

FNB Botswana
Integrated Report

2024



Welcome to the 2024 report

First National Bank of Botswana Limited (FNB Botswana or the Bank) is part of the FirstRand Group¹ of companies and listed on the Botswana Stock Exchange. We are currently the market leader by balance sheet size and client numbers and operate an extensive physical and digital channel network.

Our purpose is to be a trusted partner committed to building a future of shared prosperity.

P1.8 billion
profit before tax
(FY2023: P1.4 billion)

49.4%
cost-to-income ratio
(FY2023: 49.0%)

(0.2%)
credit loss ratio
(FY2023: 0.6%)

35.5%
return on equity
(FY2023: 32%)

43 thebe
ordinary dividend per share
(FY2023: 32 thebe)

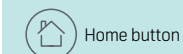
P19.4 billion
gross advances to clients
(FY2023: P17.3 billion)

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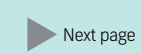
How to navigate this report

This report has been designed for an enhanced digital experience and navigation to ease readability on computer screens and mobile devices.

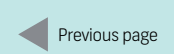
Navigation icons



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¹ www.firststrand.co.za



The report's compilation

This integrated report provides information on FNB Botswana's performance and activities for the financial year 1 July 2023 to 30 June 2024. It offers an integrated view of our ability to create and sustain value for all our stakeholders, both now and in the future. ●●

The report is supplemented by various online publications, stakeholder communications and engagements and additional information is available on our website: www.fnbbotswana.co.bw. Stakeholder feedback is important to us, and we welcome your input to enhance the quality of our reporting and disclosures. Please send your comments or suggestions to: investor@fnbbotswana.co.bw

Reporting frameworks and guidance

The content in this report is derived from the following reporting frameworks and governance requirements.

Key reporting frameworks applied	Integrated report	Annual financial statements
International Integrated Reporting <IR> Framework	●	
King Report on Corporate Governance for South Africa, 2016 (King IV)*	●	●
International Financial Reporting Standards (IFRS)		●
Botswana Companies Act of 2007 <i>As amended (Cap 42:01) through the Registrar of Companies</i>	●	●
Banking Act of 1995 <i>(Cap 46:04) Through the Bank of Botswana</i>	●	●
Corporate Governance Principles for Banks <i>Through the Basel Committee on Banking Supervision</i>	●	
Financial Reporting Act of 2020 <i>Through the Botswana Accountancy Oversight Authority</i>	●	●
Botswana Stock Exchange Equity Listings Requirements <i>Version 3.4, approved by the Non-Bank Financial Institutions Regulatory Authority with effect from 1 January 2019</i>	●	●
Guidelines on Corporate Governance for Banks/Financial Institutions Licensed and Supervised by the Bank of Botswana <i>22 November 2022</i>	●	

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Note: The Botswana Stock Exchange Sustainability Disclosure Guidance was released on 15 August 2024, post the FNB Botswana year-end. We will assess the guide and comply for the next reporting period.

Materiality

This report concentrates on material matters that significantly affect FNB Botswana's sustainability and ability to provide consistent value to stakeholders. Our material matters determination process and its outcomes are described on page 20.

Reporting time frames

We use the following general classifications when making time frame references in this report:

- Short term: Less than one year
- Medium term: One to three years
- Long term: Three to 10 years

Forward-looking statements

This report contains certain forward-looking statements about the Bank's anticipated performance, results, operations and prospects. Although these statements represent our future expectations and judgements, the opinions are subject to known and unknown risks and uncertainties that could adversely impact our business and financial performance. Undue reliance should not be placed on such opinions, forecasts or data. Forward-looking statements apply to the date on which they are made.

The Bank does not undertake any obligation to publicly update or revise any of its opinions or forward-looking statements, whether to reflect new data, future events or circumstances. The financial information on which the forward-looking statements are based has not been audited or reported on by FNB Botswana's independent external auditors.

Report approval

The Board is responsible for overseeing the integrity and completeness of this integrated report.

The Bank has internal policies, procedures and controls to ensure that accurate data is provided.

* K Mere was appointed on 3 July 2024 and P Mothopeng-Makepe was appointed on 20 August 2024. Both appointments occurred post-year-end subject to ratification at the upcoming Annual General Meeting (AGM).

The Audit Committee considered the accuracy of this report and the reliability of all data and information, after which it was submitted to the Board for approval.

In the Board's opinion, this report addresses all matters material to FNB Botswana's ability to create value. The Board is satisfied that the report offers a fair and balanced representation of the Bank's integrated performance for the year and was prepared in line with the <IR> Framework.

The consolidated annual financial statements were audited by Ernst & Young Botswana.

The Board approved this report on 14 October 2024.

Balisi Mohumi Bonyongo
Chairperson

John Kienzley Macaskill
Independent Non-Executive Director

Steven Lefentse Bogatsu
Executive Director
(Chief Executive Officer)

Massimo Marinelli
Independent Non-Executive Director

Mbako Mbo
Executive Director
(Chief Financial Officer)

Keneilwe Mere*
Independent Non-Executive Director

Doreen Ncube
Independent Non-Executive Director

Louis Frans Jordaan
Independent Non-Executive Director

Naseem Banu Lahri
Independent Non-Executive Director

Asad Petkar
Independent Non-Executive Director

Ephraim Dichopase Letebele
Independent Non-Executive Director

Lee-Anne Van Zyl
Non-Executive Director

Pinkie Mothopeng-Makepe*
Independent Non-Executive Director



A trusted banking partner

Providing integrated financial services

FNB Botswana provides a full range of banking services to individuals and businesses. We leverage innovative digital platforms to enhance client experiences and promote inclusive economic growth. ●●

Who we are



The successful implementation of the 2025 Strategy will bring our purpose to life.





Providing integrated financial services (continued)

Our services

Our financial services include transactional banking, savings and investment, credit and financing, merchant solutions, currency and commodity services, infrastructure and project finance, and advisory services.

How we serve

- Thuso (Real Help)
- Thuto (Education)
- Botho (Humility)

Our business segments

Segmental revenue contribution



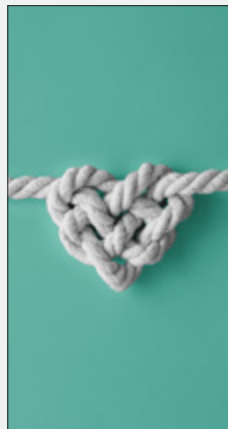
- 40%** ● Retail banking (FY2023: 46%)
- 23%** ● Commercial banking (FY2023: 25%)
- 19%** ● Corporate and Investment Banking (Rand Merchant Bank Botswana) (FY2023: 19%)

In addition to the three business segments, Treasury manages liquidity and funding and contributed 18% (FY2023: 10%) to overall revenue.

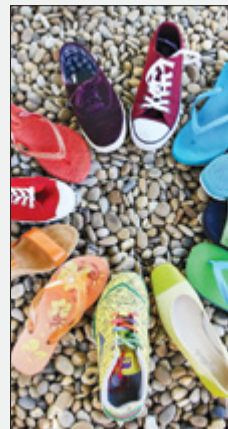
Our promises



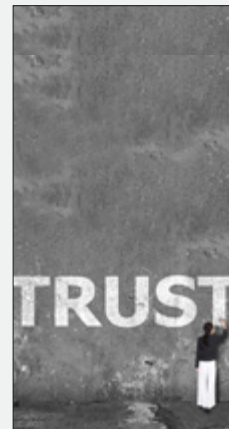
make a **promise.**



be **deeply invested.**



value our **differences.**



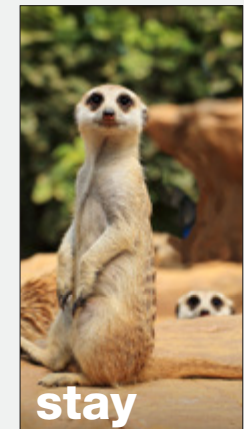
build **trust,** not territory.



have **COURAGE.**



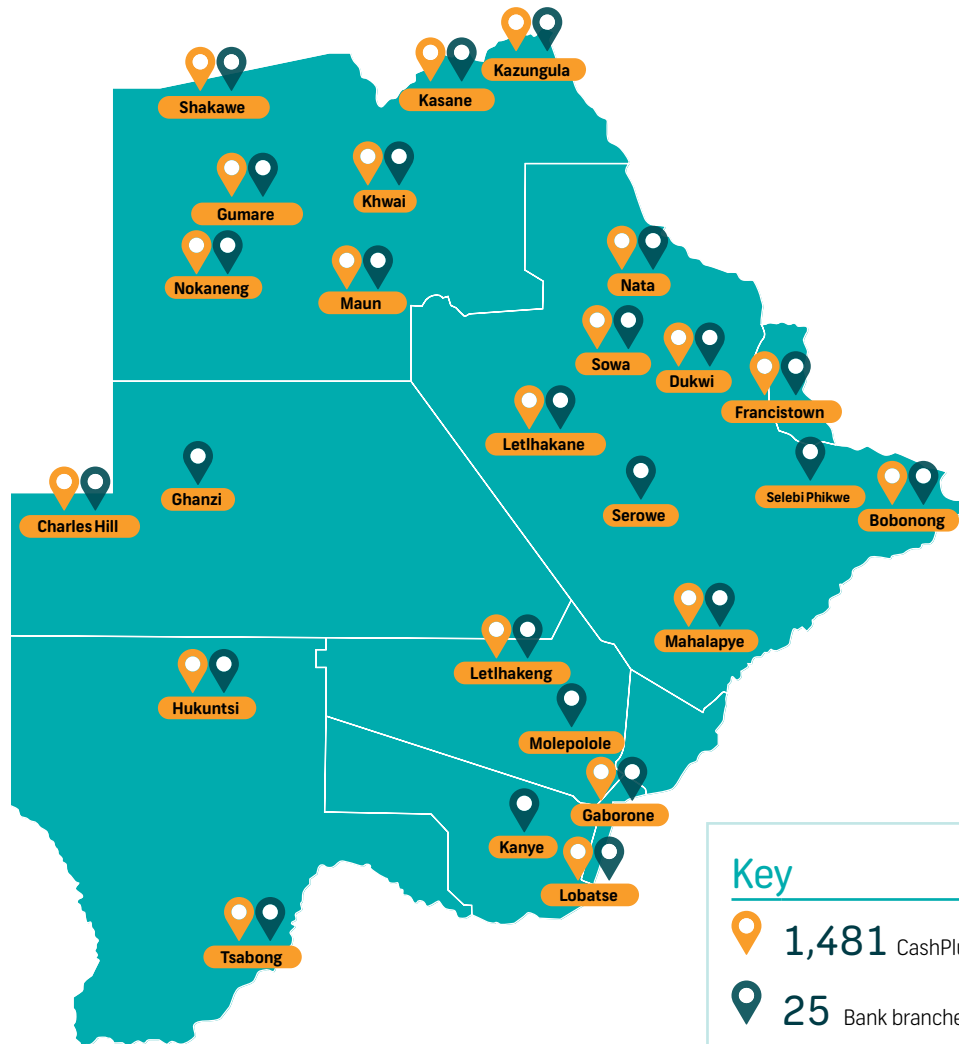
always do the right thing.



stay **curious.**



Extensive presence in Botswana



Key

- 📍 1,481 CashPlus agents
- 📍 25 Bank branches

FNB Botswana maintains an extensive presence across Botswana, ensuring client service accessibility based on preference, proximity and convenience. We serve our clients through an extensive branch and self-service network, digital channels, financial advisors, relationship bankers and merchant partners. ●●

1,602
employees
(FY2023: 1,636)

25
branches
(FY2023: 25)

172
automated teller machines (ATMs)
(FY2023: 163)

84
automated deposit teller machines (ADTs)
(FY2023: 78)

3
Premium Suites*
(FY2023: 3)

14,141
point-of-sale (POS) machines
(FY2023: 12,687)

24/7
toll-free Contact Centre

* A centralised place where high-net-worth individuals receive personalised relationship management, priority customer service and exclusive access to banking services.



Extensive presence in Botswana (continued)

Inclusive banking

CashPlus

1,481

CashPlus agents
(FY2023: 1,099)

CashPlus allows FNB and non-FNB clients to withdraw or deposit cash on FNB Botswana accounts at a CashPlus agent using only an active mobile phone number and one-time pin (OTP). See page 60 for more information.

6.7 million

CashPlus transactions
(FY2023: 4.7 million)

eWallet

14.4 million

eWallet transactions
(FY2023: 12.5 million)

eWallet allows FNB clients to instantly send money to anyone with an active cellphone number, even if the recipient has no bank account.

Speedee

411

machines rolled out

Speedee is a pocket-sized printer-less POS device for small and medium enterprises (SMEs) and merchants in the delivery business. Merchants can SMS or email receipts to cardholders after payments and receive an email breakdown of transactions. The device has no rental or application fees.



We will soon introduce the Speedee App which will allow merchants to accept payments using their android phones.

Cash@Till

302

partner stores
(FY2023: 304)

Cash@Till allows FNB clients to shop and withdraw cash seven days a week at partner stores nationwide by swiping their FNB Visa cards on POS machines.

226,555

transactions
(FY2023: 212,760)

P80 million

cash withdrawal value
(FY2023: P71 million)



FNB Banking App

330,000

FNB App users
(FY2023: 285,000)

The **FNB Banking App** (FNB App) allows FNB clients to bank and transact on-the-go, buy airtime and electricity, use their eWallet and process forex transactions. The FNB App also allows clients to update their Know Your Customer (KYC) information at their own convenience.

Zero-rated

(no data costs for clients)
across all Mobile
Network Operators

25 million

airtime purchases
(FY2023: 24 million)

3.6 million

electricity purchases
(FY2023: 3.5 million)



eWallet Pro

eWallet Pro is a card-based payment solution that offers businesses a secure and instantaneous way to make payments to both banked and unbanked clients via Online Banking Enterprise. Businesses can order a stock of cards that they can issue to payees, making it convenient to retrieve funds.

eWallet Pro is linked to a Visa card that allows recipients to swipe and make POS purchases.



Serving three client segments

FNB Botswana's business segmentation is founded on putting the client first and at the centre of everything we do. Our three business segments cater to the unique requirements of individuals, small and large businesses, and corporates. We offer solutions specifically tailored to the needs of each client segment. ●●

Centralised functions enable our three client segments. These are Channels, Information and Communication Technology (ICT), Operations, Finance, Human Capital, Marketing and Communications, Risk, Internal Audit, Compliance, Treasury, Legal and Sustainability.

	Retail banking		Commercial banking		Rand Merchant Bank (RMB)*	
Leadership	Monkgogi (Mo) Mogorosi <i>Director, Retail Banking</i>		Jennifer Makgabenyana <i>Director, Commercial Banking</i>		Harriet Mlalazi <i>Director, RMB</i>	
Clients	Individual clients throughout each stage of their financial journey, including children, students, solopreneurs and private business owners.		Small and large local businesses (including small, medium and large-scale enterprises), parastatals, local Government entities and non-governmental organisations.		Large corporates, including institutions in the mining, oil and gas, retail and telecommunications sectors, financial institutions, sovereign entities and diversified industries.	
Products	Comprehensive financial solutions tailored to multiple client segments, together with financial advice, planning and education.		Solutions addressing all business banking needs, including transactional banking, lending, trade and working capital solutions, merchant services, purchase order financing and Islamic banking.		Integrated and comprehensive range of investment banking solutions that encompass lending and advisory, global markets, custody and transactional banking.	
Indicators	620,657 active clients (FY2023: 577,036)	P6.7 billion client deposits (FY2023: P6.3 billion)	85,339 active clients (FY2023: 77,883)	P10.4 billion client deposits (FY2023: P9.3 billion)	355 active clients (FY2023: 329)	P7.4 billion client deposits (FY2023: P6.9 billion)
	P11.8 billion loans and advances (FY2023: P10.8 billion)		P3.6 billion loans and advances (FY2023: P3.2 billion)		P4.1 billion loans and advances (FY2023: P3.4 billion)	
	Read more on page 70.		Read more on page 72.		Read more on page 74.	

P5.5 billion Treasury deposits (FY2023: P0.8 billion). In addition to the three banking segments, FNB Botswana Treasury manages liquidity and funding.

* RMB is the Corporate and Investment Banking division of FNB Botswana and ensures the delivery of integrated corporate investment banking value propositions to corporate and institutional clients.



Attractive choice for investors

FNB Botswana is the largest of nine licensed commercial banks in Botswana by balance sheet size, client numbers and income, and the largest company on the Botswana Stock Exchange by market capitalisation. With a track record of steady income growth and consistent dividends, we are an attractive choice for investors seeking stability and long-term returns. ●●

Our presence

- 33** years in Botswana
- 706,000+** clients (FY2023: 655,000+)
- 51,000** new-to-Bank clients (FY2023: 25,000)
- 68.33%** net promoter score (NPS) (FY2019: 47.6%)

Our strengths

- Reliable outcomes to clients with competitive, tailored products and services
- Innovative approach to banking and technologically advanced solutions
- Large market share and brand loyalty supported by an extensive national footprint
- Our approach to shared prosperity
- Environmental, social and governance (ESG) integrated thinking
- Strong brand value and corporate culture
- Experienced and competent team

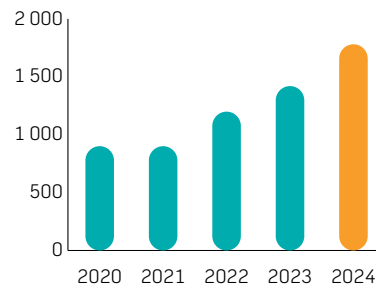
Strong governance

- 6** Board Committees
- 77%** Directors are independent
- 69.2%** Directors are local
- 38%** Directors are female
- 335** years combined Executive Committee (ExCo) experience

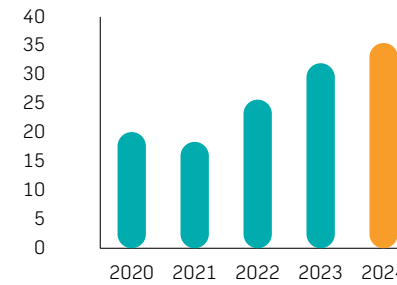
Solid financial position

- P1.8 billion** profit before tax (FY2023: P1.4 billion)
- 35.5%** return on equity (FY2023: 32%)
- 43 thebe** ordinary dividend per share (FY2023: 32 thebe)
- P19.4 billion** gross loans and advances (FY2023: P17.3 billion)
- P30 billion** client deposits (FY2023: P23.3 billion)

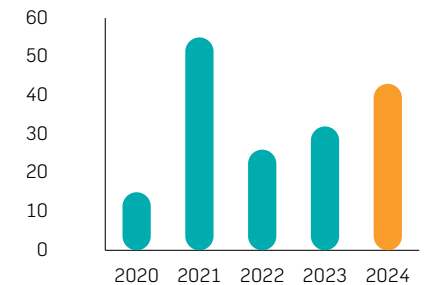
Profit before tax (P'million)



Return on equity (%)



Dividend per share (thebe)





Attractive choice for investors (continued)

Shared prosperity

Sustainable finance

P610 million
approved for sustainable finance projects across all business segments
 (FY2024 target: P520 million)

Human and social development

P11 million
in corporate social investment (CSI)
 (FY2023: P9.3 million)

Financial inclusion

P5.5 billion
transactional value through CashPlus
 (FY2023: P3.8 billion)

SME development

P390 million
procured through local companies
 (FY2023: P375 million)

Financial literacy and awareness

800,000+
individuals reached through financial literacy and awareness campaigns

ESG highlights

Approved the Diversity, Equity, Inclusion and Belonging Framework and Policy to foster a more inclusive workforce.

Completed the grid-tied solar solution at our Francistown building, which was certified by energy regulators. We realised a 22% energy efficiency.

This year's awards



Best Digital Bank Botswana
 2023 – Global Banking & Finance Awards



Most Innovative Retail Banking App Botswana
 2023 – Global Banking & Finance Awards



Best Bank in Botswana
 2024 – Euromoney Awards for Excellence



Africa's Best International Private Bank in Botswana and Namibia
 2024 – Euromoney Awards for Excellence



Africa's Best Bank for Ultra High-Net-Worth Individuals, Discretionary Portfolio Management, Philanthropic Advisory, Succession Planning and Sustainability
 2024 – Euromoney Awards for Excellence



Building a future of shared prosperity

In conversation with the Chairperson

This year, FNB Botswana maintained a positive financial performance trajectory amid a disrupted and fast-changing operating environment. ●●

What factors impact FNB Botswana’s macro-economic environment?

We saw sustained recovery in the global economy, characterised by decreasing inflation. This, in turn, led to better trading conditions for our Commercial and RMB clients. On home soil, inflation fell to within the 3% to 6% policy range, which somewhat eased pressure on the disposable income of our Retail clients.

This was boosted by a stimulus budget announced by Government for the financial year ending March 2025. We have seen positive spending patterns since this announcement, and our transaction volumes, in particular, reflect increased business activity.

Diamonds still represent a significant share of Botswana’s export earnings. Normalisation in the global diamond market is progressing, albeit slower than we expected. Despite buoyancy in Indian import volume growth, diamond stockpiles remain elevated, particularly in the midstream segment of the global value chain, and these excesses have weighed on market prices.

Global diamond market sentiment remains under pressure due to the rapid growth in demand for lab-grown diamonds. Furthermore, sustained depressed economic confidence in key global markets, particularly China, clouds the more immediate outlook.

Limited diversification away from diamond mining activity, including from a fiscal revenue standpoint, leaves Botswana vulnerable to significant downside risk if natural diamond sales continue to decline or collapse.

This year’s elections in Botswana and South Africa present short-term headwinds to policy continuity, but we do not expect changes to policy or economic reforms in the medium to long term. However, there have been delays in implementing critical operational reforms in Botswana, such as rationalising state-owned enterprises and

offloading some public services to the private sector. This limits the Bank’s ability to assist in driving sustainable economic development and negatively impacts unemployment levels.

Finally, because of the persistent drought in Botswana, most subsistence farmers have had none to negligible harvest. Commercial crop farmers were equally affected, leading to critical supply shortages of grain that introduced fresh inflation concerns. Government has responded with various relief measures aimed at modernising agriculture in the medium to long term, while providing short-term safety nets. While these measures are necessary, they increase pressure on the national fiscus.

What operating challenges did the Bank experience this year?

The Bank continues to experience relentless competition from both competitor banks and non-banks, particularly Mobile Network Operators. As a result, we introduced several products and services this year, such as eWallet Pro, Speedee, an automated credit scoring process, and KYC updates on the FNB App to counter competition. These solutions are discussed later in this report.

Our compliance risk profile has been ranging between close to appetite and outside appetite due to the introduction of various regulations impacting our internal controls, such as the Botswana Data Protection Act, Deposit Insurance Scheme Regulations of the Bank of Botswana, and potential amendments to the Banking Act. Although such regulations intend to safeguard the integrity of the financial services sector, remediation and alignment are required to ensure compliance. This requires new resources and skills capacity, which increases our headcount.

How did FNB Botswana perform in this challenging environment?

The Bank’s resilient performance is characterised by strong profitability, efficient operations and a healthy balance sheet. Key performance metrics continue to outpace past performance and remain at either the top end or above the ranges stipulated in our Risk Return Framework.

Our 2025 Strategy has positioned us well to withstand operating shocks. We invest significantly in empowering employees, and this year, we revamped our employee value proposition to reflect our commitment to putting people first, enhancing careers, celebrating success and nurturing talent.

The strategy has also led to various solutions to address client angst. The success of these solutions is evidenced in our biennial External Client Satisfaction Index. The index resulted in a 3.71% improvement from the previous survey. We scored 86.6% in 2023 compared to 82.84% in 2021.



What is your approach to shared prosperity?

FNB Botswana’s purpose is to build a future of shared prosperity, and this means we must do business in a manner that benefits the Bank and the communities we serve. More specifically, we must intentionally use core business activities – including our role in allocating capital to the economy – to add value to society, profitably and at scale.

FNB Botswana recognises that we have a responsibility to deliver both financial value and positive societal (including social, environmental and economic) outcomes for multiple stakeholders, as captured in our purpose statement of delivering shared prosperity. We have five shared prosperity focus areas that the Board actively tracks. At the end of 2025, the Board will review these focus areas to determine their relevance to societal needs.

This year, we achieved some standouts in terms of shared prosperity. We set a target to service 30% of areas designated as remote through our CashPlus solution and achieved more than 41% coverage. Metrics on the number of agents and volume of transactions were also exceeded.

In terms of sustainable finance, we set a target of P520 million across all business segments to gauge market appetite. This target was exceeded by 17% as we approved P610 million in green loans across our business segments.



In conversation with the Chairperson (continued)

Our involvement in initiatives such as the Mmadinare Solar Cluster Project and Selebi Phikwe Citrus contribute to the country's renewable energy and economic diversification agenda.

We remain deliberate about supporting SMEs. We exceeded our target for Commercial advances granted to SMEs, partly by introducing an automated credit scoring process. We have also revised our strategies to ensure that we optimally participate in the Citizen Economic Empowerment Programme (CEEP). We are positive that our strategies will yield a positive result for both the Bank and the beneficiaries of CEEP.

We increased our own procurement from local enterprises by 3%, bringing total spend on local entities to 95% of our procurement. We launched The "FirstPreneur" Entrepreneurship Development Pilot Programme to develop and foster growth in the SME sector. We also expect our new Speedee solutions to provide businesses in the informal sector with a simplified, convenient and affordable alternative to POS machines. As part of our strong commitment to serving the unbanked population, we introduced eWallet Pro, an innovative disbursement solution that effectively closes the gap resulting from the phasing out of cheques in December 2023.

What progress is the Bank making in transitioning to a low-carbon world?

As a responsible corporate citizen, we are reducing our environmental impact through waste, water and energy management. The solar project in our Francistown office was completed and certified, and this year fed about 22% of power back into the national grid.

From a financing perspective, the Bank, in support of the Paris Agreement, commits to aligning its financial flows to help the Government of Botswana realise its Nationally Determined Contributions and achieve an overall emissions reduction of 15% by 2030. We seek to position ourselves as a transition financier to facilitate the transition from a high-carbon to a low-carbon economy.

We have made public funding commitments on coal, gas, oil and related infrastructure in our Energy and Fossil Fuels Financing policy. We will cap the coal financing portfolio at P1 billion of the total book until 2025 and revise to P750 million by 2030 with a view to divest over time. We also have frameworks in place that enable us to

provide pricing incentives for transactions that encourage emissions reductions and promote ESG-conscious operations.

Although the Board has approved a Climate Change Policy, the Bank is still building capacity to fully operationalise this policy. We are yet to define and build processes to measure our Scope 1, 2 and 3 emissions. Until these processes are in place, it will be difficult to fully appreciate the Bank's efforts towards decarbonisation. We are working with the FirstRand Group to quantify our emissions; this will enhance our disclosure.

How does the Board ensure good governance?

We pride ourselves on the diverse skills of our Board, including leadership, strategy, banking, risk management, finance, audit and human capital. Some Directors also have mining and engineering, accounting, commerce, ICT and legal expertise. We are confident that this skills base, coupled with the diverse background of the Directors, enables the Board to adequately deal with emerging and future challenges.

The Directors' Affairs and Governance Committee (DAGC) oversees governance of the Board and discharges this mandate in line with regulations, governance codes and best practices as entrenched in our Board Governance Framework.

Ethical conduct is monitored through the Board Compliance and Conduct Committee (BCCC), which focuses on market and business conduct. The BCCC also monitors FNB Botswana's compliance with regulatory matters, and the Board is satisfied that this Committee has discharged its mandate.

41%+
areas designated as "remote" serviced through CashPlus (FY2023: 40%)

P610 million
approved for sustainable finance projects across all business segments (FY2024 target: P520 million)

28%
Commercial advances granted to SMEs (FY2023: 26%)

95%
procurement spend paid to local enterprises (FY2023: 92%)

What lies ahead?

The Board is comfortable that the Bank's strategic initiatives and prudent risk management practices position us well for sustainable growth and long-term success next year and beyond.

We remain committed to delivering value to our stakeholders through continued innovation, operational excellence and financial strength.

In the coming year, the Board will continue to closely monitor compliance, data and operational risks. The Bank is entering the final year of the 2025 Strategy, and we look forward to contributing our insights into the strategy post-2025. This will likely include a focus on diversifying our revenue streams beyond banking, monitoring our platform to ensure that it is fit-for-purpose, sustaining financial returns and further integrating shared prosperity in our strategy and operations.

Appreciation

I thank my fellow Board members, the ExCo team and FNB staff for their hard work and dedication during disruptive and often difficult conditions. They are key contributors to the Bank's resilient performance. I also extend my thanks to our clients for partnering with us on this journey to a future of shared prosperity.

The Board also welcomes three new female Directors, Ms Lee-Anne Van Zyl, Ms Keneilwe Mere and Ms Pinkie Mthopeng-Makepe. We look forward to their contribution and perspectives.



Balisi Mohumi Bonyongo
Board Chairperson





The CEO's reflections

Clients' requirements for financial solutions evolve continually, and new and established players are increasing competition in the market. In this environment, FNB Botswana is headstrong in executing our 2025 Strategy while pivoting where needed to address emerging trends. ●●

Economic recovery

Data on the local front has reflected the challenges faced by the diamond sector, given low diamond sales (compared to last year) and excess global inventories. As a result, we expect growth to be curtailed this year but remain positive, before rebounding next year as global prospects improve. We anticipate a gradual recovery in the diamond market over the next 12 months, however, natural stones will face continued competition from lab-grown stones, potentially limiting natural diamond production. As a result, diversification will be critical to cushion the economy from external vulnerabilities related to the diamond sector.

Over the medium term, we expect increased activity in the construction sector as projects that faced delays this year gain traction – the next phase of national development planning will also provide impetus for growth. A ramp-up in infrastructure delivery will improve the local operating environment, enhancing the ease of doing business in Botswana. Other sectors, such as agriculture, should also benefit from the current drought conditions receding, with above-average rainfall expected over the next season. This, coupled with the extensive support measures to the sector, will reveal opportunities for growth along the agricultural value chain.

We remain cognisant of the potential impact of the Botswana general election in October 2024. As in all countries, there is the possibility that upcoming elections may interrupt policy direction and priorities. However, overall, we expect the positive economic trajectory to continue.

Preference towards digital

In the banking sector, we have witnessed increasing preference for digital platforms instead of brick-and-mortar channels. If we were to consider digital adoption as pull or push, the early years of our 2025 Strategy were characterised by the Bank 'pulling' clients towards technology and its benefits. This year, volumes on our online and

digital platforms have improved significantly, indicating that clients are beginning to 'push' for digitalisation in recognition of its convenience and efficiency.

The growing preference for digital solutions confirms the relevance of FNB Botswana's 2025 Strategy, which has digital transformation at its core.

Increased digital adoption has increased our responsibility to safeguard clients' assets. This year, we conducted mandatory employee training on fraud awareness and cybersecurity, as well as client awareness and education campaigns. We also invested significantly in processes and systems to monitor potential suspicious transactions so we can act proactively in suspected cases of fraud or anti-money laundering (AML).

The KYC check remains an important regulatory tool for identifying and verifying a client's identity. We introduced KYC on the FNB App, which allows clients to review, verify and submit their KYC information online. This increases the ease of doing business with the Bank and assists us in improving the quality of client data and reducing the risk of fraud.

Technology and platform investments

We are privileged to benefit from a world-class banking platform* that continues to evolve with innovative products and solutions. The Bank is on a platform modernisation journey to upgrade our applications to make processes safer and more efficient and enable clients to do things for themselves.

Clients access the platform through the FNB App or website. This enables clients to fulfil their banking needs at their own convenience without having to queue at the branches.

The platform modernisation journey is a multi-year programme, and the initial enhancements are beginning to yield results. We expect to see the delivery of new functionality accelerating over the next year.

- Security is a big focus as we work to reduce and prevent fraud. We have been actively enrolling clients in our biometric enrolment and verification system, which allows clients to be authenticated through facial recognition rather than signatures or pin numbers, which are prone to fraud.
- We recently went live with a new enterprise telling solution in all our branches that allows for more seamless and efficient processing of transactions for clients while reducing the risk of error and fraud.

* A banking platform is a technology stack that hosts banking solutions and authenticates client interactions, ensuring a seamless, efficient and secure experience across all functions.

63%
clients using at least one of our digital channels (FY2023: 87%)

62%
Retail clients using the FNB App (FY2023: 54%)

- We launched our first complete end-to-end digital sales process for non-scheme personal loans for existing-to-bank clients and are working hard to implement more such solutions.
- We were excited to go live with MyProfile on the FNB App, which enables clients to maintain their personal information and upload documents where needed. This is a significant step forward in simplifying the cumbersome KYC process and enabling clients to maintain their information from anywhere without having to queue at a branch. We are hard at work to deliver the same experience for our business clients.
- In the coming year, we will be going live with new-to-Bank profile registration and account opening. For the first time, any person wishing to bank with FNB Botswana will be able to download the FNB App, register their profile, upload their documents, open an account, and order a card – all from the comfort of their home or office.

We continue to review our processes to see where we can simplify them to make things easier, quicker and safer for our clients by reducing hand-offs and increasing automation and system integration.

We are proud that this platform modernisation journey is being achieved with our own developers, who are part of the team working on the Group platform. Botswana talent is actively contributing to a global banking platform that solves for Botswana, regional and international requirements.

War for talent

To support and enhance our digital solutions, we require suitably skilled and engaged employees together with a robust succession pipeline. We provide learning and development opportunities to all employees to ensure that their skill sets remain relevant and up to date. However, this also means that our employees are in high demand among competitors. Losing employees in critical positions remains a key risk, and there is a market shortage in data, cybersecurity, risk and compliance skills, in particular.

In response, we reviewed and revised our employee value proposition. Most of our workforce are young people, so we aim to create a work environment conducive to the youth and those starting families. We offer work-from-home opportunities, and our leave policy was aligned with international trends, including 10 days paid paternity leave and four months paid maternity leave.

Our employee value proposition positions us as an employer of choice that puts people first and empowers solutionist thinking.

We have a daycare centre in Gaborone called Kids Lounge, and we offer a range of wellness services, including gyms and access to healthcare and wellness practitioners. In areas where economies of scale prohibit us from providing such services directly, we look to partner with third-party suppliers.



The CEO's reflections (continued)

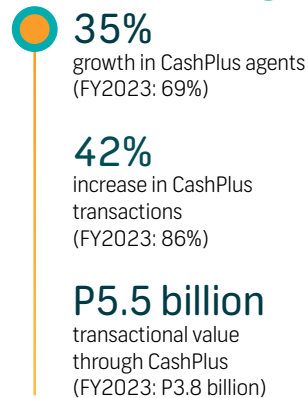
Partnerships for inclusive banking

FNB Botswana supports Government's drive towards financial inclusion. With a legacy spanning over 30 years and a reputation for innovation, we continue to attract clients with diverse financial needs. However, we operate within a Board-approved risk appetite, and there are limits to our ability to extend credit to higher-risk clients.

To address the needs of these clients, we explore partnerships with corporates to reduce our risk while still enabling us to provide the required financial services. For example, we have a strategic partnership with diamond producer Debswana, in which they provide support and preferential procurement to citizen-owned companies, while we provide financial support. This partnership allows us to extend credit to SMEs with limited risk exposure.

Supporting SMEs is a key component of our purpose to deliver shared prosperity. Through The "FirstPreneur" Entrepreneur Development Programme, we are focused on developing youth- and women-owned SMEs. We are confident that these SMEs will grow in their contribution to the economy and are key contributors to our ecosystem and long-term sustainability.

This is the fifth year of our CashPlus solution, surpassing all targets and expectations. With a humble beginning of only five agents, we now have 1,481 agents and an average monthly transaction value of P458 million. Our partnership with CashPlus agents gives us a presence in remote areas and broadens access to financial services in previously underserved communities.



Business segments' performance overview

Retail Banking 8% increase in client base (FY2023: 3%)

This is our largest segment in client numbers, loans and advances. The segment has performed exceptionally well despite a high rate of unemployment exacerbated by the effects of Covid-19 and prevailing economic challenges. Disposable income was stretched due to inflationary pressures noted during the period. To provide relief, the Bank introduced fee waivers for some basic transaction fees and focused on strengthening relationships with clients and solving their angst.

Commercial Banking 13% increase in advances (FY2023: 6%)

Commercial banking has experienced a significant recovery following the downturn caused by Covid-19. We entered several bank-client-corporate partnerships that enabled us to extend financing while remaining within our risk appetite.

The segment continues to play a pivotal role in supporting SMEs, as evidenced by 18% growth in credit extended to SMEs, and increased contribution of 28% to the commercial loan book (target: 30%). Appropriate credit management limited the increase in non-performing loans. In addition, WesBank's revamped asset-based finance offering contributed to the increase in the commercial loan book, supporting both SMEs' needs and CEEP.

Our strategic focus on "Trophy" client acquisition and retention has led to a 10% increase in the client base compared to the previous financial year.

In line with our strategic pillar to grow non-interest revenue, we introduced Speedee App, a soft POS machine that enables small businesses to conduct cashless transactions when selling their goods and services, targeted to support mostly the informal sector. A total of 411 machines were sold in the financial year and more impact is expected as we increase uptake.

Significant growth was achieved through increased POS machines; in the year under review, our machines increased to 14,141, translating to 2,368 additional devices.

RMB 20% increase in advances (FY2023: 12%)

This year, RMB's focus was anchored on impactful balance sheet growth with ESG, and sustainable finance was a key priority. RMB approved P588 million in green assets and is positioning itself as an ESG expert through advisory services to both clients and Government. Another avenue for impactful balance sheet growth was funding strategic entities, including sovereign entities and non-bank financial institutions.

Looking ahead

Businesses' performance scorecards are traditionally weighted in favour of shareholders, sometimes at the expense of other stakeholders such as clients, employees and communities. Although the Bank entered Botswana later than some of our competitors, we are now the largest commercial bank in the country and have the lion's share of the market. To sustain this performance, we need to take all our stakeholders with us on a journey of value creation.

This coming year is the last lap in our 2025 Strategy and we are on track to meet most of our targets, including those related to our people, clients and communities. As we draw the curtain on 2025, we will begin working towards our 2030 Strategy.

While digital solutions may be a differentiator today, we believe the time has come to build on our solid digital foundation by going back to basics. Our future strategy will be centred on simplicity and customer experience. It will be about making a positive impact through everything we do.

Appreciation

I thank the Chairperson and Board for their support, particularly their guidance towards achieving our 2025 Strategy. We are proud to have a loyal base of clients that support us, and this is reflected in the growth of new clients every year. We look forward to providing you with financial solutions and exceptional client experiences to meet your expectations and ever-evolving needs.

Finally, I thank all employees for their contribution this year. It is only with your dedication and hard work that we can achieve our targets. We will continue our work to be an employer of choice, and I encourage you to nurture your innovative spirit so we can succeed in this journey together.

Steven Lefentse Bogatsu
Chief Executive Officer (CEO)





Insights from the CFO and Treasurer

We exceeded many of our own financial targets and remained comfortably within the prudential limits set by the Bank of Botswana. Although our operating environment remains disrupted, our blended approach of comprehensive capital, funding and credit risk management has yielded positive results. ●●

Performance overview

We started the financial year with one of the highest inflation rates in recent times, which had a negative impact on our relatively large fixed-cost base. The Monetary Policy Rate also moved against our expectations, decreasing from 2.65% at the start of the financial year to 2.15% at its end.

As a resilient business, we were able to refocus and remodel to meet the ever-changing dynamics in our market. This has enabled the growth in our total income of 21% (FY2023: 15%) year-on-year despite strained disposable income among consumers and increased competition in the market. Our balance sheet increased by 22% (FY2023: 9%), driven mainly by advances growth. Retail loans grew by P1.1 billion (11%), while Commercial and RMB loans were up 16% and 20%, respectively.

Key indicators (P'million)	FY2024	FY2023
Net interest income	1,839	1,482
Impairments	48	(94)
Non-interest revenue	1,584	1,487
Operating expenses	(1,691)	(1,455)
Tax	(394)	(304)
Profit after tax	1,387	1,116

Key financial indicators

21%

increase in total Bank income
(FY2023: 15%)

Total Bank income increased, driven primarily by a pre-impairment interest income uplift of P444 million (23%). In addition, interest from Treasury placements grew by P237 million (56%), benefiting from both volumes and rates, particularly from within the United States Dollar environment where yields increased favourably.

24%

increase in net interest
income before impairment
of advances
(FY2023: 27%)

Gross interest income increased by 23% (FY2023: 36%) due to interest on advances growing by 14% on account of a higher momentum year-on-year, despite two MoPR cuts culminating to 50 basis points. 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.

36%

increase in net interest
income after impairment
of advances
(FY2023: 25%)

Impairments decreased by 151% (FY2023: 86% increase). There was an overall credit impairment release of P48 million in 2024 compared to an overall charge of P94 million 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.

Foreign exchange and trading income increased by 7% (FY2023: 13%) despite the sustained margin compression owing to competition. The increased activity in Pula:Rand trading, with the strengthening of the Pula, encouraged travel to and purchase of supplies from South Africa.

Non-interest revenue increased by 7% (FY2023: 7%). This was driven largely by growth in volumes improving key income drivers, such as service fees (6%), card commissions (21%), forex (7%) and custody (13%).

25%

increase in profit before tax
(FY2023: 18%)

Profit before tax at year-end was P1.8 billion (FY2023: P1.4 billion).



Insights from the CFO and Treasurer (continued)

Key financial indicators (continued)

P933 million

net income after cost of capital (NIACC)
(FY2023: P690 million)

In addition to measuring our profit before tax, we apply a capital charge to our profit to determine the NIACC.

NIACC increased by 35% due to the 24% increase in profit after tax.

35.5%

return on equity
(FY2023: 32%)

Return on equity increased as a result of the 24% increase in profit after tax.

49.4%

cost-to-income ratio
(FY2023: 49.0%)

Total expenses increased by 16% (FY2023: 12%) as a result of an increase in employee costs (14%), ICT costs (32%), and support and ICT development costs (27%).

The increase in ICT support and development costs of 32% (FY2023: 36%) reflects our focus on operational efficiencies and customer experience improvements.

Total employee costs increased by 14% (FY2023: 16%) and were influenced by the annual employee remuneration review as well as a number of enhancements to our employee value proposition.

These cost increases lead to the closing cost-to-income ratio of 49.4%.

(0.2%)

credit loss ratio
(FY2023: 0.6%)

The credit loss ratio remains low at (20) basis points (FY2023: 58).

43 thebe

ordinary dividend per share
(FY2023: 32 thebe)

The Board proposed a final dividend of 27 thebe (FY2023: 20 thebe). This is in addition to an interim dividend of 16 thebe (FY2023: 12 thebe) declared and paid to ordinary shareholders.

Capital management

Capital is managed in line with our Capital Management Framework. Capital allocation is based on expected demand from our business units, primarily the Retail, Commercial and RMB segments. The remaining capital is invested into risk-free interest-bearing instruments.

Our investment portfolio is 60% structural, meaning that this portion is held until the maturity of securities. The remaining 40% is tactical, allowing us to seize opportunities to ensure our capital is optimally invested.

The Bank of Botswana reduced the capital adequacy ratio (CAR) requirement from a minimum threshold of 15% to 12.5% following the outbreak of Covid-19, and discussions are ongoing on whether to re-adjust this ratio. Our internal Board limit of 16% has remained the same throughout this period. The Bank's capital is also stress-tested each year to ensure that it remains sustainable for the coming three years.

	FY2024	FY2023	FY2022	FY2021	FY2020
Interim dividend per share (thebe)	16	12	10	6	7
Final dividend per share (thebe)	27	20	16	9	8
Special dividend per share (thebe)	-	-	-	40	-
Total dividend per share (thebe)	43	32	26	55	15
Dividend cover (times)	1.3	1.4	1.4	0.5	1.8
CAR regulatory minimum (%)	12.5	12.5	12.5	12.5	12.5
CAR pre-dividend (%)	21.7	20.5	19.5	25.1	22.5
CAR post-dividend (%)	19.0	18.1	17.9	17.9	21.4

At year-end our CAR was 21.7% (FY2023: 20.5%), permitting a total dividend for the year (interim and final) of 43 thebe (FY2023: 32 thebe), representing a 34% increase year-on-year. Our post-dividend CAR of 19.0% (FY2023: 18.1%) is still well above the minimum regulatory threshold and allows us to fund client needs into the future.

Our capital management strategy is to ensure an optimal level and composition of capital to achieve a sound return on equity and sustainable dividends to shareholders.



Insights from the CFO and Treasurer (continued)

Funding and liquidity

Our funding composition is predominantly driven by client deposits, about 70% of which are non-maturity-type deposits, such as call, savings and current accounts. As a result of this composition and the type of solutions we offer, our cost of funding is very low compared to market.

Deposits by type (P'million)	FY2024	FY2023	Change
Current and managed accounts	16,505	11,170	48%
Call and term deposits	11,787	10,610	11%
Savings accounts	1,729	1,553	11%
	30,021	23,333	29%

Although Basel III has not yet been adopted in Botswana, we have taken a proactive approach and already adhere to some of these requirements. We track ratios such as liquidity cover, single deposit and top 20 depositors. Our liquid asset ratio (LAR) of 23% aligns with the Bank of Botswana's target of 10% and our internal target of 12.5%.

The Government changed Botswana's pension fund regulations by increasing the requirements for local asset managers from a 30% minimum domestic allocation to 50%, effective 1 June 2023. This significantly increased the liquidity available to the market and led to the Bank introducing new solutions to cater for the repatriation of funds.

We optimise our funding profile within structural and regulatory constraints so we can operate efficiently and sustainably. Liquidity buffers are maintained by actively managing high-quality liquid assets that are available to protect against unexpected events.

Deposits

Deposits increased by 29% (FY2023: 9%).

Retail deposits increased by 7% (FY2023: 14%) due to a 21% growth in savings deposits.

Commercial deposits increased by 12% (FY2023: 11%) resulting from continued improvement in the trading environment and client retention.

RMB deposits increased by 6% (FY2023: 4%) following a marked decrease in term deposits as the segment continues to review its deposit mix strategy amid heightened market cost of funding.

Treasury deposits increased by 574% (FY2023: 4%) as a result of the localisation of pension funds previously held offshore. These funds constitute the bulk of the P6.7 billion (29%) growth in the overall deposit base.

Advances

Net advances grew by 14% (FY2023: 8%) overall, driven primarily by growth across all the segments led by a P1.1 billion (11%) growth in Retail loans. Commercial and 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.

Retail advances increased by 11% (FY2023: 7%) as a result of a 15% growth in personal loans.

Commercial advances increased by 16% (FY2023: 8%) due to the Commercial Asset-Backed Finance (WesBank) portfolio, which grew by 42%.

RMB advances increased by 20% (FY2023: 11%) as a result of landmark deals closed in line with the Bank's sustainable finance ambitions; RMB participated in a large solar plant deal and fully financed a green building for a corporate.

The loan-to-deposit ratio remained relatively flat year-on-year at 62% (FY2023: 70%) and is one of the lowest in the market.

Deposits by segment (P'million)

	FY2024	FY2023
Commercial	10,397	9,269
RMB	7,412	6,990
Retail	6,693	6,253
Treasury	5,537	821
Total	30,021	23,333

Advances by segment (P'million)

	FY2024	FY2023
Retail	11,779	10,757
RMB	4,062	3,391
Commercial	3,564	3,157
Total	19,406	17,306



Insights from the CFO and Treasurer (continued)

Credit risk

We take a prudent approach to credit risk management that begins at origination. Risk is evaluated per applicant, at a portfolio level and across business segments, sectors and industries to ensure a balanced approach. The credit assessment process is rigorous, and significant transactions must be approved by the Board Credit Risk Committee (BCRC) or directly by the Board.

Over the past year, we improved systems, processes and resources to ensure our collection efforts bear fruit. Our recovery process is deliberately designed to be respectful and treat all clients with dignity.

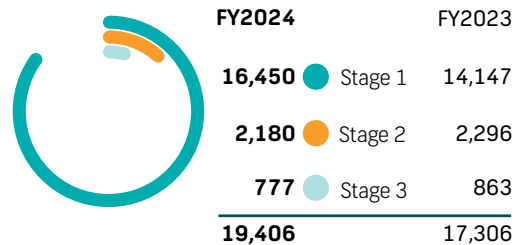
We provide for expected credit losses in line with IFRS 9. Our Stage 1 (performing loans) portfolio increased as the Bank saw growth across all segments, which aligns with our expectations and risk appetite. The Stage 2 portfolio is predominately driven by a significant increase in credit risk following a cautious approach to credit risk management. However, we experienced a marked reduction in clients who missed payments.

The Bank has seen a significant improvement in the Stage 3 (credit-impaired loans) portfolio. Some of the risk we provided for during Covid-19 has not materialised, and we are seeing improved collections and recovery on Stage 3 loans, as well as movement from Stage 3 back to Stage 2.

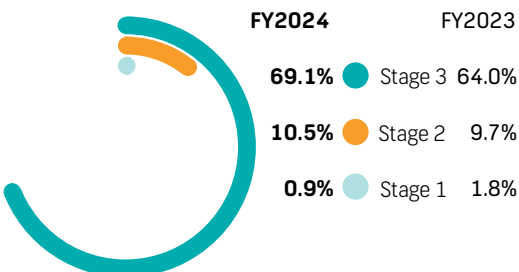
Non-performing loans (NPLs) decreased by 10% (FY2023: 8%) year-on-year from P863 million (FY2023: P802 million) to P777 million (FY2023: P863 million).

The NPL/gross advances decreased at 4% (FY2023: 5%) year-on-year.

Gross advances by stage (P'million)



Balance sheet provisions and coverage (P'million)



While we actively seek opportunities to support existing clients and grow our client base, we will continue to be cautious in maintaining the quality of our credit book.

Outlook and key focus areas

Economic prospects in Botswana look promising over the medium term. We anticipate gross domestic product (GDP) growth of approximately 4% on average, primarily supported by a recovery in diamond sales and (by implication) production, as well as improved performance from copper mining. Inflation should continue to moderate over 2024 and average within the Bank of Botswana's objective range over the medium term.

We expect consumers to continue supplementing their purchasing power by borrowing on an unsecured basis to help pay for necessities, which accounts for the bulk of household consumption. Electricity and transport infrastructure expansion are two key focus sectors for Government, so credit extension to firms best positioned to benefit from these projects should remain relatively vibrant.

In terms of operations, cost management will remain a priority as we shift resources from non-core business activities to those with the highest impact on customer experience. We expect digital migration to increase, along with transaction volumes and general growth in our client base.



Mbako Mbo
Chief Financial Officer (CFO)



Tshepiso Mokgethi-Magapa
Treasurer





Insights from the CFO and Treasurer (continued)

Role of banks in society and the economy

Banks play a multifaceted role in society. They are essential intermediaries in the economy and contribute to financial stability, economic growth and social responsibility.

Economic intermediation: One of the primary functions of banks is to act as intermediaries between savers and borrowers – they attract savings from individuals and businesses, which are pooled and lent to those seeking credit. The scale at which this is done reduces transaction costs and the risks associated with lending.

Capital allocation: By lending to productive investments, banks improve the allocation of capital in the economy. This enables individuals to make large purchases like homes and cars, while allowing savers to access funds when needed.

Economic stability: Banks are crucial for maintaining economic stability. They provide a place for safekeeping money and ensure liquidity in the economy. Banks also contribute to the money supply through their lending activities, which can influence inflation and interest rates.

Economic growth: A well-functioning banking system is vital for economic growth as it supports commerce by providing the capital for businesses to expand and innovate. This, in turn, creates jobs and stimulates further economic activity.

Social responsibility and sustainable development: Banks can influence corporate behaviour and contribute to sustainable development by financing projects that align with the United Nations Sustainable Development Goals (SDGs). This includes investing in renewable energy, supporting local communities and fostering ethical business practices.

Our role in society and the economy

We fund key sectors of the economy and entities that drive the economy. Our involvement in impactful lending cuts across mining, financial services, energy and export services. We support state-owned entities, parastatals and other large institutions in executing their mandates. We operate as a partner with Government, assisting not only from a funding perspective but from a capacity-building perspective. Our foreign exchange solutions facilitate cross-border trade, stimulating economic activity. These activities are underpinned by our reliable platforms. Sustainable finance is a developing imperative as we seek to transition to a low-carbon economy, and we are increasing our activity in that space.

In supporting economic growth and diversification, we have initiatives directed at supporting and growing SMEs, as they are the engines for economic growth. Our participation in CEEP and our purchase order financing solution are aimed at supporting small business activity. We launched The "FirstPreneur" SME Development Programme which aims to address SME challenges and capacitate them for growth.

Our Retail business supports individual activities as clients save and borrow for their needs.

From a societal perspective, we invest deeply in the communities around us through corporate sponsorships and the FNB Botswana Foundation, which is the CSI arm of the Bank. We carefully considered and selected five focal areas for impact, and that is where we consistently channel our support. We have also entrenched a culture of giving back through our Employee Volunteer Programme, which encourages employees to engage in community service.

More information on all these activities is provided throughout the report.

2024 national budget review seminar

The delivery of the FY2024/2025 national budget came during a period of heightened geopolitical tensions and disrupted global supply chains due to conflict in the Red Sea. Given that 2024/2025 marks the final year of Botswana's Transitional National Development Plan, the country will need to undergo structural reforms to cushion itself from external vulnerabilities and build a resilient economy in the lead-up to 2036.

FNB Botswana firmly believes that the private sector has a key role to play in the national economic discourse as economic agents and contributors. It is imperative that platforms are created for sharing thoughts and implementing ideas aimed at transforming the economy, which is why we hosted the 30th FNB Botswana annual national budget review seminar on 6 February 2024, under the theme "National Development Planning to shift mindsets: A stepping stone towards Vision 2036".

Every year, we use this platform as a conduit for sharing development ideas among private and public sector players with a goal to contribute to the dialogue and implementation of Botswana's National Development Plans. This year, the focus was particularly to facilitate discussions around implementation of Botswana's Transitional National Development Plan and longer-term plans around the achievement of Vision 2036. Given the challenges presented by heightened geopolitical tensions and their impact on global economic activity, we aimed to unpack some of the key economic themes that affect Botswana. The budget review seminar was a catalyst in stimulating thought-provoking conversations and provided a platform to deliberate on opportunities for sustainable growth and prosperity.

Speakers were encouraged to share their experiences in their respective sectors and business environments, as well as ideas on what needs to be done to improve output and ensure the sustainability of both businesses and the economy. The market dynamics at the time of the budget called for a shift to business-led economic growth, and we explored ways in which Botswana can set itself up for such a shift as a way of achieving transformational growth.

Some of the key topics discussed include the following:

- Strategic focus industries for 2024 and proposed measures and activities.
- Local business and export development, local and international investor promotion drives, and how to increase citizen participation in local business development.
- Agricultural reforms and programmes, such as an impact accelerator subsidy, the Temo Letlotlo Programme, import substitution, the horticulture market and the mandate of the Botswana Meat Industry Regulatory Authority.
- The role of the African Continental Free Trade Area agreement in fostering agricultural export development and regional cooperation.
- Using CEEP and deliberate procurement practices to support local business development, mentorship, skills enhancement and product development.
- Fiscal sustainability lessons for Botswana.



An integrated value creation process

Our business model summary

Value creation, preservation and erosion are the results of how we apply and leverage our capitals in executing our strategy. Our business model demonstrates how we use the six capitals to create financial products and services that deliver shared prosperity for our stakeholders. Our value creation and preservation activities are discussed throughout this integrated report. ●●

Impacted stakeholders

- Clients
- Government and regulators
- Communities
- Shareholders
- Suppliers
- Employees and organised labour

Our capitals...

Inputs

Financial

Our strong capital base, and diversified sources of deposits and funding.

- P18.5 billion net advances
- P30.5 billion deposits
- P4.2 billion shareholders' equity
- 19% CAR

Manufactured

Our business and channel structure, fixed assets, ICT systems and infrastructure.

- 25 branches
- 3 Premium Suites
- 172 ATMs
- 84 ADTs
- 14,141 POS machines
- 1,481 CashPlus agents
- Bespoke ICT infrastructure

Human

Our culture, solutionist people, experienced leadership and teams.

- 1,602 employees
- P824 million wage bill
- P20.2 million spent on employee training and skills development
- 335 years combined management experience

...enable financial solutions that create...

Business activities



...shared prosperity for our stakeholders

Outcomes

Financial

- P1.8 billion profit before tax
- 43 thebe dividend per share
- 35.5% return on assets
- Retained capital for sustainable long-term value creation

Manufactured

- Increased uptake of relevant, cost-effective banking products and services
- Increased financial inclusion
- Repurposed branches with designated digital banking zones

Human

- Employment opportunities created
- Career progression enabled
- Reward and recognition
- Motivated and engaged employees
- Retention of critical skills

Impacted stakeholders

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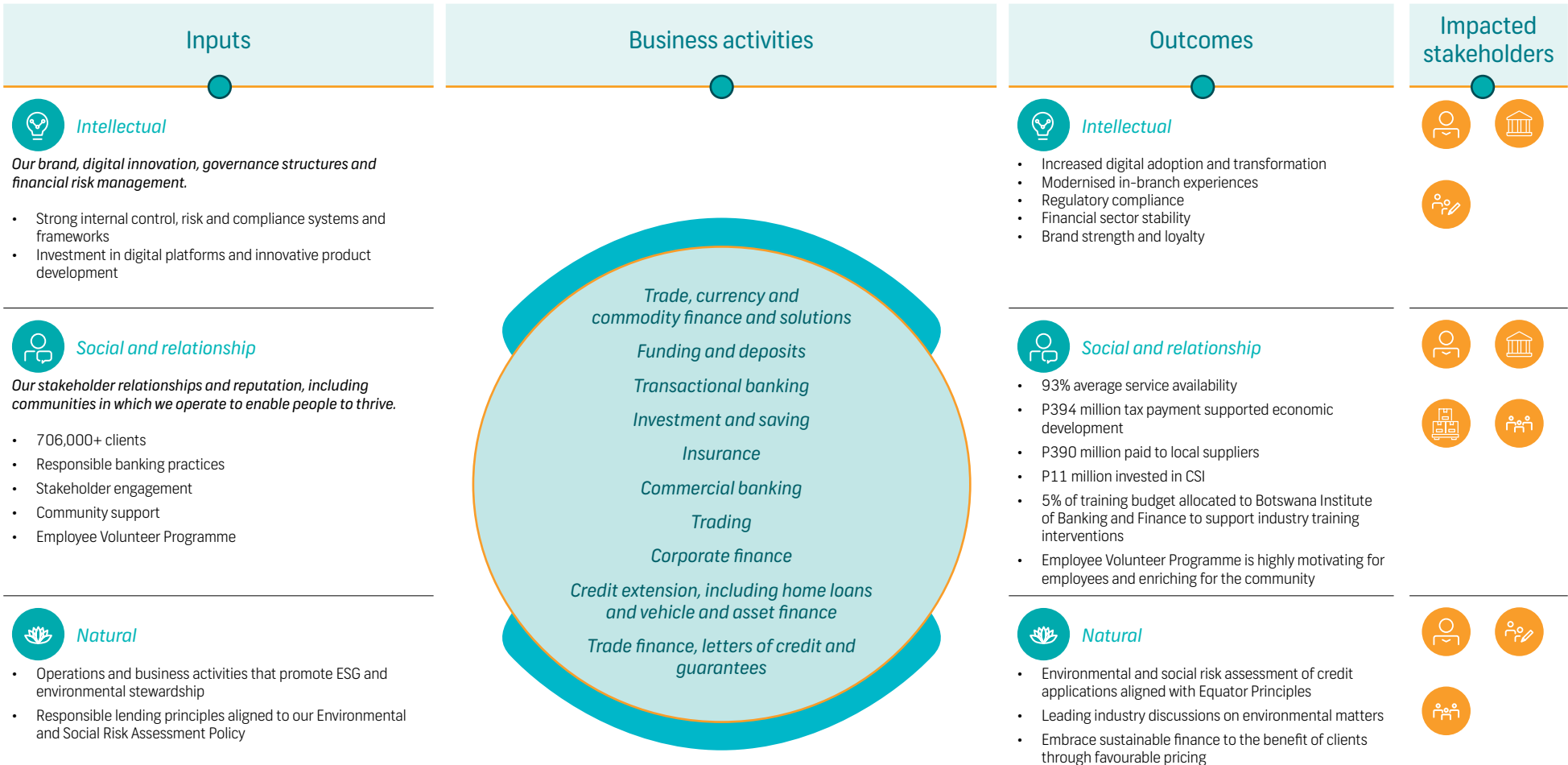


Our business model summary (continued)

Our capitals...

...enable financial solutions that create...

...shared prosperity for our stakeholders





Material matters impacting value creation

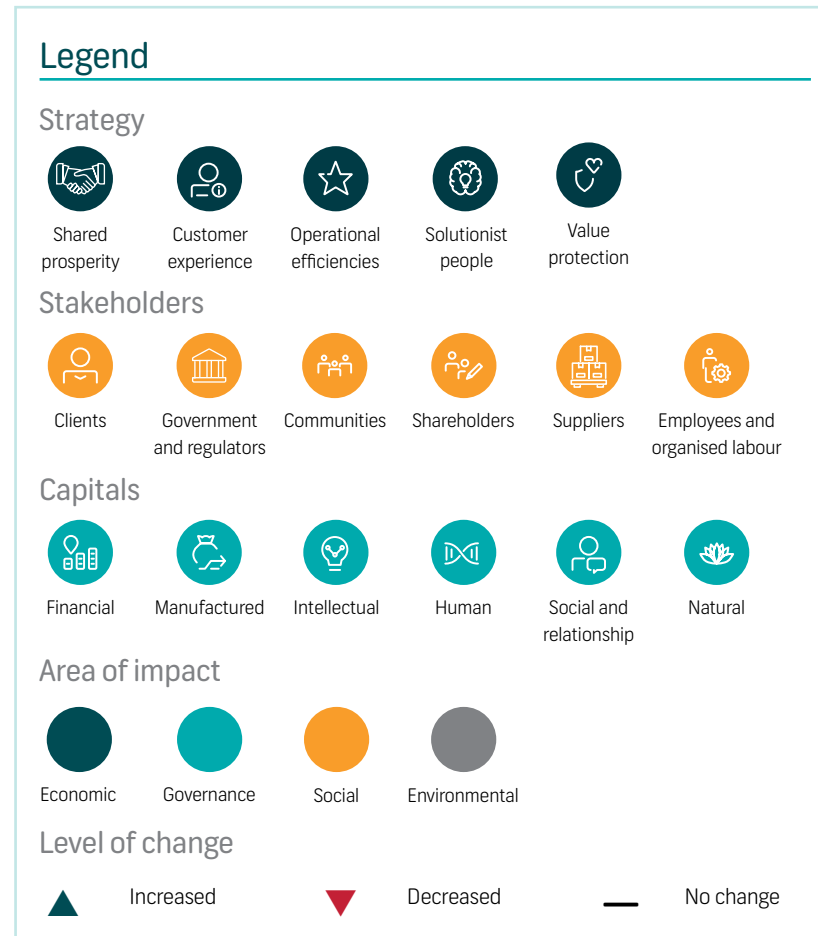
Material matters are those that have the potential to significantly impact our ability to generate value over the short, medium and long term. ●●

Our materiality determination process

Material matters affect our performance, sustainability and legitimacy. We ensure that we identify all material matters, both positive and negative, and respond appropriately through our strategy while taking a forward-looking view of potential impact.



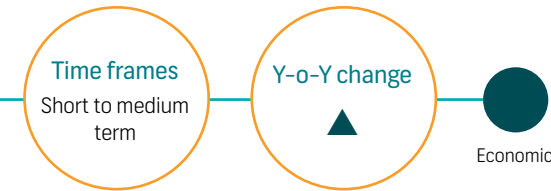
Material matters



Our material matters are approved by the Board and guide us on which information to include in this report.



Material matters impacting value creation (continued)



1. Challenging socio-economic environment

Context

Socio-economic factors such as unemployment, muted GDP growth, and the quality of education and health systems affect client growth numbers.

Global challenges such as high inflation, elevated interest rates, volatility in foreign exchange rates and currency instability increase the cost of living, reduce consumers' purchasing power and impact our profitability.

Higher interest rates also impact clients' ability to repay loans, which influences our loan book.

Our response to protect value

- Migrate clients to cost-effective digital channels
- Seize emerging opportunities by introducing new solutions
- Zero-rate or exempt fees where possible to alleviate consumer pressure
- Provide support structures for clients, employees and communities
- Participate in private-sector and Government initiatives
- Consider socio-economic factors in our shared prosperity focus areas

Outlook for this material matter

We will continue monitoring local and global socio-economic and political events and trends and retain tight control over expenses while seeking innovative ways to improve efficiencies. Support initiatives will continue, as will engagement with Government to ensure a stable and trustworthy financial services sector.

Connectivity matrix

Strategic response



Shared prosperity



Value protection

Stakeholders interested in this matter



Clients



Employees and organised labour



Suppliers



Shareholders



Government and regulators



Communities

Capitals impacted



Financial



Manufactured



Human



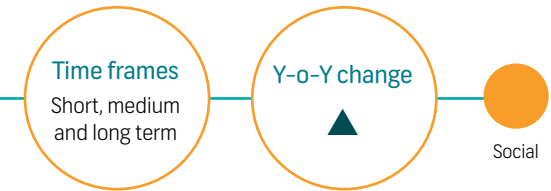
Intellectual



Social and relationship



Material matters impacting value creation (continued)



2. Digitalisation and financial inclusion

Context

Digitalisation enables more people to access banking services, including underserved and vulnerable populations, and improves financial inclusion.

Technological advancements provide us with opportunities to improve efficiencies, decrease costs, improve turnaround times, and provide consistent and personalised customer service.

Our response to protect value

- Embed a culture of innovation and continuous improvement
- Invest in appropriate technology, platforms and infrastructure
- Use technology to streamline processes and automate routine tasks
- Extend access to banking services through digital migration, merchant solutions and CashPlus

Outlook for this material matter

We will continue to automate, optimise and digitise our processes and solutions to increase access to banking services. Technological advancements will improve the speed, efficiency and convenience of customer service, driving further adoption of digital technology.

Connectivity matrix

Strategic response



Operational efficiencies



Customer experience



Shared prosperity

Stakeholders interested in this matter



Clients



Government and regulators



Communities

Capitals impacted



Manufactured



Human



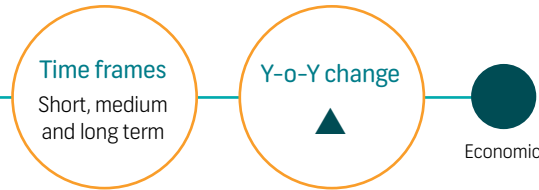
Intellectual



Social and relationship



Material matters impacting value creation (continued)



3. Highly disrupted industry

Context

The line between banks and traditional non-financial services providers is increasingly becoming blurred.

Competition for banking clients is growing as new financial services providers, such as Mobile Network Operators and fintechs set aggressive public targets for gaining market share. These competitors are closing the first-mover gap we enjoyed.

Our response to protect value

- Rapidly introduce new and innovative products, particularly related to mobile payments and money transfers
- Adopt technological solutions that improve efficiencies, lower our cost base and enhance customer service
- Explore partnerships to accelerate our competitive response options

Outlook for this material matter

Competition for banking clients is expected to increase as new competitors enter and gain traction in the Botswana financial services sector. We will continue to defend our market share and reputation through a focus on innovative solutions and excellent customer service.

Cash is still likely to dominate in the short to medium term, particularly in rural areas. We will continue our focus on quick, easy, efficient and affordable money transfer solutions to reduce dependency on cash.

Connectivity matrix

Strategic response



Solutionist people



Operational efficiencies



Customer experience

Stakeholders interested in this matter



Clients



Employees and organised labour



Shareholders



Government and regulators

Capitals impacted



Financial



Manufactured



Human



Intellectual



Material matters impacting value creation (continued)



4. Compliance and security

Context

We must comply with all relevant banking, good governance and other regulations to ensure the stability and integrity of Botswana's financial services sector and remain an attractive choice for investors.

Digitalisation has increased cybersecurity and data protection risks. The financial services sector is often a target for cybercriminals as we manage clients' money and sensitive data.

Our response to protect value

- Proactively comply with regulatory requirements and maintain high corporate governance standards
- Conduct cybersecurity audits and an annual effectiveness assessment to verify the adequacy of controls
- Provide cybersecurity training to employees, clients and members of the public
- Require adherence to ethics frameworks, policies and standards
- Monitor whistleblowing cases and client fraud reports on our website's and App Security Centre

Outlook for this material matter

We support the Bank of Botswana's initiatives to develop secure financial services. KYC compliance and transaction monitoring remain an effective mechanism to combat financial crime, and we are actively working on compliance with the Data Protection Act.

We will continue investing in digitalisation to enhance transparency and good governance, and combat corruption and fraud. Our cybersecurity team will increasingly leverage advanced technologies like artificial intelligence (AI) and machine learning to enhance cybercrime threat-detection capabilities.

Continuous cybersecurity awareness training for employees and clients will remain crucial. As cyberthreats become more sophisticated, educated and vigilant users will be a primary line of defence.

Connectivity matrix

Strategic response



Solutionist people



Operational efficiencies

Stakeholders interested in this matter



Clients



Employees and organised labour



Government and regulators

Capitals impacted



Manufactured



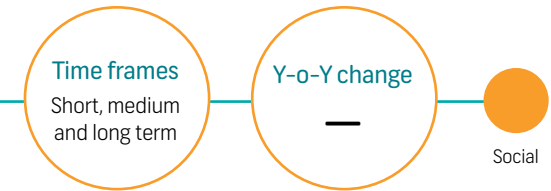
Human



Intellectual



Material matters impacting value creation (continued)



5. High-performance culture and talent management

Context

The challenging socio-economic environment impacts employees' physical, mental and financial wellbeing.

Evolving technology and dynamic client expectations demand new skills from employees. Simultaneously, businesses must adjust to new work-culture expectations and productivity measures to ensure employee engagement and innovation.

The competition for talent is increasing, and employees in critical roles are being targeted by our competition.

Our response to protect value

- Offer performance-based rewards and recognition together with comprehensive employee wellness services, including financial management training
- Develop training and succession plans for scarce and specialist skills
- Nurture a culture in which employees can raise issues before they escalate
- Assess risk triggers and implement preventative measures to maintain customer service levels
- Enhance the employee value proposition

Outlook for this material matter

With increasing competition in the sector, talented employees are in demand and have more options. Talent retention will remain a focus area. We will also continue building a culture of high performance, innovation and support to position us as an employer of choice.

Connectivity matrix

Strategic response



Solutionist people



Operational efficiencies

Stakeholders interested in this matter



Employees and organised labour

Capitals impacted



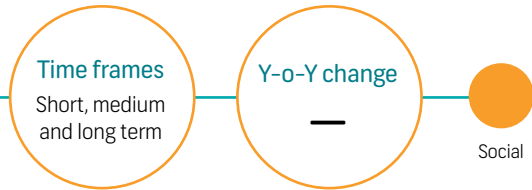
Human



Intellectual



Material matters impacting value creation (continued)



6. Shared prosperity

Context

We remain committed to building a future of shared prosperity that benefits not only our clients, employees, suppliers and shareholders but also the broader communities we serve and who are impacted by our operations.

Our response to protect value

- Design initiatives that intentionally generate employment prospects
- Provide relevant and economically viable products that enhance financial inclusivity and bolster Botswana's digital transformation journey
- Nurture professional advancement and promote the inclusion of the youth and small and locally owned businesses in our supplier network
- Enable our digital platform to serve as a catalyst for stimulating economic activity and propelling overall growth

Outlook for this material matter

We remain committed to our shared prosperity focus areas and will revise these as needed to respond to socio-economic and stakeholder needs in accordance with our Shared Prosperity Framework.

Connectivity matrix

Strategic response



Solutionist people



Customer experience



Shared prosperity

Stakeholders interested in this matter



Employees and organised labour



Government and regulators



Suppliers



Clients



Communities

Capitals impacted



Social and relationship



Human



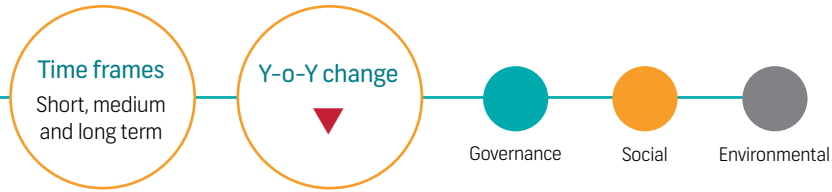
Intellectual



Natural



Material matters impacting value creation (continued)



7. ESG stewardship

Context

Sound ESG governance and management are foundational to our corporate social licence to operate. This is reflected in implemented policies, programmes and practices.

Our response to protect value

- Implement ESG policies and practices based on global frameworks and standards
- Provide ESG advisory services
- Actively seek opportunities to finance green and sustainable projects
- Implement sustainable finance awareness campaigns
- Continue refining our sustainability strategy by setting targets and proactively addressing emerging sustainability issues

Outlook for this material matter

We continue to monitor developments and new risks related to climate events. As we increase our understanding, we are better positioned to meet new client requests such as those for renewable energy funding. In FY2025, we will set ambitious targets to contribute meaningfully to our sustainable environment agenda, particularly by pursuing green funding opportunities.

Connectivity matrix

Strategic response



Solutionist people



Operational efficiencies



Shared prosperity

Stakeholders interested in this matter



Clients



Employees and organised labour



Shareholders



Government and regulators



Communities

Capitals impacted



Financial



Manufactured



Human



Intellectual



Social and relationship



Natural



The operating landscape

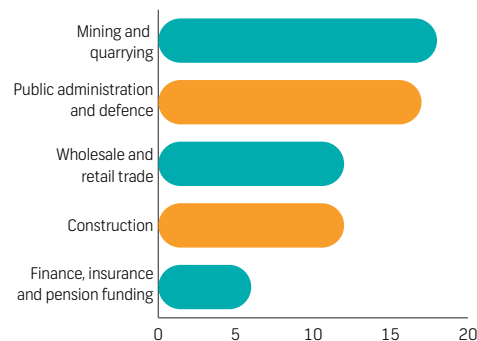
Both global and local factors influence our operating environment. The Board and ExCo monitor emerging trends and adjust our material matters, strategy and risk register as required.

Economic diversification

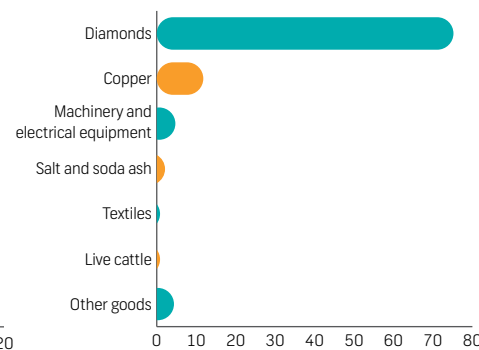
Botswana, one of the least corrupt nations in mainland Africa, boasts the third highest economic freedom score in the region and maintains a GDP per capita on par with other emerging economies such as Brazil and Turkey.¹ However, the country's economy heavily depends on diamond exports, accounting for over 80% of its export revenues. This makes Botswana vulnerable to global diamond demand and volatile foreign exchange rates.

The mining sector, particularly diamond mining, is a major driver of economic growth and contributed around 18% of GDP in 2023. This sector is capital intensive and does not generate sufficient employment opportunities to absorb Botswana's growing labour force. This contributed to a high unemployment rate of approximately 26% in 2023, with consequent high levels of poverty and inequality.

Top five contributors to GDP by sector – 2023* (%)



Principal exports – Q1 2024** (%)



* Statistics Botswana 2023 data.

** Statistics Botswana Quarter 1 2024 data.

¹ Corruption Perceptions Index of 59 out of 100 in 2023 as per Transparency International, economic freedom score of 65 out of 100 as per TheGlobalEconomy.com in 2024, and GDP per capita of USD7,249.8 as per the World Bank in 2023.

The Government of Botswana is actively pursuing diversification through tourism, energy, agriculture, technology, mining exploration and private sector development to reduce the country's heavy reliance on the diamond industry and build a more resilient and balanced economy. It is also investing in transport, water, energy and telecommunications infrastructure to support the development of new and diverse industries.

Impact on FNB Botswana	FNB Botswana response	Associated material matters
Volatile foreign exchange rates can increase credit risk and negatively impact our earnings, cost and profitability.	Our financial resources are managed by Treasury independently of the operating businesses, thus ensuring the required level of discipline in allocating and pricing financial resources. Treasury manages the availability and pricing of funding and liquidity to business units and segments. It also manages the Bank's foreign exchange exposure and macroprudential limit utilisation, and monitors the net capital invested in foreign entities.	Challenging socio-economic environment Shared prosperity High-performance culture and talent management
High unemployment decreases consumers' disposable income and increases credit risk. Employees' mental and financial wellbeing may suffer because of the financial distress of family and loved ones.	We reduce or remove banking fees where possible to facilitate access to financial services. We provide ongoing financial education to consumers, employees and members of the public. We also offer a range of mental and physical wellness support services to employees and their immediate family. For more information on credit risk, refer to page 37.	
Investment in economic diversification creates opportunities to expand our financial solutions to new client segments and contribute to Government's national priorities.	We offer advisory services in key economic sectors including technology, tourism, construction and manufacturing. We actively seek to enter partnerships with businesses, corporates, Government entities and foreign direct investors that promote economic development and citizen empowerment.	



The operating landscape (continued)

Climate change

In its 2023 State of the Global Climate report, the World Meteorological Organization confirms that 2023 was the warmest year on record, with the global average near-surface temperature at 1.45°C above the pre-industrial baseline. The concentration of greenhouse gases (GHG) continued to rise, and ocean heat content and sea levels reached record observed highs.

Extreme weather and climate events impacted all inhabited continents in 2023. However, the United Nations explains that while Africa has contributed negligibly to the changing climate, it stands out disproportionately as the most vulnerable region in the world. This vulnerability is driven by the prevailing low levels of socio-economic growth, meaning that vulnerable citizens often lack the resources to buffer themselves and recover from the worst of the changing climate effects.




Botswana has experienced dry spells and rainfall deficits for several years. Government declared a drought emergency in 2023, and the drought continues to have a devastating impact on food security drivers, nutrition, water supplies and food production. An estimated 70% of the rural population in Botswana depend on agriculture for their livelihoods, primarily through rain-fed farming. Over 10% of the population is estimated to be facing food and nutrition challenges.





Digital disruption

As in most countries, the financial services sector in Botswana is facing significant disruption due to new technology. Innovative tools, systems and platforms are increasing efficiencies and automation and promise to decrease the cost of financial services and enhance customer experience. Digital infrastructure is facilitating connectivity for those in remote and outlying areas.

Technology is blurring the lines between traditional banks and other players in the financial services sector. Competition is increasing as fintechs, Mobile Network Operators and Mobile Money Operators now offer innovative payment and money transfer solutions.

Simultaneously, the rise in digitalisation and entry of new players have led to a sharp increase in suspected digital fraud attempts. Tools available to the financial services sector such as AI, blockchain, the dark web, data analytics and robotic process automation are also available to cybercriminals, increasing the sophistication of cyberattacks.

Impact on FNB Botswana	FNB Botswana response	Associated material matters
Climate change has and will continue to impact economic sectors and client segments within our portfolio. Our climate change response must ensure the Bank's sustainability and mitigate negative effects on communities and livelihoods.	Our response to climate change is guided by our Operations Environment Policy, Climate Change Policy, and Energy and Fossil Fuels Financing Policy. We are actively working to reduce the environmental impact of our operations and improve measurement and reporting of our carbon emissions. We have targets for reducing our financing exposure in the coal, oil and gas sectors, and are actively promoting green and sustainable finance solutions to clients, businesses, corporates and Government.	 Challenging socio-economic environment  Shared prosperity  ESG stewardship
Increasing focus on the agricultural and renewable energy sectors from Government and foreign direct investors creates new funding and partnership opportunities for the Bank.	We offer a range of agricultural solutions, including farming enterprise finance, farm risk insurance, hedging solutions and advisory services. RMB has the capability and appetite to invest in Botswana's renewable energy strategy and contributed debt funding to Botswana's first utility-scale solar facility.	

Impact on FNB Botswana	FNB Botswana response	Associated material matters
Technology presents opportunities for us to drive financial inclusion and improve customer experience.	We leverage technology to improve access to unbanked and underbanked client segments. This includes digital platforms, mobile banking and mini branches in remote areas. We promote the benefits of digitalisation to increase client migration from brick-and-mortar channels to digital platforms. This enables us to reduce costs, increase efficiencies and provide more personalised customer service.	 Digitalisation and financial inclusion  Highly disrupted industry
ICT-related risks increase as the use of technology becomes more prevalent. This is particularly relevant in the financial services sector as we deal with clients' sensitive financial information.	Our Information Governance Framework provides a coordinated and inter-disciplinary approach to manage information risks and meet compliance requirements while optimising information value. Our regular consumer awareness campaigns inform the public and our clients about cyber- and data security risks. Employees are mandated to conduct regular security and compliance training.	 Compliance and security  Shared prosperity





The operating landscape (continued)

Competing for talent

The digitalisation of the financial services sector in Botswana, coupled with an increasing number of players, has heightened competition for employees with the right skill set.



There is a shortage of skills in emerging technologies such as big data, blockchain, cybersecurity and AI. Digitalisation is automating some traditional banking roles while competencies are evolving in existing roles such as customer service, risk and compliance.

Impact on FNB Botswana	FNB Botswana response	Associated material matters
We must position ourselves as a Top Employer to attract and retain suitably skilled employees.	<p>We reviewed our employee value proposition to promote talent acquisition, development, engagement and retention.</p> <p>Our human capital standards were audited by the South African Board for People Practices, and our policies are benchmarked against local, regional and international best practices.</p> <p>We have a robust succession plan and aim to earmark more than one potential candidate for each critical role to mitigate the risk of talent loss.</p>	 Highly disrupted industry  High-performance culture and talent management
Employees are one of our key stakeholders. We must ensure they develop the skills required to succeed in the new world of work.	<p>While our digital transformation journey is likely to reduce or resize our physical branches, this will not necessarily reduce our headcount as new roles emerge in other fields.</p> <p>Our reskilling programme aims to equip impacted employees with the skills required to redeploy them to new roles. We also provide employees with ongoing learning and development opportunities to promote career development and advancement within the financial services sector.</p>	

Regulatory compliance

The Bank of Botswana regulates and supervises all banks and other financial institutions in the country. It monitors banks' solvency, liquidity, risk management, governance and compliance with banking laws, and conducts offsite surveillance and onsite examinations.

As a listed entity, we are subject to the requirements of the Botswana Stock Exchange. Additionally, as a subsidiary of FirstRand, some of our operations are subject to requirements set by South African regulators and legislation.

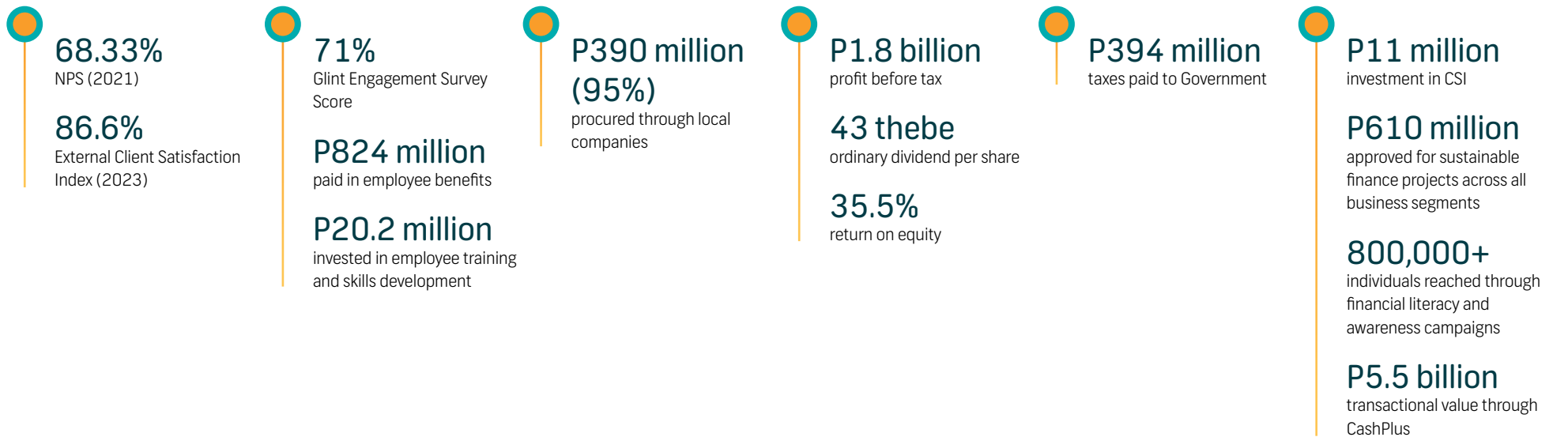
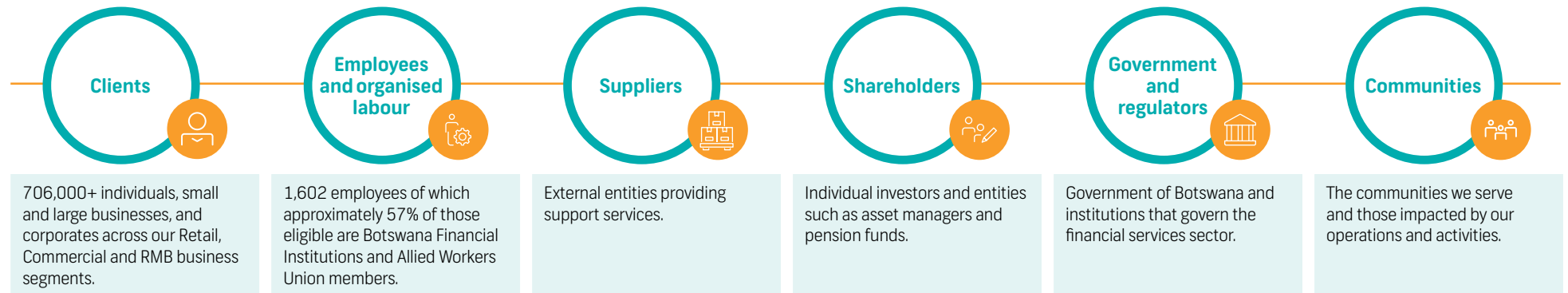
Impact on FNB Botswana	FNB Botswana response	Associated material matters
We must adhere to prudential regulatory requirements.	<p>The Board is ultimately responsible for compliance, assisted by the BCCC. We monitor our regulatory universe on at least a quarterly basis, and potential compliance risks are tracked in our risk register.</p> <p>For key indicators, the Board has set financial limits that are more prudent than those required by the Bank of Botswana. This includes our CAR, LAR and liquidity coverage ratio (LCR).</p>	 Highly disrupted industry  Compliance and security
Emerging legislation on data protection requires us to revise operational systems and processes.	<p>Legislation such as the Data Protection Act in Botswana impacts how we process and store data, as well as the resources required to manage information.</p> <p>The Board is carefully monitoring potential risks related to the implementation of Data Protection Act requirements. See page 38 for more information.</p>	



Collaborating to create value

We recognise our responsibility to deliver both financial value and positive societal outcomes for our stakeholders. By proactively and responsibly consulting, engaging and partnering with stakeholders, we can develop products, services and solutions that build a future of shared prosperity. ●●

Our stakeholder universe





Collaborating to create value (continued)

Clients

Our clients are our lifeblood. We deliver innovative products, services and solutions that address clients' emerging and future needs. Our goal is to establish lifelong partnerships with our clients through a cohesive and inclusive banking ecosystem, and we aim to consistently deliver unmatched customer experience.

How we engage	Stakeholder needs and interests	Our response
<ul style="list-style-type: none"> Digital channels such as our website, FNB App and social media One-on-one interactions by relationship managers and via our branches and 24/7 Contact Centre Panel discussions, tradeshows, exhibitions and conferences Client surveys and market research Product and service updates and launches Media press releases CEO meet-and-greets 	<ul style="list-style-type: none"> Relevant, reliable and cost-effective products and services Convenient access through multiple channels Consistent quality of service Quick turnaround times Relevant advice and insights Safeguarding of data and personal information 	<p>We conduct a biennial External Client Satisfaction Index to identify client requirements and pain points. Following the FY2023 results, we reduced several fees and charges, introduced zero-rating on some services, and launched new digital services to increase efficiencies and reduce turnaround time. See page 52 for more information.</p> <p>All three business segments conduct ongoing consumer awareness and education campaigns. Topics range from personal financial wellness to Ponzi scheme awareness. See page 70 for more information.</p>

Employees and organised labour

Our employees are fundamental to achieving our purpose and are the cornerstone of our service to clients. We are committed to attracting and retaining talented people, providing relevant learning and career development opportunities, and building a robust succession pipeline. We value the representation of our employees and are committed to fostering a positive and collaborative relationship with their unions.

How we engage	Stakeholder needs and interests	Our response
<ul style="list-style-type: none"> Internal communication Staff events such as performance awards, leadership conferences and leadership roadshows Manager-teams-dialogues Information sessions, workshops and roadshows Internal SharePoint platform for collaboration, information dissemination and staff engagement Training and development Wellness support services Performance enablement discussions Surveys and assessments Union engagements and negotiations Engagement and consultative forums, such as Council of Elders, Junior ExCo, Podi sessions and Kgotla sessions 	<ul style="list-style-type: none"> Conditions of employment and adherence to labour laws Healthy and safe working environment Job security and role flexibility Fair performance enablement, reward and recognition Opportunities for career development and advancement Diversity, equity, inclusion and belonging 	<p>We revised our employee value proposition to promote talent attraction and retention.</p> <p>We launched a Bank-wide High-Performance Culture initiative to promote leadership and accountability and introduced a new qualitative performance scorecard to promote equitable rewards.</p> <p>Following an audit of our human capital standards, the South African Board for People Practices classified us as a Top Employer.</p> <p>See page 46 for more information on how we are empowering our people.</p>



Collaborating to create value (continued)

Suppliers

Our suppliers offer us services, such as computer systems, property management, maintenance, security, advertising and other outsourced solutions. In line with our commitment to promoting economic empowerment, we support and empower youth-, women- and citizen-owned suppliers by providing access to business opportunities and guidance to foster the growth of their businesses.

How we engage	Stakeholder needs and interests	Our response
<ul style="list-style-type: none"> Contracts, service level agreements and other formal correspondence Face-to-face interactions Product, service and project review meetings Relationship management meetings and visits 	<ul style="list-style-type: none"> Contractual roles and responsibilities Transparency and equitable treatment Fair payment terms and timely payment Opportunities to collaborate 	<p>In support of Government's drive to empower citizens, we are intentional about sourcing from local businesses. 95% of our procurement spend this year was allocated to local enterprises.</p> <p>We actively support SMEs through our financial services solutions. We also launched The "FirstPreneur" Entrepreneurship Development Programme. See page 61 for more information.</p>

Shareholders

FNB Botswana is a listed entity and is accountable to our shareholders. 70% of issued shares are held by First National Bank Holdings (Botswana), which is wholly owned by FirstRand EMA Holdings. 30% of shares are publicly held on the Botswana Stock Exchange, with no individual holding more than 10% of the issued shares.

How we engage	Stakeholder needs and interests	Our response
<ul style="list-style-type: none"> Integrated report and financial statements Financial Results briefings, roadshows and presentations AGM Ongoing dialogue with analysts and investors 	<ul style="list-style-type: none"> Strong and ethical leadership Transparent reporting and disclosure Consistent financial performance and returns Sustainable growth and business continuity Clear and concise strategic objectives Sound ESG practices 	<p>We believe that good governance is the cornerstone of our success and sustainability. Our Board is committed to ensuring the Bank's long-term prosperity and growth while upholding the highest standards of ethics and integrity. See page 76 for more information on governance.</p> <p>At our AGM held on 2 November 2023, 97.91% (FY2023: 96%) of shareholders attended and all resolutions were passed.</p>

Case study

Partnership bearing fruit – Selebi Phikwe Citrus

In March 2024, Selebi Phikwe Citrus company celebrated its first harvest. This 1,200 hectare P500 million horticultural development is located near the town of Selebi Phikwe in the Central District of Botswana. Once completed, it will be one of the largest consolidated citrus developments in Southern Africa and a flagship horticultural project for Botswana.

Selebi Phikwe Citrus is pivotal to economic development of not only the SPEDU region, but a key catalyst to bolstering Botswana export capability and employment creation.

The development of 880 hectares of citrus and 320 hectares of other fruit started in 2020 and will be completed by 2025. By this time, the development is expected to employ up to 1,500 permanent and seasonal people, together with indirect benefits to the local economy, such as increased economic activity and food supply.

It is estimated that 70% of the produce will be exported to overseas markets, signalling a significant increase in Botswana's horticultural export. It is also anticipated that the project will promote the growth of the country's agriculture sector and spur additional value chain opportunities.

FNB Botswana provided debt support for various aspects of the project, including farm capital expenditure requirements, packhouse development, machinery and equipment, and working capital during development.

As one of the major horticultural projects in the county by size and expected returns, Selebi Phikwe Citrus is being facilitated by various stakeholders, including Botswana Investment and Trade Centre and SPEDU, a regional economic diversification agency under the Ministry of Trade and Industry.



Collaborating to create value (continued)



Government and regulators

We aim to form supportive partnerships with Government and maintain interactions with relevant entities at both national and local levels. We adhere to all regulatory and legislative requirements set by the Bank of Botswana and other applicable institutions to promote a stable and trustworthy financial services sector.

How we engage	Stakeholder needs and interests	Our response
<ul style="list-style-type: none"> Integrated report and financial statements Financial Results briefings, roadshows, seminars and presentations Panel discussions, tradeshows, exhibitions and conferences Collaboration with industry experts Contributions to policymaking and regulatory developments 	<ul style="list-style-type: none"> Sound corporate governance practices Proactive adherence to regulatory requirements Positive societal contribution and environmental stewardship Contribution to national development plans and priorities 	<p>In addition to effective governance structures and processes, we contribute to national priorities such as financial inclusion, SME development and the transition to renewable energy sources. See page 54 for more information on how we are delivering shared prosperity.</p> <p>We play an active role in securing the future of the financial services sector through employee training and fraud prevention management. We sponsored the 2024 National Anti-Money Laundering, Combating the Financing of Terrorism and Combating Financing Proliferation Conference of the Financial Intelligence Agency.</p>



Communities

Our operations impact the communities in which we operate, the underbanked and the unbanked. Our commitment extends beyond financial transactions, and we actively seek to support common interests such as social upliftment, environmental protection, sports, arts and education.

How we engage	Stakeholder needs and interests	Our response
<ul style="list-style-type: none"> Website and social media channels Press releases and awareness campaigns Partnerships, sponsorships and CSI. (CSI is implemented through the FNB Botswana Foundation) Employee Volunteer Programme 	<ul style="list-style-type: none"> Access to expert financial advice, products and solutions Financial literacy Employment opportunities and economic inclusion Corporate social responsibility and investment Active contribution to society and the environment 	<p>Our shared prosperity focus areas aim to deliver societal benefits for clients and communities. We aim to build a future of shared prosperity through our commitments to sustainable finance, financial literacy and awareness, financial inclusion, SME development, and human and social development.</p> <p>To support Government's economic transformation, we catalyse citizen economic empowerment by offering financial solutions to SMEs as well as engage, collaborate and facilitate dialogue around private sector growth through various platforms. Additionally, we launched The "FirstPreneur" Entrepreneurship Development Programme. See page 61 for more information.</p>



Managing the risks

Our approach

Risk-taking is an essential part of our business. We can benefit from taking risks only if they are properly identified, assessed, monitored and managed. Doing so effectively is a key differentiator and gives us a competitive advantage.

The effective management of risk, performance and financial resources underpins the delivery of sustainable returns and earnings growth to shareholders. Risk management is deeply embedded in the Bank's tactical and strategic decision-making and is integrated across all management functions and business segments.

We define risk as any factor that, if not adequately assessed, monitored and managed, may prevent us from achieving our business objectives or result in adverse outcomes, including damage to our reputation.

Our aim is not to eliminate risk but to achieve an appropriate balance between risk and reward. Our risk management process provides the checks and balances necessary to ensure sustainable performance, create opportunities, achieve desired objectives, and avoid adverse outcomes and reputational damage.

Board of Directors

The Board is ultimately responsible for risk management. The Board:

- Governs risk in a way that supports the Bank in setting and achieving our strategic objectives, while ensuring independent thought and governance in terms of the King IV code.
- Embeds a strong risk management culture throughout the business.
- Approves and oversees risk-related frameworks, policies and processes.
- Actively monitors the Bank's risk profile relative to our risk appetite.

The Board is supported by its Committees, particularly the BCRC, BCCC and the Risk and Capital Management Committee (RCC).

Enterprise Risk Management Framework

Our Board-approved Enterprise Risk Management Framework defines how risks are identified, measured, monitored, controlled and appropriately mitigated. The Framework:

- Articulates and gives effect to our risk management approach.
- Establishes an integrated approach to risk management across the Bank.
- Outlines the Bank's key risk management principles and guidelines.
- Creates a framework for risk management policies, standards, processes and methodologies.
- Defines the roles and responsibilities of everyone involved in risk management and oversight.

Our robust and transparent risk reporting process enables the Board and ExCo to gain an accurate and comprehensive view of the Bank's risk profile, and make appropriate strategic and business decisions.

Risk appetite

Risk-taking must be aligned with our risk appetite, which is approved by the Board and aims to ensure an appropriate balance between risk and reward. The Bank's risk appetite is geared towards:

- Creating long-term value.
- Delivering superior and sustainable economic returns to shareholders within acceptable levels of volatility.
- Maintaining balance sheet strength.

Lines of risk defence

Risk controls have been established throughout the Bank through three primary lines of risk defence.

1 FIRST LINE OF DEFENCE: RISK OWNERSHIP

Risk inherent in business activities – risk identification, measurement and control

Executive managers, deployed risk and compliance managers, and Treasury (for support)

2 SECOND LINE OF DEFENCE: RISK CONTROL

Risk control, assurance, independent oversight and monitoring

Chief Risk Officer, Risk Heads in the Risk Office, Compliance and Credit Directors, and Chief Operating Officer

3 THIRD LINE OF DEFENCE: INDEPENDENT ASSURANCE

Adequacy and effectiveness of internal controls, governance and risk management

Internal Audit, Group Internal Audit and External Audit



Managing the risks (continued)

Our principal risks and mitigating actions

We continually review our environment to ensure effective risk management. Risk ratings are indicated against our risk appetite and reflect residual risk – in other words, after existing controls have been considered. The outlook, which is an estimation of future trends, considers both the impact and response time by the Bank to react to changes in the environment, both internal and external.

The outlook for most of our risks has been rated as stable given the mitigating actions in place to respond to any identified emerging risks. The Bank continuously reviews and takes proactive measures to respond accordingly. The following risks inform our risk management priorities:

- 1 Strategy
- 2 Capital
- 3 Asset and liability management
- 4 Traded market
- 5 Credit
- 6 Reputation
- 7 Data and ICT
- 8 Operational
- 9 Compliance
- 10 Cyber
- 11 People

Risk rating	Risk outlook
Risk within appetite	Increasing
Risk close to appetite	Stable
Risk outside of appetite	Decreasing
Risk significantly outside of appetite	

1. Strategy risk

Strategic risks refer to possible losses as a result of decisions at the strategic level. These include failures in business strategy or planning as they relate to:

- Internal forces or events, such as poor communication, inadequate cash flow, an unsuccessful merger or a change in senior management.
- External forces or events, such as changes in consumer demand, new technologies and new market entrants.

High interest rates, inflation and unemployment reduce consumer spending and increase the cost of servicing debt, which in turn has the potential to limit FNB Botswana's growth prospects and increase credit risk. Furthermore, non-traditional financial services providers are increasing competition for banking clients in Botswana. In addition, there has been a war for talent for specialised skills resulting from increased digitalisation, and changes and increases in regulations, such as data protection.

Key mitigating actions

Our 2025 Strategy aims to deliver sustainable growth in an ever-evolving environment. Strategy execution is monitored through a dashboard that is evaluated monthly by ExCo and reported quarterly to the Board. Initiatives to close gaps are implemented as required.

Strategic focus areas are reviewed and refined at annual strategy review sessions conducted by the management team and Board. ExCo conducts quarterly strategy reviews to account for environmental changes and implement identified performance improvements.

Rating	Outlook	Link to strategy
		See page 41

2. Capital risk

All businesses must have sufficient capital to absorb potential losses and maintain stability. This is particularly important for banks since insufficient capital increases the risk of bank failure, which can result in the loss of client deposits and investments. In severe cases, this has a detrimental effect on the banking system and economy as a whole.

To mitigate against this risk, the Bank of Botswana requires banks to have a minimum CAR of 12.5%. This ratio measures a bank's capital relative to its risk-weighted assets.

Key mitigating actions

We remain well capitalised with a post-dividend CAR of 18.58% (FY2023: 18.1%) against the 12.5% regulatory limit. Our capital is stress-tested to ensure we can absorb unexpected losses from various stress events, and the excess is optimally invested to enhance returns. See page 13 for more information.

Rating	Outlook	Link to strategy
		See page 53

3. Asset and liability management risk

Banks attempt to align their assets and liabilities to ensure they have sufficient liquid assets to honour their commitments. Banks with poor asset and liability management practices are subject to increasing risks and decreasing profitability, which can lead to financial distress and potential bankruptcy.

To mitigate against this risk, the Bank of Botswana requires banks to have a minimum LAR of 10%. This ratio measures the proportion of liquid assets to total liabilities to assess a bank's ability to meet short-term liabilities and maintain liquidity. The Bank of Botswana also requires banks to have a cash reserve requirement of 2.5% of their deposits.



Managing the risks (continued)

Due to mismatches in assets and liabilities, the Bank is exposed to risks related to changes in interest rates as well as liquidity risks. We carefully manage these risks to ensure we deliver on our business strategy. We operate within an approved risk appetite to meet our short- and long-term objectives. Oversight is provided by the Risk Office as well as the Asset, Liability and Capital Committee, which is a sub-committee of the RCC.

Key mitigating actions

FNB Botswana's LAR of 23% (FY2023: 16%) remains above the regulatory threshold of 10%. The cash reserve requirement was managed at the regulatory 2.5%.

Our net surplus LCR of 167% (FY2023: 135%) indicates that we have sufficient high-quality liquid assets to withstand Bank-specific and market-wide liquidity stresses. This is above the Basel-recommended 100%.

The interest rate risk in the Bank's book is managed within approved Board appetite through balance sheet optimisation, interest rate derivatives and other risk hedging instruments. The PV01 limit was within Board appetite.

Rating	Outlook	Link to strategy
		See page 53

4. Traded market risk

A bank's traded market risk refers to the risk of losses in its trading book positions as a result of adverse movements in market prices. FNB Botswana's primary traded market risks are interest rate risk and foreign exchange risk.

Key mitigating actions

There has been significant volatility in global financial markets, particularly regarding foreign exchange rates. The trading desk nonetheless continued to trade within set limits. Foreign exchange risk remains our biggest driver of traded market risk. FNB Botswana's overall foreign exchange stress loss utilisation is largely volatile and responds to global markets and client flows. However, there has been a general increase in flows, driven mainly by increased client flows.

In the coming year, we expect an increase in foreign exchange transactions, particularly in key sectors such as minerals and oil, and have ensured appropriate risk appetite as well as monitoring processes.

Rating	Outlook	Link to strategy
		See page 53

5. Credit risk

Credit risk refers to the risk that a client or other third party will fail to meet their financial obligations, such as repaying a loan or honouring a credit agreement. This is a significant concern as it can result in financial losses and disrupt cash flow.

Key mitigating actions

Credit risk is managed through comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit origination, administration, measurement, monitoring and reporting. Credit risk is overseen by the BCRC. All regulatory and Board prudential limits were adhered to.

We remain conservatively provided for expected credit losses, with total coverage at 4.7% and specific coverage at 69.1%. Impairments remained low, with a negative annualised credit loss ratio of (0.2%) versus a budget of 1.1%, in part due to the non-materialisation of risk identified in the previous period and in part due to significant outperformance in collections. Total advances increased to P19.4 billion (FY2023: P17.3 billion) and are further discussed on page 13.

Rating	Outlook	Link to strategy
		See page 53

6. Reputational risk

Consumer and investor trust is a key requirement for our sustainability. Anything that negatively impacts our reputation can erode this trust and may impact our growth and financial performance.

Key mitigating actions

We aim to protect our reputation by remaining proactive and responsive in our interactions with stakeholders. Our policies and standards guide and clearly define responsibilities with respect to such engagements.

We develop and implement an appropriate communication plan if inaccurate or fraudulent information is made public such as phishing notices shared through social media. This can include internal communication, press statements, holding statements, social media notices, SMSs to clients, radio discussions, television content and scripted answers to frequently asked questions for our Contact Centre. Where appropriate, we convene a Crisis Committee to monitor progress.

We track service delays and network failures, and conduct root cause analysis to ensure problems are addressed effectively. See the next page for information on how we respond to data and ICT risk.

We are committed to maintaining a positive relationship with the media. When journalists or media entities contact us for information, we endeavour to respond speedily with an accurate and transparent response or holding statement.

Rating	Outlook	Link to strategy
		See page 51



Managing the risks (continued)

Compliance with the Data Protection Act

The Botswana Data Protection Act (33 of 2022) regulates the privacy and protection of personal data in relation to individuals. FNB Botswana has initiated several activities to prioritise compliance with this Act, some of which are outlined below. We are also implementing continued training programmes to educate employees on Data Protection Act requirements and the importance of compliance.

Progress

- **Localisation sizing exercise:** A high-priority exercise has been initiated to determine the cost and timelines for localising data. The sizing of data to be localised has been carried out, and potential host sites have been identified.
- **Compliance gap analysis:** An assessment of the Data Protection Act, the South African Protection of Personal Information Act (POPIA) and the European Union's General Data Protection Regulation was completed, and remedial actions are in progress to address identified gaps.
- **Establishment of a Localisation Steering Committee:** This sub-committee of ExCo is responsible for overseeing the localisation process, monitoring progress and addressing or escalating any challenges encountered. Regular updates are provided to the Board on the status of compliance initiatives and any emerging risks or issues.
- **Collaboration:** We collaborate with and obtain guidance from the Bankers Association's Data Protection Act Technical sub-Committee. We also maintain open communication with the Data Commissioner to provide updates on our compliance efforts and potential compliance risks.

7. Data and ICT risk

Technological advancements provide opportunities for us to develop innovative products and services and improve the quality of customer service. However, technology also introduces risks related to data integration, quality and privacy, system availability, access control and change management.

Key mitigating actions

We have established thresholds for key data and ICT metrics related to data quality, security and privacy, and system and infrastructure availability. Performance against these thresholds is monitored by the RCC and reported to the Board every quarter.

We have comprehensive data privacy policies and practices and communicate transparently with employees and clients regarding potential risks and recommended safeguards. Our data literacy programmes ensure that all employees are adequately upskilled in data and analytics practices so they can contribute to data solutions. Data Champions were appointed across all business units to embed data best practices and provide in-depth training where required.

We continue integrating data, such as transaction information, client feedback and usage analytics. We invest significant resources to modernise our ICT infrastructure and adopt scalable, flexible technologies supporting continuous improvement.

Rating	Outlook	Link to strategy
●	⬆️	See page 49



See page 49

8. Operational risk

We define operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risk.

Key mitigating actions

We have processes and structures to identify, assess and monitor operational risk exposure. We aim to control operational losses, and our risk appetite is reported to the Board quarterly and reviewed annually.

The Bank has a number of tools to proactively manage operational risk. We implemented the first phase of a pilot Operational Risk Dashboard to provide more timely information to risk owners, assisting them to more proactively manage risk.

As we continue our digital transformation journey, we expect our operational risk profile to improve as more processes are automated, notwithstanding new risks such as third-party and cyber risks. We continually assess these risks and ensure that appropriate actions are taken to respond proactively.

Rating	Outlook	Link to strategy
●	⬆️	See page 49



See page 49



Managing the risks (continued)

Fraud

We have zero tolerance for fraud. Our overall fraud risk profile is medium and stable. Monitoring, control reviews, and employee awareness and training are ongoing.

Intellectual property

Infringement on our intellectual property continues to be a risk, and we engage with the relevant authorities for determinations and rulings.

Litigation

We monitor all matters in our litigation register. We identify and address operational processes that require improvement or additional control where appropriate.

Contracts

The Legal Department reviews and updates client and vendor agreements on an ongoing basis to ensure compliance with consumer protection legislation and identify emerging risks.

9. Compliance risk

FNB Botswana operates in the highly regulated financial services sector. Non-compliance with applicable legislation and regulations may have serious consequences that could lead to both civil and criminal liability, including loss or restriction of licences (banking and other), penalties, claims for loss, damages or restrictions imposed by regulators, and reputational damage.

Key mitigating actions

We foster a compliance culture that strives to observe both the purpose and letter of the law, and we seek to achieve full compliance with applicable laws, regulations and supervisory requirements. In cases where there is legal uncertainty, a proper assessment of the facts, compliance obligations and related risks is undertaken, supported by external legal and/or regulatory opinions where appropriate.

Financial crime

We monitor key indicators of financial crime, such as cash thresholds, suspicious transactions, excessive daily incoming fund transfers and high-risk clients, and make transparent disclosures as required.

Our prudential regulatory compliance is monitored by the BCCC, which considers current and anticipated legislation in both Botswana and South Africa, as well as potential risks and mitigating actions.

Rating Outlook Link to strategy



See page 49

Ethical conduct

FNB Botswana upholds ethical principles, including honesty, integrity, fairness, equality, diversity, accountability, transparency and individual rights. These principles are integral to our culture and embedded in our human capital policies.

FNB Botswana employees, Directors and suppliers must adhere to our Group Code of Ethics. This Code establishes a uniform understanding of acceptable and ethical behaviour. It also guides how to make ethical decisions and promotes ethical conduct.

We have a robust whistleblowing process that allows for anonymous reporting of unethical conduct. All reported cases are thoroughly investigated, and appropriate disciplinary action is taken if any breach is found. This process ensures a culture of accountability and transparency throughout the Bank.

We received 24 (FY2023: 29) whistleblowing reports of which 10 are pending closure and 14 are still under investigation.

10. Cyber risk

FNB Botswana's operations depend on an ICT infrastructure that is vulnerable to cyberattacks. Such attacks may damage systems, disrupt service provision and lead to sensitive client data falling into criminal hands. These risks increase as we continue our digital transformation journey.

While we continue enhancing information and cybersecurity controls, cybersecurity remains a key risk due to the ever-changing external threat landscape and the growing complexity of attacks.

Key mitigating actions

FNB Botswana has established a cyber risk appetite and key risk indicators to manage and monitor this risk. Performance against these thresholds is reported to the RCC quarterly. We have structures to ensure proactive monitoring of this risk, with oversight from the second line of defence. We recently established a Technology and Cyber Risk Management Committee, which ensures focused management of this risk. Processes are also in place to detect cyber risk.

Employees play a key role in mitigating cyber risk, so we provide continual training, awareness and simulations.

In May 2023, the Bank of Botswana published its Guidelines on Cybersecurity and Resilience, which aim to provide banks with guidance to enhance their cyber posture and create a common approach for addressing cyber risks. The Bank of Botswana conducted an onsite cybersecurity examination against these guidelines in February 2024. The results were satisfactory, and we are implementing recommended improvements.

Rating Outlook Link to strategy



See page 42



Managing the risks (continued)

11. People risk

We depend on our employees to implement our 2025 Strategy and realise our purpose. If employees are not engaged and motivated or face social or economic pressures that impact their work, we are hampered in reaching our objectives.

To remain sustainable, we must ensure that the right people are in the right jobs at the right time. This requires robust talent acquisition, management and retention, as well as career development and succession planning. These tasks are complicated by a shortage of skills and resultant competition for talent, particularly in data, cybersecurity, blockchain, AI, and risk and compliance.

Key mitigating actions

Structures are in place across the Bank to attract, develop, engage and retain talent. An employee survey was conducted this year, and the results were used to improve our employee value proposition, including mobility programmes. We continue expanding our employee wellness initiatives to promote health and wellbeing.

The Human Capital Department achieved certification from the South African Board for People Practices and is currently being audited for Top Employer Certification. The Department also defined six strategic pillars with associated initiatives to support our strategic focus areas and launched a Bank-wide High-Performance Culture Programme to promote leadership and accountability. See page 44 for more information on how we are empowering our people.

Rating Outlook Link to strategy



See page 46

Trade-off decisions

Realising our strategy may necessitate trade-off decisions.

Trade-off examples

Digital transformation

Digital transformation increases financial inclusion, improves customer service and reduces costs.

However, significant capital outlay is required in the short to medium term to achieve our digitalisation objectives. Automation also makes certain roles redundant, requiring us to invest in continuous employee upskilling and reskilling.

Growth and risk appetite

Our targets for growth must be balanced against our risk appetite and responsibilities to shareholders.

Although we continue to increase financial access to the unbanked and underbanked, providing some solutions (such as credit) to certain client segments falls outside our risk appetite.

Environmental stewardship

We are fully committed to minimising our environmental footprint and addressing climate change through efficient own operations, sustainable development and finance opportunities.

We are also mindful of the risks and costs associated with environmental and energy transitions and recognise that success requires close collaboration with stakeholders and a willingness to pivot where needed.

In making trade-off decisions, the Board and ExCo consider our material matters, strategy and capitals. Rather than pursuing short-term gains, FNB Botswana adopts a longer-term perspective informed by a comprehensive understanding of risks and opportunities. This enables us to deliver sustainable value to all stakeholders and achieve our vision to be the world-class financial solutionist of choice.



Driving sustainable growth

Our 2025 Strategy

FNB Botswana's 2025 Strategy is based on a thorough assessment of our operating context and material matters that impact our business. The strategy is designed to leverage opportunities across our business segments, improve livelihoods, promote service diversification and contribute to the nation's economic resilience. ●●

The 2025 Strategy was launched in 2020 and aims to bring our purpose to life. The strategy consists of five strategic pillars, underpinned by digital transformation.

Each strategic pillar has 2025 targets supported by annual targets and strategic focus areas. Annual targets are established by the Board and reviewed quarterly to ensure we remain on track to achieve our long-term objectives while responding to changing circumstances.

This year marks the last year of our 2025 Strategy. Key outcomes from our digital transformation include:

1. Enhanced operational efficiencies through automation of manual tasks and improvement of workflows through process optimisation.
2. Improved customer experience through provision of services to clients via digital platforms at their own convenience.
3. Improved agility and flexibility to respond to client needs and trends through enhancements to our omni-channels.
4. Increased employee engagement and productivity through the adoption of digital tools, which empowered employees to collaborate better and continuously upskill themselves through readily available training resources.



Covid-19 catapulted some of the digital transformation initiatives of our 2025 Strategy, such as the introduction of flexible working arrangements for employees and adoption of the FNB App and other digital channels by clients.

As the 2025 Strategy draws to a close, we will focus on executing platform-related initiatives and pivot these to realise our goals of simplicity and customer experience. The planning of our 2030 Strategy is ongoing and it is expected to position the Bank for new areas of growth and client enablement.



Digital transformation

The five pillars of our 2025 Strategy are underpinned by digital transformation, which is both an enabler of our 2025 targets and the overarching objective of our strategy. Digital transformation is critical to the Bank's long-term sustainability and will position us to increase value creation for all stakeholders. ●●

Drivers of our digitalisation journey

Banks around the world are embracing digital tools as a way of increasing efficiency, productivity and customer service. In developing countries such as Botswana, digitalisation further benefits the unbanked and underbanked by extending access to financial services, which improves financial resilience and opens economic opportunities for entrepreneurs and SMEs.

Customer experience

Digital tools enable us to provide a seamless, personalised and convenient banking experience through channels such as Online Banking and the FNB App.

Costs

Digital channels are more cost-efficient than physical branches. Cost savings can be passed on to clients to decrease the cost of banking.

Speed

Transactions and information updates are faster on digital channels and can be completed through self-service and unassisted channels.

Financial inclusion

Improved connectivity and increased cellphone use allow those in remote or outlying areas to more easily access financial solutions.

Data

Digital channels allow us to capture information on client requirements and trends. Big data can be processed through analytics tools to facilitate decision-making.

Automation

Manual tasks can be automated to increase efficiency, decrease errors and allow employees to focus on customer service and other core business activities.

How we govern ICT and related risks

Information governance

We regard information as a strategic asset and aim to derive optimal value from this asset while preserving its legal and ethical use.

Our Information Governance Framework considers the Data Protection Act, POPIA, the European Union's General Data Protection Regulation, the South African Revenue Service directive on cloud computing and the offshoring of data (D3/1028), as well as Basel risk data aggregation and risk reporting principles.

The Board is ultimately responsible for the effectiveness of information governance processes and is assisted by the RCC, Information Governance Committee and Head of Information Governance. Responsibility for information management and governance is cascaded down to the CEO, business area heads and ultimately, the information owner. This ensures that each employee working with data assumes a fiduciary level of responsibility.

Cybersecurity

Cyber risks are managed according to our Cybersecurity Risk Management Framework and Information Security Policy. Our information and cybersecurity goals are to maintain a secure perimeter and network, reduce the attack surface, ensure reliable access, and protect data both at rest and in motion. Refer to page 39 for more information on cyber risk.

Cybersecurity strategy: Securely enable FNB Botswana to innovate and grow through trust.

Cybersecurity mission: Mature and maintain our information and cyber resilience and data protection capability in a way that is feasible, repeatable, adaptive, reduces compliance risk, meets regulatory obligations and considers the broader ecosystem in which we operate.

Financial crime

Our Financial Crime Risk Management Framework and associated Policy lay the foundation for how we identify, manage, respond to and report on financial crimes.

The Framework and Policy provide practical guidelines to the Board, ExCo and all employees on adhering to the compliance principles of the Botswana Financial Intelligence Act (2 of 2022). These include client due diligence, how we deal with prominent influential persons, client and payment screening, monitoring and reporting, and recordkeeping.

Business segments and units perform an annual training needs analysis to determine the relevance and appropriateness of financial crime training, considering institutional risk assessment and internal audit reports. All employees and contractors, and agents where appropriate, must complete general awareness training at least annually.



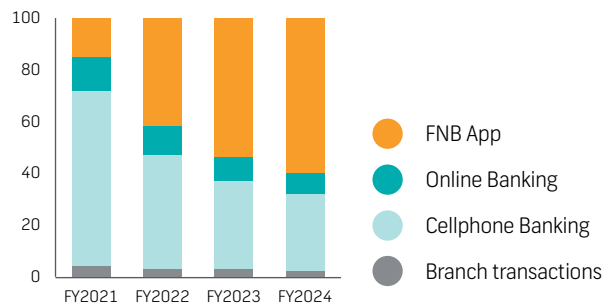
Digital transformation (continued)

Key indicators

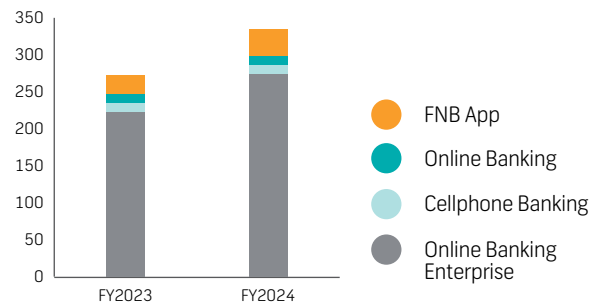
We continue migrating clients from branches to digital channels through education and awareness campaigns. Each of our branches has employees dedicated to digital migration who onboard and educate clients on the use and benefits of digital platforms.

As clients migrate to the FNB App, which has been zero-rated on all local Mobile Network Operators (exempted data costs), we are seeing a reduction in transactional volumes on cellphone and online banking.

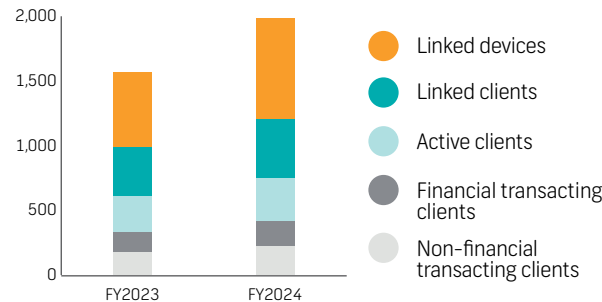
Transaction volumes contribution (%)



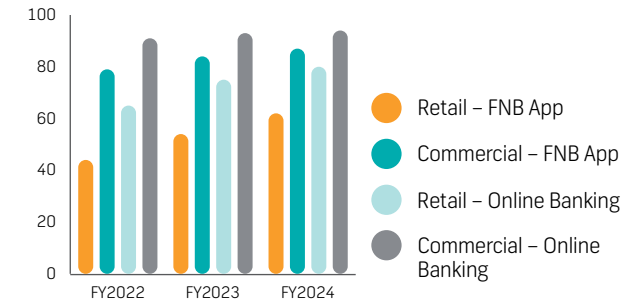
Transaction volumes (P'-billion)



FNB App (P'000)



Digital penetration (%)



Our innovative and integrated financial solutions platform helps us consistently deliver an unmatched customer experience and deliver shared prosperity for stakeholders.

Challenges and risks

Many areas in Botswana are remote and do not yet have ubiquitous internet access, which prohibits existing and future clients from accessing our digital channels. With disposable income under pressure, not everyone can afford data or a smartphone. To address these challenges, we offer access to digital services in our branches, mobile bank and mini branches. We have also zero-rated the FNB App across all Mobile Network Operators (exempted data costs).

Digital transformation is significantly impacting our employees, both in their personal lives and at work. Some job roles have become obsolete and routine tasks have been targeted for robotisation. New roles that require different skill sets are emerging, and these critical skills are often scarce in the market.

FNB Botswana provides ongoing training to employees to reskill them in the competencies required to thrive in the new world of work. This includes soft skills, such as those required in teamwork and customer service, as well as technical skills and product knowledge.

We invested P20.2 million (FY2023: P7.5 million) in employee training and skills development.

We also established a team of local developers mandated to develop digital solutions customised to the Botswana market. The development team collaborates with counterparts in the FirstRand Group, and we aim to export some of our local capabilities to other Group subsidiaries.

One of the most significant challenges arising from the digitalisation of financial services is the rise in cybercrimes and the increase in their sophistication. Our AML and Combatting the Financing of Terrorism Programme is designed to ensure compliance with local and international laws, regulations, codes of conduct, practices and sanction requirements.

We have harnessed digital tools to improve operational efficiencies in fraud detection. Technology now allows us to automatically and quickly process and analyse large volumes of data and separate real from false alerts. We also conduct regular employee and consumer awareness training to inform people of the latest scams and how to respond appropriately.

As the largest commercial bank in the country, we must be exemplary in detecting and managing fraud. We collaborate with Government and industry bodies to improve the national response to money laundering and the financing of terrorism.



Solutionist people

Empower people to drive high performance and retain critical skills. ●●

Our human capital strategy is based on six pillars.

- | | |
|---|--|
| <p>1 Attract best-in-class talent</p> | <p>4 High-performance culture</p> |
| <p>2 Exceptional career experiences</p> | <p>5 Operational excellence</p> |
| <p>3 Great place to work</p> | <p>6 Enable people on the platform journey</p> |

These pillars are unpacked on page 47.

Progress against 2024 strategic focus areas

Align rewards with strategy

- Introduced a new qualitative performance enablement process to promote high performance supported by continuous feedback and performance reviews. See page 47 for more information.
- Conducted a comprehensive remuneration benchmarking analysis of top management and Non-Executive Directors, as well as an annual benchmarking exercise of employees' guaranteed package against market information. See page 100 for more information.

2024 indicators

- 71% Group-wide Employee Experience Survey (Glint) (target: 75%)
- Successful implementation of High-Performance Culture
- 65% Home-Grown Index (target: 65%)
- 10% Critical Skills Turnover (target: 10%)

Build and retain talent

- Signed a Talent Mobility Memorandum of Understanding with FNB Zambia that enables employees to exchange skills and explore career growth opportunities that transcend borders.
- Developed a Diversity, Equity, Inclusion and Belonging Framework and Policy to enable the execution of our diversity management agenda.
- Obtained an assessment of the suitability of our First Place Head Office in Gaborone and two branches to accommodate people living with disabilities.
- Employed one (target: six) person living with disabilities, increasing our headcount of differently abled employees from 0.1% to 0.2%. In our drive to be a more inclusive Bank, we are targeting the employment of differently abled people in all departments.
- Recorded employee turnover of 6.7%, of which 1.7% was involuntary and 5% was voluntary. Employees exited the Bank primarily as a result of better opportunities and/or career growth.
- Continued improving our Home-Grown Index, which measures the number of internal versus external employees hired in their current roles. We achieved a rating of 65% (target: 45%) for ExCo members and 75% (target: 75%) for department heads.

Strengthen our employee value proposition

- Revised our employee value proposition to promote talent attraction and retention.
- Classified as a Top Employer by the South African Board for People Practices following an audit of our human capital standards.
- Participated in the Group-wide Employee Experience Survey (Glint) that provided insights into our key strengths (company direction, change communication and prospects) and areas for improvement (rewards, workload, culture and work-life balance). FNB Botswana achieved an average rating of Exceeds Expectations.

Transform our culture

- Launched a Bank-wide High-Performance Culture initiative to promote leadership and accountability. See page 48 for more information.

Solutionist people (continued)

Strengthening our culture through collaboration

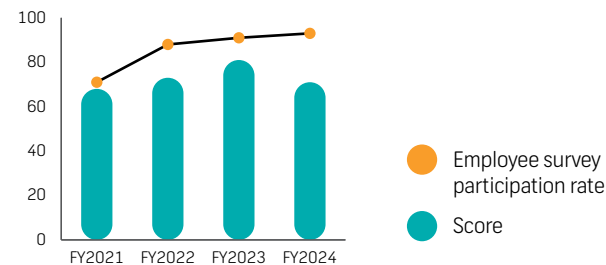
The Culture Risk Assessment evaluates elements of employees' experience, such as working culture, conduct, ethics, organisational design and engagement. Following the results of the assessment in April 2023, we developed a Culture Risk Assessment Action Plan aimed at:

- Promoting ownership, accountability and effective leadership.
- Driving awareness of bullying, harassment and victimisation.
- Increasing connection and communication within and between teams.
- Creating safe psychological spaces to promote trust.

The Action Plan included a range of initiatives, and employees subsequently indicated that these improved engagement, motivation and collaboration between leaders and other employees. Initiatives included:

- Identification and training of a Junior ExCo team.
- Collaborative meetings between ExCo and employees, heads of department and branch managers.
- Establishment of a Kgotla system whereby a 'Council of Chiefs' (leaders) in each division is elected to ensure that employee concerns are appropriately raised and addressed in meetings.
- Celebration of international awareness days (such as World Mental Health Day) to promote diversity awareness.
- Implementation of an antibullying campaign.

Employee participation rate and score (%)



2025 targets

- 75% Group-wide Employee Experience Survey (Glint)
- <10% turnover of critical skills
- Improve Home-Grown Index (target: 65%)
- Achieve Top Employer Certification





Solutionist people (continued)

Our people profile

We aim to attract, develop, engage and retain deeply invested and innovative employees who contribute to a future of shared prosperity. To win in the war for talent, we invest in refining our employee value proposition and establishing ourselves as a Top Employer. ●●

As articulated in the Bank's value proposition, we cherish our diversity and harness it to create a cohesive way of working that enables a culture of agility and innovation for the success of our stakeholders. Our commitment to transformation is captured in our Diversity, Equity, Inclusion and Belonging Framework and Policy.

We also support employees' freedom of association through the relevant structures. More information on collective bargaining is provided on page 100.

Employee turnover	FY2024	FY2023
New appointments (fixed-term contractors and permanent and pensionable)	82	191
End of secondment (exiting FNB Botswana)	1	1
Dismissals	3	8
Resignations	70	51
Restructuring	2	2
Retirements	8	4
Termination on medical grounds	1	3
Deceased	5	3
Total employee turnover	90	72

1,602
employees
(FY2023: 1,636)

62.5%
women in executive roles
(FY2023: 56%)

37.7
average employee age
(FY2023: 37)

P824 million
spent on employee remuneration
(FY2023: P726 million)

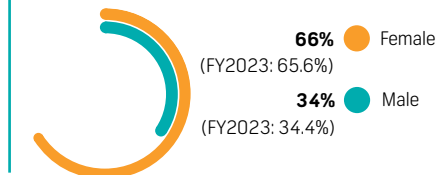
88.4%
permanent employees
(FY2023: 88.7%)

65.6%
of permanent employees are women
(FY2023: 66%)

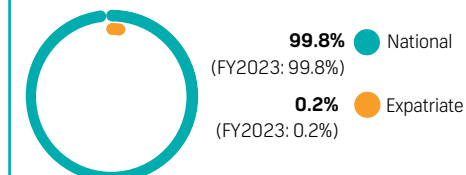
6.7%
employee turnover
(FY2023: 4.9%)

71%
of employees have access to flexible working arrangements
(FY2023: 68%)

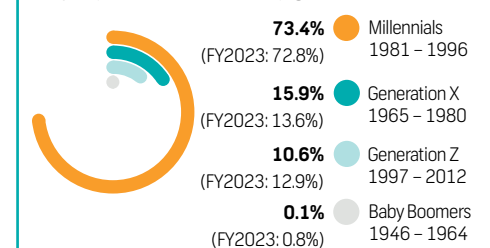
Employee breakdown by gender



Employee breakdown by nationality



Employee breakdown by generation





Solutionist people (continued)

Unpacking the six pillars

1. Attract best-in-class talent

We improve talent attraction by adopting world-class human capital practices, implementing succession planning for critical roles, and providing exceptional career experiences. ●●

To enhance our talent attraction and retention goals, ExCo identified two international organisations that audit human capital practices against world-class standards, namely the South African Board for People Practices and Top Employer Institute. Our human capital standards were audited by the South African Board for People Practices in 2023, and we achieved Top Employer classification from this professional body. We are also preparing for the next audit by the Top Employer Institute, which will take place in FY2025.

We completed a workforce segmentation exercise across all business functions to identify critical roles and ensure a robust succession plan. Of the 287 total roles, 90 were identified as critical and will be the focus of talent development, succession and risk mitigation efforts. We also work with the Broader Africa team to ensure a robust succession plan for ExCo roles.

We implemented a comprehensive coaching programme for ExCo members and high-potential individuals identified as successors. This one-on-one coaching experience will equip participants with the necessary skills and qualities to become well-rounded leaders. 25 ExCo members and top talent are enrolled on this coaching journey.

The CEO has been engaging in skip-level conversations with 10 identified short-term ExCo successor candidates, focusing on career prospects and growth opportunities to align individual aspirations with the 2025 Strategy. Development initiatives are in place for all successors, including coaching and leadership development programmes.

We have implemented a knowledge transfer initiative in which each ExCo member is matched with a Junior ExCo member to mentor for skills enhancement, increase their exposure and build a supportive professional connection.

We provided a 24-month paid internship to 11 graduates from three local and one foreign tertiary institution as part of our First Spark Career Accelerator Programme. We also have a memorandum of agreement with four tertiary institutions to ensure we can recruit best-in-class graduates, including those living with disabilities.

2. Exceptional career experiences

We provide exceptional career experiences through learning and development initiatives, mobility programmes and talent management. ●●

By focusing on equipping our workforce with the necessary skills and knowledge to thrive in a rapidly evolving business landscape, we are not only investing in the individual growth and potential of our employees but also in the Bank's overall competitiveness, adaptability and sustainability.

This year's focus has been on leadership development, emphasising equipping existing and future leaders with the skills to effectively lead and cultivate a team environment that fosters growth and personal development. We also provided access to Udemy for Business to all employees.

FNB Botswana grants sponsorships to deserving employees to foster skills development and align workforce capabilities with business objectives, industry changes and new skills required in the future world of work. We awarded 11 sponsorships worth P1.5 million for undergraduate and postgraduate qualifications in ESG, data science, risk management, robotics, digital transformation and digital leadership.


To build agile and flexible talent, we have been leveraging employee mobility within the Broader Africa group to support skills transfer and career development. This year, we had 23 employees on short-term internal secondments in South Africa, Swaziland and Zambia.


We promote career development through talent management processes, including a dedicated talent forum review twice a year. We introduced a new qualitative performance scorecard across the Bank that takes a proactive approach to performance and focuses on continual improvement, development and growth. Performance is measured against the employee's core job responsibilities, own career goals and adherence to the FirstRand promises. Monitoring occurs through continuous feedback and performance reviews, supported by employee coaching.

 **P20.2 million**
invested in employee training and skills development (FY2023: P7.5 million)

 **P600,000**
invested in coaching and mentoring programmes (FY2023: P674,602)

 **P1.5 million**
disbursed in sponsorships (FY2023: P1.4 million)

 **112%**
training budget utilised (FY2023: 80%)

 **4,435**
learning hours on Udemy (FY2023: 7,727)



Solutionist people (continued)

3. Great place to work

Our employee value proposition aims to position FNB Botswana as a great place to work where people receive emotional, physical and financial support. We actively elicit feedback to improve our responsiveness to employee needs. ●●

We recognise the importance of a compelling employee value proposition to attract, retain and engage employees, as well as maintain a competitive edge in the market. This year, we renewed our commitment to put people first, enhance careers, celebrate success and nurture talent. Our employee value proposition also includes competitive compensation, opportunities for career growth and development, a positive work environment and a strong organisational culture.

Employee wellbeing is a key component of our employee value proposition, and we offer employees a range of support services.

Emotional wellbeing

- Our Employee Assistance Programme provides psychotherapy and counselling services to employees and their immediate family 24/7/365.
- Our daycare centre in Gaborone offers emergency child-minding services at no cost.

Physical wellbeing

- We monitor key employee health indicators, including non-communicable diseases, chronic health conditions and HIV so we can provide the appropriate support.
- We avail a Wellness Centre that services employees and their immediate families in Gaborone. This houses an independent physiotherapist, psychologist, general practitioner and medical laboratory that make visitations twice a week. Total uptake exceeds 70 employees per month.
- Our healthcare claims ratio for the year is 80%, which is in line with our threshold.
- We are committed to “Zero Harm” in the workplace. Health and safety interventions include sensitising employees on personal safety and timely reporting. We recorded 14 cases of minor injuries on duty (FY2023: 12). We had zero fatalities (FY2023: 0) and zero accidents (FY2023: 0).
- We host an annual Wellness Day for employees where health practitioners offer screenings, counselling and therapy. These events are open to the public.

Financial wellbeing

- Our Employee Assistance Programme provides counselling to employees who experience financial distress.
- In July and August 2023, we provided financial literacy and money management training to 450 employees.

4. High-performance culture

We nurture an organisational culture of high performance and accountability founded on the FirstRand promises and organisational commitments. ●●

In March 2024, we launched our Bank-wide High-Performance Culture initiative. Through this initiative, we aim to shape a culture of high performance through accountability in which our promises, leadership practices, commitments and behaviours motivate and empower employees to achieve exceptional results and personal success.

Projects undertaken as part of the High-Performance Culture initiative include a comprehensive development assessment of our ExCo team, the development of a culture blueprint, and an organisation design review to ensure that our structure is fit-for-purpose. We are also training leaders to empower them to become coaches and practice a coaching leadership style to drive a high-performance culture.

In the coming year, we aim to host coaching and capacity-building workshops to ensure the successful adoption of the identified high-performance behaviours.

5. Operational excellence

By driving operational excellence, we aim to increase efficiencies, reduce costs and deliver exceptional customer service. ●●

We launched a new human capital information management system, Workday, that allows for employee management and control of tasks, such as onboarding, time tracking, learning, talent management and performance evaluations and offboarding.

See page 49 for information on this year's progress in achieving operational efficiencies.



Solutionist people (continued)

6. Enable people on the platform journey

Following a successful launch of performance enablement through the new Workday system, FNB Botswana has witnessed accelerated usage of the system for employee performance contracting and evaluation. The Bank recorded 97% contracting and 89% performance evaluation through the new performance enablement system as of the beginning of the current financial year. This indicates positive progress as far as system uptake is concerned.

Investing in and prioritising the development of future skills for FNB Botswana is critical for the Bank's platform journey, as well as its long-term success and sustainability. By focusing on equipping our workforce with the necessary skills and knowledge to thrive in a rapidly evolving business landscape, we are not only investing in the individual growth and potential of our employees but also in the overall competitiveness and adaptability of the Bank.

In FY2024, we conducted a strategic assessment of the skills required to bolster our business strategy and ensure the Bank's sustained competitiveness. Following this evaluation, we identified key skills, including agile project management, software engineering, cybersecurity, data management, analytics, coding and robotics. Furthermore, as a proactive measure, we have awarded nine sponsorships to employees, enabling them to pursue postgraduate studies in some of these key fields.

In October 2023, FNB Botswana hired a Chief Data and Analytics Officer to drive the Bank's data and digitalisation journey. To date, the focus has been on putting in place the structure and training current resources on AI, data management, analytics, coding and robotics.

By nurturing a skilled and adaptable workforce, we are better positioned to navigate challenges, seize opportunities, and drive sustainable growth in the ever-evolving financial landscape.

Operational efficiencies

Connect people to systems and processes that accelerate them. ●●

Digital first, human when it matters

This strategic pillar focuses on connecting people to systems and processes that accelerate them as we deliver safe and efficient solutions for our clients. We do this by simplifying and automating processes to deliver a superior customer experience, and affording the same experience through human touch points such as our 24-hour Contact Centre, private bankers and branches. The pillar has three focus areas: being client first in everything we do; maintaining a production mindset; and leveraging data-driven on-platform solutions.

We have been focused on building our reusable capabilities as we simplify how our systems interact to be able to improve the pace at which we are able to deliver solutions for our clients. This year, we launched our first fully digital sales solution and the ability for clients to review and update their information on the FNB App without having to go to a branch. There are a lot more digitally enabled solutions coming to market very soon as we continue our digitalisation journey.

2024 indicators

- P12.4 million cost reduction through efficiencies (target: P17 million)
- 100% processes mapped and documented (target: 100%)
- 63% processes optimised (target: 72.5%)
- 5% processes automated and digitised (target: 7%)



★ Operational efficiencies (continued)

Progress against 2024 strategic focus areas

Fit-for-purpose platforms ●●

We are modernising our platforms, particularly to allow for unassisted (self-service) channels. We also continue investing in talent and are proud to celebrate that our developers are part of the teams that are modernising and shaping the FirstRand Group's platforms to deliver superior customer experience, with a focus on simplicity.

This year, we:

- Launched a Biometric Enrolment and Verification, which allows clients to register their biometric information. This provides a safer and more efficient way to authenticate clients for in-branch interactions, reduces the risk of fraud and improves customer experience.
- Launched our first fully automated digital sales process for existing clients, including Gold account opening and pre-approved non-scheme personal loans. These capabilities are currently being expanded to cater for new clients.
- Integrated the FNB platform with the Online Business Registration System of the Botswana Companies and Intellectual Property Authority, which will assist us as we continue to work on making it easier for business clients to open and maintain accounts.
- Implemented a modern Enterprise Telling Solution, modernising our legacy telling solution to deliver superior customer experience and reduce the risk of error and fraud.

For the year ahead, we will close out projects on our platform modernisation journey, particularly regarding digital sales experiences. We will launch a functionality for new clients to register a profile and open an account through the FNB App and extend this functionality to business clients. We will also continue exploring opportunities for system integration to make life simpler and safer for our clients.

Ensuring data quality while enhancing customer service

FNB Botswana's new MyProfile platform was launched in February 2024. This functionality allows clients to maintain key information on their personal profiles, including information required for KYC verification, through KYC on FNB App and Online Banking.

MyProfile enables us to improve client data quality, resolve client compliance queries more effectively and reduce traffic to our branches. Since its launch, more than 11,000 clients have taken advantage of this solution.

Process efficiencies

We have more than 2,000 processes across the Bank and continue to simplify them where possible through automation and reducing hand-offs to deliver safe and efficient solutions to our clients. We employ on- and off-platform techniques to accelerate processes, including macros, data analytics, robotics process automation and advanced workflow solutions. All processes are mapped through a process mapping tool and undergo robust risk assessments. Employees are trained to achieve superior process maturity. We are targeting a minimum of 85% processes across the business and are on track to achieve this by 2025.

This year, we:

- Mapped and modelled a range of processes to ensure consistency and clarity and conducted ongoing process risk assessments.
- Automated several processes to increase efficiencies, reduce costs and mitigate risks, including personal loan applications on the FNB App, client facility letters, and credit excess balance notifications for Commercial and RMB clients.
- Automated repetitive and time-consuming tasks such as data entry, account reconciliation and transaction processing, reducing errors and freeing employees to focus on higher-value tasks.
- Digitised records for three business units, resulting in significant cost savings.
- Re-engineered several processes to eliminate non-value-added steps, streamline operations, and enhance efficiency and fit-for-purpose structures.
- Continued the implementation of a Bank-wide Electronic Document Management System to effectively manage data and records storage and access thereof.
- Improved our business intelligence capabilities.

We are leveraging business intelligence and quality data to improve customer service. We aim to maintain client data quality at a minimum of 98%. This is dependent on our clients keeping their information up to date and employees maintaining a high degree of accuracy and attention to detail when managing client information.

We continue our journey to digitise all records to enhance accessibility and security, reduce our environmental impact and optimise costs. This also assists us to ensure compliance to regulations.

This year, we:

- Implemented data governance frameworks to ensure data accuracy, consistency and reliability.
- Implemented a continuous monitoring tool for client data to elevate client data quality thresholds, address critical operational needs, enhance customer experience and ensure compliance with regulatory requirements.
- Streamlined data quality management processes to ensure prompt management of data quality issues, with improved roles and responsibility assignment for critical stakeholders and escalations.



★ Operational efficiencies (continued)

- Continued cleaning up client data based on the latest business and regulatory data reporting requirements.
- Consolidated key data repositories.
- Conducted Bank-wide training on key developments in data management practices and regulations, including records management, data analytics, data-driven decision-making, data management, data privacy and AI.
- Recruited and onboarded a Chief Data and Analytics Officer to manage all data-related imperatives.

2025 targets

Our objective is to be recognised as the most innovative bank in Botswana through the delivery of cutting-edge platforms. Our focus for FY2025 is to deliver the best client, sales and self-service solutions.

- Consumption of (migration to) cutting-edge platforms through work item load contracting
- 85% of processes optimised
- 150 processes automated
- 98%+ client data quality maintained (based on KYC measurements set by the Financial Intelligence Agency)
- >50% records digitised

Vibrant and creative spaces

We are modernising the spaces where we work and interact with clients to reflect our innovative culture and modern way of working. We aim to modernise at least two branches every year and constantly seek opportunities to enhance employee workspaces. At the same time, we are focused on reducing our impact on the environment through resource efficiency and waste reduction.

This year, we:

- Refreshed and modernised some internal workspaces in line with our Productive Me concept to promote team productivity and collaboration. We also enhanced client meeting places in our Credit Recoveries area, improving comfort, discreetness and confidentiality in support of our "Real Help" strategy to support clients through difficult times.
- Refurbished our Broadhurst branch for improved customer experience. The branch size was reduced from 1,158 square metres to 475 square metres, realising an annual cost savings of P1 million. The refurbished branch provides an improved experience for our clients to meet with us and supports a paperless environment, in line with our digitalisation strategy.
- Relocated our Maun branch to the new Mall of Maun and repurposed the space in line with our strategy to encourage self-service on the FNB App. The new branch provides an improved service experience.
- Implemented a grid-tied solar solution at our Francistown building and realised a 22% energy efficiency. See page 69 for more information.

👤 Customer experience

Deliver exceptional customer service, consistently. ●●

Progress against 2024 strategic focus areas

Enhance digital channels

- Reduced and exempted various fees to encourage migration to digital channels and zero-rated several transactional services.
- Continued work towards developing a single platform to manage all client interactions. This platform will enable clients to view financial information (such as statements, transaction history and account balances), update limits and conduct card maintenance.
- Implemented a query management system that integrates with client communication and provides a reference number at all touch points, including the FNB App.
- Introduced enhancements to the Online Banking and FNB App platforms such as MyProfile, as well as improvements to login notifications, access verification and prepaid electricity purchases.
- Launched eWallet Pro as an alternative to cheques. See page 75 for more information.
- Enabled new-to-Bank clients and those with a Gold account or credit card to open a new account digitally and completely unassisted. This functionality will be extended to sole proprietors in early 2025.

2024 indicator

- 86.6% External Client Satisfaction Index (indicator for FY2023; FY2025 target: 90%)

Improve customer service through data analytics

- Identified and migrated high-transaction clients from savings accounts to transactional accounts to help them reduce banking costs.
- Retained and upgraded 70% (FY2023: 40%) of our Government sponsored students to a Smart or Gold account. This follows the renewal of FNB Botswana's contract in June 2024 to disburse allowances to in-country students whose tertiary education is sponsored by Government.
- Continued analysing client segments and their needs, allowing us to extend more solutions to existing clients and improve our value proposition to new clients.

Promote financial wellness

- Reached over 800,000 individuals through targeted initiatives on consumer behaviour and personal finances via national television, radio jingles and social media campaigns. Topics included budgeting, financial goal setting, fraud awareness and investment strategies.
- Engaged over 20,000 individuals with consumer education during events, sponsorships and CSI activities.
- Opened 3,300 new Flexi Fixed Deposit accounts following a product and savings awareness campaign, leading to an 11% year-on-year growth in the Flexi Fixed portfolio balance.



Customer experience (continued)

Understanding client needs

FNB Botswana conducts a biennial external customer satisfaction survey to ensure that we meet or exceed clients' expectations and identify areas for improvement.

The survey is sent to current, former and potential clients (those who have shown an interest in our solutions), ensuring that we capture diverse perspectives across a variety of client segments. The survey centres around product satisfaction, service delivery, the overall banking experience, and suggestions for improvement and enhancement. Together with the survey results, we analyse feedback from our social media platforms and website interactions to ensure a multi-channel approach.

Insights from the survey and additional analyses are used to inform action plans. We regularly evaluate the success of these plans and assess their impact during the next customer survey. This ensures that we measure the effectiveness of our response over time.

The most recent external customer satisfaction survey was conducted in FY2023 and revealed several client pain points that have been or are being addressed to improve customer experience.

Client pain point	Our response
ATM and ADT failures due to power cuts, malfunctioning of machines and depositing of foreign objects in machines by clients.	<ul style="list-style-type: none"> Ongoing monitoring of machine downtime Use of uninterruptible power sources Engagement of vendors to provide technical support
Debit card disputes due to a bank identification number attack that penetrated Facebook.	<ul style="list-style-type: none"> Ongoing client education campaign Availability of fraud tips on FNB App Proactive and continuous monitoring of disputes for resolution and reporting through various channels
Unknown/unauthorised transactions, unpaid fees and negative balances due to a lack of client understanding of pricing and service offerings.	<ul style="list-style-type: none"> Publicising revised pricing Introducing zero-rating on some services Ongoing client education campaign Reducing honouring fee by 50% Switching off the account tolerance limit, which led to an 80% reduction in complaints of accounts going into negative
Accounts on hold due to KYC non-compliance.	<ul style="list-style-type: none"> Launched KYC on FNB App
Prepaid electricity purchase failures due to Botswana Power Corporation system unavailability.	<ul style="list-style-type: none"> Ongoing monitoring of machine downtime Engagement with vendor to resolve identified issues Reducing processing time to decrease timeouts Implementing automatic reversal of failed transactions Securing access to super vendor platform to check status of transactions
Loan application inefficiency and lengthy turnaround times due to manual processes, rate changes and system glitches (multiple applications by the same client).	<ul style="list-style-type: none"> Fully automating the personal loan application process for clients who are not part of an existing loan scheme Availability of Complaints and Resolution Enablement (CARE) on the FNB App Introducing a fixed-rate option to address rate changes

Addressing clients' complaints

Complaints to FNB Botswana are received through various entry points, including walk-ins to the branch network, the Contact Centre, social media and the FNB App. Complaints are logged on to our CARE system and then allocated to the appropriate business unit and closely managed for resolution.

Furthermore, the Bank may receive complaints via the Office of the Botswana Banking Ombudsman. These may be escalated issues or clients who report directly to the Ombudsman. Such complaints are also logged on to CARE and allocated for resolution.

Where required, mediation meetings are arranged between the Bank and client to obtain further advice from the Ombudsman. This is to ensure the fair treatment of clients and the opportunity to rebuild relationships.

This year we received 12 cases via the Ombudsman Office. Four of these were amicably resolved while eight remain open and await a response from either the client or the Ombudsman.

2025 targets

- 90% External Client Satisfaction Index (this is measured through the biennial survey and against the quarterly review of resulting action plans)
- 100% completion and execution of action plans stemming from service promises identified across the Bank to meet three key identified client commitments in each business unit
- 85% hygiene index (the extent to which business units deliver their core services and/or resolve queries and complaints within the targeted turnaround times)



Value protection

Allocate resources SMART-ly and responsibly to achieve great returns. ●●

Progress against 2024 strategic focus areas

Ecosystem banking

We leveraged opportunities within the Bank's value chain and an array of the Retail clients we have by deriving business at the different stages of the client's lifecycle, as well as the different touch points and connections in their day-to-day life. We built household ecosystems by identifying our clients' payments landscapes and ensuring we bank them; that is, family, relatives, farm workers, house helpers, gardeners and many more. Our primary focus in ecosystem banking remains family banking and youth banking.

Strategic partnerships

We partnered with the Wentzel Spar group and Trans Cash & Carry to onboard them as CashPlus agents, thereby increasing the number of agents and expanding our financial inclusion reach. In terms of product enhancements on CashPlus, we introduced the "Public Recipient" function for public companies' deposits, "coinage" to allow for decimal amount deposits and CashPlus self-service. Additionally, partner onboarding functionality was improved to allow prospective agents to apply via the FNB App.

We continue to cultivate growth and expansion of new markets and sectors in Botswana through strategic partnerships that combine expertise and resources to accelerate market development. Through this approach, RMB participated in the annual Botswana Insurance Fund Management breakfast seminar panel discussion held under the theme "Exploring local alternative investment opportunities and integration of ESG factors in the investment process", to demonstrate RMB's commitment to ESG compliance. Moreover, RMB sponsored and participated in the Botswana Stock Exchange-CNBC media campaign and participated in a panel discussion on the topic "Botswana's opportunity for investment and growth", and sponsored the 2023 US-AFRICA Business Summit. Both these events were aimed at positioning RMB as a solutionist banking partner and accelerating Botswana's participation in the global value chain.

Platform journey

The Contact Centre mandate was expanded and certain service processes were migrated from branches to the Contact Centre,

allowing clients to interact with the Bank at their own convenience. This is part of our journey towards enabling clients to self-service and bank from anywhere, anytime. We anticipate efficiencies from platforms deployed and operating successfully.

Risk reduction

Significant progress towards achieving our strategic objectives of being risk managed has been noted and is on track. This is mostly for the financial risks, where processes and systems are more risk mature, and the risk types rated as risk managed. Non-financial risks such as compliance and operational risk are rated as risk defined, although with improvements noted in the year. Systems and processes are largely in place; however, the focus is to embed the practices into the culture and DNA of the Bank.

A Pandemic Response Policy is in place for business continuity and resumption in times of disaster. Further, the promotion of production mindset has driven and improved production data, which has helped in decision-making on sustainable business operations. 40% of records have been digitalised; this supports our cost containment and cost transformation initiatives by reducing the physical storage expense.

Continual investment and security assessments on platforms ensure system robustness, simplicity and reliability of access. This is in alignment with regulatory compliance.

Income diversification

We successfully launched eWallet Pro, which is a first-to-market wallet solution for corporates that has proven to be a differentiator for facilitating payments at a critical point for the Botswana market where the Bank of Botswana has phased out cheques. This solution further enables FNB Botswana to play in the prepaid card market (in which we were previously unable to compete). eWallet Pro has become a key enabler for financial inclusion for the underserved market and will become a new revenue line for the segment.

Client acquisition and retention

Pricing for strategic clients has been considered as part of a broader approach to fostering long-term partnerships. This approach was thoughtfully crafted to align with our commitment to mutual growth and sustained collaboration with key clients. By carefully balancing competitive pricing with value-driven service, we aim to support

2025 targets

- SMART responsible allocation of resources to achieve great returns
- P967 million NIACC, which was revised from the original 2025 target of P762 million
- Sustainable pre-impairment profits
- Normalised in-country direct costs (excluding service level agreements)
- Achieve a risk-managed maturity status

the strategic goals of our clients while ensuring a foundation for continued success and partnership. We repriced key clients by considering clients' full banking requirements and offering suitable solutions, as opposed to single product pricing across client needs.

A retention desk was established to manage client base attrition using predictive analytics to identify account inactivity and early signs of attrition. A total of 9,650 (FY2023: 11,601) Commercial accounts were reactivated through retention desk efforts.

To promote financial wellness, we provided Money Management training to 6,699 employees (FY2023: 2,345) of various companies who have a scheme relationship with the Bank. Training modules included growing my money, managing my debt, protecting things that matter and understanding my money.

A total of 183,552 (FY2023: 180,000) clients benefited from Cashback Rewards, our loyalty programme, and P39 million (FY2023: P33 million) was awarded to these clients. This is a revenue share loyalty programme designed for Retail clients. We added six (FY2023: 12) more rewards partners to the suite of service providers offering discounts to FNB Botswana clients on lifestyle benefits such as health, fitness, travel and courier services. As of 30 June 2024, we had 18 rewards partners.

RMB pursues a relationship-based approach to acquiring new clients that emphasises the importance of building and maintaining long-term connections. By focusing on long-term engagement and understanding client needs, this approach aims to foster loyalty and create opportunities for sustainable growth.

Going forward, we will focus on collaborative efforts between segments to identify opportunities to provide value to companies and formulating strategic plans to provide financial services to their employees. We will leverage data insights to enhance customer experience.



Shared prosperity

Intentionally use core business activities to solve social challenges profitably at scale. ●●

Our approach to shared prosperity

To achieve our purpose of building a future of shared prosperity, we must deliver both financial value and positive societal outcomes for our stakeholders. This objective has been incorporated into our business strategy. ●●

Shared prosperity delivery mechanisms

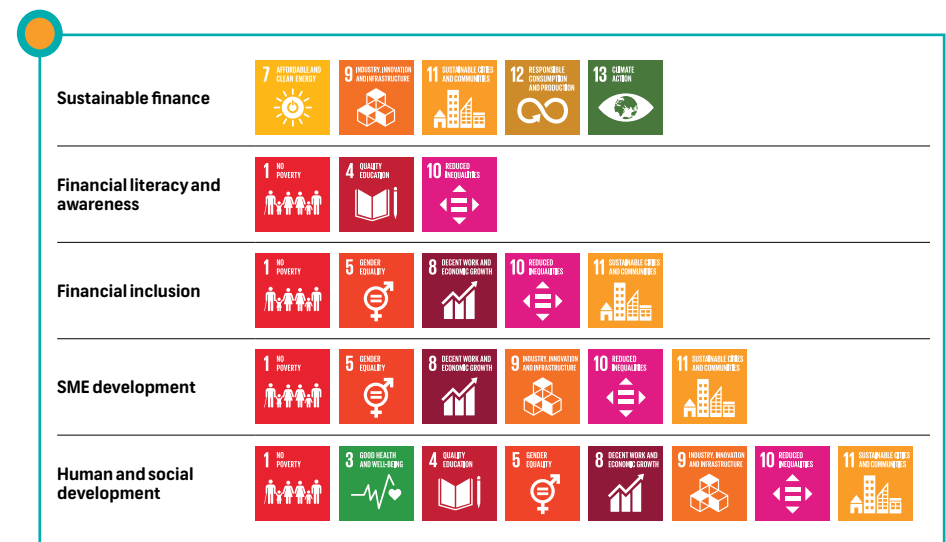
- Financial resource management**
The way we allocate our financial resources, including capital, funding and liquidity, risk capacity and local procurement
- Platforms**
The technology platforms, systems and ICT infrastructure that enable our clients to access products and services
- Networks**
Our knowledge, partnerships, and access to clients, ideas and skills
- Operations**
The employees, suppliers, operations and infrastructure that help us deliver on our strategy
- Social investing**
The means through which we deliver on our CSI goals, such as our Employee Volunteer Programme and the FNB Botswana Foundation

Shared prosperity focus areas

Our shared prosperity focus areas are informed by existing and emerging issues that present both risks and opportunities for financial, social and environmental value creation. They are linked to the United Nations SDGs relevant to our purpose and to which we can make the most meaningful contribution.

2024 indicators

- Support economic empowerment initiatives through CEEP and purchase order financing
- Achievement of bank-wide shared prosperity initiatives spread across the five focus areas





Shared prosperity (continued)

Sustainable finance

Sustainable finance is about considering environmental, social and economic imperatives when making financing decisions. The goal is to direct capital towards sustainable economic activities and projects that positively impact the environment and society. ●●

FNB Botswana's approach to sustainable finance is outlined in our Climate Change Policy and our Energy and Fossil Fuels Financing Policy, which describe how we fund primary activities in the oil and gas, coal and renewable energy sectors. We support the transition from fossil fuels to more sustainable forms of energy generation, as outlined in our funding commitments.

Fossil fuels funding commitments

We have made public funding commitments on coal, gas, oil and related infrastructure in our Energy and Fossil Fuels Financing Policy. We no longer provide direct funding for new coal-fired power stations, and as of 2026 will no longer provide direct project financing for new coal mines. As per our policies, we will cap the coal financing portfolio at P1 billion of the total book until 2025 and revise to P750 million by 2030 with a view to divest over time. We also intend to rebalance our oil and gas portfolio towards gas since we regard it as a potential replacement for coal-fired power.

From 2040 onwards the Bank expects to accelerate our transition away from fossil fuels in line with the Botswana transition pathway (up to 2040) where coal is expected to no longer form the core of the Botswana energy mix, allowing an accelerated move away from coal-related financing.

FNB Botswana does not invest in or finance the development, construction or expansion of any oil, gas or infrastructure installation that:

- Is associated with tar/oil sands or sensitive polar regions.
- Involves shale oil or shale gas fracking in water-scarce areas.
- Has a destructive impact on protected areas, wetlands of international importance or areas of high conservation value.
- Has high-carbon intensity and is incompatible with the Paris Agreement.

Pricing incentives are provided for transactions that encourage emission reductions and promote ESG-conscious operations. No funding limit is applied where the majority use of proceeds is for renewable energy projects. However, all transactions are subject to environmental and social due diligence and must adhere to regional, national, international and industry best practice.

We seek to position ourselves as a transition financier, providing or facilitating finance to enable the transition to a greener and more sustainable economy.

Environmental and Social risks screening

All credit applications are screened for direct environmental and social risks, as per our Environmental and Social Risk Assessment Policy. We consider potential risks for both the Bank and applicant, and how well the applicant manages these risks.

Where the majority use of proceeds is for oil and gas or coal-related activities, all transactions are subject to enhanced ESG and due diligence screening. This includes an assessment of the emissions impact of the transaction.

FNB Botswana does not provide financing that involves:

- Forced labour or child labour.
- The destruction of high conservation value areas.
- Racist or anti-democratic media.
- Pornography or prostitution.
- Unbounded asbestos fibres (if part of an applicant's primary financed business activities).
- Illegal, banned or phased-out activities or materials such as ozone-depleting substances and plants and animals regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora.



Shared prosperity (continued)

Sustainable finance solutions

In addition to integrating environmental considerations into our investment decisions, we incentivise clients to invest in renewable energy and infrastructure projects through relevant advice and solutions. We offer discounted pricing on personal and home loans for hybrid and off-grid energy and water reticulation systems, as well as for hybrid and electric cars (through WesBank). We actively seek to finance green energy projects.

The Bank is in the final stages of developing a Sustainable Finance Framework, which will support the issuance of a sustainable bond and the funding of green and social assets. Finalisation of the Framework is anticipated post the release of this report.

8%
of RMB advances support green energy
(FY2023: 0%)

P610 million
approved for sustainable finance projects
across all business segments
(target: P520 million)

P6 million
green lending disbursements: Retail
(target: P10 million)

P15.2 million
green lending disbursements: Commercial
(target: P10 million)

P588 million
green lending disbursements: RMB
(target: P500 million)

Sustainable energy production

In March 2024, construction began on the Mmadinare Solar Cluster Project, Botswana's first utility-scale solar facility. The project is located close to the town of Selebi Phikwe, 400km northeast of Gaborone, and will feature a 120MW scalable solar photovoltaic plant.

FNB Botswana plays a pivotal role as lender, hedging and account bank, and has contributed 50% to the project's debt funding for the first 60MW phase. The estimated total capital expenditure for the 120MW project is P1.4 billion.

All power produced by the plant will be supplied to the state-owned Botswana Power Corporation through a 25-year power-purchase agreement, contributing to the country's energy diversification efforts.

Once completed, the project will provide power to approximately 20,000 households and offset carbon dioxide (CO₂) emissions by approximately 48,000 tonnes.





Shared prosperity (continued)

Innovative green building

RMB extended its strong solutionist capabilities to offer advisory services and financing of a five-year green building loan for Barloworld as the sole arranger and lender.

This ground-breaking deal is a first for the Botswana market and facilitates the construction of a new head office building in Phakalane with cutting-edge sustainability features. The building project has achieved notable sustainability certifications, including:

- EDGE Advanced Certification (Preliminary Certification)
- 51% energy efficiency
- 29% water savings
- 31% less embodied energy in materials

FNB Botswana plays a critical role in enabling corporates to achieve sustainability by developing suitable financial solutions that not only focus on profitability but also encourage consideration of the environmental and social impact of business operations.



Financial literacy and awareness

We aim to assist people to achieve financial wellness by making positive changes to their behaviour. We provide integrated financial advice to clients, members of the public and employees. We also promote awareness of our digital solutions to support financial inclusion. ●●

Clients and public

FNB Botswana drives financial literacy initiatives as a way of building shared prosperity among a wide spectrum of Batswana. We use national television, radio, newspapers, social media and various clients and community engagement activities for targeted educational material to shape consumer behaviours and empower them with knowledge to manage their personal finances.

We aired financial literacy videos on Botswana Television on topics such as managing finances during the festive season, setting financial goals for the new year, and fraud awareness. These videos reached up to 300,000 viewers around the country. We also continued our partnership with *The Monitor* newspaper by fighting articles on aspects such as banking basics, savings, retirement and money management for the festive season.

We reached approximately 500,000 clients through interactive content on our social media pages, educating them on financial literacy issues such as credit, fraud, account management and insurance. We engaged a third-party financial advisor influencer to share educational social media posts on topics such as actual versus available balance, as well as our digital platform capabilities, pricing and fees, and account and product features. These posts reached up to 350,000 people.

Quizzes were conducted on social media to measure understanding of managing personal finances. Around 95% of participants answered most of the questions correctly, demonstrating a strong grasp of the content of financial literacy campaigns running on various platforms.

Financial literacy has been embedded into our events, sponsorships and CEO meet-and-greet sessions. We provide financial literacy training to athletes, players and coaches through our sports sponsorships. Financial literacy is integrated into employee volunteer activities, and we reached over 20,000 members of the public in schools, Government offices, dikgotla, community engagements and clinics.

● Our website contains practical advice on a range of financial matters, including insurance and credit, and is available to the public on: www.fnbbotswana.co.bw/education

● The Security Centre on our website provides information on various types of fraud, how to protect yourself against fraud, and the latest scams. Members of the public can access this information on: www.fnbbotswana.co.bw/security-centre



Shared prosperity (continued)

Ponzi schemes are on the rise in Botswana, and we launched a Ponzi scheme awareness campaign in April 2024. The campaign included videos to inform consumers of fraud warning signs and risks. Information was also available in newspapers, radio, social media and the FNB App.

We participated in an Academy for Women Entrepreneurs Masterclass held at the University of Botswana that was attended by 150 female entrepreneurs. We also took part in a workshop for businesses in the informal sector hosted by the Ministry of Entrepreneurship with 220 participants.

We introduced an initiative called "Real Help" aimed at supporting clients who have trouble servicing their loans with their credit affairs and indebtedness. The initiative offers advisory and restructuring to avoid asset forfeiture. We recognise that property ownership impacts quality of life and can be a wealth creation tool, and therefore assist clients to prevent foreclosure where possible.

Through financial literacy and awareness campaigns, we promote financial wellness, build financial resilience and support financial inclusion.

800,000+
individuals reached through financial literacy and awareness campaigns (target: 400,000)

20,000+
individuals engaged during events, sponsorships and CSI activities

Employees

Employees play a key role in promoting healthy financial behaviours to clients. We also recognise that they themselves may need support and assistance to secure financial wellness. We conducted Bank-wide financial literacy training during July and August 2023, supported by regular quizzes.

Financial literacy training is also provided to Staff Volunteer Champions in southern and northern areas of the country. These are departmental CSI project leads who oversee FNB Botswana Foundation projects that are carried out by employees. The Volunteer Champions act as key connection between the Bank and the community via employees, ensuring that financing literacy is also provided to the communities.

In celebration of Africa Month in May 2024, the Bank introduced "FinLit Fridays" during which comprehensive financial literacy insights were shared with employees through internal communication platforms. Employees are encouraged to share their insights with organisations, schools, Government institutions and community groups.

450
employees received financial literacy training (target: 1,000)



Shared prosperity (continued)

Financial inclusion

Financial inclusion is crucial for expanding economic opportunities, building financial security and driving sustainable development. Through innovative solutions, we aim to reduce the percentage of the Botswana population that is unbanked and underbanked.

Although exact figures are difficult to come by, recent estimates show that between 16% and 19% of the population in Botswana remain financially excluded, particularly those living in rural areas, the unemployed and irregular earners. These people are vulnerable to financial hardship and poverty, generally lack financial resilience and may have difficulty participating in the formal economy.

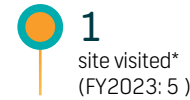
Our approach to financial inclusion is primarily focused on digitalisation since mobile and other digital technology can significantly increase financial access to formerly excluded and underserved clients. See page 5 for an overview of our inclusive banking solutions.

In addition to using technology, we extend our reach into more remote areas through specialised banking facilities and our CashPlus agents. See page 60 for more information.

Mobile bank

Bank on Wheels is a secure, high-quality mobile bank that provides access to banking services to those in remote or outlying areas. The unit is fully equipped and integrates with our core systems to meet clients' daily banking requirements.

The Bank on Wheels does not move with cash in transit. It is fully equipped with closed-circuit television and other security features to enhance the safety of clients and facilities.

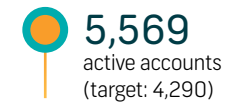
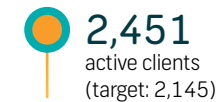


* The Bank on Wheels ensured business continuity at our Broadhurst branch during its refurbishment.

Mini branch

In May 2023, we opened the doors of our Shakawe branch. This mini branch in a converted shipping container offers a range of banking services such as account opening, digital banking platform registration and ATM services.

Uptake of services and accounts at the Shakawe branch has exceeded targets and allows us to build long-lasting relationships with new clients and stakeholders in this area.





Shared prosperity (continued)

Celebrating five years of CashPlus

CashPlus allows FNB Botswana and non-FNB clients to conduct various transactions even if they do not have a bank account. Using only a cellphone (with Online Banking and the FNB App) users can:

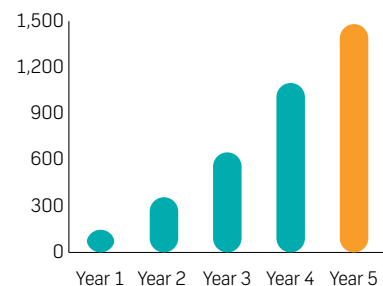
- Withdraw money from their eWallet.
- Deposit or withdraw money from an FNB account.
- Buy prepaid airtime and electricity.

These services are offered through our extensive network of CashPlus agents – local business owners who can now provide basic banking services using a secure mobile banking platform connected to our network. Our agents allow us to expand our reach to underserved and remote areas where people often travel long distances to access basic banking services.

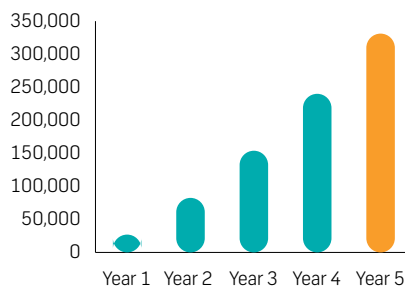
We launched CashPlus in May 2019 with five agents who facilitated transactions worth P5 million during the first month. Since then, the solution has experienced tremendous growth and has expanded into previously underserved areas such as Shakawe, Charles Hill, Bray, Khwai and the Central Kgalagadi Game Reserve. CashPlus services are also provided by three major retailers, namely Spar, Choppies and Trans-Africa.

By collaborating with our CashPlus agents, we are one step closer to achieving our purpose of building a future of shared prosperity for multiple stakeholders.

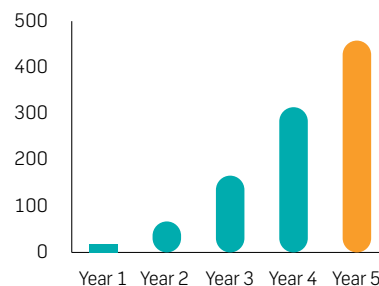
Agents



Clients



Monthly transaction value (P'million)



CashPlus's consistent growth, expanding agent network and rising transaction values illustrate its enduring appeal to clients. However, the fast growth of this solution has also given rise to some challenges, particularly a high agent attrition rate, inconsistent customer experience from agents, and an increase in crime at agent sites. As we look ahead, we aim to introduce measures to address these challenges while also enhancing CashPlus offerings to ensure the continued success of this solution.

Increasing financial inclusion in Bray

Bray is a rural village in the Kgalagadi District of Botswana with a population of 1,286 (2022 census). In September 2019, FNB Botswana onboarded Kgalagadi Wholesales as a CashPlus agent to enable financial inclusion in the village. This large wholesale store in Bray was strategically selected to ensure maximum coverage and convenience for local residents.

We provided comprehensive training to the Kgalagadi Wholesales team on banking procedures, customer service and security protocols. A dedicated support line was established to assist with any issues or questions.

Within the first year, Kgalagadi Wholesales conducted over P500,000 in CashPlus transactions and this has increased steadily over the years. The ease of accessing banking services through this local agent reduced barriers to entry and encouraged more people to participate in the formal financial system. The presence of a local agent that is familiar to community members also helped build trust between FNB Botswana and residents.





Shared prosperity (continued)

SME development

SMEs play a vital role in job creation, contribute to economic stability and resilience, and foster entrepreneurship and innovation. Access to finance and development opportunities is crucial to unlock the full potential of SMEs and enable them to thrive. ●●

Our Commercial business segment has set ambitious targets for growing our share of the SME market. We grew SME advancements by 19% (target: 3%) and deposits by 11% (target: 8%). SMEs hold 28% (FY2023: 26%) of Commercial advances and 33% (FY2023: 33%) of deposits.

Empowering citizens

CEEP is a long-standing Government initiative aimed at promoting economic participation and opportunities for Botswana citizens. Initiatives implemented as part of CEEP typically aim to create an enabling environment for citizens to participate in the mainstream economy, accelerate wealth creation, improve access to finance and foster youth entrepreneurship.

These programmes enable us to access new market segments, strengthen relationships with stakeholders and enhance our reputation as a socially responsible citizen. At the same time, our contribution reduces socio-economic disparities, fosters economic inclusion and empowerment, and builds a more resilient economy.

In November 2023, FNB Botswana officially launched a five-year strategic partnership with the Morupule Coal Mine under CEEP. The partnership aims to provide comprehensive banking solutions and access to funding to

Morupule's citizen suppliers and contractors. We have begun to see uptake on this value proposition.

Financial literacy and wealth management training was conducted to empower and equip Morupule Coal Mine contractors to improve their operations, sustainability and personal finance management.

Our focus for 2025 is to improve the impact of CEEP through the following focus areas:

- Increase the credit extended to citizen-owned entities in key growth sectors.
- Provide education, training and mentorship in collaboration with strategic partners.
- Facilitate the incorporation of ESG principles in CEEP business operations.

 **P157 million**
advanced as part of CEEP

In addition to our suite of transactional, savings, investment, credit, insurance and forex solutions, we offer a range of value-adds to our SME clients. This includes an online accounting solution that uses the client's electronic bank statement to automatically generate income statements, balance sheets and cash flow statements. The solution also provides debtors, creditors, budgeting and value-added tax functionality as well as invoicing. This solution is free to all clients who have an FNB business account.

We provide purchase order financing to qualifying SMEs to enable them to fulfil large client orders that they would otherwise be unable to complete due to a lack of working capital. We advanced P95 million against a target of P100 million.

We actively seek to procure from local companies and SMEs, particularly businesses owned by women and the youth, and 95% (FY2023: 92%) of our procurement spend was paid to local enterprises.

We introduced the seventh cohort of learners to our First Youth Programme that provides entrepreneurship and soft skills training over a six-month period to young people aged between 18 and 35. This programme is accredited by the Human Resource Development Council and run by the FNB Botswana Foundation. Since the inception of the programme in 2020 a total of 669 learners have graduated and 58.2% have either found employment or are operating their own business.



Call for applications
Enrol for the FNBB Foundation Entrepreneurship & Soft Skills Training

Are you unemployed, are you a Motswana, are you aged between 18 years and 35 years, do you want to grow your skills? If your answer to all these questions is a Yes, then follow the steps below to be enrolled:

How to apply

1. Apply directly on the Institute of Entrepreneurial Development Facebook page through the link provided or;
2. Collect the forms from FNB Molepolole branch or;
3. Collect the forms from the First Youth Centre in Molepolole (Magokatswane Ward)

Completed forms should be submitted at the First Youth Centre or
Email: training@iedbotswana.co.bw

Deadline for submissions is 6 April 2024

For enquiries: Call: 73 841 570

First National Bank Botswana Limited
Member of the Deposit Insurance Scheme of Botswana

FNBB FOUNDATION
In Partnership with the Community



Shared prosperity (continued)

Supporting entrepreneurs

In March 2024, FNB Botswana partnered with TheNeoHub to launch The "FirstPreneur" initiative. This comprehensive two-year Entrepreneurship Development Programme is implemented as part of SME development. The programme aims to nurture, support and accelerate entrepreneurs in building sustainable businesses, with a particular emphasis on empowering the youth and women.

TheNeoHub is a 100% Botswana-owned, women-led and youth-driven innovation hub that serves as an incubator, accelerator, and entrepreneurship and enterprise development centre that supports SMEs and entrepreneurs in Botswana and across Africa.

The "FirstPreneur" is open exclusively to 100% citizen-owned entities that have been in operation for at least two years. It is intentionally designed for entrepreneurs who have already demonstrated resilience and staying power but need additional support to accelerate their growth journey. The programme includes interventions on mentoring, cash flow management, branding, product packaging, marketing and corporate governance. Throughout the programme, entrepreneurs are accompanied by dedicated FNB Botswana relationship managers who provide personalised guidance and access to tailored financial solutions.

The programme was officially launched in July 2024 (year-end), and over 500 applications were received. Following careful vetting, 150 entrepreneurs were enrolled of whom 60% are women- and youth-owned businesses. This demonstrates the need for capacity building and showcases our deliberate effort to make a long-term positive social impact.

A two-day bootcamp was held in July 2024 to orientate participants on the programme objectives and structure, familiarise them with the FNB Botswana operations and team, and provide a networking platform. The bootcamp included masterclasses on the following topics:

- Real-life entrepreneurial journeys – understanding the entrepreneurship landscape and anticipating and navigating challenges.
- Legal and regulatory controls and requirements for company registration and the types of companies.
- Financial products and services designed for businesses – FNB Botswana SME banking proposition.

Programme objectives

- Transforming SMEs into successful bankable entities
 - Provide tailored support and resources to enhance financial viability and/or make them attractive to potential investors.
- Creating employment opportunities
 - Encourage participants to consider social impact by prioritising fair labour practices and diversity in hiring processes.
- Building governance processes for sustainable growth
 - Instil effective governance structures that emphasise transparency, accountability and ethical practices.
 - Align SMEs with national and global best practices, ensuring regulatory compliance and contributing to broader economic priorities.
 - Integrate ESG principles, thereby fostering responsible business conduct and supporting global sustainability goals.
 - Promote awareness and adherence to industry-specific frameworks, driving excellence and innovation.
- Contributing to economic growth
 - Facilitate the growth of SMEs as engines of economic development.
 - Support entrepreneurs in expanding market reach, increasing revenue, and contributing positively to the local and national economy.
 - Collaborate to identify and pursue opportunities for economic impact, emphasising the broader significance of their ventures.

- Community impact and financial literacy
 - Extend the impact beyond individual SMEs to the broader community.
 - Promote financial literacy initiatives to empower entrepreneurs with the knowledge needed for sustainable business practices.
 - Encourage SMEs to engage in community outreach and development projects to strengthen their ties with the local community.
- Establishing a robust financial ecosystem
 - Contribute to the development of a resilient financial ecosystem that supports the growth of SMEs.
 - Foster collaboration between SMEs, financial institutions and other stakeholders to create a thriving entrepreneurial environment.
 - Encourage SMEs to actively participate in initiatives that contribute to the overall health of the financial ecosystem.





Shared prosperity (continued)

Human and social development

We develop and support communities in and around the areas where we operate. Our human and social development initiatives are executed primarily through sponsorships, our Employee Volunteer Programme and the FNB Botswana Foundation. ●●

Sponsorships

Botswana International Cross Country

We sponsored the inaugural Botswana International Cross Country held in January 2024. This event showcases the talent and determination of local and international athletes.

This event is one of only two World Athletics Continental Tours with Gold status, and the only one in Southern Africa. It is a prominent fixture on the world athletics and Southern African sporting calendars.

Total contribution: P500,000



Senior National Women's Football team and Botswana Premier League

In February 2024, we announced our sponsorships of the Botswana Senior National Women's Football team (the Mares) and the Botswana Premier League. These sponsorships exemplify our Grassroots to Greatness philosophy that aims to support athletes to move from their current to desired state.

Total contribution: P54 million over three years



2024 Financial Intelligence Agency conference

We sponsored the 2024 National Anti-Money Laundering, Combating the Financing of Terrorism and Combating Financing Proliferation Conference of the Financial Intelligence Agency. The conference serves as a platform for dialogue and policy formulation between public entities, the private sector and the public on matters involving all forms of financial crime.

Total contribution: P250,000

FNB BOTESSA

We sponsored the Botswana Tertiary Student Sports Association (BOTESSA), which is the umbrella body for all sports codes of Botswana's tertiary institutions under the Botswana National Sports Commission. Each year, BOTESSA organises championships during which excellent athletes can qualify for international games.

Total contribution: P1 million per year

Gaborone Open Karate Champions

FNB Botswana was a Gold Sponsor of the Gaborone Open Karate Champions, which recognise and promote the dedication and talent of karate athletes.

Total contribution: P72,000



Kazungula Bridge Marathon

FNB Botswana was once again the headline sponsor of the Kazungula Bridge Marathon, which took place in February 2024 and attracted over 5,000 runners.

The marathon aims to encourage a healthy lifestyle and personal fitness and position the Chobe District and iconic Kazungula Bridge as a tourist destination.

Total contribution: P5.044 million over three years





Shared prosperity (continued)

FNB Botswana Foundation

The FNB Botswana Foundation was established as an independent trust in 2001 to implement our Corporate Social Responsibility Policy and administer our CSI funds. The Foundation plays a crucial role in supporting social and community development initiatives throughout Botswana.

CSI projects must align to the Foundation's six focus areas and the country's national priorities and must create sustainable benefits for communities. The six focus areas are as follows:

- **Arts and culture preservation and commercialisation:** Projects that support and encourage current artistic developments, preserve local artistic heritage and promote access to Batswana.
- **Environmental sustainability:** Projects that protect or preserve the environment to ensure that future generations are not disadvantaged from enjoying environmental benefits.
- **Youth empowerment:** Projects that empower disadvantaged youth entrepreneurs and youth professionals.
- **Sports development and commercialisation:** Projects that promote sports skills sharing and talent enhancement.

- **Education:** Projects that empower disadvantaged learners to improve their academic performance.
- **Social welfare:** Projects that focus on people living with disabilities, marginalised groups, underprivileged members of the community, as well as orphans and vulnerable children.

The Foundation is governed by a board of independent trustees and the FNB Botswana CEO. As at 30 June 2024, the following individuals constituted the Board of Trustees:

- Ms Myra Sekgororoane – Chairperson and Independent Trustee
- Ms Regina Vaka-Sikalesele – Independent Trustee
- Mrs Dorcas Kgosietsile – Independent Trustee
- Dr Lesedinyana Odiseng – Independent Trustee
- Mr Steven Lefentse Bogatsu – Executive Trustee

The impact of each project is carefully assessed from inception to completion, and project reports include financial information, expected outcomes and whether they were reached, and benefits for beneficiaries. The Foundation has spent more than P80 million on projects within its focus areas since its inception in 2001.

Community tree planting

Project background

Through its environmental sustainability focus area, the FNB Botswana Foundation supports green projects that promote environmental stewardship. The Foundation aims to reach the following targets by 2027:

- Plant **50,000** trees.
- Eliminate **5,000** invasive plant species.
- Reduce **1,100** metric tonnes of carbon emissions.

In the spirit of celebrating Africa Day, the Foundation embarked on a campaign to motivate communities to participate in environmental preservation by planting trees.

Nationwide exercise

Each of the Bank's branches and business units across the country undertook to plant a total of 60 trees in selected villages. This was done in partnership with the Department of Forestry and Range Resources that provided technical guidance and donated shade trees.

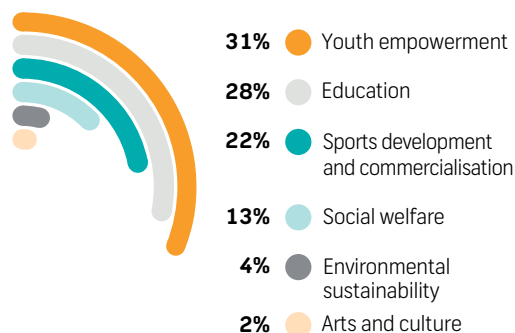
Over 2,500 trees were planted in 40 Kgotlas, 43 schools and 40 clinics nationwide, with each facility getting a total of 20 fruit and shade trees. The campaign offered employees the opportunity to not only plant trees but also deepen relationships with communities through building rapport and understanding their specific needs.

Project impact

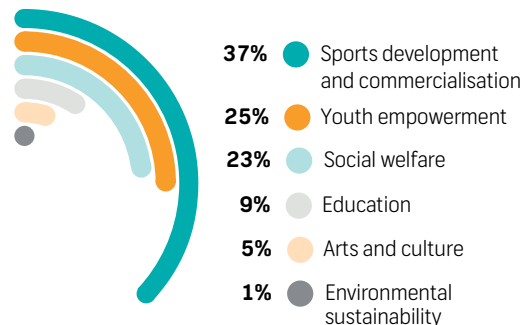
- Fruit trees offer nutritional benefits, particularly to schools, clinics and communities in the Kgotla.
- For learners in schools, shade trees are important in cases where there is a shortage of classes. Trees are also part of the environmental education curriculum.
- Trees provide shade at Kgotlas, where the "leobo" (thatched shelter) is not always big enough to accommodate all attendees.
- Trees purify the air and reduce the effects of carbon emissions.

Total contribution: P165,387

Actual investment per focus area – 2024



Actual investment per focus area – 2023





Shared prosperity (continued)

Project highlights



Manyana Ablution Block

Constructed an ablution block for differently abled children at the Manyana Primary School's Special Education Department. The school currently serves **43 children** living with disabilities.

Previously these scholars used the ablution blocks that are not accommodating to their different abilities. The new ablution block enhances the dignity of the children, positively affecting their wellbeing, and has potential to positively impact their grades.

Total contribution: P124,724

Aquaponics system for Gaborone Women's Prison

Donated a state-of-the-art aquaponics system to the women's prison to empower women with sustainable skills and opportunities for self-sufficiency. As at the time of donation, there were **50 women inmates** who all had access to the facility. **Six** of them were Trainer of Trainers. This is impactfully rehabilitating and empowering women for life beyond their prison term.

Total contribution: P225,252



Sir Ketumile Masire Teaching Hospital

Transformed the waiting area in the hospital's paediatric ward to a fully-fledged children's play centre, now called the Joni Joni Play Centre after the late Sir Ketumile Masire. The play centre is accessible to **69 kids** in the paediatrics haematology ward, high-care ward and surgical ward.

The play centre rehabilitates the children and emotionally and physically stimulates them so that the hospital environment does not deprive them the opportunity to play and interact.

Total contribution: P130,625



Thuto Boswa Rehabilitation Centre

The Centre admits children with disabilities, with a capacity of **102 students**. The school yard surface needed stimulation for it to be safe for the learners.



To motivate learners and create a safe and appealing learning environment for the children, the FNB Foundation paved the school and invested in a five-a-side court.

Total contribution: P481,919

Annual Chobe Enclave Conservation Trust (CECT) Soccer Tournament

African Bush Camps organises an annual soccer tournament and sports day for learners in the CECT region. The event saw a total of **150 children**. The FNB Botswana Foundation sponsored sports kit and stationery packs.

Total contribution: P75,000



1% profit after tax donated to the FNB Botswana Foundation

P11 million invested in human and social development (FY2023: P9.3 million)



Shared prosperity (continued)

Employee Volunteer Programme

Our Employee Volunteer Programme empowers and encourages employees to actively contribute to community needs. Employees identify worthy community projects to support during each financial year, which are assessed according to our CSI guidelines. Each business segment receives P75,000 annually to fund their work on such projects, and employees are given two days' paid volunteer leave each year. The programme is implemented through the FNB Botswana Foundation.

Through our Employee Volunteer Programme, employees gain valuable leadership, communication and interpersonal skills, while also increasing motivation and developing a stronger team spirit.

This year's volunteer activities included the following:

Business unit	Initiative	Amount spent
Lobatse Branch	Peleng West Primary School reception refurbishment Repainted and decorated two reception grade classrooms, provided desks and chairs, and mounted white boards. The classes have an enrolment of 51 students .	P59,385
Main Branch	Community library at Loapi Study Centre (Ginger Gaborone) Donated a container library with shelves, cushions, chairs, outside benches, pergola and books, and recruited volunteers to guide users. The library is accessible to all the children in Notwane ward.	P75,000
Maun Branch	Poultry for Polokong Elderly Day Care Centre Built a poultry house and provided 100 layers, feeders, drinkers and vaccines. Initiative benefits 232 elderly people (73 males and 159 females).	P77,183
Shakawe Branch	Donation to Bana Ba Letsatsi garden Donated a farming shade net to facilitate efficient income-generating gardening for boys living in vulnerable conditions. The garden benefits 54 boys and 20 staff members . The proceeds from the garden contribute towards maintenance and sustenance of the 5-hectare farm.	P74,944

Progress against 2024 strategic focus areas

This year, we set out to embed shared prosperity in our operating framework and further improve how we track, report and measure impact. Progress against this strategic pillar is reported in detail below.

Our Procurement Policy is under review to ensure its alignment with FirstRand and increase its focus on citizen economic empowerment. FNB Botswana intentionally focuses on procuring from local enterprises, and the revised Policy will incorporate environmental, social and economic metrics throughout the procurement process.

2025 targets

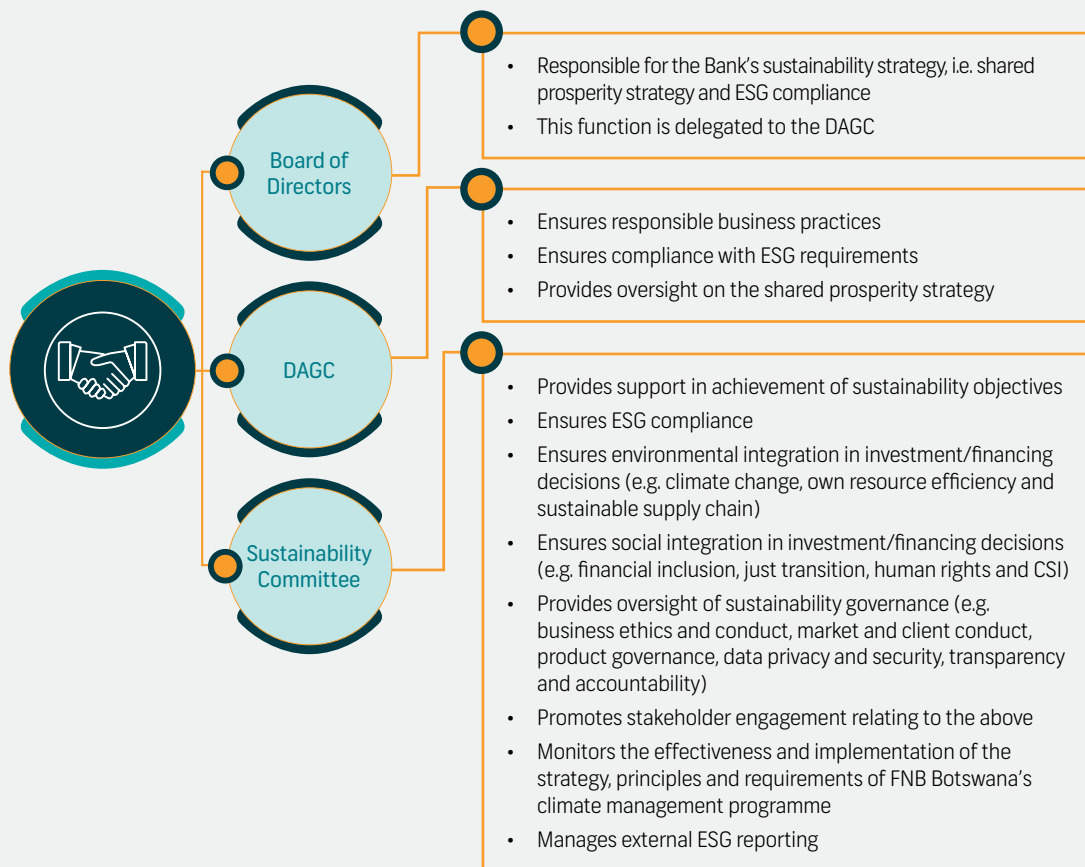
- Increase CashPlus agency banking penetration in areas designated as "remote villages"
- CEEP SME support target of P500 million
- P581,000 invested in arts and culture development and commercialisation
- 10 jobs attributable to investment in creative industries
- 10 sustainable businesses graduated from the First Youth Programme managed by the FNB Botswana Foundation
- P200 million green lending disbursements (Retail)
- P300 million green lending disbursements (Commercial)
- P500 million green lending disbursements (RMB)
- Maintain procurement spend and introduce SME development initiatives
- Develop value-creating outcomes from The "FirstPreneur" Programme
- Increase number of people reached through financial literacy and awareness initiatives by 10%
- P14 million invested in human and social development



Relationship between shared prosperity and ESG

Shared prosperity and ESG are both priorities for the Bank. They are critical in helping the Bank solve environmental, social and economic challenges. However, our approach is that though related, shared prosperity and ESG are two separate concepts.

- 1 ESG is a governance, compliance and reporting framework. Through this framework, the Bank makes the required ESG disclosures and reports against generic ESG frameworks.
- 2 Shared value, on the other hand, is a strategic imperative that is addressed through our core strategy, i.e. provision of banking services and products in a way that solves societal challenges profitably and at scale.
- 3 From a governance perspective, both are overseen by the Board through the DAGC.



United Nations Principles for Responsible Investing

Principles

- Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6:** We will each report on our activities and progress towards implementing the Principles.

United Nations Principles for Responsible Banking

- 1 Alignment**
Alignment of business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the SDGs, the Paris Climate Agreement and relevant national and regional frameworks.
- 2 Impact and target setting**
Continually increase positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from core activities, products and services. To this end, set and publish targets for achieving the most significant impacts.
- 3 Clients and customers**
Work responsibly with clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity for this and future generations.
- 4 Stakeholders**
Proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.
- 5 Governance and culture**
Implement full commitment to these Principles through effective governance and a culture of responsible banking.
- 6 Transparency and accountability**
Periodically review individual and collective implementation of these Principles in the business and be transparent about and accountable for positive and negative impacts on and contribution to society's goals.



ESG

ESG is driven by stakeholder needs (debt and equity investors in particular) for transparent, comparable disclosure that is measured against globally accepted ESG reporting frameworks. Complying with these frameworks will ensure that FNB Botswana is accurately rated on our ESG performance. This is particularly relevant as investors also use these frameworks to measure progress within their investment portfolios.

By integrating ESG into financing and banking decisions, we bolster our risk management procedures, stimulate innovation and pinpoint opportunities in our growth aspirations. This approach guarantees our ability to create stakeholder value while simultaneously fostering positive impact for society and the environment.

ESG frameworks

The FirstRand Group has adopted the following frameworks, which guide how the Group reports:

- **United Nations Principles for Responsible Banking:** Six principles for sustainable banking practices (see previous page).
- **United Nations Principles for Responsible Investing:** Six principles for incorporating ESG into investment practice (see previous page).
- **Equator Principles:** Baseline and risk management framework to identify, assess and manage environmental and social risks in project financing.
- **Task Force on Climate-related Financial Disclosures:** Guidance on disclosing climate-related risks and opportunities.

For more information and disclosures, see the FirstRand website: www.firststrand.co.za/investors/integrated-reporting-hub/integrated-reporting-approach

Environmental stewardship

Our Operations Environment Policy recognises our moral and legal responsibility to ensure that our operational activities do not place the local community or environment at risk or avoidable harm. The policy guides how we identify and manage environmental risks in our own operations. Addressing identified environmental risks includes but is not limited to:

- Efficient use of energy and water
- Waste minimisation and recycling
- Efficient use of transport and fuel
- Sustainable procurement and influencing suppliers and contractors
- Use of biodegradable chemicals
- Use of environmentally approved refrigerants
- Appropriate disposal of used assets requiring specialised destruction, such as computers, cell phones, and appliances with refrigerants

The environmental aspect of financed activities is covered in detail on page 55.

Resource efficiency in our operations

Although the financial services sector is not a significant GHG emitter, we recognise that prudent management of our environmental footprint is pivotal for our own sustainability and the wellbeing of our clients, employees and communities.

Our commitment to environmental sustainability is guided by our Operations Environment Policy, which shapes our approach to ensuring the sustainability of our operations.

ESG policies approved by the Board

ESG Policy

Our ESG strategy, principles and governance structure.

Climate Change Policy

Our approach to climate change and related commitments and transition paths.

Energy and Fossil Fuels Financing Policy

Our financing approach to activities in the energy sector.

Environmental and Social Risk Assessment Policy

How we manage the environmental and social risks associated with our lending and investment decisions.

Operations Environment Policy

How we identify and manage environmental risks.

Diversity, Equity, Inclusion and Belonging Framework and Policy

Our approach to diversity management and integration into operations.

Business and market conduct policies

How we achieve specific fair market conduct objectives in relation to business practices and fair treatment of clients.

These policies set the leadership tone, and business principles and standards which should meet regulatory requirements. They provide assurance that the fair treatment of clients is embedded within the culture, procedures and controls of the Bank.

Climate risk capacity building

We believe that climate change is one of the defining issues of this century. It is a global crisis that has the potential to alter geopolitics and inter-state relations, disrupt business models and markets across all sectors, and impact the livelihoods and wellbeing of individuals across the world.

We acknowledge that we must be part of the solution by supporting climate resilience and a just transition to a low-carbon world. This includes driving awareness of the impact of climate change and collaborating with clients, Government and other entities to support the decarbonisation agenda. To this end, we:

- Conducted workshops and discussions with Government to explore areas of collaboration in implementing climate change solutions and furthering the transition to sustainable energy sources.
- Together with Government, hosted a panel discussion at the COP28 United Nations Climate Change Conference on the role of carbon credits in decarbonisation.
- Hosted analysts, media and other stakeholders to the announcement of our interim results for the half-year ended 31 December 2023 under the theme "Sustainability through shared prosperity and environmental, social and economic imperatives".



ESG (continued)

Energy

All branches have migrated from fluorescent lights to energy-saving and long-lasting light-emitting diode lights. Uninterruptible power supplies with lithium-ion batteries have been installed to reduce carbon-emitting generators.

We implemented a grid-tied solar solution at our Francistown building that was approved by the Botswana Energy Regulatory Authority. The solution went live in January 2024, and within six months our energy consumption reduced by 116,000kWh. At the same time, we were able to return 35,080kWh to the national grid.

We have embarked on a project to implement a grid-tied solar solution, including solar awnings through our customer parking area, at our First Place Head Office in Gaborone and are looking to complete the project in 2025.

22%

energy produced from Francistown office fed back into the national grid

70.50 tonnes

CO₂ avoided

59.37 tonnes

standard coal saved

97

equivalent trees planted

Waste management

Our waste management strategy focuses on waste minimisation and the use of environmentally friendly chemicals such as biodegradable chemicals and ozone-friendly refrigerants, as well as the responsible disposal of waste.

15,256.60kg

waste recycled at First Place (FY2023: 15,453kg)

Water

Water-saving initiatives have been implemented in some of our branches, including flow-reduction taps, pressure-assisted toilet flushing mechanisms and sensor-driven air-conditioning systems. Our landscapes are irrigated with recycled water.

9,279 litres of water was consumed in three FNB Botswana buildings (FNB House, Francistown branch and First Place). Water bills for the rented branch buildings are included in rental bills. We are in the process of devising a methodology to track this consumption.

Emissions

The Bank has embarked on a journey to manage and assess climate change risks (physical and transition risks) in its own operations. This includes the impact of the Bank's operations on the environment and on climate change.

Presently, we measure our operational GHG emissions internally and aim to reduce our emissions, build climate resilience and increase resource efficiency. In alignment with the Group methodology adopted, the GHG emissions data is calculated according to the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition), and grid emissions conversion factors used in the calculation for Scope 2 are sourced from the International Renewable Energy Agency. The remaining emission factors, which are annually updated, are sourced from the United Kingdom Government Conversion Factors for GHG reporting.

The Bank's carbon emissions are classified into three scopes as follows:

- **Scope 1:** Direct GHG emissions (tCO₂e) from sources that are owned or controlled by the Bank. Scope 1 can include emissions from fossil fuels burned on site, emissions from entity-owned or entity-leased vehicles, and other direct sources. Included in Scope 1 are the diesel, refrigerant gas and fleet travel categories.
- **Scope 2:** Indirect GHG emissions (tCO₂e) resulting from the generation of electricity, heating and cooling and steam generated offsite but purchased by the Bank.
- **Scope 3:** Indirect GHG emissions (tCO₂e) from sources not owned or directly controlled by the Bank but related to the activities of the Bank. Included in Scope 3 are paper, travel reimbursements, air travel, vehicle rental and car allowances categories.

The Bank aims to adopt the internal emissions measurement for the periods ending June 2023 and June 2024 as the baseline for ongoing improvement in the data and reporting processes, including the articulation of future ambitions and target-setting for emissions reductions. As the quality of data collection and reporting matures, the operational emissions will be disclosed.

Social impact

We have integrated ESG thinking into our operations and strategy approach, and the indicators are disclosed in the Strategy Report per pillar. Social impact from an ESG perspective is governed by the Human Capital Manual, an inward view that addresses the social welfare matters pertaining to our employees. Refer to page 44 for information on employees.

External social impact on communities is achieved through corporate sponsorships and the activities of the FNB Botswana Foundation. Refer to page 63 for information on the Foundation's activities.



The three segments' performance

Retail Banking

This chapter should be read in conjunction with the insights from the CFO and Treasurer (page 13) where financial performance is discussed, as well as the segmental reporting in the financial statements (page 229).



Monkgori (Mo) Mogorosi
Director, Retail Banking

Retail banking in Botswana is characterised by a fast-paced, ever-evolving competitiveness and market saturation. To defend and grow our client base, the Retail business segment focuses on improving our value propositions, enhancing customer experience and addressing key client pain points. ●●

Highlights

- 70% growth in Savings Pocket year-on-year (compared to a historical average of 23%) because of bundling savings with transactions, Swipe and Win campaigns and Cashback Rewards.
- Reduced the number of blocked account complaints (resulting from client KYC due diligence requirements) from 70,000 to 34,000 through enhanced client engagements.
- Introduced some fee waivers to provide relief to clients on transactions such as eWallet, Cash@Till, internal debit orders, eWallet reversals, payment notifications, prepaid electricity, cellphone statements and internal electronic transfers.
- Driving a saving culture to build sticky deposits through Flexi Fixed Deposit accounts resulted in an 11% year-on-year growth.
- Assisted over 14,000 clients to switch their transaction activities to more affordable fit-for-purpose products based on their transaction patterns, saving them money from fees and charges.
- Availing Global accounts (EURO, GBP, USD, ZAR) to all Retail clients instead of high-value segments only led to a 300% growth in the multi-currency accounts. These assist clients to hedge against negative foreign exchange impact on cross-currency transactions.
- Focus on client engagements through free weekly golf appreciation sessions every Thursday at the FNB World of Golf at Blue Tree.

Key focus areas for the year

The segment remains passionate about helping clients to build, grow and protect their wealth through providing needs-based financial services. The FY2023 External Client Satisfaction Index revealed that most clients are satisfied with the ease of banking, our range of products and digital banking services.

Client pain points that were highlighted included inefficiencies in updating KYC information. We have addressed this through streamlining the manual KYC update process and enhancing the clarity of KYC documentation required through personalisation of messages. We introduced a new functionality for clients to update and maintain their personal data through the MyProfile feature of the FNB App (KYC on App) and Online Banking.

Clients also highlighted lengthy turnaround times for services such as loan applications. The manual process was optimised to reduce documentation required and create more efficiencies to reduce the overall turnaround time. The business is working on delivering a digital solution as part of the platform journey.

We introduced a timed escalation matrix to improve turnaround times for management of queries and complaints to give senior management visibility of delays in solving client challenges and to provide support in resolution.

Client education remains key to supporting consumers to improve their financial wellbeing and ease of doing secure banking. We continue to roll out targeted communication to inform clients on digital capabilities for their convenience, product features and benefits, as well as tailored offers that may be available to them. These education campaigns also create awareness about the removal of certain fees and charges and enhancements to products.

We believe the youth are the future of Retail banking. Therefore we continued providing financial literacy training, promoting the benefits of building a savings culture from a young age.

Technology is enabling us to improve customer experience and to drive retention. We leverage predictive analysis to identify and engage with clients who show early signs of attrition, contributing to an 8% year-on-year increase in our active client base. Through our retention strategy, we have introduced trigger-based automated messaging to keep clients updated on the status of their accounts.



WesBank turnaround strategy

We developed a turnaround strategy for WesBank aimed at defending its position in the market and supporting the segment strategy to reduce the unsecured concentration on the advances book. The strategy was executed by streamlining processes, strengthening relationships with motor dealerships, introducing product enhancements and launching targeted sales campaigns. This strategy has yielded positive results, delivering a 35% increase in the average monthly sales for the portfolio. This has unlocked an 8% year-on-year growth in the WesBank portfolio.

Future focus areas include reducing turnaround times through digitalisation, more product innovation and more operational efficiencies.

Risks and opportunities

Market saturation has the potential to impact client growth in the Retail segment. Although unemployment rates continue to rise, there is an opportunity to provide financial services to the underbanked and solopreneurs, as well as to continue tapping into the household ecosystem.

Although we have 22% and 29% market share on advances and deposits, respectively, there is increasing competitive pressure on lending, particularly on personal loans and deposits pricing. The war for better pricing on deposits continues, which presents an opportunity to develop more innovative products that would give consumers better returns on their investments.

The risk of job losses through downsizing by some employers due to economic pressures is expected to continue. This may present a challenge to the growth in advances and the performance of the advances book. We believe there are still great opportunities for growth in certain low-risk sectors, supported by the focus on deduction from source loans.

There is further opportunity to simplify banking and provide self-service platforms that reduce the cost of banking for consumers. Focusing on lifestyle benefits to create more value for our clients and leveraging the rewards engine to give back more will remain a key differentiator that the business will continue to pursue. There is also an untapped opportunity in providing sustainable financial solutions to clients.

Looking ahead

We will continue leveraging data to proactively manage the client lifecycle so we can design personalised banking experiences and solutions tailored to their needs and preferences.

We aim to optimise resources across the value chain to improve operational efficiencies, enhance client experiences and simplify access to banking products and services. We are committed to listening to the voices of our clients to inform us on financial solutions that best suit their needs. We will harness our feedback integration processes to ensure faster and more effective responses to client concerns and suggestions.

We will continue to serve our clients through our strategic service pillars of:

- **Thuto (Education)** - educating on money management principles, product features and benefits, fees and charges, cost-saving opportunities, secure and convenient ways of doing banking
- **Thuso (Real Help)** - providing meaningful help, building mutually beneficial relationships with our clients, and listening more to them to provide relevant solutions
- **Botho (Humility)** - treating our clients fairly and with respect, having more empathy and providing necessary support where possible



The three segments' performance (continued)

Commercial Banking



Jennifer Makgabenyana

Director, Commercial Banking

Following the significant downturn caused by Covid-19, the Commercial business segment is now showing signs of recovery and revival. This is further catalysed by expansionary budgets implemented by Government to stimulate economic activity in key sectors. ●●

Highlights

- Increased the overall client base by 10% year-on-year through client acquisition and retention strategies.
- Reduced branch-initiated transactions by 15% in favour of digital platform usage and consumption.
- Improved the quality of our onboarding process from a 72% service level to over 90%. This improvement was due to the implementation of a 65-day onboarding plan which focuses on seamless onboarding and faster access to digital platforms and self-service channels. This has led to increased client satisfaction.
- Reduced client attrition to 13% (FY2023: 16%), establishing the FNB Botswana Commercial segment as a client retention leader in the Broader Africa region.

Key focus areas for the year

SMEs were a key focus for the Commercial business segment, and we launched Speedee, a POS machine tailored for SMEs. By reducing merchant requirements and waiving certain fees, we can provide real-time payment solutions to microbusinesses while enabling growth in our non-interest revenue. Speedee also reduces merchants' environmental impact as the devices do not print slips. We distributed 411 devices to merchants this year.

We implemented scored credit through an automated credit assessment tool that provides a credit score based on the client's existing information in the FNB Botswana system. This has enabled the extension of credit to clients who may not be able to produce the financial statements required for traditional credit assessments. As a result, loan disbursements to SMEs increased by 63% year-on-year, with 90% of SME credit extended based on scored credit.

Last year, we launched a business reserve account to enable new businesses that have not yet begun trading to open a free-of-charges non-transacting account to fulfil regulatory requirements. As at 30 June 2024, we have opened 884 reserve accounts, 15% of which have converted into transactional accounts.

Consumer education received significant attention this year, with an emphasis on Ponzi scheme education and awareness initiatives. As the banking landscape and digital technologies evolve, we plan to introduce cybersecurity awareness training to equip clients with the necessary tools and knowledge to safeguard their financial assets and personal information.



Partnerships for SME empowerment

FNB Botswana has partnered with the United Nations Development Programme to implement a Supplier Development Programme in Botswana. The programme encourages large regional and local firms importing products to buy from SMEs. These SMEs are supported by United Nations Development Programme trained consultants and access to finance.

This year, we provided banking solutions across the lend, transact and invest pillars to 46 of the 109 SMEs enrolled in the programme, and we intend to replicate the benefits of the programme in 2025.

We entered a partnership with TheNeoHub for The "FirstPreneur" Entrepreneurship Development Programme, aimed at nurturing, supporting and accelerating entrepreneurs in building sustainable businesses. This strategic partnership aims to leverage the strengths of both organisations to create a synergistic force that accelerates the development of SMEs, with a particular emphasis on empowering the youth and women. The "FirstPreneur" vision extends beyond immediate goals, encompassing employment creation, financial growth and SME support. See page 62 for more information on this initiative.

Risks and opportunities

Digital solutions present unique opportunities to improve customer experience and expand banking to SMEs and microbusinesses. Although 50% of transactions across the Commercial segment are conducted through Online Banking and the FNB App, slow product rollout on platforms was identified as a key challenge, particularly for opening new accounts. We will continue driving efficiencies in our pipeline through process optimisation and migrating more products and services to online platforms.

Access to credit remains a key concern for our clients, and we are actively working to improve the financial rating process in credit applications to reduce turnaround times.

Botswana's agricultural and tourism sectors present opportunities for the Commercial segment to expand our services and support the country's economic development goals. The ongoing drought places pressure on agricultural output and processing capacity. In response, we are pivoting our strategies to support carry-over debt for farmers with cash flow constraints and exploring opportunities in feedlot and horticulture farming.

Looking ahead

The commercial banking outlook in Botswana is promising. Government's commitment to infrastructure development, particularly in water, electricity and road networks, is expected to stimulate economic activity. We plan to capitalise on emerging opportunities by adapting our services to the needs of infrastructure and other key sectors.

Merchant services were identified as a growth area, and we intend to develop additional devices and payment solutions to increase growth in our non-interest revenue. We also continually optimise device connectivity to reduce failed transactions and increase reliability.

We will continue to harness, evolve and support CEEP initiatives in the coming year. We will also drive awareness of the importance of green and sustainable financing among our clients, which will be supported by the Sustainable Finance Framework once finalised, and guarantee schemes from development finance institutions. See page 55 for more information on green financing.





The three segments' performance (continued)

RMB



Harriet Mlalazi
Director, RMB

Corporate clients have specific and unique needs driven by their complex and diverse business operations. Client intimacy and long-term relationships are key to meeting their needs and creating stakeholder value. ●●

Highlights

- Increased profit before tax by 34% year-on-year.
- Increased average asset balance by 24% (FY2023: 22%) year-on-year, driven by increased lending activity (particularly in real estate, financial services and sovereign entities), increased utilisation and strong pipeline conversion.
- Reduced impairment provisions by 100% as a result of sound credit origination and management policies.
- Approved P588 million in green assets, which included the first large-scale solar independent power producer in the country (Mmadinare Solar Cluster Project) and a green building with significant environmental benefits (Barloworld head office).
- RMB had the highest NPS (of the segments) at 93%, which was an improvement of 49% (FY2019: 44%).
- Maintained our share of Global Markets at 38% (FY2023: 36%), and we remain the largest operator in this space.

Key focus areas for the year

Our approach to defending and growing our client base is to meet their ever-evolving requirements through constant innovation, technology enhancements and product diversification.

Queries and service request queues are tracked daily, and reports are analysed to proactively address challenges. Workload has been distributed more evenly to enable timely execution of requests. As a result of these initiatives, turnaround time adherence has improved by 2% year-on-year, particularly in credit, onboarding and reconciliation processes.

We experienced notable successes with sustainability-linked assets and green project financing. RMB is the sole arranger and lender of a five-year green building loan for Barloworld's new head office building in Phakalane that will integrate cutting-edge sustainability features. In a dynamic stride towards driving a more sustainable future, we contributed 50% of debt funding to the Mmadinare Solar Cluster Project in Selebi Phikwe. See page 56 for more information on this project.

Backed by FNB Botswana's recently approved Energy and Fossil Fuels Financing Policy, we hope to entrench ourselves as a leading green financier and field expert in ESG. To this end, we drive adoption of ESG principles through client engagements, Government workshops, thought leadership articles and discussions. We also reviewed the sustainability policies of two corporate clients, enabling them to move up the ESG curve.

Impactful lending that fosters economic activity is a key focus. We provide funding to parastatals and sovereign entities, financial institutions and real estate businesses to support their strategic imperatives. In addition, we support entities as they approach international markets to either import or export to meet their investment and operational needs. This resulted in an increase in foreign exchange trade volumes.



Supporting economic growth through business banking solutions

Although no new significant competitors entered the corporate investment banking market this year, RMB faces increased competition from banks, financial institutions in the funding space (such as asset management firms) and Mobile Money Operators offering payment solutions. In response, we launched several innovative solutions to support clients and promote inclusive banking.

eWallet Pro is an alternative to cheques, which were decommissioned at the end of December 2023. This solution allows Commercial and RMB clients to make instant and secure payments regardless of whether the recipient has a bank account. This is particularly relevant to Local Government clients (since Council workers do not always have bank accounts), financial institutions and sovereign entities/parastatals (due to their large client base).

The solution was on pilot this year and we issued 2,500 eWallet Pro prepaid cards and disbursed P6.9 million in funds. eWallet Pro has become a key enabler for financial inclusion in the underserved market and we will continue driving its penetration.

LMS Balance View is a cash management functionality on Online Banking that enables clients to view and sort their balances across account type, countries, entities, currencies and banks (provided that SWIFT¹ capabilities exist within each counterparty bank environment). This solution enables clients to effectively manage their finances by providing a clear overview of holdings and enabling informed financial decision-making for entities operating in multiple jurisdictions.

¹ Society for Worldwide Interbank Financial Telecommunications.

Risks and opportunities

Given the highly specialised nature of many of our products and services, and solutionist people being a differentiator, RMB faces the risk of losing top talent that competitors are seeking. We must implement a robust retention strategy to mitigate this risk and engage our people through career growth and development opportunities.

Our approach to talent management includes leadership development initiatives, and international and cross-functional assignments that allow employees to gain cross-market exposure and build multi-disciplinary capabilities. See page 44 for more information.

The emergence of ESG frameworks and compliance measures in our industry has opened significant opportunities. RMB aims to leverage our ESG expertise to strengthen engagement with clients on sustainability, and increase revenue generation through sustainability-linked lending, green bonds and ESG advisory services.

Looking ahead

Sustainable finance will be a primary focus going forward as we position ourselves as a leader in renewable energy financing. We intend to:

- Pursue additional partnerships with clients and other stakeholders to facilitate, fund and provide solutions that support a just transition and have a measurable impact on underserved or marginalised communities.
- Support Government to develop and advance policies and initiatives addressing climate change and environmental conservation.
- Develop and implement a taxonomy framework for green financing to enhance and scale sustainable finance initiative tracking and reporting.
- Continue developing solutions that contribute to increased economic activity and inclusive banking.

We launched a new customer experience strategy to provide a competitive advantage in corporate investment banking. This strategy is underpinned by understanding client needs and providing fast, effective and hyper-personalised customer service. Data analytics and process streamlining play a key role in our ability to execute this strategy, which we hope will further deepen our client relationships and value proposition.



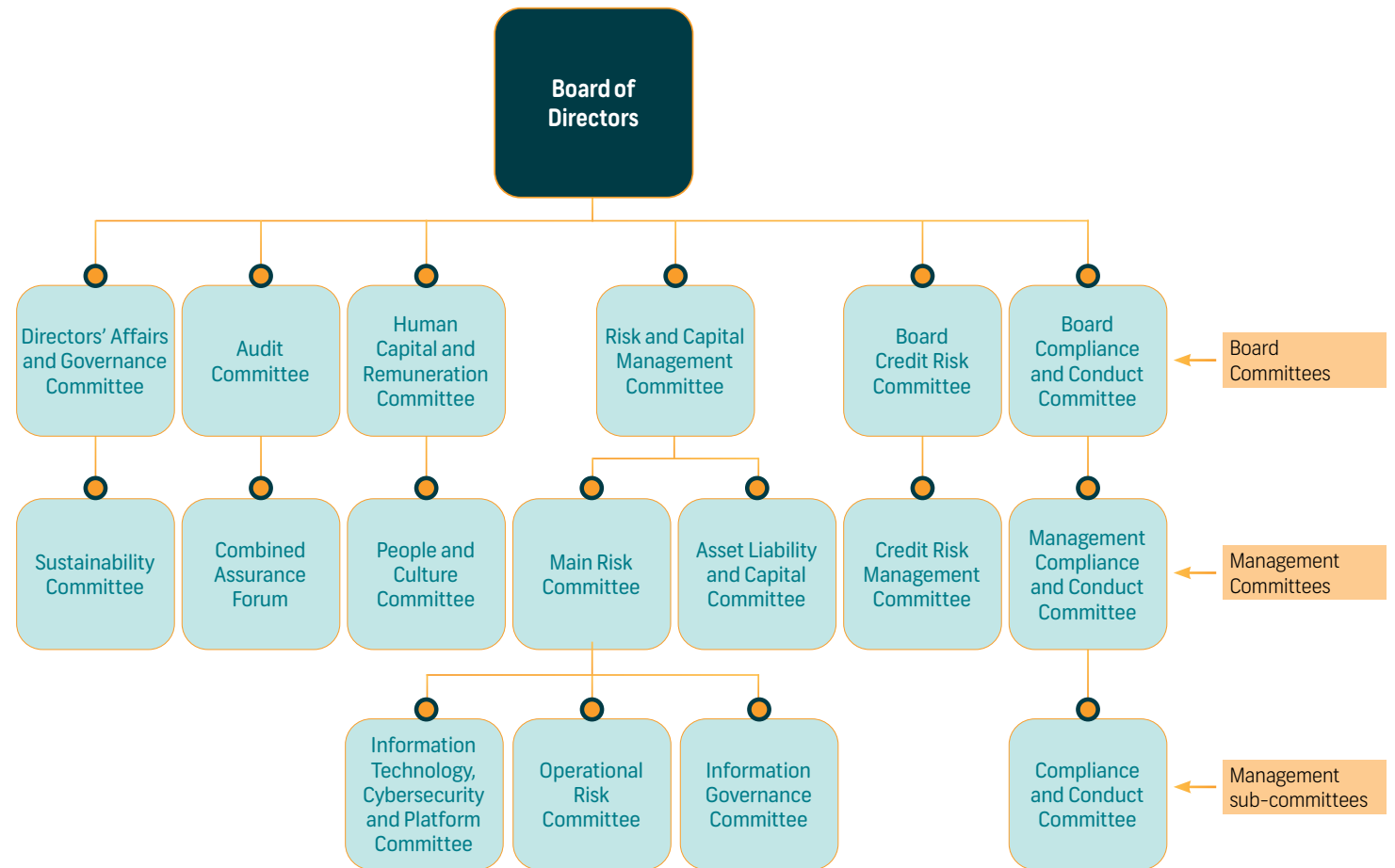
Diligent governance

Governance Framework

The Board regards excellence in corporate governance, transparency, fairness, responsibility and accountability as essential for the Bank's long-term business sustainability. ●●

The Board operates in accordance with the FNB Botswana Constitution and Board Governance Framework, which are informed by the Botswana Companies Act, Banking Act and Botswana Stock Exchange Equity Listings Requirements. The Framework also considers corporate governance principles and guidelines published by the Bank of Botswana, Basel Committee on Banking Supervision and King IV.

Governance structure





Governance Framework (continued)

Guidance on corporate governance

The Company Secretary, G Setlhake, plays a pivotal role in assisting the Board to adhere to corporate governance principles, procedures, statutes and regulations. All Directors are afforded unrestricted access to her guidance.

The Company Secretary's performance undergoes an annual evaluation as part of the Board's assessment process. This evaluation confirms her effectiveness in executing her role, including:

- Demonstrating effective discharge of responsibilities.
- Maintaining a professional and unbiased relationship with the Board and its Directors.
- Possessing the necessary skills, knowledge and experience to provide the Board with sound governance guidance.

For FY2024, the Board is satisfied that the Company Secretary had discharged her duties as required and that the arrangements are effective.

Under the FNB Botswana Constitution, Board members are entitled to procure independent advice at the Bank's cost while carrying out their fiduciary obligations. Additionally, they possess the privilege of direct communication and unrestricted access to external auditors and ExCo. No independent advisors were consulted during the year.

Governance objectives

The Board is responsible for:

- Steering and setting the Bank's strategic direction, considering the macroenvironment, key stakeholder needs and the Bank's business model.
- Enabling strategy delivery by approving policies, frameworks, budgets, plans, structures and procedures.
- Overseeing strategy implementation.
- Demonstrating accountability and transparency through appropriate disclosure.

Governance principle

Description as per FNB Botswana's Governance Framework

Ethical and effective leadership

Effective leadership is about directing results-driven performance that achieves strategic goals. It is exemplified by responsibility, accountability, fairness and transparency. Ethical leadership and effective leadership should reinforce one another.

Corporate citizenship and sustainable development

As a corporate citizen, FNB Botswana is an integral part of society and has obligations and responsibilities towards society.

Strategy oversight

The Board leads value creation and protection by appreciating that strategy, risk and opportunity, performance and sustainable development are inseparable. When considering strategy, the Board considers:

- Risks and opportunities in our operating context.
- The legitimate and reasonable needs, interests and expectations of all stakeholders.
- Our ability to support strategy through the six capitals, business structures and processes.
- The impact of our operations on resources and relationships.
- The interconnectivity and interdependence of the above matters.

Risk oversight

The Board must embed a strong risk management culture and oversee frameworks, policies and processes to identify and manage risks. It actively monitors our risk profile relative to risk appetite and seeks to ensure an appropriate balance of return and consistent shareholder value.

Independence

All members of the Board have a duty to act with independence of mind and in the Bank's best interests.

Accountability

The Board is accountable for its decisions and actions. Governance structures and arrangements connect responsibility and accountability.

The Board's overall governance objective is to ensure that an adequate and effective process of corporate governance is established and maintained, consistent with the nature, size, complexity and risk inherent in the Bank's activities, and which is responsive to changes in our operating environment.



Governance Framework (continued)

Governance features

Board structure

Unitary Board structure

No more than 13 Directors as per the Bank's Constitution

Currently 12 members

77% are Independent Directors, 7.7% are Independent Non-Executive Directors and 15.4% are Executive Directors

Non-Executive Directors are appointed by majority shareholders at the AGM

One-third of Non-Executive Directors retire at every AGM, and a retiring Director is eligible for re-election

Automatic retirement at 10 years

Board Committees

Six Board Committees

Audit Committee consists of three Independent Non-Executive Directors

Risk and Capital Management Committee consists of three Independent Non-Executive Directors and one Non-Executive Director

Board Compliance and Conduct Committee consists of four Independent Non-Executive Directors and one Non-Executive Director

Board Credit Risk Committee consists of three Independent Non-Executive Directors

Human Capital and Remuneration Committee consists of three Independent Non-Executive Directors

Directors' Affairs and Governance Committee consists of three Independent Non-Executive Directors and one Non-Executive Director

Separation of Board roles

The Chairperson of the Board is not a member of the Audit Committee

The Audit Committee is separate and distinct from all other Board Committees

The Board Compliance and Conduct Committee is separate from the Risk and Capital Management Committee

The Board Credit Risk Committee is separate from the Risk and Capital Management Committee

Board diversity

77% of Directors are independent

66% local Directors

38% female Directors

No Director tenure exceeds 10 years

The Board collectively has diverse skills in finance and audit, accounting, business administration, legal and ICT

ExCo

Committee set up as per the CEO-delegated mandate to drive strategy and resource allocation

16 members, including CEO and CFO

63% female executives

67% aged less than 50

335 years combined experience

4.5 years average tenure

Delegation of authority

As the custodian of corporate governance, the Board uses a Governance Framework to outline the delegation of authority falling within the Board's jurisdiction and entrusted to Board Committees. This Framework, bolstered by processes and policies, ensures consistent governance, facilitates the strategic execution necessary for meeting stakeholder expectations, and fosters role clarity and sound decision-making.

Guiding the Board are Charters which delineate composition, meeting frequency and roles. These Charters are subject to annual review to uphold their relevance.

Committee Chairpersons furnish the Board with reports regarding Committee meetings at each Board session. Furthermore, Committee Chairpersons participate in the AGM to address inquiries from shareholders.

FNB Botswana does not have a Lead Independent Director.

The Board is satisfied that the delegation of authorities as set out in the Board Governance Framework contributes to role clarity and the effective exercise of authority.



Governance Framework (continued)

Key Board activities in FY2024

Focus areas

Succession planning

The Board reviews its own and the ExCo succession plan twice a year. Aligned with the Board succession plan, the following members were appointed as Chairpersons of the Committees:

- LF Jordaan: HCRC
- A Petkar: RCC
- ED Letebele: BCRC
- D Ncube: BCCC

The Board also continued to ensure that the ExCo succession plan is in place and effective. This process is overseen by the DAGC. The ExCo succession plan is divided as follows: emergency successors, ready in 1-3 years, ready in 3-5 years, ready in 5-7 years and ready in 7-10 years. A comprehensive development plan is in place for all succession candidates.

The Board approved a succession strategy for the position of CEO and identified potential candidates based on their preparedness to assume the role immediately or in the medium or long term.

Succession in action

H Mlalazi, who has been acting as Director, RMB since January 2024, was appointed in the role in May 2024 in line with the succession plan.

Following the resignation of the Head, Internal Audit in October 2023, T Nkwe, an internal candidate, was appointed to the role in May 2024.

These two appointments are testament that the ExCo succession plan is working as designed.

ESG

FNB Botswana is dedicated to aligning our operations with ESG considerations. Complying with ESG standards is critical for the Bank's corporate value and is also top of mind for investors, clients, regulators and all the communities in which we operate. All these stakeholders are interested in how we apply ESG thinking to our decisions relating to lending, new products, own operations, employees, market conduct and community impact, among others.

The Board's focus last year was to approve ESG-related policies. This year, the focus shifted to operationalising these policies. The Board established a sustainability mandate through the DAGC, together with a management Sustainability ExCo, to ensure that ESG matters receive dedicated focus. The Sustainability ExCo provides quarterly updates to the DAGC on key sustainability performance indicators.

High-performance culture

The Board believes that culture influences performance, and consistent review of organisational culture is critical.

The Board oversaw the development of a culture risk framework. This framework is based on the findings of a culture review project facilitated by an independent external service provider. The framework refers to behavioural attributes that each employee must adhere to.

In March 2024, the management team launched the 100% Accountability culture commitments that were cascaded to the rest of the Bank. "100% Accountability" is a cultural transformative journey aimed at achieving a high-performance culture through 100% Accountability. This journey will empower FNB Botswana leaders to embody fearless leadership and embrace 100% Accountability, as well as empower employees to take ownership of their tasks and responsibilities.

Delivery of agreed strategic key performance indicators (KPIs)

The Board continued to monitor performance of the agreed strategic KPIs. These KPIs are informed by the strategies that the Board agrees with the management team at the annual Board strategy review.

The KPIs are divided into five areas according to our strategic pillars, i.e. solutionist people, operational efficiencies, customer experience, value protection and shared prosperity. For example, under solutionist people, the focus was on talent management and succession planning KPIs. For operational efficiencies, the focus was on delivering fit-for-purpose platforms and ensuring process efficiencies. See page 41 for a comprehensive description of our strategic pillars and KPIs.

Regulatory compliance and conduct

As a systemically important Bank – a status conferred by the Bank of Botswana – regulatory compliance and conduct matters are top priority at FNB Botswana.

As required by regulation, the Board has established a separate Board Compliance and Conduct Committee through which regulatory matters are discussed. This Committee reports back to the Board on our level of compliance, and the Board is comfortable that the Committee has discharged its mandate. There is also a separate compliance function whose mandate is to ensure monitoring and compliance with laws and regulations applicable to the Bank.

We continue our focus on complying with existing and new legislation. The Board oversaw components of the compliance risk profile against approved appetite, including financial crime risk, prudential responsibilities, compliance, business and market conduct, and data privacy.



Governance Framework (continued)

Key Board matters dealt with this year

August
2023

- Approved the annual financial statements for the year ended 30 June 2023
- Noted that the Bank's CAR was above the prescribed regulatory limit (see page 13)
- Considered the going-concern review and agreed with management that the Bank was a going concern
- Approved the proposed ordinary final dividend for the year ended 30 June 2023
- Executed a solvency certificate confirming that the Bank will be able to pay its debts following dividend payment
- Noted internal and external auditors' escalation matters from the Audit Committee
- Executed a letter to the South African Reserve Bank confirming that there was no material malfunction relating to the Bank's internal controls, procedures and systems
- Approved the following policies:
 - Enterprise Risk Management Framework
 - Risk Appetite Framework
 - Market Risk Limits
- Approved five credit applications in line with its mandate, i.e. applications above P348 million
- Noted the key risk escalations from the RCC
- Deferred the review of Directors' fees to enable a benchmarking exercise by an external consultant
- Noted the names of Directors due to retire by rotation
- Noted the HCRC decisions on the union negotiations mandate for the period ended June 2023
- Approved Committee Charters and the Board Governance Framework
- Reviewed the proposed 2023 integrated report
- Noted the CEO and FNB Botswana Foundation reports

October
2023

- Discussed the Directors' fees benchmark report and approved the proposed fees subject to approval at the AGM
- Approved and signed off the 2023 integrated report

November
2023

- Noted internal and external auditors' escalation matters from the Audit Committee
- Approved audit fee overruns for the year ended June 2023
- Noted the auditor rotation final handover from Deloitte to Ernst & Young
- Discussed the Bank's financial performance for the period under review
- Noted the competitor analysis for the period under review
- Noted key risk escalations by the RCC
- Deferred the approval of Macro-economic Scenarios to the February 2024 Board sitting
- Approved the following policies:
 - Internal Capital Adequacy Assessment Process
 - Capital Management Framework
 - Stress Testing Framework
- Approved credit applications in line with its mandate
- Deferred the Recovery and Resilience Plan to the February 2024 Board sitting
- Approved the BCRC Charter, including revised mandates, i.e. applications above P348 million between management, the BCRC and Board
- Noted the ExCo succession plan as escalated by the DAGC
- Discussed the results of the Board evaluation conducted by an external consultant
- Noted the Sustainability and Shared Prosperity Reports
- Noted major escalation matters from the BCCC and HCRC
- Attended the AGM



Governance Framework (continued)



February
2024

- Conducted the annual election of the Board Chairperson
- Discussed the Bank's financial performance for the interim period
- Noted that the Bank's CAR was above the prescribed regulatory limit
- Considered the going-concern review and agreed with management that the Bank was a going concern
- Approved the proposed interim dividend for the period ended 31 December 2023
- Executed a solvency certificate confirming that the Bank will be able to pay its debts following dividend payment
- Commented on the 2024/2025 proposed budget
- Noted internal and external auditors' escalation matters from the Audit Committee
- Approved the external auditors' fee for the year ending 30 June 2024
- Noted key risk escalation matters from the BCCC, BCRC, DAGC, HCRC and RCC
- Approved the Macro-economic Scenarios following a deferral from the November 2023 Board sitting
- Further deferred the Recovery and Resilience Plan to the May 2024 Board sitting
- Approved two credit applications in line with its mandate, i.e. applications above P380 million
- Approved the following policies:
 - Code of Ethics
 - Conflict of Interest Management Policy
 - Modern Day Slavery Policy
- Discussed the Board succession plan
- Noted the Sustainability and Shared Prosperity Reports



April
2024

- Conducted the Board strategy review and agreed on 2025 targets with management



May
2024

- Approved the 2024/2025 budget
- Approved the Macro-economic Scenarios
- Discussed the Bank's financial performance for the period under review
- Noted the competitor analysis for the period under review
- Approved two credit applications in line with its mandate, i.e. applications above P380 million
- Approved the Retail Credit Mandate
- Noted internal and external auditors' escalation matters from the Audit Committee
- Noted key risk escalation matters from the BCCC, BCRC, DAGC, HCRC and RCC
- Approved the following policies:
 - Compliance Risk Appetite
 - Section 52 Policy
 - Pillar 3 Disclosure Policy – Request for Extension
 - Recovery and Resilience Plan
 - Regulation 39 assessments
- Approved the South African Reserve Bank regulation assessments
- Approved the training plan

Continual oversight

- | | |
|--|--|
| • Delivery of shared prosperity to multiple stakeholders | • Progress against strategic focus areas |
| • Effective management of financial controls | • Maturing risk processes and culture |
| • High-performance culture | • ExCo succession planning |
| | • Value protection |



Governance Framework (continued)

Ongoing focus areas

The Board will continue its focus on effective governance and leadership, particularly in terms of succession planning. This coming year is the last year in our 2025 Strategy, and we will be measuring performance against our final strategic indicators and focus areas. From a people perspective, we look forward to seeing the benefits of our High-Performance Culture initiative and will continue our emphasis on ethical and sustainable business practices.

Board evaluation, development and skills

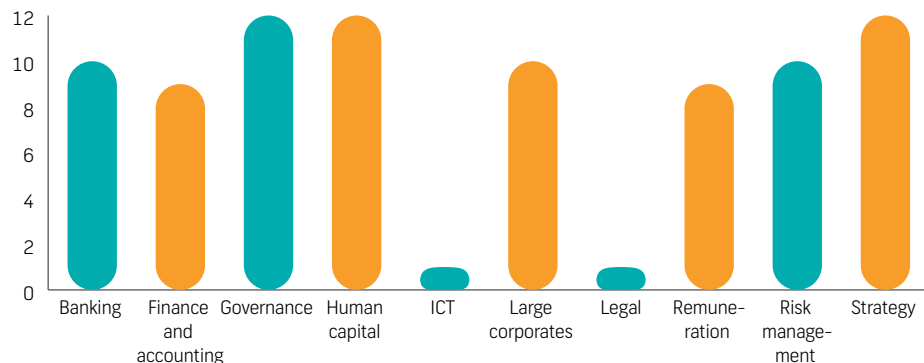
The DAGC appointed an external service provider to evaluate the performance of the Board, its Committees and Directors, and the CEO and Company Secretary. The evaluation confirmed overall performance effectiveness but indicated that gender imbalance remains a concern. Since then, the percentage of female representation on the Board has increased from 17% to 33%. The Board aims to secure 40% female representation by 30 June 2025.

Newly appointed Directors complete a comprehensive onboarding programme centred on the Bank's culture and operational intricacies. They also receive documents and training on governance, ethics, financial and risk management.

The Board's annual development programme offers Directors ongoing training and focuses on governance of risk and any needs identified during the annual assessment process. The Board completed training on interest rate risk in the banking book (hedging strategies), liquidity stress, credit risk management, ESG and shared prosperity, and ethics.

The DAGC conducts an annual review of the Board's skills composition against factors such as industry needs, regulatory changes and the Bank's long-term strategy.

Skills (number of Board members)



The Board is satisfied that the evaluation process improves its performance and effectiveness and that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence.

Board changes

Board changes		
	Director	Date
Retirements*	JR Khethe	November 2023
	MW Ward	November 2023
Appointments	BM Bonyongo (re-appointed as Chairperson)	February 2024
	L Van Zyl	April 2024
	**KP Mere	July 2024
	**P Mothopeng-Makepe	August 2024

* Both Directors retired by rotation after serving the prescribed maximum of 10 years.
** KP Mere and P Mothopeng-Makepe were appointed post-year-end subject to ratification at the AGM.

JK Macaskill, A Petkar, M Marinelli and D Ncube are due to retire by rotation at the upcoming AGM. All Directors except JK Macaskill will seek re-election. JK Macaskill's tenure is coming to an end as he has served 10 years cumulatively on the Board.



Governance Framework (continued)

Board meeting attendance

Directors	Board	Audit Committee	BCCC	BCRC	DAGC	HCRC	RCC
Independent Non-Executive Directors							
BM Bonyongo*	4/4				5/5	5/5	4/4
LF Jordaan**	4/4			6/6		3/3	4/4
JR Khethe***	2/2	2/2			2/2	2/2	
NB Lahri****	4/4	4/4				2/2	
ED Letebele	4/4			12/12	5/5		
M Marinelli [^]	4/4	4/4					4/4
D Ncube ^{^^}	4/4		3/3	12/12			1/1
A Petkar	4/4		3/3				4/4
MW Ward ^{^^^}	2/2			5/5			2/2
JK Macaskill ^{****}	4/4	4/4	3/3		5/5		4/4
Non-Executive Directors							
L Van Zyl ^{*****}	1/4						
Executive Directors							
SL Bogatsu	4/4	4/4		12/12	4/5	5/5	4/4
M Mbo	4/4	4/4		12/12	4/5		4/4

* Chairperson.

** Became member and Chairperson of the HCRC effective January 2024.

*** Retired November 2023.

**** Ceased to be a member of the HCRC effective November 2023.

[^] Chairperson of the Audit Committee effective February 2023, but member of the Committee since November 2021.

^{^^} Ceased to be a member of the RCC effective November 2023; Chairperson of the BCCC effective November 2023.

^{^^^} Retired November 2023.

^{****} Invitee to the Audit Committee.

^{*****} Appointed in April 2024.



Leadership team

Board of Directors Independent Non-Executive Directors

FNB Botswana has an independent Board supported by an experienced executive team.



Balisi Mohumi Bonyongo (56)
Chairperson

BEng (Hons) Mineral Engineering (Leeds), MBA (Cape Town), Senior Executive Programme (London Business School)

Appointed to Board: 2019
Committee membership: DAGC, HCRC, RCC
Tenure: 5 years
Other governing body and professional positions:

- ZAWL (Pty) Ltd
- Mine-Ex Consulting (Pty) Ltd
- Fraser McGill (Pty) Ltd



Louis Frans Jordaan (54)

BCompt – Programme in Mathematical Modelling of Derivatives (Unisa), Executive Development Programme (Duke)

Appointed to Board: 2022
Committee membership: BCRC, HCRC (Chairperson), RCC
Tenure: 2 years
Other governing body and professional positions:

- Gigiri Investments (Pty) Ltd



Naseem Banu Lahri (48)

MSc Strategic Management (Derby), BCom (University of Botswana), ACCA (Botswana Accountancy College)

Appointed to Board: 2019
Committee membership: Audit Committee
Tenure: 5 years
Other governing body and professional positions:

- Lucara Botswana



Ephraim Dichopase Letebele (64)

BCom (University of Botswana), MSc Strategic Management (Derby), Chartered Secretary (Associate of the Chartered Governance Institute of Southern Africa, CGISA)

Appointed to Board: 2017
Committee membership: BCRC (Chairperson), DAGC
Tenure: 7 years
Other governing body and professional positions:

- Ramokoroga (Pty) Ltd



Massimo Marinelli (67)

BCompt (Unisa), BCompt (Hons) (Unisa), Certified Chartered Accountant Botswana and South Africa

Appointed to Board: 2021
Committee membership: Audit Committee (Chairperson)
Tenure: 3 years
Other governing body and professional positions:

- Member of the Disciplinary Committee of the Botswana Institute of Chartered Accountants, Board member of the Mokolodi Wildlife Foundation
- Camomile Pty Ltd (25%)
- Delhurst Properties (12.5%)
- Barclays House



Keneilwe Patricia Mere (52)

Bachelor of Laws (University of Botswana)

Appointed to Board: 2024
Committee membership: HCRC
Other governing body and professional positions:

- Co-Founder Moribame Matthews Law Firm
- Chairperson of the Disciplinary Committee of the Law Society of Botswana
- Chairperson of the BFA tribunal

- Board Compliance and Conduct Committee (BCCC)
- Board Credit Risk Committee (BCRC)
- Directors' Affairs and Governance Committee (DAGC)
- Human Capital and Remuneration Committee (HCRC)
- Risk and Capital Management Committee (RCC)
- Audit Committee



Leadership team (continued)

Board of Directors

Independent Non-Executive Directors

Non-Executive Director

Executive Directors



Doreen Ncube (65)

Asad Petkar (51)

Pinkie Mothopeng-Makepe (61)

John Kienzley Macaskill (74)

Lee-Anne Van Zyl (58)

Steven Lefentse Bogatsu (52)
CEO

Mbako Mbo (44)
CFO

BA (Admin) (University of Botswana, Lesotho and Swaziland), MSc Management (Arthur D Little Management Education Institute)

BCom (Information Systems and Economics) (University of Cape Town), BCom (Honours in Information Systems), (University of Cape Town), MCom (Information Systems) (University of Cape Town)

Associate of the Chartered Institute of Management Accountants (CIMA)

BCom (Pretoria), AEP (Unisa), Certified Associate of the Institute of Bankers

BCom (Business Economics and Industrial Psychology), Certified Director (Institute of Directors South Africa)

AAT, ACCA, MSc Strategic Management (Derby)

BAcc (University of Botswana), BSc (Hons) Applied Accounting, AMCT, MBA, FCCA, PhD (Business Management and Administration), Harvard Executive Education

Appointed to Board: 2015
Committee membership: BCCC (Chairperson), BCRC
Tenure: 9 years
Other governing body and professional positions: Nil

Appointed to Board: 2021
Committee membership: RCC (Chairperson), BCCC
Tenure: 3 years
Other governing body and professional positions: Co-owner of a management consultancy firm with a presence in Botswana, Namibia and Australia
• EOH Consulting Botswana
• EOH Consulting Namibia
• Flocash Gateway Botswana
• Exponential Investments
• Knight Consulting Services Australia
• Loatso Investments
• Circumference Investments
• Rainbow School (Pty) Ltd

Appointed to Board: 2024
Committee membership: Audit Committee
Other governing body and professional positions: Mothopeng Consultancy (Pty) Ltd

Appointed to Board: 2014
Committee membership: BCCC, DAGC (Chairperson)
Tenure: 10 years (retires at November 2024 AGM)
Other governing body and professional positions: FNB Botswana Holdings

Appointed to Board: 2024
Committee membership: RCC
Tenure: 5 months
Other governing body and professional positions:
• Slow Lounges (Pty) Ltd
• FirstRand Staff Assistance Trust Board

Appointed to Board: 2015
Committee membership: Standing invitee on all Board Committees
Tenure: 9 years
Other governing body and professional positions: Nil

Appointed to Board: 2023
Committee membership: Standing invitee on all Board Committees
Tenure: 1 year
Other governing body and professional positions: Nil

Board Compliance and Conduct Committee (BCCC)
Human Capital and Remuneration Committee (HCRC)

Board Credit Risk Committee (BCRC)
Risk and Capital Management Committee (RCC)

Directors' Affairs and Governance Committee (DAGC)
Audit Committee



Leadership team (continued)

Board of Directors

Independence

FNB Botswana adheres to the Guidelines on Corporate Governance for Banks/Financial Institutions Licensed and Supervised by the Bank of Botswana, which stipulates that no Non-Executive Director may serve for a cumulate term exceeding 10 years.

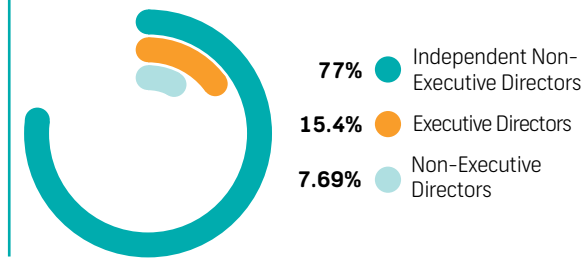
The Board relies on King IV principles and Guidelines for Corporate Governance for Banks/ Licensed Institutions by the Bank of Botswana to assess the independence of Directors and ensure that no Director wields unfettered power over the Board or is likely to unduly influence or cause bias in decision-making, when judged from the perspective of a reasonable and informed outside party.

The roles of the Chairperson and Chief Executive Officer are clearly defined in the Board Charter, demonstrating a clear balance of power and authority at a Board level to ensure that no single Director has unfettered powers of decision-making.

The Conflict of Interest Policy is in place to manage any potential conflicts of interest. Directors sign quarterly declarations stating that they are not aware of any undeclared conflicts of interest that may exist due to their financial interests in, or association with, any other company. In addition, Directors disclose interests in contracts and related-party transactions for the Board to assess whether such transactions are on arm's length commercial terms. In instances that they are conflicted, Directors will recuse themselves from the relevant deliberations.

The Board is satisfied that all Directors act independently, free of undue influence and in the best interests of the Bank.

Director independence (%)



Director age diversity (years)



Director tenure (years)



66%
Batswana
(FY2023: 60%)

38%
female
(FY2023: 20%)

57
average age
(FY2023: 56)

4.5
years average tenure
(FY2023: 5.25)



Leadership team (continued)

Executive team*



Moses McGeoff (47)

Chief Information Officer

BSc Computer Science (University of Botswana), MBA (Maryland Global Campus), certified in ITIL, COBIT 5, PRINCE 2 and RESILIA Cybersecurity Management

Experience: 25 years (5 in banking)
Tenure in FNB Botswana: 5 years
(2 years 4 months on ExCo)



Lindiwe Mogotsi (44)

Chief Risk Officer

BCom (Melbourne), member of ACCA and CPA Australia

Experience: 21 years (15 in banking)
Tenure in FNB Botswana: 2 years
(3 months on ExCo)



William Wilson (51)

Chief Operating Officer

Bachelor of Accounting Science (Unisa), Advanced Diploma in Enterprise Risk Management (Johannesburg), Certificate in Compliance Management (Johannesburg)

Experience: 31 years (all in banking)
Tenure in FNB Botswana: 1 year
(5 months on ExCo)



Gaone Setlhake (40)

Company Secretary and Director, Legal & Sustainability

Bachelor of Laws (University of Botswana), MS Leadership and Change Management (Leeds Metropolitan), Postgraduate Degree in Enterprise Risk Management (Botswana Accountancy College)

Experience: 16 years (11 in banking)
Tenure in FNB Botswana: 11 years
(4 years on ExCo)



Tshepiso Mokgethi-Magapa (42)

Treasurer

Bachelor of Business Management (University of Botswana), Associate Diploma in Banking (Institute of Bankers Botswana), ACI dealing certificate, Senior Management Development Programme

Experience: 19 years (all in banking)
Tenure in FNB Botswana: 1.5 years
(1 year on ExCo)



Lerato Chana Sekgororoane (55)

Director, Channels

BA Social Sciences (University of Botswana), Senior Leadership Programme (Gordon Institute of Business Science, Pretoria)

Experience: 31 years (all in banking)
Tenure in FNB Botswana: 10 years
(9 years on ExCo)

* Includes CEO and CFO whose profiles appear on Board of Directors page 85.



Leadership team (continued)

Executive team*



Jennifer Makgabenyana (60)
Director, Commercial Banking

MBA (Management College of Southern Africa), Diploma in Accounting and Business Studies, Associate Diploma in Banking, Management Development Programme (Stellenbosch), RMB Lead (Lapin International), Coaching for Development (Cape Town)

Experience: 31 years (all in banking)
Tenure in FNB Botswana: 13 years (5 in Mozambique and Ghana, 1 year on ExCo)



Sethunya Molodi (41)
Director, Compliance

Bachelor of Laws (University of Botswana), Diploma in Trial Advocacy (National Institute for Trial Advocacy, US), ACIS (CGISA)

Experience: 17 years (13 in banking)
Tenure in FNB Botswana: 8 years (4 years on ExCo)



Luke Woodford (41)
Director, Credit

CA, FCMA, Accelerated Development Programme (Wharton Business School)

Experience: 18 years (16 in banking)
Tenure in FNB Botswana: 6 years on ExCo



Mlungisi Jackalas (47)
Director, Human Capital

BA Economics (Cape Town), MComm Organisational Psychology (University of South Africa (Unisa))

Experience: 23 years (2 in banking)
Tenure in FNB Botswana: 2 years on ExCo



Peo Porogo (40)
Director, Marketing and Communications

Member of the Chartered Institute of Marketing (CIM, UK), BA Business Administration (University of Botswana), Marketing Management Development Programme (Cape Town and Stellenbosch)

Experience: 17 years (11 in banking)
Tenure in FNB Botswana: 8 years (2 years on ExCo)



Monkgogi (Mo) Mogorosi (42)
Director, Retail

BSc Finance (Virginia Commonwealth), MSc Strategic Management (Derby), Digital Business Strategy Certificate (MIT), Management Development Programme Certificate (Stellenbosch)

Experience: 19 years (17 years in banking)
Tenure in FNB Botswana: 1 year (3 months on ExCo)

* Includes CEO and CFO whose profiles appear on Board of Directors page 85.



Leadership team (continued)

Executive team*



Harriet Mlalazi (44)
Director, RMB

MBA (Gordon Institute of Business Science, Pretoria), BA (Admin) (University of Botswana), ACI dealing certificate (United Kingdom)

Experience: 20 years (all in banking)

Tenure in FNB Botswana: 9 years
(4 months on ExCo)



Theetso Nkwe (45)
Head, Internal Audit

Bachelor of Accountancy (University of Botswana), ACCA (Botswana Accountancy College)

Experience: 22 years (18 years in banking)

Tenure in FNB Botswana: 11 years
(4 months on ExCo)



6.27
years average tenure in
FNB Botswana
(FY2023: 5)

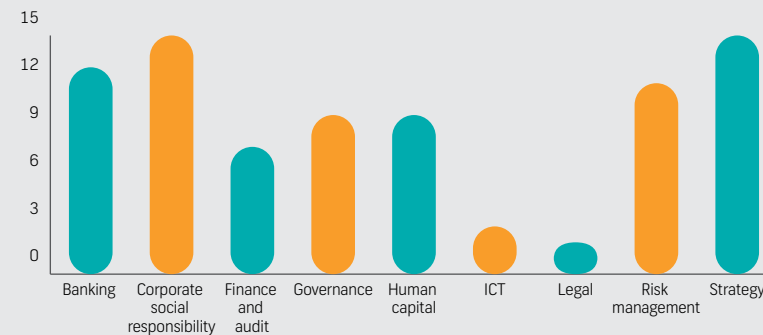
46
average age
(FY2023: 45)



88%
Batswana
(FY2023: 84%)

63%
female
(FY2023: 56%)

Skills (number of ExCo members)



H Mlalazi and T Nkwe were appointed in May 2024 and their tenure reflects up to the integrated report release date.

* Includes CEO and CFO whose profiles appear on Board of Directors page 85.

The Board is satisfied with the collective experience and skills of the executive team.



Board Committees

Six Committees support the Board in fulfilling its oversight duties, and identifying and managing risks and opportunities.

Each Committee operates according to a Board-approved Charter, and the Committee Chairperson reports to the Board on Committee discussions and decisions. The CEO and CFO are standing invitees to all Committees. The Board is satisfied that each Committee effectively discharged its responsibilities during the financial year.

Audit Committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities in internal and external audits, financial reporting, financial risk management, regulatory compliance and internal control systems.

The Audit Committee is supported by the following:

- Internal Audit:** The Internal Audit function provides risk-based and objective assurance, advice and insight to assess and enhance the Bank's risk management, internal controls and governance processes, as well as the integrity of financial reporting systems. The Internal Audit function presents quarterly reports to the Audit Committee on potential control deficiencies.
- External Audit:** The Audit Committee is satisfied with the performance and independence of the external auditors, and they have been appointed in line with applicable legislation. The Audit Committee Chairperson conducts private sessions with the external auditors to obtain feedback on the Bank's Finance Department's performance, including strengths and improvement areas.
- Combined Assurance Forum:** The Combined Assurance Forum convenes quarterly and includes representatives from management and internal and external auditors. Its purpose is to synchronise risk management and assurance endeavours across the Bank. The Forum's consolidated perspective on key risks and control themes is reported to the Audit Committee every quarter.

Members at 30 June 2024

M Marinelli (Chairperson)

NB Lahri

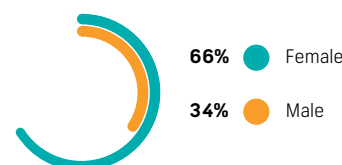
JK Macaskill (Invitee)

Number of meetings: 4

Composition

Independent members: 100%

Gender diversity (%)



Associated capitals



Financial



Manufactured



Intellectual



Natural



Social and relationship

* P Mthopeng-Makepe was appointed to the Board in August 2024 and has also been appointed to sit on the Audit Committee.

Key matters dealt with this year

On a quarterly basis, the Committee discussed the following:

- Tax, financial controls and combined assurance reports.
- The internal and external audit findings and monitored progress reports on corrective actions to rectify internal control lapses.



- Reviewed the annual financial statements for the year ended 30 June 2023 and recommended the same for Board approval
- Reviewed the proposed ordinary final dividend for the year ended 30 June 2023 and recommended the same for Board approval
- Reviewed the going-concern assessment and recommended the same for Board approval
- Reviewed the Audit Committee Charter and recommended the same for Board approval
- Reviewed the South African Reserve Bank Regulation 40 (5)(a)(iv) material malfunction letter and recommended the same for Board approval



Board Committees (continued)

November 2023

- Discussed the financial performance for the first quarter of 2024
- Discussed the competitor analysis report
- Reviewed the external auditors and credit specialist fee overrun and recommended the same for Board approval
- Discussed the South African Reserve Bank Regulation 46.1 and 46 (2)(a) report for the year ended 30 June 2023
- Conducted the annual assessment of the CFO and internal and external auditors in line with the requirements of King IV

February 2024

- Discussed the financial performance for the interim period
- Reviewed the proposed ordinary final dividend for the interim period ended December 2024 and recommended the same for Board approval
- Reviewed the going-concern assessment and recommended the same for Board approval
- Reviewed the draft 2024/2025 budget and provided comments
- Approved the external auditors' audit strategy plan for the financial year ending 30 June 2024
- Reviewed the external auditors' proposed fee for the year ending 30 June 2024 and recommended the same for Board approval
- Approved the following policies in line with its mandate:
 - Financial Reporting Control Framework
 - Tax Risk Management Compliance Framework

May 2024

- Discussed the financial performance for the third quarter of 2024
- Approved the internal audit and plans for 2024/2025
- Approved the Internal Audit and the Combined Assurance Forum Charters
- Reviewed the South African Reserve Bank Regulation 39 self-governance assessment for the Audit Committee and recommended the same for Board approval

Ongoing focus areas

The Audit Committee will continue to monitor the Bank's going-concern status, key financial ratios, the adequacy and effectiveness of internal controls and remediation of internal and external audit findings.

Board Credit Risk Committee

The BCRC ensures sound credit risk management and approves credit applications within a specified range.

The BCRC operates per the Credit Risk Management Framework. It approves credit applications ranging from P100 million to 10% of the Bank's unimpaired capital. For applications exceeding this threshold, the BCRC reviews applications and makes approval recommendations to the Board.

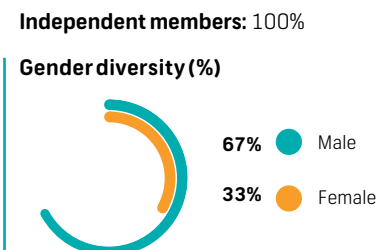
The BCRC:

- Ensures that all credit activities relating to large exposures are conducted within the Board-approved risk strategy, policies and tolerance levels.
- Ensures that exposures are sufficiently backed by counterparty collateral and that applicable agreements and contracts are adhered to.
- Provides oversight of the balance between advanced NPLs and impairment provisioning.
- Monitors large exposures as part of an annual review of facilities.

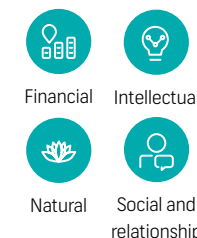
Members at 30 June 2024

- ED Letebele (Chairperson)**
- D Ncube**
- LF Jordaan**
- Number of meetings: 12**

Composition



Associated capitals





Board Committees (continued)

Key matters dealt with this year

The BCRC continued to discharge its mandate and ensured that credit risk was managed effectively. Overall, the Committee:

- Ensured that all credit activities relating to large exposures were conducted within the Board-approved risk strategy, policies and tolerance levels.
- Ensured that exposures were sufficiently backed by collateral provided by counterparties and that covenants were adhered to and with appropriate risk/reward balance.
- Provided oversight of the balance between advanced NPLs and impairment provisioning.
- Monitored large exposures on an ongoing basis as part of an annual review of facilities.



- Reviewed the new Committee mandate following a separation from the Risk, Capital Management and Compliance Committee, now called the RCC



- Reviewed the quarterly credit report, which is an overview of:
 - Credit appetite and outlook
 - Provisions and impairments
 - Prudential limits governance
 - Asset growth
 - Portfolio insights
 - NPLs
 - Credit governance



- Reviewed the Commercial and Corporate Mandates and recommended the same for Board approval
- Reviewed the quarterly credit report
- Approved the extension of the Retail Mandate review to May 2024



- Reviewed the quarterly risk report
- Conducted the South African Reserve Bank Regulation 39 self-governance assessment for the Committee and recommended the same for Board approval



- Reviewed and approved credit applications within its mandate once a month; credit applications above the Committee’s mandate were escalated for Board approval

Ongoing focus areas
 The BCRC will continue to review and monitor large exposures and scheme loans, particularly in light of current operating challenges.

Risk and Capital Management Committee
 The RCC assists the Board by supervising risk management across the Bank and ensuring that risks are managed per the Risk Appetite Framework.

Effective November 2023, compliance and credit risk were separated from the RCC and allocated to the BCCC and BCRC respectively. However, the RCC retains overall responsibility for monitoring risk appetite and ensuring that the Bank’s capital is safeguarded and managed prudently.

The RCC:

- Monitors the Bank’s overall risk profile against approved risk appetite.
- Considers high and emerging risk types and escalates these to the Board where appropriate.
- Considers the operational control environment, the appropriateness of management actions and the assurance provided by the second line of defence.
- Monitors the risk maturity of each risk type.
- Ensures that systems and resources needed to combat cybercrime and fraud are continually assessed and amended as necessary, particularly within the context of AI.



Board Committees (continued)

Members at 30 June 2024

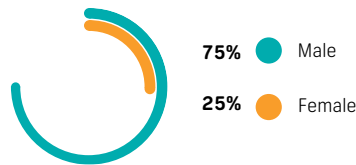
- A Petkar (Chairperson)**
 - BM Bonyongo**
 - LF Jordaan**
 - L Van Zyl***
- Number of meetings:** 4

* Appointed 3 July 2024.

Composition

Independent members: 75%

Gender diversity (%)



Associated capitals

- Financial
- Manufactured
- Human
- Intellectual
- Natural
- Social and relationship

Key matters dealt with this year

Overall, the RCC:

- Monitored the Bank's overall risk profile against approved risk appetite on a quarterly basis; the risk profile includes the following risk types: strategic/business, capital, asset and liability management, traded market, reputational, data, cyber, ICT, people, operational (includes fraud), legal, compliance and credit.*
- Considered high and emerging risk types on a quarterly basis, and escalated for Board approval where appropriate.
- Monitored the risk maturity of each risk type.
- Considered the operational control environment, the appropriateness of management actions and the assurance provided by the second line of defence.
- Ensured that systems and resources necessary to combat cybercrime and fraud are continually assessed and amended as necessary for this ever-evolving risk, paying particular attention to emerging risks and the pace of change resulting from AI.

* Effective November 2023, compliance and credit risk were separated from the RCC and are monitored by this Committee only from an appetite perspective. The rest of the monitoring is done separately through the BCCC and BCRC, respectively.

August 2023

- Reviewed the Risk, Capital Management and Compliance Committee Charter and escalated the same for Board approval; the main change was to separate compliance and credit risks from the Committee
- Approved the following policies in line with its mandate:
 - Operational Risk Management Framework
 - Market Risk Management Framework
 - ICT Governance Framework
- Reviewed and escalated the following for Board approval:
 - Enterprise Risk Management Framework
 - Risk Appetite Framework
 - Market Risk Limits

November 2023

- Approved the Control Assurance Plan, whose purpose was for the Risk Department to test the embedded controls put in place to close audit findings
- Approved the following policies in line with its mandate:
 - Information Governance Framework
 - Risk Appetite Statements – Legal Risk and Data Risk
- Reviewed and escalated the following for Board approval:
 - Internal Capital Adequacy Assessment Process
 - Capital Management Framework
 - Stress Testing Framework
 - Recovery and Resilience Plan (extension to February 2024)



Board Committees (continued)

February
2024

May
2024

- Reviewed the Macro-economic Forecasts and Scenarios for budgetary purposes and escalated the same for Board approval
- Approved the following policies in line with its mandate:
 - Information Security Management System Framework
 - Information and Cybersecurity Strategy
 - Main Risk Committee Charter

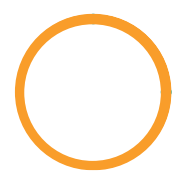



- Reviewed the Macro-economic Forecasts and Scenarios for the purposes of the Internal Capital Adequacy Assessment Process and IFRS 9, and escalated the same for Board approval
- Reviewed the South African Reserve Bank Regulation 39 self-governance assessment and escalated the same for Board approval
- Approved the following policies in line with its mandate:
 - Asset, Liability and Capital Committee Charter
 - AML Risk Framework
- Reviewed the following policies and escalated the same for Board approval:
 - Pillar 3 Disclosure Policy
 - Recovery and Resilience Plan

Ongoing focus areas

The RCC will continue monitoring key risks, particularly those that were rated outside appetite as at June 2024, i.e. data and operational risks. Additionally, the Committee will continue to focus on emerging risks such as cyber.

Directors' Affairs and Governance Committee

The DAGC ensures the appropriateness of the Bank's corporate governance practices. This includes Board and Committee structures, Board continuity and effectiveness, succession planning, and the Bank's ambition to deliver shared prosperity.

Members at 30 June 2024	Composition	Associated capitals
<p>JK Macaskill (Chairperson)</p> <p>BM Bonyongo</p> <p>ED Letebele</p> <p>Number of meetings: 4</p>	<p>Independent members: 100%</p> <p>Gender diversity (%)</p> <div style="text-align: center; margin: 10px 0;">  <p>100% ● Male</p> </div>	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  Intellectual </div> <div style="text-align: center;">  Natural </div> </div> <div style="text-align: center; margin-top: 10px;">  Social and relationship </div>

Key matters dealt with this year

- Reviewed both ExCo and Board succession plans
- Provided oversight of the appointment of new Directors and executives
- Reviewed Board Committee composition and escalated the same for Board approval
- Monitored the Board's related-party threshold
- Provided oversight of the annual election of the Board Chairperson



Board Committees (continued)

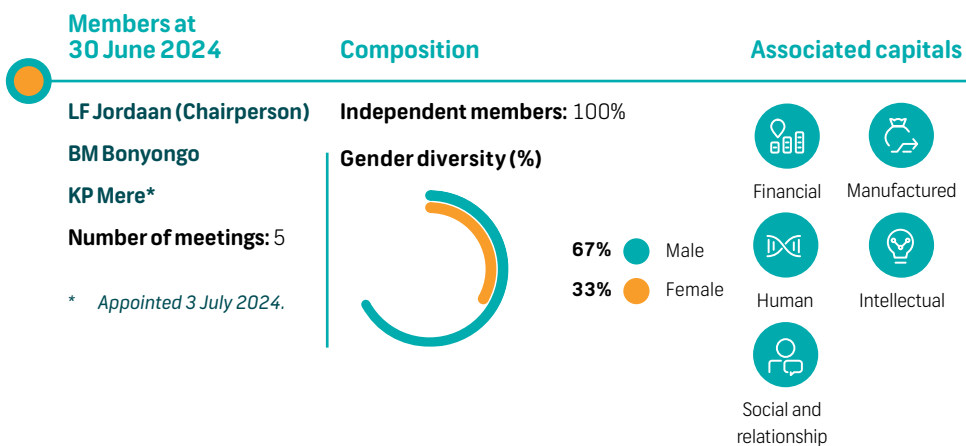
- Oversaw external Board evaluations to review:
 - Performance and effectiveness of the Board and Board Committees
 - Performance of the Board Chairperson, individual Non-Executive Directors and the Company Secretary
- Conducted the South African Reserve Bank Regulation 39 self-governance assessment for the Committee and recommended the same for Board approval
- Facilitated the pledging of the Bank's Code of Ethics by Directors
- Provided oversight of the implementation of the approved Board training plan for 2024
- Submitted to the Board for approval the revised Governance Framework, Board Charter and DAGC Charter
- Approved the Sustainability ExCo and its Charter
- Provided oversight of the Bank's sustainability and shared prosperity KPIs

Ongoing focus areas
 The DAGC will continue to monitor the Board's effectiveness and continuity, focusing on succession planning and training. Additional focus areas include ExCo succession planning as well as providing overview of the sustainability targets and progress, as well as shared prosperity performance in the country as a responsible corporate citizen.

Human Capital and Remuneration Committee

The HCRC oversees the Bank's human capital practices, including culture, recruitment, talent management, learning and development, wellness, performance enablement and remuneration.

The HCRC ensures that the Bank's remuneration policies consider the welfare of both employees and shareholders. The Committee actively promotes fairness in remuneration practices and implements the principle of equal pay for work of equal value. It also ensures that remuneration practices remain aligned with market standards and are sustainable over time.



Key matters dealt with this year

The HCRC provided oversight on:

- The Bank's demographic profile, including headcount and productivity ratios
- The human capital strategic pillars
- The human capital strategic and risk scorecard



Board Committees (continued)

The HCRC monitored:

- Key people risks, including loss of talent, culture and reward
- The results of the Group-wide Employee Experience Survey (Glint)

The HCRC approved the following policies in line with its mandate:

- Disciplinary Code and Procedure
- Suspension from Work Policy
- Disability Policy
- Diversity, Equity, Inclusion and Belonging Framework

With regard to remuneration, the HCRC:

- Considered macro-economic factors likely to have an impact on remuneration
- Considered the Bank's business and financial performance and its impact on remuneration
- Monitored union negotiations and mediation of non-managers' salaries
- Considered and recommended to the Board a 4% increase in Board Director fees
- Considered the 2024 annual salary review principles for salary increases, bonuses and share allocations
- Performed an annual review of pay comparisons and benchmarking in the local market of salaries and variable pay (incentive/flexible options, bonus, shares and retention packages for key resources)
- Conducted a line-by-line review of ExCo remuneration, relative to the market
- Conducted the South African Reserve Bank Regulation 39 self-governance assessment
- Submitted the HCRC Charter to the Board for approval

Ongoing focus areas

The HCRC will continue to monitor key people risks, research and evaluate remuneration best practices, and improve King IV remuneration disclosures.

Board Compliance and Conduct Committee

The BCCC assists the Board in ensuring effective management of the Bank's compliance risk – particularly risks relating to financial crime – business conduct (ethics) and market conduct.

The BCCC:

- Monitors the consolidated compliance risk profile relative to the regulatory landscape.
- Ensures that compliance management policies, frameworks, approaches and processes are approved in terms of the Compliance Management Framework.
- Oversees the implementation of measures to comply with requirements relating to AML and combating the financing of terrorism.
- Oversees the implementation of ethics and market conduct policies.

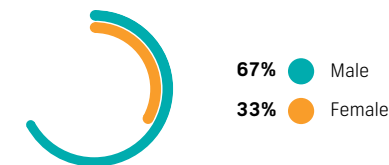
Members at 30 June 2024

- D Ncube (Chairperson)**
- JK Macaskill**
- A Petkar**
- Number of meetings: 4**

Composition

Independent members: 100%

Gender diversity (%)



Associated capitals

- Financial
- Human
- Intellectual
- Natural
- Social and relationship



Board Committees (continued)

Key matters dealt with this year

On a quarterly basis, the Committee:*

- Monitored the consolidated compliance risk profile relative to the regulatory landscape
- Ensured that compliance management policies, frameworks, approaches and processes are approved in terms of the Compliance Management Framework
- Oversaw the implementation of measures to comply with requirements relating to AML and combating the financing of terrorism for identifying depositors at ATMs with deposit terminals, and addressing enhanced due diligence of politically exposed persons
- Oversaw the implementation of the ethics and market conduct policies

* *The first meeting following separation from the Risk, Capital Management and Compliance Committee was conducted in November 2023.*

Ongoing focus areas

The BCCC will continue to monitor compliance and assurance activities relating to financial crime and market/business conduct. Implementation of the Data Protection Act will receive specific focus in the coming year.

November 2023

- Discussed the structure of the compliance function
- Approved the following in line with its mandate:
 - Compliance Monitoring Plan
 - Anti-Bribery and Corruption Framework
 - Business Conduct Key Risk Indicators
 - Market Conduct Key Risk Indicators

February 2024

- Approved the following in line with its mandate:
 - Financial Crime Risk Management Compliance Programme Omnibus
- Reviewed the following and recommended the same for Board approval:
 - Code of Ethics
 - Conflict of Interest Management Policy
 - Modern Day Slavery Statement

May 2024

- Approved the following in line with its mandate:
 - Regulatory Universe and Compliance Monitoring Plan for FY2025
 - Compliance Risk Management Framework
- Reviewed the following and recommended the same for Board approval:
 - Section 52 Banks Act Policy
 - Compliance Risk Appetite Statements
- Reviewed the South African Reserve Bank Regulation 39 self-governance assessment and recommended the same for Board approval



Board Committees (continued)

Application of King IV

The King IV principles aim to promote and harness ethical culture, good governance, effective control and legitimate business practices. The below broadly highlights how the Board applied all the principles.

Principle	Comments
Principle 1: The governing body should lead ethically and effectively.	Board members are assessed on ethics and integrity as part of the annual Board evaluation. They periodically attest to the Bank's Code of Ethics, and declare their interests as a standing governance practice and as per the Conflict of Interest Management Policy.
Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	Management, through its Compliance and Conduct Committee, submits a quarterly ethics report to the Board Compliance and Conduct Committee (BCCC). Through the BCCC, the Board oversees the Bank's ethics culture.
Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	The Board has adopted a shared prosperity framework through which the Bank strives to unlock environmental, economic and social value for multiple stakeholders, including the broader society in which we operate. This includes the value created through the FNB Botswana Foundation. See page 54 for more.
Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	See page 2 for information on our purpose, 20 for our material matters, 41 for strategy and 13 for financial performance.
Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short-, medium- and long-term prospects.	This report aligns with applicable reporting frameworks to ensure that stakeholders can make an informed assessment of the Bank's performance. See page 1 for reporting frameworks and guidance that inform this report.
Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.	The Board operates according to a Board Governance Framework that requires it to serve as corporate governance's focal point and custodian. See page 76.
Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	Information on Board composition and member profiles is provided on page 84.
Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.	Information on how we ensure effective governance is provided earlier on page 76, and a description of our Board Committees is on page 90.



Board Committees (continued)

Principle

Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

Principle 10: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.

Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

Principle 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

Principle 17: The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote good governance and the creation of value by the companies in which it invests.

Comments

Information on our annual Board evaluation is provided on page 82.

The DAGC is responsible for ExCo appointments and succession planning.

Refer to page 35 for more information.

ICT risk is managed by the RCC. See page 35 and 42 for more information.

Compliance with applicable laws is a key risk managed through the RCC. Matters of business and market conduct are managed through the DAGC. See page 92 for more information.

Refer to the remuneration report starting on page 100.

Assurance is provided through the internal and external audit functions and Combined Assurance Forum. This is covered on page 90.

Refer to our chapter on stakeholders, starting on page 31.

N/A



Equitable and accountable remuneration

Our people are the core and enduring foundation of FNB Botswana's competitive advantage in a contemporary service-driven economy. They sustain our success through exceptional customer service and long-term collaborative relationships.

Background statement

The HCRC oversees the implementation of the human capital strategy at FNB Botswana and ensures that our people are appropriately resourced, developed, engaged and retained. As part of its role, this Committee is also charged with overseeing the implementation of the Bank's Remuneration Policy and practices to ensure alignment between employees and shareholders. The Committee promotes fairness in remuneration by ensuring that the principle of equal pay for work of equal value is applied and that remuneration is market-related.

The HCRC operates independently of management and makes recommendations to the Board for consideration and approval. The Committee is chaired by an Independent Non-Executive Director who is supported by two additional Independent Non-Executive Directors, one of whom is the Chairperson of the Board. The CEO and CFO are standing invitees to Committee meetings.

The HCRC met five times in FY2024. See page 95 for more information on this Committee and its focus areas for the year.

The Bank's remuneration philosophy is based on shareholders' long-held view that remuneration must align with shareholder value. This ethos has shaped the Bank's remuneration philosophy and is anchored in the performance management framework through which performance is managed at the individual, team, business unit and Bank level.

FNB Botswana has a total reward remuneration approach designed to attract and retain talent in line with the current and future requirements of the role. The total reward is made up of a guaranteed package, short-term incentive (STI) and long-term incentive (LTI).

FNB Botswana has recognised the Botswana Financial Institutions and Allied Workers Union as the exclusive consultative and negotiating agent for non-managerial employees. The Bank negotiates salary increases with this union on an annual basis, as provided for under the Collective Bargaining Agreement. Salary negotiations and resulting agreements are generally influenced by prevailing macro-economic factors, as well as individual, business segment and Bank performance. All remuneration increases are reviewed and approved by the HCRC.

The Bank's performance management process begins with an annual performance planning process, whereby an annual operating business plan is developed, informed by the Bank's long-term strategic direction. The Board sets strategic priority areas and targets for the particular financial year in line with the overall risk appetite.

FNB Botswana engages independent service providers to benchmark market data pertaining to remuneration. Emergence Growth is used as the service provider, and benchmarking is conducted against banking and financial services sector metrics.

A comprehensive remuneration benchmarking analysis of top management and Non-Executive Directors was conducted in December 2023. The HCRC is satisfied that the data used was appropriate and comparable, and that the service provider acted independently and objectively and has sufficient experience in remuneration.

FNB Botswana does not follow King IV's recommendation of putting our Remuneration Policy and implementation report to a non-binding advisory vote at our AGM, as this is not mandated by the Botswana Stock Exchange. However, the approval of Non-Executive Directors' fees is a requirement. At the 2023 AGM, 90.57% (2022 AGM: 98.23%) of shareholders voted in favour of the proposed Non-Executive Directors' fees.

Looking ahead, the HCRC will continue reviewing and benchmarking the Bank's Remuneration Policy to ensure that it remains competitive and fair and is understood by all stakeholders. We also aim to improve remuneration disclosures as per King IV.

The HCRC believes the Remuneration Policy achieved its stated objectives. No significant changes were made to the Policy or practices during the year, but they are subject to continual review to ensure responsiveness and adherence to best practices.



Remuneration Policy

FNB Botswana believes that remuneration must align with shareholder value. This ethos has shaped our outcomes-based remuneration philosophy and performance management framework.

Our Remuneration Policy aims to:

- Contribute to attracting and retaining talented and high-performing employees.
- Inspire and motivate people to outperform the business strategy, targets and objectives.
- Reward and recognise innovation and performance.

Our approach to remuneration is informed by the following principles.

- **Talent attraction and retention:** We aim to attract and retain the best talent in the market through competitive reward packages.
- **Pay for performance:** Variable pay (STIs and LTIs) is subject to financial and non-financial performance criteria aligned to the Bank's strategic objectives. Our remuneration mix is deliberately weighted towards variable pay to reinforce a culture of sustainable performance.
- **Alignment with shareholder value:** NIACC, which is our key performance measure, ensures that employees receive variable pay only after all obligations have been met, including those to shareholders. Increases in management remuneration may not exceed the growth in accumulated net asset value and dividends over an economic cycle (six years).
- **Sustainability:** We aim to deliver sustainable long-term growth for the benefit of all stakeholders, including clients and the broader society. This is considered when determining remuneration.
- **Fair and responsible remuneration:** We promote equal pay for work of equal value and do not tolerate discrimination based on race, gender or any other arbitrary characteristic.

Ensuring fair and responsible remuneration

In a performance-based culture, supported by rigorous evaluation, it is inevitable that pay gaps will emerge. In fact, it is important that employees know that outperformance can and will be rewarded. However, pay inequalities can never be based on arbitrary grounds such as race or gender.

We set salary ranges per role, based on role evaluations and market benchmarking. New employees are placed within the salary range based on their skills, qualifications and experience in the role. We favour a market-pricing approach to determine compensation for senior and executive positions.

Annual reviews compare employees on objective criteria such as performance, skills and experience, as well as market benchmarks. Remuneration is validated and aligned through an annual internal review that identifies and assesses potential income differentials.

Fair

- The principle of equal pay for work of equal value is applied across all roles.
- Remuneration practices are impartial and not affected by self-interest or prejudice on arbitrary grounds, including race and gender.
- Employee remuneration is fairly differentiated for performance, skills and expertise. Unjustifiable income differentials are identified and corrected.

Responsible

- Remuneration outcomes are aligned with the Bank's strategy and sustainable value creation.
- Incentives are based on both individual and business performance criteria.
- Incentive schemes do not promote excessive risk-taking. HCRC in consultation with RCC ensures that actions outside risk appetite are not rewarded and that incentive pools are appropriately adjusted for risk.
- Variable remuneration is subject to malus and clawback.



Remuneration Policy (continued)

Remuneration structure

We believe that each employee should be able to influence their earnings through the value they contribute.

Remuneration components



Guaranteed package

The guaranteed package is competitive in the market and reflects the individual's role, skills and experience. FNB Botswana participates in annual benchmark exercises to benchmark against market information. This is also done at position level during annual salary surveys. This approach ensures that guaranteed packages are competitive and allows the Bank to attract and retain talent and critical skills. In instances where it appears that pay for certain skills has fluctuated rapidly (owing to factors such as a scarcity of skills), a targeted and customised benchmark may be commissioned by the HCRC or ExCo.

The HCRC has taken deliberate steps to ensure that any arbitrary internal pay inequalities are addressed. These processes compare like-for-like objective criteria across the employee base. When unjustified income differentials are identified, adjustments are made as part of the annual reward review exercise to the extent that these can be accommodated in the employee cost budget.

The comparative ratio averaged 104% and 100% for guaranteed package and total reward, respectively. This indicates that all non-managerial salary bands in the Bank fall comfortably within the sector's market median, which typically ranges between the 80th and 120th percentile for guaranteed package and total reward.

Retirement contribution

All permanent and pension employees are contractually obliged to contribute to the FNB pension fund. An independent Board of Trustees manages this fund and has to improve retirement outcomes by maximising investment returns and minimising costs. The Board is constituted by employer and employee representatives.

Medical aid contribution

All permanent and pension employees are contractually obliged to belong to a medical aid scheme. The Bank contributes 100% to medical aid cover for employees and their immediate family members.

STI Scheme

The STI is awarded based on Bank, business segment and individual performance, and aims to reward individual performance. STI pool determination is anchored to a multi-year budget process that considers strategy, risk appetite and financial resource allocation (such as increases in guaranteed packages and changes in headcount).

The STI pool for managerial and non-managerial employees is determined by the HCRC using a combination of financial and non-financial performance measures.

- **Financial measures:** The STI pool considers performance measures such as return on equity, normalised earnings and NIACC for the year. STIs that exceed a certain threshold are deferred into cash and share awards to be paid in future.
- **Non-financial measures:** The HCRC will adjust the STI pool downwards for material risk and conduct-related events. This involves consideration of the control environment, internal and external audit results, compliance with risk policies and processes, regulatory compliance, platform maturity, and employee, client, business and financial market conduct.

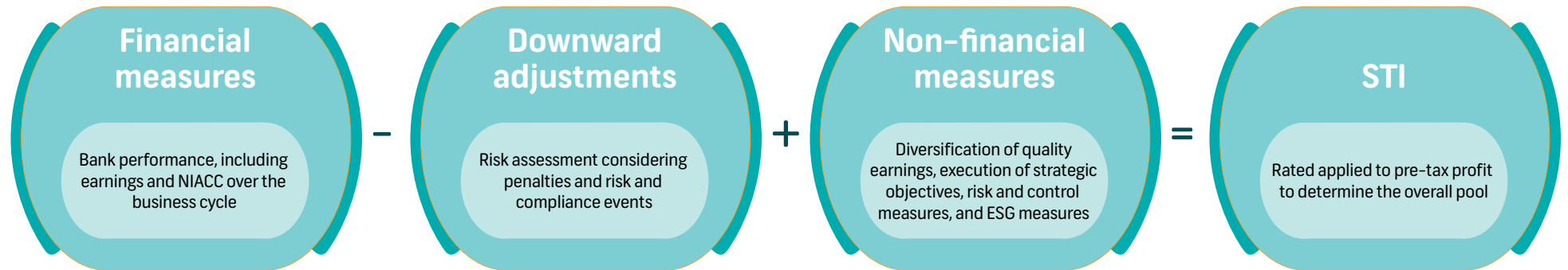
Individual STIs less than P726,000 are paid out in full in August each year, while those between P726,000 and P1.45 million are paid out in three tranches, providing for a six and 12-month deferral, respectively. Interest accrues on the second and third tranches and is included in these payments.

STIs above P1.45 million are also paid in three tranches but a component of the bonus is deferred as a share-linked award that vests two years later (based on continued employment and good standing). Should an employee resign or leave the employ of the Bank for any reason before the date on which any tranche is payable, any outstanding tranche will no longer be payable and is forfeited.



Remuneration Policy (continued)

STI calculation



LTI Scheme

FNB Botswana operates an LTI Scheme which seeks to ensure that employees are aligned to shareholder requirements for sustainable earnings growth, sustainable and superior returns, and the creation of long-term franchise value. LTIs also support the long-term retention of critical management-level employees. The FirstRand Conditional Incentive Plan in South Africa is used to achieve these objectives.

FirstRand Conditional Incentive Plan

The Conditional Incentive Plan is denominated in South African Rands. To align with the overall strategic intent of the FirstRand Group, the Plan is linked to the performance of the FirstRand SA share price (applicable to qualifying employees).

For all qualifying employees, 100% of the award has the FirstRand share price as the underlying factor. The award vests three years from the award date if performance and employment conditions have been met.

At the date of vesting, the employee will receive the vesting value, based on the share price at the time. Settlement of the vesting value will either be in cash or by acquiring settlement shares (if so chosen by the employee). Shares required for settlement are purchased in the open market, not issued, to avoid shareholder dilution. There is no accrual of dividends over the vesting period, and participating employees remain exposed to fluctuations in the Group's share price over the vesting period. This further supports alignment between employee and shareholder value.

A distinction has been made between professionals, senior leadership and executives.

- The award for professionals is 100% de-risked, and individual performance is required to be rated meets expectations or above.
- For senior leadership, 50% Bank and individual performance conditions apply.
- For executives (chief executives), 100% of vesting is subject to Bank and individual performance.



Remuneration Policy (continued)

The total LTI award pool for the Bank is approved annually by the HCRC and considers overall headcount growth and salary inflation increases. The allocation of this pool is determined by the value created and the sustainability of the Group's contribution to shareholder value.

The LTI is granted with conditions tied to the Group's forward-looking compound performance over three years and is linked to the FirstRand share price. Segments put through their LTI requests for the year, and these are consolidated for submission to FirstRand as a country request.

The allocation to individuals is driven by eligibility criteria with guidance on quantum linked to the individual's guaranteed package. Performance conditions for the LTI plans include targets for return on equity and earnings growth and are deeply embedded in the Bank's performance culture.

Performance conditions should support motivation and retention. Therefore, the HCRC considers several factors, including:

- The outcomes of the three-year budget process, as well as scenario analyses on the budgets that incorporate risk and stressed views.
- The macro-economic outlook and probabilities assigned to various scenarios and the required investment in platforms and new business development for future growth strategies. This investment is expensed, not capitalised.
- The opportunity to grow more than the economy, given the Bank's relative market share.
- The requirement to protect the return profile, as opposed to incentivising earnings growth at the expense of return on equity.

Return on equity and earnings growth

FNB Botswana does not assign weightings to the return on equity and earnings growth conditions, as we believe this practice creates two separate instruments that could drive behaviour where one condition is favoured at the expense of the other. The Bank requires both return on equity and earnings growth conditions to be met.

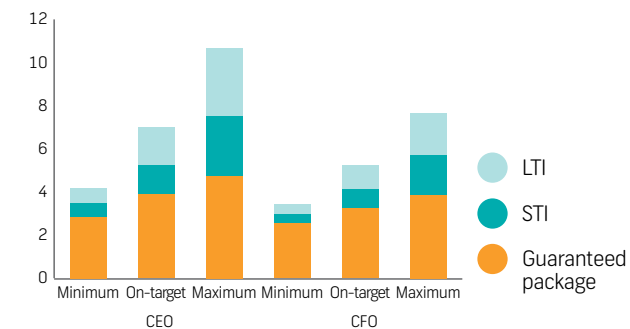
- Return on equity is a prerequisite and must be achieved before earnings growth is assessed.
- The earnings growth target is measured over a three-year rolling period on a cumulative basis.
- The return on equity target is measured as the average return on equity over the three-year vesting period, and positive NIACC is required in line with the Group's performance philosophy.
- The return on equity is based on net asset value rather than tangible net asset value and as such includes goodwill.

Total reward

We recognise that employee motivation goes beyond financial compensation. As such, FNB Botswana emphasises the concept of "total reward", which includes intangible rewards such as a positive work environment, supporting colleagues, empowering culture, opportunities for growth and development, innovation and recognition.

Our total reward approach improves employees' performance, engagement and delivery against the purpose of shared prosperity. In turn, the Bank benefits from increased efficiencies and innovation.

Potential remuneration for Executive Directors (P'million)



Executive contracts

- There are no contractual entitlements to payments on termination, and no special termination arrangements or golden-parachute agreements are in place.
- Contractual notice and accrued leave are paid out where legally required.
- Unvested deferred STI awards or unvested LTI awards are dealt with in accordance with the rules of the applicable scheme.
- Malus and clawback provisions apply to STI and LTI awards.

Termination, malus and clawback provisions

Malus applies to awards that have not yet vested; these will be cancelled where necessary. Clawback applies once an award has vested and an event occurs that triggers repayment of the award. A trigger may include:

- The discovery of a material misstatement of performance that resulted in a variable award which the Board is satisfied the employee contributed to and is responsible for.
- The discovery that the assessment of any metrics upon which the award was made was based on erroneous, inaccurate or misleading information.



Remuneration Policy (continued)

- Any action or conduct which, in the reasonable opinion of the Board, amounts to dishonesty, fraud or misconduct.
- The discovery of a material failure in risk management to which the employee had contributed and is responsible for.
- The discovery that performance related to financial or non-financial targets was misrepresented and that such misstatement led to the overpayment of incentives.

The clawback applies for three years after the discretionary payment is made or, in the case of share schemes, three years after the award vested. Should an employee resign or be dismissed, unpaid bonus tranches are forfeited.

Performance enablement

This year, we introduced a new approach which we call performance enablement. Previously, performance management was reactive and focused mainly on past performance. Performance enablement offers a more proactive approach aimed at fostering continual improvement, development and growth, supported by a qualitative performance scorecard. It is employee-owned, leader-enabled and business-aligned.

The performance enablement principles are as follows:

- Enable accountability, ownership and differentiation, while keeping it simple.
- Promote frequent, purposeful conversations between employees and managers.
- Accelerate personal growth and development.
- “What” is delivered is as important as behaviours displayed in the “how” of delivery (aligned to the FirstRand promises, page 3).
- Align to business needs and objectives that help drive FNB Botswana’s success.

The overall outcome of individual performance ratings in line with performance enablement is shown alongside.

Remuneration

The table below shows the average percentage salary increase for employees, based on their performance ratings.

Rating	ExCo	Management	Non-management
Significant improvement required	0%	0%	0%
Improvement required	2.7%	3%	3%
Meets expectations	5%	5%	8%
Exceeds expectations	6%	6%	9%
Exceptional	7%	7%	10%

Remuneration and performance



- 3% ● Exceptional
- 29% ● Exceeds expectations
- 57% ● Meets expectations
- 8% ● Improvement required
- 1% ● Significant improvement required
- 2% ● Too new to rate

The HCRC believes that FNB Botswana has effectively met the objectives outlined in our Remuneration Charter and fulfilled our commitment to establish equitable and accountable remuneration practices as defined in our Remuneration Policy.



Remuneration implementation

Executive Directors

The corporate scorecard fully incorporates various measures into the main scorecard, which is approved by the Board of Directors and focuses on Financial, Strategic, Risk and Control, Sustainability, ESG and Talent Management. The scorecard is for STI and is approved by the Board.

Aspect	Category	Measure	Metrics																
FINANCIAL	FirstRand Group earnings and returns	Growth in normalised profit before tax <ul style="list-style-type: none"> • FNB Botswana • Retail • Commercial <ul style="list-style-type: none"> - In-country head office residual, insurance and other - Vehicle asset finance • RMB <ul style="list-style-type: none"> - Banking - Markets • Group Treasury • FirstRand Corporate Centre 	Normalised profit before tax Normalised earnings measured against budget/business case Normalised earnings Year-on-year NIACC growth NIACC																
				STRATEGIC	Protect and grow banking business	Growth in active clients Increase cross-sell Increase number of primary Bank relationships Grow deposit franchise Targeted origination strategies in line with risk appetite Cost management (good cost control)	Active clients Vertical Sales Index Primary banking relationships Closing deposits Closing advances Operational expenses												
								FirstRand platform journey	Digitising operations and client relationships aligned with the FirstRand platform journey and work item process	Delivery in line with roadmap									
											Sustainable earnings	Diversify our offering and approach – sustainable earnings delinked from macros	Non-interest revenue						
														Client focus	Client retention, enhanced customer service level and reduced attrition rates	Client complaints and attrition rate			
																	Disciplined management of financial resources	Adherence to financial resource management guidelines	Assessment based on financial resource management guidelines



Remuneration implementation (continued)

Aspect	Category	Metrics	Aspect	Category	Metrics
RISK AND CONTROL	Control environment	Pre-2024: Audit issues per risk maturity scorecards Post-2024: Percentage of repeat unacceptable and significant improvement required audit finding of open issues	RISK AND CONTROL (continued)	Complaints	Complaints management
	Market conduct	Pre-2024: Regulatory, including conduct rating per risk scorecards Post-2024: Market conduct (first-line ownership)		Compliance/operational, market and investment risks	Pre-2024: AML scored based on high-risk enhanced due diligence, overall programme status Post-2024: Residual compliance based on risk appetite
	Business conduct	Pre-2024: Regulatory, including conduct rating per risk scorecards Post-2024: Business conduct: Declaration of interests and whistleblowing	SUSTAINABILITY	Ensuring the health of organisational culture and good corporate governance	Engagement survey
	Risk appetite and volatility	Pre-2024: Risk maturity rating per risk scorecards Post-2024: Risk appetite and volatility		Health of key relationships	Health of regulatory relationship, feedback from Board and Audit Committee Chairpersons
	Credit loss/impairments	Credit loss ratio		Shared prosperity	Varying targets per shared prosperity scorecard covering sustainable finance, financial inclusion, SME development, financial literacy and awareness, and human and social development
	Reduce NPL ratio over time	NPL ratio	PEOPLE	Climate	At inception stage so policy adoption and implementation are a key priority; quantitative measures undefined as yet
	Operational, market and investment risks (excluding compliance and conduct)	Pre-2024: Operations losses per risk maturity scorecards Post-2024: Risk maturity		Talent management and succession planning	Pipeline utilisation, bench strength and succession planning, development activities to close skills gap, talent retention (risk and impact of loss of key skills) and talent mobility



Overall performance rating

Management was appraised on the above scorecard and in line with the new performance enablement rating methodology. Management was awarded an overall rating of Exceeds Expectation.

Performance on key metrics

	Return on equity	Profit before tax	NIACC	Customer number	Advances
Target	21% – 24%	P1,532,719	P690,278 – P754,446	703,882	P19,356,245
Actual	35.5%	P1,780,685	P932,585	706,351	P19,406,089

Remuneration reward for FY2024 performance

Executive Directors	Guaranteed package		Bonus		Shares		Total	
	FY2024**	FY2023	FY2024**	FY2023	FY2024**	FY2023	FY2024**	FY2023
SL Bogatsu	3,560,000	3,365,000	2,800,000	2,000,000	2,610,000	2,211,900	8,970,000	7,576,900
M Mbo*	3,167,271	2,983,064	1,936,000	600,000	1,123,750	1,141,730	6,227,021	4,724,794

* Appointed as CFO effective 1 February 2023, and to the Board effective 17 August 2023.

Executive management's remuneration reward for FY2024: Guaranteed package, STI and LTI

Below is an illustration of total remuneration for executive management (excluding CEO and CFO) (based on a single, total figure):

ExCo	2024**	2023
Employee number	14	14
Annual total base pay	22,262,164	20,571,788
Annual total gross package (guaranteed package)	30,891,939	29,383,532
STI	13,750,000	10,466,200
LTI	6,923,750	6,783,160
Total reward	51,565,689	46,632,892

Managerial remuneration reward for FY2024: Guaranteed package, STI and LTI

Below is an illustration of total remuneration for other management (excluding CEO, CFO and executive management) (based on a single, total figure):

Managerial	2024**	2023
Total number of managerial members	393	383
Annual total base pay	238,042,244	227,559,553
Annual total gross package (guaranteed package)	333,925,488	317,173,132
STI	42,925,038	36,768,714
LTI	7,200,000	4,792,450
Total reward	384,050,526	358,734,296

Non-management's remuneration reward for FY2024: Guaranteed package, STI and LTI

Below is an illustration of total remuneration for non-management employees (based on a single, total figure):

Non-managerial	2024**	2023
Total number of non-managerial members	988	1,004
Annual total base pay	214,712,044	209,102,172
Annual total gross package (guaranteed package)	293,231,919	286,113,983
STI	13,182,510	11,815,970
LTI	-	-
Total reward	306,414,429	297,929,953

** 2024 Remuneration figures are for FY2024 performance.



Remuneration implementation (continued)

Independent Non-Executive Director Fees

The following principles apply to Board fees:

- Executive Directors and Non-Executive Directors employed by the FirstRand Group do not receive fees.
- Board and Committee meeting fees are paid at a flat rate, with a premium rate for Chairpersons. Meeting fees cover preparation and actual meetings.
- All members of the Board are paid a retainer, with the Chairperson of the Board earning a premium retainer. All Committee Chairpersons are paid a retainer relative to the complexity of each Committee. Only the members of the Audit Committee are paid a retainer. The retainer covers retention for skill and expertise, round-robin applications, ad hoc and special meetings, training, attendance of Bank events, and engagement with Bank stakeholders. The retainer is paid quarterly in advance.

HCRC and Board approved an inflationary increase of 4%. This increase is constituted by sitting fees and retainer fees.

This inflationary increase will be subject to approval by shareholders at the upcoming AGM. For a full breakdown of the proposed fees, refer to the AGM notice on page 241. For the year ended June 2024, a total of P5,344,394 was paid to Independent Non-Executive Directors.

Non-Executive Directors	FY2024 [#]	FY2023
BM Bonyongo*	P725,199	P646,892
LF Jordaan**	P618,343	P308,908
JR Khethe***	P192,061	P422,370
NB Lahri [^]	P400,309	P345,696
ED Letebele	P726,119	P738,068
JK Macaskill	P535,989	P560,651
M Marinelli	P596,316	P443,110
D Ncube ^{^^}	P679,529	P854,153
A Petkar	P492,768	P338,878
MW Ward ^{^^^}	P377,761	P830,611
Total	P5,344,394	P5,489,337

* Chairperson.

** Became member and Chairperson of the HCRC effective January 2024.

*** Retired November 2023.

[^] Ceased to be a member of the HCRC effective November 2023.

^{^^} Ceased to be a member of the RCC effective November 2023.

^{^^^} Retired November 2023.

[#] The increased fees and retainers approved at the November 2023 AGM were only implemented in January 2024 and will be in force until December 2024. The forecasted Directors' fees for December 2024 is P6.5 million.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Financial statements and other information

Consolidated and
Separate Financial Statements
for the year ended June 30, 2024

First National Bank of Botswana Limited
(Registration number BW00000790476)

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Consolidated and Separate Financial Statements for the year ended June 30, 2024

Report of the Audit Committee

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

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

The objectives of the Committee are:

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

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

On behalf of the Audit Committee

Massimo Marinelli
Chairman

Tuesday, August 20, 2024

Directors' responsibility statement

The Directors of First National Bank of Botswana Limited (the Company) and its subsidiaries (the Group) are responsible for the preparation of these consolidated and separate financial statements in accordance with IFRS Accounting Standards and in compliance with the Banking Act (Cap 46:04).

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

The consolidated and separate financial statements have been audited by an independent auditor, Ernst & Young, who was given unrestricted access to all financial records and related data, including minutes of the meetings of the Board of Directors and committees of the Board. The Directors believe that all representations made to the independent auditor during their audit are valid and appropriate. The independent auditor's report is presented on pages 114 to 118 of these Annual Financial Statements.

The Directors have reviewed the Group's budgets and flow of funds forecasts and have considered the Group's ability to continue as a going concern in light of current and anticipated economic conditions. On the basis of this review, and in light of the current financial position and profitable trading history, the Directors are satisfied that the Group 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.

Against this background, the Directors accept responsibility for the consolidated and separate financial statements presented on pages 110 to 235 of these Annual Financial Statements, which were approved on September 12, 2024 and were signed on their behalf by:

Approval of financial statements

Balisi Bonyongo
Chairman

Steven L. Bogatsu
Chief Executive Officer



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Director's report

The Directors have pleasure in submitting their report together with the consolidated and separate financial statements of First National Bank of Botswana Limited ("FNBB" or "the Company"), and its subsidiaries, together referred to as ("the Group") for the year ended June 30, 2024.

The consolidated and separate financial statements are prepared in accordance with IFRS Accounting Standards and in compliance with the Banking Act (Cap 46:04).

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

The going concern basis has been adopted in preparing the consolidated and separate financial statements. In line with the standard annual procedures, the Directors have carefully reviewed the qualitative and quantitative assumptions underpinning the going concern assessment. The Directors have no reason to believe that the Group and Company will not be a going concern in the foreseeable future based on forecasts and available cash resources.

Nature of business

The Group is a licensed financial institution which offers a wide range of banking and related services through its branches, divisions, automated teller machines, point of sale, and electronic banking (including online banking and the FNB App). The Group has one operating subsidiary which comprises of a property-owning company. The property owned by the subsidiary is used primarily for branch and office accommodation.

Trading results

The Group consolidated income after tax attributable to ordinary shareholders of P1.387 billion (2023: P1.116 billion) increased by 24% compared to the results for the year ended June 30, 2023. The Company income after tax of P1.383 billion (2023: P1.113 billion) increased by 24%, compared to the results for the year ended June 30, 2023.

Stated capital

The Company's stated capital consists of 2,543,700,000 (2023: 2,543,700,000) ordinary shares, of which First National Bank Holdings (Botswana) Limited holds 1,780,590,000 (2023: 1,780,590,000) representing 70.00% (2023: 70.00%), and the balance is traded on the Botswana Stock Exchange.

Directors' interests

The aggregate number of First National Bank of Botswana Limited shares held directly or indirectly by Directors of the Company amounts to 23,112 (2023: 23,012), which represents approximately 0.0009% (2023: 0.0009%) of the stated capital of the Company.

Dividends

The Directors have adopted a balanced approach to ensuring an efficient capital position with the need to retain sufficient capital for unexpected fluctuations in earnings volatility.

The Directors propose a final dividend of 27.00 thebe per share (2023: 20.00 thebe). An interim dividend of 16.00 thebe per share (2023: 12.00 thebe) for the year ended June 30, 2024 has been paid to holders of ordinary shares.

The post-dividend capital adequacy ratio at the end of June 2024 is well above the regulatory minimum of 12.5%.

Going concern

The Directors have reviewed the Group's funding position and available sources of funding and conclude that these are adequate to support the Group's funding requirements. The Directors are confident that the Group and Company's operations will continue to remain uninterrupted for the foreseeable future.

Based on this review, and in light of the current financial position and profitable trading history, the Directors are satisfied that the Group and Company have 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 consolidated and separate financial statements.

Events after the reporting period

In the current dynamic economic context; the Directors have considered various aspects of the business when assessing events after the reporting date as per the requirements of IAS 10 – Events after the reporting date: Key estimates and judgments used in the preparation of the financial statements have been assessed and are still considered appropriate.

The directors proposed a final dividend of 27.00 thebe (2023: 20.00 thebe) per share.

The Directors are not aware of any other matter or circumstances arising since the end of the reporting date that requires disclosure or adjustment to the financial statements.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Director's report (continued)

Directorate

The composition of the Board during the year up to the date of approval of the consolidated and separate financial statements was as follows:

Directors	Office	Nationality	Appointed	Resigned
Balisi Bonyongo	Chairperson	Motswana		
Steven L. Bogatsu	Chief Executive Officer	Motswana		
Massimo Marinelli	Independent Non-Executive Director	Italian		
John K. Macaskill	Independent Non-Executive Director	South African		
Doreen Ncube	Independent Non-Executive Director	Motswana		
Asad Petkar	Independent Non-Executive Director	Motswana		
Ephraim Letebele	Independent Non-Executive Director	Motswana		
Naseem B. Lahri	Independent Non-Executive Director	Motswana		
Louis F Jordaan	Independent Non-Executive Director	South African		
Keneilwe P Mere	Independent Non-Executive Director	Motswana	7/3/2024	
Pinkie Mothopeng-Makepe	Independent Non-Executive Director	Motswana	8/20/2024	
Lee-Anne Van Zyl	Non-Executive Director	South African	4/9/2024	
Jabulani R Khethe	Independent Non-Executive Director	South African		11/2/2023
Michael W Ward	Independent Non-Executive Director	British		11/2/2023
Luke D Woodford	Director Credit	South African		8/17/2023
Mbako Mbo	Chief Financial Officer	Motswana	8/17/2023	

Transfer Secretaries

Central Securities Depository Botswana

Business address

Plot 70667
4th Floor, Fair Precinct
Fairgrounds
Private Bag 00417
Gaborone

Postal address

Auditor

Ernst & Young

Postal address

PO Box 41015
Gaborone

Business address

2nd Floor, Plot 22
Khama Crescent
Gaborone



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Independent auditor's report

To the Shareholders of First National Bank of Botswana Limited Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of First National Bank of Botswana Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 119 to 235 which comprise the Group and Company's statements of financial position as at June 30, 2024, and the Group and Company's income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting information.

In our opinion, the Group and Company's financial statements give a true and fair view of the consolidated and separate financial position of the Group and Company as at June 30, 2024, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Banking Act (Cap 46:04).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing the audit of the Group and the Company and in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing the audit of the Group and Company and in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

The Key Audit Matter applies to both the audit of the consolidated and separate financial statements.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Independent auditor's report (continued)

Key audit matter	How the matter was addressed in the audit
<p>Expected credit losses on advances to customers</p> <p>Significant macroeconomic uncertainty persists in the environment in which the Group operates. Consequently, management has continued to exercise judgement to ensure that the final Expected Credit Loss (ECL) is aligned to the requirements of International Financial Reporting Standard 9 - Financial Instruments (IFRS 9) and industry developments. This judgement includes the setting of macroeconomic scenarios and associated probabilities, as well as the forecasting of macroeconomic variables under the set scenarios.</p> <p>Impairment of advances is a matter of most significance to our current year audit due to the following:</p> <ul style="list-style-type: none"> • Advances are material to the consolidated financial statements. • The level of subjective judgement applied in determining the ECL on advances. • Event-driven uncertainty and its impact on the assessment of ECL. <p>The Group's advances fall into three broad customer segments for which significant audit or attention was required:</p> <ul style="list-style-type: none"> • Retail • Commercial; and • Corporate <p>The credit impairment models, which outline the Group's macroeconomic forecasting principles are subject to formal governance and approval.</p> <p>Retail and commercial advances</p> <p>Retail and commercial advances are higher in volume and lower in value and, therefore, a significant portion of credit impairments are calculated on a portfolio basis. This requires the use of statistical models incorporating data and assumptions which are not always observable.</p> <p>The areas of significant judgment and estimation uncertainty relating to the retail and commercial advances customer segment include:</p> <p>Determination of input assumptions applied to estimate PD, EAD and LGD within the ECL measurement</p> <ul style="list-style-type: none"> • The input, assumptions and methodologies applied to estimate the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). 	<p>Our audit of expected credit loss (ECL) of advances to customers included the following procedures to address the key areas of significant judgement and estimation uncertainty in determining the ECL.</p> <p>We performed these procedures with the assistance of our economic and credit specialists:</p> <ul style="list-style-type: none"> • Across all significant portfolios, assessed the advances impairment policies and practice applied by inspecting the Group's policies and comparing them against the requirement of IFRS 9. • Assessed the Group's probability-weighted macroeconomic scenario estimates and evaluated the methodology, scenario view and associated probabilities against the principles of IFRS 9. • Assessed the forecasts for appropriateness against the Group's macroeconomic forecasting principles of IFRS 9 by reviewing the approval of these macroeconomic variables by the appropriate governance structures through discussions with management, inspecting documentation and comparing to our own and benchmarked economic forecasts and independent market data. <p>Retail and commercial advances</p> <p>We performed the following procedures on the ECL for all material retail and commercial advances portfolios with the assistance of our economics and credit experts:</p> <p>Determination of input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement:</p> <ul style="list-style-type: none"> • Obtained an understanding of the inputs, methodologies and assumptions used by management in the various ECL model components (PD, EAD, LGD) through inspection and inquiry, and assessed these against the requirements of IFRS 9; • Assessed the accurate implementation of the documented methodologies as well as the appropriateness of assumptions made by management in applying the macroeconomic inputs, EADs, PDs, LGDs and valuation of collateral in the current economic climate against recent actual experience and the modelled outcomes per our own independent model. • Assessed the appropriateness of the component inputs used by management by independently recalculating the ECL applying our own independent assessment and comparing our independent results to management's results. <p>Evaluation of SICR:</p> <ul style="list-style-type: none"> • Evaluated the appropriateness of the SICR triggers adopted by management and tested whether this was correctly and consistently applied in the models by performing an independent SICR efficacy assessment to confirm the appropriateness of the implemented PD thresholds and that the required SICR adjustment has been recognised.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Independent auditor's report (continued)

Key audit matter	How the matter was addressed in the audit
<p>Expected credit losses on advances to customers (continued)</p> <p>Evaluation of SICR:</p> <ul style="list-style-type: none"> The evaluation of whether there has been a Significant Increase in Credit Risk (SICR) event since origination date of the exposure to the reporting date (i.e. a trigger event that caused a significant deterioration in credit risk results in migration of the loan from Stage 1 to Stage 2). <p>Incorporation of macro-economic inputs and FL into the EC measurement:</p> <ul style="list-style-type: none"> The incorporation of unbiased probability weighted forward-looking information (FLI) and consideration of the appropriate macroeconomic inputs into the ECL calculation. <p>Assessment of post model adjustment</p> <ul style="list-style-type: none"> Assessing the appropriateness and impact of the macroeconomic uncertainty assumptions on the forward-looking economic information not incorporated into the respective models but rather in post model adjustment. Assessing the completeness of the post model adjustments. <p>Corporate advances</p> <p>Corporate advances are dealt with on a case-to-case basis unlike retail and commercial advances. This also requires the use of statistical models incorporating data and assumptions which are not always observable.</p> <p>The area of significant judgement and estimation uncertainty relating to the corporate advances customer segment include:</p> <p>Determination of input assumptions applied to estimate PD, EAD and LGD within the ECL measurement:</p> <ul style="list-style-type: none"> The input, assumptions and methodologies applied to estimate the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) <p>Evaluation of SICR:</p> <p>The evaluation of whether there has been a Significant Increase in Credit Risk (SICR) event since origination date of the exposure to the reporting date (i.e. a trigger event that caused a significant deterioration in credit risk results in migration of the loan from Stage 1 to Stage 2).</p>	<p>Incorporation of macro-economic inputs and FLI into the ECL measurement:</p> <ul style="list-style-type: none"> Assessed the application of forward-looking information (FLI) in the ECL calculation by building our own independent model which incorporated the probability-weighted FLI information and included a selection of relevant independently sourced macro-economic variables such as Gross Domestic Product (GDP), Consumer Price Index (CPI), and the central bank rates; and assessed whether these variables were appropriate indicators of future losses by benchmarking these against external evidence and stress testing the assumptions used. Performed an independent FLI assessment at an industry level to evaluate whether the recent experience and economic outlook per industry were appropriately incorporated. Assessed the Group's probability-weighted macroeconomic scenario reports and compared the outlined methodology, scenario views and associated probabilities against the principles of IFRS 9. <p>Assessment of post model adjustments:</p> <ul style="list-style-type: none"> Performed industry analysis and assessed individual counterparties using publicly available information to evaluate the appropriateness of the macroeconomic assumptions applied in the post-model adjustments recognised. Assessed the inherent limitations of the ECL models within the banking portfolios, including the limitation of past performance, emerging industry risks which are not yet present in the current data, macroeconomic forecast challenges and sectoral stresses, by benchmarking against our own economic forecasts and building our own independent model which incorporates our own point estimates and inputs. Assessed the completeness of the post model adjustments against our own research and publicly available information including country, sector and portfolio specific risk factors. <p>Corporate advances</p> <p>We performed the following procedures on the ECL for all material corporate advances portfolio with the assistance of our economic, credit and actuarial experts:</p> <p>Determination of input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement:</p> <ul style="list-style-type: none"> Obtained an understanding of the inputs, methodologies and assumptions used by management in the various ECL model components (PD, EAD, LGD) through inspection and inquiry and assessed these against the requirements of IFRS 9. Assessed the accurate implementation of the documented methodologies as well as the appropriateness of assumptions made by management in applying the macroeconomic inputs, credit risk grades, EADs, PDs, LGDs and valuation of collateral in the current economic climate against recent actual experience and the modelled outcomes per our own independent model. Assessed the appropriateness of the component inputs used by management by independently recalculating the ECL applying our own independent assessment and comparing our independent results to management's results.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Independent auditor's report (continued)

Key audit matter	How the matter was addressed in the audit
<p>Expected credit losses on advances to customers (continued)</p> <p>Incorporation of macro-economic Inputs and FL into the EC measurement:</p> <ul style="list-style-type: none"> Assessing the appropriateness and impact of probability-weighted macroeconomic uncertainty on the forward-looking economic information incorporated into the respective models. <p>Assessment of ECL raised for stage 3 exposures:</p> <ul style="list-style-type: none"> Assumptions used to estimate the realisable values and timing of future cashflows of individual exposures, which have been classified as non-performing. <p>The related disclosures associated with the key audit matter are set out in the consolidated and separate financial statements in the following notes:</p> <ul style="list-style-type: none"> Note 1.4 – Accounting policy for financial instruments Note 1.8 – Significant judgements and sources of estimation uncertainty Note 13 – Advances to customers Note 14 – Impairment of advances Note 39 – Financial risk management 	<p>Evaluation of SICR:</p> <ul style="list-style-type: none"> Selected a sample of performing advances and assessed if the application of the SICR trigger was reasonable by forming an independent view based on publicly available information and management's periodic credit reviews. <p>Incorporation of macro-economic inputs and FLI into the ECL measurement:</p> <ul style="list-style-type: none"> Assessed the application of forward-looking information (FLI) in the ECL calculation by building our own independent model which incorporated the probability-weighted FLI information and included a selection of relevant independently sourced macro-economic variables such as Gross Domestic Product (GDP), Consumer Price Index (CPI), and the central bank rates; and assessed whether these variables were appropriate indicators of future losses by benchmarking these against external evidence and stress testing the assumptions used. Performed an independent FLI assessment at an industry level to evaluate whether the recent experience and economic outlook per industry were appropriately incorporated. Assessed the Group's probability-weighted macroeconomic scenario reports and compared the outlined methodology, scenario views and associated probabilities against the principles of IFRS 9. <p>Assessment of ECL raised for Stage 3 exposures:</p> <p>Assessed the Stage 3 LGD, EAD and PD assumptions used by management by inspecting the methodology used for providing for non-performing loans and comparing these against the requirements of IFRS 9.</p>

Other Matter

The consolidated and separate financial statements of the Group and Company for the year ended June 30, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on September 08, 2023.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 245-page document titled "FNB Botswana Integrated Report 2024" which includes the Report of the Audit Committee, Directors' Responsibility statement, Directors' Report and Note 26 on page 196 of the consolidated and separate financial statements obtained prior to the date of this report and the Integrated Report which is expected to be made available to us after that date.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Independent auditor's report (continued)

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Banking Act (Cap 46:04) and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable actions taken to eliminate threats or safeguards applied.

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

Ernst & Young

Practicing member: Francois Roos (Partner)

Certified Auditor

Membership number: CAP 0013 2024

Gaborone

13 September 2024



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies

1. Introduction

First National Bank of Botswana Limited is a public company incorporated and domiciled in Botswana. The Group and Company's registered office is at PricewaterhouseCoopers Proprietary Limited, Plot 64289 Tlokweng Road, Gaborone Botswana and the principal place of business is First Place, Plot No 54362, Central Business District, Gaborone, Botswana.

The Group's consolidated and separate financial statements have been prepared in accordance with IFRS[®] Accounting Standards, including IFRIC interpretations issued by the International Accounting Standards Board (IASB), and the Banking Act (Cap 46:04).

These financial statements comprise the consolidated and separate statements of financial position as at June 30, 2024, the consolidated and separate income statements, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, as well as the notes, which comprise a summary of material accounting policies and other explanatory notes.

1.1 Basis of preparation

The consolidated and separate financial statements have been prepared on the historical cost basis except where otherwise stated.

The Group prepares consolidated financial statements which include the assets, liabilities and results of the operations of First National Bank of Botswana Limited and its subsidiaries. To compile the consolidated financial statements the following information is used:

- Information about the financial position and results of operations as at 30 June each year for all significant subsidiaries in the Group.

Accounting policies of subsidiaries have been changed at acquisition, where necessary, to ensure consistency with the accounting policies adopted by the Group.

The segmental analysis included in the segment report is based on the information reported to the Chief Operating Decision Maker (CODM) for the respective segments under the current operating business management structures. The information is prepared in terms of IFRS Accounting Standards and certain adjustments are made to the segment results in order to eliminate the effect of segment specific items that impact certain key ratios reviewed by the CODM when assessing the operating segments' performance.

Use of judgments and estimates

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are outlined in section 1.8.

Presentation of financial statements, functional and foreign currency

Items included in the financial statements of the Group and Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The functional and presentation currency is the Botswana Pula (P) and all amounts are presented in thousands of Pula. The Group has a policy of rounding in increments of P500. Amounts less than P500 will therefore round down to P nil and are presented as a dash. Foreign currency transactions of the Group are translated into the functional currency using the exchange rates prevailing at the date of the transaction.

IFRS Accounting Standards are applied where items are considered material. Management applies judgment and considers both qualitative and quantitative factors in determining materiality applied in preparing these financial statements.

Balances are translated at the relevant exchange rates, depending on whether they are monetary items in which case the closing spot rate is applied. Non-monetary items that are measured at historical cost in a foreign currency are translated to Botswana Pula using the spot exchange rates as at the date of recognition.

Foreign exchange gains or losses are recognised in profit or loss.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.1 Basis of preparation (continued)

The Group presents its statement of financial position in order of liquidity. Where permitted or required under IFRS Accounting Standards, the Group offsets assets and liabilities or income and expenses and presents the net amount in the statement of financial position or in the statement of comprehensive income and in the statement of profit and loss.

Application of the going concern principle

The Directors reviewed the Group and Company's budgets and flow of funds forecasts for the next three years and considered the Group and Company's ability to continue as a going concern. These budgets and flow of funds forecasts considered projections of the Group's capital, funding and liquidity requirements, all of which are projected to remain within internal targets and above regulatory requirements.

As part of this assessment, the Directors considered the sufficiency of the Group's financial resources. The management of the Group's financial resources, which it defines as capital, funding and liquidity, and risk capacity, is a critical enabler of the achievement of the Group's stated growth and return targets and is driven by the Group's overall risk appetite. Forecast growth in earnings and balance sheet risk weighted assets (RWA) is based on the Group's macro-economic outlook and its strategy and is evaluated against available financial resources, considering the requirements of capital providers and regulators. The expected outcomes and constraints are then stress tested, and the Group sets targets through different business cycles and scenarios.

On the basis of this review, and in light of the current financial position and profitable trading history, the Directors are satisfied that the Group 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.

The Group has adopted the following material accounting policies in preparing its financial statements and these policies have been consistently applied to all years presented.

SUMMARY OF MATERIAL ACCOUNTING POLICIES				
1.2	Subsidiaries	Basis of Consolidation (Section 1.2.1)	Related party transactions (Section 1.2.2)	
1.3	Income, expenses and taxation	Income and expenses (Section 1.3.1)	Income tax expenses (Section 1.3.2)	
1.4	Financial instruments	Classification and Measurement (Section 1.4.1)	Impairment of financial assets and off-balance sheet exposure subject to impairment (Section 1.4.2)	Transfers, modifications and derecognition (Section 1.4.3)
		Off-setting of financial instruments and collateral (Section 1.4.4)		
1.5	Other assets and liabilities	Intangible assets (Section 1.5.1)	Provisions (Section 1.5.2) Other assets (Section 1.5.3)	Leases (Section 1.5.4)
		Property and equipment (Owned and Right of Use) (Section 1.5.5)		
1.6	Stated capital and equity	Shares issued and issue costs (Section 1.6.1)	Dividends paid/declared distributions (Section 1.6.2)	
1.7	Transactions with employees	Employee Benefits (Section 1.7.1)		



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.1 Basis of preparation (continued)

New standards adopted in the current year

Refer to note 41 for new standards adopted during the year.

1.2 Subsidiaries

1.2.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all subsidiaries as disclosed in note 18. Subsidiaries are entities which are controlled by the Group. Typical shareholding in the assessment of entities is based on a shareholding of 50% and above. The Group measures investments in these entities in its separate financial statements at cost less impairment.

Consolidated financial statements

Initial recognition in the consolidated financial statements

Subsidiaries acquired are accounted for by applying the acquisition method of accounting to business combinations. The excess/(shortage) of the sum of the consideration transferred, the value of non-controlling interest, the fair value of any existing interest, and the fair value of identifiable net assets, is recognised as goodwill or a gain on bargain purchase. Transaction costs are included in operating expenses within profit or loss when incurred.

Intercompany transactions and balances with consolidated entities

Intercompany transactions are all eliminated on consolidation, including unrealised gains. Unrealised losses on transactions between Group entities are also eliminated unless the transaction provides evidence of impairment of the transferred asset, in which case the transferred asset will be tested for impairment in accordance with the Group's impairment policies.

Impairment

In the consolidated financial statements either the cash generating unit (CGU) is tested i.e. a grouping of assets no higher than an operating segment of the Group; or if the entity is not part of a CGU, the individual assets of the subsidiary and goodwill are tested for impairment in terms of IAS 36.

Goodwill

Goodwill on the acquisition of businesses and subsidiaries represents excess consideration transferred and is recognised as an intangible asset at cost less accumulated impairment losses.

If this amount is negative, as in the case of a bargain purchase, the difference is immediately recognised in other non-interest income.

Goodwill is tested annually for impairment by the Group in March or earlier if there are objective indicators of impairment. For subsidiaries acquired between March and June a goodwill impairment test is performed in June in the year of acquisition and thereafter annually in March. For testing purposes, goodwill is allocated to a suitable CGU.

Impairment losses in respect of goodwill are not subsequently reversed.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.2 Subsidiaries (continued)

1.2.2 Related party transactions

Related parties of the Group, as defined, include:

- subsidiaries of the Group and entities that have significant influence over the Group, including subsidiaries of these entities; and
- Key Management Personnel (KMP), entities controlled, jointly controlled or significantly influenced by KMP or their close family members.

The principal shareholder of the First National Bank of Botswana Limited Group is First National Bank Holdings (Botswana) Limited, incorporated in Botswana. The ultimate parent of the Company is FirstRand Limited, incorporated in South Africa.

Key Management Personnel of the Group are the First National Bank of Botswana Board of Directors and prescribed officers, including those of any entities which provide key management personnel services to the Group.

1.3 Income, expenses and taxation

1.3.1 Income and expenses

Interest income includes:

- interest on financial instruments measured at amortised cost; and
- interest on debt instruments measured at fair value through profit and loss.

Interest income is calculated using the effective interest rate, which includes origination fees. The original effective interest rate is applied to:

- the gross carrying amount of financial assets; and
- the amortised cost of financial assets which represents the net carrying amount, from the month after the assets become credit-impaired (refer to policy 1.4 on the impairment of financial assets).

Modified advances (derecognition not achieved) – the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. The interest income on the modified financial asset (refer to policy 1.4) is calculated by applying the original effective interest rate to the asset's modified gross carrying amount.

Modified advances (derecognition is achieved) – the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. New fees or costs charged on the new advance which are integral to the new asset recognised are capitalised to the new loan.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.3 Income, expenses and taxation (continued)

1.3.1 Income and expenses (continued)

Interest expense includes:

- interest on debt instruments measured at fair value through profit or loss;
- interest on debt instruments measured at amortised cost; and
- the difference between the purchase and resale price in repurchase agreements where the related deposit is measured at amortised cost.

Interest expense on deposits is accrued daily based on individual customer rates.

The total interest expense excludes the amount incurred in respect of liabilities used to fund the Group's fair value activities. This amount is reported in fair value income within non-interest revenue.

Non-interest revenue recognised in profit or loss

Non-interest revenue from contracts with customers

The Group assesses contracts and determines whether the fees identified in the contract relate to revenue as defined in IFRS 15. The revenue is recognised only if the Group can identify the contract; the performance obligation (i.e. the different services) and can determine the transaction price which is allocated to the identifiable performance obligations. Unless specifically stated otherwise, the Group is the principal in its revenue arrangements as the Group controls the goods and services before transferring them to the customer.

Fee and commission income

Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers and recognised in interest income.

Fee and commission income is earned by the Group by providing customers with a range of services and products, consists of the following main categories:

- banking fee and commission income;
- knowledge-based fee and commission income;
- management, trust and fiduciary fees;
- fee and commission income from service providers; and
- other non-banking fees and commission income.

The major portion of fee and commission income is earned on the execution of a single performance obligation and as such, significant judgement is not required when allocating the transaction price to the performance obligation. Fee and commission income which typically includes transactional banking fees, such as bank charges, interchange fees, point-of-sale fees, exchange commissions, cash deposit fees and knowledge-based fee and commission income, are recognised at a point in time when the performance obligation is fulfilled.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.3 Income, expenses and taxation (continued)

1.3.1 Income and expenses (continued)

Non-interest revenue recognised in profit or loss (continued)

Fee and commission income (continued)

Where the distinct performance obligation is satisfied over a period of time, the fees are recognised as follows:

- fees for services rendered are recognised on an accrual basis as the service is rendered and the Group's performance obligation is satisfied, e.g. annual card fees and asset management and related fees; and
- commission income on bills and promissory notes endorsed is credited to profit or loss over the life of the relevant instrument on a time apportionment basis.

Commitment fees for unutilised funds made available to customers in the past, are recognised as revenue over the period the facility remains unutilised. Commitment fees paid upfront for a future facility, where it is not probable that a specific lending arrangement will be entered into by the Group, are recognised as revenue on a straight-line basis over the period for which the funds are committed.

Other non-banking fee and commission income relates to fees and commissions earned for rendering services to customers other than those related to the banking, insurance and asset management operations from the sale of prepaid airtime, electricity and data vouchers paid through the Group's channels. This includes fee and commission income earned from providing services on behalf of third-party service providers, in effect acting as an agent. The revenue is recognised at a point in time and includes commission earned at the point when a sale has been executed.

Fee and commission expenses

Fee and commission expenses are expenses that are incremental and directly attributable to the generation of fee and commission income and are recognised as part of fee and commission expense. These include transaction and service fees, which are expensed as the services are received.

Fair value gains or losses

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

- fair value adjustments and interest on financial instruments at fair value through profit or loss including derivative instruments that do not qualify for hedge accounting;
- a component of interest expense that relates to interest paid on liabilities which fund the Group's fair value operations; and
- fair value adjustments on financial instruments designated at fair value through profit or loss in order to eliminate an accounting mismatch, except for such instruments relating to the Group's funding operations for which the interest component is recognised in interest income.

Expenses

Expenses of the Group, apart from certain fee and commission expenses included in net fee and commission income, are recognised and measured in terms of the accrual principle and presented as operating expenses in profit or loss.

Indirect tax expense

Indirect tax includes other taxes paid to central and local governments including non-claimable value added tax. Indirect tax is disclosed separately from income tax and operating expenses in the income statement.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.3 Income, expenses and taxation (continued)

Financial statements view:

1.3.2 Income tax expenses (Direct taxation)

Current income tax

The current income tax expense is calculated by adjusting the profit before direct taxation for items that are non-taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax

Recognition

Deferred tax is recognised on temporary differences arising between the tax base of assets and liabilities and their carrying amount in the financial statements except for:

- Where a deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

An entity shall recognise deferred tax relating to assets and liabilities arising from a single transaction.

The liability method under IAS 12 is used, which means applying tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

For temporary differences arising from the fair value adjustments on investment properties, deferred income tax is provided at the rate that would apply on the sale of the property i.e. the capital gains tax rate.

Deferred income tax is recognised in profit or loss unless it relates to items recognised directly in equity or other comprehensive income.

Deferred tax assets

The Group recognises deferred income tax assets only if it is probable that future taxable income will be available against which the unused tax losses can be utilised, based on management's review of the Group's budget and forecast information.

The Group reviews the carrying amount of deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

The Group only off-sets its deferred tax assets against liabilities when there is both a legal right to offset its current tax assets and liabilities and it is the Group's intention to settle on a net basis.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.4 Financial instruments

1.4.1 Classification and measurement

Initial measurement

All financial instruments are initially measured at fair value including transaction costs, except for those classified as fair value through profit or loss in which case the transaction costs are expensed upfront in profit or loss, usually as part of operating expenses. Any upfront income earned on financial instruments is recognised as is detailed under policy 1.3, depending on the underlying nature of the income.

Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for newly originated financial assets measured at amortised cost.

Classification and subsequent measurement of financial assets

Management determines the classification of its financial assets at initial recognition, based on:

- the Group's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

Business model

The Group distinguishes three main business models for managing financial assets:

- holding financial assets to collect contractual cash flows;
- managing financial assets and liabilities on a fair value basis or selling financial assets; and
- a mixed business model of collecting contractual cash flows and selling financial assets.

The business model assessment is not performed on an instrument-by-instrument basis, but at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The main consideration in determining the different business models is whether the objectives of the business model are met primarily through holding the financial assets to collect contractual cash flows, through the sale of these financial assets, by managing assets and liabilities on a fair value basis, or through a combination of these activities.

In considering whether the business objective of holding a group of financial assets is achieved primarily through collecting contractual cash flows, among other considerations, management monitors the frequency and significance of sales of financial assets out of these portfolios for purposes other than managing credit risk. For the purposes of performing the business model assessment, the Group only considers a transaction a sale if the asset is derecognised for accounting purposes. For example, a repurchase transaction where a financial asset is sold with the commitment to buy back the asset at a fixed price at a future date is not considered a sale transaction as substantially all the risks and rewards relating to the ownership of the asset have not been transferred and the asset is not derecognised from an accounting perspective.

If sales of financial assets are infrequent, the significance of these sales is determined by comparing the carrying amounts of assets sold during the period and cumulatively to the total carrying amount of assets held in the business model. If sales are either infrequent or insignificant, these will not impact the conclusion that the business model is to collect contractual cash flows. In addition, where the issuer initiates a repurchase of the financial assets which was not anticipated in the terms of the financial asset, the repurchase is not seen as a sale for the purposes of assessing the business model of that group of financial assets.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.4 Financial instruments (continued)

1.4.1 Classification and measurement (continued)

Classification and subsequent measurement of financial assets (continued)

Business model (continued)

Determining whether sales are to be considered as not significant or frequent requires management to use their judgement. The significance and frequency of sales is assessed on a case-by-case basis at the business model level. The frequency is assessed on an annual basis and sales of assets that take place once or less per annum is considered to be infrequent. If sales take place more than once per annum it does not mean that the business models are not to collect contractual cash flows but rather the reasons for the sales need to be more carefully considered. Management will consider both the volume and value of sales relative to the total assets in the business model to determine whether it is significant.

A change in business model only occurs on the rare occasion when the Group genuinely changes the way in which it manages financial assets. Any changes in business model would result in a reclassification of the relevant financial assets from the beginning of the next reporting period.

Cashflow characteristics

In order for a debt instrument to be measured at amortised cost or fair value through other comprehensive income (FVOCI), the cash flows on the asset have to be SPPI (solely payments of principal and interest), consistent with those of a basic lending agreement.

The SPPI test is applied on a portfolio basis for Retail advances, as the cash flow characteristics of these assets are standardised.

For Corporate and Commercial advances, the SPPI test is applied to individual advances at initial recognition, based on the cash flow characteristics of the asset.

Amortised cost

Financial assets are measured at amortised cost using the effective interest rate method, when they are held to collect contractual cash flows which are solely payments of principal and interest, and sales of such assets are not significant or frequent. These include the majority of the Retail, Corporate and Commercial advances of the Group as well as certain investment securities utilised for liquidity risk management of the Group. For purchased or originated credit-impaired financial assets, the Group applies the credit-adjusted effective interest rate. This interest rate is determined based on the amortised cost and not the gross carrying amount of the financial asset and incorporates the impact of expected credit losses in the estimated future cash flows of the financial asset.

Cash and cash equivalents is comprised of coins and bank notes, money at call and short notice and balances with central banks. All balances included in cash and cash equivalents have a maturity date of less than three months from the date of placement. Money at call and short notice constitutes amounts withdrawable in 30 days or less. Cash and cash equivalents are measured at amortised cost.

The FNB Retail business holds retail advances to collect contractual cash flows. The business model focuses on growing advances within acceptable credit appetite limits and maintaining robust collection practices. The products included under this business model include:

- residential mortgages;
- vehicle and asset finance; and
- personal loans, credit cards and other retail products such as overdrafts.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.4 Financial instruments (continued)

1.4.1 Classification and measurement (continued)

Classification and subsequent measurement of financial assets (continued)

Amortised cost (continued)

The business models of Commercial and Corporate Segments are also focused on collecting contractual cash flows on advances and growing these advances within acceptable credit appetite limits. The products included under these business models include:

- trade and working capital finance;
- specialised finance;
- commercial property finance; and
- vehicle and asset-backed finance.

These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return.

The cashflows on these Retail, Commercial and Corporate advances are solely payments of principal and interest. Interest charged to customers compensates the Group for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.

Advances also include marketable advances representing corporate bonds and certain debt investment securities qualifying as high-quality liquid assets.

The Group holds investment securities with lower credit risk (typically government bonds and treasury bills). These investment securities are held in a business model with the objective of collecting contractual cash flows.

The cash flows on these investment securities are solely payments of principal and interest.

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. These assets are held to collect contractual cash flows. The cash flows on these assets are solely payments of principal and interest.

Other financial assets are short-term financial assets that are held to collect contractual cash flows. The cash flows on these assets are solely payments of principal and interest.

Mandatory at fair value through profit or loss

Financial assets of the Group are mandatorily measured at fair value through profit or loss when they are held for trading, managed on a fair value basis, held to sell/distribute, or are held to collect contractual cash flows which are not solely payments of principal and interest.

The Group holds portfolios of investment securities (including corporate and government bonds) to hedge risks or for short-term profit realisation. These securities are managed on a fair value basis.

Derivatives are either held for trading or to hedge risk. These instruments are measured at FVTPL.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.4 Financial instruments (continued)

1.4.1 Classification and measurement (continued)

Classification and subsequent measurement of financial liabilities and compound instruments

The Group classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement.

Financial liabilities measured at amortised cost

The following liabilities are measured at amortised cost using the effective interest rate method, unless they have been designated as measured at fair value through profit or loss:

- deposits;
- payables;
- tier 2 liabilities; and
- other funding liabilities.

Financial liabilities measured mandatory at fair value through profit or loss

The following held for trading liabilities are measured at fair value through profit or loss:

- derivative liabilities; and
- short trading positions.

These liabilities are measured at fair value at reporting date as determined under IFRS 13: Fair Value Measurement, with fair value gains or losses recognised in profit or loss.

Financial liabilities designated at fair value through profit or loss

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a Group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL.

The liabilities that Group is designating at fair value through profit or loss are the following:

- other funding liabilities

These financial liabilities are measured at fair value at reporting date as determined under IFRS 13, with any gains/losses arising on re-measurement recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'net income from other financial instruments at FVTPL' line item in profit or loss.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.4 Financial instruments (continued)

1.4.2 Impairment of financial assets and off-balance sheet exposures subject to impairment

This policy applies to:

- financial assets, measured at amortised cost including other financial assets and cash;
- loan commitments;
- financial guarantees; and
- finance lease debtors where the Group is the lessor.

IFRS 9 establishes a three-stage approach for the impairment of financial assets:

Expected credit losses			
Loss Allowance on financial assets			
Credit risk has not increased significantly since initial recognition (Stage 1)	Credit risk has increased significantly since initial recognition, but asset is not credit-impaired (Stage 2)	Asset has become credit-impaired since initial recognition (Stage 3)	Purchased or originated credit impaired
12-month expected credit losses	Lifetime expected credit losses (LECL)	Lifetime expected credit losses (LECL)	Movement in LECL since initial recognition

Advances

Significant increase in credit risk since initial recognition (SICR)

To determine whether an advance has experienced a significant increase in credit risk (SICR), the probability of default (PD) of the asset calculated at the origination date is compared to that calculated at the reporting date. The origination date is defined to be the most recent date at which the Group re-prices an advance/facility. Where a change in terms is significant and is deemed to be a substantial modification, it results in derecognition of the original advance/facility and recognition of a new advance/facility. SICR test thresholds are reassessed and, if necessary, updated, on at least an annual basis.

Any facility that is more than 30 days past due, or in the case of instalment-based products one instalment past due, is automatically considered to have experienced a significant increase in credit risk.

In addition to the quantitative assessment based on PDs, qualitative considerations are applied when determining whether individual exposures have experienced a SICR. One such qualitative consideration is the appearance of Corporate and Commercial facilities on a credit watchlist.

Any up-to-date facility that has undergone a distressed restructure (i.e. modification of contractual cash flows to prevent a client from going into arrears) will be considered to have experienced a significant increase in credit risk and will be disclosed within stage 2 at a minimum.

The credit risk on an exposure is no longer considered to be significantly higher than at origination if no qualitative indicators of a significant increase in credit risk are triggered, and if comparison of the reporting date PD to the origination date PD no longer indicates that a significant increase in credit risk has occurred. No minimum period for transition from stage 2 back to stage 1 is applied, with the exception of distressed restructured exposures that are required to remain in stage 2 for a minimum period of 6 months before re-entering stage 1.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.4 Financial instruments (continued)

1.4.2 Impairment of financial assets and off-balance sheet exposures subject to impairment (continued)

Advances (continued)

Low credit risk

The Group does not use the low credit risk assumption.

Credit-impaired financial assets

Advances are considered credit impaired if they meet the definition of default.

The Group's definition of default applied for calculating provisions under IFRS 9 is aligned to the definition applied for regulatory capital calculations across all portfolios, as well as those applied in operational management of credit and for internal risk management purposes.

Exposures are considered to be in default when they are more than 90 days past due or, in the case of amortising products, have three or more unpaid instalments.

In addition, an exposure is considered to have defaulted when there are qualitative indicators that the borrower is unlikely to pay their credit obligations in full without any recourse by the Group to actions such as the realisation of security. Indicators of the unlikelihood to pay include examples such as the application for bankruptcy or obligor insolvency.

Any distressed restructures of accounts that have experienced a SICR since initial recognition are defined as default events.

Retail accounts are considered to no longer be in default if they meet the stringent cure definition which has been determined at a portfolio level based on an analysis of pre-defined rates. The curing period from stage 3 to 1 for retail is 12 months. Curing from default within Corporate and Commercial for stage 3 to 2 is 6 months and from stage 2 to 1 is 6 months.

Write-offs

Write-off must occur when it is not economical to pursue further recoveries i.e. there is no reasonable expectation of recovering the carrying amount of the asset (gross amount less specific impairments raised):

- By implication for secured as well as unsecured exposures, write-offs cannot occur if there is evidence of recent payment behaviour. Each credit portfolio has an articulated write-off policy that aligns with the principles of IFRS 9 while taking the business context of that portfolio into account.
- Within the Retail portfolios, write-off definitions have been determined with reference to analysis of the materiality of post write-off recoveries. The result of this is that retail secured loans are written off on either the sale or the material impairment of collateral and retail unsecured loans are written off when observation of post-default payment behaviour indicates that further material recoveries are unlikely. Write-off points within retail unsecured portfolios are defined on a per-portfolio basis with reference to cumulative delinquency and/or payment recency, with write-offs typically occurring when the equivalent of 9 cumulative payments have been missed.
- Within Commercial and Corporate exposures, a judgemental approach to write off is followed based on a case-by-case assessment by a credit committee.

Partial write-offs are not performed within credit portfolios.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.4 Financial instruments (continued)

1.4.2 Impairment of financial assets and off-balance sheet exposures subject to impairment (continued)

Advances (continued)

Collection and enforcement activities post write-off

The Group continues to enforce its legal right to collect on outstanding debt following the write off process. Post write off collection strategies include outsourcing of the account to external debt collectors and in-house collection agents.

Other financial assets

Cash and cash equivalents

Cash and cash equivalents other than physical cash is classified as stage 1 unless specific evidence of impairment exists, in which case, due to the nature of these assets, are classified immediately as stage 3. ECL for physical cash is zero. ECL for cash equivalents is calculated using the loss rate approach.

Other assets

ECL for other assets and where applicable, contract assets, are calculated using the simplified approach. This results in a lifetime ECL being recognised.

Investment securities

Impairment parameters for investment securities (PDs, LGDs and EADs) are determined using appropriate models, with the models to be applied determined with reference to the issuer of the security and the nature of the debt instrument.

The tests for a significant increase in credit risk and default definitions are then applied and the ECL calculated in the same method as for advances. The SICR thresholds applied for investment securities are the same as those applied within the Corporate and Commercial credit portfolio to ensure consistency in the way that a SICR is identified for a particular counterparty and for similar exposures.

The Group does not use the low credit risk assumption for investment securities, including government bonds.

1.4.3 Transfers, modifications and derecognition

Financial instruments are derecognised when:

- the contractual rights and obligations expire or are extinguished, discharged or cancelled, for example an outright sale or settlement;
- they are transferred and the derecognition criteria of IFRS 9 are met; or
- the contractual terms of the instrument are substantially modified and the derecognition criteria of IFRS 9 are met.

Financial assets are derecognised when the Group has either transferred the contractual right to receive cash flows from the asset or it has assumed an obligation to pay over all the cash flows from the asset to another entity (i.e. a pass-through arrangement under IFRS 9).



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.4 Financial instruments (continued)

1.4.3 Transfers, modifications and derecognition (continued)

If the contractual cash flows of a financial asset measured at amortised cost are modified (changed or restructured, including distressed restructures), the Group determines whether this is a substantial modification, following which, results in the derecognition of the existing asset, and the recognition of a new asset, or whether the change is simply a non-substantial modification of the existing terms which does not result in derecognition.

A modification of a financial asset is substantial, and will thus result in derecognition of the original financial asset, where the modified contractual terms are priced to reflect current conditions on the date of modification. Where the modification does not result in an accounting derecognition the original asset continues to be recognised.

Derecognition of financial liabilities includes when there is a substantial modification to the terms and conditions of an existing financial liability. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

The following transactions are entered into by the Group in the normal course of business in terms of which it transfers financial assets directly to third parties or structured entities, or modifies the contractual terms of the asset and either achieves derecognition or continues to recognise the asset:

Repurchase agreements

Investment securities and advances are sold to an external counterparty in exchange for cash and the Group agrees to repurchase the assets at a specified price at a specified future date.

The counterparty's only recourse is to the transferred investment securities and advances that are subject to the repurchase agreement. The Group remains exposed to all the underlying risks on the assets including counterparty, interest rate, currency, prepayment and other price risks. The transferred assets continue to be recognised by the Group in full. Such advances and investment securities are disclosed separately in the relevant notes. The Group recognises an associated liability for the obligation for the cash received as a separate category of deposits.

Modification without derecognition

The existing asset is not derecognised – the gross carrying amount of the financial asset is recalculated as the present value of the estimated future cash receipts through the expected life of the renegotiated or modified financial asset, discounted at the financial asset's original effective interest rate.

1.4.4 Offsetting of financial instruments and collateral

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

Details of the offsetting and collateral arrangements of the Group are set out below:

Derivative financial instruments

The Group's derivative transactions that are not transacted on an exchange are entered into under International Swaps and Derivatives Association (ISDA) MNA. Generally, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. In certain circumstances, e.g. when a credit event such as default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions (close-out netting).

Financial collateral (mostly cash) is also obtained, often daily, for the net exposure between counterparties to mitigate credit risk.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.4 Financial instruments (continued)

1.4.4 Offsetting of financial instruments and collateral (continued)

Repurchase and reverse repurchase agreements, and securities lending and borrowing transactions

These transactions by the Group are covered by master agreements with netting terms similar to those of the ISDA MNA. Where the Group has entered into a repurchase and reverse repurchase or securities borrowing and lending transaction, with the same counterparty, the advance and liability balances are set-off in the statement of financial position only if they are due on a single day, denominated in the same currency and the Group has the intention to settle these amounts on a net basis. The Group receives and accepts collateral for these transaction in the form of cash and other investments and securities.

Other advances and deposits

The advances and deposits that are offset relate to transactions where the Group has a legally enforceable right to offset the amounts and the Group has the intention to settle the net amount.

It is the Group's policy that all items of collateral are valued at the inception of a transaction and at various points throughout the life of a transaction, through physical inspection. For Corporate and Commercial portfolios, the value of collateral is reviewed as part of the annual facility review. However, in the event of default, more detailed reviews and valuations of collateral are performed, which yields a more accurate financial effect. For vehicle asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries.

1.5 Other assets and liabilities

Classification and measurement

1.5.1 Intangible assets

Goodwill arising from business combinations is recognised as an intangible asset. For measurement of goodwill refer to policy 1.2. All other costs related to intangible assets are expensed in the financial period incurred.

1.5.2 Provisions

The Group will only recognise a provision measured in terms of IAS 37 when there is uncertainty around the amount or timing of repayment. The most significant provisions related to litigation and claims, as well as provisions for intellectual property fees that arise because of the use of dealer platforms, databases, systems, brands and trademarks when marketing and promoting motor warranty products as part of the motor value added products and services business. The Group recognises a provision when a reliable estimate of the outflow required can be made and the likelihood of outflow is considered probable.

1.5.3 Other non-financial assets

Other non-financial assets and intangible assets other than goodwill acquired as part of a business combination (refer to accounting policy 1.2) are reviewed for impairment whenever objective evidence of impairment exists. Impairment losses are recognised in profit or loss as part of operating expenses. The assets are impaired if the carrying amount is more than the recoverable amount, which is the higher of the assets' value in use and its fair value less cost to sell. The impairment loss is calculated as the difference between the assets' carrying amount and its recoverable amount.

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



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.5 Other assets and liabilities (continued)

Classification and measurement (continued)

1.5.4 Leases

The Group leases a variety of properties and equipment. Rental agreements typically include fixed periods over which the items are leased, which are individually negotiated and contain a wide range of different terms and conditions. The Group assesses whether a contract contains a lease at inception of the contract.

Qualifying leases are recognised as right of use assets (ROUA) and a corresponding liability is recognised at the date at which the leased asset is made available for use by the Group.

Group as the lessee

At inception the Group recognises an ROUA and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as lease assets with a value of P100 000 or less at the inception of the lease).

The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group's own internal borrowing rate is applied.

The ROUAs are initially recognised at the cost comprising of the amount of the initial measurement of the lease liability plus any initial direct costs and restoration costs. Where applicable, any lease payments made at or before the commencement date less any lease incentives received is deducted from the cost. Post initial recognition, ROUAs are measured in line with the policy for other property and equipment.

Variable payments that do not depend on an index or rate are not included in the measurement of the lease liability and the ROUA.

The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line operating expenses in the consolidated income statement.

Over the life of the lease, each lease payment is allocated between the lease liability and interest expense. The interest expense is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The ROUA is subsequently measured at cost less accumulated depreciation and impairment losses.

The asset is depreciated over the lease term on a straight-line basis, where ownership is not transferred at the end of the lease term. If ownership is transferred at the end of the lease term, the asset is depreciated over the shorter of the lease term or useful life.

The Group applies IAS 36 to determine whether a ROUA is impaired and accounts for any identified impairment loss.

Presentation

The lease liability is presented in other liabilities in the consolidated statement of financial position.

The ROUAs are not presented as a separate line in the consolidated statement of financial position, but rather disclosed as ROUA under property and equipment note.

Group or Company as the lessor

Assets held under operating leases are included in property and equipment and depreciated.

Rental income is recognised as other non-interest revenue on an accrual basis over the lease term.

The Group regards finance leases (including hire purchase agreements) as financial transactions and includes the total rentals and instalments receivable, less unearned finance charges, in advances. The Group calculates finance charges using the effective interest rates as detailed in the contracts and credits finance charges to interest revenue in proportion to capital balances outstanding.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.5 Other assets and liabilities (continued)

Classification and measurement (continued)

1.5.5 Property and equipment (owned and Right of Use)

Property and equipment of the Group includes:

- assets utilised by the Group in the normal course of operations to provide services including freehold property and leasehold premises and leasehold improvements (owner occupied properties);
- assets which are owned by the Group and leased to third parties under operating leases as part of the Group's revenue generating operations;
- capitalised leased assets (Right of use assets); and
- other assets utilised in the normal course of operations including computer and office equipment, motor vehicles and furniture and fittings.

Property and equipment is measured at historical cost less accumulated depreciation and impairment losses, except for land which is not depreciated.

Depreciation is recognised on a straight-line basis over the useful life of the assets, except for rights of use of assets, in which case depreciation is calculated as set out in the accounting policy for leases. The useful lives of the Group and Company's assets are disclosed below.

Leasehold land and buildings are recognised in the statements of financial position at cost less any subsequent accumulated depreciation.

The useful lives of items of property and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Freehold and leasehold land and buildings	Straight line	50 years
Furniture and equipment	Straight line	Varies between 3 to 10 years
Motor vehicles	Straight line	5 years
Leasehold improvements	Straight line	Shorter of estimated life or lease period
Capitalised leased assets (ROU)	Straight line	Period of the lease

The Directors have assumed that all assets have nil residual value. It is the Group's policy to fully depreciate assets under P2 000 within the first month of use.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.6 Stated capital and equity

1.6.1 Shares issued and issue costs

Ordinary shares are recognised as equity. Any incremental costs directly related to the issue of new shares or options, net of any related tax benefit, are deducted from the issue price.

1.6.2 Dividends paid/declared

Dividends on ordinary shares are recognised against equity.

A corresponding liability is recognised when the dividends have been approved by the Company's shareholders and distribution is no longer at the discretion of the entity. A dividend reserve is maintained as at the reporting date for dividends that will be paid out of retained earnings pending approval by the Board of Directors.

1.7 Transactions with employees

1.7.1 Employee benefits

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

Defined contribution plans

Contributions are recognised as an expense to the Group, included in staff costs, as membership to the pension fund is a condition of employment.

Termination benefits

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

Liability for short term employee benefits

Leave pay

The Group recognises a liability for the employees' rights to annual leave in respect of past service. The amount recognised by the Group is based on the current salary of employees and the contractual terms between the employee and the Group. The expense is included in staff costs.

Bonuses

The Group recognises an accrual when it has a present legal or constructive obligation to pay bonuses due to past service provided by employees and the obligation can be estimated reliably. The expense is included in staff costs.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.8 Significant judgements and sources of estimation uncertainty

1.8.1 Introduction

In preparing the financial statements, the Directors make estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Unless stated otherwise the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the critical accounting estimates, assumptions and judgements made by the Group, except those related to fair value measurement refer to note 39.

1.8.2 Impairment of financial assets

In determining whether an impairment loss should be recognised, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of advances. The objective of the measurement of an impairment loss is to produce an approximate quantitative measure of the Group's credit risk exposure.

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 judgmental factors. Factors may include behaviour 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 Group'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 Group uses a relative movement in probability of default between reporting date and origination date to determine if there was a significant increase in credit risk. Corporate and Commercial assessments include deal and client specific factors and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk.

1.8.3 Computation of Expected Credit Loss (ECL)

Computation of the Expected Credit Loss (ECL): the PD, LGD and EAD approach

The Group has adopted the Probability of Default (PD) and Loss Given Default (LGD) approach, applied to the Exposure at Default (EAD), for the calculation of Expected Credit Loss (ECL) for advances. The ECL also takes into account forward looking information (FLI). ECLs are computed at a portfolio level (where accounts with similar characteristics are clustered together) except for high value Corporate exposures that are assessed at a counterparty level.

Retail parameters are determined on a pooled basis, with exposures pooled on a portfolio level at a minimum. Where appropriate, more granular pooling is applied. The inputs used to determine parameter values include historically observed behaviour as well as behavioural and demographic information related to individual exposures currently on book. The statistical models applied implicitly assume that risk drivers that influence default risk, payment behaviour and recovery expectations within the historical data will continue to be relevant in the future.

Commercial parameters are determined based on the application of statistical models that produce estimates based on counterparty-specific financial information and transaction characteristics including the nature of available collateral. Due to the specialised nature of these exposures, parameters produced by models are subject to a robust review process before being applied to calculate expected credit losses. This is overseen by a committee of Corporate and Commercial credit experts and motivations for any proposed adjustments to modelled parameters are carefully reviewed by this committee.

Regression modelling techniques are used to determine which borrower and transaction characteristics are predictive of certain behaviours, based on relationships observed in historical data related to the group of accounts to which the model will be applied. This results in the production of models that are used to predict impairment parameters based on the predictive characteristics identified through the regression process.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.8 Significant judgements and sources of estimation uncertainty (continued)

1.8.3 Computation of Expected Credit Loss (ECL) (continued)

Computation of the Expected Credit Loss (ECL): the PD, LGD and EAD approach (continued)

PDs are measurements of the estimated likelihood that a borrowing client will default within a specified period. In line with IFRS 9, a 12-month PD is applied to the stage 1 advances portfolio and a lifetime PD applied to the stage 2 advances portfolio. PDs are calibrated on a periodic basis using regression modelling applying historic default data. Forward-Looking Indicators (FLIs) are applied to the PD computation through a credit index model using an average of three macro-economic scenarios incorporating a base scenario, upside scenario and downside scenario, weighted by the probability of occurrence.

Parameters are calibrated for the calculation of 12-month and lifetime expected credit loss (LECL) using term structures that consider account age, historical behaviour, transaction characteristics and correlations between parameters. Term structures have been developed over the entire remaining contractual lifetime of an instrument. The remaining lifetime is limited to the contractual term of instruments in the portfolio, except for instruments with an undrawn commitment such as credit cards, where there is not a contractual expiry date. In such instances the remaining term is determined with reference to the change in client requirements that would trigger a review of the contractual terms, for example a change in limit.

LGDs are present value measurements of the expected loss that the Group will incur if a borrowing client were to default (i.e. a PD of 100%). LGDs are determined through regression modelling by estimating expected future cash flows, including costs and proceeds from sale of collateral, based on historically observed outcomes. Data points include; the expected net recovered value of collateral, the probability of recovery of that collateral, the period taken to recover that collateral, the amortisation of the outstanding advance balance while in default and an estimation of the likelihood that a stage 3 account will migrate to stage 2. Present value discount rates applied are the asset's original effective interest rate or a reasonable approximation thereof.

EAD is the estimated exposure of a borrowing client at the point of default. EAD parameters are estimated based on product characteristics and historical draw-down and payment behaviour.

Approach to Incorporate Forward-Looking Indicators (FLI)

Forward-looking macro-economic indicators (FLI) has 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 macro-economic scenarios are defined by taking global and domestic macro-economic 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 macro-economic 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 macro-economic developments to formulate (bottom-up) and adjust (top-down) the macro-economic forecasts. Probabilities are assigned to each scenario with supporting rationale. The creation of macro-economic scenarios and the determination of associated probabilities are subjective, with final ECL results dependent on the assumptions applied during the process.

The impact of FLI on ECL is ordinarily determined based on historical relationships between macro-economic movements and default rates. Where it is not expected for these relationships to continue with historical correlations under current macro-economic conditions, judgmental adjustments have been made through post-model adjustments.

The baseline, downside and upside scenarios are used in the ECL calculations.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.8 Significant judgements and sources of estimation uncertainty (continued)

1.8.3 Computation of Expected Credit Loss (ECL) (continued)

Approach to Incorporate Forward-Looking Indicators (FLI) (continued)

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 National Development Plan (NDP), leading to a significant uptick in activity across sectors such as agriculture, manufacturing, and construction, which have traditionally had a 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 NDP12 framework which unlocks private investment 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 rationalisation 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 digitalisation drive improves efficiency in Government service delivery Drought conditions constrain productivity growth in agriculture and 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. Government finances come under pressure as Southern African Customs Unions (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 the Economic Inclusion Bill, weakens investor sentiment. 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.

FLIs: Applied in ECL models

	Upside	Baseline	Downside
Gross domestic product			
Scenario – 2024			
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%



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.8 Significant judgements and sources of estimation uncertainty (continued)

1.8.3 Computation of Expected Credit Loss (ECL) (continued)

Approach to Incorporate Forward-Looking Indicators (FLI) (continued)

Economic Scenarios Applied in June 2024 ECL computation (continued)

FLIs: Applied in ECL models

Gross domestic product	Upside	Baseline	Downside
Scenario – 2023			
2024	7.50	4.50	1.00
2025	7.90	4.40	1.20
2026	8.00	4.30	1.20
Weighting	14%	65%	21%

FLIs: Applied in ECL models

Monetary policy	Upside	Baseline	Downside
Scenario – 2024			
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%

FLIs: Applied in ECL models

Monetary policy	Upside	Baseline	Downside
Scenario – 2023			
2024	3.10	4.20	8.40
2025	3.10	4.20	8.40
2026	3.10	4.20	8.40
Weighting	14%	65%	21%



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.8 Significant judgements and sources of estimation uncertainty (continued)

1.8.3 Computation of Expected Credit Loss (ECL) (continued)

Considerations for the Computation of ECL

Limitations in the ECL models were addressed via a post-model adjustment (PMA) process. The Group undertook a thorough review of the appropriateness of two key ECL parameters (PD and LGD).

PDs are calibrated on a periodic basis using regression modelling applying historic default data. To incorporate the increase in PDs that the historic default data does not include, the Group computed an appropriate scalar to apply to the PDs. The application to the portfolio was performed via an industry risk assessment.

The industry risk assessment process involved the classifying of loans into low, medium and high risk categories. Each category weighted average PD was then computed and the PD was stressed using a Vasicek portfolio loss model, where the stress assumption is based on economic downturn frequencies (1-in-x years). The PMA was then computed as the differential between the ECL based on the stressed PD and the ECL based on the through-the-cycle PD.

LGDs are determined through regression modelling by estimating expected future cash flows, including costs and proceeds from sale of collateral, based on historically observed outcomes.

1.8.4 Impairment of Financial Assets Sensitivity Analysis

Due to the uncertainties existing in the economic environment, the extensive post-model adjustment process (described above) and the level of judgement applied; assumptions underpinning key estimates have been tested for sensitivities. As IFRS 9 is embedded in the Group's reporting process, additional disclosure is included.

Sensitivity staging: Application of SICR

When there is a SICR subsequent to the initial recognition of an exposure, the exposure is migrated from stage 1 to stage 2 and the ECL is calculated based on lifetime expected credit losses.

The table below sets out the impact of a 5% increase in the total gross exposure classified as stage 2 due to SICR and the subsequent increase in the ECL based on the difference between the Stage 2 and Stage 1 coverage ratios.

	Exposure P'000	ECL Impact P'000
June 30, 2024		
Total	793,379	57,213
June 30, 2023		
Total	639,985	45,805



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.8 Significant judgements and sources of estimation uncertainty (continued)

1.8.4 Impairment of Financial Assets Sensitivity Analysis (continued)

FLI and PD Industry Scalar Sensitivity Analysis

Forward-looking macro-economic indicators (FLI) has been incorporated into expected loss estimates through the application of quantitative modelling and expert judgement-based adjustments applied to PDs.

To incorporate the increase in PDs that the historic default data does not include, the Group computed an appropriate scalar to apply to the PDs.

The sensitivity shown indicates the ECL impact of an upward shift in the 1-in-x year Vasicek PD stress in June 2024:

Industry Overlay Sensitivity Analysis

Scenarios	Current factor	Sensitivity factor	ECL Impact P'000
Low	3	5	878
Medium	6	8	3,918
High	10	12	1,096
Total			5,892

The sensitivity shown indicates the ECL impact of an upward shift in the industry risks resulting in an increase in the scalars applied in June 2023.

Increased Probability of Default

	Current factor	Sensitivity factor	ECL Impact P'000
Low	4	6	3,271
Medium	9	11	2,487
High	14	16	2,337
Total			8,095



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.8 Significant judgements and sources of estimation uncertainty (continued)

1.8.4 Impairment of Financial Assets Sensitivity Analysis (continued)

Retrenchment Risk: Sensitivity Analysis

The Bank notes an extensive number of companies currently undergoing restructures. A Post Model Adjustment was raised against the risk of retrenchment on identified counters.

The June 2024 sensitivity shown indicates the ECL impact of a further 5% increase on the Gross Carrying Amount (GCA) for the affected Schemes.

P'000	Exposure	ECL Impact
Exposure at risk	267,874	18,634
Exposure at risk after 5% increase	281,268	19,566
Impact	13,394	932

The June 2023 sensitivity shown indicates the ECL impact of a further 5% increase on the Gross Carrying Amount (GCA) for the affected Schemes.

P'000	Exposure	ECL Impact
Exposure at risk	507,472	38,208
Exposure at risk after 5% increase	532,846	40,118
Impact	25,374	1,910

1.8.5 Taxation

The Group recognises liabilities for uncertain tax positions in accordance with the criteria defined within IAS 12 and IFRIC 23 based on objective estimates of the amount of tax that may be due which is calculated, where relevant, with reference to, expert advice received. The Group recognises liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, the difference will impact the income tax and deferred income tax provisions in the period in which such determination is made. Significant judgement is applied in the application and interpretation of tax regulation and these judgements as well as judgements resulting from the consideration of the impact of tax audits performed by the tax authorities may have significant impact on the consolidated and separate financial statements.

When there is uncertainty over income-tax treatments and, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty in accordance with IFRIC 23 principles.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.8 Significant judgements and sources of estimation uncertainty (continued)

1.8.6 Impairment of goodwill

The carrying amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. Goodwill is considered to be impaired when its carrying amount is less than its recoverable amount. Goodwill is allocated to cash generating units (CGUs). For impairment testing purposes, goodwill is allocated to CGUs at the lowest level of operating activity to which it relates, and is therefore not combined at Group level.

The significant CGUs to which the goodwill balance relates are reflected below:

	2024 P'000	2023 P'000
First Funding (Proprietary) Limited	26,589	26,589
Premium Credit (Proprietary) Limited	374	374
	26,963	26,963

The recoverable amount of the CGU is determined as the higher of the value in use or fair value less costs to sell. The Group's goodwill impairment test is performed on the balances as at 31st March annually.

Fair value less costs to sell

The fair value less costs to sell is determined as the current market value of the CGU less any costs related to the realisation of the CGU.

Value in use

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

Management's judgement in estimating the cash flows of a CGU

The cash flow projections for each CGU are based on budgets and forecasts approved by the board as part of the annual budget and forecast process. The budgets and forecasts are based on historical data adjusted for management's expectation of future performance. Expected future performance is determined using both internal and external sources of information. The board challenges and endorses planning assumptions in light of internal capital allocation decisions necessary to support the strategy, current market conditions and macro-economic outlook.

The terminal cash flows is calculated from the final cash flow period which is extrapolated into perpetuity, using the estimated growth rates stated below. These growth rates are consistent with economic reports specific to the country in which each CGU operates.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Material accounting policies (continued)

1.8 Significant judgements and sources of estimation uncertainty (continued)

1.8.6 Impairment of goodwill (continued)

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

	2024	2023
Pre-tax discount rates (%)	15.45	15.70
Growth rates (%)	5.00	4.70

The discount rate used is the weighted average cost of capital for the specific segment or entity, adjusted for specific risks relating to the segment or entity. Some of the other assumptions include investment returns, expense inflation rates, tax rates and new business growth.

The period over which management has projected cash flows is 4 years (2023: 4 years). The cash flows from the final cash flow period are extrapolated into perpetuity to reflect the long-term plans of the Group. The growth rate does not exceed the long-term average past growth rate for the business in which the CGU operates.

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

1.8.7 Other liabilities

Provision

Provisions for litigation

The Group has a policy and process in place to determine when to recognise provisions for potential litigation and claims. The recognition of such provisions is linked to the ranking of legal risk of potential litigation on the Group's litigation database.

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

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



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Income statements

as at June 30, 2024

	Note(s)	Group		Company	
		2024 P'000	2023 P'000	2024 P'000	2023 P'000
Interest income calculated using effective interest rate and similar income	2	2,394,530	1,950,758	2,394,530	1,950,758
Interest expenses and similar charges	3	(554,645)	(469,175)	(557,576)	(472,024)
Net interest income before impairment of advances		1,839,885	1,481,583	1,836,954	1,478,734
Net Impairment reversal/(loss) of advances	14	48,032	(93,557)	48,032	(93,557)
Net interest income after impairment of advances		1,887,917	1,388,026	1,884,986	1,385,177
Non-interest income and expense					
Fee and commission income	4	1,538,907	1,366,975	1,538,907	1,366,975
Fee and commission expense	4	(312,369)	(253,021)	(312,369)	(253,021)
Other income	4	357,407	372,950	357,257	372,521
		1,583,945	1,486,904	1,583,795	1,486,475
Income from operations before operating expenditure		3,471,862	2,874,930	3,468,781	2,871,652
Operating expenses	5	(838,397)	(710,067)	(839,675)	(710,417)
Employee benefits expenses	6	(824,025)	(725,879)	(824,025)	(725,879)
Income before taxation		1,809,440	1,438,984	1,805,081	1,435,356
Indirect taxation	7	(28,756)	(19,108)	(28,749)	(19,108)
Profit before direct taxation		1,780,684	1,419,876	1,776,332	1,416,248
Direct taxation	7	(394,153)	(304,104)	(393,508)	(303,026)
Profit for the year attributable to owners of the company		1,386,531	1,115,772	1,382,824	1,113,222
Earnings per share					
Basic earnings per share (thebe)	9	54.51	43.86		
Diluted earnings per share (thebe)	9	54.51	43.86		



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Statements of comprehensive income

for the year ended June 30, 2024

	Note(s)	Group		Company	
		2024 P'000	2023 P'000	2024 P'000	2023 P'000
Profit for the year		1,386,531	1,115,772	1,382,824	1,113,222
Other comprehensive income		-	-	-	-
Total comprehensive income for the year attributable to owners of the company		1,386,531	1,115,772	1,382,824	1,113,222



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Statements of financial position

as at June 30, 2024

	Note(s)	Group		Company	
		2024 P'000	2023 P'000	2024 P'000	2023 P'000
Assets					
Cash and short-term funds	11	5,391,077	6,715,040	5,391,077	6,715,040
Derivative financial instruments	12	17,368	36,897	17,368	36,897
Investment securities*	15	11,603,074	5,972,948	11,603,074	5,972,948
Advances to customers*	13	18,494,002	16,274,676	18,494,002	16,274,676
Current taxation	32	4,999	88,368	2,199	78,378
Due from related parties	16	9,938	6,804	18,352	16,631
Other assets	17	447,825	369,882	447,879	369,882
Investments in subsidiaries	18	-	-	13,540	13,540
Property and equipment	19	616,301	566,148	602,027	550,621
Goodwill	20	26,963	26,963	26,589	26,589
Deferred taxation	8	8,252	-	8,252	-
Total assets		36,619,799	30,057,726	36,624,359	30,055,202
Equity and Liabilities					
Liabilities					
Derivative financial instruments	12	10,623	25,623	10,623	25,623
Accrued interest payable		20,729	40,922	20,729	40,922
Due to related parties	16	38,887	72,460	62,601	84,828
Other liabilities	24	668,295	781,428	667,380	781,428
Deposits from banks	22	501,449	849,454	501,449	849,454
Deposits from customers	21	30,021,044	23,333,051	30,021,044	23,333,051
Employee benefits liabilities	25	131,205	116,915	131,205	116,915
Borrowings	23	1,029,156	1,100,887	1,029,156	1,100,887
Deferred taxation	8	777	10,151	-	9,014
Total liabilities		32,422,165	26,330,891	32,444,187	26,342,122
Capital and reserves attributable to ordinary equity holders					
Share capital	28	51,088	51,088	51,088	51,088
Reserves	29	3,459,747	3,167,007	3,442,285	3,153,252
Dividend reserve	29	686,799	508,740	686,799	508,740
Total equity		4,197,634	3,726,835	4,180,172	3,713,080
Total Equity and Liabilities		36,619,799	30,057,726	36,624,359	30,055,202

* The order of liquidity of assets presented has been changed to present investment securities before advances to customers to reflect the correct order from most liquid to least liquid. This does not impact the amounts recognised on the financial statements or notes to the financial statements.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Statements of changes in equity

for the year ended June 30, 2024

	Stated capital P'000	Dividend reserve P'000	Retained earnings P'000	Total equity P'000
Group				
Balance at June 30, 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 recognised directly in equity	-	101,748	(813,984)	(712,236)
Balance at June 30, 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 recognised directly in equity	-	178,059	(1,093,791)	(915,732)
Balance at June 30, 2024	51,088	686,799	3,459,747	4,197,634
Note	28	29	29	



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Statements of changes in equity (continued)

for the year ended June 30, 2024

	Stated capital P'000	Dividend reserve P'000	Retained earnings P'000	Total equity P'000
Company				
Balance at June 30, 2022	51,088	406,992	2,854,014	3,312,094
Profit for the year	-	-	1,113,222	1,113,222
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 recognised directly in equity	-	101,748	(813,984)	(712,236)
Balance at June 30, 2023	51,088	508,740	3,153,252	3,713,080
Profit for the year	-	-	1,382,824	1,382,824
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 recognised directly in equity	-	178,059	(1,093,791)	(915,732)
Balance at June 30, 2024	51,088	686,799	3,442,285	4,180,172
Note	28	29	29	



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Statements of cash flows

for the year ended June 30, 2024

		Group		Company	
	Note(s)	2024 P'000	2023 P'000	2024 P'000	2023 P'000
Cash flows from operating activities					
Cash used in operations before taxation and working capital changes	30	(15,486)	(110,495)	(18,287)	(112,700)
Interest and similar income received		2,364,657	1,949,109	2,364,657	1,949,109
Interest and similar expense paid		(481,287)	(445,412)	(484,218)	(448,261)
Taxation paid	31	(328,093)	(306,358)	(334,595)	(308,513)
		1,539,791	1,086,844	1,527,557	1,079,635
Movement in operating assets and liabilities					
Movement in deposits due to other banks		(348,005)	(39,408)	(348,005)	(39,408)
Movement in deposits from customers	33	6,621,447	1,985,439	6,621,447	1,985,439
Movement in amounts due to related parties		(33,573)	47,685	(22,227)	49,040
Movement in accrued interest payable		(1,139)	208	(1,139)	208
Movement in other liabilities		(157,881)	196,555	(158,795)	196,555
Movement in employee benefits liabilities		14,290	18,688	14,290	18,688
Movement in investments - fair value through profit or loss		(54,288)	14,539	(54,288)	14,539
Movement in investments - amortised cost		(2,775,726)	(33,764)	(2,775,726)	(33,764)
Movement in advances to customers	34	(2,141,421)	(1,285,121)	(2,141,421)	(1,285,121)
Movement in other assets		(77,943)	(41,176)	(77,997)	(41,176)
Movement in amounts due from related companies		(3,453)	(241)	(1,724)	5,613
		2,582,099	1,950,248	2,581,972	1,950,248
Cash flows used in operating activities					
Cash flows used in investing activities					
Acquisition of property and equipment	19	(85,379)	(85,870)	(85,252)	(85,870)
Cash flows used in financing activities					
Repayment of borrowings	23	(50,000)	(236,746)	(50,000)	(236,746)
Interest paid on borrowings	23	(34,571)	-	(34,571)	-
Lease liability interest	3	(8,679)	(4,788)	(8,679)	(4,788)
Lease liability payments	24	(28,510)	(25,582)	(28,510)	(25,582)
Dividends paid	35	(915,732)	(712,236)	(915,732)	(712,236)
		(1,037,492)	(979,352)	(1,037,492)	(979,352)
		1,459,228	885,026	1,459,228	885,026
Cash movement for the year					
Cash and cash equivalents at the beginning of the year		8,213,753	7,097,680	8,213,753	7,097,680
Effect of exchange rate movement on cash balances		16,921	231,047	16,921	231,047
	36	9,689,902	8,213,753	9,689,902	8,213,753



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements

for the year ended June 30, 2024

		Group		Company	
	Note(s)	2024 P'000	2023 P'000	2024 P'000	2023 P'000
2. Interest and similar income		Note			
Instruments at amortised cost					
Advances		1,707,838	1,504,429	1,707,838	1,504,429
Cash and short-term funds		59,671	56,106	59,671	56,106
Related parties	16	221,104	123,641	221,104	123,641
Investment securities		381,648	245,957	381,648	245,957
Unwinding of discounted present value of off-market staff loans		24,269	20,625	24,269	20,625
		2,394,530	1,950,758	2,394,530	1,950,758
3. Interest and similar expense charges					
Financial Liabilities at amortised cost					
Term deposits		265,096	305,917	268,027	308,766
Current and call accounts		145,439	72,482	145,439	72,482
Savings deposits		13,715	8,949	13,715	8,949
Deposits from banks and other financial institutions		2,668	952	2,668	952
Related parties	16	35,315	38,568	35,315	38,568
Borrowings		66,645	37,519	66,645	37,519
Lease liabilities		8,679	4,788	8,679	4,788
Depositor insurance scheme premiums*		17,088	-	17,088	-
		554,645	469,175	557,576	472,024

* Deposit Insurance Scheme of Botswana (DISB) is a public scheme established under section 43A of the Bank of Botswana Act and operationalised through the Bank of Botswana (Deposit Insurance Scheme) Regulations, (2023), that came into effect on July 21, 2023.

The scheme is a guarantee that all or a limited amount of the principal and interest accrued on qualifying deposit accounts will be paid if a financial institution fails. The annual premium is calculated at 0.1% of 12-month average deposits.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
4. Non-interest income and expense				
Fee and commission income				
Card commissions	610,190	498,348	610,190	498,348
Agent commission	-	3,004	-	3,004
Facility fees	45,052	34,886	45,052	34,886
Commissions – guarantees and letters of credit	8,574	5,613	8,574	5,613
Cash deposit fees	53,828	50,080	53,828	50,080
Commissions – bills, drafts and cheques	113,767	99,761	113,767	99,761
Service fees	566,141	527,014	566,141	527,014
Commissions – customer service	141,355	148,269	141,355	148,269
Total fee and commission income	1,538,907	1,366,975	1,538,907	1,366,975
Fee and commission expense				
Card commissions	230,789	183,448	230,789	183,448
Cash deposit fees	10,039	10,753	10,039	10,753
Service fees	23,329	25,190	23,329	25,190
Commissions – customer service	48,212	33,630	48,212	33,630
Total fee and commission expense	312,369	253,021	312,369	253,021



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
4. Non-interest income and expense (continued)				
Other income				
Fair value gains or losses and foreign exchange trading income:				
Net (loss)/gain on bond trading	(7,179)	2,492	(7,179)	2,492
Net loss on financial instruments at fair value	(9,255)	(14,728)	(9,255)	(14,728)
Foreign exchange trading income	359,857	349,021	359,857	349,021
Total fair value gains or losses and foreign exchange trading income	343,423	336,785	343,423	336,785
Non-financial assets and liabilities				
Loss on sale of property and equipment	(1,102)	(78)	(979)	(78)
Other*	15,086	36,243	14,813	35,814
Total non-financial assets and liabilities	13,984	36,165	13,834	35,736
Total other income	357,407	372,950	357,257	372,521
Total non-interest revenue	1,583,945	1,486,904	1,583,795	1,486,475

* Other includes commission from non-banking product sales via various platforms including online banking.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
5. Operating expenses				
Audit fees				
Current year	7,500	9,044	7,500	9,044
Prior year under-provision	1,120	1,011	1,120	1,011
	8,620	10,055	8,620	10,055
Depreciation				
Freehold and leasehold land and buildings	7,712	7,594	6,989	6,871
Leasehold improvements	8,303	8,148	8,301	8,146
Motor vehicles	2,271	1,822	2,271	1,822
Furniture and equipment	42,269	40,696	41,737	39,995
Capitalised leased assets (ROUA)	25,565	23,229	25,565	23,229
	86,120	81,489	84,863	80,063
Directors' remuneration				
For service as executive directors	14,657	10,352	14,657	10,352
For services as non-executive directors	5,344	5,489	5,344	5,489
	20,001	15,841	20,001	15,841
Operating lease charges				
Non-capitalised lease charges				
Short-term lease charge	8,547	8,072	11,947	11,539
Service fee paid to related company				
Systems	204,488	172,816	204,488	172,816
Services	153,986	94,127	153,986	94,127
Products	37,702	44,401	37,702	44,401
	396,176	311,344	396,176	311,344
Professional fees	17,409	14,117	17,409	14,117



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
5. Operating expenses (continued)				
Other operating expenses				
Advertising and marketing	34,717	45,072	34,717	45,072
Communication	51,484	46,584	51,476	46,584
Repairs and maintenance of computers	26,142	20,349	26,126	20,349
Property maintenance	65,767	62,484	65,656	62,374
Stationery, storage and postage	16,873	14,116	16,871	14,116
Service fees	16,049	13,199	16,049	13,199
Other*	90,492	67,345	89,764	65,764
Other operating costs	301,524	269,149	300,659	267,458
Total operating expenses	838,397	710,067	839,675	710,417

* Other is inclusive of various expenses comprising mainly of travel, staff functions and entertainment, membership fees, motor vehicle cost, insurance, donations and credit checks.

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
Service fee paid to related parties – Group cost classification				
Specialised IT services	169,724	144,669	169,724	144,669
Credit risk management	80,776	56,188	80,776	56,188
Management support	145,675	110,487	145,675	110,487
	396,175	311,344	396,175	311,344



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
6. Employee benefits expenses				
Direct employee costs				
Salaries, wages and allowances	678,651	606,823	678,651	606,823
Defined pension contributions	59,935	53,387	59,935	53,387
Leave pay	14,840	15,489	14,840	15,489
Other*	70,599	50,180	70,599	50,180
	824,025	725,879	824,025	725,879

* Other is inclusive of various staff related costs including training, subsistence & meal allowances, recruitment costs and off-market staff loan subsidy adjustment. Also included is the assumption of liability share scheme which is prepaid and the expense recognised over 3 years P8,477,000 (2023: P10,538,000).

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
7. Taxation				
Indirect taxation				
Value added tax	28,756	19,108	28,749	19,108
Direct taxation				
Current taxation				
Local income tax – current period	411,141	310,940	410,774	310,940
Local income tax – prior year under/(over) provision	321	(10,651)	-	(10,676)
	411,462	300,289	410,774	300,264
Deferred taxation				
Originating and reversing temporary differences	(17,354)	3,561	(17,266)	2,762
Deferred tax – prior year under provision	45	254	-	-
	(17,309)	3,815	(17,266)	2,762
Total direct taxation expense per income statements	394,153	304,104	393,508	303,026



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
7. Taxation (continued)				
Reconciliation of the taxation charge				
Reconciliation between accounting profit and tax expense				
Profit before direct taxation	1,780,684	1,419,876	1,776,332	1,416,248
Tax at the applicable tax rate of 22% (2023: 22%)	391,750	312,373	390,793	311,575
Tax effect of adjustments on taxable income				
Under/(over) provision of current tax in prior years	321	(10,651)	-	(10,676)
Under provision of deferred tax in prior years	45	254	-	-
Donations	2,794	2,128	2,794	2,127
Other	(758)	-	(79)	-
Total tax expense per income statements	394,152	304,104	393,508	303,026
Effective tax rate	22.13%	21.42%	22.15%	21.40%



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
8. Deferred taxation				
Balance at beginning of year	10,151	6,336	9,014	6,251
Temporary differences for the year	(17,354)	3,561	(17,266)	2,762
Prior year over provision	45	254	-	-
Other	(317)	-	-	-
Balance at the end of the year	(7,475)	10,151	(8,252)	9,014
The balance comprises of the following:				
Accelerated capital allowances	24,542	23,130	23,765	21,993
Prepayments	11,233	3,966	11,233	3,966
Share based payments	3,628	(401)	3,628	(401)
Employee benefits	(8,087)	-	(8,087)	-
Management fees	(9,710)	-	(9,710)	-
Fair value loss on financial instruments	(19,278)	(11,967)	(19,278)	(11,967)
Other	(9,803)	(4,577)	(9,803)	(4,577)
	(7,475)	10,151	(8,252)	9,014
Deferred tax asset	8,252	-	8,252	-
Deferred tax liability	(777)	(10,151)	-	(9,014)
	7,475	(10,151)	8,252	(9,014)

In the prior year the deferred tax was disclosed as comprising accelerated capital allowances and other temporary differences. In the current year, the composition of deferred tax at the reporting date has been disaggregated to reflect the nature of the temporary differences. The comparatives have been updated to reflect this change.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

9. Earnings per share

Basic earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

	Group	
	2024 P'000	2023 P'000
Earnings attributable to ordinary equity holders	1,386,531	1,115,772
Weighted average number of ordinary shares in issue (thousands)	2,543,700	2,543,700
Basic earnings per share (thebe)	54.51	43.86

Diluted earnings per share

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

	Group	
	2024 P'000	2023 P'000
Earnings attributable to ordinary equity holders - P'000	1,386,531	1,115,772
Weighted average number of ordinary shares in issue (thousands)	2,543,700	2,543,700
Diluted earnings per share (thebe)	54.51	43.86

10. Analysis of assets and liabilities by category

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. Refer to policy section 1.4 for the principal accounting policies describing how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position per category of financial instrument to which they are assigned and therefore by measurement basis:



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

10. Analysis of assets and liabilities by category (continued)

At fair value through profit or loss

Group – 2024 P'000	Amortised cost	Mandatory	Designated	Non- financial instruments	Total carrying value	Current	Non-current
ASSETS							
Cash and short-term funds	5,391,077	-	-	-	5,391,077	5,391,077	-
Advances to customers	18,494,002	-	-	-	18,494,002	4,668,589	13,825,413
Due from related parties	9,938	-	-	-	9,938	9,938	-
Other assets	185,897	-	-	261,928	447,825	198,669	249,156
Investment securities	11,520,740	82,334	-	-	11,603,074	6,761,791	4,841,283
Derivative financial instruments	-	17,368	-	-	17,368	17,368	-
Current taxation	-	-	-	4,999	4,999	4,999	-
Deferred tax asset	-	-	-	8,252	8,252	-	8,252
Property and equipment	-	-	-	616,301	616,301	-	616,301
Goodwill	-	-	-	26,963	26,963	-	26,963
Total assets	35,601,654	99,702	-	918,443	36,619,799	17,052,431	19,567,368
LIABILITIES							
Deposits from banks	501,449	-	-	-	501,449	501,449	-
Deposits from customers	30,021,044	-	-	-	30,021,044	29,933,251	87,793
Borrowings	933,769	-	95,387	-	1,029,156	175,061	854,095
Accrued interest payable	20,729	-	-	-	20,729	20,729	-
Due to related parties	38,887	-	-	-	38,887	38,887	-
Employee benefits liabilities	-	-	-	131,205	131,205	131,205	-
Other liabilities	411,825	-	-	256,470	668,295	668,295	-
Derivative financial instruments	-	10,623	-	-	10,623	10,623	-
Deferred tax liability	-	-	-	777	777	-	777
Total liabilities	31,927,703	10,623	95,387	388,452	32,422,165	31,479,500	942,665



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

10. Analysis of assets and liabilities by category (continued)

At fair value through profit or loss

Group – 2023 P'000	Amortised cost	Mandatory	Designated	Non-financial instruments	Total carrying value	Current	Non-current
ASSETS							
Cash and short-term funds	6,715,040	-	-	-	6,715,040	6,715,040	-
Advances to customers	16,274,676	-	-	-	16,274,676	3,960,678	12,313,998
Due from related parties	6,804	-	-	-	6,804	6,804	-
Other assets	111,778	-	-	258,104	369,882	129,830	240,052
Investment securities	5,944,902	28,046	-	-	5,972,948	3,000,275	2,972,673
Derivative financial instruments	-	36,897	-	-	36,897	36,897	-
Current taxation	-	-	-	88,368	88,368	88,368	-
Property and equipment	-	-	-	566,148	566,148	-	566,148
Goodwill	-	-	-	26,963	26,963	-	26,963
Total assets	29,053,200	64,943	-	939,583	30,057,726	13,937,892	16,119,834
LIABILITIES							
Deposit from banks	849,454	-	-	-	849,454	849,454	-
Deposits from customers	23,333,051	-	-	-	23,333,051	23,319,816	13,235
Borrowings	968,241	-	132,646	-	1,100,887	47,028	1,053,859
Accrued interest payable	40,922	-	-	-	40,922	40,922	-
Due to related parties	72,460	-	-	-	72,460	72,460	-
Employee benefits liabilities	-	-	-	116,915	116,915	116,915	-
Other liabilities	604,751	-	-	176,677	781,428	781,428	-
Derivative financial instruments	-	25,623	-	-	25,623	25,623	-
Deferred tax liability	-	-	-	10,151	10,151	-	10,151
Total liabilities	25,868,879	25,623	132,646	303,743	26,330,891	25,253,646	1,077,245



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

10. Analysis of assets and liabilities by category (continued)

At fair value through profit or loss

Company – 2024 P'000	Amortised cost	Mandatory	Designated	Non- financial instruments	Total carrying value	Current	Non-current
ASSETS							
Cash and short-term funds	5,391,077	-	-	-	5,391,077	5,391,077	-
Advances to customers	18,494,002	-	-	-	18,494,002	4,668,589	13,825,413
Due from related parties	18,352	-	-	-	18,352	18,352	-
Other assets	185,951	-	-	261,928	447,879	198,723	249,156
Investment securities	11,520,740	82,334	-	-	11,603,074	6,761,791	4,841,283
Derivative financial instruments	-	17,368	-	-	17,368	17,368	-
Current taxation	-	-	-	2,199	2,199	2,199	-
Investments in subsidiaries	-	-	-	13,540	13,540	-	13,540
Deferred tax asset	-	-	-	8,252	8,252	-	8,252
Property and equipment	-	-	-	602,027	602,027	-	602,027
Goodwill	-	-	-	26,589	26,589	-	26,589
Total assets	35,610,122	99,702	-	914,535	36,624,359	17,058,099	19,566,260
LIABILITIES							
Deposit from banks	501,449	-	-	-	501,449	501,449	-
Deposits from customers	30,021,044	-	-	-	30,021,044	29,933,251	87,793
Borrowings	933,769	-	95,387	-	1,029,156	175,061	854,095
Accrued interest payable	20,729	-	-	-	20,729	20,729	-
Due to related parties	62,601	-	-	-	62,601	62,601	-
Employee benefits liabilities	-	-	-	131,205	131,205	131,205	-
Other liabilities	411,825	-	-	255,555	667,380	667,380	-
Derivative financial instruments	-	10,623	-	-	10,623	10,623	-
Total liabilities	31,951,417	10,623	95,387	386,760	32,444,187	31,502,299	941,888



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

10. Analysis of assets and liabilities by category (continued)

At fair value through profit or loss

Company – 2023 P'000	Amortised cost	Mandatory	Designated	Non-financial instruments	Total carrying value	Current	Non-current
ASSETS							
Cash and short-term funds	6,715,040	-	-	-	6,715,040	6,715,040	-
Advances to customers	16,274,676	-	-	-	16,274,676	3,960,678	12,313,998
Due from related parties	16,631	-	-	-	16,631	16,631	-
Other assets*	111,778	-	-	258,104	369,882	129,830	240,052
Investment securities	5,944,902	28,046	-	-	5,972,948	3,000,275	2,972,673
Derivative financial instruments	-	36,897	-	-	36,897	36,897	-
Current taxation	-	-	-	78,378	78,378	78,378	-
Investments in subsidiaries	-	-	-	13,540	13,540	-	13,540
Property and equipment	-	-	-	550,621	550,621	-	550,621
Goodwill	-	-	-	26,589	26,589	-	26,589
Total assets	29,063,027	64,943	-	927,232	30,055,202	13,937,729	16,117,473
LIABILITIES							
Deposit from banks	849,454	-	-	-	849,454	849,454	-
Deposits from customers	23,333,051	-	-	-	23,333,051	23,319,816	13,235
Borrowings	968,241	-	132,646	-	1,100,887	47,028	1,053,859
Accrued interest payable	40,922	-	-	-	40,922	40,922	-
Due to related parties	84,828	-	-	-	84,828	84,828	-
Employee benefits liabilities	-	-	-	116,915	116,915	116,915	-
Other liabilities	604,751	-	-	176,677	781,428	781,428	-
Derivative financial instruments	-	25,623	-	-	25,623	25,623	-
Deferred tax liability	-	-	-	9,014	9,014	-	9,014
Total liabilities	25,881,247	25,623	132,646	302,606	26,342,122	25,266,014	1,076,108

* In the prior year, all assets were disclosed as financial assets. This disclosure has been updated to reflect the correct classification of assets between financial and non-financial, with the comparatives updated accordingly.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

	Note(s)	Group		Company	
		2024 P'000	2023 P'000	2024 P'000	2023 P'000
11. Cash and short-term funds					
Coins and cash notes		370,870	434,588	370,870	434,588
Money at call and short notice – related parties	16	200,371	62,303	200,371	62,303
Money at call and short notice – other banks		529,024	884,342	529,024	884,342
Balances with Bank of Botswana – Primary reserve requirement*		616,822	515,722	616,822	515,722
Balances with Bank of Botswana – Statutory account balance		20,357	17,440	20,357	17,440
Standing deposit facility (SDF)		130,004	420,019	130,004	420,019
Balances with other banks – related parties	16	3,132,164	3,856,999	3,132,164	3,856,999
Balances with other financial institutions – related party	16	391,465	388,492	391,465	388,492
Balances with other banks – other banks		-	135,135	-	135,135
		5,391,077	6,715,040	5,391,077	6,715,040
The carrying value of cash and short-term funds approximates the fair value.					
* Banks are required to deposit a minimum average balance, calculated monthly, with Bank of Botswana as the Primary Reserve. These deposits bear no interest.					
Amounts denominated in foreign currencies included in above balances		4,278,037	4,391,773	4,278,037	4,391,773

Money at short notice constitutes amounts withdrawable in 30 days or less.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

12. Derivative financial instruments

Strategy in using derivatives

The Group transacts in derivatives for two purposes: to create risk management solutions for clients and to manage and hedge the Group's own risk. The Group's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed to ensure that they remain within acceptable risk levels, with offsetting deals being utilised to achieve this where necessary.

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

Interest rate swaps

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

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

Forward rate agreements

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

Currency options

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

Trading derivatives

The Group's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities in derivatives are entered into principally for the purpose of generating profits from short term fluctuations in price or margin. Positions may be traded actively or be held over a period of time to benefit from expected changes in currency rates, interest rates or other market parameters. Trading includes market making and positioning activities. Market making entails quoting bid and offer prices to other market participants for the purpose of generating revenues based on spread and volume; positioning entails managing market risk positions in the expectation of benefiting from favourable movements in prices, rates or indices. The trading derivatives relate to all spot and forward foreign exchange contracts which were unsettled as at year-end. Further information pertaining to the risk management strategy of the Group is set out in note 39.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

12. Derivative financial instruments (continued)

Group and Company

	Assets		Liabilities	
	Notional P'000	Fair value P'000	Notional P'000	Fair value P'000
2024				
Currency derivatives				
Trading derivatives	535,213	2,339	678,818	5,293
Currency swaps	161,178	6,042	402,790	1,784
Interest rate derivatives				
Interest rate swaps	359,168	8,987	251,294	3,546
	1,055,559	17,368	1,332,902	10,623
Related party (FirstRand Bank Limited) derivatives included in above balances				
Trading derivatives	380,288	1,595	203,677	294
Interest rate swaps	324,748	6,898	34,420	2,089
Currency swaps	134,005	5,841	382,262	1,639
	839,041	14,334	620,359	4,022



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

12. Derivative financial instruments (continued)

Strategy in using derivatives (continued)

Trading derivatives (continued)

Group and Company (continued)

	Assets		Liabilities	
	Notional P'000	Fair value P'000	Notional P'000	Fair value P'000
2023				
Currency derivatives				
Trading derivatives	796,392	9,509	402,860	3,364
Currency swaps	164,119	2,105	156,162	2,967
Interest rate derivatives				
Interest rate swaps	359,168	25,283	251,294	19,292
	1,319,679	36,897	810,316	25,623
Related party (FirstRand Bank Limited) above balances included in above balances				
Trading derivatives	94,601	307	125,001	816
Interest rate swaps	107,874	5,991	251,294	19,292
Currency swaps	164,119	2,105	156,162	2,967
	366,594	8,403	532,457	23,075



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Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

	Note(s)	Group		Company	
		2024 P'000	2023 P'000	2024 P'000	2023 P'000
13. Advances to customers					
Sector analysis					
Agriculture		374,313	312,909	374,313	312,909
Building and property development		314,295	238,896	314,295	238,896
Individuals		11,815,749	10,792,756	11,815,749	10,792,756
Manufacturing and commerce		622,834	406,583	622,834	406,583
Transport and communication		337,195	235,603	337,195	235,603
Other advances*		5,941,703	5,318,785	5,941,703	5,318,785
Gross advances		19,406,089	17,305,532	19,406,089	17,305,532
Less: impairment of advances	14	(912,087)	(1,030,856)	(912,087)	(1,030,856)
Net advances		18,494,002	16,274,676	18,494,002	16,274,676
Category analysis					
Term loans**		9,622,590	7,812,186	9,622,590	7,812,186
Instalment sales		2,064,940	1,722,924	2,064,940	1,722,924
Property loans		6,104,932	6,177,956	6,104,932	6,177,956
Overdraft and managed accounts		1,294,163	1,297,551	1,294,163	1,297,551
Other		319,464	294,915	319,464	294,915
Total customer advances		19,406,089	17,305,532	19,406,089	17,305,532
Gross value of advances		19,406,089	17,305,532	19,406,089	17,305,532
Less: impairment of advances	14	(912,087)	(1,030,856)	(912,087)	(1,030,856)
Net advances		18,494,002	16,274,676	18,494,002	16,274,676
Maturity analysis					
Maturity within one year		5,377,283	4,991,537	5,377,283	4,991,537
Maturity between one and five years		9,011,762	7,824,994	9,011,762	7,824,994
Maturity more than five years		5,017,044	4,489,001	5,017,044	4,489,001
		19,406,089	17,305,532	19,406,089	17,305,532

* Other Advances include commercial real estate, business services, electricity, tourism and hotels.

** Term loans include marketable advances of P342,654,000 (2023: P385,137,000). These are advances that are easily traded on public markets and converted into cash.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

	Amortised cost	Loss allowance	Total
13. Advances to customers (continued)			
Analysis of advances per category – 2024 P'000			
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
Segmental analysis P'000			
Retail	11,779,996	(486,558)	11,293,438
Commercial	3,564,041	(348,105)	3,215,936
Corporate	4,062,052	(77,424)	3,984,628
Total	19,406,089	(912,087)	18,494,002
Analysis of advances per category – 2023 P'000			
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
Segmental analysis P'000			
Retail	10,757,448	(572,964)	10,184,484
Commercial	3,156,990	(376,650)	2,780,340
Corporate	3,391,094	(81,242)	3,309,852
Total	17,305,532	(1,030,856)	16,274,676



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

14. Impairment of advances

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

Analysis of the gross advances and loss allowance on total advances as at June 30, 2024 – P'000

Group and Company	Gross advances				Loss allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Amortised cost	14,146,741	2,295,739	863,052	17,305,532	255,112	223,716	552,028	1,030,856
Amount as at July 1, 2023	14,146,741	2,295,739	863,052	17,305,532	255,112	223,716	552,028	1,030,856
Transfers								
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 1 to stage 3	(131,212)	-	131,212	-	(1,700)	-	1,700	-
Stage 2 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 June 30, 2024	16,449,539	2,179,677	776,873	19,406,089	147,295	228,280	536,512	912,087



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

14. Impairment of advances (continued)

Analysis of the gross advances and loss allowance on total advances as at June 30, 2023 – P'000

Group and Company	Gross advances				Loss allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Amortised cost	13,647,419	1,646,389	802,278	16,096,086	167,636	237,906	609,081	1,014,623
Amount as at July 1, 2022	13,647,419	1,646,389	802,278	16,096,086	167,636	237,906	609,081	1,014,623
Transfer								
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 3 to stage 2	-	2,284	(2,284)	-	-	2,111	(2,111)	-
Stage 1 to stage 2	(1,310,009)	1,310,009	-	-	(25,026)	25,026	-	-
Stage 1 to stage 3	(71,865)	-	71,865	-	(706)	-	706	-
Stage 2 to stage 3	-	(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 released	-	-	-	-	-	-	41,202	41,202
Amount as at June 30, 2023	14,146,741	2,295,739	863,052	17,305,532	255,112	223,716	552,028	1,030,856



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

14. Impairment of advances (continued)

- The reconciliation of the gross advances (gross carrying amount) and loss allowance (ECL) has been prepared using a year-to-date view. This means that the Group reports exposures based on the impairment stage at the end of the reporting period. The reconciliation distinguishes between the back book and new business as this provides meaningful information to the user in gaining an understanding of the performance of advances overall. The current year movement in ECL is split between new business and back book and the temporary stress scenario.
- The Group transfers opening balances (back book) at the value as at 1 July, based on the impairment stage at the end of the reporting period. Any change in exposure and additional ECL raised or released is included in the impairment stage as at the end of the reporting period. Exposures that are in the back book can move directly from stage 3 to stage 1 if the curing requirements have been met in a reporting period. The opening balances as at 1 July are transferred to the impairment stage at 30 June in the transfers section. The current year movements of the back book is included in changes in exposure and net movement on gross carrying amount (GCA) and ECL provided/(released) are reflected separately in the reconciliation. The current year movement in the ECL for stage 2 advances is split between exposure where there has been a change in the measurement basis from 12 months to lifetime ECL and other changes.
- The movement on GCA is the net amount of additional amounts advanced on the back book and any settlements. Transfers on the back book are reflected separately and new business originated during the financial year, the transfers between stages of the new origination and any settlements.
- Current year ECL provided/(released) relates to:
 - an increase/(decrease) in the carrying amount of the back book during the current financial year, as well as the increase/(decrease) in the risk associated with the opening balance of the back book; and
 - includes interest on stage 3 advances for stage 3 exposures in the back book and new business.
 - New business is broadly defined as any new product issued to a new or existing customer during the current financial year, including any increase or decrease during the current financial year. All new business is 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. Therefore, exposures in the new business lines can be reported in stage 3 at the end of the reporting date.
 - The majority of the fair value advances are originated within the Corporate and investment banking portfolio.
 - The decrease in the advance as a result of a write-off is equal to the decrease in the ECL (bad debts written off), as exposures are 100% provided for before being written off. There is however an exception in the Corporate and investment banking portfolio, where partial write-offs are permitted on a case-by-case basis.
 - The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is P146,141,000 (2023: P128,173,000).
 - The ECL allowance at the reporting date included P2,618,000 (2023: P1,834,000) relating to off balance sheet exposures of P2,611,048,000 (2023: P2,729,340,000).

For more information on the computation of ECL, refer to accounting policy 1.8.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

14. Impairment of advances (continued)

Analysis of the gross advances and loss allowance on total advances per class as at June 30, 2024 - P'000

Group and Company	Gross advances				Loss allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Residential mortgages	3,133,628	161,659	264,642	3,559,929	17,027	31,283	131,417	179,727
Instalment sales	828,990	409,164	57,144	1,295,298	14,882	19,917	52,981	87,780
Overdrafts	7,415	6,857	20,921	35,193	1,025	5,485	19,168	25,678
Term loans	6,023,937	602,615	86,732	6,713,284	58,205	33,002	75,922	167,129
Other	132,338	24,654	19,300	176,292	1,545	5,411	19,287	26,243
Total Retail	10,126,308	1,204,949	448,739	11,779,996	92,684	95,098	298,775	486,557
Property mortgages	900,235	135,102	117,124	1,152,461	3,008	1,984	56,887	61,879
Instalment sales	729,377	15,568	24,695	769,640	7,375	5,425	14,020	26,820
Overdrafts	443,476	121,591	76,721	641,788	8,715	42,033	77,608	128,356
Term loans	487,022	274,550	100,980	862,552	21,559	15,011	80,612	117,182
Other	126,978	2,358	8,265	137,601	1,688	3,917	8,261	13,866
Total Commercial	2,687,088	549,169	327,785	3,564,042	42,345	68,370	237,388	348,103
Corporate business banking	552,051	425,559	349	977,959	8,211	64,812	349	73,372
Investment banking	3,084,092	-	-	3,084,092	4,055	-	-	4,055
Total Corporate	3,636,143	425,559	349	4,062,051	12,266	64,812	349	77,427
Total advances	16,449,539	2,179,677	776,873	19,406,089	147,295	228,280	536,512	912,087



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

14. Impairment of advances (continued)

Analysis of the gross advances and loss allowance on total advances per class as at June 30, 2023 - P'000

Group and Company	Gross advances				Loss allowance			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Residential mortgages	2,875,315	303,235	321,380	3,499,930	127,219	24,107	125,026	276,352
Instalment sales	933,840	215,203	66,782	1,215,825	5,225	26,293	56,017	87,535
Overdrafts	7,043	13,020	18,618	38,681	4,488	11,284	12,966	28,738
Term loans	4,906,840	821,521	112,573	5,840,934	46,694	16,371	102,956	166,021
Other	127,275	31,112	4,941	163,328	3,789	6,372	3,922	14,083
Total Retail	8,850,313	1,384,091	524,294	10,758,698	187,415	84,427	300,887	572,729
Property mortgages	803,563	211,765	116,310	1,131,638	10,155	6,695	57,804	74,654
Instalment sales	347,949	147,634	11,515	507,098	4,410	8,732	9,355	22,497
Overdraft	369,398	181,983	78,334	629,715	21,127	26,977	76,903	125,007
Term loans	493,644	141,022	125,796	760,462	20,509	24,640	102,207	147,356
Other	116,186	3,860	6,781	126,827	1,298	1,223	4,850	7,371
Total Commercial	2,130,740	686,264	338,736	3,155,740	57,499	68,267	251,119	376,885
Corporate business banking	561,431	225,384	22	786,837	4,800	71,022	22	75,844
Investment banking	2,604,257	-	-	2,604,257	5,398	-	-	5,398
Total Corporate	3,165,688	225,384	22	3,391,094	10,198	71,022	22	81,242
Total advances	14,146,741	2,295,739	863,052	17,305,532	255,112	223,716	552,028	1,030,856

For more information on the computation of ECL refer to accounting policies 1.4, 1.8 and note 39.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

14. Impairment of advances (continued)

Group and Company	Loss allowance P'000			
	Stage 1	Stage 2	Stage 3	Total
Amount as at June 30, 2024	147,294	228,281	536,512	912,087
Significant components of total loss allowance				
– Forward looking information	33,732	17,848	–	51,579
– Model driven including watchlist	113,562	210,434	–	323,996
– Specific provisions	–	–	536,512	536,512
Amount as at June 30, 2023	255,112	223,716	552,028	1,030,856
Significant components of total loss allowance				
– Forward looking information	25,124	8,669	–	33,793
– Model driven including watchlist	229,988	215,047	–	445,035
– Specific provisions	–	–	552,028	552,028

A credit watchlist is utilised in which counterparties with early indicators of credit risk are monitored. The inclusion of a counterparty on the watchlist is considered a SICR event and such, a combination of a model driven and specific provision is applied.

Breakdown of impairment charge recognised in the income statement

Group and Company	2024		2023	
	Amortised cost	Total	Amortised cost	Total
Increase in loss allowance	17,322	17,322	153,631	153,631
Recoveries of bad debts	(65,354)	(65,354)	(60,073)	(60,073)
Impairment of advances recognised during the period	(48,032)	(48,032)	93,558	93,558



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

14. Impairment of advances (continued)

Breakdown of impairment charge recognised in the income statement (continued)

Group and Company	Security held P'000	Specific impairment P'000	Total P'000
Non-performing advances - amortised cost:			
Sector analysis - 2024			
Agriculture	2,570	6,893	9,463
Building and property development	2,997	10,990	13,987
Individuals	117,580	368,978	486,558
Manufacturing and commerce	4,553	8,249	12,802
Transport and communication	10,930	19,368	30,298
Other advances	101,731	122,034	223,765
Total non-performing advances - June 30, 2024	240,361	536,512	776,873
Sector analysis - 2023			
Agriculture	3,230	8,738	11,968
Building and property development	158	18,952	19,110
Individuals	213,422	311,105	524,527
Manufacturing and commerce	3,647	10,038	13,685
Transport and communication	9,869	20,865	30,734
Other advances	80,698	182,330	263,028
Total non-performing advances - June 30, 2023	311,024	552,028	863,052



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

14. Impairment of advances (continued)

Breakdown of impairment charge recognised in the income statement (continued)

Group and Company	Security held P'000	Specific impairment P'000	Total P'000
Category analysis - 2024			
Overdrafts and managed accounts	866	96,776	97,642
Term loans	31,178	156,534	187,712
Instalment sales	14,837	67,001	81,838
Property loans	193,462	188,304	381,766
Other advances	18	27,897	27,915
Total non-performing advances - June 30, 2024	240,361	536,512	776,873
Retail	160,639	312,794	473,433
Commercial	79,722	223,369	303,091
Corporate	-	349	349
Credit-impaired advances	240,361	536,512	776,873
Category analysis - 2023			
Overdrafts and managed accounts	1,700	95,252	96,952
Term loans	49,531	200,582	250,113
Instalment sales	12,925	65,372	78,297
Property loans	246,868	190,822	437,690
Total non-performing advances - June 30, 2023	311,024	552,028	863,052
Retail	221,775	300,798	522,573
Commercial	89,249	251,230	340,479
Credit-impaired advances	311,024	552,028	863,052



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

15. Investment securities

Group and Company - 2024

	Fair value through profit or loss P'000	Amortised cost P'000	Total P'000
Bank of Botswana Certificates	-	4,298,825	4,298,825
Government Bonds	-	4,856,729	4,856,729
Government and Parastatal Bonds	82,334	-	82,334
Treasury Bills	-	2,365,186	2,365,186
	82,334	11,520,740	11,603,074

Group and Company - 2023

	Fair value through profit or loss P'000	Amortised cost P'000	Total P'000
Bank of Botswana Certificates	-	1,498,713	1,498,713
Government Bonds	-	2,972,146	2,972,146
Government and Parastatal Bonds	28,046	-	28,046
Treasury Bills	-	1,474,043	1,474,043
	28,046	5,944,902	5,972,948

P4,298,825,000 (2023: P1,498,713,000) of the Bank of Botswana Certificates form part of the Group's liquid assets portfolio in terms of section 16 (5) of the Banking Act (Cap 46:04).

The Bank of Botswana Certificates have a seven day and twenty eight days maturity period (2023: seven day and twenty eight days maturity period).

Bank of Botswana securities amounting to P1,300,000,000 (2023: P260,000,000) have been pledged as collateral of the secured intra-day trading facilities with Bank of Botswana.

The Group has opted to invest the excess cash generated from deposits in investment securities.

Both the transferred investments and related deposits under repurchase agreements are reported at amortised cost.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

15. Investment securities (continued)

	2024 P'000	2023 P'000
Loss allowance on investment securities		
Stage 1	943	527
	943	527
Total Investment securities		
Analysis of investment securities		
Amortised cost	943	527
Total Investment securities	943	527

16. Related parties

Relationships

Ultimate holding company

FirstRand Limited - South Africa

Holding company

First National Bank Holdings (Botswana) Limited

Subsidiaries

Refer to note 18

Common management/Common control

FNB Insurance Brokers (Proprietary) Limited

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



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

16. Related parties (continued)

	Note(s)	Group		Company	
		2024 P'000	2023 P'000	2024 P'000	2023 P'000
Related party balances					
Due from related parties					
FirstRand Limited – South Africa		3,336,105	3,919,302	3,336,105	3,919,302
RMB International Mauritius Ltd	11	391,465	388,492	391,465	388,492
First National Bank Holdings (Botswana) Limited		6,368	6,804	6,368	6,804
Financial Services Company of Botswana Proprietary Limited		-	-	8,414	9,827
		3,733,938	4,314,598	3,742,352	4,324,425
Less money at call and short notice					
FirstRand Limited – South Africa – nostro balances	11	(200,371)	(62,303)	(200,371)	(62,303)
FirstRand Limited – South Africa – placements	11	(3,132,164)	(3,856,999)	(3,132,164)	(3,856,999)
RMB International Mauritius Ltd		(391,465)	(388,492)	(391,465)	(388,492)
		9,938	6,804	18,352	16,631
Due to related companies – current liabilities					
Financial Services Properties Proprietary Limited		-	-	-	50
Financial National Insurance Agency Proprietary Limited		-	-	19,210	7,712
FNB Insurance Brokers (Botswana) Proprietary Limited		-	45,834	-	45,834
First Funding Proprietary Limited		-	-	4,393	4,521
Plot Four Nine Seven Two Proprietary Limited		-	-	111	85
FirstRand Limited – South Africa		38,887	26,626	38,887	26,626
Due to related companies – other liabilities		38,887	72,460	62,601	84,828

Refer to Note 21 for amounts included in deposits from customers, refer to Note 22 for amounts included in deposits from banks and refer to Note 12 for amounts included in derivatives.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

16. Related parties (continued)

Related party transactions

Transactions were carried out in the ordinary course of business, were not secured, and are detailed as below:

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
Interest income				
FirstRand Limited – South Africa Proprietary Limited	221,104	123,641	221,104	123,641
Non-interest income				
Administration fee – FNB Insurance Brokers (Botswana) Proprietary Limited	-	3,004	-	3,004
Interest expenditure				
FirstRand Limited – South Africa	35,315	38,568	35,315	38,568
First National Bank Insurance Brokers (Proprietary) Limited	443	421	443	421
First National Bank Holdings (Proprietary) Limited	60	78	60	78
	35,818	39,067	35,818	39,067
Operating expenses				
Service fees – FirstRand Limited (Note 5)	396,176	311,344	396,176	311,344
Rent expense – Financial Services Company of Botswana Proprietary Limited	-	-	3,400	3,467
Management fees – FNB Insurance Brokers (Botswana) Proprietary Limited	(3,665)	(584)	(3,665)	(584)
Management fees – Financial Services Company of Botswana Proprietary Limited	-	-	(33)	(92)
	392,511	310,760	395,878	314,135



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

16. Related parties (continued)

Related party transactions (continued)

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
Contingencies and commitments				
Undrawn commitment –FirstRand Limited	400,000	400,000	400,000	400,000
Guarantee– FNB Insurance Brokers (Botswana) Proprietary Limited	42,534	42,534	42,534	42,534
	442,534	442,534	442,534	442,534
Transaction with key management personnel:				
Compensation paid to key management personnel				
Share–based payments	7,201	1,624	7,201	1,624
Short–term employee benefits	22,836	18,083	22,836	18,083
	30,037	19,707	30,037	19,707
Post employment benefits				
Pension	771	654	771	654
Advances				
Personal loans	1,292	500	1,292	500
Credit card	396	409	396	409
Instalment finance	788	735	788	735
Property loans	12,550	10,205	12,550	10,205
Total advances	15,026	11,849	15,026	11,849

For all the above facilities, standard credit checks are performed.

Personal loans and instalment finance loans are repayable between 5 - 6 years. Property loans are repayable monthly over periods up to 20 years.

Property loans are collateralised by properties with a total fair value of P 21,520,000- (2023: P16,440,000). Personal loans, overdrafts and credit card balances are unsecured.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

17. Other assets

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
Financial instruments:				
Other sundry debtors	177,683	74,996	177,683	74,996
Items in transit	8,214	36,782	8,268	36,782
Total financial instruments	185,897	111,778	185,951	111,778
Non-financial instruments:				
Prepayments	11,060	18,032	11,060	18,032
Prepayment for staff share scheme	19,066	19,494	19,066	19,494
Deferred staff costs - off market loans	231,802	220,578	231,802	220,578
Total non-financial instruments	261,928	258,104	261,928	258,104
Total carrying amount of other assets	447,825	369,882	447,879	369,882

* The prepaid fund is managed by RMB Morgan Stanley. Share based payments allocated to employees are accumulated in advance through the fund. No liability is recognised for the conditional share plan scheme, as the liability is prepaid.

18. Investments in subsidiary companies

The following table lists the entities which are controlled by the Group, either directly or indirectly through subsidiaries. All of these subsidiaries are domiciled in Botswana.

Company

Name of company	Nature of business	% holding	Carrying amount 2024 P'000	Carrying amount 2023 P'000
Financial Services Company of Botswana Limited	Property owning company	100.00%	12,500	12,500
First Funding Proprietary Limited	Dormant	100.00%	1,000	1,000
Premium Credit Botswana Proprietary Limited	Dormant	100.00%	10	10
First National Insurance Agency Proprietary Limited	Dormant	100.00%	30	30
			13,540	13,540



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

19. Property and equipment

Group	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Freehold and leasehold land and buildings	386,755	(105,172)	281,583	380,450	(97,577)	282,873
Furniture and equipment	210,875	(88,716)	122,159	445,947	(349,585)	96,362
Motor vehicles	24,334	(16,778)	7,556	19,313	(14,853)	4,460
Leasehold improvements	91,371	(50,325)	41,046	155,823	(108,086)	47,737
Right of use asset – property	216,027	(60,018)	156,009	180,406	(50,828)	129,578
Capital – Work in progress	7,948	–	7,948	5,138	–	5,138
Total	937,310	(321,009)	616,301	1,187,077	(620,929)	566,148

Company	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Freehold and leasehold land and buildings	350,723	(82,057)	268,666	344,301	(75,071)	269,230
Furniture and equipment	207,180	(86,378)	120,802	441,709	(347,231)	94,478
Motor vehicles	24,334	(16,778)	7,556	19,313	(14,853)	4,460
Leasehold improvements	91,371	(50,325)	41,046	155,823	(108,086)	47,737
Right of use asset– property	216,027	(60,018)	156,009	180,406	(50,828)	129,578
Capital – Work in progress	7,948	–	7,948	5,138	–	5,138
Total	897,583	(295,556)	602,027	1,146,690	(596,069)	550,621



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

19. Property and equipment (continued)

Reconciliation of property and equipment – Group – 2024

	Opening balance	Additions	Disposals	IFRS 16 lease adjustment	Depreciation	Total
Freehold and leasehold land and buildings	282,873	6,519	(97)	-	(7,712)	281,583
Furniture and equipment	96,362	68,769	(703)	-	(42,269)	122,159
Motor vehicles	4,460	5,372	(5)	-	(2,271)	7,556
Leasehold improvements	47,737	1,909	(297)	-	(8,303)	41,046
Right of use asset – property	129,578	27,286	-	24,710	(25,565)	156,009
Capital – Work in progress	5,138	2,810	-	-	-	7,948
	566,148	112,665	(1,102)	24,710	(86,120)	616,301

Reconciliation of property and equipment – Group – 2023

	Opening balance	Additions	Disposals	Transfers	IFRS 16 lease adjustment	Depreciation	Total
Freehold and leasehold land and buildings	274,591	10,702	-	5,176	-	(7,596)	282,873
Furniture and equipment	75,853	62,789	(66)	(1,518)	-	(40,696)	96,362
Motor vehicles	4,343	1,843	-	96	-	(1,822)	4,460
Leasehold improvements	53,903	5,736	(12)	(3,744)	-	(8,146)	47,737
Right of use asset – property	124,631	16,198	-	-	11,978	(23,229)	129,578
Capital – Work in progress	348	4,800	-	(10)	-	-	5,138
	533,669	102,068	(78)	-	11,978	(81,489)	566,148

* Transfers consist of reallocation of assets within the respective categories so as to accurately reflect the nature of the asset.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

19. Property and equipment (continued)

Reconciliation of property and equipment - Company - 2024

	Opening balance	Additions	Disposals	IFRS 16 lease adjustment	Depreciation	Total
Freehold and leasehold land and buildings	269,230	6,520	(95)	-	(6,989)	268,666
Furniture and equipment	94,478	68,642	(581)	-	(41,737)	120,802
Motor vehicles	4,460	5,372	(5)	-	(2,271)	7,556
Leasehold improvements	47,737	1,908	(298)	-	(8,301)	41,046
Right of use asset- property	129,578	27,286	-	24,710	(25,565)	156,009
Capital - Work in progress	5,138	2,810	-	-	-	7,948
	550,621	112,538	(979)	24,710	(84,863)	602,027

Reconciliation of property and equipment - Company - 2023

	Opening balance	Additions	Disposals	Transfers	IFRS 16 lease adjustment	Depreciation	Total
Freehold and leasehold land and buildings	261,760	10,702	-	3,639	-	(6,871)	269,230
Furniture and equipment	71,732	62,788	(66)	19	-	(39,995)	94,478
Motor vehicles	4,343	1,843	-	96	-	(1,822)	4,460
Leasehold improvements	53,903	5,736	(12)	(3,744)	-	(8,146)	47,737
Right of use asset- property	124,631	16,198	-	-	11,978	(23,229)	129,578
Capital - Work in progress	348	4,800	-	(10)	-	-	5,138
	516,717	102,067	(78)	-	11,978	(80,063)	550,621

* Transfers consist of reallocation of assets within the respective categories so as to accurately reflect the nature of the asset.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

19. Property and equipment (continued)

Property and equipment encumbered as security

No assets have been encumbered as security for any liabilities.

There were no contractual commitments made for the acquisition of property and equipment.

No borrowings were capitalised during the year.

20. Goodwill

Group P'000	2024			2023		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Goodwill	26,963	-	26,963	26,963	-	26,963

Company P'000	2024			2023		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Goodwill	26,589	-	26,589	26,589	-	26,589

The goodwill arose from the Bank's acquisition of net assets relating to unsecured lending activities which generate income from ordinary activities and thus met the definition of a business at the time of acquisition. For more information on the assessment of goodwill impairment refer to accounting policy 1.8.6.

21. Deposits from customers

Group and Company	2024 P'000	2023 P'000
Current and managed accounts	16,505,179	11,170,433
Savings accounts	1,729,689	1,552,972
Call and term deposits	11,786,689	10,609,646
	30,021,044	23,333,051

Included in the call and term deposits is a balance of P7,251,000 (2023: P7,197,000) relating to First National Bank Holdings (Botswana) Limited and P8,791,000 (2023: P8,393,000) relating to FNB Insurance Brokers (Botswana) Proprietary Limited. Included in the current and managed accounts is a balance of P17 670 000 (2023: P Nil) relating to FNB Insurance Brokers (Botswana) Proprietary Limited.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

21. Deposits from customers (continued)

	2024 P'000	2023 P'000
Discounted maturity analysis		
Withdrawal on demand	26,554,620	21,607,864
Maturing within one year	3,378,631	1,685,309
Maturing two to five years	87,793	32,878
Maturing over 5 years	-	7,000
	30,021,044	23,333,051

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

22. Deposit from banks

	2024 P'000	2023 P'000	2024 P'000	2023 P'000
Unsecured and payable on demand	501,449	849,454	501,449	849,454
	501,449	849,454	501,449	849,454

Included in this amount is a balance due to FirstRand Group Limited of P477,772,000 (2023: P 696,593,000), First National Bank Zambia P1,405,000 (2023: P 282,000), and First National Bank Eswatini P240,000 (2023: P133,000), FNB Lesotho P43,000 (2023: P 94,000) and First National Bank Namibia P225,000 (2023: P 799,000).



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

23. Borrowings

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
Subordinated Unsecured Bonds (Qualifying as Tier 2 capital)				
Floating rate	196,802	196,802	196,802	196,802
196,802.00 Medium Term Notes (2023:196,802.00 at P1,000 each)				
Floating rate	117,750	117,750	117,750	117,750
117,750.00 Medium Term Notes (2023:117,750.00 at P1,000 each)				
Fixed rate	65,440	65,440	65,440	65,440
6,544.00 Medium Term Notes of (2023:6,544.00 at P10,000 each)				
	379,992	379,992	379,992	379,992
Unsubordinated Unsecured Bonds				
Floating rate	126,350	126,350	126,350	126,350
12,635.00 Medium Term Notes of P10,000 each (2023:12,635.00 at P10,000 each)				
	506,342	506,342	506,342	506,342
Other borrowings				
Zero coupon deposit				
Botswana Life Insurance Limited (BLIL) Proprietary Limited – 15 year zero coupon deposit	95,387	132,646	95,387	132,646
Other zero coupon deposits	427,427	395,353	427,427	395,353
	522,814	527,999	522,814	527,999
Negotiable Certificates of deposit	-	66,546	-	66,546
Total borrowings	1,029,156	1,100,887	1,029,156	1,100,887

The Subordinated Unsecured Registered Bonds bear interest at fixed and floating rates of 7.20% and MoPR plus 461 basis points and 511 basis points per annum respectively with maturity dates ranging from December 2029-2031. Interest is paid semi-annually on the fixed rate note and quarterly on the floating rate note.

The Unsubordinated Unsecured Bond Note is ranked lower to claims of senior creditors and claims of depositors and matures in November 2024. This note bears interest at a floating rate of MoPR plus 356 basis points.

The 15-year zero coupon deposit from BLIL bears interest at a fixed rate of 9.29% and matures fully by 2026. Repayments of P50 million will be made in 2025 and 2026 respectively. The deposit is carried at fair value.

The zero coupon deposits are with Botswana Insurance Fund Management Limited at fixed rates of interest ranging between 7.60% and 9.40% per annum, with maturities ranging from July 2025 to January 2026.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

23. Borrowings (continued)

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
Funding liabilities				
Opening balance	1,100,887	1,329,454	1,100,887	1,329,454
Redemption of other liabilities	(50,000)	(271,000)	(50,000)	(271,000)
Interest paid	(34,571)	-	(34,571)	-
Cash flow movements	(84,571)	(271,000)	(84,571)	(271,000)
Fair value movement	12,741	8,179	12,741	8,179
Transfer to deposits	(66,546)	-	(66,546)	-
Interest accrued	66,645	34,254	66,645	34,254
Non-cash flow movements	12,840	42,433	12,840	42,433
	1,029,156	1,100,887	1,029,156	1,100,887

Financial liabilities

Determined with reference to changes in the mark-to-market yields of own issued bonds. The change in fair value of financial liabilities due to changes in credit risk is immaterial.

Financial liabilities designated as at fair value through profit or loss

	2024		2023	
	Fair value	Contractually payable at maturity	Fair value	Contractually payable at maturity
Zero coupon deposits	95,387	100,000	132,646	150,000



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

23. Borrowings (continued)

Total fair value income included in profit or loss for the year

	2024	2023
Total fair value income for the year has been disclosed as:		
Fair value gains and losses included in non-interest revenue	(12,741)	(8,179)

24. Other liabilities

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
Accounts payable	14,652	16,229	14,613	16,229
Other creditors	32,965	16,104	33,004	16,104
Items in transit	197,368	433,238	197,368	433,238
Lease liabilities	166,840	139,180	166,840	139,180
Depositor insurance scheme premiums*	17,088	-	17,088	-
Audit fees	3,660	6,038	3,610	6,038
Accruals	235,722	170,639	234,857	170,639
Total other liabilities	668,295	781,428	667,380	781,428

* Refer to Note 3 for details.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

24. Other liabilities (continued)

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
Lease liabilities				
Opening balance	139,180	138,838	139,180	138,838
New leases recognised during the year	27,286	16,198	27,286	16,198
Modification of leases	21,854	9,726	21,854	9,726
Prior year adjustments	7,030	-	7,030	-
Interest accrued - prior year adjustment	4,027	-	4,027	-
Interest accrued	4,652	4,788	4,652	4,788
Non-cashflow movements	64,849	30,712	64,849	30,712
Principal payments towards lease liabilities	(28,510)	(25,582)	(28,510)	(25,582)
Interest paid	(8,679)	(4,788)	(8,679)	(4,788)
Cashflow movements	(37,189)	(30,370)	(37,189)	(30,370)
	166,840	139,180	166,840	139,180

Other creditors comprise of unclaimed monies, unclaimed dividends, and other uncleared items in transit.

The fair values of other liabilities approximate their carrying amounts due to their short term nature.

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
Maturity analysis of future lease payments outstanding at the reporting date*				
1 - 3 months	4,299	4,318	4,299	4,318
4 - 12 months	19,678	20,106	19,678	20,106
1 - 5 years	96,612	97,141	96,612	97,141
Over 5 years	118,515	120,322	118,515	120,322
	239,104	241,887	239,104	241,887

The Banks significant leases relate to the property rentals of office premises and the various branch network channels represented by full service and mini branches, agencies and ATM lobbies. The rentals have fixed monthly payments escalation clauses are based on market- related rates and vary between 5% and 12%.

The leases are usually for original periods of one to five years. The leases are non-cancellable and some of the leases have an option to renew for a further leasing period at the end of the original lease term.

* Prior year maturity analysis restated to reflect the undiscounted cash flows of future lease payments. In the prior year maturity analysis was disclosed at the carrying amount of the lease liability as follows:

1 - 3 months	P6,746,000
4 - 12 months	P19,415,000
1 - 5 years	P91,691,000
Over 5 years	P21,598,000



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

25. Employee benefits liabilities

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
Leave pay				
At the beginning of the year	37,882	32,644	37,882	32,644
Additional accrual recognised	14,831	13,548	14,831	13,548
Utilised	(16,855)	(8,310)	(16,855)	(8,310)
At the end of the year	35,858	37,882	35,858	37,882
Bonus				
At the beginning of the year	79,033	65,583	79,033	65,583
Additional accrual recognised	117,083	97,506	117,083	97,506
Utilised	(100,769)	(84,056)	(100,769)	(84,056)
At the end of the year	95,347	79,033	95,347	79,033
At the end of the year	131,205	116,915	131,205	116,915

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



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

26. Capital adequacy

		Group	
	Note(s)	June 30, 2024 P'000	June 30, 2023 P'000
Tier 1 – Core capital			
Stated capital		51,088	51,088
Retained income - adjusted to revised operating capital by Bank of Botswana		3,459,746	3,167,006
		3,510,834	3,218,094
Goodwill		(26,963)	(26,963)
		3,483,871	3,191,131
Tier 2 – Supplementary capital			
Stage 1 and 2 provisioning		234,694	225,792
Subordinated Unsecured Bonds	23	379,992	379,992
		614,686	605,784
Total qualifying capital			
		4,098,557	3,796,915
Risk adjusted assets			
– Credit risk weighted assets (Simple Approach)		18,775,481	18,063,388
– Market risk weighted assets		65,529	234,555
– Operational risk weighted assets		2,999,701	2,644,922
		21,840,711	20,942,865
Capital adequacy ratios (%)		18.77	18.13
Core capital (%) (Basel Committee guide: minimum 4.5%)		15.95	15.24
Supplementary capital (%)		2.81	2.89
Total (%)		18.76	18.13
Bank of Botswana required minimum risk asset ratio (%)		12.50	12.50



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

26. Capital adequacy (continued)

The overall capital management objective is to maintain sound capital ratios and a strong credit rating to ensure confidence in the Group's solvency and quality of capital during calm and turbulent periods in the economy and financial markets. The Group, therefore, maintains capitalisation ratios aligned with its risk appetite and appropriate for safeguarding operations and stakeholder interests. The key focus areas and considerations of capital management is to ensure an optimal level and composition of capital, effective allocation of resources including capital and risk capacity, and a sustainable dividend policy.

The capital base of the Group provides the foundation for lending, off-balance sheet transactions and other activities. The capital adequacy of the Group is measured in accordance with the requirements of the Banking Act (Cap 46:04) in terms of which the Group must maintain a minimum level of capital based on its risk weighted assets and exposures. The Group undertakes an annual Internal Capital Adequacy Assessment Process (ICAAP) wherein required buffers on regulatory capital adequacy levels are set to ensure that the Group is sufficiently capitalised through the cycle.

27. Post-retirement fund liabilities

The Group operates a defined contribution scheme, the assets of which are held in a separate trustee-administered fund. The pension plan is funded by payments from employees and the Group, and the Retirement Funds Act governs its administration. The fund currently has a total contribution rate of 20.5% (2023: 20.5%) of pensionable salary towards retirement funding). This is made up of an employee contribution rate of 7.0% (2023: 7.0%) and an employer contribution rate of 13.5% (2023: 13.5%). The liability of the Group is limited to the contributions made during the employment period of the employee. Amounts paid to the defined contribution schemes P 59,935,000 (2023: P 53,387,000).

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

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
28. Stated capital				
Ordinary shares of no-par value 2,543,700,000 (2023: 2,543,700,000)	51,088	51,088	51,088	51,088
29. Reserves				
Retained earnings				
Balance at 01 July	3,167,007	2,865,219	3,153,252	2,854,014
Profit for the year	1,386,531	1,115,772	1,382,824	1,113,222
Interim dividends paid	(406,992)	(305,244)	(406,992)	(305,244)
Retained earnings	4,146,546	3,675,747	4,129,084	3,661,992
Proposed dividend				
Final dividends proposed	(686,799)	(508,740)	(686,799)	(508,740)
	(686,799)	(508,740)	(686,799)	(508,740)
Total reserves	3,459,747	3,167,007	3,442,285	3,153,252



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
30. Cash used in operations before taxation and working capital changes				
Profit before direct taxation	1,780,684	1,419,876	1,776,332	1,416,248
Adjustments for:				
Depreciation of property and equipment	86,120	81,489	84,863	80,063
Loss on sale of property and equipment	1,102	78	979	78
Foreign exchange movements on cash balances	(16,921)	(231,047)	(16,921)	(231,047)
Impairment (reversal)/loss on loans and advances	(48,032)	93,557	(48,032)	93,557
Unrealised loss on derivative financial instruments	4,530	1,208	4,530	1,208
Net loss on financial instruments held at fair value through profit and loss	12,742	8,179	12,742	8,179
Lease adjustments	4,174	(2,252)	4,174	(2,252)
Interest and similar income	(2,394,530)	(1,950,758)	(2,394,530)	(1,950,758)
Interest expense and similar expenses	554,645	469,175	557,576	472,024
	(15,486)	(110,495)	(18,287)	(112,700)
31. Current income tax paid				
Taxation refundable at the beginning of the year	(88,368)	(82,299)	(78,378)	(70,129)
Charged to the income statement	411,462	300,289	410,774	300,264
Taxation refundable at the end of the year	4,999	88,368	2,199	78,378
Cash amounts paid	328,093	306,358	334,595	308,513
32. Current income taxation asset				
Balance at the beginning of the year	88,368	82,299	78,378	70,129
Charged to the income statement	(411,462)	(300,289)	(410,774)	(300,264)
Cash amounts paid net of refunds received	328,093	306,358	334,595	308,513
Balance at the end of the year	4,999	88,368	2,199	78,378



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
33. Movement in deposits from customers				
Movement in current and managed account deposits	5,334,746	800,292	5,334,746	800,292
Movement in savings deposits	176,204	8,691	176,204	8,691
Movement in call and term deposits	1,177,043	1,176,456	1,177,043	1,176,456
Transfer from borrowings	(66,546)	-	(66,546)	-
	6,621,447	1,985,439	6,621,447	1,985,439
34. Movement in advances to customers				
Net amount outstanding at the beginning of the year	16,274,676	15,081,463	16,274,676	15,081,463
Impairment of advances	48,032	(93,557)	48,032	(93,557)
Net amount outstanding at the end of the year	(18,494,002)	(16,274,676)	(18,494,002)	(16,274,676)
Movement in accrued interest	3,606	1,649	3,606	1,649
Movement in interest suspended	26,267	-	26,267	-
	(2,141,421)	(1,285,121)	(2,141,421)	(1,285,121)
35. Dividends paid				
Previous year's final dividends paid during the year	508,740	406,992	508,740	406,992
Interim dividends	406,992	305,244	406,992	305,244
Total dividends paid to shareholders	915,732	712,236	915,732	712,236

The Directors propose a final dividend of 27.00 thebe per share (2023: 20.00 thebe per share). An interim dividend of 16.00 thebe per share (2023: 12.00 thebe per share) for the year ended June 30, 2024 has been paid to holders of ordinary shares.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

	Note(s)	Group		Company	
		2024 P'000	2023 P'000	2024 P'000	2023 P'000
36. Cash and cash equivalents					
Cash and short-term funds	11	5,391,077	6,715,040	5,391,077	6,715,040
Bank of Botswana Certificates	15	4,298,825	1,498,713	4,298,825	1,498,713
		9,689,902	8,213,753	9,689,902	8,213,753

The BoB certificates are held for purposes of meeting short-term commitments and is included in cash and cash equivalents.

	Group		Company	
	2024 P'000	2023 P'000	2024 P'000	2023 P'000
37. Contingencies and commitments				
Letters of credit	22,130	7,676	22,130	7,676
Guarantees – performance	792,570	677,259	792,570	677,259
Guarantees – other	31,848	58,256	31,848	58,256
	846,548	743,191	846,548	743,191
Expected credit loss on contingencies and commitments	2,618	1,834	2,618	1,834
<i>The above contingencies represent guarantees and letters of credit.</i>				
Commitments				
Revocable	1,882,577	1,802,009	1,882,577	1,802,009
Irrevocable	728,471	927,331	728,471	927,331
Undrawn commitments to customers	2,611,048	2,729,340	2,611,048	2,729,340
Capital commitments				
Capital expenditure approved by the Directors				
– not yet contracted for	150,308	104,536	150,308	104,536

The capital commitments are wholly in respect of property and equipment, and will be funded from internal resources.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

37. Contingencies and commitments (continued)

Contingent liabilities

The Group by its very nature has a large number of stakeholders and frequently engages in both large and numerous transactions with various stakeholders, as such is inherently subject to greater legal exposure. Numerous legal proceedings have been undertaken by various stakeholders seeking damages from the Group. The Group approximates the possible exposure of P2,000,000 (2023: P2,000,000) arising in the normal course of business.

38. Trust activities

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

At June 30, 2024 the Group acted as a custodian in respect of Botswana Government bonds amounting to P3,214,219,000 (2023: P2,513,866,000), money markets P2,214,849,000 (2023: P2,695,044,000), equities amounting to P11,169,477,000 (2023: P9,175,785,000) and trustees amounting to P865,059,000 (2023: P nil). These assets are held in a trust or in a fiduciary capacity and are not treated as assets of the Group. Accordingly, they have not been included in the statements of financial position.

39. Financial risk management

Only consolidated amounts have been disclosed, as there is no material difference between the consolidated and separate financial risk management disclosures. The related disclosures include:

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

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

Risk governance in the Group

The Group believes that effective risk, performance and financial resource management is key to its success and underpins the delivery of sustainable returns to shareholders. These disciplines are, therefore, deeply embedded in the Group's tactical and strategic decision-making.

Effective risk management is supported by effective governance structures, robust policy frameworks and a risk-focused culture. Strong governance structures and policy frameworks foster the embedding of risk considerations in business processes and ensure that consistent standards exist across the Group. In line with the Group's corporate governance framework, the board retains ultimate responsibility for providing strategic direction, approving risk appetite and ensuring that risks are adequately identified, measured, monitored, managed and reported on.

Effective risk management requires multiple points of control or safeguards that should consistently be applied at various levels throughout the organisation.

The primary board committee overseeing risk matters across the Group is the Board Risk, Capital management and Compliance Committee (RCCC).



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Overview of financial risk

The financial instruments recognised on the Group's statement of financial position expose the Group to various financial risks.

The information presented in this note represents the information required by IFRS 7 and sets out the Group's exposure to these financial risks. This section also contains details on the Group's capital management process.

Overview of financial risk		
Credit Risk	The risk of loss due to the non-performance of a counterparty in respect of any financial or other obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads. Credit risk also includes credit default, pre-settlement, and concentration risk.	
	Credit risk arises primarily from the following instruments: <ul style="list-style-type: none"> • advances; • certain investment securities; and • off-balance sheet exposures. Other sources of credit risk are: <ul style="list-style-type: none"> • cash and cash equivalents; • accounts receivable included in other assets; and • derivative balances. 	The following information is presented for these assets; <ul style="list-style-type: none"> • credit assets and concentration risk; • information about the quality of credit assets; and • credit risk mitigation techniques and collateral held.
Liquidity Risk	The risk that the Group may not be able to effectively meet current and future cash flow and collateral requirements without negatively affecting the normal course of business, financial position or reputation.	
	All assets and liabilities with differing maturity profiles expose the Group to liquidity risk.	The following information is presented for these assets and liabilities: <ul style="list-style-type: none"> • undiscounted cash flow analysis of financial liabilities; • discounted cash flow analysis of total assets, and liabilities; and • collateral pledged.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Overview of financial risk (continued)

Overview of financial risk	
Market Risk	<p>Traded market risk is the risk of adverse revaluation of any financial instrument as a consequence of changes in the market prices or rates.</p> <p>Interest rate risk in the banking book is the sensitivity of a bank's financial position and earnings to unexpected, adverse movements in interest rates. It originates from the differing repricing characteristics of balance sheet positions/instruments, yield curve risk, basis risk and client optionality embedded in banking book products.</p> <p>Structural foreign exchange risk is the risk of an adverse impact on the Group's financial position and earnings or other key ratios as a result of movements in foreign exchange rates impacting balance sheet exposures. It arises from balances denominated in foreign currencies and Group entities with functional currencies other than the Pula.</p>
Capital Management	<p>The overall capital management objective is to maintain sound capital ratios and a strong credit rating to ensure confidence in the Group's solvency and quality of capital during calm and turbulent periods in the economy and financial markets. The Group, therefore, maintains capitalisation ratios aligned with its risk appetite and appropriate for safeguarding operations and stakeholder interests. The key focus areas and considerations of capital management are to ensure an optimal level and composition of capital, effective allocation of resources including capital and risk capacity, and a sustainable dividend policy.</p>

Credit risk

Objective

Credit risk management objectives are twofold:

- Risk control: Appropriate limits are placed on the assumption of credit risk and steps are taken to ensure the accuracy of credit risk assessments and reports. Deployed and central credit risk management teams fulfil this task.
- Management: Credit risk is taken within the constraints of the Group's risk/return and credit risk appetite framework. The credit portfolio is managed at an aggregate level to optimise the exposure to this risk. The Group credit risk management function and relevant board committees, fulfil this role.

Based on the Group's credit risk appetite, as measured on an ROE, NIACC and volatility-of-earnings basis, credit risk management principles include holding the appropriate level of capital and pricing for risk on an individual and portfolio basis. The scope of credit risk identification and management practices across the Group, therefore, spans the credit value chain, including risk appetite, credit origination strategy, risk quantification and measurement, as well as collection and recovery of delinquent accounts.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Credit risk (continued)

Assessment and management

Credit risk is managed through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and reporting of credit risk exposure. Credit risk management across the Group is split into three distinct portfolios: Retail, Commercial and Corporate, and are aligned to customer profiles.

The assessment of credit risk across the Group relies on internally developed quantitative models for addressing financial reporting and business needs. The models are used for the internal assessment of the three primary credit risk components:

- probability of default (PD);
- exposure at default (EAD); and
- loss given default (LGD).

Management of the credit portfolio is reliant on these three credit risk measures. PD, EAD and LGD are inputs into the credit risk assessment where the measures are combined with estimates of correlations between individual counterparties, industries and portfolios to reflect diversification benefits across the portfolio.

The Group employs a granular, 100-point master rating scale, which has been mapped to the continuum of default probabilities, as illustrated in the Financial Risk (FR) tables. FR1 is the lowest PD and FR100 the highest. External ratings have also been mapped to the master rating scale for reporting purposes. These mappings are reviewed and updated on a regular basis.

Mapping of FR grades to rating agency scales

FR rating	Midpoint PD	FNBB rating (based on S & P)
FR 1 - 14	0.06%	AAA, AA+, AA, AA-, A+, A, A-
FR 15 - 25	0.29%	BBB+, BBB(upper), BBB, BBB-(upper), BBB-, BB+(upper)
FR 26 - 32	0.77%	BB+, BB(upper), BB, BB-(upper)
FR 33 - 39	1.44%	BB-, B+(upper)
FR 40 - 53	2.52%	B+
FR 54 - 83	6.18%	B(upper), B, B-(upper)
FR 84 - 90	13.68%	B-
FR 91 - 99	59.11%	CCC
FR 100	100%	D(Defaulted)

* Indicative mapping to the international rating scales of S&P Global ratings. The Group currently only uses mapping to S&P rating scales.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Credit risk (continued)

Credit assets and concentration risk

The assets and off-balance sheet amounts included in the table below expose the Group to credit risk. For all on-balance sheet exposures, the gross amount disclosed represents the maximum exposure to credit risk, before taking collateral and other credit enhancements into account.

Credit concentration risk is the risk of loss to the Group arising from an excessive concentration of exposure to a single counterparty, industry, market, product, financial instrument or type of security, or maturity. This concentration typically exists when a number of counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Concentration risk is managed based on the nature of the credit concentration in each portfolio.

Geographic concentration of significant credit asset exposure

Group - 2024	Botswana P'000	Southern Africa P'000	Europe P'000	North America P'000	Rest of the world P'000	Total P'000
On-balance sheet exposures						
Cash and short-term funds	1,138,052	2,096,467	2,038,042	94,164	24,352	5,391,077
Derivative financial instruments	3,034	14,334	-	-	-	17,368
Advances to customers	18,494,002	-	-	-	-	18,494,002
Investment securities	11,603,074	-	-	-	-	11,603,074
Due from related parties	9,938	-	-	-	-	9,938
Other assets	185,897	-	-	-	-	185,897
	31,433,997	2,110,801	2,038,042	94,164	24,352	35,701,356
Off-balance sheet exposures						
Guarantees, acceptances and letters of credit	846,549	-	-	-	-	846,549
Commitments	2,611,048	-	-	-	-	2,611,048
	34,891,594	2,110,801	2,038,042	94,164	24,352	39,158,953



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Credit risk (continued)

Credit assets and concentration risk (continued)

Geographic concentration of significant credit asset exposure (continued)

Group – 2023	Botswana P'000	Southern Africa P'000	Europe P'000	North America P'000	Rest of the world P'000	Total P'000
On-balance sheet exposures						
Cash and short-term funds	1,522,903	2,773,333	2,200,501	188,769	29,534	6,715,040
Derivative financial instruments	28,494	8,403	–	–	–	36,897
Advances to customers	16,274,676	–	–	–	–	16,274,676
Investment securities	5,972,948	–	–	–	–	5,972,948
Due from related parties	6,804	–	–	–	–	6,804
Other assets*	111,778	–	–	–	–	111,778
	23,917,603	2,781,736	2,200,501	188,769	29,534	29,118,143
Off-balance sheet exposures						
Guarantees, acceptances and letters of credit	743,191	–	–	–	–	743,191
Commitments	2,729,340	–	–	–	–	2,729,340
	27,390,134	2,781,736	2,200,501	188,769	29,534	32,590,674

* 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.

Sector analysis concentration of advances

Advances expose the Group to concentration risk in various industry sectors. The tables in Note 13 and 14 set out the Group's exposure to various industry sectors for total advances and credit-impaired advances.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Credit risk (continued)

Quality of credit assets

The following table shows the gross carrying amount of advances carried at amortised cost, as well as the exposure to credit risk of loan commitments and financial guarantees per class of advance and per internal credit rating.

The amounts in stage 3 that do not have a rating of FR91-100 relate to technical cures (performing accounts that have previously defaulted but do not meet the 12-month curing definition and therefore remain in stage 3).

2024	Financial risk (FR) 1 – 25		Financial risk (FR) 26 – 90		Financial risk (FR) 91 – 100		Total	Total
	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
Term loans								
Stage 1	420,470	83,881	8,137,243	515,238	-	-	8,557,713	559,120
Stage 2	-	-	510,899	-	366,266	-	877,165	-
Stage 3	-	-	-	-	187,711	-	187,712	-
	420,470	83,881	8,648,142	515,238	553,977	-	9,622,590	559,120

2023	Financial risk (FR) 1 – 25		Financial risk (FR) 26 – 90		Financial risk (FR) 91 – 100		Total	Total
	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
Term loans								
Stage 1	291,279	-	6,319,995	460,769	-	-	6,611,274	460,769
Stage 2	651	-	751,142	4,259	210,750	7,623	962,543	11,882
Stage 3	-	-	-	-	238,369	91	238,369	91
	291,930	-	7,071,137	465,028	449,119	7,714	7,812,186	472,742

2024	Financial risk (FR) 1 – 25		Financial risk (FR) 26 – 90		Financial risk (FR) 91 – 100		Total	Total
	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
Instalment sales								
Stage 1	2,236	12,930	1,556,132	250,192	-	95	1,558,368	263,217
Stage 2	-	-	353,512	-	71,220	4,791	424,732	4,791
Stage 3	-	-	-	-	81,840	768	81,840	768
	2,236	12,930	1,909,644	250,192	153,060	5,654	2,064,940	268,776



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Credit risk (continued)

Quality of credit assets (continued)

2023	Financial risk (FR) 1 – 25		Financial risk (FR) 26 – 90		Financial risk (FR) 91 – 100		Total	Total
Instalment sales	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
Stage 1	-	-	1,281,789	-	-	-	1,281,789	-
Stage 2	-	-	362,837	-	-	-	362,837	-
Stage 3	-	-	-	-	78,298	-	78,298	-
	-	-	1,644,626	-	78,298	-	1,722,924	-

2024	Financial risk (FR) 1 – 25		Financial risk (FR) 26 – 90		Financial risk (FR) 91 – 100		Total	Total
Property loans	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
Stage 1	160,879	15,070	5,265,526	163,858	-	-	5,426,405	178,928
Stage 2	-	-	187,099	-	109,660	-	296,759	-
Stage 3	-	-	-	-	381,768	-	381,768	-
	160,879	15,070	5,452,625	163,858	491,428	-	6,104,932	178,928

2023	Financial risk (FR) 1 – 25		Financial risk (FR) 26 – 90		Financial risk (FR) 91 – 100		Total	Total
Property loans	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
Stage 1	232,953	39,264	4,992,314	199,322	-	-	5,225,267	238,586
Stage 2	5,800	-	380,312	66,343	128,887	75,727	514,999	142,070
Stage 3	-	-	-	-	437,690	6,361	437,690	6,361
	238,753	39,264	5,372,626	265,665	566,577	82,088	6,177,956	387,017



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

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39. Financial risk management (continued)

Credit risk (continued)

Quality of credit assets (continued)

2024	Financial risk (FR) 1 – 25		Financial risk (FR) 26 – 90		Financial risk (FR) 91 – 100		Total	Total
	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
Overdraft and managed accounts								
Stage 1	279	31,194	647,070	1,570,179	-	-	647,349	1,601,373
Stage 2	-	-	341,219	3,835	207,951	14,301	549,171	18,136
Stage 3	-	-	-	-	97,643	350	97,643	350
	279	31,194	988,289	1,574,014	305,594	14,651	1,294,163	1,619,859

2023	Financial risk (FR) 1 – 25		Financial risk (FR) 26 – 90		Financial risk (FR) 91 – 100		Total	Total
	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
Overdraft and managed accounts								
Stage 1	280,009	232,966	500,672	1,237,819	-	-	780,681	1,470,785
Stage 2	76,145	-	214,581	71,606	129,192	18,770	419,918	90,376
Stage 3	-	-	-	-	96,952	31,886	96,952	31,886
	356,154	232,966	715,253	1,309,425	226,144	50,656	1,297,551	1,593,047

2024	Financial risk (FR) 1 – 25		Financial risk (FR) 26 – 90		Financial risk (FR) 91 – 100		Total	Total
	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
Other								
Stage 1	117,818	22,821	141,885	50,588	-	-	259,703	73,409
Stage 2	-	-	10,512	-	21,336	-	31,849	-
Stage 3	-	-	-	-	27,912	-	27,912	-
	117,818	22,821	152,397	50,588	49,248	-	319,464	73,409



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Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Credit risk (continued)

Quality of credit assets (continued)

2023	Financial risk (FR) 1 – 25		Financial risk (FR) 26 – 90		Financial risk (FR) 91 – 100		Total	Total
Other	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
Stage 1	3,779	27,972	243,951	243,809	-	-	247,730	271,781
Stage 2	177	-	35,264	1,585	-	2,925	35,441	4,510
Stage 3	-	-	-	-	11,744	243	11,744	243
	3,956	27,972	279,215	245,394	11,744	3,168	294,915	276,534

2024	Financial risk (FR) 1 – 25		Financial risk (FR) 26 – 90		Financial risk (FR) 91 – 100		Total	Total
Financial guarantees	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
Stage 1	-	129,799	-	659,577	-	-	-	789,376
Stage 2	-	-	-	40,878	-	-	-	40,878
Stage 3	-	-	-	-	-	16,296	-	16,296
	-	129,799	-	700,455	-	16,296	-	846,550

2023	Financial risk (FR) 1 – 25		Financial risk (FR) 26 – 90		Financial risk (FR) 91 – 100		Total	Total
Financial guarantees	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet	On balance sheet	Off balance sheet
Stage 1	-	142,168	-	547,847	-	-	-	690,015
Stage 2	-	280	-	20,960	-	23,440	-	44,680
Stage 3	-	-	-	-	-	8,496	-	8,496
	-	142,448	-	568,807	-	31,936	-	743,191

Analysis of impaired advances

See Note 14 for analysis of impaired advances (stage 3) for financial assets measured at amortised cost in line with the manner in which the Group manages credit risk.



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Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Credit risk (continued)

Quality of credit assets (continued)

Quality of credit assets – non-advances

The following table shows the gross carrying amount of non-advances carried at amortised cost and the fair value of non-advances measured at fair value through profit or loss per external credit ratings.

Group – 2024	AAA to BB	BB+ to B-	CCC
Investment securities at amortised cost			
Stage 1	11,520,740	-	-
Investment securities at fair value through profit or loss			
Stage 1	82,334	-	-
Total investment securities	11,603,074	-	-
Other assets			
Stage 1	520,759	-	-
Cash and short term funds			
Stage 1	4,808,086	212,121	-
Group – 2023	AAA to BB	BB+ to B-	CCC
Investment securities at amortised cost			
Stage 1	5,944,902	-	-
Investment securities at fair value through profit or loss			
Stage 1	28,046	-	-
Total investment securities	5,972,948	-	-
Other assets			
Stage 1	-	369,882	-
Cash and short term funds			
Stage 1	5,711,110	509,342	-



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Credit risk (continued)

Quality of credit assets (continued)

Credit risk mitigation and collateral held

Since taking and managing credit risk is core to its business, the Group aims to optimise the amount of credit risk it takes to achieve its return objectives. Mitigation of credit risk is an important component of this, beginning with the structuring and approval of facilities only for those clients and within those parameters that fall within risk appetite.

Although, in principle, credit assessment focuses on the counterparty's ability to repay the debt, credit mitigation instruments are used where appropriate to reduce the Group's lending risk, which result in security against the majority of exposures. These include financial or other collateral, netting agreements or guarantees. The collateral types are driven by portfolio, product or counterparty type.

Credit risk mitigation instruments:

- Property and instalment sale finance portfolios are secured by the underlying assets financed.
- Commercial credit exposures are secured by the assets of the counterparties and commercial property finance deals are secured by the underlying property and associated cash flows.
- Personal loans, overdrafts and credit card exposures are generally unsecured or secured by guarantees and sureties.
- For Retail customers, insurance against disability, life and retrenchment cover is prescribed, where applicable.
- Structured facilities in Corporate are secured as part of the structure through financial or other collateral, including guarantees and assets.
- Counterparty credit risk is mitigated through the use of netting agreements and financial collateral.
- Working capital facilities in Corporate are secured and unsecured.

Collateral held

The Group employs strict policies governing the valuation and management of collateral across all business areas. Collateral is managed internally to ensure that title is retained over collateral taken over the life of the transaction. Collateral is valued at inception of the credit agreement and subsequently where necessary through physical inspection or index valuation methods. For corporate and commercial counterparties, collateral is reassessed during the annual review of the counterparty's creditworthiness to ensure that proper title is retained. For mortgage portfolios, collateral is revalued on a regular basis via physical inspection which is performed at the beginning of the recovery process. For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries.

Concentrations in credit risk mitigation types, such as property, are monitored and managed at a product and segment level, in line with the requirements of the Group credit risk/return framework.

Collateral is taken into account for capital calculation purposes through the determination of LGD. Collateral reduces LGD, and LGD levels are determined through statistical modelling techniques based on historical experience of the recovery processes.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Credit risk (continued)

Quality of credit assets (continued)

Collateral held (continued)

The table below represents an analysis of the maximum exposure to credit risk for financial assets at amortised cost and debt instruments at fair value through profit or loss, as well as a breakdown of collateral, both financial and non-financial held against the exposure, along with any other credit enhancements and netting arrangement.

	Gross carrying amount P'000	Off balance sheet exposure P'000	Loss allowance P'000	Maximum exposure to credit risk P'000	Netting and financial collateral P'000	Unsecured P'000	Secured P'000
Group - 2024							
Term loans	9,622,590	520,391	(308,798)	9,834,183	591	6,546,156	2,767,636
Instalment sales	2,064,940	136,061	(114,600)	2,086,401	-	-	1,950,340
Property loans	6,104,932	40,921	(241,614)	5,904,239	336	-	5,863,318
Overdraft and managed accounts	1,294,163	1,619,859	(206,616)	2,707,406	1,987	9,515	1,078,032
Other	319,464	293,816	(40,459)	572,821	500	150,049	128,956
Total advances	19,406,089	2,611,048	(912,087)	21,105,050	3,414	6,705,720	11,788,282
Investment securities	11,603,074	-	-	11,603,074	-	11,603,074	-
Cash and short term funds	5,391,077	-	-	5,391,077	-	5,391,077	-
Other assets	447,825	-	-	447,825	-	447,825	-
Derivatives	17,368	-	-	17,368	-	17,368	-



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Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Credit risk (continued)

Quality of credit assets (continued)

Collateral held (continued)

Group – 2023	Gross carrying amount P'000	Off balance sheet exposure P'000	Loss allowance P'000	Maximum exposure to credit risk P'000	Netting and financial collateral P'000	Unsecured P'000	Secured P'000
Term loans	7,812,186	472,742	(317,132)	7,967,796	9,500	5,674,913	1,820,141
Instalment sales	1,722,924	-	(110,032)	1,612,892	-	-	1,612,892
Property loans	6,177,956	387,017	(352,776)	6,212,197	-	-	5,825,180
Overdraft and managed accounts	1,297,551	1,593,047	(226,146)	2,664,452	31,819	9,942	1,061,463
Other	294,915	276,534	(24,770)	546,679	670	149,245	120,900
Total advances	17,305,532	2,729,340	(1,030,856)	19,004,016	41,989	5,834,100	10,440,576
Investment securities	5,972,948	-	-	5,972,948	-	5,972,948	-
Cash and short term funds	6,715,040	-	-	6,715,040	-	6,715,040	-
Other assets	369,882	-	-	369,882	-	369,882	-
Derivatives	36,897	-	-	36,897	-	36,897	-

The value of collateral held for stage 3 advances at the reporting date was P240,361,000 (2023: P311,024,000).

The table below reflects the collateral that the Group holds where it has the ability to sell or pledge in the absence of default by the owner of the collateral.

Group and Company Collateral held in structured transactions	2024		2023	
	Fair value	Fair value of collateral sold or pledged in the absence of default	Fair value	Fair value of collateral sold or pledged in the absence of default
Advances to customers	10,061	-	474,121	-

Investment securities exclude securities lending transactions where securities are obtained as collateral for securities lent. This is in line with industry practice.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Credit risk (continued)

Quality of credit assets (continued)

Offsetting of financial assets and financial liabilities

The financial collateral included in the table above is limited to the net statement of financial position exposure in line with the requirements of IFRS 7 and excludes the effect of any over-collateralisation. The collateral amount included in the table for IFRS 7 disclosure purposes has been determined at a business unit level. If these limits were determined on a Group-wide level, the collateral amount included in this table could increase. The total amount reported on the statement of financial position is the sum of the net amount reported in the statement of financial position and the financial instruments amount not subject to offset or MNA. No offsetting was applied.

Liquidity risk

Objective

Liquidity risk arises from all assets and liabilities with differing maturity profiles, currencies and behaviour. The Group's objective is to maintain and enhance its deposit market share by appropriately pricing and rewarding depositors from diverse and sustainable funding pools, thus creating a natural liquidity buffer. The Group seeks to optimise its funding profile within structural and regulatory constraints to enable the business to operate in an efficient and sustainable manner.

Compliance with the Basel III liquidity ratios influences the Group's funding strategy, particularly as it seeks to price appropriately for liquidity on a risk-adjusted basis. The Group continues to offer innovative and competitive products to further grow its deposit franchise while also optimising its institutional funding profile. These initiatives continue to improve the funding and liquidity profile of the Group.

Assessment and management

The Group focuses on continually monitoring and analysing the potential impact of other risks and events on its funding and liquidity position to ensure business activities are preserved and funding stability is improved. This ensures the Group can operate through periods of stress when access to funding is constrained.

The Group's approach to liquidity risk management distinguishes between structural, daily and contingency liquidity risk management across all currencies, and various approaches are employed in the assessment and management of these on a daily, weekly and monthly basis as illustrated in the following table.

Structural liquidity risk	Daily liquidity risk	Contingency liquidity risk
Managing the risk that structural, long-term on- and off-balance sheet exposures cannot be funded timeously or at reasonable cost.	Ensuring that intraday and day-to-day anticipated and unforeseen payment obligations can be met by maintaining a sustainable balance between liquidity inflows and outflows.	Maintaining several contingency funding sources to draw upon in times of economic stress.

Regular and rigorous stress tests are conducted on the funding profile and liquidity position as part of the overall stress testing framework with a focus on:

- quantifying the potential exposure to future liquidity stresses;
- analysing the possible impact of economic and event risks on cash flows, liquidity, profitability and solvency position; and
- proactively evaluating the potential secondary and tertiary effects of other risks on the Group.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Liquidity risk (continued)

Undiscounted cash flows

The following table presents the Group's undiscounted cash flows of financial liabilities and off-balance sheet amounts, and includes all cash outflows related to principal amounts, as well as future payments.

	Call P'000	1 – 3 months P'000	4 – 12 months P'000	1 – 5 years P'000	Over 5 years P'000	Total financial assets and liabilities P'000
2024						
On-balance sheet exposures						
Amounts due to other banks	59,342	442,107	-	-	-	501,449
Deposit and current accounts	26,554,620	2,154,178	2,068,624	144,371	-	30,921,793
Derivative financial instruments	-	1,079,660	1,948	20,996	-	1,102,604
Borrowings	-	7,390	199,624	634,974	420,041	1,262,029
Due to related companies	38,887	-	-	-	-	38,887
Other liabilities	244,985	-	-	-	-	244,985
Lease liabilities	-	4,299	19,678	96,612	118,515	239,104
Off-balance sheet exposures						
Financial and other guarantees	824,419	-	-	-	-	824,419
Other contingencies and commitments	22,130	-	-	-	-	22,130
Facilities not drawn	2,661,048	-	-	-	-	2,661,048



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Liquidity risk (continued)

Undiscounted cash flows (continued)

	Call P'000	1 – 3 months P'000	4 – 12 months P'000	1 – 5 years P'000	Over 5 years P'000	Total financial assets and liabilities P'000
2023						
On-balance sheet exposures						
Amounts due to other banks	849,454	-	-	-	-	849,454
Deposit and current accounts	18,397,114	4,313,411	1,528,967	-	-	24,239,492
Derivative financial instruments*	-	554,777	4,246	20,996	-	580,019
Borrowings	-	7,818	84,022	798,863	478,471	1,369,174
Due to related companies	72,460	-	-	-	-	72,460
Other liabilities**	465,571	-	-	-	-	465,571
Lease liabilities	-	4,318	20,106	97,141	120,322	241,887
Off-balance sheet exposures						
Financial and other guarantees	735,515	-	-	-	-	735,515
Other contingencies and commitments	7,676	-	-	-	-	7,676
Facilities not drawn	2,729,340	-	-	-	-	2,729,340

* The comparatives for derivative financial instruments was disclosed as an error in prior year as P6,130,000 as opposed to P580,019,000. These prior year amounts were restated to reflect the correct amount.

** Other liabilities have been added to the disclosure to reflect all financial instruments as per IAS 32.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Liquidity risk (continued)

Discounted cash flows

The following table represents the Group's contractual discounted cash flows of total assets and liabilities. Relying solely on the contractual liquidity mismatch when assessing a bank's maturity analysis would overstate risk, since this represents a worst- case assessment of cash flows at maturity.

Discounted cash flow analysis – maturity analysis of total assets and liabilities based on the present value of the expected payment.

Group - Term to maturity

	Carrying amount P'000	Demand up to 1 month P'000	1 – 3 months P'000	3 – 12 months P'000	1 – 5 years P'000	Over 5 years P'000	Non-financial instruments P'000
2024							
Total financial assets	36,619,799	9,699,377	1,727,510	6,482,118	11,228,443	6,563,908	918,443
Total financial liabilities	(32,422,165)	(27,050,877)	(580,890)	(2,990,181)	(593,681)	(818,084)	(388,452)
Net liquidity gap	4,197,634	(17,351,500)	1,146,620	3,491,937	10,634,762	5,745,824	529,991

Group - Term to maturity

	Carrying amount* P'000	Demand up to 1 month P'000	1 – 3 months P'000	3 – 12 months P'000	1 – 5 years P'000	Over 5 years P'000	Non-financial instruments** P'000
2023							
Total assets	30,057,726	6,858,678	2,484,750	4,834,515	9,523,257	5,416,943	939,583
Total liabilities	(26,330,891)	(24,040,637)	(1,120,156)	(601,593)	(745,871)	(126,377)	303,743
Net liquidity gap	3,726,835	(17,181,959)	1,364,594	4,232,922	8,777,386	5,290,566	1,243,326

* The 2023 net liquidity gaps on the carrying amount column has been restated to reflect only a mismatch between the total assets and total liabilities excluding equity. As a result, the carrying amount has been restated from P3,218,095,000 to P3,726,835,000.

** The 2023 non-financial instruments column has been added to reflect non-financial instruments.

Collateral pledged

The Group pledges assets under the following terms and conditions:

- assets are pledged as collateral under repurchase agreements with other banks and for security deposits relating to local forwards and options;
- Government bonds are pledged as collateral for any repurchase agreements with Bank of Botswana; and
- all other pledges are conducted under terms which are usual and customary to lending arrangements.

The assets have been pledged to secure the liabilities. These assets are not available in the normal course of business. Refer to note 15 investment securities for disclosures on reverse repurchase agreements.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Market risk

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

Foreign exchange risk management

The Group, through Treasury, manages foreign currency risk in accordance with broad market risk guidelines set by the Board. Foreign currency risk arises as a result of fluctuations in exchange rates and the resultant impact on the Group's position, which is established during normal day-to-day trading. Even though Treasury may take positions on any major currency, these are consolidated and reported in BWP. During the financial year under review, the Group's authorised market risk limit was USD42million (2023: USD40 million) for all asset classes (foreign currency and interest rate risk). The Group takes positions to mitigate the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Consequently the Group strives to match its foreign currency assets and liabilities. The Group manages foreign currency exposures in terms of approved limits. The table below sets out the currency position as at the year-end.

Group and Company Distribution by currency	Assets		Liabilities	
	June 30, 2024 P'000	June 30, 2023 P'000	June 30, 2024 P'000	June 30, 2023 P'000
South African Rand	440,206	586,250	708,119	735,237
United States Dollar	2,915,058	3,496,892	2,824,490	3,205,598
British Pound	132,429	131,341	127,501	129,910
Euro	182,994	168,238	181,570	158,899
Others	35,663	59,489	17,642	9,541
	3,706,350	4,442,210	3,859,322	4,239,185

The Group is mainly exposed to foreign currency risk on its USD and ZAR denominated assets and liabilities. The following table details the gains or losses in response to a 10% increase and decrease in the Pula (BWP) against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.



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Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Market risk (continued)

Foreign exchange risk management (continued)

	June 30, 2024 P'000	June 30, 2023 P'000
Loss arising from a 10% decrease		
South African Rand	26,791	14,899
United States Dollar	(9,057)	(29,129)
	17,734	(14,230)
Gain arising from a 10% increase		
South African Rand	(26,791)	(14,899)
United States Dollar	9,057	29,129
	(17,734)	14,230

The above gain/(loss) would affect the profit before tax in the income statements.

Interest rate risk management

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effect of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Market risk (continued)

Interest rate risk management (continued)

The table below summarises the Group's exposure to interest rate risk. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of repricing or maturity dates.

Group – Term to repricing

	Carrying amount P'000	Demand up to 1 month P'000	1 – 3 months P'000	3 – 12 months P'000	1 – 5 years P'000	Over 5 years P'000	Equity and non-rate sensitive assets/liabilities P'000
2024							
Total assets	36,619,799	24,412,274	1,035,778	3,341,166	2,545,243	3,036,774	2,248,564
Total liabilities and equity	(36,619,799)	(26,836,893)	(417,745)	(2,805,971)	(1,249,686)	(183,190)	(5,126,314)
Net interest sensitivity gap	-	(2,424,619)	618,033	535,195	1,295,557	2,853,584	(2,877,750)

Group – Term to repricing

	Carrying amount P'000	Demand up to 1 month P'000	1 – 3 months P'000	3 – 12 months P'000	1 – 5 years P'000	Over 5 years P'000	Equity and non-rate sensitive assets/liabilities P'000
2023							
Total assets	30,057,726	20,379,664	1,077,952	2,845,840	1,973,887	1,569,384	2,210,999
Total liabilities and equity	(30,057,726)	(22,211,935)	(1,774,595)	(1,023,344)	(137,969)	(73,182)	(4,836,701)
Net interest sensitivity gap	-	(1,832,271)	(696,643)	1,822,496	1,835,918	1,496,202	(2,625,702)

The table below presents the potential gains or losses that could arise if net interest income rises or falls by 200 basis points:

	June 30, 2024 P'000	June 30, 2023 P'000
Group and Company		
200 basis points increase – gains	24,350	48,399
200 basis points decrease – losses	(24,350)	(48,399)



Consolidated and Separate Financial Statements for the year ended June 30, 2024

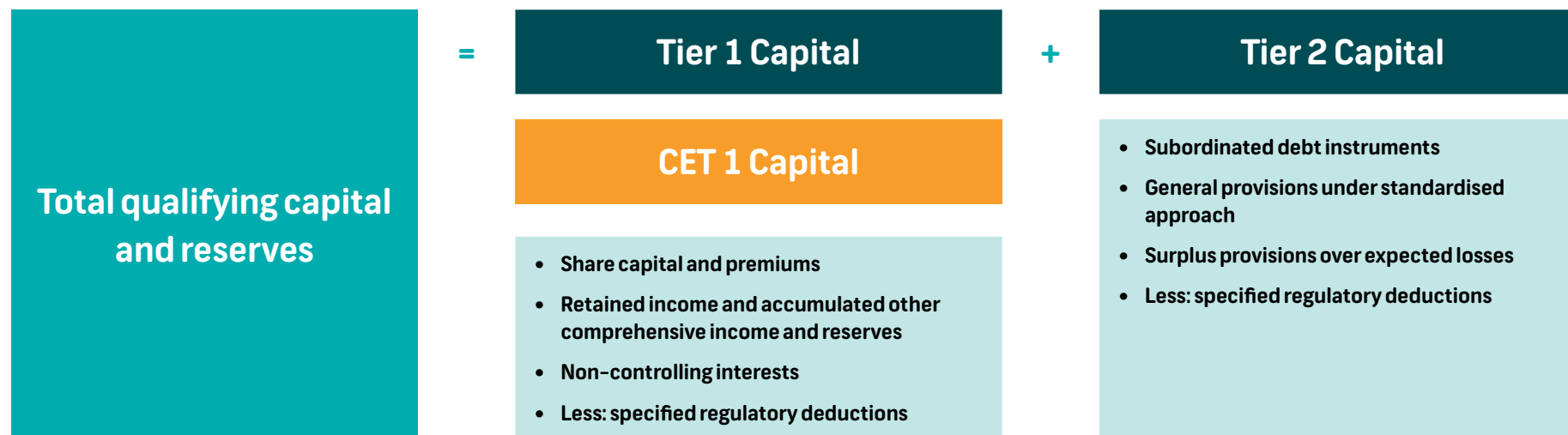
Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Capital management

The following diagram defines the main components of qualifying capital and reserves.



The capital planning process ensures that the CET1, Tier 1 and total capital adequacy ratios remain within or above target ranges and regulatory minimums across economic and business cycles. Capital is managed on a forward-looking basis and the Group remains appropriately capitalised under a range of normal and severe stress scenarios. The Group aims to back all economic risks with loss-absorbing capital and remains well capitalised in the current environment. The Group continues to focus on maintaining strong capital and leverage ratios, with particular focus on the quality and mix of capital, as well as optimisation of the Group's risk weighted assets (RWA). The Group's aim is for capital ratios to remain strong and above the regulatory minimums and internal targets.

Refer to note 26 for capital adequacy computations.

Fair value financial instruments

Valuation methodology

The Group has established control frameworks and processes at an operating business level to independently validate its valuation techniques and inputs used to determine its fair value measurements. At an operating business level, valuation specialists are responsible for the selection, implementation as well as any changes to the valuation techniques used to determine fair value measurements. Valuation committees comprising representatives from key management have been established within each operating business and at an overall Group level. They are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval at an operating business level by the required valuation specialists, valuation committees and relevant risk committees annually, or more frequently if considered appropriate.



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Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Fair value financial instruments (continued)

Measurement of assets and liabilities at level 2 and level 3

The table below sets out the valuation techniques applied by the Group for recurring fair value measurements of assets and liabilities categorised as level 2 and level 3.

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs
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 to match the appropriate risk profile.	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. There 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



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Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Fair value financial instruments (continued)

Measurement of assets and liabilities at level 2 and level 3 (continued)

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs
Loans and advances to customers					
- 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
- 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



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Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Fair value financial instruments (continued)

Measurement of assets and liabilities at level 2 and level 3 (continued)

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs
Investment securities and other investments (continued)					
- 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



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Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Fair value financial instruments (continued)

Financial instruments not measured at fair value

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

Group – 2024	Level 1 P'000	Level 2 P'000	Level 3 P'000	Fair value P'000	Amortised P'000
Assets					
Advances					
Home loans	-	-	5,809,230	5,809,230	5,863,318
Other advances	-	-	279,005	279,005	279,005
Term loans	-	-	9,349,756	9,349,756	9,313,792
Overdraft	-	-	1,087,547	1,087,547	1,087,547
Instalment sales	-	-	1,937,256	1,937,256	1,950,340
Total advances at amortised cost	-	-	18,462,794	18,462,794	18,494,002
Investment securities	11,488,193	-	-	11,488,193	11,520,740
Other assets	-	-	185,897	185,897	185,897
Due from related parties	-	-	9,938	9,938	9,938
Total financial assets at amortised cost	11,488,193	-	18,658,629	30,146,822	30,210,577
Liabilities					
Deposits and current accounts					
Current and managed accounts	-	16,505,179	-	16,505,179	16,505,179
Balances from customers (term)	-	6,183,421	-	6,183,421	6,097,354
Other deposits (call and savings)	-	7,418,511	-	7,418,511	7,418,511
Total 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
Accrued interest payable	-	20,729	-	20,729	20,729
Other liabilities	-	411,825	-	411,825	411,825
Due to related parties	-	-	38,887	38,887	38,887
Total financial liabilities at amortised cost	-	31,554,151	38,887	31,593,038	31,492,850



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Fair value financial instruments (continued)

Financial instruments not measured at fair value (continued)

	Level 1 P'000	Level 2 P'000	Level 3 P'000	Fair value P'000	Amortised cost P'000
Group – 2023					
Assets					
Advances					
Home loans	-	-	5,710,414	5,710,414	5,825,180
Other advances	-	-	270,145	270,145	270,145
Term loans	-	-	7,584,773	7,584,773	7,495,054
Overdraft	-	-	1,071,405	1,071,405	1,071,405
Instalment sales	-	-	1,606,094	1,606,094	1,612,892
Total advances at amortised cost	-	-	16,242,831	16,242,831	16,274,676
Investment securities	5,695,630	-	-	5,695,630	5,944,902
Other assets*	-	-	111,778	111,778	111,778
Due from related parties	-	-	6,804	6,804	6,804
Total financial assets at amortised cost	5,695,630	-	16,361,413	22,057,043	22,338,160
Liabilities					
Deposits and current accounts					
Current and managed accounts	-	11,170,433	-	11,170,433	11,170,433
Balances from customers (term)	-	5,184,917	-	5,184,917	5,112,749
Other deposits (call and savings)	-	7,049,869	-	7,049,869	7,049,869
Total deposits and current accounts	-	23,405,219	-	23,405,219	23,333,051
Long-term borrowings	-	981,908	-	981,908	968,241
Accrued interest payable	-	40,922	-	40,922	40,922
Other liabilities	-	604,751	-	604,751	604,751
Due to related parties	-	-	72,460	72,460	72,460
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.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

39. Financial risk management (continued)

Fair value financial instruments (continued)

Assets and liabilities measured at fair value

	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
Group – 2024				
Mandatory fair value through profit and loss				
– Investment securities	–	82,334	–	82,334
– Derivative financial instruments	–	17,368	–	17,368
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

	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
Group – 2023				
Mandatory fair value through profit and loss				
– Investment securities	–	28,046	–	28,046
– Derivative financial instruments	–	36,897	–	36,897
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



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

40. Segmental reporting

The Group has four main business segments:

- Retail segment – comprising advances and deposits and the revenue flowing from individual customers;
- Commercial segment – comprising advances and deposits and the revenue flowing from business customers;
- Corporate Segment – comprising advances and deposits and the revenue flowing from Corporate customers; and
- Treasury – manages the Group's liquidity and funding.

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 Operating Decision Maker for management reporting purposes when assessing performance and allocating resources. This presentation is in line with the management approach of presenting segment information.

Group – 2024	Retail P'000	Commercial P'000	Corporate P'000	Treasury P'000	Total P'000
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 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
Statement of financial position:					
Gross advances to customers	11,779,996	3,564,041	4,062,052	-	19,406,089
Loss allowance	(486,558)	(348,105)	(77,424)	-	(912,087)
Net advances	11,293,438	3,215,936	3,984,628	-	18,494,002
Deposits from customers	6,692,671	10,379,557	7,411,677	5,537,139	30,021,044

Major customers – In terms of IFRS 8, a customer is regarded as a major customer if the revenue from transactions with this customer exceeds 10% or more of the entity's revenue. The Group has no major customers as defined and is, therefore, not reliant on the revenue from one or more major customers.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

40. Segmental reporting (continued)

	Retail P'000	Commercial P'000	Corporate P'000	Treasury P'000	Total P'000
Group – 2023					
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 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)
Operating expenses	(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
Statement of financial position:					
Gross advances to customers	10,757,448	3,156,990	3,391,094	-	17,305,532
Loss allowance	(572,874)	(376,718)	(81,264)	-	(1,030,856)
Net advances	10,184,574	2,780,272	3,309,830	-	16,274,676
Deposits from customers	6,252,968	9,268,574	6,990,175	821,334	23,333,051



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

41. New Standards and Interpretations

41.1 Standards and interpretations effective and adopted in the current year

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

International tax reform – Pillar two model rules – amendments to IAS 12

The amendments incorporate into IAS 12, taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. As an exception, deferred tax assets and liabilities shall not be recognised, nor information about them disclosed related to Pillar Two income taxes. Disclosures about applying this exception to deferred tax are required. Any current tax income or expense related to Pillar Two income taxes is required to be disclosed separately. In addition, where the legislation is enacted or substantively enacted, but not yet in effect, management are required to disclose known or reasonably estimable information of the entity's exposure to Pillar Two taxes arising from that legislation.

The effective date of the amendment is for years beginning on or after January 1, 2024.

The Group has adopted the amendment for the first time in the 2024 consolidated and separate financial statements. The amendment did not have an impact on the Group's consolidated and separate financial statements.

Initial application of IFRS 17 and IFRS 9 – Comparative information

A narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time. The amendment regards financial assets for which comparative information is presented on initial application of IFRS 17 and IFRS 9, but where this information has not been restated for IFRS 9. Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of IFRS 9.

The effective date of the amendment is for years beginning on or after January 1, 2023.

The Group has adopted the amendment for the first time in the 2024 consolidated and separate financial statements. The amendment did not have an impact on the Group's consolidated and separate financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12

The amendment adds an additional requirement for transactions which will not give rise to the recognition of a deferred tax asset or liability on initial recognition. Previously, deferred tax would not be recognised on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit or loss. The additional requirement provides that the transaction, at the time of the transaction must not give rise to equal taxable and deductible temporary differences.

The effective date of the amendment is for years beginning on or after January 1, 2023.

The Group has adopted the amendment for the first time in the 2024 consolidated and separate financial statements. The amendment did not have a material impact on the Group's consolidated and separate financial statements.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

41. New Standards and Interpretations (continued)

41.1 Standards and interpretations effective and adopted in the current year (continued)

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the consolidated and separate financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after January 1, 2023.

The Group has adopted the amendment for the first time in the 2024 consolidated and separate financial statements. The amendment did not have a material impact on the Group's consolidated and separate financial statements.

Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in consolidated and separate financial statements that are subject to measurement uncertainty."

The effective date of the amendment is for years beginning on or after January 1, 2023.

The Group has adopted the amendment for the first time in the 2024 consolidated and separate financial statements. The amendment did not have a material impact on the Group's consolidated and separate financial statements.

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after January 1, 2023.

The Group has adopted the amendment for the first time in the 2024 consolidated and separate financial statements. The amendment did not have a material impact on the Group's consolidated and separate financial statements.

IFRS 17 Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after January 1, 2023.

The Group has adopted the standard for the first time in the 2024 consolidated and separate financial statements. The amendment did not have an impact on the Group's consolidated and separate financial statements.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

41. New Standards and Interpretations (continued)

41.1 Standards and interpretations effective and adopted in the current year (continued)

41.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after July 1, 2024 or later periods:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

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

Lack of exchangeability - amendments to IAS 21

The amendments apply to currencies which are not exchangeable. The definition of exchangeable is provided as being when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. The amendments require an entity to estimate the spot exchange rate at measurement date when a currency is not exchangeable into another currency. Additional disclosures are also required to enable users of financial statements to understand the impact of the non-exchangeability on financial performance, financial position and cash flow.

The effective date of the amendment is for years beginning on or after January 1, 2025.

The Group expects to adopt the amendment for the first time in the 2026 consolidated and separate financial statements.

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

Supplier finance arrangements – amendments to IAS 7 and IFRS 7

The amendment applies to circumstances where supplier finance arrangements exist. These are arrangements whereby finance providers pay the suppliers of the entity, thus providing the entity with extended payment terms or the suppliers with early payment terms. The entity then pays the finance providers based on their specific terms and conditions. The amendment requires the disclosure of information about supplier finance arrangements that enable users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows as well as on the entity's exposure to liquidity risk.

The effective date of the amendment is for years beginning on or after January 1, 2024.

The Group expects to adopt the amendment for the first time in the 2025 consolidated and separate financial statements.

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



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

41. New Standards and Interpretations (continued)

41.2 Standards and interpretations not yet effective (continued)

Non-current liabilities with covenants – amendments to IAS 1

The amendment applies to the classification of liabilities with loan covenants as current or non-current. If an entity has the right to defer settlement of a liability for at least twelve months after the reporting period, but subject to conditions, then the timing of the required conditions impacts whether the entity has a right to defer settlement. If the conditions must be complied with at or before the reporting date, then they affect whether the rights to defer settlement exists at reporting date. However, if the entity is only required to comply with the conditions after the reporting period, then the conditions do not affect whether the right to defer settlement exists at reporting date. If an entity classifies a liability as non-current when the conditions are only required to be met after the reporting period, then additional disclosures are required to enable the users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period.

The effective date of the amendment is for years beginning on or after January 1, 2024.

The Group expects to adopt the amendment for the first time in the 2025 consolidated and separate financial statements.

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

Lease liability in a sale and leaseback – amendments to IFRS 16

The amendment requires that a seller-lessee in a sale and leaseback transaction, shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

The effective date of the amendment is for years beginning on or after January 1, 2024.

The Group expects to adopt the amendment for the first time in the 2025 consolidated and separate financial statements.

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

IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 18 aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows.

IFRS 18 aims to improve financial reporting by:

- requiring additional defined subtotals in the statement of profit or loss;
- requiring disclosures about management-defined performance measures; and
- adding new principles for grouping (aggregation and disaggregation) of information.

The effective date of the amendment is for years beginning on or after January 1, 2027.

The Group expects to adopt the amendment for the first time in the 2028 consolidated and separate financial statements. The new standard is expected to impact Group presentation of its statement of profit or loss.



Consolidated and Separate Financial Statements for the year ended June 30, 2024

Notes to the consolidated and separate financial statements (continued)

for the year ended June 30, 2024

41. New Standards and Interpretations (continued)

41.2 Standards and interpretations not yet effective (continued)

IFRS 19 – Subsidiaries without Public Accountability: Disclosures

IFRS 19 enables eligible entities to provide reduced disclosures compared to the requirements in other IFRS accounting standards. Entities that elect IFRS 19 are still required to apply recognition, measurement and presentation requirements of other IFRS accounting standards.

The effective date of the amendment is for years beginning on or after January 1, 2027.

The Group expects to adopt the amendment for the first time in the 2028 consolidated and separate financial statements. The Group does not expect this standard to have any impact on the annual financial statements.

Classification and Measurement of Financial Instruments (Amendments to IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures)

These amendments clarify financial assets and financial liabilities are recognised and derecognised at settlement date except for regular way purchases or sales of financial assets and financial liabilities meeting conditions for new exception. The new exception permits companies to elect to derecognise certain financial liabilities settled via electronic payment systems earlier than the settlement date.

The amendments also provide guidelines to assess contractual cash flow characteristics of financial assets, which apply to all contingent cash flows, including those arising from environmental, social, and governance (ESG)-linked features.

The effective date of the amendment is for years beginning on or after January 1, 2026.

The Group expects to adopt the amendment for the first time in the 2027 consolidated and separate financial statements.

The amendments are expected to impact Group presentation of its statement of profit or loss.

42. Events after the reporting period

In the current dynamic economic context; the Directors have considered various aspects of the business when assessing events after the reporting date as per the requirements of IAS 10 – Events after the reporting date: Key estimates and judgements used in the preparation of the financial statements have been assessed and are still considered appropriate.

The directors proposed a final dividend of 27.00 thebe (2023: 20.00 thebe) per share.

The Directors are not aware of any matter or circumstances arising since the end of the reporting date that requires disclosure or adjustment to the financial statements.



Other information

Value Added Statement

as at June 30, 2024

	Group		Company	
	30-Jun-24	30-Jun-23	30-Jun-24	30-Jun-23
Income earned by providing banking services	3,978,475	3,437,662	3,978,325	3,437,233
Cost of services	(2,245,823)	(1,924,229)	(2,250,025)	(1,927,428)
Value added banking services	1,732,652	1,513,433	1,728,300	1,509,805
Non-operating and other income and expenditure	976,025	720,042	974,761	718,616
Value added	2,708,677	2,233,475	2,703,061	2,228,421
Value allocated				
To employees and Executive directors				
Salaries, wages and other benefits	838,682	736,231	838,682	736,231
To providers of capital				
Dividends to shareholders	1,093,791	813,984	1,093,791	813,984
To Government				
Direct and Indirect Tax	422,909	323,212	422,257	322,134
To expansion and growth				
Retained earnings	292,740	301,788	289,033	299,238
Depreciation – Owned	60,555	58,260	59,298	56,834
	2,708,677	2,233,475	2,703,061	2,228,421
Employees	31.0%	33.0%	31.0%	33.0%
Providers of capital	40.4%	36.4%	40.5%	36.5%
Government	15.6%	14.5%	15.6%	14.5%
Expansion growth	13.0%	16.1%	12.9%	16.0%
	100%	100%	100%	100%



Ten-year Consolidated Income Statements

as at June 30, 2024

	30 June 2024 P'000	30 June 2023 P'000	30 June 2022 P'000	30 June 2021 P'000	30 June 2020 P'000	30 June 2019 P'000	30 June 2018 P'000	30 June 2017 P'000	30 June 2016 P'000	30 June 2015 P'000
Interest and similar income	2,394,530	1,950,758	1,432,283	1,408,692	1,649,128	1,617,445	1,507,520	1,429,248	1,308,394	1,288,434
Interest expense and similar charges	(554,645)	(469,175)	(268,455)	(241,506)	(310,893)	(359,916)	(335,721)	(265,128)	(363,565)	(415,321)
Net interest income before impairment of advances	1,839,885	1,481,583	1,163,828	1,167,186	1,338,235	1,257,529	1,171,799	1,164,120	944,829	873,113
Impairments losses on loans and advances	48,032	(93,557)	(50,297)	(241,251)	(421,442)	(264,912)	(274,168)	(361,219)	(228,570)	(201,068)
Net interest income after impairment of advances	1,887,917	1,388,026	1,113,531	925,935	916,793	992,617	897,631	802,901	716,259	672,045
Non interest income	1,583,945	1,486,904	1,390,655	1,205,745	1,199,354	1,142,315	1,069,648	978,155	926,949	862,386
Income from operations	3,471,862	2,874,930	2,504,186	2,131,680	2,116,147	2,134,932	1,967,279	1,781,056	1,643,208	1,534,431
Operating expenses	(1,691,178)	(1,455,054)	(1,305,275)	(1,213,972)	(1,188,902)	(1,172,601)	(1,129,070)	(1,100,733)	(984,196)	(777,928)
Income before taxation	1,780,684	1,419,876	1,198,911	917,708	927,245	962,331	838,209	680,323	659,012	756,503
Taxation	(394,153)	(304,104)	(272,168)	(232,533)	(231,439)	(229,795)	(190,154)	(179,804)	(155,121)	(165,020)
Income after taxation	1,386,531	1,115,772	926,743	685,175	695,806	732,536	648,055	500,519	503,891	591,483
Dividends paid and proposed	(686,799)	(508,740)	(406,992)	(1,246,413)	(203,496)	(406,992)	(357,118)	(282,007)	(282,007)	(410,192)
Retained income for the year	699,732	607,032	519,751	(561,238)	492,310	325,544	290,937	218,512	221,884	181,291



Ten-year Consolidated Statements of Financial Position

as at June 30, 2024

	30 June 2024 P'000	30 June 2023 P'000	30 June 2022 P'000	30 June 2021 P'000	30 June 2020 P'000	30 June 2019 P'000	30 June 2018 P'000	30 June 2017 P'000	30 June 2016 P'000	30 June 2015 P'000
ASSETS										
Cash and short term funds	5,391,077	6,715,040	6,198,095	5,470,758	4,697,599	4,411,739	4,356,895	4,396,885	3,651,793	4,371,324
Derivative financial instruments	17,368	36,897	41,114	35,307	76,872	49,606	55,181	64,028	76,646	26,716
Investment securities*	11,603,074	5,972,948	5,354,595	7,889,039	9,509,211	4,135,220	3,360,091	3,313,694	2,447,230	2,256,337
Advances to banks	-	-	-	217,957	-	789,903	650,912	-	324,960	640,000
Advances to customers*	18,494,002	16,274,676	15,081,463	13,642,027	14,686,767	15,939,047	15,478,937	14,997,373	14,386,819	12,846,481
Current taxation	4,999	88,368	82,299	85,239	86,324	106,768	65,267	8,641	99,966	46,832
Due from related companies	9,938	6,804	6,563	7,552	11,684	6,388	9,465	9,448	6,324	6,319
Other assets	447,825	369,882	328,706	406,658	479,314	317,627	357,133	288,831	376,245	211,080
Property and equipment	616,301	566,148	533,669	530,646	560,785	481,307	507,584	505,496	495,692	540,393
Goodwill	26,963	26,963	26,963	26,963	26,963	26,963	26,963	26,963	26,963	26,963
Deferred taxation	8,252	-	-	-	3,706	7,054	-	-	-	-
Total assets	36,619,799	30,057,726	27,653,467	28,312,146	30,135,519	26,264,568	24,868,428	23,611,359	21,892,638	20,972,445
LIABILITIES										
Derivative financial instruments	10,623	25,623	28,632	21,507	36,708	14,844	20,315	28,065	42,631	13,796
Accrued interest payable	20,729	40,922	21,739	21,360	28,079	63,566	51,893	46,061	30,553	88,895
Due to related parties	38,887	72,460	24,775	25,093	21,322	32,898	73,861	36,175	124,726	11,673
Other Liabilities	668,295	781,428	584,531	680,558	723,587	863,734	459,949	443,530	429,680	360,109
Deposits from banks	501,449	849,454	888,862	490,153	545,002	581,243	730,109	1,397,685	300,166	199,334
Deposits from customers	30,021,044	23,333,051	21,347,612	21,396,057	23,171,897	19,591,409	18,834,336	17,567,471	17,063,756	17,233,721
Employee liabilities	131,205	116,915	98,227	93,887	81,504	85,894	82,800	71,606	68,127	61,949
Current taxation	-	-	-	-	-	-	7,699	1,208	898	650
Borrowings	1,029,156	1,100,887	1,329,454	1,527,200	1,765,858	1,502,642	1,288,927	1,059,127	1,094,239	395,376
Deferred taxation	777	10,151	6,336	158,992	196,988	200,623	200,779	207,566	203,509	160,956
Total liabilities	32,422,165	26,330,891	24,330,168	24,414,807	26,570,945	22,936,853	21,750,668	20,858,494	19,358,285	18,526,459
EQUITY										
Stated capital	51,088	51,088	51,088	51,088	51,088	51,088	51,088	51,088	51,088	51,088
Reserves	3,459,747	3,167,007	2,865,219	2,599,838	3,313,696	3,029,311	2,837,739	2,547,955	2,329,443	2,112,891
Dividend reserve	686,799	508,740	406,992	1,246,413	203,496	254,370	228,933	153,822	153,822	282,007
Total ordinary equity holder's funds	4,197,634	3,726,835	3,323,299	3,897,339	3,568,280	3,334,769	3,117,760	2,752,865	2,534,353	2,445,986
Total equity and liabilities	36,619,799	30,057,726	27,653,467	28,312,146	30,139,225	26,271,622	24,868,428	23,611,359	21,892,638	20,972,445



Shareholder information

Shareholder diary

Dividend and results announcement	13 September 2024
Publication of abridged Annual Financial Statements	13 September 2024
Payment of final dividend	11 October 2024
Annual General Meeting	05 November 2024
Next financial year end	30 June 2025

Shareholder analysis

FNBB is a public company listed on the Botswana Stock Exchange with a total of 4 842 shareholders and 2 543 700 000 issued ordinary shares. Of the Bank's issued shares, 70% (1 780 590 000) shares are held by First National Bank Holdings (Botswana) (Proprietary) Limited being a non-public shareholder. The balance of 30% (763 110 000) shares is held by public shareholders and currently floats on the Botswana Stock Exchange. Of the public shareholders, there are no individuals holding 10% or more of the stated capital. First National Holdings (Botswana) (Proprietary) Limited is wholly owned by FirstRand EMA Holdings Limited duly incorporated in South Africa.

Shareholder spread

SHARE RANGE	NUMBER OF HOLDERS	% OF HOLDERS	SHARES HELD	% OF ISSUED SHARES
1 – 5,000	3,976	80.18	3,497,619	0.14
5,001 – 10,000	348	7.02	2,861,193	0.11
10,001 – 50,000	391	7.88	9,351,550	0.37
50,001 – 100,000	90	1.81	7,079,003	0.28
100,001 – 500,000	84	1.69	17,905,190	0.70
500,001 – 1,000,000	16	0.32	11,476,697	0.45
Above 1,000,000	54	1.09	2,491,528,748	97.95
Total	4,842	100.00	2,543,700,000	100.00

Top 10 shareholders

Shareholder	Number of shares	% of issued shares
FNB Holdings Botswana Limited	1,780,590,000	70.00%
FNB Botswana Nominees re: BIFM	278,099,961	10.93%
Botswana Public Pension Fund Vunani	61,877,113	2.43%
Motor Vehicle Fund	41,053,910	1.61%
Botswana Public Officers Pension Fund	37,509,348	1.47%
Ninety-One-Debswana Pension Fund	27,249,643	1.07%
Stanbic Nominees Botswana re BIFM Plef	24,728,181	0.97%
Botswana Public Officers Pension Fund	20,623,252	0.81%
Ninety-One-re Botswana Managed Fund	17,442,369	0.69%
Stanbic Nominees Botswana re BIFM MLF	15,523,136	0.61%
Total	2,304,696,913	90.60%
Others	239,003,087	9.40%
Total issued	2,543,700,000	100.00%

Director interests

Shareholder	Shares held
Doreen Ncube	7,930
Bonyongo Family Trust	6,389
Total	14,319



Glossary

Financial ratios and other measures

CAR	Capital adequacy ratio
GDP	Gross domestic product
LAR	Liquid asset ratio
LCR	Liquidity coverage ratio
LTI	Long-term incentive
MoPR	Monetary Policy Rate
NIACC	Net income after cost of capital
NPL	Non-performing loan
NPS	Net promoter score
P	Pula
PV01	Preset value of one basis point
STI	Short-term incentive
USD	United States Dollar

FNB Botswana, and its Committees and positions

BCCC	Board Compliance and Conduct Committee
BCRC	Board Credit Risk Committee
Board	Board of Directors
CARE	Complaints and Resolution Enablement
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DAGC	Directors' Affairs and Governance Committee
ExCo	Executive Committee
FNB App	FNB Banking App
FNB Botswana or the Bank	First National Bank of Botswana Limited
RCC	Risk and Capital Management Committee
RMB	Rand Merchant Bank (Corporate Investment Banking)

Industry regulators, regulations and other organisations

BOTESSA	Botswana Tertiary Student Sports Association
CECT	Chobe Enclave Conservation Trust
CEEP	Citizen Economic Empowerment Programme
FirstRand or the Group	FirstRand Limited
IFRS	International Financial Reporting Standards
<IR>	Integrated Reporting
King IV	King Report on Corporate Governance for South Africa, 2016*
KYC	Know Your Customer
POPIA	Protection of Personal Information Act (of South Africa)

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Other

ADT	Automated deposit teller machine
AGM	Annual General Meeting
AI	Artificial intelligence
AML	Anti-money laundering
ATM	Automated teller machine
CO ₂	Carbon dioxide
CSI	Corporate social investment
ESG	Environmental, social and governance
GHG	Greenhouse gas
HIV	Human immunodeficiency virus
ICT	Information and Communication Technology
kg	Kilogram
km	Kilometre
KPI	Key performance indicator
kWh	Kilowatt-hour
MW	Megawatt
OTP	One-time pin
POS	Point of sale
SDG	United Nations Sustainable Development Goal
SME	Small and medium enterprise
SMS	Short message service
tCO _{2e}	tonnes of carbon dioxide equivalent



Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (AGM) of shareholders of the Company will be held at Hotel 430 at 13h00 on Wednesday, 5 November 2024, for the purpose of transacting and considering the following business and if deemed fit, passing, with or without modification, the following resolutions:

Agenda

Ordinary business

- To read the notice of AGM (notice) and ascertain the presence of a quorum required in terms of the Constitution.
- Ordinary resolution 1:**
RESOLVED THAT, the Audited Annual Financial Statements for the year ended 30 June 2024 together with directors' and auditor's reports thereon be adopted.
- Ordinary resolution 2:**
RESOLVED THAT dividends of 16 Thebe per ordinary share declared for the interim period, and 27 Thebe per ordinary share for the year ended 30 June 2024 be approved as recommended by the directors and the distribution be ratified thereof.
- Ordinary resolution 3 – 5:**
RESOLVED THAT the following directors retire by rotation in terms of the Company's Constitution and are eligible to offer themselves for re-election:
 - Mr Asad Petkar (Resolution 3)
 - Mr Massimo Marinelli (Resolution 4)
 - Ms Doreen Ncube (Resolution 5)
 Mr Petkar, Mr Marinelli and Ms Ncube, being eligible and available, offer themselves for re-election and shall be re-elected by way of separate resolutions (Resolution 3-5). Biographical information of the directors to be re-elected is set on pages 84 to 85 in the Integrated Report.
- Ordinary resolution 6:**
RESOLVED THAT the following Director retire in accordance with the terms of the Company's Constitution and does not offer himself for a for re-election on the basis that the Director has reached the maximum tenure as prescribed in the Company's Board Governance Framework.
 - Mr John Kienzley Macaskill (Resolution 6)

6. Ordinary resolution 7 – 9:

To ratify the appointment of the following Directors of the Company by separate resolutions:

- Ms Lee-Anne Van Zyl (Non-Executive Director) (Resolution 7)
- Ms Keneilwe Patricia Mere (Independent Non-Executive Director) (Resolution 8)
- Ms Pinkie Mothopeng-Makepe (Independent Non- Executive Director) (Resolution 9)

7. Ordinary resolution 10:

RESOLVED THAT the annual fees of the Independent Non-Executive Directors as reflected below, be approved:

	Annual Retainer BWP	Annual Sitting Fee BWP	Total Proposed Annual Fees for 2025 BWP
First National Bank of Botswana Limited Board			
Member	156,000	124,800	280,800
Chairperson	312,000	249,600	561,600
Audit Committee			
Member	104,000	87,360	191,360
Chairperson	156,000	170,560	326,560
Risk and Capital Management Committee			
Member	N/A	70,720	70,720
Chairperson	78,000	141,440	219,440
Human Capital and Remuneration Committee			
Member	N/A	62,400	62,400
Chairperson	78,000	86,200	164,200
Directors' Affairs and Governance Committee			
Member	N/A	62,400	62,400
Chairperson	78,000	86,200	164,200
Board Credit Risk Committee			
Member	N/A	62,400	62,400
Chairperson	78,000	86,200	164,200
Board Compliance and Conduct Committee			
Member	N/A	62,400	62,400
Chairperson	78,000	86,200	164,200
Strategy	N/A	31,200	31,200



Additional information in respect of Ordinary Resolution 10

- i. Director Fees (Sitting, Retainer and Strategy) have been increased by an inflationary increase of 4%.
- ii. Executive Directors and Non-Executive Directors employed by the FirstRand Group do not receive fees as members of the Board.
- iii. Fees are reviewed annually in line with industry benchmarks and are approved at the AGM for the year ahead.
- iv. Board and Committee meeting fees are paid at a flat rate, with a premium rate for the Chairpersons.
- v. Sitting fees cover preparation and sitting for meetings.
- vi. All members of the Board (at a Main Board Level) are paid a retainer, with the Chairperson of the Board earning a premium retainer.
- vii. All Committee Chairpersons are paid a retainer relative to the complexity of each Committee.
- viii. Only members of the Audit Committee are paid a retainer.
- ix. The retainer covers retention for skill and expertise, round robin applications, ad hoc and special meetings, training, attendance of bank events, and engagement with Bank stakeholders.
- x. The retainer will be paid on a quarterly basis, at the beginning of each quarter.

8. Ordinary resolution 11:

RESOLVED THAT, as recommended by the Audit Committee of the Company, Ernst & Young be appointed as auditors of the Company for the period ending 30 June 2025 and that Directors be authorised to determine the remuneration of the auditors accordingly.

Additional information in respect of Ordinary Resolution 11

The remuneration of the Company's auditors is determined by the Audit Committee as per the Audit Committee Charter.

9. Ordinary Resolution 12:

RESOLVED THAT, the auditor's remuneration of P8 620 000 paid for the prior year's audit be and is hereby ratified.

10. To transact any other business which may be transacted at an AGM.

Voting and proxies

All holders of ordinary shares entitled to vote will be entitled to attend and vote at the AGM.

A holder of shares who is present in person, or by authorised representative or by proxy shall have one vote on a show of hands and have one vote for every ordinary share held on a poll.

Each shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies (none of whom need be a shareholder of the Company) to attend, speak and subject to the Constitution of the Company vote in his/her/its stead.

The Integrated Report and form of proxy which sets out the relevant instructions for its completion can be found on the FNB Botswana website www.fnbbotswana.co.bw.

To be effective, a duly completed form of proxy must be received at the Transfer Secretaries, Central Securities Depository Company of Botswana, Plot 70667, 4th Floor, Fairscape Precinct, Fairgrounds Private Bag 00417, Gaborone by no later than 12h00 on 1 November 2024.

By order of the Board

Gaone Setlhake
Company Secretary



Form of proxy

For completion by holders of ordinary shares

(Registration number BW00000790476)
(Incorporated in the Republic of Botswana)
(FNBB or “the Company”)

PLEASE READ THE NOTES OVERLEAF BEFORE COMPLETING THIS FORM.

EXPRESSIONS USED IN THIS FORM SHALL, UNLESS THE CONTEXT REQUIRES OTHERWISE, BEAR THE SAME MEANINGS AS IN THE NOTICE TO SHAREHOLDERS OF FNBB ISSUED ON Monday, 14 OCTOBER 2024.

For use at the Annual General Meeting (AGM) of shareholders of the Company to be held on Wednesday, 5 November 2024.

I/We _____
(name/s in block letters)

of _____
(Address) appoint (see note 2):

1. _____ or failing him/her,

2. _____ or failing him/her,

3. the Chairperson of the AGM, as my/our proxy to act for me/us at the AGM which will be held, in addition to considering the ordinary business, for the purpose of considering and if deemed fit, passing with or without modification, the resolutions to be proposed under the special business vote thereat and at each adjournment thereof, and to vote for or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name in accordance with the following instructions (see note 2):

	Number of ordinary shares		
	For	Against	Abstain
1. Ordinary Resolution 1			
2. Ordinary Resolution 2			
3. Ordinary Resolution 3			
4. Ordinary Resolution 4			
5. Ordinary Resolution 5			
6. Ordinary Resolution 6			
7. Ordinary Resolution 7			
8. Ordinary Resolution 8			
9. Ordinary Resolution 9			
10. Ordinary Resolution 10			
11. Ordinary Resolution 11			
12. Ordinary Resolution 12			

Signed at _____ on _____ 2024

Signature _____

Assisted by (where applicable)

Each shareholder is entitled to appoint one or more proxies (who need not be member/s of the Company) to attend, speak and vote in place of that shareholder at the AGM.

Please read the notes on the reverse side hereof.



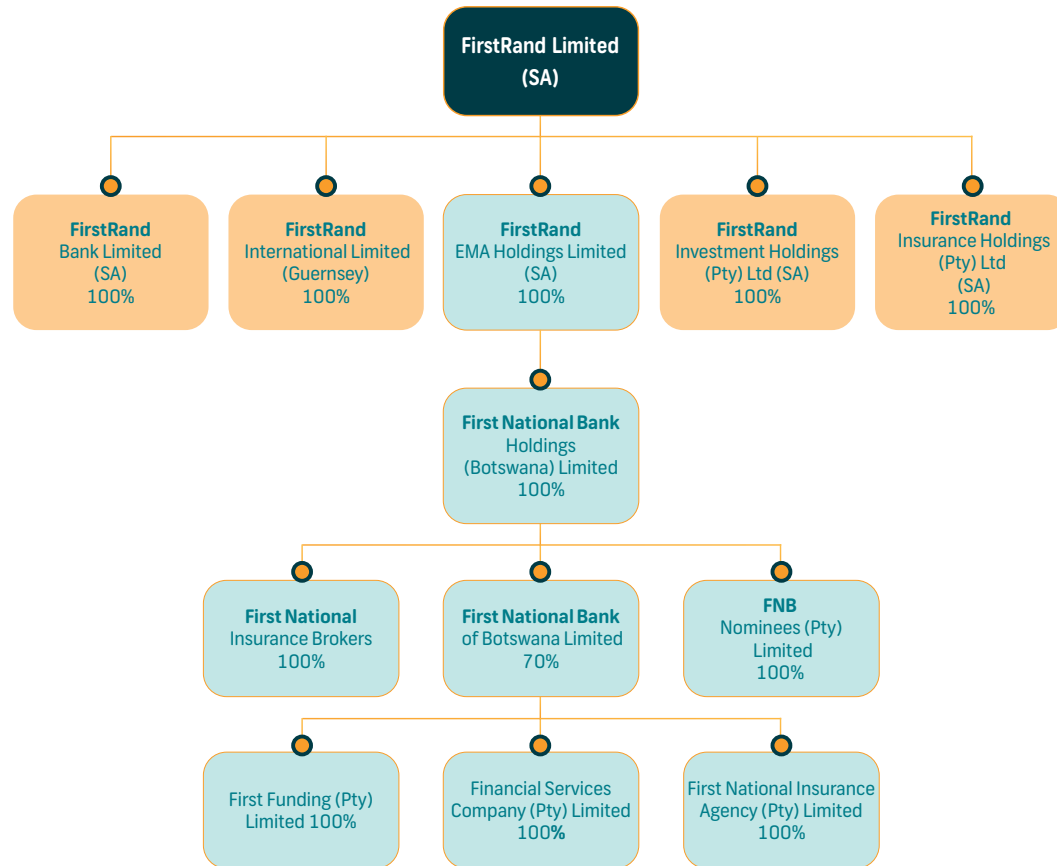
Notes

For completion by holders of ordinary shares

1. A shareholder must insert the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "Chairperson of the AGM". The person whose name appears first on the form of proxy, and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the AGM as he/she deems fit in respect of the shareholder's votes exercisable thereat, but where the proxy is the Chairperson, failure to comply will be deemed to authorise the proxy to vote in favour of the resolution. A shareholder or his/her proxy is obliged to use all the votes exercisable by the shareholder or by his/her proxy.
3. Forms of proxy must be lodged at or posted to the Transfer Secretaries of the Company, Central Securities Depository Company of Botswana, Plot 70667, 4th Floor, Fairscapes Precinct, Fairgrounds Private Bag 00417 Gaborone to be received before 12h00 on 1 November 2024.
4. The completion and lodging of this form will not preclude the relevant shareholder from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such shareholder wish to do so.
5. The Chairperson of the AGM may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he is satisfied as to the manner in which the shareholder concerned wishes to vote.
6. An instrument of proxy shall be valid for the AGM as well as for any adjournment thereof unless the contrary is stated thereon.
7. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the ordinary shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the AGM or adjourned AGM at which the proxy is to be used.
8. The authority of a person signing the form of proxy under a power of attorney or on behalf of a company must be attached to the form of proxy unless the authority or full power of attorney has already been registered by the Company or the Transfer Secretaries.
9. Where ordinary shares are held jointly, all joint shareholders must sign.
10. A minor must be assisted by his/her guardian, unless relevant documents establishing his/her legal capacity are produced or have been registered by the Company.



Operating corporate structure



Corporate information

First National Bank of Botswana Limited

Physical address: Plot 54362, First Place, Central Business District, Gaborone, Botswana

Postal address: PO Box 1552, Gaborone, Botswana

Telephone: +267 370 6000 | +267 395 9881 | 0800 302 302

Email: info@fnbbotswana.co.bw | investor@fnbbotswana.co.bw

Registration number: BW00000790476

SWIFT code: FIRNBWGX

Digital presence

Website: <https://www.fnbbotswana.co.bw>

LinkedIn: FNB Botswana (<https://www.linkedin.com/company/fnb-botswana>)

X: @FNB_Botswana (https://x.com/FNB_Botswana)

Facebook: FNB Botswana (<https://www.facebook.com/FNBBotswana>)



Balisi Mohumi Bonyongo
Chairperson

FNB Botswana remains committed to delivering value to our stakeholders through continued innovation, operational excellence and financial strength.



Steven Lefentse Bogatsu
CEO

FNB Botswana's resilient performance in FY2024 is characterised by strong profitability, efficient operations and a healthy balance sheet.


“FNB Botswana delivered an exceptional performance across all key measures despite significant global volatility and macro-economic constraints.”

www.fnbbotswana.co.bw

 FNB Botswana

 FNB_Botswana

 FNB Botswana

 investor@fnbbotswana.co.bw