwamba,
Leonard Haynes (alternate to J.R. Khethe) (SA),
Richard Wright (alternate to Steven L. Bogatsu)

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

MARKETING & **COMMUNICATIONS**
First National Bank of Botswana Limited
Plot 54362 First Place Central Business District
PO Box 1552 Gaborone Botswana
Tel: +267 370 6000 Fax: +267 390 6679