FNB Botswana

Integrated Report 2023

OUR PURPOSE

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

2020 - 2025

FNB Botswana's 2025 strategy was launched in 2020 to deliver sustainable growth over five years. Our strategy responds to a dynamic operating environment and ensures that we continue to focus on those matters that enable us to create value. The successful implementation of our strategy will bring our purpose to life: to be a trusted partner committed to building a shared future of prosperity.

Our strategic objectives are underpinned by digital transformation

OUR REPORTING SUITE FOR FY2023

Our reporting suite provides us with an opportunity to share our achievements for the year ended 30 June 2023. This suite is supplemented by various online publications, stakeholder communications and engagements, and additional information available on our website **www.fnbbotswana.co.bw**

NAVIGATING OUR REPORT

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

Navigating icons

- PG — Read more in this report
- IV — King IV refers to the King Code on Corporate Governance
- Website information
- In this report
- Back
- Previous page
- Next page

Our capital inputs

We recognise the interconnectivity between the capital we use, which informs our decision making and strategic choices. We adapt to changes in the availability, quality, and affordability of our inputs, to remain a successful and sustainable business.

- Financial
- Manufactured
- Human
- Intellectual
- Social and relationship
- Natural

Stakeholders

- Clients
- Shareholders
- Suppliers
- Media
- Regulators
- Communities
- Government
- Organised labour
- Employees

Welcome to our 2023 integrated report

This integrated report (IR or report) reviews achievements for the financial year 1 July 2022 to 30 June 2023. It outlines our performance, emphasising key factors for First National Bank of Botswana Limited's (FNB Botswana or the Bank) commercial success and attractiveness as a secure investment, a reliable place for deposits, a reliable provider of integrated financial services and a model corporate citizen.

Our integrated report, financial results, accounting policies and press releases are available online at **www.fnbbotswana.co.bw**. Please share your feedback and opinions on our report by emailing **investor@fnbbotswana.co.bw**.

CONTENTS

PG We provide a full glossary for the terms and abbreviations used in this report on page 246.

Feedback

Your feedback is important to us, and we welcome your input to enhance the quality of our reporting.

Please send your comments or suggestions to **investor@fnbbotswana.co.bw**

2023 performance at a glance

FNB Botswana remains committed to delivering value to our stakeholders through innovation, service excellence and adherence to the highest standards of corporate governance and capital management.

Financial value created

P17.3 billion
Gross loans and advances
(FY2022: P16.1 billion)

P24.2 billion
Client deposits
(FY2022: P22.2 billion)

P1.4 billion
Profit before tax
(FY2022: P1.2 billion)

32t
Ordinary dividend per share
(FY2022: 26t)

32%
Return on equity
(FY2022: 26%)

49%
Cost-to-income ratio
(FY2022: 51%)

Strategic and shared value created

Operational efficiencies

P14 million
Cost reduction through efficiencies
(FY2022: P14 million)

Read more about efficiencies realised on pages 46 to 47.

99%
Process mapping, documentation and governance
(FY2022: 98%)

56%
Business process optimisation
(FY2022: 55%)

2.7%
Process automation, digitalisation and robotics
(FY2022: 1.5%)

Strategic and shared value created

Value protection

Strong risk focus
towards effective risk management

Further reading on pages 50 and 51.

Solutionist people

80%
Culture Risk Assessment dipstick survey
(FY2022: 73%)

3.6%
Average organisational performance rating
(FY2022: 3.8%)

P726 million
paid in employee benefits
(FY2022: P628 million)

Further reading on pages 44 and 45.

Shared value

P3.8 billion
transactional value through CashPlus
(FY2022: P2.0 billion)

P375 million
procurement through local companies
(FY2022: P336 million)

P304 million
taxes paid to Government
(FY2022: P272 million)

P9.3 million
total corporate social investment (CSI)
(FY2022: P6.8 million)

P7.5 million
invested in employee training and skills development
(FY2022: P4.7 million)

Further reading on pages 52 and 53.

About this report

We embrace integrated thinking to enhance decision making and deliver on our purpose to be a trusted partner committed to building a shared future of prosperity for all our stakeholders.

Scope and boundary

The report's content is derived from the regulatory universe listed below, the information needs of our financial capital providers, and matters considered significant for value creation. For further details on our materiality process, please refer to page 18.

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)[1]	✓	✓
International Financial Reporting Standards (IFRS)		✓
Botswana Companies Act of 2007, as amended (Cap 42:01) (Companies Act) through the Registrar of Companies	✓	✓
Non-Bank Financial Institutions Regulatory Authority Act of 2016 (Cap 46:08) through the Non-Bank Financial Institutions Regulatory Authority		✓
Banking Act of 1995 (Cap 46:04) (Banking Act) through the Bank of Botswana	✓	✓
Corporate Governance Principles for Banks through the Basel Committee on Banking Supervision	✓	
Financial Reporting Act of 2020 through the Botswana Accountancy Oversight Authority	✓	✓
Botswana Stock Exchange Equity Listings Requirements, version 3.4, NBFIRA-approved with effect from 1 January 2019 (Botswana Stock Exchange Listing Requirements)	✓	✓
Board Governance Framework	✓	✓
Guidelines on Corporate Governance for Banks/ Financial Institutions Licensed and Supervised by the Bank of Botswana on 22 November 2022	✓	✓

PG The consolidated and separate annual financial statements (AFS) have been audited by the independent auditors, Deloitte and Touche (Botswana). See their report on page 140.

Materiality

PG Our material matters, detailed on pages 18 to 29 shape our strategy and guide the content of this report.

The Board believes that the matters presented in this report provide a well-balanced mix of information, enabling readers to evaluate FNB Botswana's performance and prospects. This report concentrates on material issues, opportunities and challenges that significantly affect FNB Botswana's sustainability and our ability to provide consistent value to stakeholders.

Both the Board and management affirm that all reliable information has been disclosed to the best of their knowledge, and there are no legal barriers to disclosing material information.

Reporting time frames

We use the following general classifications when making timeframe 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.

Approval of the integrated report

Several internal stakeholders actively engaged in the development, review and approval process of this integrated report. The Audit Committee submitted both the annual financial statements and integrated report to the Board for approval.

After careful assessment, the Board verified that this integrated report offers a fair and balanced representation of the Bank's performance and prospects. The Board officially approved the report on 12 October 2023.

Balisi Mohumi Bonyongo
Chairperson

John Kienzley Macaskill
Non-Executive Director

Michael William Ward
Independent Non-Executive Director

Doreen Ncube
Independent Non-Executive Director

Ephraim Dichopase Letebele
Independent Non-Executive Director

Jabulani Richard Khethe
Independent Non-Executive Director

Naseem Banu Lahri
Independent Non-Executive Director

Massimo Marinelli
Independent Non-Executive Director

Asad Petkar
Independent Non-Executive Director

Louis Frans Jordaan
Non-Executive Director

Steven Lefentse Bogatsu
Executive Director (Chief Executive Officer)

Mbako Mbo
Executive Director (Chief Financial Officer)

Who we are

FNB Botswana is one of nine licensed commercial banks in Botswana. The Bank provides individuals and businesses with a full range of integrated financial solutions. We operate in the retail, commercial and corporate segments. FNB Botswana is the largest company on the Botswana Stock Exchange (BSE) by market capitalisation and the largest bank in Botswana by balance sheet, profitability and client base.

Our Purpose

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

Our Vision

We strive to be the world-class financial solutionist of choice, consistently delivering an unmatched client experience.

Mission

Our empowered people provide vibrant spaces and use cutting-edge platforms to create sustainable shared value for all.

Creating shared value for our key stakeholders:

- Clients
- Employees
- Shareholders
- Regulators
- Suppliers
- Media
- Communities
- Organised labour
- Government

Keeping our promises to our stakeholders

Deliver the best results for our customers, society and each other

Care for the business as if it were your own

Build an environment where everyone's views are valued

Create a culture of sharing

Speak your mind and encourage others to do the same

Avoid intellectual laziness and question the status quo

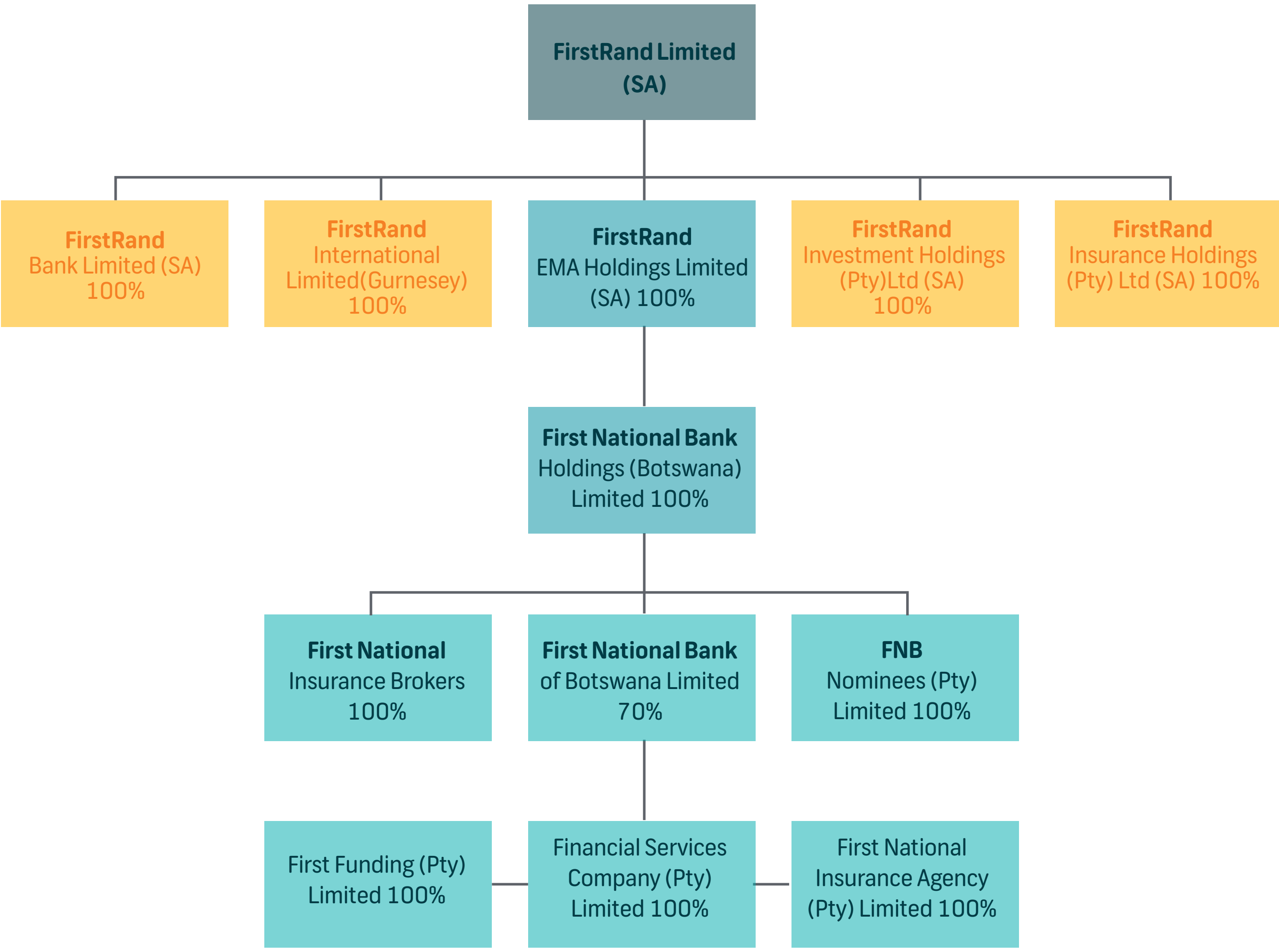
Fight for ethical conduct and transparency

What we do

We offer a diverse range of banking and related services accessible through our branches, automated teller machines (ATMs), automated deposit teller machines (ADTs), point-of-sale (POS) devices, CashPlus agency banking and digital banking, including Cellphone Banking, Online Banking and the FNB App, providing extensive and comprehensive banking options. The Bank has a toll-free 24-hour Contact Centre and offers personalised banking services.

Our innovative CashPlus agency model expands our reach to underserved areas, enabling FNB Botswana clients to conveniently deposit, withdraw cash, purchase airtime and electricity at any FNB CashPlus agent within their community, thus reducing the necessity to visit a branch or ATM.

Operating corporate structure



Where we operate

25
Branches
(FY2022: 24 branches)

241
(163 ATMs and 78 ADTs)
(FY2022: 239 (167 ATMs and 72 ADTs)

1 099
CashPlus Agents
(FY2022: 649 CashPlus agents)

78
ADTs

3
Premium Suites
(FY2022: 3 premium suites)

12 687
point-of-sale (POS) machines
(FY2022: 11 236 POS machines)

We maintain an extensive presence across Botswana, ensuring client service accessibility based on preference, proximity and convenience.

1 600

(FY2022: 1 460 employees)

dedicated employees serve over

655 000 clients

(FY2022: 630 000 clients)

We serve our customers through an extensive branch and self-service network, digital channels, financial advisors, relationship bankers and merchant partners

Customer engagement

- 24/7 toll-free Contact Centre
- Branches
- Relationship bankers

Service channels

- ATMs and ADTs
- FNB Banking App (FNB App), Online, Cellphone Banking
- eCommerce, Integrations and Payment Gateways.

Inclusive banking

- CashPlus
- Bank on Wheels
- Cash@Till
- eWallet@Till
- Speedee

Why we exist

We purposefully engage in core business activities and strategic capital allocation to create societal value, ensure profitability and operate at a significant scale, thereby ensuring that the creation of shared value is embedded in all Bank activities.

Our primary goal is to provide integrated financial services that cater to a diverse range of client needs by leveraging innovative digital platforms, enhancing client experiences and offering personalised services – always striving for inclusive economic growth. Simultaneously, we actively contribute to community development and social progress through the initiatives of the FNB Botswana Foundation.

What we offer

Retail and Commercial Banking

The core offerings of FNB Botswana from an individual and business perspective include;

- A primary focus on client relationships anchored in the growth and retention of customer relationships through core transactional accounts
- Leveraging a cutting-edge digital platform with market-leading interfaces to provide contextual, cost-effective, and innovative integrated financial services to both retail and commercial customers, whether through assisted (in-person) or self-service means
- Utilising FNB's deep-rooted customer relationships and extensive data insights to enhance customer experiences and identify cross-selling opportunities across the full spectrum of financial services, including banking, insurance, and investment management
- Offering vehicle and asset finance
- Offering inventive products to foster customer savings and investments, thereby growing the retail deposit franchise
- Implementation of disciplined and integrated credit origination strategies that effectively cater to customer requirements and affordability across all credit products
- Deployment of Cashback Rewards as a means to reward desired customer behaviour, drive platform adoption, and facilitate cross-selling
- Managing the physical points-of-presence network to optimise costs through appropriate sizing and coverage, considering geographic and segment-specific perspectives, and assisting customers in embracing digital banking
- Leveraging both traditional and alternative distribution channels, including agency banking (CashPlus) in Botswana

RMB Botswana (Corporate and Investment Banking)

As a Corporate Investment Banking (CIB) division of FNB Botswana, RMB Botswana ensures the delivery of integrated CIB value propositions to corporate and institutional clients. These propositions encompass a comprehensive array of activities, including;

- Lending and advisory
- A well-established market-making business that is expanding its distribution product range
- A competitive suite of transactional banking and securities services, and a Top-tier private equity division.
- This diversified business portfolio, combined with a disciplined approach to balancing risk, return, and growth, is meticulously designed to yield sustainable high-quality earnings, maintain balance sheet resilience, and generatesuperior returns.

Who we serve

Our business segmentation structure is founded on putting the client first.

We cater to the unique requirements and profiles of individual, business and corporate clients, offering a diverse range of products and services specially tailored to meet the needs of each client segment.

Individuals

We strive to align innovative products, services and platforms to the needs of each individual client at every stage of their financial journey.

Retail Banking offers a comprehensive suite of services to individual clients, including

- Transactional banking
- Advisory
- Savings and investment options
- Borrowing facilities (personal loans, vehicle and asset finance)
- Mortgages/ property finance
- Insurance solutions

Retail Banking serves the following segments:

- Personal (Youth, Student, Smart and Gold)
- Premier clients
- Private clients
- Offshore investment portfolios

Businesses

We aim to enhance value and convenience for our business clients, spanning from small and medium enterprises (SMEs) to large corporations.

Commercial Banking delivers an extensive range of financial services, including:

- Transactional banking
- Trade and working capital solutions
- Asset-based finance
- Foreign exchange solutions
- Letters of credit
- Purchase order finance
- Agriculture and tourism funding solutions
- Commercial property finance
- Islamic banking services
- Term lending solutions
- Merchant services solutions
- Investment products
- Service channels

Commercial Banking serves the following client segments:

- Upper commercial
- Lower commercial
- Small and medium enterprises (SMEs)
- Local Government and Government agencies
- Parastatals

Corporates

We are dedicated to safeguarding and expanding the value of corporates through tailored financial solutions.

FNB Botswana's **Corporate and Investment Banking** segment, branded as RMB, provides clients with access to a wide-ranging suite of investment banking products and services.

Corporate Banking offers the following

- Advisory
- Corporate finance
- Currency and commodity services
- Fixed income
- Infrastructure and project finance
- Investment opportunities
- Structured trade and commodity finance
- Structured global markets solutions
- Trade and working capital
- Term lending solutions
- Liquidity and cash management solutions
- Merchant services solutions
- Service channels

*In addition to the three banking segments, FNB Botswana Treasury manages liquidity and funding.

Segmental revenue contribution

46%
Retail banking
(FY2022: 45%)

25%
Commercial banking
(FY2022: 23%)

19%
RMB
(FY2022: 23%)

10%
Treasury*
(FY2022: 9%)

How we serve our clients

Our goal is to establish lifelong partnerships with our clients through a cohesive and inclusive banking ecosystem.

Inclusive banking

Extending our reach and fostering economic inclusivity

To extend our services to clients, we offer CashPlus agency banking enabling them to deposit and withdraw cash, withdraw from eWallet, and purchase prepaid airtime and electricity through their cellphones at CashPlus agents.

In its fourth year, CashPlus experienced remarkable growth and expansion into new territories. The bank expanded its agent network to 1 099 agents, facilitating 4.7 million transactions totalling P 3.8 billion. One of the notable achievements is CashPlus' expansion into previously underserved territories like Shakawe, Charles Hill, Bray, Khwai, and Central Kgalagadi Game Reserve (CKGR). This strategic move addressed the pressing issue of financial inclusion and convenience for local residents. The CashPlus offering in Shakawe received overwhelming support and utilisation in the community, signalling the need for more financial inclusion, which then led to the Bank opening a new branch in the area.

Before CashPlus introduction, customers in these areas often had to endure arduous journeys of over 200 to 500 kilometres to access basic banking services. With its presence, over 200 villages that previously lacked ATMs or banks, customers gained access to vital services such as withdrawals, deposits and bill payments. This transformation not only alleviated the burden of long journeys but also brought the benefits of formal banking closer to home for countless individuals.

CashPlus' fourth-year success is testament to FNB Botswana's commitment to improving the lives of its customers. By expanding its reach into these previously neglected areas, the Bank reaffirms its dedication to financial inclusion and customer convenience, making banking services accessible to those who needed them the most.

Through our Bank on Wheels (BoW), a secure and high-quality mobile branch, we can reach clients in remote villages and at large events where physical branches are not available.

FNB Botswana clients can conveniently withdraw cash using our Cash@Till service at selected retailers.

Through eWallet, clients can instantly send money to any active cellphone number, allowing recipients to utilise the funds for purchasing airtime, sending money to other cellphones, and making in-store purchases at any FNB point-of-sale device. Furthermore, through eWallet@Till, clients can buy groceries and airtime while withdrawing cash at participating stores.

The FNB App offers clients an opportunity to bank and transact on the go 24/7. FNB Botswana clients can process payments, make transfers between accounts, buy airtime and electricity, view their balances, use eWallet and many more services at the click of a button anywhere, anytime.

The FNB App also enables clients to process forex transactions conveniently, a service that previously required one to visit a branch. Using data on the FNB App is zero-rated across all local mobile network operators, allowing clients to perform all these functionalities free of charge, without having to worry about purchasing airtime or data.

12.5 million eWallet transactions (FY2022: 11 million)

1 099 CashPlus agents (FY2022: 649)

4.7 million CashPlus transactions (FY2022: 2.6 million)

25 000 new-to-Bank clients (FY2022: 21 000)

24 million airtime purchases (FY2022: 23 million)

3.5 million electricity purchases (FY2022: 3.5 million)

Our service channels

- 24/7 toll-free Contact Centre
- Bank on Wheels (BoW)
- Branches
- Sales and service centres
- CashPlus agents
- Relationship bankers
- ATMs and ADTs
- FNB App
- Online and Cellphone Banking
- Payment Gateways
- Cash@Till
- eWallet@Till
- Speedee

Why invest in FNB Botswana?

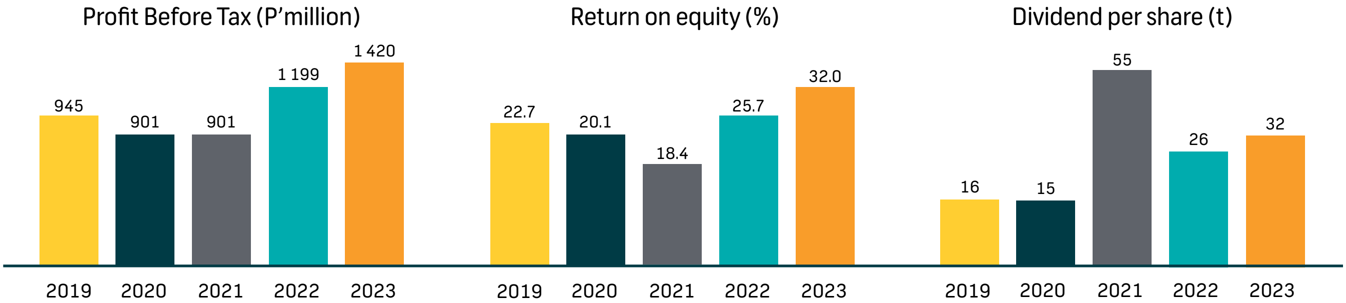
FNB Botswana continues to set the standard for excellence.

FNB Botswana is the largest company by market capitalisation on the Botswana Stock Exchange (BSE). With a track record of 30 years as a listed company, we have demonstrated steady income growth and remarkably consistent dividend payments, making it an attractive choice for investors seeking stability and long-term returns. Consistent recognition for our products, services and people confirms our legitimacy as a market leader that cares about clients and quality.

What differentiates us

1. **Delivering reliable outcomes to our clients**
2. **Innovative approach to banking**
3. **Scale and national footprint**
4. **Strong brand value and corporate culture**
5. **The shared-value approach of our business model**
6. **Competitive products and services**
7. **Large market share**
8. **Technologically advanced solutions**
9. **Brand loyalty**
10. **Competent and experienced team**

Five-year financial highlights



Why invest in FNB Botswana? (continued)

Launches and digital firsts

Over the course of three decades, we have remained steadfast in delivering consistent innovation, striving to enhance client experiences and interactions. Our commitment to creating shared value has extended to all our stakeholders, reinforcing our dedication to their prosperity.

2010 – 2015

- Introduced eWallet
- Launched the FNB App
- Launched *174# Mobile Transact, allowing clients to conveniently purchase household necessities such as gas via cellphones
- First to launch ADTs

2016 – 2021

- Launched eWallet bulk send for business, making it possible for businesses to easily pay employees without bank accounts
- Introduced Mogwebi Business Insurance
- Introduced Bank on Wheels (mobile branch)
- Launched Cashback Rewards
- Launched CashPlus Agency banking
- Enhanced eWallet with eWallet@Till
- Introduced forex Bulk uploads payments
- Introduced Signature Credit Card and Multi-Currency Card

2022

- Launched forex on App
- Launched Rewards on the FNB App
- Enabled credit and debit card maintenance functionality on the FNB App
- Introduced FNB Funeral Plan for individual clients

2023

- Launched Reserve Account to enable new businesses which have not begun trading yet to open a non-transacting account until they are ready to trade.
- Introduced Payment Gateway for Department of Road Transport and Safety enabling clients to pay for their licence fees anytime, anywhere
- Single Dealer Platform

Awards and recognition

2010 – 2015

- Best Bank in Botswana by Euromoney Awards for Excellence
- Most Innovative Bank in Botswana by Global Banking and Finance Review
- Diamond Arrow Award in the Business Banking Sector
- Best Trade Finance Bank in Botswana' by Global Trade Review (RMB)

2022

- Best SME Bank in Africa at Global Finance's inaugural SME Bank Awards
- Best Foreign Exchange Provider by Global Finance Magazine for the fifth consecutive year
- Best Treasury and Cash Management Bank in Botswana 2022 by Global Finance Magazine for the second year in a row
- Best Bank for Payments and Collections in Africa by Global Finance Magazine 2022

2023

- "Best Digital Bank Botswana 2023" by Global Banking and Finance Awards
- FNB awarded four awards of excellence for Private Banking at the Euromoney Awards
- "Strongest Banking Brand in the World" award by Brand Finance Banking 500 2023 Report
- "Most Admired Brand Doing Good for People, Society and The Environment – Non-Botswana 2023" by Brand Africa
- "Most Admired Financial Services Brand – Non-Botswana 2023" by Brand Africa
- "Most Innovative Retail Banking App Botswana 2023" – FNB Banking App by Global Banking and Finance Awards
- "Best Custodian" by Alexander Forbes Asset Consultants (RMB Custody)
- "Best Treasury and Cash Management Bank 2023" by Global Finance Magazine

2016 – 2021

- Best Commercial Bank in Botswana by International Finance Magazine
- Best Trade Finance Bank in Botswana' by Global Trade Review Botswana (RMB)
- Best Custody Award' in the Alexander Forbes survey (RMB Custody)
- Global Service Quality Award' from Visa
- Most Innovative Commercial Bank in Botswana by Global Banking and Finance Review
- Best Banking Brand in Botswana' by Global Banking and Finance Review
  Voted 'Best Custodian' by clients for three consecutive years
- Best Bank in Botswana by Euromoney Awards for Excellence for four consecutive years
- Outstanding Crisis Leadership Award from Global Finance Magazine
- Best Treasury and Cash Management Bank in Botswana' by Global Finance Magazine
- Best Foreign Exchange Provider by Global Finance Magazine for five consecutive years
- Bank of the Year Botswana 2021 in the Banker Awards

Why invest in FNB Botswana? (continued)

Partnerships and social contributions

Partnerships

2016 – 2021

- Partnered with the government of Botswana's Ministry of Youth, Gender, Sport and Culture to disburse funds for the Youth Grant
- Partnered with Water Utilities Corporation to create the portal for bill enquiries and payments *186#
- Sports grassroots development partnerships with the Botswana Football Association (BFA) to sponsor national junior teams, and the Botswana Tertiary Education Sports Association (BOTESSA) to support and nurture sporting talent across local tertiary institutions. FNB Botswana donates P1 million to each association annually

2022

- Partnered with a local sports and fitness company to host the first ever FNB Kazungula Bridge Marathon in Kazungula to support economic recovery and to alleviate health challenges from Covid-19.
- Partnered with Business Botswana to host the 16th National Business Conference after a three-year hiatus due to Covid-19.

Social contributions

2010 – 2015

- P3 million to refurbish a community park (located in Tawana, Gaborone). The park was renamed First Park and is now co-owned and managed by the FNB Botswana Foundation and Gaborone City Council (GCC)

2016 – 2021

- Collaborated with the Botswana Power Corporation to implement a Solar Bag drive to donate solar-powered electricity in schoolbags to school going children in remote areas where electricity access through the grid is a challenge
- Raised P25 million for 25 charities as part of our 25-year celebration in Botswana
- Contributed P5 million towards government Covid-19 relief fund and another P5 million towards Covid-19 programme for clients and communities
- Donated oxygen machines to the Ministry of Health (MOH) to alleviate the effects of Covid-19 on the health system as well as citizens at large

2022

- P6.8 million invested in community projects through the FNB Botswana Foundation. Projects included:
- The launch of the First Youth Empowerment programme, a youth empowerment initiative by FNB Botswana Foundation in partnership with the Institute of Entrepreneurial Development (IED). Currently based in Molepolole, the programme offers training and upskilling for the youth, empowering them to embark on entrepreneurship and equipping them with employability skills
- Partnership with Botswana Digital and Innovation Hub (BDIH) to fund youth startup companies who initiated and implemented homegrown innovative solutions to address the Covid-19 scourge
- Maintenance of First Park, which is co-owned and managed by the FNB Botswana Foundation and the Gaborone City Council (GCC).
- Donating more than P1 million to reward and recognise athletes and technical officials who participated at the 2020 Olympics
- Partnered with Botswana Ministry of Investment, Trade, and Industry to support Forbes 30 Under 30 Summit with Forbes hosted in Botswana in 2022.

Partnerships

2023

- Partnership with the Government of Botswana to host the US-Africa Business Summit that brought together numerous business decision-makers across the African continent and United States.
- Extension of the FNB Kazungula Bridge Marathon partnership for the next three years (2024 – 2026), culminating in an investment of over P10 million towards the partnership
- Collaborated with tertiary institutions (University of Botswana and Institute of Health Sciences) to host graduation ceremonies, encouraging academic excellence
- Partnered with the Botswana Stock Exchange to run a media campaign on CNBC to significantly improve visibility of the BSE-listed companies to bring vibrancy of the local capital markets.
- Signed Memorandums of Understanding (MoU) with local tertiary institutions to promote skills development, employability and work readiness through graduates attachments

Social contributions

2023

During FY2023, FNB Botswana dedicated P9.3 million to community projects through the FNB Botswana Foundation. Some of the projects include::

- A P2.9 million investment in the inaugural Botswana Golden Grand Prix Gaborone 2023, which was hosted in partnership with the Botswana National Sports Council, World Athletics Association, and other important players in the local sports industry. The event served as a stepping stone for some of the local athletes to qualify in other international athletics events. This partnership is in line with both FNB Botswana's and the Foundation's strategy that seeks to develop and commercialise sports.
- Through our relentless journey to support the local creative industry, FNB Botswana Foundation donated P500 000 to the KTM Choir to represent Botswana at the World Choirs Competition in South Korea. The choir scooped a gold medal at the competition, thereby putting Botswana on the international map

Material matters

FNB Botswana determines a matter material if it has the potential to significantly affect our ability to generate value over the short, medium and long term.

FNB Botswana considers material matters as themes, events or issues in the external environment that impact our ability as a business to create and preserve value. These material matters affect our performance, sustainability and legitimacy. We therefore 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.

Our materiality determination process

With a well embedded understanding of reporting requirements, our executive management (ExCo) team followed a structured process to determine our material matters in FY2023. ExCo adopted the concept of double materiality by prioritising material matters based on their impact on our enterprise value (inward-focused financial materiality), as well as their impact on society, communities and the environment (outward-focused impact materiality).

Our process of identifying material matters involved a phased approach, which consisted of the following:

Review

- ExCo reviewed both our external and internal environment – reviewing the socio-economic impact of our operating context, issues raised by our stakeholders and emerging financial sector trends.
- Internal documents were reviewed to assess our risks, strategic objectives and business targets.

Prioritised

- Identified material matters were prioritised according to their impact on our enterprise value, as well as their impact on society, communities and the environment.

Integrated

- Following extensive internal debates, material matters were integrated to inform strategy and guide disclosures for our integrated reporting.
- The matters below helped guide the Board to assess which material information to include in this report. The Board approved the FY2023 material matters for disclosure in the Integrated Report.

FY2023 material matters

Challenging socioeconomic environment
PG 21

Innovation, technology, digitalisation and use of artificial intelligence (AI) to drive financial inclusion and secure client experience
PG 22

Business resilience and continuity
PG 23

Shared prosperity
PG 24

Highly competitive environment
PG 25

Regulatory compliance and market conduct
PG 26

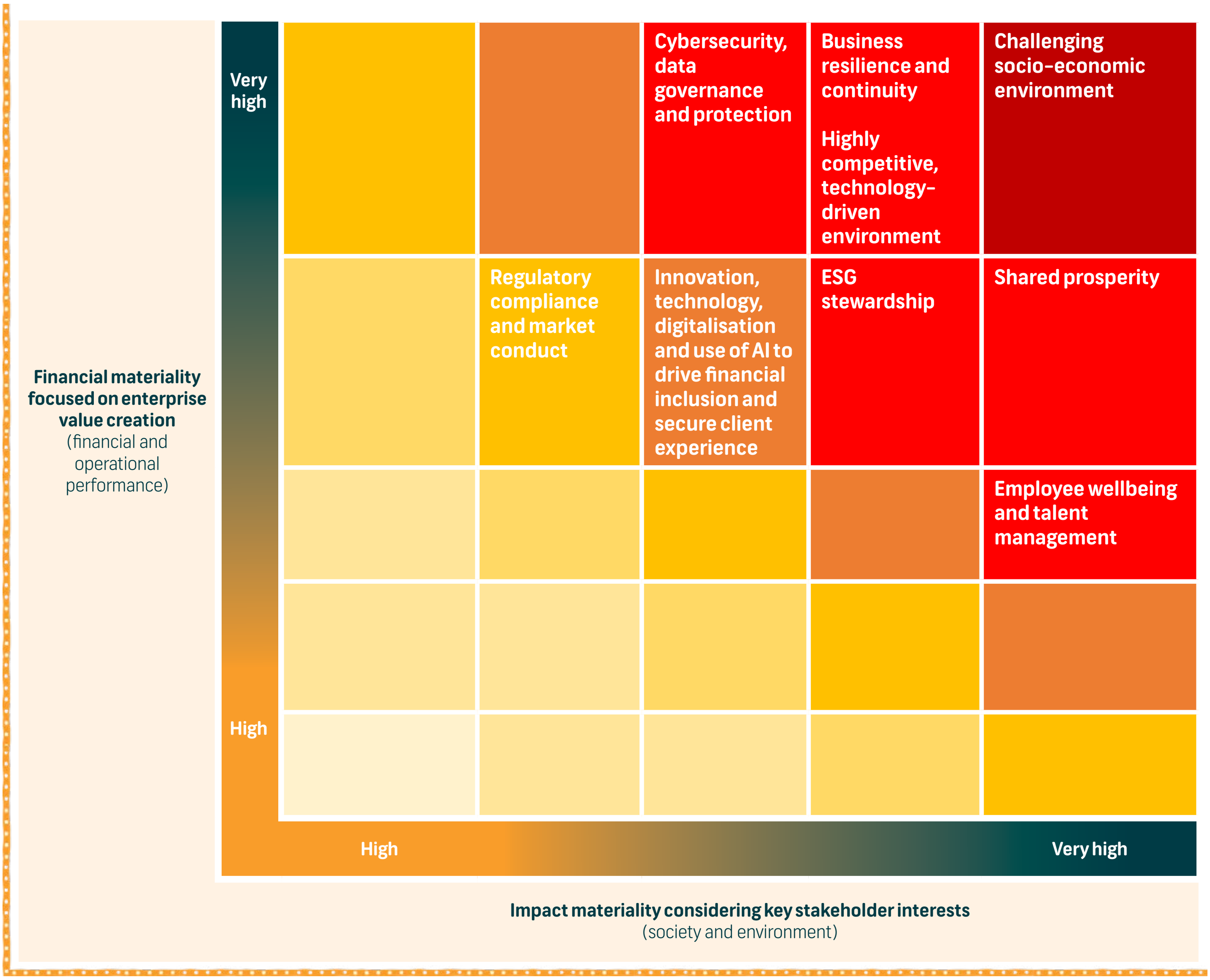
Employee wellbeing and talent management
PG 27

ESG stewardship
PG 28

Cybersecurity, data governance and protection
PG 29

Material matters (continued)

Material matters matrix



Change in material matters from FY2022 to FY2023

Economic	Governance	Social	Environmental

Increased

Decreased

No change

Challenging socio-economic environment

Economic

Y-O-Y change

Increased

Context

Global economic and political challenges such as high inflation, elevated interest rates, volatility in foreign exchange rates and currency instability affects FNB Botswana's business profitability.

Higher inflation and interest rates in Botswana create uncertainties that influence consumer behaviour, resulting in weaker purchasing power which has a negative bearing on our clients' cost of living.

Higher interest rates also exacerbate pressure on consumers and impact their ability to repay loans, the Bank's ability to increase its loan book and give rise to an increase in opportunistic financial crime.

Uncertain socio-political environment could result in adverse outcomes such as increased criminal activity, which negatively impacts client safety.

GDP growth forecast remains low at 5.9% (FY2022: 5.8%).

Our response to protect value

- We provided support structures to effectively respond to and support clients, employees and community needs
- We continued to migrate clients to cost-effective digital channels
- We zero-rated some of the service fees on our platforms to alleviate the pressure on the consumer
- Participated in private sector initiatives to form supportive partnerships with Government

Strategic response

Shared value

Value creation

Stakeholders with an interest in this matter

Communities

Government

Clients

Shareholders

Time frames

Short to medium term

Outlook for this material matter

The Bank remains cautious and will 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.

Capitals impacted

Financial

Manufactured

Intellectual

Human

Social and relationship

Material matters (continued)

Innovation, technology, digitalisation and use of AI to drive financial inclusion and secure client experience

Social

Y-O-Y change

Context

FNB Botswana's goal is to embed a culture of innovation and achieve continuous business improvement by embracing advancements in digital technology and communication. These advancements create new opportunities to help FNB Botswana meet these client needs while also ensuring the Bank reaches underserved and vulnerable populations.

Digitalisation enables more people to have access to banking services ranging from occasional payments, transactional accounts, savings and lending needs. The manner in which we have extended access to banking services through digital channels (i.e. USSD, FNB App and Online Banking) and our expanded footprint (e.g. CashPlus agents) makes it more convenient for new and existing customers to access services in a manner that is convenient and cost-effective for them. This compares favourably to where new and existing clients would only have the option to travel, sometimes very long distances at great cost, to access banking services through a banking branch.

Financial inclusion is an important driver for responsible banking. Banks are shifting their focus to support clients through their life and business cycles while ensuring that lending practices are sustainable.

Existing clients benefit from digital services and experiences which also improve turnaround times and deliver relevant solutions more consistently and reliably. This requires investments in technology, platforms and infrastructure that can ensure availability and efficiency.

We are not only focused on increasing access to banking services but also improving the efficiency of services that we provide.

This is done through constantly reviewing and challenging existing processes and identifying opportunities where processes can be streamlined, taking advantage of technological developments, reusing information (rather than re-requesting it) and automating routine tasks using robotics.

Our response to protect value

- Created a software development team in-country to bolster our digital transformation journey. This capability enhances our ability to respond to market demands as well as our speed to market for new products, services, and regulatory requirements.
- Enhancing our cyber resilience, service uptime, scalability, cost optimisation by partnering with cloud service providers to leverage cloud capabilities.
- Implementing robotics to automate routine tasks to improve process efficiency and to reduce the risk of errors and omissions while freeing staff up to better serve clients with more complex requirements, thereby reducing client waiting times and improving overall client experience.
- Accelerated migration of clients to digital channels and self-service platforms such as the FNB App, Online Banking and Cellphone Banking through campaigns and one-on-one client education on registration and utilisation of alternative channels.
- Increased investment in digitalisation and digital products to offer more convenience and quicker turnaround times through zero-rating of the FNB App on all mobile network operators resulting in 8% growth in FNB App penetration post-implementation, introduction of forex on App, and rewards on App.
- Zero-rated some of the fees on our digital platforms and Cash@Till.
- Satisfied clients' service requirements by improving convenience with the introduction of functionalities such as KYC refresh on Cellphone Banking, increase of CashPlus transaction limit from P5 000 to P9 000, and enhancing the security of financial transactions through enablement of device blacklisting on FNB App to prevent eWallet fraud, addition of FNB App 5-digit PIN as an additional login authentication method, ability for client to report transaction history fraud on the App and client education on fraud tactics found under security centre on the FNB App.
- Expanded affordable and accessible banking channels such as CashPlus to support financial inclusion. In addition, the introduction of a new branch with a modern modular look and feel in Shakawe embracing green technology in the Chobe region and increasing our geographical presence and brand visibility.

Strategic response

Shared value

Customer experience

Operational efficiencies

Stakeholders with an interest in this matter

Clients

Regulators

Time frames

Short, medium and long term

Outlook for this material matter

The Bank continues to develop, automate, optimise, and digitise new products, services, and solutions so that both new and existing clients have better access to services, client experience is enhanced and cyber risks mitigated.

By making banking more efficient, digitalisation will continue to improve the speed and convenience of client service, and this will drive further growth in the adoption of digital technology.

Capitals impacted

Manufactured | Human | Intellectual

Economic

Business resilience and continuity

Y-O-Y change

Context

The challenging macro environment and competitive landscape continue to place pressure on demand for financial solutions. To remain competitive, we must respond to the current operating context and anticipate the future, while focusing on judicious cost management and optimisation to maximise shakeholder value.

As more business challenges emerge, such as climate change, supply chain issues, war and social unrest as well as pandemic realities, the world is moving from measuring just-in-time to applying a just-in-case mindset.

As such, a deeper understanding of systemic risks is becoming embedded in FNB Botswana's operations and processes.

Our response to protect value

- A Business Continuity Management Policy is in place and employees are trained in emergency management.
- Achieved 99.61% average service availability, and this will be monitored on an ongoing basis to ensure minimal service disruptions.
- Continue to conduct regular disaster recovery tests and constantly address any identified gaps to optimise IT services.
- Optimised network configurations and third-party service level agreements to maintain network stability.

Strategic response

Value protection | Operational efficiencies

Stakeholders with an interest in this matter

Employees | Suppliers | Regulators | Government | Shareholders

Time frames

Short, medium and long term

Outlook for this material matter

FNB Botswana has robust business continuity measures in place that are supported by well-understood internal lines of reporting and oversight. These measures help us withstand the impact of interruptions to operations and ensure recovery.

This is an ongoing matter that requires continuous management, oversight and engagement with relevant stakeholders to ensure that we remain responsive to disruptions and are quick to capitalise on opportunities.

Capitals impacted

Financial | Manufactured

Material matters (continued)

Shared prosperity

Social

Y-O-Y change

Context

Amid the dynamic shifts in the macro-economic landscape, the Bank's focus remains to foster shared value across all our business segments, ultimately benefiting not only our clients but also our employees and the broader communities we serve.

Our response to protect value

- Design initiatives that intentionally generate employment prospects
- Provide pertinent and economically viable products that contribute to enhancing financial inclusivity while actively bolstering the nation's journey towards digital transformation
- Nurture professional advancement and involve small businesses, youth and locally owned enterprises within our supplier network
- Enable our eCommerce platform to serve as a catalyst for stimulating economic activity and propelling overall growth

Strategic response

Value protection

Solutionist people

Customer experience

Shared value

Stakeholders with an interest in this matter

Employees

Clients

Suppliers

Communities

Government

Time frames

Short, medium and long term

Outlook for this material matter

- Pursue shared prosperity strategic initiatives for FY2024
- Review of the Procurement Policy to align with an increased prominence on citizen economic empowerment

Capitals impacted

Social and relationship

Human

Natural

Intellectual

Highly competitive environment

Economic

Y-O-Y change

Context

The challenging macro environment and highly competitive market continue to place pressure on demand. Given these current pressures on new business volumes, we focus on improving our efficiencies and lowering our expense base.

The line between traditional non-financial service providers and banks is increasingly becoming blurred. Competition for banking clients is increasing with non-traditional financial services providers such as mobile network operators and fintechs, setting aggressive and public targets for gaining new market share. They are closing the first-mover gap that FNB Botswana enjoyed by introducing innovative new products rapidly, particularly in mobile payments and money transfers. Clients are receptive to competitive offerings as disposable incomes are under increasing pressure and interest rates are rising.

Our response to protect value

- Provided convenient, cost-effective and reliable services, products and solutions that match our clients' evolving needs
- Launched a suite of products to defend our position and strengthen our value proposition (refer to Launches and Digital Firsts on page 14).
- Increasing adoption of data-driven credit scoring to reduce risk and turnaround times of loan approvals.
- Started exploring partnerships to accelerate our competitive response options.

Strategic response

Customer experience

Stakeholders with an interest in this matter

Clients

Regulators

Time frames

Short, medium and long term

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.

FNB Botswana continuously defends its market position and reputation. The Bank will continue protecting its market share by improving the service that we offer our clients.

Capitals impacted

Financial

Manufactured

Material matters (continued)

Regulatory compliance and market conduct

Governance

Y-O-Y change

Context

Botswana's banking regulations aim to keep the financial services industry stable and protect clients' assets and information. By complying with regulations and behaving ethically and responsibly, banks can contribute to sustainable economic and social outcomes.

Addressing corruption and crime is a national priority, the focus on governance continues to ensure compliance and mitigating related risks, as well as results in increased scrutiny by international financial institutions.

Good governance is also a key driver for sustainable development and an ESG priority for investors.

In November 2022, the Bank of Botswana issued Corporate Governance Guidelines for banks which FNB Botswana has adopted.

Our response to protect value

- The Bank maintains high corporate governance standards and complies proactively with regulatory requirements
- An AML/CFT compliance programme is designed to ensure compliance with local and international laws, regulations, codes of conduct, practices and sanction requirements
- All control measures, including client due diligence and transaction monitoring, are subjected to an annual effectiveness assessment
- A Product Approval Committee manages regulatory compliance when the Bank introduces, modifies, or discontinues products, services and delivery channels
- Ethics frameworks, policies and standards are in place and whistleblowing cases are monitored
- Cybersecurity audits are conducted to verify adequacy of controls
- Employees are trained to counter phishing and other cyber risks
- We conduct educational campaigns to inform clients about potential fraud. We also have a security centre on the FNB App where clients can report fraud

Strategic response

Value protection

Stakeholders with an interest in this matter

Communities

Shareholders

Clients

Time frames

Short, medium and long term

Outlook for this material matter

The Bank continues to support the Bank of Botswana's initiatives to embrace innovation and develop secure financial services. KYC compliance and transaction monitoring remain an effective mechanism to combat financial crime.

We are committed to continue investing in digitalisation to enhance transparency, good governance and fight corruption.

Capitals impacted

Manufactured

Financial

Human

Intellectual

Employee wellbeing and talent management

Social

Y-O-Y change

Context

The challenges associated with the socio-economic environment impact our employee's wellbeing. Mental health issues and non-communicable diseases such as hypertension are becoming more common, concurrent with employees experiencing more financial pressures due to economic conditions.

At the same time, evolving technology and dynamic client expectations demand new skills from employees and managers. Employers must adjust to new work culture expectations and productivity measures to ensure employees remain engaged and able to innovate.

Engaged and committed employees are essential to FNB Botswana's client-centricity journey as well as creating value for clients. Managing employee wellbeing helps create a positive, safe and caring environment where employees feel connected and supported, enabling them to flourish in a working environment.

The competition for talent is also increasing while employees are re-evaluating what they expect from an employer. We focus on attracting, developing, engaging and retaining the skills we need. Our succession and leadership planning helps us meet our future growth plans.

Our response to protect value

- Training and succession planning address risks associated with the scarce and specialist skills required to future proof the Bank
- The Bank has policies and processes to reward and recognise excellence while recognising the increasing cost of living demands for employees
- We offer a Wellness Centre with an in-house wellness specialist and counselling services to address psychological wellbeing of our staff and their families
- The Bank offers employees financial management training
- Regular branch visits by ExCo to engage with employees
- Culture implementation plan focusing on empowering employees to address issues before they escalate
- Assess risk triggers and implement preventative measures to maintain client service levels. In the past year, we rolled out finance management training to all employees

Strategic response

Solutionist people

Stakeholders with an interest in this matter

Employees

Organised labour

Time frames

Short, medium and long term

Outlook for this material matter

Retention will remain a focus area in the short term for FNB Botswana

Global workplace trends and economic pressures will continue to challenge employees. With increasing competition in the sector, talented employees are in demand and have more options available

Capitals impacted

Manufactured

Human

Intellectual

Material matters (continued)

ESG stewardship	Environmental	Social	Governance

Y-O-Y change

Context

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.

As we continue to refine our sustainability strategy, setting targets and proactively addressing emerging sustainability issues, we reaffirm our dedication to creating a positive and lasting impact on the communities we serve and contributing to a more sustainable future for Botswana.

The Bank focuses on the following key thematic areas:

- Development of small, medium and micro enterprises (SMEs)
- Human and social development
- Elevation of creative industries
- Sustainable environment practices

The Bank has reviewed its procurement policy to give more prominence to local procurement with clear intentions to increase spend on locally owned businesses. Memoranda of agreement have been signed with large corporates in the mining sector to provide working capital to local enterprises that participate in the supply value chain. This has further provided opportunities for local supplier development

From a human and social development perspective, FNB Botswana has taken an early lead in financial inclusion with eWallet volumes reaching 12.5 million transactions annually in FY2023, supported by a CashPlus agent network, which increased to 1 099 outlets in FY2023, spread throughout the country.

The Bank remains committed to its social responsibility to the community, with the FNB Botswana Kazungula Bridge Marathon surpassing the inaugural instalment in the prior year. The marathon is an event accredited by the World Athletics Association, the international governing body of athletics. Also in sports, the Bank, through the Foundation, sponsored the FNB Botswana Golden Grand Prix, bringing it to Botswana for the first time. This is an internationally recognised athletics competition known for attracting the world's best athletes.

Our response to protect value

Approval of sustainability policies, namely:

- ESG policy
- Climate Risk policy
- Energy and Fossil Fuels Financing policy
- Own Operations Environmental policy
- Our ESG objectives define FNB Botswana's approach to lending policies and our own use of natural resources
- RMB continues to undertake market development initiatives
- ESG advisory, sustainable finance client engagement and ESG awareness campaign
- Initiated a process to identify climate-related risks and opportunities, and set baseline targets
- Task Force on Climate-related Financial Disclosure (TCFD) journey for reporting on climate risk and impact

Strategic response

- Value protection
- Operational efficiencies

Stakeholders with an interest in this matter

- Clients
- Media
- Government
- Shareholders
- Employees

Time frames

Short, medium and long term

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, for example renewable energy funding.

Monitoring approved policies and integrating ESG guidelines into all finance decisions, both from an environmental and social perspective. Additionally, we will demonstrate our own efficiency improvements in line with our ESG policies.

Going into the 2024 financial year, the Bank has set ambitious targets to contribute meaningfully to its sustainable environment agenda, e.g pursuing green funding on an increamental basis.

Capitals impacted

- Manufactured
- Financial
- Natural
- Intellectual

Cybersecurity, and data governance and protection

Economic

Y-O-Y change

Context

Cybersecurity aims to shield FNB Botswana's infrastructure and data from threats such as cyber-attacks, damage, or unauthorised access.

Conversely, data governance seeks to specify FNB Botswana's data assets, their locations, authorised users, timing and applicable conditions. FNB Botswana complies with the Bank of Botswana's issued cybersecurity guidelines.

Our response to protect value

- Our cybersecurity team actively monitors and strengthens the Bank's cybersecurity to prevent cyber risk and attacks from third parties with malicious intent to defraud and harm FNB Botswana and our clients
- We are exploring technological solutions that are activated in case of an explosion and remote guarding
- FNB Botswana is investing in and working with partners to develop young unemployed people with IT skills by creating employment opportunities and expanding internal capacity to boost security

Strategic response

Value protection

Stakeholders with an interest in this matter

Government

Shareholders

Clients

Time frames

Short to medium term

Outlook for this material matter

FNB Botswana's commitment to cybersecurity is unwavering, adapting to the evolving threat landscape while harnessing the power of emerging technologies to protect both the Bank and our valued clients from cyber risks and malicious intent. This proactive approach helps us maintain trust and safeguard the Bank's reputation in an increasingly digital world.

Our cybersecurity team will increasingly leverage advanced technologies like artificial intelligence (AI) and machine learning (ML) to enhance cybercrime threat detection capabilities. These technologies will help in identifying patterns and anomalies in network traffic, enabling quicker responses to emerging threats.

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

While innovation continues, cash will still dominate in the short to medium term, particularly in rural areas. Development of quick, easy, efficient and affordable money transfer solutions is critical to reducing the dependency on physical cash.

Capitals impacted

Manufactured

Human

Intellectual

Chairperson's review

FNB Botswana showed resilience amid pronounced volatility during the year under review.

Balisi Mohumi Bonyongo
Board Chairperson

Introduction

FNB Botswana showed resilience amid pronounced volatility during the year under review. Global measures implemented to contain inflation, such as tighter monetary policy and discretionary fiscal stimuli packages, presented a challenging operating environment.

Ongoing supply chain constraints and shortages driven largely by the Russia/Ukraine conflict led to aggressive price adjustments and a contraction in grain and fertiliser supply to Africa. Average increases in food, fuel, base metals, and other commodity prices over the period accelerated inflation. This resulted in the adoption of a considerably more hawkish stance on interest rates by the US Federal Reserve, which was tracked by most central banks across the globe with a primary aim of controlling price growth through monetary policy.

As a result, Botswana experienced a 151-basis point increase in interest rates over the period as part of the Bank of Botswana's policy to maintain inflation within a 3% to 6% target range. Increasing prices and interest rate hikes in turn exposed vulnerabilities in retail clients' savings plans and in corporate balance sheets. On the other hand, credit extended to businesses was usurped by increased operating costs, limiting the level of gross fixed capital formation.

The contraction in economic growth cooled in the last quarter of the 2022 and first quarter of the 2023 calendar years, showing a marginal slow-down. Income from diamonds, however remained resilient during this period, buoyed by a strong demand as a result of sanctions imposed on Russia, preventing what could have been a catastrophe for the local economy. Inflation reduced from its peak of 14% in August 2022 to 4.6% year-on-year in June mainly because of a reduction in fuel prices. At the time of writing this report i.e., August 2023, inflation reduced to 1.5% against the Bank of Botswana's target range of 3% to 6%. Imports from our largest trading partner, South Africa, however, still contribute significantly to upwards inflationary pressure, impacting our clients.

Notwithstanding these significant external challenges, FNB Botswana showed strong resilience, growing our advances in the corporate, commercial, and retail loan books, whilst further expanding on our mandate of making banking more affordable and accessible to all.

The Chief Executive Officer's review on page 34 and the Chief Financial Officer's review on page 68 provide more granular detail on our overall performance.

Regulatory impacts and opportunities

The Bank of Botswana published a re-enactment of the Banking Act. The effective date of this legislation is yet to be announced but it will, among other considerations, impact the licensing of deposit taking institutions. It is expected to significantly lower the barrier to entry for previously non-deposit taking institutions to now offer traditional banking products.

The Chief Executive Officer's review elaborates on how we will mitigate additional competition, especially through technology and product development as well as a superior service offering to clients.

We welcome advances made in setting up a disclosure framework for deposit and lending interest rates, including the individual setting of the prime lending rate by commercial banks. This will allow clients to shop for the best rates and make informed financial decisions.

The Bank of Botswana further published new guidelines on Corporate Governance for Banks, which came into effect on 23 May 2023. The new guidelines introduced requirements for Board sub-committees such as the compulsory establishment of a compliance committee as a sub-committee of the Board and the exclusion of Audit Committee members from serving on any of the other Board sub-committees. These are welcome developments that ensure that the governance of banks is strengthened.

New cybersecurity and resilience guidelines were also published by the Bank of Botswana. They became effective on 23 May 2023 to ensure proper management of banking risk within the sector. Data protection is a paramount concern for us, and we are currently undertaking a self-assessment against these guidelines.

Some regulatory changes provide significant upside potential for us, and we are working tirelessly to best position ourselves to take advantage of these.

Chairperson's review (continued)

During the year under review, the Minister of Finance and Economic Development approved bond buy-backs and switches within the Botswana Capital markets to allow for the rebalancing of debt and refinance risk. The amended Retirement Funds Act of 2022 compels local fund managers to increase domestic investment thresholds from a current 30% to 50% by December 2027.

Considering the depth of the local capital market, there is limited capacity to efficiently absorb the expected additional liquidity as a result of the regulatory change, which provides us with an ideal opportunity to develop alternative investment channels and bring extensive liquidity to the market.

Government introduced an Economic Recovery and Transformation Plan (ERTP) during extraordinary global economic volatility. The plan called for immediate action to protect the local economy against the brunt of the economic fall-out as a result of the pandemic, as well as the ripple effects we are currently experiencing. The ERTP further provides opportunities for us to leverage Special Economic Zones, where foreign direct investment can help stimulate economic growth, particularly in agriculture and manufacturing.

In addition, Government introduced the Economic Inclusion Act for citizens, implementing targets against which State-Owned Enterprises (SOEs) must perform. The private sector's positive response to these ERTP requirements, subsequently unlocked several significant opportunities from a banking perspective.

The Chief Executive Officer's review provides granular detail on our tripartite alliance with the likes of Debswana, supporting their ecosystem of vendors and suppliers, leveraging these companies' strength in support of citizen economic inclusion.

Strategy implementation

The Board reviews FNB Botswana's strategy annually to enable management to reposition our objectives as and where required.

The Chief Executive Officer's review provides granular information on our digital migration of clients and the key action areas identified as part of the review, including prioritising solving of client angst and creating shared value through digital solutions and interventions.

In addition, we are closely monitoring the competition landscape within the context of our strategy to ensure FNB Botswana remains a key market player, leading in the journey of disruptive technologies coming to the market.

The Chief Executive Officer's review as well as the Human capital section on page 95 of this report discusses our strategy to mitigate the war on talent within the domestic banking sector.

During the year under review, we also made significant progress in bringing professional banking services to the unbanked and underserved, especially through financial literacy campaigns and the extension of our digital platforms such as eWallet and CashPlus.

Corporate Governance

The role of the Board of Directors is to provide strategic direction. As custodians of corporate governance, we are also responsible for providing ethical and accountable leadership to FNB Botswana. The Board comprises 12 members of which 8 are considered independent Non-Executive Directors.

The Board comprises well-experienced members with governance, banking, financial services, and IT expertise in place. The financial services environment is evolving fast, and we continuously invest in the training of our Board members particularly in alignment with the Bank's strategy.

We have a strong succession plan in place, which is reviewed annually. The Board ensures that the succession plan is updated regularly, allowing it to be implemented at any time to ensure business continuity.

PG More information on FNB Botswana's governance and the Board's oversight role is shared in the Governance and Remuneration section on page 106 of this integrated report.

Integration of sustainability matters into the overall governance process

In our previous integrated report, we highlighted our journey towards integrating ESG into our business activities. The Board approved an overarching ESG policy in 2022, which sets out the framework and standards. During the year under review, the Board approved sub-policies on Climate Risk and Energy and Fossil Fuel Financing.

The Chief Executive Officer's Review elaborates on our position as a transition financier, assisting customers on their journey to green energy, as well as approval of our first corporate green finance transaction.

Dividends

The Board proposed a final dividend of 20,00 thebe (FY22: 16,00 thebe). This is in addition to an interim dividend of 12,00 thebe (H1FY22: 10,00 thebe) declared and paid to ordinary shareholders. Our post-dividend capital adequacy ratio at the end of June 2023 remained well above the regulatory minimum of 12.5%.

The Board is satisfied that adequate consideration was given to ensuring an efficient capital position with sufficient capital retained for unexpected earnings volatility.

Looking ahead

Inflation strategies in many international markets have resulted in interest rates stabilising. In Botswana, inflation is now below the Bank of Botswana's target range, however, the expectation is that inflation will revert to, and average within, the objective range from 2024 into the medium term.

Premised on the above, we expect economic activity to improve both domestically and internationally. On the domestic front, business activity is expected to steadily improve on the back of consumer sentiments, which will stimulate economic growth.

We remain well positioned to capitalise on the exciting opportunities that will no doubt present themselves in this regard.

Acknowledgements

I wish to thank my colleagues on the Board and our ExCo team for their unwavering support and resolve that resulted in us achieving a great set of results, despite many challenges.

Mr Michael Ward and Mr Jabulani Khethe are due to retire at the upcoming AGM, in November 2023. I would like to thank Mr Ward for the sterling work he has done on the Board, RCCC and BCRC. In his capacity as Chairperson of RCCC and member of BCRC he was critical in ensuring that the risk profile of the Bank is appropriately managed.

I further thank Mr Jabulani Khethe who contributed significantly to improving the depth of our Remuneration Committee and the Audit Committee. As Chairperson, Jabulani was critical in the delivery of the Bank's remuneration policy. His contribution to the Audit Committee was invaluable.

Mr Luke Woodford was appointed to the Board in his capacity as FNB Botswana's Chief Financial Officer in 2022 and contributed extensively to the Bank's stability and ongoing delivery during very testing times. As our new Director of Credit, the Board looks forward to his continued valuable contribution.

I also wish to welcome Dr Mbako Mbo who joined FNB Botswana as Chief Financial Officer, effective from 01 February 2023. We look forward to drawing on his extensive international and local financial services experience.

Finally, I wish to acknowledge our clients who trusted us during both the good and challenging times, as well as all our employees who showed exceptional diligence.

Closing remarks

The global economy is experiencing many challenges caused by disruptions such as geopolitical tension, pandemics, conflicts and climate change. We must remain agile and innovative, despite these headwinds - ready to collaborate with our clients, employees and other stakeholders to bring solutions to market that will sustain and grow our bank.

As such, a highly engaged, empowered and skilled workforce will remain pivotal to our future success.

12 October 2023

Balisi Mohumi Bonyongo
Chairperson of the Board

Chief Executive Officer's review

FNB Botswana delivered an exceptional performance across all key measures despite significant global volatility and macro-economic constraints.

Steven Lefentse Bogatsu
Chief Executive Officer

87%

of clients now use at least one of
our digital channels

54%

use the FNB App, and fewer in-branch visits facilitated the reduction of rental floorspace as part of realising efficiencies.

Overview

From a balance sheet perspective, key industries have experienced recovery, especially tourism and hospitality, evidenced by their strong growth during the year under review.

Operational performance

The Bank's strategy for growing advances was focused on disciplined credit extension to key industries, promoting home ownership and fostering inclusive banking through SME lending.

The growth in both transactional and lending books within the corporate sector is symbolic of an improving business environment and successful implementation of our ecosystem banking strategy aimed at banking the entire value chain of our clients. The Chief Financial Officer's review on page 68 of this integrated report contains more granular information on our overall performance.

Strategy implementation

Our strategy is premised on five pillars with digital transformation as the cornerstone., The groundswell of clients migrating to digital and self-service products reported in the prior financial year, continued to gain momentum.

A total of 87% of clients now use at least one of our digital channels, 54% use the FNB App, and fewer in-branch visits facilitated the reduction of rental floorspace as part of realising efficiencies.

In our continued journey of ensuring that our clients keep thriving, we have launched several impactful initiatives during the year under review, including:

- Strengthening of our tripartite alliance with Debswana, and their SMME suppliers in executing CEEP, which aligns to Government's agenda of citizen empowerment. This collaboration offers marginalised SMMEs contracted to Debswana an opportunity to access small business finance solutions based on the strength of the offtaker.
- Expanding on our Citizen Economic Empowerment partnerships to include Botswana Oil and Morupule
- 92% of the Bank's procurement spend was paid to local Small, Medium and Micro Enterprises (SMME) companies
- The upskilling and development of young unemployed people through empowerment and graduate programmes
- The introduction of new products and services to the market as well as enhancement of existing products

Over and above the positive economic outcomes for our customers and stakeholders, these initiatives supported an increase in transaction volume, resulting in improved non-interest revenue generation.

FNB Botswana is one of the largest players in the economy with a proven track record of more than 30 years, and as a bank, we appreciate that growth may come with inefficiencies, especially for a company of this magnitude. We therefore continued to focus on reviewing operations critically and improving efficiencies, especially to drive superior client experience.

A key aspect of improving efficiencies was our relentless drive to migrate clients from brick and mortar branches to more cost-effective online platforms that enable round the clock client service. The journey continues and is progressing well with significant strides evident in improved client service and access while maintaining cost efficiencies.

Our delivery against the strategic objectives set for 2025 remains on course, albeit remnants of challenges experienced in 2021 persist. The increasingly competitive landscape is compelling us to be agile and respond quicker to the demands from our clients.

Our ExCo team is relatively new, which brings a fresh blend of perspectives, combined with solid corporate memory to realise the Bank's strategy.

Redefining help through a refreshed brand

We passionately believe in the value of understanding evolving market dynamics and pre-emptively offering the innovative solutions that are needed. Through our refreshed brand launched in October 2022, FNB Botswana looked to reimagine and redefine 'help' that focuses on providing intuitive assistance that goes beyond products and services to deliver an enhanced experience for clients, stakeholders and staff.

The brand refresh embodies the renewed sense of purpose, energy and enthusiasm of all FNB Botswana employees, which is indicative of a company that is constantly changing and evolving to provide the best products and services to all Batswana.

As the nation grapples with the residual effects of recent global events, it is important that FNB Botswana positions itself as a future-forward partner that not only has the digital prowess, but an empathetic approach to empowering and facilitating sustainable growth for our clients and stakeholders. This refreshed identity also provides our staff with an opportunity to upskill themselves and further enhance their intuition and talent in an effort to maintain our service excellence.

The brand refresh, which is currently being rolled out across the country, included a brand upgrade of the FNB website, Online Banking and the FNB App, providing a helpful, easy and safe experience to clients, and a valuable resource for the Bank to bring positive change to the world of banking and beyond.

Chief Executive Officer's review (continued)

Competitor landscape

During the past number of reporting periods, we have witnessed several changes in the competitor landscape. Although no new significant entrants are reported, we have observed an evolution in competitor products and services to improve their offerings.

Where competitors previously only offered personal loans, they have now moved into other products such as POS machines and asset and vehicle finance. The availability of these technology driven products allows competitors to bridge the innovation gap which has increased healthy competition. FNB Botswana is well-positioned to meet this challenge.

Apart from our focus on new technology and product development, our "Banking the under- and unbanked" as well as "Client engagement and innovation" referred to below highlights the steps that we are taking to address this competitive environment.

Innovations – in especially the payments market has evolved rapidly, making it very competitive.

To protect market leader position, we assembled a team of savvy young developers with a strong grasp of our clients' needs. They are mandated to solve client and innovation requirements and needs by innovating and providing new solutions in an agile manner. I am proud to share that these innovations are workshopped in Botswana and are now at a stage where they can be assimilated into the larger Group's system through plug-and-play technology.

We will continue to empower the development team to accelerate the delivery of products and services to our clients, with several new items in the pipeline for launching.

Banking the under and unbanked

The Fourth Industrial Revolution is often touted as a solution to offering mainstream banking services to the under- and unbanked. However, for everyone in our nation to enjoy banking products and services, connectivity in all areas is a prerequisite.

To meet this challenge, we are pioneering innovative, cost-effective solutions, such as our container branch in Shakawe. This mini branch in a converted shipping container ensures that clients enjoy access to banking services. Once the Information and Communication Technologies (ICT) infrastructure is in place, these clients can be migrated to digital platforms.

Our CashPlus agents enable FNB Botswana clients to conveniently deposit, withdraw cash, purchase airtime, and electricity at any FNB CashPlus agent within their community, such as a retail store or grocer, thus reducing the necessity to visit a branch or ATM.

Our CashPlus outlets grew by 69% with a correlating increase in CashPlus transactional volumes of 86% YoY.

Merchant service cash functionalities were further enhanced with eWallet and Cash@Till. Clients can instantly send money to any active cellphone number, allowing recipients to utilise the funds for purchasing airtime, sending money to other cellphones and making in-store purchases at any FNB point-of-sale device.

Furthermore, through eWallet@Till, clients can buy groceries and airtime at participating stores.

Client engagement and innovation

During the year under review, we commissioned an in-depth study to determine key areas of client concern. Their responses highlighted four dominant areas for improvement:

- Response time on loan decisions
- Response time on queries
- Challenges around the KYC process
- Our fee structure.

As part of our journey from assisted banking to unassisted banking with limited human intervention, we addressed these concerns by creating a digital platform that allows clients to submit their own KYC documentation and view whether they are compliant or not. The platform further provides for self-service functionality, including resolving queries and eWallet reversals for instance, allowing individuals to take charge of their banking.

Our clients also indicated that cost structuring was a concern. Our research indicated that this was predominantly around insufficient information being available. Subsequently, communication campaigns were launched and fee structures were reviewed. Certain services have now been zero-rated, with increased growth on the back of higher volumes supporting non-interest fee income.

Response time on loan decisions is a work in progress with a holistic review of documentation and process to identify bottlenecks and solve them. The ultimate solution would be a full digitalisation of this process.

Retail

During the period under review, FNB Botswana enjoyed very selective and responsible growth in its retail loan book by focusing on schemes and applying due consideration for the circumstances of applicants before a decision to extend credit.

We had valuable discussions with our clients on the income pressure they experienced because of the pandemic. Even though most clients did not necessarily lose their income, they did experience income pressure as a result of supporting other family members who were retrenched.

During the review period, the segment grew to close the financial year at 578 274 active clients with P6.25 billion in deposits and P10.76 billion in gross advances.

Considering these dynamics, we have been engaging clients on the merits of restructuring loans as opposed to a traditional collections drive. Our strategy to providing digital solutions and driving digital adoption continues as we will be introducing more simplified self-service capabilities using advanced platforms and technology. However, where there is a need for human interaction, this will be provided.

578 274

Active clients with **P6.25 billion** in deposits and **P10.76 billion** in advances.

Commercial

During this period, we have significantly improved the turnaround times in the commercial segment. Our focus on addressing challenges around the credit decision model and turnaround times has resulted in an increase in advances of approximately 6% compared to the prior period contraction of 10%.

The Bank's Citizen Economic Empowerment Programmes (CEEP) partnership with Debswana is expected to have a significant impact on the segment and we remain optimistic to see several other corporates wanting to partner.

No significant trade-offs between value capitals were experienced during the year under review. Our focus on cost efficiencies supported ongoing investment in training and branding.

Through the Ecosystem Banking drive, select clients were fully unpacked to appreciate their entire value chain with the intent to bank those not banked with us, as well as extending more solutions.

The business will continue to expand on its tripartite partnerships through ecosystem banking with clients on the RMB side of the business. The partnership becomes far more efficient if the offtaker is a client at RMB or FNB Commercial and the producer or supplier is an SME. Herein lies a great opportunity to harness the value chain to benefit both the SME and the corporate.

Chief Executive Officer's review (continued)

Corporate (RMB Botswana)

RMB Botswana experienced exceptional asset growth with average balances growing 22% year-on-year on the back of new business, increased utilisation in both the Investment Banking Division (IBD) space and the Trade and Working Capital (TWC) space.

The liabilities book has shown a strong 8% year-on-year growth largely owing to new mandates and the growth of strategic clients.

Non-interest revenue growth is in line with the prior year on the back of strong forex trading performance, merchant services growth, and the introduction of new products which resulted in new revenue streams. Our non-interest revenue growth was muted by increased costs incurred under certain product lines that the business will continue to work to drive downwards.

The corporate team successfully onboarded several strategic key clients in the year under review allowing the business to benefit from increased revenue while building deeper and mutually beneficial relationships with clients.

We have made significant investments on enhancing our infrastructure to advance RMB's technological capabilities. This has been evidenced through the implementation of the Single Dealer Platform (Accelerate).

22%

asset growth year-on-year on the back of new business

Delivery against ESG objectives

During the year under review, the executive team applied themselves extensively to formulating an ESG framework. The bulk of previous work focused on the FNB Botswana Foundation, with the bank contributing towards social care and impact.

PG Refer to our Approach to Sustainability on page 74 of this integrated report for more information on the below matters.

Environmental impact

Two years ago, we embarked on a journey to explore opportunities that will positively impact the environment. Although banking in itself does not have a significant carbon footprint, we are cognisant of how our funding activities may contribute to climate change.

We have now positioned FNB Botswana as a transition financier – this means we will limit exposure to anti-ESG sectors to 7% of our advance book up to 2025, including the provision of working capital to support the transition to green energy. From 2026 onwards to 2030, we will reduce exposure to 5%, followed by a progress review. As a transition financier we are and will be actively engaging with our clients to find suitable financing solutions and where necessary we will also be assisting our clients with short term working capital requirements. I am delighted to report that during the year under review, we concluded our first finance transaction for a solar farm in Selebi Phikwe, which is expected to be completed in 2024

Social impact

We continue to evolve and advance our framework to support SMEs through procurement, particularly women and the youth, who are the most vulnerable in society. As a result, 92% of our total procurement spend was allocated to local companies. In addition, as we build traction with this framework, we are exploring opportunities to relax credit metrics while retaining certain safety parameters to enable increased youth and gender inclusion.

7% of our advances book up to 2025 to support the transition to green energy

92% of our total procurement spend was allocated to local companies.

Employees

“Kgotla” system was introduced, placing key leaders (Chiefs) in each division

As a recognised employer of choice, we are cognisant of the importance of open, two-way communication with all staff. Employee engagement is conducted through annual roadshows to all divisions and departments to share our progress against strategy and solicit feedback from staff.

We have also implemented a quarterly “ExCo in the frontline” programme where members of the executive committee join staff members at branches or a particular area within the business for a first-hand experience of staff and clients’ perspectives.

A “Kgotla” system was introduced, placing key leaders (Chiefs) in each division to ensure staff concerns are appropriately raised in meetings. As CEO, I meet with these Chiefs on a quarterly basis for feedback on staff matters and concerns, with the aim of improving culture and productivity across the business.

Looking ahead

Going forward, our biggest opportunity lies in the continued fair treatment of clients, ensuring real shared value in the pursuit of our business. Furthermore, ongoing support of Government and the regulators’ efforts to combat money laundering and ensuring a transition to green energy will create large-scale opportunities that will underpin economic growth.

Acknowledgement and thanks

My sincere gratitude to the Board of Directors and my ExCo team for their unwavering support during the past financial year. I would also like to thank our brilliant staff for their commitment to serving our clients. Finally, on behalf of the entire FNB Botswana team, I would like to thank our clients for their loyal support during a year in which we all faced significant challenges.

12 October 2023

Steven Lefentse Bogatsu
Chief Executive Officer

Our business model

Our business model demonstrates how we use our capitals to create products and services that deliver and preserve shared value for our stakeholders.

Our capitals

Inputs

Financial

Our strong capital base, diversified sources of deposits and funding

- Net advances P16.3 billion (FY2022: P15.1 billion)
- Deposits P24.2 billion (FY2022: P22.2 billion)
- Shareholders' equity P3.7 billion (FY2022: P3.3 billion)
- Capital adequacy ratio 18.1% (FY2022: 17.9%)

Manufactured

Our business and channel structure, fixed assets and IT systems, and the infrastructure we use

- 25 branches (FY2022: 24 branches)
- 3 Premium Suites (FY2022: 3 Premium Suites)
- 241 (163 ATMs and 78 ADTs) (FY2022: 239 (167 ATMs and 72 ADTs)
- 12 687 POS devices (FY2022: 11 236 POS devices)
- Bespoke IT infrastructure
- 1 099 CashPlus agents (FY2022: 649 CashPlus agents)

Human

Our culture and our solutionist people, experienced leadership, and teams

- 1 600 employees (FY2022: 1 460 employees)
- P726 million wage bill (FY2022: P628 million)
- P7.5 million employee training and skills development (FY2022: P4.7 million)
- 41 years combined Board and management experience (FY2022: 41 years)

Intellectual

Our brand, digital innovation, governance structures and financial risk management

- Strong internal control systems, risk, and compliance frameworks
- Investment in digital platforms and innovative product development
- Awards for excellence in specialist services

Social and relationship

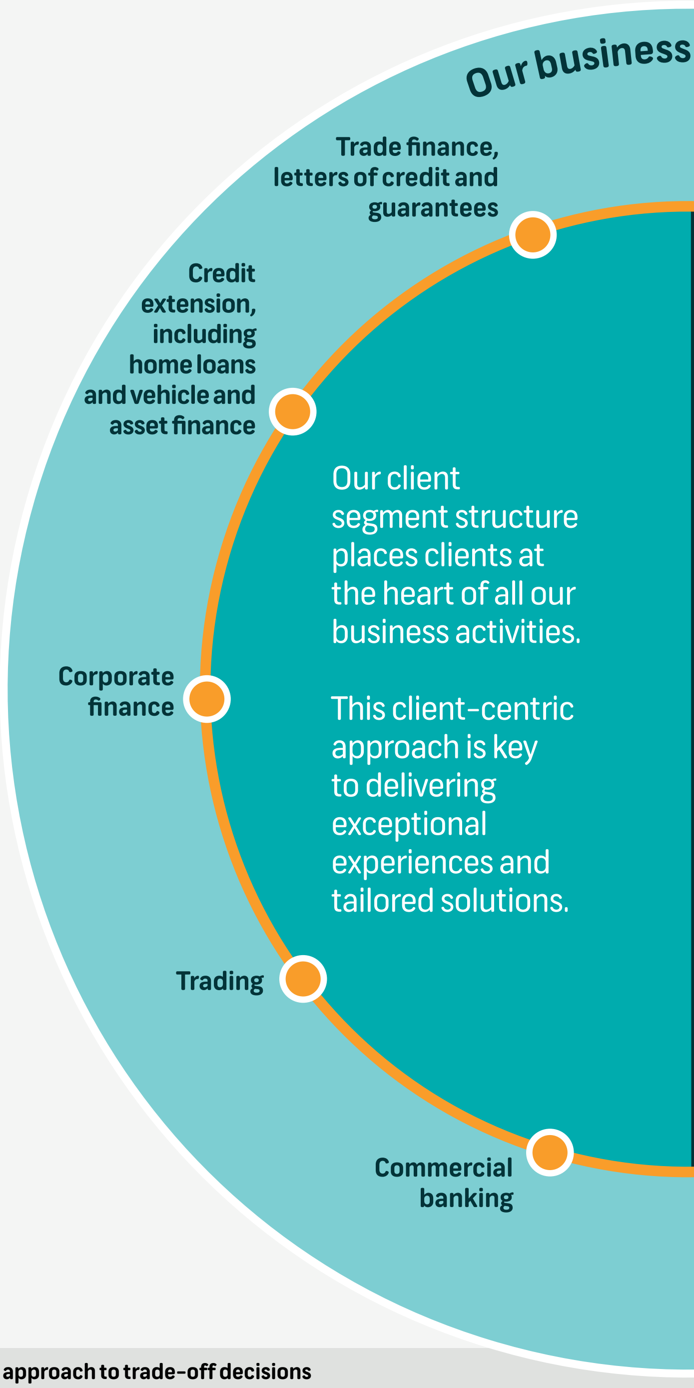
Our stakeholder relationships and reputation, including communities in which we operate to enable people to thrive

- 655 000 clients (FY2022: 630 000 clients)
- Responsible banking practices
- Stakeholder engagement
- Community support
- Employee volunteer programme

Natural

- The impact we have on natural resources through our operations and influence through our business activities
- Responsible lending principles aligned to FNB Botswana Environmental and Social Risk Assessment (ESRA) Policy

Enable value-adding financial



Strategic approach to trade-off decisions

- The Board carefully deliberated on various strategic trade-off decisions, understanding that certain choices may result in short-term financial capital impact but lead to positive outcomes for other capital inputs in the long term; such as the adoption of ESG principles and frameworks.
- The Board is fully supportive of minimising the Bank's environmental footprint and addressing climate change through sustainable development and finance opportunities.

services that create

activities

Trade, currency and commodity finance and solutions

Funding and deposits

Transactional banking

Investment and saving

Insurance

We offer a diverse range of products and services that span across the Bank and are customised to meet each client segment's needs and profile.

These personalised solutions foster client satisfaction and long-term relationships.

- The Board remains mindful of the risks associated with such transitions and aims to implement changes in a deliberate and gradual manner to accommodate the interests of all stakeholders.
- Rather than pursuing short-term gains, the Board adopts a longer-term perspective, focusing on developing a comprehensive framework based on a deep understanding of opportunities and risks for the bank. This approach enables continuous evolution, ensuring the Bank's preparedness to make a lasting and impactful contribution towards sustainable solutions in the future.

Shared value for our stakeholders

Outcomes

Stakeholders Impacted

Financial

- Increased profit before tax – P1.4 billion (FY2022: P1.2 billion)
- 32.00 thebe dividend per share (FY2022: 26.00 thebe per share)
- 32.0% return on assets (FY2022: 25.7%)
- 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

Intellectual

- Increased digital adoption and transformation
- Modernised in-branch experiences
- Regulatory compliance
- Financial sector stability
- Brand strength and loyalty

Social and relationship

- Achieved 99.80% average service availability (FY2022: 99.94%)
- P304 million tax payment supported economic development (FY2022: P272 million)
- P375 million paid to local suppliers (FY2022: P336 million)
- P9.3 million invested in CSI (FY2022: P6.8 million)
- 5% of training budget allocated to Botswana Institute of Banking and Finance to support industry training interventions (FY2022: 5%)
- Volunteer programme is highly motivating for staff and enriching for the community

Natural

- Environmental risk assessment of credit applications aligned with Equator Principles
- Leading industry discussions on ESG matters
- Embrace ESG to the benefit of clients through favourable pricing

Our Strategy

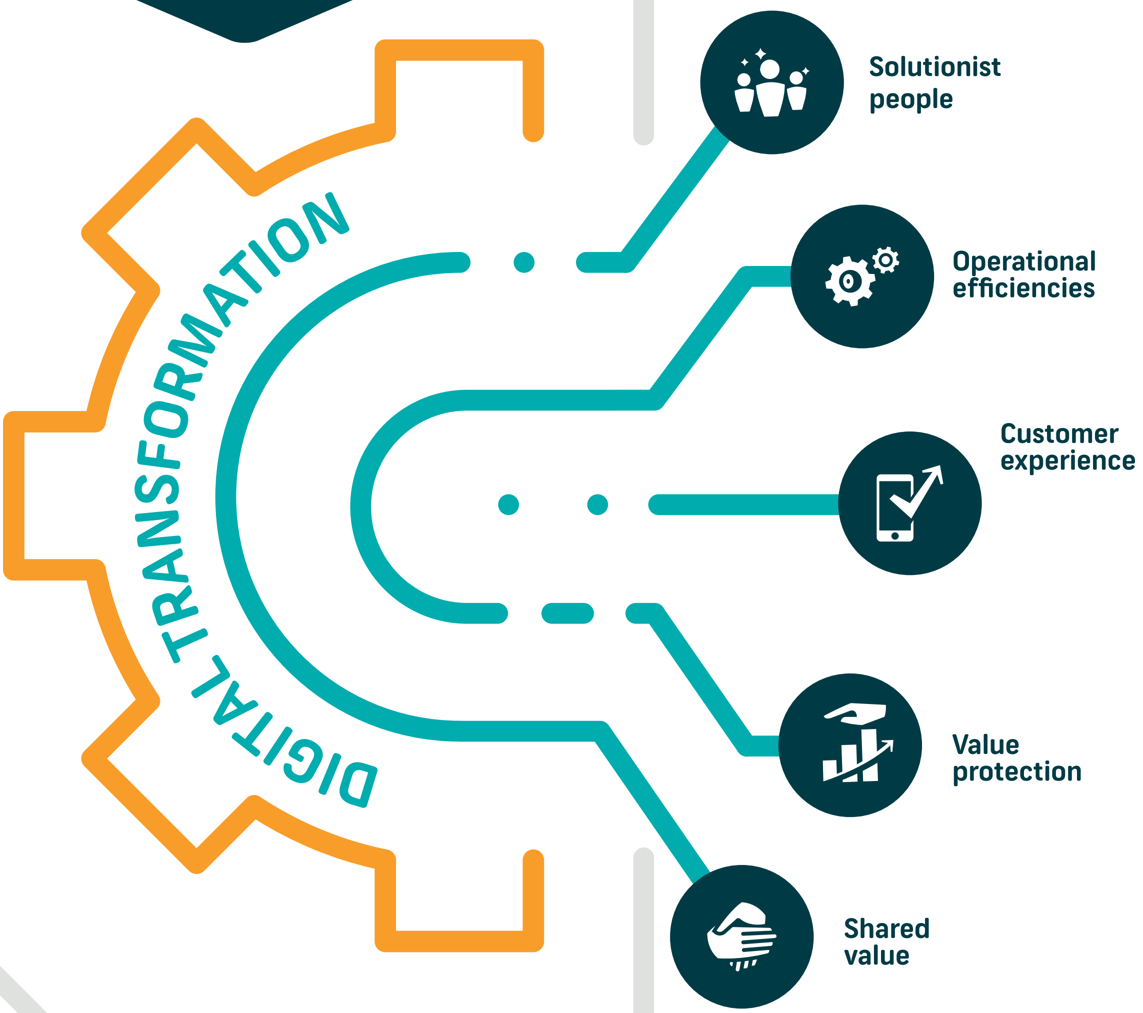
FNB Botswana launched its FY2025 Strategy in FY2020, which was designed to drive sustainable growth. We continue to see meaningful and sustainable growth to date.

Our strategy was crafted to respond effectively to the dynamic operating environment and maintain a strong focus on matters that drive value creation.

Through the successful execution of our strategy, we aim to bring our purpose to life: to be a trusted partner dedicated to building a shared future of prosperity. Our commitment to this purpose underpins every decision we make and every action we take, as we strive to create lasting positive impacts for our stakeholders and contribute to the overall prosperity and wellbeing of the communities we serve.

OUR PURPOSE

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



Strategy development, approval and monitoring

Our 2025 Strategy is based on a thorough assessment of our operating context, considering material matters that have a significant impact on our business.

This strategy is designed to align leverage opportunities across our business segments, and improve the livelihoods of individuals, promote service diversification and contribute to the nation's economic resilience.

To evaluate our progress, the Board utilises a performance scorecard with 2025 performance measures, strategic focus areas and annual targets. This scorecard enables us to measure our annual performance against the 2025 objectives, ensuring that we stay on track to achieve our long-term goals while staying responsive to changing circumstances.

Intellectual

DIGITAL TRANSFORMATION

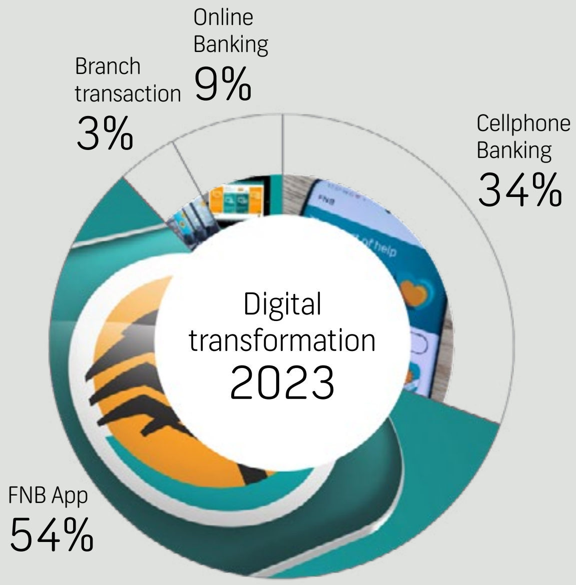
The Bank's strategic objectives are supported and centred around digital transformation, which helps drive the 2025 strategy.

We are building an innovative, integrated financial solutions platform that helps us to consistently deliver an unmatched client experience and create shared value for stakeholders. By leveraging data and advanced technology, we aim to enhance efficiency, unlock new opportunities and ensure security while fostering a culture of innovation. By harnessing data and advanced technology, the Bank is:

- Creating a digital organisation by building digital talent
- Exploring new digital growth opportunities and ecosystems
- Optimising and automating processes and digitising operations
- Digitising client relationships by assisting them to transition to the digital space through digital migration campaigns , security and feature enhancements on digital banking platforms for example, the security fraud warning screen when making a financial transaction on the FNB App, addition of Online Banking inContact messages, enhanced look and feel of the payment feature on the FNB App, introduction of Personal Identification Number (PIN) on the FNB App as an additional log in authentication method and reporting of fraudulent activity on transaction history on the FNB App
- Exploring new digital growth opportunities and ecosystems such as collaboration with the Department of Road, Transport and Safety to enable customers (FNB and non-FNB users) to conveniently pay for transport services such as renewal of driver's or vehicle licence, and driver's theory tests using the *174# platform
- Optimising and automating processes and digitising operations through Personal Loans Optimisation and enabling customers to update their Know Your Customer (KYC) documents through Cellphone Banking

Channel volume contribution

	2023	2022
FNB App	54%	42%
Online Banking	9%	11%
Cellphone Banking	34%	44%
Branch transactions	3%	3%



Strategic objectives and focus areas in FY2023

The Board approved strategic objectives have remained constant, while the focus areas within each objective adjusted to adapt to the changing operating environment.

Human

SOLUTIONIST PEOPLE

Employee wellbeing and engagement is a material concern for FNB Botswana (see page 27). To address this, our strategic response focuses on fostering a working environment that enables employees to excel in their roles. This entails leadership development, improving performance management and empowering employees to deliver exceptional client service amid the ongoing digital transformation.

Read more in the section on Human capital from page 95 to 105.

Objectives	2023 strategic focus areas	2025 strategic objectives and performance targets	2023 target	2023 actual
To foster an enabling and healthy workplace environment for high performance and cultivate a versatile, multidisciplinary team to ensure a robust talent pipeline.	• Align rewards policy with the strategic direction of the bank • Employee wellness through the development of mental health and financial wellness initiatives • Enhance our employee growth and development through retooling upskilling and mobility assignments both internally and externally. • Focus on building and retaining talent and succession planning • Relaunch the FirstRand promises (philosophy) and associated tools such as 'The FNB Botswana Way', '360 Survey for culture' high-performance culture • Strengthen the employee value proposition and refine our branding as an employer of choice • Build a high-performance culture by implementing agreed action plans	• Client engagement score improvement • Top employer certification • Critical Skills Turnover <10% • SABPP Audit rating of 75% • 80% CRA	• 85% External Client Satisfaction Index • Engagement score of CRA 75% organisational performance rating of 3.8	• 85% External Client Satisfaction Index • 3.6 average organisational performance rating • 80% Culture Risk Assessment score

* CRA is measured by the Culture Risk indexes as follows:

Severe Risk – 0-24 Index
High Risk – Severe – 25-49 Index
High Risk – Medium – 50-54 Index
High Risk – Low – 55-59 Index
Elevated Risk – High – 60-64 Index
Elevated Risk – Medium – 65-69 Index
Elevated Risk – Low – 70-74 Index
Low Risk – 75-4 Index
Very Low Risk – 85-100 Index

Our progress

The Bank undertook several opportunities to implement various initiatives for cultural and organisational alignment. Key highlights from the solutionist people strategic objective are:

- Wellness centre launched with kids lounge and doctors' centre
- Established a Kgotla System, Junior ExCo and Adoption of Branches by ExCo, ExCo in the Frontline and ExCo Townhalls
- Improved Culture Risk Assessment (CRA) dipstick results from 73% to 80%
- Organisational action plan implemented in response to the Dipstick Survey feedback – reflecting on the effectiveness of the policies and procedures as a means to enhance a high-performance culture by focusing on employee conduct, bullying, leadership conduct and PMS and CRA as ethics and culture tools

- Developed future skills and competencies through platform-based learning
- Appointed a Medical Review Board to provide advice on employees' medically related concerns
- Promoting employee health and wellness through health promotion activities and contracting six health practitioners to assist employees in the Wellness Centre
- Strengthen the talent management framework and having skip-level conversations
- Succession planning and leadership development plans in place
- To support development and acquire skills, the bank has introduced internal mobility assignments where three employees are seconded to other departments for a period of three months. To gain a wider career progression, three other employees are deployed across the region

A productive work culture

Our Productive Me project cultivates a high-performance culture at FNB Botswana. This project centres around the belief that our employees thrive when the workplace fosters maximum flexibility and inclusivity, enabling employees to actively contribute to shaping our organisational culture. By harnessing the power of technology and connectivity, we aim to create an environment where our employees can perform at their best, enhancing productivity and overall job satisfaction.

Supportive spaces Our workspaces, branches and buildings are meticulously designed with our employees as the central focus. We prioritise their needs, safety and wellbeing in all aspects of our architectural planning. By creating inviting and aesthetically pleasing environments, we strive to cultivate a positive and engaging atmosphere for both employees and clients. Additionally, we integrate digital innovation by providing digital spaces that encourage seamless communication, collaboration and efficiency.	Connectivity	Culture	**Culture and community** Our inclusive workplace culture empowers diverse talent to flourish and make valuable contributions to our organisation. We recognise the importance of a work-life balance and embrace a more humane culture that values the wellbeing of our employees. By promoting a supportive and inclusive environment, we aim to create a workplace where everyone can thrive and achieve their full potential. The Bank also recognises that employee health is crucial for promoting employee engagement and improving productivity.
Technology We prioritise sustainable remote enablement and implement hybrid solutions to create a flexible and adaptable work environment. By embracing remote work practices, we ensure our employees can work effectively and efficiently, regardless of their location. Our commitment to sustainability extends to our work arrangements, allowing for a balanced and productive approach that benefits both our employees and the organisation as a whole.	Tools	Flexibility	**Flexible organisation** With our updated remote working guidance, we aim to gain insights into when our employees are most productive. We recognise that effective leadership requires a balance between high emotional and social skills alongside technical competency. The best leaders excel in managing teams effectively, even in remote work settings, fostering a positive and productive work environment. By understanding and embracing this balance, we empower our leaders to guide their teams to success, regardless of their physical locations.

Priorities for FY2024

Key focus areas	Strategic targets 2024
• Align rewards policy with the strategic direction of the Bank • Focus on building and retaining talent and succession planning • Strengthen the employee value proposition and refine our branding as an employer of choice • Transform our culture by implementing agreed action plans	• 85% Group Engagement Survey (GES) score • 4.2 average organisational performance rating • 75% Index Culture Risk Assessment

Strategic objectives and focus areas in FY2023 (continued)

Intellectual

OPERATIONAL EFFICIENCIES

Our focus on seamless integration between people and technology drives continuous improvement, enabling us to deliver exceptional and responsive services to our valued clients.

Connecting people to systems and processes that facilitate business continuity and efficiency is a key economic material matter for us. This enables cost reduction through process automation and provides cost-effective opportunities to scale our services. By efficiently designing our operations to support our digital transformation objective, we ensure that our services remain agile, readily available and responsive to the accelerated demands of clients in a digital environment.

2025 strategic targets and 2023 performance

Objectives	2023 strategic focus areas	2025 strategic objectives and performance targets	2023 targets	2023 actual
To drive efficiencies and the digitisation of our customer experience through the proactive migration of clients onto our platform, and the introduction of new solutions and products that improve the integration of our banking services.	• Accelerate robotic process automation and digitalisation to enhance value to customers. • Build in-country development capabilities to accelerate platform journey and embed development relevant to local demands. • Upskilling, through intentional and focused training, of digital and data inclined critical skills. • Optimise business processes to achieve lean structures and efficient processes resulting in cost optimisation and improved customer journey. • Tapping into data science solutions to offer enhanced customer experiences and inform cross-sell opportunities. • Space rationalisation in our physical points-of-presence network to ensure cost optimisation through right-sizing and appropriate coverage to enhance financial inclusion. • Reduce our carbon emissions by implementing green initiatives such as installing solar power panels on Francistown FNB building.	Connecting people to systems and processes that accelerate them. • Maintain operational cost at 0% increase year-on-year by 2025 • 85% processes optimised • 20% processes automaed	• P17 million cost reduction • 100% process mapping, documentation and governance • 60% business processes optimisation • 5% process automation, digitalisation and robotics	• P14 million cost reduction • 99% process documentation • 56% business processes optimisation • 2.72% automation • Commenced the solar project for our Francistown FNB building

Our progress

Notable highlights on implemented solutions:

- **Modernised FNB App:** The rebranding came with an enhanced and user-friendly FNB App coupled with enhanced security features to protect client transactions and profile data
- **Virtual workers:** The journey to implement robotic processes experienced a boost through the introduction of four more robots in the Credit and Payments portfolios to improve client experience
- **Data assets:** Enhanced data classification and data access management on integrated platform to improve single-client view experience
- **Electronic records:** The phasing-out of manual records has been accelerated through the intensified drive to convert all manual records to electronic format for a digitised client experience
- **Digital KYC solutions:** To catapult digital KYC solutions, we developed a functionality on our Cellphone banking that allows clients to confirm their KYC refreshed status.
- **Creative and vibrant spaces:** Delivered remodelled and futuristic Letlhakane and Molepolole branches for improved client experience. Fostering financial inclusion through the delivery of "Bank in a Can" branch solution in Shakawe to enhance mobility and access to banking for remote area-dwelling clients

We improved efficiency this year by:

Considerable contextual solutions and platform development took place during the year with efforts to enhance and improve our value proposition to our clients.	Branch right-sizing achieved savings of P2 million and modernising the in-branch experience to enable seamless processes between touchpoints via automation.	These considerations continue to be based on scientific insights into dynamic client needs and behaviour.
Increasing consumption and adding more user-friendly features on all digital platforms to ease migration of clients to digital channels and CashPlus.	Introducing more digitally enabled self-service portals in the branches for improved assisted and un-assisted client experience.	

Our priorities for FY2024

Key focus areas	Strategic targets 2024
• Enabling continuity of core banking operations, infrastructure and systems, third party and supplier management as well as business continuity management. • Leveraging business intelligence and data-driven operating model to harness extensive data insights to offer enhanced client experience. • Developing a digital platform with market-leading interfaces that enable the provision of contextual, cost-effective and innovative integrated financial services offerings to different client stratum on either an assisted (in-person) or unassisted (self-service) basis. • Laser focus on robotic process automation to improve efficiencies and unmatched client experience. • Implementation of green technologies in compliance with global and local green policies and energy management.	• P17 million cost reduction • 100% process mapping, documentation and governance • 72.5% business processes optimisation • 7% process automation, digitalisation and robotics • Reducing our carbon emissions by implementing green initiatives

Strategic objectives and focus areas in FY2023 (continued)

Intellectual

CUSTOMER EXPERIENCE

Clients prioritise personalisation, convenience, accessibility, trust, responsiveness and security in their financial transactions. Retaining client loyalty and attracting new ones through excellent service is vital for our sustainability and profitability. To stand out and stay ahead in this highly competitive market, we focus on offering customised services using big data, AI learning and preferences to enhance the client experience at FNB Botswana.

2025 strategic targets and 2023 performance

	Objectives	2023 strategic focus areas	2025 strategic objectives and performance targets	2023 target	2023 actual
Customer experience	**To deliver an unmatched customer experience by optimising existing platforms and leveraging off automation and data analytics to implement value- adds.**	• Automate account-opening processes • Increase self-service options • Optimise our contact centre to enhance client service and sales functions • Conduct strategic client tracking • Develop our trusted advisor thought leadership • Educate clients on digital migration in terms of special features, convenience, affordability and zero-rated data • Enhance client data security • Enhance digital channels to support client satisfaction and their transition to digital • Enhance ecosystem and family banking value propositions • Expand alternative channels services and functionalities by focusing on merchant services and CashPlus • Implement the ecosystem banking model • Money management and helping our clients to achieve financial wellness • Standardise service standards and processes • Transform the internal service culture • Create and embed a winning service culture among employees • Provide green funding solutions to customers	• To deliver exceptional service, consistently • To achieve a 90% Client Satisfaction Index (CSI) rating by 2025	• 85% External Client Satisfaction Index (ECSI) • Ring-fenced capital in Treasury for green projects in segments	• 86.6% External Client Satisfaction Index (ECSI) • We optimised the contact centre by increasing sales staff resulting in a 123% achievement against target. Call pick-up rate achieved was at 79% compared to 95%% service level benchmark. Services offered include: eWallet block and unblock, follow up on loans, KYC referrals and escalations, queries on unauthorised transactions • CashPlus agents increased by 69% year-on-year to 1 099 agents • Merchant Services transactional volume turnover increased by 13% year-on-year • P400 million funding for a solar plant

Client service orientation

The Bank's 2025 strategic objective is to deliver exceptional service and a superior experience on all platforms and channels. This is done by ensuring enhancement of alternative channels to deliver value to clients.

We utilise the **Service Culture Index,** a self-assessment tool, to measure the development of service culture and its integration into all processes and interactions. The Service Culture Audit for 2023 is at 80%, indicating significant progress towards a more aligned commitment to exceptional service.

To strengthen our high-performance service culture, our Employee Recognition Programme rewards excellent service delivery, while our Client Service Framework addresses service breakdowns and manages the consequences effectively.

Penetration		2023	2022
Commercial (FNB App)	△	84%	79%
Commercial (Online banking)	△	93%	91%
Retail (FNB App)	△	54%	44%
Retail (Online banking)	△	75%	65%
Retail (Cellphone banking)	▽	69%	71%

△ Increased
▽ Decreased
— No change

Our progress

Highlights for the reporting period include:

- Two-factor authentication for client-initiated App transactions
- Analytics used to counter attrition by learning client behaviour and responding accordingly
- Introduction of new enhancements on the Online Banking and FNB App focused on improving the look and feel of the platforms. These new enhancements included:
  - Addition of branch codes on Cellphone Banking and branch name on App for other banks
  - Addition of KYC Refresh on mobile devices for clients to update their KYC status
  - Rewards on the FNB App for clients to view their rewards status and how to improve their rewards
- Growth in penetration of our digital channels is as a result of targeted campaigns focused on highlighting the benefits and convenience of digital as a better banking alternative to visiting the branch
- Digital migration volumes are showing an upward trend in line with our investment in user-friendly, client-centric banking platforms
- Enhanced FNB App functionality and services for example, forex on App for an improved and faster forex trading process
- Enhanced internal security controls to protect client data
- Enhanced client experience by optimising our CashPlus channel
- Launched Commercial Scored Credit as a client value proposition aimed at growth and retention and backed by automation
- As part of reinforcing our trusted advisor position, we held industry workshops and economic insights roadshow to enhance client education and the Bank's thought leadership

Our priorities for 2024

Key focus areas	Strategic targets 2024
• Promotion of family banking and ecosystem banking • Secure client platforms • Continue managing analytics – they are relevant and inform decision making • Optimise account-opening processes • Conduct strategic client tracking • Creating and embed a winning service culture among employees • Develop our trusted advisor thought leadership • Educate clients on digital migration, particularly regarding special features, convenience, affordability and zero-rated data • Enhance client data security • Enhance digital channels to support client satisfaction and their transition to digital • Increase self-service options • Roll out Money Management training to help our clients achieve financial wellness • Optimise the Contact Centre for client education and sales	• 90% ECSI • Ring-fenced capital in Treasury for green projects in segments • Providing green funding solutions to customers

Strategic objectives and focus areas in FY2023 (continued)

Financial Manufactured

VALUE PROTECTION

Maintaining the efficacy of Botswana's financial system is vital for economic development. Our strategic response includes strict compliance with regulations, fostering ethical behaviour throughout the Bank and cultivating a risk management culture for sustainability and stewardship. We collaborate with the Government on policy development and seek innovative ways to diversify revenue streams and optimise our balance sheet for future-proof value creation.

Read more in the section on governance from page 106, remuneration from page 132 and in the Chief Financial Officer's review from page 68.

	Objectives	2023 strategic focus areas	2025 strategic objectives and performance targets	2023 target	2023 actual
Value protection	• Drive balance sheet growth and diversify the lending book by focusing on strategic sectors for growth. • Continue to deepen our primary banking pools through the introduction of rewards partnerships, value-adds, creative solutions and the introduction of new products.	• Implement our risk maturity framework • Continue to concentrate on risk reduction • Minimise revenue leakage and enhance cost containment • Align our credit appetite to the changing-market dynamics • Improve our collections efficiencies • Collaborate on strategic partnerships • Continued digital migration • Deepen our market position through repricing and integration strategies • Diversify income and revenue streams • Focus on client acquisition strategies • Optimise the Contact Centre to drive sales • Pricing concessions for strategic clients	• SMART responsible allocation of resources to achieve great returns • Achieve a risk-managed maturity status by 2025 • Achieve NIACC of 762 million by 2025 • Achieve a risk-managed maturity status by 2025	• Achieve NIACC of P538 million • Risk defined with elements of risk-managed • Ecosystem and family banking value propositions • Expansion of alternative channels services and functionalities – focus on merchant services and CashPlus • Internal service culture transformation • Optimise Contact Centre – enhance client service and sales functions • Standardisation of service standards and processes	• Achieved NIACC of P688 million • 80% of risks are risk managed • 0.66% credit loss ratio (2.6% in 2020) • 5% NPL ratio (7.6% in 2020)

* Risk-enabled maturity status has been revised to risk-managed status as a result of an assessment done for entities to be risk-enabled which includes certain system advancements that will not be in place by 2025.

Our progress

- A new digital channel of communication, which is more cost-efficient compared to traditional text messages was introduced via push notifications, HTML emails and personalised messages
- A new feature on the FNB App allows clients to initiate sales without visiting the branch, with leads converted through the Contact Centre via eContracting
- A retention desk was established to manage client base attrition using predictive data to find clients that are at risk of attrition as a result of their accounts' inactivity and dormancy. A total of 11 601 Commercial accounts were reactivated through retention-desk efforts
- Retail Banking's Workplace Banking Solutions unit changed its strategy to provide a one-stop shop for financial solutions, moving away from being personal loans lead and offering all loans, including Transact, Invest and Insurance solutions
- Workplace Banking Solutions team delivered Money Management Solutions to 2 345 employees of 24 companies that have a Scheme relationship with FNB Botswana
- The Retail Anti-Attrition and Client retention unit focused on "Integrated Advice" by advising clients on tips to better manage their finances, helping them to migrate to the right products and solutions to meet their needs and to save on Bank fees.
- The Retail rewards engine aimed at rewarding digital migration and rewarding loyalty continues to be a unique value proposition. For this financial year over 180 000 clients benefited from Cashback Rewards and a total of P33 million was awarded to these clients
- 12 more rewards partners were added to the suite of service providers offering discounts to FNB clients on lifestyle benefits such as health, fitness, travel and courier services
- The Contact Centre introduced services such as Premier and Gold upgrades, FNB Funeral Plan and the FNB App apply (which allows clients to invest, borrow or switch to FNB)

Our priorities for 2024

Key focus areas	Strategic targets 2024
• Collaborate on strategic partnerships • Continue to concentrate on risk reduction • Continued digital migration • Deepen our market position through repricing and integration strategies • Diversify income and revenue streams • Focus on client acquisition strategies • Pricing concessions for strategic clients	• Ecosystem and Family Banking value propositions • Expansion of alternative channels services and functionalities, with a focus on merchant services and CashPlus • Internal service culture transformation • Optimise Contact Centre to enhance client service and sales functions • Standardisation of service standards and processes

Strategic objectives and focus areas in FY2023 (continued)

Intellectual

SHARED VALUE

In a rapidly changing macro-economic environment, we prioritise shared value in all our business activities, benefiting clients, employees and communities.

We offer relevant and cost-effective products to enhance financial inclusion and support the country's digital transformation. Our initiatives create employment opportunities, foster career growth and engage small businesses as well as youth and citizen-owned enterprises in our supplier network. Additionally, our eCommerce platform stimulates economic activity and growth.

Read more in the section on shared value from page 86.

2025 strategic targets and 2023 performance

	Objectives	2023 strategic focus areas	2025 strategic objectives and performance targets	2023 target	2023 actual
Shared value	Work together with communities to create social and economic value. Achieve an 80% Shared Value Index on these areas: financial inclusion and citizen economic empowerment through procurement	• Continue tracking, reporting and measuring impact • Define our baseline and publishing shared-value matrices • SME access to funding • Develop Economic Empowerment Policy • Embed shared value principles in our core business activities and operating frameworks	• Work together with communities to create social and economic value • Develop Shared Value Framework to determine measures	• Achieve an 80% Shared Value Index • P5 million skills development (up from P4.7 million) • Relevant policy review to incorporate shared-value principles to achieve shared prosperity • Economic Empowerment Policy implementation • 10 pan-bank, needle-moving Shared Prosperity initiatives that will be implemented at scale	• Deliberate sponsorship of the creative industry by FNB Botswana through initiatives such as "Bodiragatsi Jwame Lentswe Lame", creative seminars and more • First Spark and IT skills development programme • Money spent on local companies • Flagship sponsorships and partnerships • Defined objectives with targets and reporting plan in place • Commenced the review of the Procurement Policy to align with the citizen economic empowerment imperatives • Operationalising shared value delivery mechanisms in progress • Shared-value framework in place

Our progress

- Identified our delivery mechanisms for shared value across our business activities including corporate social investment, operations, human capital, knowledge and network effects and platforms
- Increased our procurement spend focus on citizen-owned companies in the form of funding to fulfil purchase orders and SME mentoring through supplier development
- Participated in national environment, social and human development projects through our FNB Botswana Foundation to create sustainable benefits for communities as well as value for our clients, suppliers and employees
- Partnered with the UNDP supplier development programme and the Debswana Economic Empowerment programme to optimise mining value chain opportunities through FNB Botswana's value proposition

Our CashPlus growth trajectory (Financial inclusion)

Reaching more people, closer to their communities in an affordable way

1 099
active agents by end-
June 2023

Introduced in May
2019
as an alternative channel

P3.8 billion
worth of transactions for 2023

240 000
unique clients using the channel

Our priorities for 2024

Key focus areas	Strategic targets 2024
• Improve SME access to funding • Embed shared value in our operating frameworks • continous revision of the Procurement Policy to include citizen economic empowerment imperatives • Continue tracking, reporting and measuring impact	• Relevant policy review to incorporate shared-value principles for achievement of shared prosperity • Focus on economic empowerment initiatives as per the revised Procurement Policy • 10 pan-bank, needle-moving Shared Prosperity initiatives that will be implemented at scale

Segment review

	Retail Banking	Commercial Banking	Corporate Banking
FY2023 strategic objectives	• Increase market share through innovative world-class financial solutions • Defend and grow client base through personalised service offerings that • Improve cost efficiencies in service delivery and pass on the benefit to clients • Drive excellence in service delivery across all touch points • Enhancing communications with all key stakeholders to ensure deepening of relationships • Enhance client experience through process reengineering, automation and new digital capabilities • Drive more client education on money management and financial literacy • Optimise processes to address KYC and account opening inefficiencies.	• To build a robust balance sheet through unlocking growth potential in the key sectors of the economy and investing in lazy deposits • To grow the base, which is delivered through the capturing of market share from our competitors and by growing the FNB Botswana franchise and brand visibility • To provide exceptional advisory services to our clients throughout their life cycles • We retain our market share through innovative products and services • Optimise processes to address KYC and account opening inefficiencies. • Grow client base in line with growth in CIPA registered companies to retain market share from our competitors and grow the FNB franchise and brand visibility • To offer unmatched customer experience to our existing client to drive retention and lock new client acquired. • To retain our market share through innovative products and services • To switch from digital registration to adoption through running campaigns and driving utilisation on the platform	• Drive balance sheet growth and diversify the lending book by focusing on strategic sectors for growth as identified by government and market analysts • Continue to deepen its primary banking relationships with clients by implementing multi-sectoral initiatives. • Drive digitisation of our customer experience through the proactive migration of clients onto platform, the introduction of new solutions and products that improve the integration of banking services • Create an enabling environment for high performance and building a multi-disciplinary team for a strong talent pipeline • Deliver an unmatched customer experience • Optimise existing platforms and leveraging off automation and data analytics to implement value adds

	Retail Banking	Commercial Banking	Corporate Banking
FY2023 initiatives	• Proactive client retention management • Simplified tariff guides • Solution driven client engagements • Automated client compliances processes • Transparency in fees and charges • Reduced cost of acquisition and servicing through digital	• Various strategies were deployed to grow our sales amidst declining new business registrations with CIPA • Launched a new business reserve account to enable new businesses which have not begun trading yet to open a non-transacting account until they are ready to trade. • Introduced the Commercial Electronic Sales Platform (Product catalogue) to solve for account opening efficiencies • Launched the Client Relationship Management tool (CRM) for effective client engagement • We drove various campaigns through client value management (CVM) and sales teams to grow both the client base and product penetration	• Growing a diverse assets book which resulted in average asset balance sheet growth of 22% • RMB continued to drive liabilities growth which resulted in an 8% growth year-on-year • RMB continues to lead with a market share of 40% in non-funded income. • Eight client acquisitions and notable strategic client conversions to primary banker status • RMB maintained its share of Global Markets at 36%, making it the largest operator in this space

Segment review (continued)

	Retail Banking	Commercial Banking	Corporate Banking
Highlights	• Increased LTVs on mortgage up to maximum 90% for refinance to promote home ownership • Active client numbers grew by 7% year-on-year • Introduction of 105% LTV for first time homeowners resulted in 34 mortgages • Refined the credit scorecard to ensure proper assessment of affordability for clients • Door-to-door card delivery for retail clients to brig service to our client doors step. • Launch of family banking in private clients resulting in 8% spousal account opening and 6% for youth accounts • The Premium sub-segments active base grew by 8% year-on-year. • Launched Foreign Currency Account Debit Card in USD, ZAR, GBP and Euro • Retention of students' post-graduation has improved from 35% to 42% year-on-year • Education and migration of over 9 300 clients to suitable transactional accounts to help them save on costs of fees from transacting in savings accounts. • Enhanced KYC update processes including the introduction of refreshing using USSD. • Introduced VISA signature credit card for private clients. • Introduction of embedded Funeral Insurance Cover for Current Accounts.	• Improved Foreign Exchange Product House revenue as a result of tourism sector rebound • Credit sales pipeline improved to P1.2 billion • Client base grew by 7% from prior year as a result of sales campaigns such as raise the bar and capture the flag • A strong PBT growth achieved outperforming both prior year and budget by 32% and 42% respectively	• The liabilities book has shown a strong 8% year on year growth largely owing to new mandates, primary banking mandates and growth of strategic clients. • Successfully onboarded several strategic key clients in the year under review allowing the business to benefit from increased revenue while building deeper relationships with clients • Investment has been made on enhancing infrastructure to advance RMB's technological capabilities; this has been evidenced through the implementation of Single Dealer Platform (Accelerate)

	Retail Banking	Commercial Banking	Corporate Banking
Challenges	• The past year was characterised by immense pressure on the consumer following economic pressures caused by escalating inflation and rising interest rates • Inflationary pressures lead to significant reductions in household liquidity, mostly affecting single-income households and lower-income segment consumers • A rise in job losses and various employers going through Section 25 • Aggressive marketing presence by competitor banks offering instant digital solutions	• There has been utilisation of the digital platforms mainly the FNB App, and the business continues to put initiatives in place to drive the clients away from branches to unassisted platforms • Increased competitive landscape on digital platform solutions offering	• Retention of specialised skills and talent in a competitive market with a limited talent pool remains a key challenge • Increased pace of digital innovation in both the banking and non-banking financial sectors intensifying competitive pressure in the product space • Increased pricing pressures due to low flow of assets in the market creating margin squeezes • Slow adoption and penetration of digital platforms by clients. The business has plans in place to bring clients up the technology curve by proactively demonstrating value and efficiency of self service
FY2023 performance	• 578 274 active Client • P6.25billion Deposits • P10.9 billion Gross Advances • P661million Profit before Tax • P644million Non-Interest Revenue • P734million Pre-Provision Operating Profit • 65:35 sales vs service frontline ratio	• Gross Advances grew by 5% from prior year • Deposit growth for the year was 11% from prior year • New account sales averaged 1170 accounts per month, with an average sales attrition of 15% • Merchant Services has a market share of 56% in country	• Average asset balance grew 22% year-on-year • Market share increase of 18% on advances over a five-year period • Eight client acquisitions and notable strategic client conversions to primary banker status

Our stakeholders

We have a diverse group of stakeholders who interact with us through various channels and at varying levels of engagement. By recognising their interest in our business and the potential effects of our operations, we aim to foster positive interactions. Through constructive engagement, we strive to build enduring value in collaboration with our stakeholders.

We continue to improve our understanding of our stakeholders' needs, ensuring their impact on us and our impact on them to create sustained value.

	Low	Medium	High
Stakeholders' influence on FNB Botswana	Media	Communities Suppliers Organised labour	Shareholders Employees Clients Regulators
FNB Botswana's impact on stakeholders	Regulators Media Communities	Clients Shareholders Organised labour	Employees Suppliers

CLIENT

Our client base comprises retail, commercial, corporate and investment banking clients, each accessing a unique set of services tailored to their specific needs.

Over 600 000 clients trust FNB Botswana and are loyal to the bank which is evidenced by achievement of 85% in the 2023 External Client Satisfaction Index.

Metrics tracked

- Net promoter score (NPS)
- External Client Satisfaction Index (ECSI)

Needs and expectations

We recognise that our clients seek consistency, convenience and cost-effectiveness in their banking experience, regardless of the touchpoint they utilise. Our clients expect reliable products and services that offer excellent value for their money.

We are committed to delivering quick turnaround times that create a seamless and hassle-free banking journey. As a client-centric bank, we prioritise understanding their unique needs and providing appropriate solutions that address their specific requirements effectively.

Engagement and important conversations in 2023

- CEO stakeholder engagements with selected clients (on a roving basis per portfolio), joined by the relationship team and the head of Customer Experience
- CEO meet and greet with all client segments (commercial, premium, consumer and workplace banking)
- We continued sharing insights on the role of banks in stimulating the economy through various local newspapers and magazines. This forms part of our thought leadership drive
- We hosted stakeholders to the 29th FNB Botswana Budget Review Seminar focusing on business environment reforms to improve value chain development. The seminar provided a platform for us to further strengthen engagement with Government, the business community and our clients.
- Ongoing commitment to responsible lending
- The Bank continues to drive segment initiatives through the client value management pillar to help clients maximise value from banking solutions acquired. The use of data analytics aids in profiling clients for predictive behaviour patterns that inform proactive strategic actions in the form of either an SMS or voice campaign
- RMB continued to drive its position as a thought leader in the corporate finance space with specific emphasis on ESG
- Commercial hosted two breakfast presentations for SME company secretaries both in the south and northern regions. The primary objectives for these events were to share our SME value proposition, solicit feedback on banking products and identify effective ways of working together
- In our ongoing financial literacy programmes, we launched a money management series with The Monitor newspaper and flighted a series of articles in the publication with titles that included Basics of banking and How to make savings matter from a young age. Additionally, we rolled out financial literacy programmes to various members of the community, including clients, as part of our staff volunteer programme, which kickstarted in May 2022. More initiatives are underway in the coming year.
- The Bank launched the Client Education Campaign on 30 June 2023, starting with zero-rated fees, which included digital banking fees, Cash@Till and CashPlus.
- Workplace Banking Solutions team delivered Money Management Solutions to 2 345 employees of 24 companies that have a Scheme relationship with FNB Botswana

EMPLOYEES

Metrics tracked

We have over 1 600 employees of whom 66% are female and 34% male. 99.8% are Batswana and 74% are younger than 40.

- Group Engagement Survey
- Culture Risk Assessment
- Organisational performance

Needs and expectations

We understand that our employees seek a healthy and safe working environment that offers job security and role flexibility. We value their contributions and are committed to providing appropriate rewards and recognition for their efforts. Additionally, we believe in nurturing their potential and providing opportunities for growth and development.

For our employees, trust-based engagement is crucial, underpinned by an inclusive culture that aligns with FNB Botswana's Promises. We strive to foster an environment where every team member feels valued, respected and empowered to contribute their best to our collective success.

Engagement and important conversations in 2023

- Continued to enhance the wellness centre value proposition. Employees are able to consult with a general practitioner, dietician and physiotherapists at no cost
- Introduction of Human Capital monthly briefs to drive awareness
- Hosted a Wellness Day
- Enhanced psychological support services
- Provision of money management training
- Strategy roadshows across the country with all employees
- ExCo visited employees in all branches to provide an update on activities covered in the Organisational Culture Risk Assessment (CRA) Action Plan
- The results of the six-month CRA internal dipstick survey was 80%, demonstration overall improvement from the last one
- Retirement Workshop for employees aged 50 and above was conducted

PG Read more in the section on Human capital from page 95 to 105.

Our stakeholders (continued)

SHAREHOLDERS

Non-public shareholders:

70% of the bank's issued shares are held by First National Bank Holdings (Botswana), which is wholly owned by FirstRand EMA Holdings

Public shareholders:

30% of shares are publicly held on the BSE with no individual holding more than 10% of the issued shares

Needs and expectations

Our shareholders expect consistent financial performance and acceptable returns on their investments. We are committed to maintaining transparency and ethical conduct in all our operations as we value the trust and confidence they place in us.

Furthermore, shareholders are interested in FNB Botswana's sustainability, long-term strategy and robust business continuity processes, including succession planning. We strive to deliver sustainable growth, align our strategies with long-term objectives and ensure our business is well-prepared for any challenges that may arise, including seamless succession planning for leadership positions.

Engagement and important conversations in 2023

- At the annual general meeting (AGM) in November 2022, 96% of shareholders attended, and all resolutions were passed
- Investor roadshows followed both interim and final results
- Published our fourth integrated report themed "Redefining help though shared prosperity"

REGULATORS

- Bank of Botswana
- Botswana Accountancy Oversight Authority
- Botswana Stock Exchange
- Botswana Unified Revenue Service
- Financial Intelligence Agency
- Non-Bank Financial Institutions Regulatory Authority
- South African Reserve Bank

Our regulatory universe

- Companies Act
- BSE Listings Requirements
- Banking Act
- King Report on Corporate Governance™ for South Africa, 2016
- Other regulations governing conduct, treatment of clients and the protection of data privacy
- Financial Intelligence Act and Regulations
- Counter-Terrorism Act

Needs and expectations

Regulators demand sound corporate governance practices and proactive adherence to regulatory requirements from FNB Botswana. They expect us to stay informed about industry trends and take measures to preserve the integrity and stability of the financial sector.

Our commitment extends to full compliance with the regulations of Botswana as well as those applicable to our ultimate holding company in South Africa. We work diligently to ensure that we meet all regulatory expectations and maintain a strong and responsible position within the financial industry.

Engagement and important conversations in 2023

- Annual Regulatory meetings with Bank of Botswana
- Annual stakeholder meetings with Botswana Stock Exchange
- Ad-hoc stakeholder meetings with Botswana Unified Revenue Service (BURS)
- Stakeholder meeting with Financial Intelligence Agency (FIA)
- Through RMB, we hosted an engagement with the Botswana Unified Revenue Service to discuss areas of synergies.

SUPPLIERS

Metrics tracked

Our suppliers offer us a range of services, including computer systems, property management, maintenance, advertising and other outsourced solutions.

- Quality
- Delivery adherence

Needs and expectations

We understand that our suppliers expect fair payment terms and timely payments, along with opportunities to collaborate with our business. Transparency and equitable treatment are also key aspects in our supplier relationships.

Supporting and empowering local suppliers aligns with our dedication to creating shared value and contributing to the development of the communities we serve.

In line with our commitment to promoting economic empowerment, we prioritise offering special dispensations to youth and citizen-owned suppliers. We aim to provide them with business opportunities and guidance to foster the growth of their businesses.

Engagement and important conversations in 2023

- Committed to maximise sourcing from local business suppliers
- Identified small businesses with potential and nurtured them into larger projects via our inhouse experts and initiatives such as the Commercial segment's SME Development Seminar

MEDIA

Metrics tracked

Reporters from both print and digital media as well as radio and television cover FNB Botswana's activities

- Media monitoring and reputational analysis
- Advertising value equivalency to measure public relations value

Needs and expectations

We recognise the importance of maintaining sound two-way relationships with the media. Transparency is a cornerstone of our communication approach, and we strive to provide accurate and timely responses to media inquiries. Quick turnaround times are vital to ensure that the media receives the information they need promptly and efficiently. We value the media's role in keeping the public informed, and we are committed to fostering open and constructive engagements with them.

Engagement and important conversations in 2023

- Contracts and business partnerships with the media
- Hosted the Journalism Academy to upskill business reporters
- One-on-one media engagements

Our stakeholders (continued)

COMMUNITIES

Communities encompass individuals and groups with whom we engage in matters that extend beyond typical business relationships. We actively seek to support common interests such as social upliftment, environmental protection, arts and education.

Our commitment to community engagement goes beyond financial transactions as we strive to make a positive impact and contribute to the wellbeing and development of the communities we serve.

Metrics tracked

- Allocation of 1% of net profit after tax
- Percentage allocation per focus area:
  - 5% Arts and Culture
  - 23% Social Welfare
  - 25% Youth Empowerment
  - 37% Sports Development and Commercialisation
  - 9% Education
  - 1% Environmental Sustainability

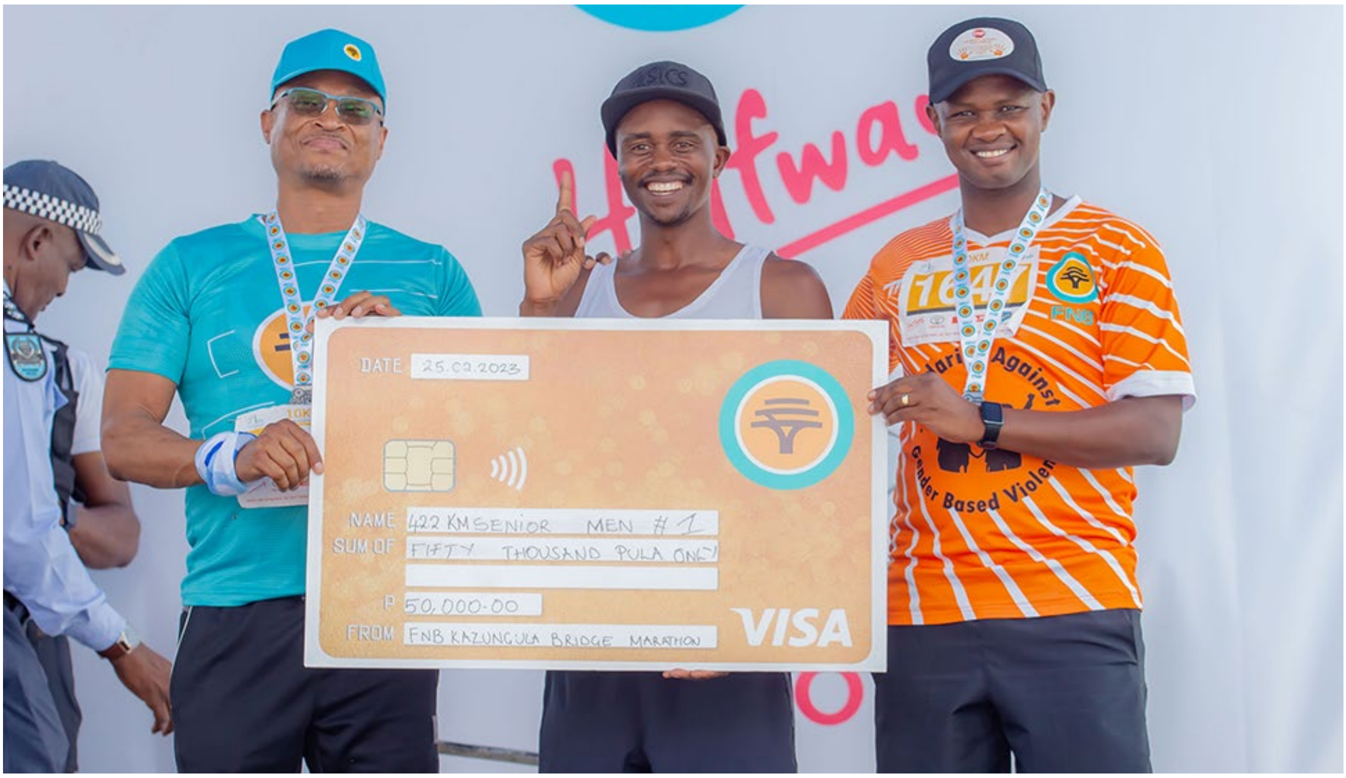
Needs and expectations

As a bank, part of our core role is to provide essential financial services to communities and to promote financial literacy. Our commitment extends to fostering long-term sustainability, which enables communities to benefit from the employment opportunities and economic inclusion that we provide.

We recognise that communities are invested in the success of FNB Botswana and expect to share in the financial value created through our corporate social investment (CSI) initiatives. Our dedication to corporate social responsibility underscores our commitment to making a positive impact on the communities we serve, ensuring that their wellbeing and development remain at the forefront of our actions and decisions.

Engagement and important conversations in 2023

- #RealHelp for the Community campaign celebrating and supporting home-grown, innovative business solutions with funding in partnership with Botswana Digital and Innovation Hub
- FNB Botswana, together with the Botswana Police Service and UNICEF Botswana, launched a Gender-Based Violence campaign to advocate for behavioural change
- Official sponsors of the FNB Kazungula Bridge Marathon in Kasane and Kazungula
- Renewed P1 million sponsorship of the Botswana Tertiary Education Students Sport Associations (BOTESSA) to support youth sports development
- Official sponsors of the FNB Botswana Golden Grand Prix 2023



ORGANISED LABOUR

Approximately 45% of our employees who are eligible to be union members are members of the Botswana Financial Institution and Allied Workers Union (BOFIAWU) which is an affiliate of the Botswana Federation of Trade Unions.

We value the representation of our employees and are committed to fostering a positive and collaborative relationship with their unions.

Our aim is to ensure the wellbeing and fair treatment of our workforce, while also promoting a harmonious and productive work environment for all.

Metrics tracked

- Collective Bargaining Agreement

Needs and expectations

We recognise the importance of engaging with trade unions and adhering to labour laws. As a responsible employer, we value open communication with unions and involving them in discussions related to business process development and changes that could affect our employees.

We strive to maintain a collaborative and consultative approach to ensure that their perspectives are considered, and their concerns are addressed appropriately. By fostering a constructive relationship with the union, we aim to create a harmonious work environment that benefits both our employees and the Bank as a whole.

Engagement and important conversations in 2023

In April 2023, FNB Botswana and the BOFIAWU commenced salary negotiations regarding the 2023/2024 annual salary review. After engagements, a settlement was reached as per the table below:

Performance rating	Percentage increase
Outstanding	12%
Very good	11%
Good	10%
Room for improvement	0%
Unacceptable	0%

GOVERNMENT

We maintain interactions with governmental entities at both the national and local levels.
Botswana is a democratic republic, utilising a two-tier government system: a National Government led by the President, and a local government overseen by a mayor in urban areas and a council chairperson in rural districts.

Needs and expectations

FNB Botswana is committed to being a corporate citizen role model, aligning its business practices with the government's goal of achieving greater financial inclusion for all citizens.

We recognise the importance of conducting our business ethically and responsibly, ensuring that our operations contribute positively to the wellbeing of the communities we serve.

Our dedication extends beyond providing financial services; we actively engage with communities and prioritise responsible environmental stewardship.

By being a responsible corporate citizen, we strive to make a meaningful impact, fostering economic empowerment and environmental sustainability in line with the Government's vision for the country.

Engagement and important conversations in 2023

- We participated in the national Budget Committees and contributed economic insights
- Through the 29th FNB Botswana Budget Review session, we provided a platform for the Ministries of Entrepreneurship and Agricultural Development and Food Security to engage the business community on business reforms for value chain development.
- We partnered with Government in the Forbes 30 Under 30 Summit to drive entrepreneurship

Risk and opportunity management

Risk management process

FNB Botswana's robust and transparent risk reporting process enables key stakeholders, the Board and risk committees to:

- Direct our resources toward endeavours that offer optimal value while considering associated risks
- Evaluate and understand the level and trend of material risk exposures and their impact on the bank
- Gain an accurate, complete and reliable view of the bank's risk profile
- Understand the types of risks the Bank faces, potential outcomes across various scenarios, and the necessary capital for managing these risks
- Make appropriate strategic and business decisions
- Guarantee the Bank's capacity to generate value by consistently yielding sustainable, long-term returns on invested capital tied to assumed risks
- Maintain continuous adherence to applicable legal and regulatory obligations

This is achieved by defining distinct risk ownership within business segments and departments and by forging robust collaborative assurance partnerships among business, risk management, compliance, internal audit and external audit functions. This approach ensures the protection of shareholders' interests.

The bank fosters a risk-centred culture by:

- A market and business conduct programme supported by effective governance structures
- A combined assurance process to integrate, coordinate and align risk management across the three lines of defence, including External Audit
- Robust risk management policies, frameworks and processes

A maturing risk management process

Through the integration of risk management and business performance within the Business Performance and Risk Management Framework, the Bank establishes a unified perspective of risk throughout the organisation. This guarantees a standardised methodology for managing risk across the entire Bank.

FNB Botswana has implemented a combined assurance model that integrates planning, execution and reporting of all assurance activities across the Bank. The audit Committee is responsible for ensuring the effectiveness of these arrangements, fostering an internal control environment that upholds information integrity for both internal decision making and external reports. This integrated approach optimises assurance activities, broadens risk coverage while aligning with the Bank's risk appetite.
The Bank's strategy for risk management and combined assurance consists of three lines of defence, as depicted below:

First line of defence	FNB Botswana management is responsible for risk management and implementation of risk strategy.
Second line of defence	Risk Management functions (including Compliance) sets policies across the Bank and monitors these to ensure that implementation of risk principles complies with regulations and legislation.
Third line of defence	The Board, Internal Audit and External Audit provide additional assurance on the effectiveness of risk management in the organisation.

The three lines of defence were assessed and strengthened to:
- Equip first-line business managers with the tools to identify, assess and minimise risk
- Ensure that the necessary checks and balances are integrated into all management functions and business areas

The Bank accelerated its digital transformation strategy to maintain and improve the quality of client service. These processes were risk assessed to protect the Bank's stakeholders. They demonstrated maturity in the bank's process agility and risk management.

Operational risk management

The Operational Risk Management Framework supplements the Enterprise Risk Management Framework, outlining fundamental risk management principles and methodologies for efficiently addressing and reducing operational and IT risks. This includes:

- Acknowledging risk exposures within established operational risk tolerance levels
- Defining risk metrics, operational risk tolerance and thresholds
- Overseeing financial accounting and regulatory reporting procedures
- Ensuring the accuracy of operational risk data for the sake of risk data consolidation and reporting
- Tracking risk exposures in comparison to predetermined metrics, operational risk tolerance and thresholds
- Communicating risk exposures, process disruptions, threshold breaches and significant malfunctions to management, risk management and governance frameworks
- Identifying and evaluating risks, and encompassing the establishment of critical risk indicators
- Outlining and supervising corrective measures

Identifying risks

The Bank employs the following procedures to pinpoint and assess potential factors that may influence its sustainability in the short, medium and long term. Governing bodies consistently undertake reviews of the following matters:

- Violations or breaches of critical risk indicators
- Alterations in the regulatory landscape
- Internal evaluations of novel products and initiatives
- Discussions within risk management committees, encompassing concerns raised by business segments
- Factors that could potentially affect the realisation of the Bank's strategic goals

Primary concerns of significant stakeholders

The Bank gives precedence to recognised risks through a risk rating approach that streamlines risk evaluation. Every risk is evaluated on a standardised risk rating scale following an appraisal of its inherent risk (prior to implementing controls).

Pre-existing controls undergo assessment, and if required, fresh controls are formulated to minimise or eradicate the possibility of a risk materialising, or to mitigate its consequences should it manifest.

Risk and opportunity management (continued)

"THE BANK ACKNOWLEDGES THAT EFFECTIVE RISK MANAGEMENT HINGES ON CULTIVATING A SUITABLE RISK CULTURE"

Risk appetite

The Board establishes the risk appetite, while Exco regularly assesses, questions and ranks significant risks. Our risk appetite mirrors a harmonised and unified strategy towards risk management, allowing FNB Botswana to assume calculated risks while striving for enduring value generation.

The Bank's Risk-Return Framework guides organisational choices and seamlessly intertwines with its strategic aims. Business and strategic determinations harmonise with the risk appetite.

On a departmental level, strategy and implementation are shaped by the access and cost of financial assets, as well as the stipulated hurdle rates and objectives.

Risk culture

The Bank acknowledges that effective risk management hinges on cultivating a suitable risk culture, which is supported by:

- A culture that advances the Bank's transition from being merely risk-managed to becoming risk-enabled
- Fitting risk and compliance governance structures for the execution of policies and frameworks
- Integration of the Basel Committee of Banking Supervision Principle 239 to guarantee optimal risk reporting
- Incorporation of tools such as the Process Risk Control Identification and Assessment tool, and use of other risk management monitoring tools
- Employee training to ensure alignment with risk objectives
- Establishing the right tone at the top, with ethical and 'fit and proper' leadership that shapes strategy, risk appetite, and the adoption of appropriate risk practices

	Risk type	Risk appetite	Outlook	Q4 22/23	Q3 22/23	Q2 22/23	Q1 22/23
1	**Strategic Risk**	Within risk appetite	▷	Medium	Medium	Medium	Medium
1.1	Environment scan			Medium	Medium		
1.2	Strategy planning			Medium	Medium		
1.3	Business development			Medium	Medium		
2	**ALM Risk**	Within risk appetite	▷	Medium	Medium	Medium	Medium
2.1	Liquidity risk			Low	Low	Low	Low
2.2	Interest rate risk in the banking book			High	High	High	High
2.3	Foreign exchange risk			Low	Low	Low	Low
3	**Traded Market Risk**	Within risk appetite	▷	Low	Low	Medium	Medium
4	**Financial Controls**	Close to risk appetite	▷	Medium	Medium	Medium	Medium
5	**Compliance Risk**	Outside risk appetite	▷	High	High	High	High
5.1	Regulatory risk			High	High		
5.2	Financial Crime Risk			High	High		
6	**People Risk**	Close to risk appetite	▷	High	High	High	High
7	**Reputational Risk**	Close to risk appetite	▷	Medium	Medium	Medium	Low
8	**Information Governance Risk**	Within risk appetite	△	High	High	High	High
8.1	Data Governance			High			
8.2	Data Quality			High			
8.3	Records Management			High			
9	**Operational Risk (including Fraud Risk)**	Outside risk appetite	▷	High	High	High	High
9.1	IT Risk	Within risk appetite		High	High	High	High
9.2	Legal Risk	Within risk appetite		Medium	Medium	Medium	Medium
10	**Credit Risk**	Within risk appetite	▷	Medium	Medium	Medium	High
10.1	Wholesale	Within risk appetite		Medium	Medium	Medium	Medium
10.2	Commercial	Within risk appetite		High	High	Medium	High
10.3	Retail	Within risk appetite		High	High	High	High

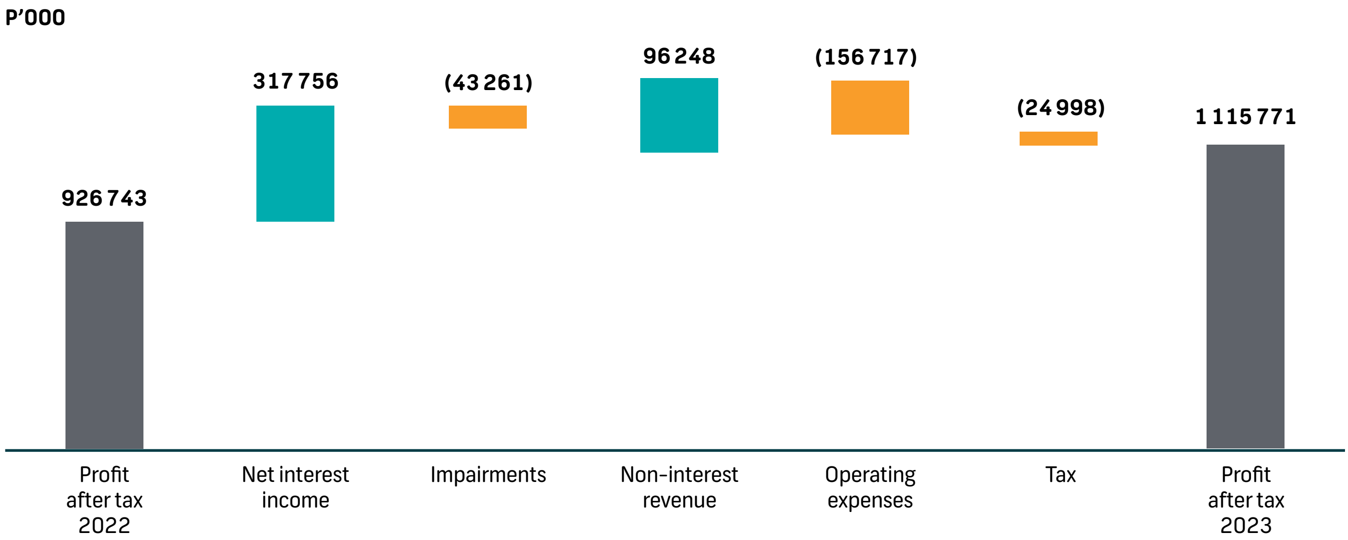
△ Increasing risk
▷ Decreasing risk

Chief Financial Officer’s review

Dr Mbako Mbo
Chief Financial Officer

Income statement

Total Bank income grew 15% year-on-year, with pre impairments net interest income increasing by 27% through a combination of volume and rates. Policy rates went up by 151 bps during the 2022 calendar year, while client advances grew by 8% during the financial year. Gross interest income increased 36%, diluting the growth in interest expense which increased by 75% year-on-year, driven by a higher cost of funding as a result of an increasing MoPR. Notwithstanding, the Bank produced a solid 25% growth in net interest income after impairment.



655 000
Client base
(2022: 630 000)

P24.2 billion
Client deposits
(2022: P22.2 billion)

P17.3 billion
Gross advances
(2022: P16.1 billion) year-on-year

P94 million
Impairments
(2022: P50 million)

The increase in impairments (86%) is reflective of a low base effect, i.e. there were significant impairment releases in the prior year as Covid-19 related pressures abated. Despite this increase, the Credit Loss Ratio remains low at 58bps.

Non-interest revenue increased by 7% year-on-year. This was driven primarily by increased transactional volumes in service and other fees. The growth in service fee and card commissions followed increased uptake and utilisation across the Bank's digital and electronic channels, most noticeably in convenience channels. Net card commissions grew by a modest 6% through increased volumes despite softer blended margins. The Bank continues to broaden its financial inclusion with further expansion of its Agency Banking (CashPlus) footprint, thereby bringing services to more remote locations and enhancing client convenience. Foreign exchange and trading income grew 13% year-on-year reflecting a sustained recovery of the tourism sector, mostly for the Retail and Commercial segments, while the Corporate segment registered both a growth in client base and an increase in volumes within the existing base.

Total expenses grew 12%, reflecting increased investments in human capital and technology. Total employee costs were up 16% year-on-year, while IT support and development costs grew 36%. A further spike on operational costs came with the rebranding journey the Bank undertook, which saw marketing and advertising expenses growing 31% year-on-year.

The Bank delivered an 18% growth in Profit Before Tax for the year, which closed the year at P1.42 billion. Although PBT growth achieved in 2023 is softer compared to the prior year (2022: 33%), the growth in 2022 was reflective of a low base effect, i.e. economy emerging from Covid-19 pandemic, of which its impact was reflected in 2021 results.

The Cost to Income ratio for the year reduced by 2% from 51% to 49% driven mainly by growth across all income lines, with total income growing faster than costs.

Return on equity (ROE) for the year is 32%, up from the 26% reported in 2022. This improvement is reflective of both improved profitability and optimal capital management.

Chief Financial Officer's review (continued)

The Bank delivered an **18% growth in Profit Before Tax** for the year, which closed the year at P1.42 billion.

Statement of financial position

The Bank's balance sheet grew 9% year-on-year, driven mainly by growth in advances to clients across all segments. Corporate advances are 11% up, while Commercial and Retail advances are at 8% and 7% respectively. The growth in Corporate advances was driven by working capital support to State-Owned Enterprises (SOEs) and Fast-Moving Consumer Goods (FMCG) sectors, as well as leveraged finance deals in the financial services sector. Key deals in the tourism, fuel and agriculture sectors supported growth in the Commercial advances book, while personal loans in the Retail book grew on the back of extended tenures and ticket size limits to individuals within selected Schemes. At gross level, the Bank advances grew by 8%, comparing favourably with overall market growth of 5%.

Funding and liquidity

The Bank optimises its funding profile within structural and regulatory constraints to enable its businesses to operate in an efficient and sustainable manner. Liquidity buffers are maintained through the active management of high-quality liquid assets that are available as protection against unexpected events.

Deposits from clients increased by 9% year-on-year, broadly in line with the growth in advances, which ensured a sustainably funded growth in assets. The growth in the deposit base was led by an overall growth in retail and commercial current accounts. Retail deposits grew 14% year-on-year mainly reflective of better yields offered by the Bank to retail clients on personal savings accounts. The Commercial segment deposit base also increased by 11%, mostly on current and call accounts, reflective of both a sustained improvement on the trading environment and the Bank's client retention strategy. Corporate and Treasury deposits marginally increased by 4% as the Bank slowed down on term deposits amid heightened market cost of funds.

The loan-to-deposit ratio remained relatively flat year-on-year at 70%, reflecting a well-funded position supported by additional funding lines available from the market.

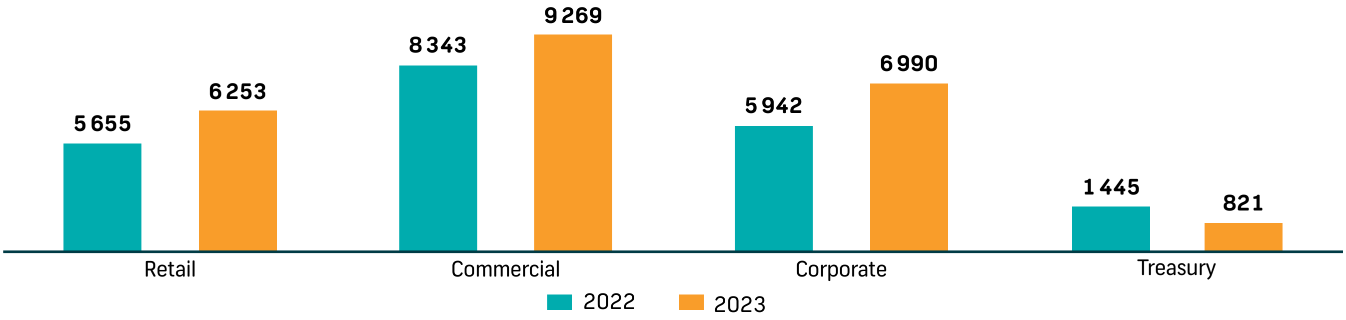
The Bank optimises its funding profile within structural and regulatory constraints to enable its businesses to operate in an efficient and sustainable manner. Liquidity buffers are maintained through the active management of high-quality liquid assets that are available as protection against unexpected events.

Deposits by type

P'million	2022	2023	Change
Current and managed accounts	10 370	11 170	8%
Call and term deposits	9 433	10 610	12%
Savings accounts	1 544	1 553	1%
	21 348	23 333	9%

Deposits increased by 9% year-on-year. This is explained by the segment deposit view detailed below.

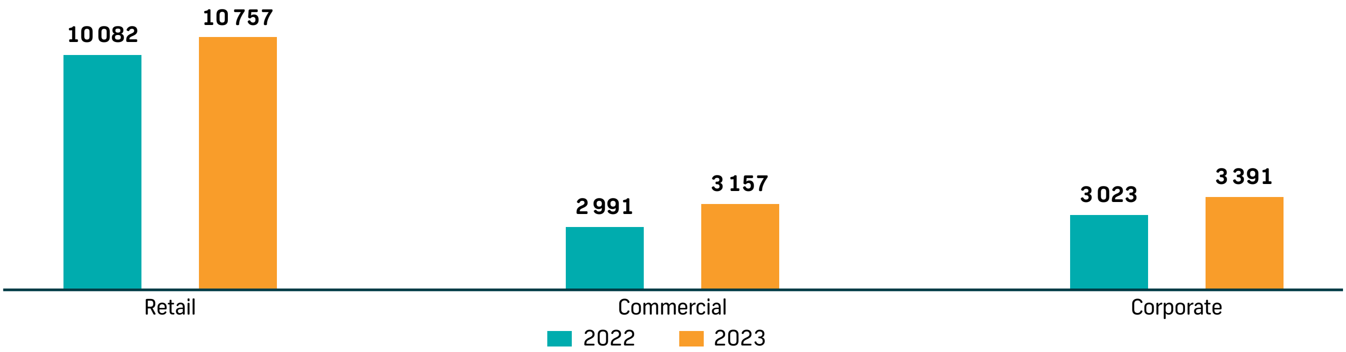
Deposits (P'million)



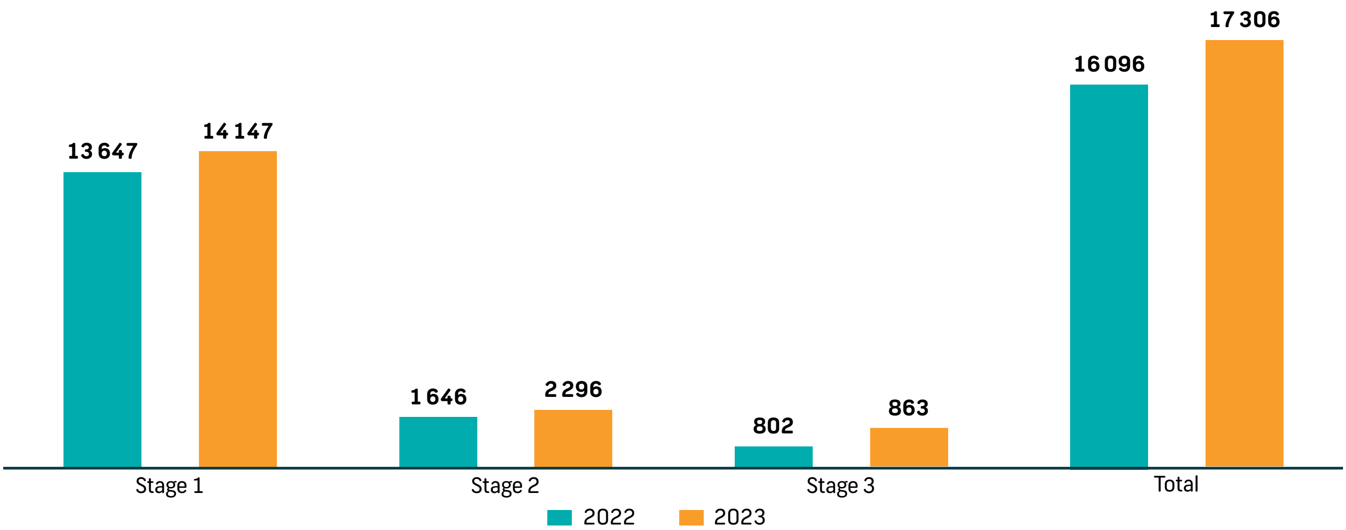
Deployment of funding

The Bank continues to apply a cautious approach to lending to ensure responsible and manageable consumer exposure. The gross client advances increased by 8%. This is explained in detail below.

Advances (P'million)



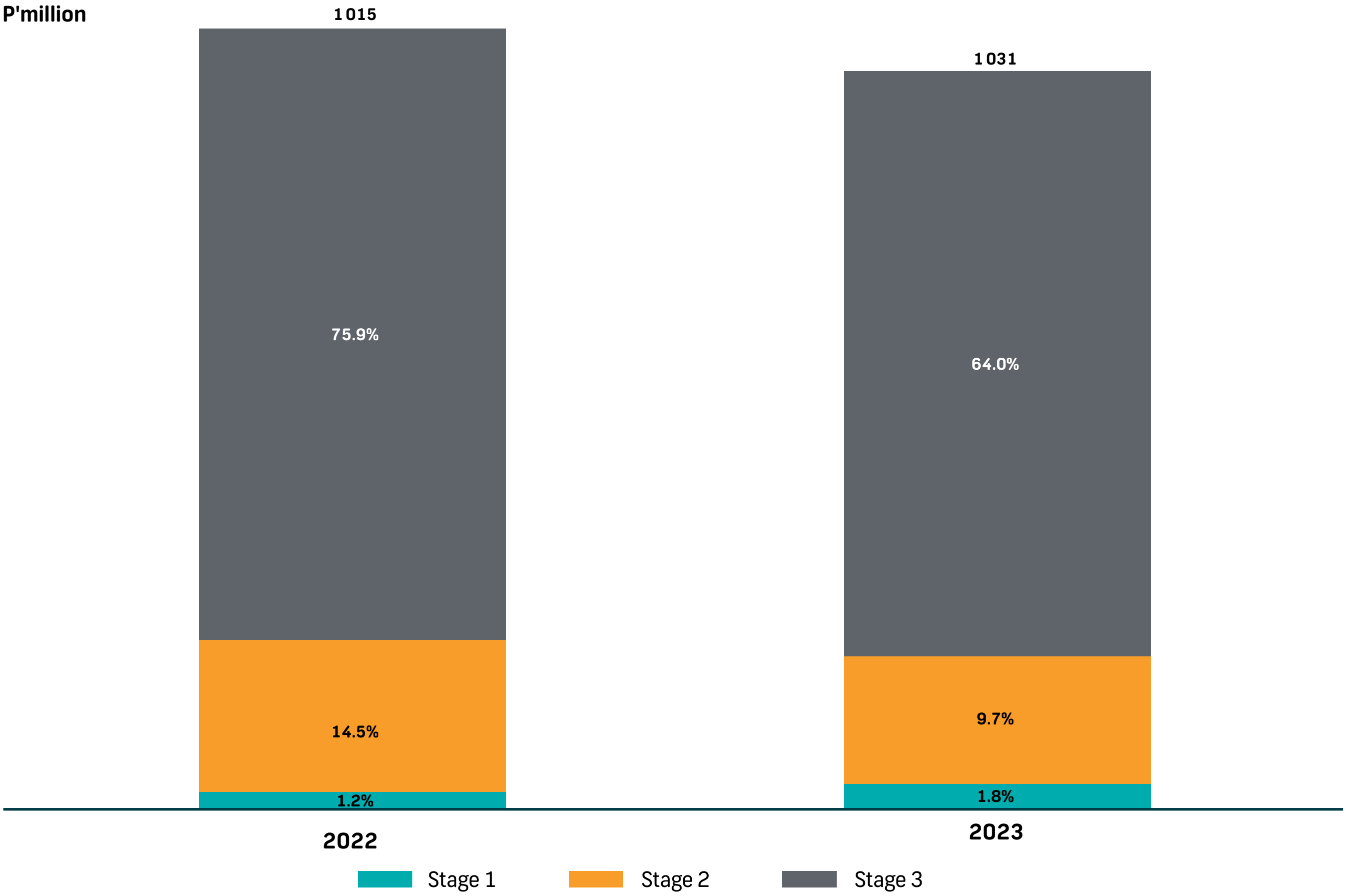
Gross Advances Staging (P'million)



Chief Financial Officer's review (continued)

The growth in Corporate advances was driven by working capital support to State-Owned Enterprises (SOEs) and Fast-Moving Consumer Goods (FMCG) sectors, as well as leveraged finance deals in the financial services sector

Balance sheet provisions and coverage



Non-Performing Loans (NPLs) increased by 8% year-on-year from P802 million to P863 million, with the NPL/gross advances remaining flat at 5% year-on-year. Contributing to the somewhat significant growth in NPLs is a low base effect, i.e. prior year NPLs included impact of accelerated write-offs.

While remaining open to lending and actively looking for opportunities to support our clients, the Bank will continue to be cautious in maintaining the quality of its credit book.

Capital management

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

As with the years before, during 2023 the Bank kept its CAR well above the regulatory minimum threshold, at all times maintaining adequate management buffers. As at 30 June 2023, the Bank's CAR was at 20.5%, adequately above the 12.5% regulatory minimum CAR, thus permitting a declaration of a further and final dividend of 20 thebe per ordinary share. The 20 thebe was in addition to an interim dividend of 12 thebe declared and paid on half year results. Thus, a total of 32 thebe was declared from the results of the financial year ended 30 June 2023, a 6 thebe (23%) increase over dividends declared and paid in the prior year. Post the dividend payments, the Bank's CAR was at 18.1%, still adequate/y above minimum regulatory threshold, thus allowing funding of client needs into the future.

	2020	2021	2022	2023
Dividends (Thebe)				
Interim dividend per share	7	6	10	**12**
Final dividend per share	8	9	16	**20**
Special dividend per share	–	40	–	–
Total dividend per share (Thebe)	15	55	26	**32**
Dividend cover (times)	1.8	0.5	1.4	**1.4**
Capital adequacy ratio regulatory minimum (%)	12.5	12.5	12.5	**12.5**
Capital adequacy ratio pre-dividend (%)	22.5	25.1	19.5	**20.5**
Capital adequacy ratio post-dividend (%)	21.4	17.9	17.9	**18.1**

Increased
Decreased
No change

Outlook

The 2023 financial year was characterised by intermittent shocks in the global macro-economic environment. Locally, the policy rate was increased as the Monetary Policy Committee (MPC) of the Bank of Botswana aimed to contain inflation, price growth remained significantly higher than the upper limit of the objective range between May 2021 and May 2023. By June 2023, there were visible signs of inflation abating into the new financial year, closing off June 2023 at 4.6%, all the way down from a peak of 14.6% reported for the month of August 2022. Although the increase in the policy rate came with some tail-winds to top-line performance, heightened inflation levels created some pronounced uncertainty on credit capacity for clients and lending appetite for the bank.

The year ahead will be marked by inflation rate outcomes and the resultant policies on interest rates impacting global trade. Geopolitical tensions should persist, exacerbated by the Ukraine/Russia conflict, which shows no immediate signs of ending and further disrupts supply chains and food supply desperately needed in Africa and Asia. This presents a level of uncertainty which undermines confidence and the outlook of world populations being encumbered by increased borrowing interest rates.

The Bank will continue to deploy its financial resources appropriately and prudently, maintaining conservative capital and provisioning levels. Investments in operational efficiencies will maintain focus on increasing delivery of digitalisation and AI, specifically aimed at further enhancing client experience through innovations around products and services. A forward-thinking approach to technology and innovation has been, and remains, a top priority for FNB including the attendant need to continually enhance measures to guard against cybercrime.

We are pleased with FNB Botswana's performance and thank our Board for their guidance, and our skilled team for their professionalism through these tough trading conditions.

12 October 2023

Dr Mbako Mbo
Chief Financial Officer

Approach to sustainability

We understand that addressing ESG issues is central to ensuring long-term value creation for our stakeholders.

Our ESG commitments serve as a yardstick for measuring our performance and progress in this area. By considering ESG factors, we enhance our risk management practices, drive innovation and identify new opportunities that support our growth ambitions. This integrated approach ensures our success while positively impacting society and the environment as well.

Our ESG commitments derive from the bank's ESG policy (approved in 2022) which in summary includes:

- Definition of ESG and its relationship with frameworks such as shared value, sustainability and sustainable finance
- Relevant ESG themes
- Establishment of the bank's ESG ambitions and ESG priority areas
- ESG governance structures
- External ESG reporting requirements
- ESG performance management and evaluation
- The adoption of globally accepted ESG frameworks

ESG themes

The following broad ESG themes are applicable to the bank and its business activities, and the bank strives to do business that aligns to the same:

Environmental

Minimising the Bank's impact on nature

ESG integration into investment/financing decisions	Activities that are either driven by financial downside risk considerations or by business opportunities: • Sustainable finance • Responsible asset management • Responsible investment • Environmental impacts of products and services • Environmental and social risk assessment (ESRA) screening (including excluded and sensitive industries)
Climate change	Supporting climate resilience and a responsible transition to a low-carbon economy: • Financed emissions • Climate adaptation and mitigation of portfolio, e.g. alternative/renewable energy, energy efficiency, green buildings, sustainable agriculture and sustainable water use
Resource efficiency in own operations	• Carbon reduction: e.g. use of renewable energy and energy efficient lighting for premises • Water: e.g. using water-efficient infrastructure and grey water
Sustainable supply chain	Procure materials and services from companies committed to fair labour practices and environmental protections, such as carbon emissions and resource reduction: • Green procurement

Social

Contributions of the Bank to fairness, progress and cohesion in society

ESG integration into investment/financing decisions	• Financial inclusion, access and capacity-building • Sustainable finance • Responsible asset management • Responsible investment • Social impacts of products and services • ESRA screening (including excluded and sensitive industries)
Climate change	Adopt a just transition (a transition to a low-carbon economy, responsibly considering the impact on communities, workers and livelihoods, i.e. reskilling and developing new markets)
Human capital and employee conduct matters	• Diversity and inclusion • Development and training • Talent attraction and retention • Gender and race pay equality • Employee turnover • Collective bargaining agreements • Freedom of association • Occupational health and safety (including wellness)
Human rights	Commit to respecting human rights and set out a process of human rights due diligence which extends to: • Employees • Sustainable supply chain (i.e. procuring materials and services from companies committed to fair labour practices such as paying at least a minimum wage, not using forced/child labour and not enforcing excessive working hours) • Companies and projects financed • Clients
Corporate social investment (philanthropy)	Using the FNB Botswana Foundations' philanthropic giving, networks and partnerships to contribute to the upliftment of society

Approach to sustainability (continued)

Governance

Quality of processes for decision making, reporting and ethical behaviour

Business ethics and business conduct	• Bribery and corruption • Money laundering • Client conduct (including approach to client desirability risk management/anti-money laundering/high-risk matters) • Whistle blowing • Accounting and tax strategy • Anti-competitive practices • Lobbying and public policy (political involvement) • Compliance with laws and regulations • Sanctions • Auditor rotation
Market conduct	• Maintain integrity and stability of financial markets • Insider trading • Conflict management • Failures • Fraud
Client conduct and product governance matters	Managing responsibilities to clients, emphasising quality management systems, marketing practices, fair billing and post sales responsibility: • Treating Clients Fairly (TCF) • Client complaints management • Responsible product offering • Marketing and communication practices
Data privacy and security	Data governance practices, including how companies collect, use, manage and protect data: • Data privacy and security • Cybersecurity • Data breaches • System availability

As we continue to refine our sustainability strategy, setting targets and proactively addressing emerging sustainability issues, we reaffirm our dedication to creating a positive and lasting impact on the communities we serve and contributing to a more sustainable future for Botswana.

United Nations Sustainable Development Goals

In reviewing our broader impact on people, society and the planet, we have incorporated a broader agenda into our strategic thinking by considering the United Nations Sustainable Development Goals (UN SDGs) that are relevant to our purpose and to which we can make the most meaningful contribution.

We identified the 10 SDGs to which we can contribute the most and on which we have the most impact and are aligned with our business approach to sustainability issues and opportunity realisation. These SDGs underpin our long-term value creation strategy and inform our short to medium-term strategy.

1. No Poverty	**No poverty**	Our multifaceted approach to poverty alleviation combines economic growth, community empowerment and sustainable practices to uplift individuals and communities from poverty, ultimately fostering more inclusive and prosperous societies.
3. Good Health and Well-being	**Good health and wellbeing**	Our role in providing employment opportunities, supporting local economies and promoting sustainable development contributes significantly to the betterment of health and overall wellbeing for individuals and communities alike.
4. Quality Education	**Quality education**	Our commitment to quality education encompasses financial support, infrastructure enhancement and the professional development of educators. These initiatives collectively contribute to creating a better learning environment and improving educational outcomes for students, ultimately nurturing future leaders and contributing to the overall development of society.
5. Gender Equality	**Gender equality**	Our commitment to gender equality is unwavering, and our goal is to create a workplace where every employee is empowered, respected and given equal opportunities to not only succeed but also to thrive.
7. Affordable and Clean Energy	**Clean and affordable energy**	Our proactive approach to clean and affordable energy solutions underscores our commitment to environmental responsibility and sustainability. These initiatives not only benefit our operations but also have a positive impact on the broader community and the planet by reducing carbon emissions and promoting a just transition towards cleaner energy sources.
8. Decent Work and Economic Growth	**Decent work and economic growth**	Our multifaceted approach to promoting sustainable economic growth encompasses job creation, local enterprise support, skills development, responsible supply chain practices, and a dedication to decent work for all. These efforts collectively contribute to the long-term prosperity of individuals and communities.
9. Industry, Innovation and Infrastructure	**Industry, innovation, and infrastructure**	Our dedication to research, innovation and sustainable practices within the banking sector helps enhance industry standards, promote technological advancements and support the development of robust infrastructure, ultimately benefiting both our organisation and the broader community.
11. Sustainable Cities and Communities	**Sustainable cities**	Our commitment to sustainable cities encompasses both environmental stewardship and community engagement. These efforts aim to create urban environments that are environmentally friendly, socially inclusive and economically vibrant, thus contributing to the broader goal of sustainability.
12. Responsible Consumption and Production	**Responsible consumption and production**	Our efforts in sustainable consumption and production revolve around responsible resource management, waste reduction and technological advancements. These practices align with global sustainability goals and contribute to a more sustainable and environmentally friendly production process.
13. Climate Action	**Climate action**	We actively contribute to environmental preservation and the global fight against climate change. Our commitment to sustainable practices and responsible resource management reflects our dedication to a more sustainable and environmentally conscious future.


ESG Conference
RMB
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CORPORATE AND INVESTMENT BANKI
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Environmental stewardship

Fulfilling our role as a responsible corporate citizen involves both our conscientious approach to environmental stewardship and our efforts to promote consumer awareness about sustainability.

We understand that prudent management of our environmental footprint is pivotal for both the Bank's sustainability and the wellbeing of our clients, employees and communities. We are thus committed to mitigating our impacts by enhancing energy and water efficiency initiatives and adopting responsible waste management practices.

While the financial sector is not a significant greenhouse gas emitter, it possesses the capacity to channel funds toward eco-friendly endeavours via green financing. This can contribute to enhancing societal resilience against the repercussions of climate change. By evaluating the scope of these effects, we can manage potential risks and seize opportunities.

This endeavour involves:

- Reducing emissions
- Integrating environmental considerations into our investment decisions
- Investments in renewable energy and infrastructure projects which improve the delivery of basic services
- Adopting responsible waste management practices

These efforts collectively exemplify our commitment to sustainable practices and responsible resource management, encapsulating our dedication to environmental stewardship and responsible corporate citizenship.

Climate change

We remain unwavering in our dedication to confronting the challenges of climate change and recognising its extensive consequences.

The Board has approved a Climate Risk Policy. We are in the early stage of this journey and leverage Group resources to support climate change reporting.

The Bank is starting to develop a process to measure carbon emissions for scope 1 (direct emission – own operations), scope 2 (indirect emissions) and scope 3 (financed customers emissions). This is a long-term project that we will be working on over the next two years and will be enhanced going forward. This commitment is rooted in our forward-looking perspective, bolstered by our resolute efforts to foster a just transition towards a low-carbon economy.

Resource efficiency in own operations

Our commitment to environmental sustainability is guided by our Environmental Policy. This policy shapes our approach to ensuring the sustainability of our operations.

We embrace a precautionary approach to environmental management, rigorously adhering to all applicable environmental laws and regulations. We hold ourselves accountable for curtailing our direct environmental impacts and extend this responsibility to our employees, encouraging them to minimise their individual environmental footprints.

We implemented some green initiatives during the current year and have several initiatives planned for FY2024 as we take strides towards becoming a greener bank.

Enviromental stewardship (continued)

Energy	Our main energy source is electricity; however, we are aspiring to reduce our energy use and eventually move to renewable energy. Our commitment to sustainable practices is highlighted by our investment in renewable energy initiatives. These investments are not only financially prudent but are aligned with our unwavering dedication to sustainability and the reduction of carbon emissions. This alignment underscores our identity as a conscientious corporate entity, wholeheartedly dedicated to nurturing a more promising and sustainable future. We have embarked on a solar project for commercial buildings owned by the Bank. The project is being piloted at two main offices (Francistown and Gaborone Head Office) and will subsequently be rolled out to the rest of our buildings. These ventures collectively hold the potential to reduce our own CO_2 emissions in Botswana. This is testament to our proactive role in driving positive change within our environment and fostering a greener, more environmentally responsible path forward. Installation of lithium-ion battery UPS units, with prolonged autonomy (i.e. back-up support during power cuts, the prolonged back-up support offsets carbon-emitting generators translating into reduction of carbon footprints). These batteries also have a longer lifespan compared to lead-acid batteries and require less replacement. We have also migrated from fluorescent lights to energy-saving and long-lasting LED (Light Emitting Diode) lights.
Water	We acknowledge the critical importance of water scarcity and its profound impact on our communities. In our commitment to responsible water management, we have embraced water-efficient technologies and initiatives. Measures such as back-up tanks, sensor-driven smart taps and air-cooling HVAC systems have enabled us to reduce our water consumption. Water-saving initiatives have been implemented, including the installation of spray taps (flow reduction devices) and pressure-assisted flushing mechanisms for toilets which use less water for flushing. We use recycled water where possible e.g. our landscapes are irrigated with recycled water. We started tracking our recycled water consumption in January 2023 and the total consumption to year-end was 230 000 litres.
Waste	Our approach is incremental. We endeavour to minimise waste sent to landfills. We rolled out recycling/waste separation bins in the Head Office and the Francistown office basements, where we have the largest staff footprint. We plan to have these bins in all the branches. Additionally, when we do major renovations, branch downsizes and relocations, we take advantage and roll out green initiatives. We are in the process of phasing out disposable cups and encourage staff to use reusable containers that will be issued to them. 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. Currently, waste management monitoring is implemented at First Place (head office), 15 453kg of waste generated from January 2023 to year-end was effectively recycled.

ESG integration into investment/financing decisions

The Board has approved the Energy and Fossil Fuel Financing Policy.

This policy positions the Bank as transition financiers from coal (traditional energy generation) to new green energy, and thus provides working capital and focuses on different renewable energy options. The Board limits set for this transition will be discussed and agreed with all critical stakeholders (Government and clients) through extensive engagement. Where requests for finance fall outside those limit parameters, the Bank will provide support and input to our clients for example, as arrangers through other financiers.

The core focus will be to support existing clients with their operational banking requirements and ensure that the integrity of the electricity grid is maintained. We will cap the coal financing portfolio at 7% of the total Bank book until 2025, which will then be revised to 5% by 2030 with a view to divest overtime. The strategy and limits will undergo an annual review to ensure alignment with committed Group objectives while supporting that national agenda and will be reported on a quarterly basis to the Board.

From 2030 to 2040, the Bank will reduce the cap on its coal exposure further from 5% of total advances in recognition of the Botswana transition pathway towards more environmentally friendly energy sources, which is expected to reduce to 61% by 2040. In the medium term, we will set updated limits and consider the progress by Botswana towards achieving the desired supply mix as well as technological advancements.

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

Additionally, in terms of the policy, the Bank shall not: invest in or finance the development, construction or expansion of any oil and gas installation associated with the following:

- Tar/oil sands
- Sensitive polar regions
- New developments that are high-cost and have a high carbon intensity and will be incompatible with the country's Paris Accord Obligations
- Shale oil and shale gas fracking in a water-scarce area
- Critical impact on a protected area or on wetlands of international importance and/or result in the destruction of High Conservation Value (HCV) areas
- Infrastructure projects associated with, supporting, or dedicated to projects listed above, for example, pipelines.

Green financing

The Bank approved its first sustainable/green finance transaction – a solar energy project in excess of P400 million. It has further identified a pipeline of additional solar energy transactions (both in Retail and Corporate segments) in line with Botswana's projected comprehensive renewable energy plan.

Enviromental stewardship (continued)

Environmental and social risk assessment (ESRA) screening (including excluded and sensitive industries)

This is governed by the Bank's ESRA policy. This policy regulates the review of credit applications at a prescribed threshold for direct environmental and social risks that may be associated with a client of the Bank or their activities, to determine what indirect environmental and social risks the Bank may face by lending to the client and how well the client manages those risks.

The prevention and mitigation of environmental and social risks by clients reduce the possibility of:

- Increased costs to the client; including costs due to regulatory fines or third-party lawsuits (e.g. for contamination clean-up);
- Loss of revenue and/or share value due to unsafe or unsustainable activities;
- The client defaulting due to environmental or social liabilities;
- The value of the Bank's security being reduced or incorrectly valued as a result of contaminated property;
- The Bank incurring potential loss of assets associated with the transaction;
- Damage to reputation for negatively impacting society through the association of providing facilities to clients whose activities have negative impacts on the environment and society; and
- Through the ESRA process, the identification of environmental and social risks may result in opportunities for the Bank by providing facilities to clients which may result in positive environmental and social impacts on society. This might include projects that promote sustainable environmental practices or empower communities, leading to increased profitability and longevity of business activities due to sustainable business practices.

Sensitive and excluded industries that the Bank is prohibited from financing from an ESRA perspective include:

- Forced labour or child labour
- Activities or materials deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international phase-outs or bans, such as:
  - Ozone depleting substances, PCBs (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, pesticides/herbicides or chemicals
  - Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES)
  - Unsustainable fishing methods (e.g. blast fishing and drift-net fishing in the marine environment using nets in excess of 2.5 kilometres in length)
  - Cross-border trade in waste and waste products, unless compliant with the Basel Convention and the underlying regulations.
- Destruction of High Conservation Value areas
- Racist and/or anti-democratic media
- Pornography and/or prostitution
- Unbounded asbestos fibres form part of a client's primary financed business activities

Sustainable supply chain

The Bank is currently reviewing the Procurement Policy to incorporate environmental considerations into the goods and services that the Bank procures. This review will be completed by December 2023.

Environmental initiatives currently under way by our business units

Business unit	Focus area	Strategic initiatives	Progress update	Applicable SDGs

Company Secretary	**Governance**	Development, review and alignment of ESG policies and ESG governance structures	• Board mandate reviewed to include ESG oversight
			
			Approved in 2022:
			• ESG Framework
			• Own Operations Environmental Policy
			
			Approved in 2023
			• Climate Risk Policy
			• Energy and Fossil Fuels Financing Policy
			  • Sustainability Committee – to be in place by end of Q1 2024
			  • Climate Change Steering Committee participation at FirstRand Group level
				N/A

RMB	**Sustainable Environment**	Green lending facilities	• P400 million approved by the Board for a solar funding	
		Market development	• Provided input into reviewing sustainability policies for two clients • An engagement hosted for a client on sustainable finance and global trends focusing on their impact and for the local market • A thought leadership spread on RMB's advocacy for ESG • An ESG campaign successfully ran on print and social media over two months	

Enviromental stewardship (continued)

Business unit	Focus area	Strategic initiatives	Progress update	Applicable SDGs
Retail	**Sustainable Environment**	Green lending	Retail Banking has launched a green solutions initiative, where it is committed to financing individual clients' needs for sustainable green solutions that will enhance clients' lives. This includes: • Solar solutions (powering homes off the grid, borehole pumping etc.) • The construction of homes that are built with environmentally friendly materials and practices • The purchasing of transport modes with a lower carbon footprint, such as electric cars bicycles	
Operations	**Sustainable Environment**	Reduce own emissions To drive power, water and waste initiatives	• Installation of solar on own buildings in Francistown and Gaborone • Installation of water aerators to reduce water consumption • Investigation into cost effective waste management initiatives	

Social impact

Social and relationship

How we contribute to economic and social development

Our business activities foster productive capital formation and promote balanced economic growth.

Through our innovative digital platforms, we facilitate and empower economic activity by simplifying banking and transactions, making them more accessible to everyone anytime, anywhere. Meanwhile, our FNB Botswana Foundation plays a crucial role in supporting social and community development initiatives throughout Botswana.

By embracing shared value principles, we actively contribute to economic growth and inclusion, addressing social challenges and emphasising responsible environmental stewardship. These efforts lead to positive outcomes for all our stakeholders. Some examples of these benefits include:

Customers	We are committed to facilitating access to responsible and reliable transacting, lending, investing and insurance products for small businesses and economically disadvantaged groups. Our goal is to support these segments in their entrepreneurial endeavours, empowering them to thrive in their businesses. Additionally, we strive to provide all our clients with the necessary tools and opportunities to prosper and succeed in their financial pursuits.
Employees	We provide a rewarding and fulfilling work environment for our employees. Our approach is built on accessible and supportive leadership, fostering opportunities for technical advancement, ensuring safety and prioritising employee wellbeing. We believe that a positive workplace culture leads to engaged and motivated teams, which ultimately contributes to the success of our bank.
Governments	We take great pride in maintaining our reputation as the most trusted bank in Botswana. To further bolster this trust, we remain committed to supporting key national development priorities. Our efforts align with the nation's growth objectives and we actively contribute to the advancement and prosperity of Botswana's economy and society.
Communities	We strive to bring banking services closer to communities, fostering a sense of partnership and pride among the people we serve. Through this approach, we aim to empower and uplift local small businesses by identifying their supplier potential and providing guidance to participate in larger projects. Additionally, we focus on enabling sustainable growth and prosperity within the community.
Suppliers	We are committed to building capacity and supporting local small businesses by identifying their supply and contracting potential. We provide guidance and assistance to help them participate in larger projects, unlocking new opportunities for growth and expansion. Additionally, we invest in building their business knowledge and skills, empowering them to thrive in the competitive market and contributing to the sustainable development of the local economy.

Social impact (continued)

Shared value

FNB Botswana is guided by the principle of shared value, motivating us to harness our resources, expertise and innovation to generate value that extends beyond financial gains.

The Bank intentionally uses its core business activities to solve social challenges profitably. At scale, this value creation approach encompasses environmental, economic, social (CSI and human capital) and intellectual capital (knowledge, network effects and our platform) benefits for all stakeholders, contributing to the betterment of the broader society within which we function.

Shared value

Our guiding principles to integrate shared value across the bank's activities are founded on:

Fairness and inclusivity	Guided by efficiency and transparency, we strive to offer needs-based, value for money products and services that enhance access to financial services and promote asset ownership for our clients.
Productive capital formation	We are committed to supporting productive capital formation and fostering balanced economic growth. Our efforts aim to contribute to the development and sustainability of our economy by encouraging investment and creating opportunities for growth and prosperity.
Enabling networks	We leverage our knowledge, network and platforms to expand our reach to more clients and stimulate the economies in the regions we serve. Through strategic collaborations and innovative solutions, we aim to empower individuals and businesses, driving economic growth and development.
Financial risk management	• Discipline • Intentionality • Price externalities
Measurement and reporting	By measuring and analysing the impact of our actions, we ensure that our efforts are making a positive difference in the lives of our stakeholders and the communities we serve. This approach allows us to continually improve and optimise our strategies, creating even greater value for all.

Shared value integration

The journey to intergrate shared value into our business operations is ongoing. We have established a diverse shared value technical working group that ensures the integration of shared value principles into our frameworks and business processes. Exco members' scorecards include shared value components in order to give effect to the shared value strategy.

Establishing a baseline towards a Shared Value Index

The aim of establishing a baseline is to:

- Begin to track the long-term impact
- Define each problem we are proposing to solve in the context of our community
- Ensure we are creating sustainable value for all stakeholders
- Identify and stop any unsustainable or unfair practices
- Prove our intentions by measuring shared value activity

How do we deliver shared value?

Intentionally using core business activities to solve social challenges, profitably and at scale.

Corporate social investment	Operations	Knowledge and network	Human capital	Platform
FNB Botswana staff volunteers	• Local supplier procurement • Supplier development	• Public and private partnerships • Cooperatives transformation • SME empowerment • Financial inclusion	Skills development	Market place

Positive impact for clients, employees, society and the economy

Measurement and reporting with defined objectives and outcomes

Shared prosperity

Our four focus areas include:

	Objective	Key measures	Target
SME development	To support SMEs and help them grow into businesses that are healthy and attract more business	• Procurement spend • Value of CEEP contribution • Percentage of assets in SMEs	• **P1 billion** target cumulative spend on local businesses
Human and social development	To work together with communities to create social and economic value.	• Financial inclusion – value of transactions through CP and DP • Total amount allocated to CSI	• **P10 billion** cumulative value of transactions that shall exchange hands through our inclusion solutions • **P50 million** total allocated to CSI
Elevation of creative industries	To leverage creative industries as a platform that provides the widest range of avenues to harness youth creativity	• Jobs created/directly attributable	• Target **10 000** young people that benefit financially from sustainable projects which we support

Social impact (continued)

Shared value initiatives – progress update

Business unit	Focus area	Strategic initiatives	Progress update	Applicable SDGs
Commercial	**SME Development**	SME financing	• SME currently holds 26% (P820 million) of commercial advances. In terms of spread, 80% of clients in the Commercial lending base are SMEs. • Through the introduction and ongoing enhancement of Scored Credit solution, we improved access to credit for SMEs who bank with us. As a result, we no longer require financials nor collateral for lending. • SME holds 33% (P3,03 billion) of the Commercial base in terms of deposits. • We introduced the Reserve account to assist SMEs prospecting for business such as tender, and the account attracts zero fees for a start-up SMEs while they are prospecting, the client converts reserve account into normal transactional account only when they are ready to trade. • Partnered with UNDP Supplier Development Programme which provides mentorship and coaching, market access and access to finance to SMEs. We bank 33% of the UN's suppliers.	8. Decent Work and Economic Growth 10. Reduced Inequality
Commercial	**SME Development**	Citizen Economic Empowerment Project disbursements value	• Partnerships with Debswana Mining Company, Morupule Coal Mine, Botash, BoFiNet, and Botswana Oil • P68.9 million disbursed during the year • P105 million disbursed since inception	8. Decent Work and Economic Growth 10. Reduced Inequality
Commercial	**SME Development**	Business incubation project	• FNB Commercial has completed a model for a National SME Incubation programme and identified an implementation partner. • The project is expected to take off in the new financial year, with an initial 200 incubatees from across the country.	1. No Poverty 4. Quality Education 5. Gender Equality 8. Decent Work and Economic Growth 10. Reduced Inequality
Credit	**SME Development**	Public education for SME business practices to be launched through a radio programme	The programme airs weekly	4. Quality Education 8. Decent Work and Economic Growth

Business unit	Focus area	Strategic initiatives	Progress update	Applicable SDGs
Finance	**SME Development**	Procurement spend on local businesses (suppliers)	P375 million total spend on local procurement.	8. Decent Work and Economic Growth; 10. Reduced Inequality
Retail	**Social Development**	DigiPlus active accounts	This is work in progress and is expected to launch before the end of 2023	1. No Poverty; 10. Reduced Inequality
Channels	**Social Development**	Growth in CashPlus transaction volumes in areas designated as "villages"	CashPlus continues to do well with over 1 099 agents, over P300 million worth on transactions and over 240 000 clients	1. No Poverty; 10. Reduced Inequality
Treasury	**Social Development**	Market development initiatives	A local female entrepreneur (SME development) who has an extensive database on Botswana property has been engaged to produce a property report and a property index. Retail bonds have been issued on an ad-hoc basis. Our target is to embed a sustainable structure for selling retail bonds to generate a fee income for the Bank.	7. Affordable and Clean Energy; 8. Decent Work and Economic Growth; 9. Industry, Innovation and Infrastructure; 11. Sustainable Cities and Communities; 13. Climate Action
Human Capital	**Social Development**	Graduate Development Programme (First Spark programme)	We currently have nine First Sparkers and expect to have onboarded six more graduates before end of the year with one PLWD	8. Decent Work and Economic Growth; 10. Reduced Inequality
Marketing	**Social Development**	Financial literacy education – 400 000 clients receiving financial literacy education for more than three months	Financial literacy programmes are ongoing, and they will be measured as follows: • Evaluation forms to be completed by clients receiving training to measure their money management knowledge and skills • To conduct radio quizzes for clients to measure clients' understanding of money management skills • To conduct quizzes on social media to measure clients' understanding of money management	1. No Poverty; 4. Quality Education; 8. Decent Work and Economic Growth
Compliance	**Social Development**	AML Risks Public Campaign – nationwide campaign	The project is yet to be implemented	4. Quality Education; 8. Decent Work and Economic Growth

Social impact (continued)

CashPlus social impact

In May 2019, CashPlus agency banking was launched as an innovative service, predominantly for areas where the Bank has little to no footprint. The main objective of this service was to bring banking closer to remote areas, as well as to convert the unbanked population in those markets to banked. The introduction of the product commenced with 5 agents facilitating transactions totalling P5 million. Since then, it has demonstrated significant growth and evolution.

First-Year Milestones (May 2019 – May 2020): Within its inaugural year, the CashPlus channel expanded substantially, reaching 150 agents who collectively processed transactions amounting to P32 million per month.

Second-Year Progress (May 2020 – May 2021): During the second year of operation, the channel experienced even more robust growth, with over 400 agents catering to the needs of 200,000 clients. The total transactional value surged beyond P250 million per month, reflecting the increasing trust and reliance placed in CashPlus.

Current Status: In its third and fourth years, CashPlus experienced remarkable growth and expansion into new territories. In year three, the channel reached 649 agents, facilitating 2.6 million transactions valued at P2 billion, reflecting significant year-on-year growth. In year four, CashPlus further solidified its position, expanding its agent network to an impressive 1099 agents, handling 4.8 million transactions totalling P4 billion, marking an extraordinary milestone.

The CashPlus channel continues to grow. It now facilitates approximately 500 000 transactions per month, serving a remarkable 260 000 unique clients. The monthly transactional volume has soared to P400 million, indicating the sustained demand for our services.

The CashPlus channel's remarkable journey underscores its pivotal role in our financial ecosystem. Its consistent growth, expanding agent network, and rising transaction values illustrate its enduring Appeal to clients. As we look ahead, we remain committed to further enhancing the channel's offerings and ensuring its continued success.

Empowering communities through the FNB Botswana Foundation

The FNB Botswana Foundation was established in 2001 as a trust to implement our Corporate Social Responsibility Policy. With a strong commitment to empowering communities, the Foundation undertakes various projects aligned with the following focus areas:

FNB Botswana Foundation	
1	Arts and culture
2	Environmental sustainability
3	Youth empowerment
4	Sports and recreation
5	Education
6	Social welfare

The project selection criteria for the FNB Botswana Foundation include the following;

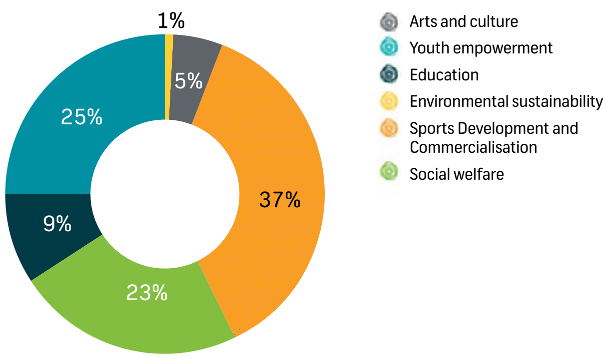
- alignment with the country's priority areas creating sustainable benefits for communities; and
- falling within the scope of the annual budget allocation.

Each project's impact is carefully assessed from inception to completion.

The Foundation is governed by a board of independent trustees together with the FNB Botswana CEO. As of 30 June 2023, the following individuals constituted the Board of Trustees:

FNB Botswana Foundation key metrics

FNB Botswana Foundation investment per focus area



Key metrics for shared value

Total FNB Botswana Foundation investment P9.3 million (2022: P6.8 million)

FNB Botswana Foundation projects

Youth empowerment

Our youth-focused initiatives concentrate on nurturing entrepreneurship skills and fostering work readiness. We place a strong emphasis on bolstering youth-owned businesses and enhancing educational prospects. The outcomes of our youth programmes have been impactful, with numerous participants benefiting from funding provided by the FNB Botswana Foundation and securing employment roles within reputable firms.

This programme extends critical support to start ups, including technical guidance, coaching, mentorship, access to markets, partner initiatives, office spaces, subsidised corporate taxation, specialised import benefits for skilled personnel and other tailored interventions aimed at nurturing their growth and eventual success.

Matopi Conservation Community Trust	A fishing project that creates employment for the community of Matopi village. Through this project, the Bank purchased equipment and provided training to the employees to the value P121 370. The project us progressing well and awaiting issuance of relevant licenses.	
Botshelo Leungo Youth Group	Botshelo Leungo Youth Group is an organisation whose mandate includes HIV education, home-based care, pre-school, and outreach. The P119 529 project seeks to run a layer chicken project targeted at schools. The project was successfully completed and handed over and is now fully operational.	

Education

Out of School Education For Learners	The Out Of School Education For Learners programme targets learners living in farms that are far from schools. The Foundation bought furniture and equipment to aid learning, valued at P97 442.79. The project is based in the Ramokebetwane farms in the Southeast District and is helping children to be reintegrated into mainstream schools.	
Zwemishamba Community Trust	The Zwemishamba Community Trust is located in Zwenshambe village in the Northeast District. The Bank has begun work in renovating the community centre to the value of P107 319. Upon completion, the centre will run poverty eradication workshops such as beekeeping, horticulture, fish farming and tourism to empower the Zwenshambe community.	
Donation of computer equipment	In response to the swift pace of digitalisation, particularly accentuated by the pandemic, diverse teams within the Bank united to provide computer equipment to schools in Botswana. Ghanzi Senior Secondary School was the beneficiary of a substantial contribution, receiving 30 desktop computers. Similarly, Lotsane Senior Secondary School obtained 30 refurbished desktop computers. The Bank's Technical Services Department played a pivotal role in refurbishing these retired computers, enabling their meaningful integration within the schools' digital learning landscapes. The objective behind these contributions is to elevate the educational journey for both students and educators, cultivating an environment enriched by technology and interconnected learning.	
Okavango Community Trust Community pre-school refurbishment	The Okavango Jakotsha Community Trust Community pre-school was established with the aim of promoting the social and economic development of the people of Etsha area. P61 057 was spent on pre-school furniture and equipment to support the comprehensive community day care facility that provides care and education for children from two to four years of age on a full-time basis located in Ikoga village in the Okavango District.	

Social impact (continued)

Children in the Wilderness	The Foundation continues to support the Children in the Wilderness organisation, which runs eight eco-clubs in the north western part of the country around the Okavango Delta and Maun in partnership with the Ministry of Basic Education to promote environmental projects in schools. The Foundation joined hands with Children in the Wilderness (CITW) at Parakarungu Primary School to sensitise more than 200 children about sustainable environmental conservation. Over this three-year partnership, the Foundation has committed funds towards the implementation of an environmental education, life skills and leadership development programme. To date, a total investment of P436 967 has been channeled towards the project.	

Social welfare

Healthy Families Foundation	The Foundation partnered with the The Healthy Families Foundation, which aims to strengthen families by offering practical tips to improve the areas which generally lead to gender-based violence (GBV), such as communication breakdowns, poor conflict resolution skills, financial stress, in-law and children stress, extra-marital affairs and substance abuse. The Foundation sponsored a 12-day training workshop to the tune of P459 800 for Gabane community members to equip them with appropriate life skills.	
African Tale Media	The Foundation sponsored African Tale Media to produce a documentary about Batswana experiences of GBV. The 13-episode documentary will be flighted on Botswana Television before December 2023. The main aim of the documentary is to raise awareness on the issue of GBV as well as to educate the public on where they can get help. P986 620 was invested in the project.	

Sports and recreation

FNB Botswana Golden Grand Prix	The Foundation sponsored the FNB Botswana Golden Grand Prix Gaborone 2023 to the tune of P2 million, to cover appearance fees for both elite and local athletes as well as prize money for all participating athletes. The event took place on 29 April 2023 at the National Stadium and included both track and field events. A total of 140 local and international athletes were hosted and the event was broadcasted in 140 countries.	

Arts and culture

Khumo Masters	The Foundation sponsored and facilitated Khumo Masters, a Khumo Studios initiative, with a series of interactive conversations on the business of entertainment, facilitated by Denim Richards, an American actor and producer. The aim of the initiative was to get young creatives who want to be on the value chain of the thriving entertainment industry to explore the industry as it has the potential to create jobs for Batswana in the film and television space locally and internationally. Richards shared his wisdom, experience and knowledge with students interested in writing, acting, producing and directing., Khumo Masters directly addresses the rising issue of African and Botswana youth unemployment. P31 025 was donated to train 1 000 Batswana in the film industry ranging from producers, actors, writers and Directors of photography to hair and makeup, wardrobe, production design and various assistants in partnership with the University of Botswana.	
'Bodiragatsi Jwame Lentswe Lame'	The Foundation established the 'Bodiragatsi Jwame Lentswe Lame' initiative to support artists by providing opportunities for recognition and financial assistance. The Retail segment oversees competitions in various categories, including photography and videography, dance and music, virtual artists, poetry and fashion. Through this initiative, creatives were invited to submit their work, showcasing their talent and creativity. The Foundation is committed to empowering and uplifting the artistic community, promoting their work and providing much-needed support during these challenging times.	

Social impact (continued)

FNB Botswana Employee Volunteer Programme

Our Employee Volunteer Programme, supported by the FNB Botswana Foundation, empowers and encourages employees to actively contribute to community needs. It offers a meaningful way for employees to address social issues, enhance skills and boost morale – fostering a positive and productive work environment.

Through this volunteer programme, employees gain valuable leadership, communication and interpersonal skills, while also experiencing increased motivation and a stronger team spirit.

The programme's success is evident in the number of activities and projects implemented and the noticeable impact they have on communities.

We are delighted to recognise and celebrate employee participation through the introduction of volunteer awards, which further encourages engagement in the programme.

Staff Volunteer Projects

Some of the significant staff volunteer projects for the FY2023 year are listed below.

Business unit	Description	Applicable SDG
Internal Audit function	The Internal Audit team refurbished the library at the Moshupa juvenile prison: This youth empowerment and education initiative helped purchase books, board games and paint for the prison library. Additionally, 20 functioning phased-out desktop computers were donated to the juvenile prison. The Foundation invested P74 589 in this youth empowerment and education project. This followed the launch of the national campaign on the rehabilitation and re-integration of prisoners by President Mokgweetsi Masisi.	4. Quality Education
Marketing	The Marketing team exposed schoolgoing children to the world of athletics by hosting a meet and greet motivational session with the FNB Botswana Golden Grand Prix Local and International Athletes. Additionally, sporting equipment was donated to the schools and a total of P74 563 was invested on this project.	3. Good Health and Well-being
Commercial	To support sports development for women and girls, the Commercial team donated professional training equipment for each of the 16 registered football teams under Gaborone City Regional Association Women's Football League to the tune of P78 705	3. Good Health and Well-being
Merchant Services	Donated construction of a special ablution block worth P110 726.76 for children with special needs.	4. Quality Education; 6. Clean Water and Sanitation
The First Place, Industrial and Riverwalk branches	These three branches partnered to educate and empower women in the Gaborone Women's Prison by donating an aquaponics (fishery and hydroponics farming) facility as well as training. In addition, 20 functioning phased-out desktop computers were donated to the Gaborone Women's Prison. The Foundation invested P220 451 towards the Gaborone Women's prison aquaponics facility project which is expected to be handed over to the Commissioner of Prisons during the month of October 2023.	3. Good Health and Well-being; 5. Gender Equality
Operations – Cash Centre Francistown	The Francistown Centre for the Deaf assists children with hearing disabilities. The centre lacks sport facilities and FNB Botswana Foundation is running a project valued at P664 547 for the development of joint volleyball and netball courts. The project is ongoing and is expected to be completed before December 2023.	3. Good Health and Well-being
Technology Service Department (TSD)	TSD reached out to the Baylor Clinic to celebrate with the children by donating snacks and toiletries to the centre to commemorate International Childhood Cancer Day. Project cost P15 000.	3. Good Health and Well-being
Mochudi branch	The Mochudi branch, in collaboration with the Kgatleng Council, built a recycle, reuse, reduce and recover waste centre valued at P68 922. The project will also be used as a teaching aid for learners.	6. Clean Water and Sanitation; 12. Responsible Consumption and Production

Business unit	Description	Applicable SDG
First Funding	First Funding embarked on a project to donate to Botswana National Library Service (BNLS) – Children's library in Gaborone. First Funding saw a need to donate tables, chairs, bookshelves which will accommodate about 26,000 books donated by others to the library, paint the premises with appealing paint and artwork depicting our Tswana heritage, and donate board games for extracurricular activities. Project amounted to P74 938.	4. Quality Education
Commercial	Commercial undertook to make a difference at Thuto Boswa Rehabilitation Centre. The improvements included accessibility, disability safety and nature stimulation and a hydroponic garden to upskill students and generate income for the centre. The project amounted to P481,918.80	3. Good Health and Well-being

Social impact though sponsorships

Event / Cause	Amount	Applicable SDG
Foundation Makgadikgadi Y-Care 2022 Walk	P208 500	3. Good Health and Well-being
Sponsorship of the KTM Choir (FNB Botswana Foundation)	P500 000	3. Good Health and Well-being
FNB Kazungula Bridge Marathon 2024 – 2026	P5 044 000	3. Good Health and Well-being
RMB Botswana Pension Society Conference Gala Dinner	P75 000	8. Decent Work and Economic Growth
FNB – 16th National Business Conference	P400 000	8. Decent Work and Economic Growth; 9. Industry, Innovation and Infrastructure; 10. Reduced Inequality
FNB – Botswana Tertiary Student Sports Association (BOTESSA) sponsorship to date	P5 000 000	3. Good Health and Well-being

Human capital

Human capital

Our purpose is to attract, develop, engage and retain deeply invested and innovative employees who contribute towards a future of shared prosperity.

To help FNB Botswana achieve its purpose, the Solutionist People strategic pillar focuses on being the best human capital team in pursuit of excellence by creating committed partnerships and excellent client service. Central to this is our purpose of nurturing, attracting and retaining employees who are highly engaged and contribute to a prosperous shared future.

In talent acquisition, the human capital department maintains its leadership in identifying internal and external talent for executive roles and building pipelines of skilled individuals. This is complemented by a pool of recently hired graduates who are given experiential learning by being exposed to various work experiences. The Bank is consistently offering outstanding career-oriented development plans for potential successors, aiming to enhance the ratio of individuals who are 'ready now', and promoting internal growth (Home-Grown Index).

Considerable effort and a significant budget are continuously allocated to establish FNB Botswana as an exceptional workplace. This is achieved by consistently reviewing, implementing and integrating the Employee Value Proposition (EVP) framework. To attain operational excellence, the Bank has embraced innovative human capital technologies like Workday to promote an enhanced employee experience.

Social impact (continued)

The Bank maintains its commitment to fostering a high-performance culture. This involves evaluating talent and organisational readiness, addressing skill gaps and enhancing performance. Through a streamlined and more efficient organisational structure, FNB Botswana aims to boost productivity and overall organisational effectiveness.

Our Solutionist People initiative is dedicated to generating value for stakeholders by excelling in human capital strategies and organisational design through innovation. Our objective is to cultivate a workforce that propels achievement and offers exceptional clients service. In this fiercely competitive landscape, our main focus lies in drawing, choosing and retaining the finest talent.

Continuing our journey toward the 2025 Solutionist People strategy, our primary emphasis remains on nurturing and evolving our employees within the realm of digital transformation. This strategy is anchored on five interconnected pillars designed to empower our workforce:

High performance	Establishing a high-performance culture by means of a structured framework, fostering employee engagement, conducting risk evaluations and implementing action plans
Growth and development	Nurturing skills and talent through an all-encompassing talent management framework, a dedicated programme and specialised training
Accelerating environment	Thriving in an evolving workplace by developing vibrant spaces where employees can share ideas and innovate.
Exponential rewards	Aligning our reward philosophy, policy and practices with the business strategy, targets and objectives
Servant leadership	Cultivating a leadership approach and ethos that are both motivating and approachable, fostering interactive engagement

1 600
employees
(2022: 1 460)

Percentage of permanent employees
88.7%
(2022: 87%)

P7.5 million
invested in employee training and skills development
(2022: P4.7 million)

56%
women in executive roles
(2022: 61%)

66%
of our permanent employees are women
(2022: 65.7%)

4.9%
employee turnover
(2022: 5.5%)

P726 million
spent on total employee remuneration
(2022: 628 million)

68%
of employees have access to flexible working arrangements
(2022: 67%)

37 years:
average age of employee
(2022: 38 years)

Our Solutionist People and performance

Solutionist people are diverse thinkers and problem-solvers, with a common purpose and curiosity for possibilities.

68% of FNB Botswana employees have adeptly adopted a hybrid remote and office work arrangement, effectively maintaining seamless business operations. The team's emphasis on wellbeing has resulted in improved performance, even in the face of the disruptions caused by the pandemic in the preceding year.

2023 areas of progress	Our focus areas for 2024 will be
• 1 358 Udemy licences procured, allowing staff to receive online training at their convenience • Introduction of Human Capital Monthly Brief to drive awareness on ethics and conduct • Operational wellbeing clinic that offers doctors, physiotherapy, occupational therapy and medical laboratory services • Our medical review Board is fully functional with three seats • Launched a well-devised 24-hour employee assistance programme (EAP) extending to immediate family members • Offer a creche (Kids Lounge) • Eight employees were seconded to Ghana, Nigeria, Mozambique, South Africa and Zambia • 'Productive Me'" programme rolled out where vibrant spaces have been created • Culture risk assessment moved from elevated risk to low risk • Introduced new policies (Talent Management, Bullying, Wellness) • Reviewed discriminatory leave clauses on maternity leave and increased paternity leave to 10 days. • Developed and implemented further employee mental health and financial wellness initiatives • Employee growth and development through retooling and upskilling • Talent and succession planning in a competitive environment	• Develop a compelling Employee Value Proposition to enhance the employee experience and promote employer brand • Embed and communicate FNB Botswana's reward strategy to manage expectations and drive engagement • Develop an FNB Botswana culture blueprint to drive high performance • Promote holistic employee wellbeing and psychological safety • Implement effective succession management plans for critical positions to ensure business continuity • Embed talent management practices across the business to attract, develop, engage and retain talent • Drive the Talent Mobility agenda into broader Africa • Review FNB Botswana's current organisational structure and design a structure that reflects strategic changes (digitisation, process efficiencies, legislation, localisation etc) • Define and develop the skills to meet current and future business requirements • Build a mature Human Capital function through operational excellence • Identify best-achieving students from institutions and equip them with the necessary and relevant financial skills and knowledge • Explore opportunities of employing people living with disabilities through a robust Diversity, Equity, Belonging and Inclusion (DEBI) agenda • Improve the emerging talent pool by hiring graduates

Social impact (continued)

Building a high-performance culture

We place a strong emphasis on understanding and improving our organisational culture; developing, retooling and upskilling talent; considering succession planning; and promoting employee wellness.

Leadership ▷ Culture ▷ Engagement

FNB Botswana is committed to its continuous cultural transformation journey, fostering an environment that nurtures and cultivates high performance. Our aim is to stimulate employees to go the extra mile, driving organisational excellence at every level.

To formalise our intentions, we have outlined a robust High-Performance Culture (HPC) Framework that:

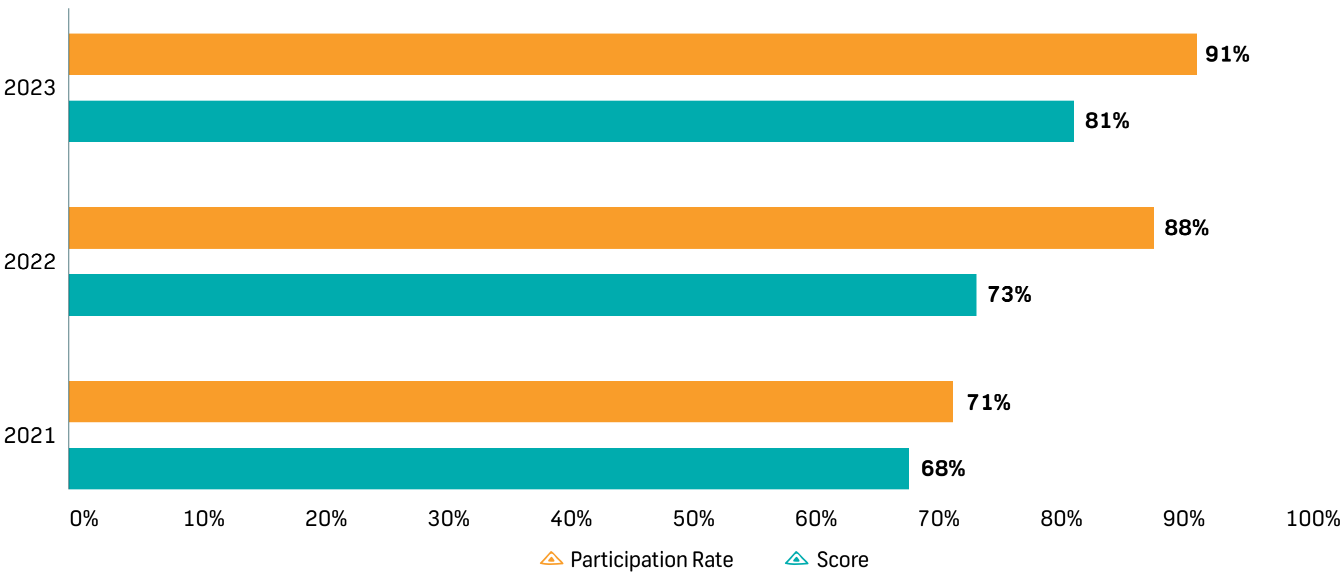
- Encourages employees to anticipate needs and devise solutions independently, without constant monitoring
- Inspires employees to proactively explore and generate opportunities that are mutually advantageous
- Acknowledges collective accomplishments achieved through collaborative teamwork

Culture risk assessment and employee engagement

We place a strong emphasis on understanding and improving our organisational culture.

Our comprehensive Culture Risk Assessment (CRA) action plan addresses various employee aspects, including working culture, employee conduct, ethics, organisational design and employee engagement.

We are pleased with the progress made in our internal CRA dipstick survey conducted in April 2023, showing a significant improvement to 80% in the overall score from 73% in 2022. While the target score was 85%, our year-on-year improvement demonstrates FNB Botswana's commitment to continuously nurturing and enhancing its organisational culture for the benefit of its employees and stakeholders, as well as presenting an opportunity for a more targeted approach to transforming the Bank's culture.



Ethical Conduct

FNB Botswana upholds ethical principles including honesty, integrity, fairness, equality, diversity, accountability, transparency and individual rights, as part of the Bank's promises. These principles are integral to our culture, and we embed them in our Human Resource policies.

To reinforce these values, we follow the FirstRand promises, which have been crucial in our cultural transformation journey. Employees are held accountable for their actions through the Bank's disciplinary policy.

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 organisation.

Whistleblowing cases 2023

As of June 2023, 29 whistleblowing cases were reported (FY2022: 17 cases).

People risk Forum

In 2023, our Risk, Capital Management and Compliance Committee classified our people risk rating as medium and stable. We address this risk through our established risk management process outlined on page 64. Our primary risks focus on talent retention, culture and critical and future skills.

To enhance our risk mitigation efforts, we established the People Risk Forum. This forum convenes six times a year and plays a key role in driving the human capital strategy, which is integral to the successful implementation of the Bank's overall strategy.

Social impact (continued)

By prioritising our people and addressing these risks proactively, we aim to foster a resilient and successful organisation.

Employee turnover

We recognise the importance of maintaining stability in our business operations, we also value the unique insights and fresh perspectives that new appointments can bring to the Bank.

	2023	2022
New appointments (fixed term contractors and permanent and pensionable)	191	66
End of Secondment (exiting FNB Botswana)	1	2
Dismissals	8	4
Resignations	51	60
Restructuring	2	73
Retirements	4	0
Termination on medical grounds	3	0
Deceased	3	5
Total employee turnover	72	144

Growth and development

FNB Botswana's goal is to become an employer of choice by employing a systematic and integrated approach.

This approach involves attracting, developing, assessing, deploying and retaining individuals strategically to meet the organisation's objectives and future business requirements. By prioritising these processes, FNB Botswana aims to create a work environment that attracts top talent and fosters growth and development within the company.

Talent framework and development

We are committed to constructing a collective future marked by prosperity, one that enhances the wellbeing of clients, employees and the communities we serve. Our talent management strategy aims to:

- Abide by and influence pertinent legislation and regulations that have an impact on our talent strategies
- Implement talent succession tactics to safeguard essential capabilities crucial for our business
- Continue to value diversity, reflecting the demographic makeup of the markets and the societies we operate in
- Foster the development of individual proficiencies that span diverse business functions, with a particular emphasis on vital and future skills. This includes leveraging distinctive talents to set our business apart
- Encourage and empower our employees to cultivate competencies that enhance their current job performance, while simultaneously preparing them for future advancement
- Assign meaningful and challenging tasks to all employees spanning various functions, roles and responsibilities. This approach promotes both horizontal and vertical career progression within the Group through the exchange of talent
- Further our transformation objectives by establishing equitable, transparent and impartial methods to recognise and reward employees, in alignment with our transformation goals

At FNB Botswana, employees have the freedom to choose individual development options aligned with their career aspirations. These options encompass internal and external training, scholarships, mentoring and coaching and role expansion opportunities. By allowing employees to shape their growth, we effectively manage and align talent to meet current and future business needs. This approach fosters an engaged and committed organisational culture, enabling us to create, retain and attract top talent.

Learning and development

We are committed to nurturing a culture of service throughout our organisation, fostering collaboration, growth and success for all.

The FNB Botswana Learning and Development function continues to influence and drive the culture of learning by accelerating learning and development activities to ensure that all employees acquire the skills that are needed to remain aligned to the business strategy and to remain competitive. The total budget that was allocated to be used for employee learning and development was P7.5 million.

Training

Below is an overview of the allocated budget for training initiatives and the corresponding training expenses incurred during the financial year. The data presented below reflects the budget allocation, actual training expenditures, and the percentage utilisation:

Allocated training budget

The total budget that was allocated to be used for employee learning and development was P7 962 200.00; this budget was to assist in implementing a plan to enhance the skills and knowledge of our organisation's strategic objectives.

The total spent for the year was P6 386 971.14 (2022: P4 738 000) which is 80% budget utilisation.

In pursuit of enhancing employees' skills, knowledge and aligning training initiatives with the organisation's strategic objectives, the budget was structured to provide a comprehensive training programme to address various segments and departmental needs in support of individual development plans, individual career growth and the business needs in alignment to the business strategy.

The training budget was deployed on learning and development initiatives for:

- **Soft skills:** These were learning interventions that were meant to build employees' personal attributes and characteristics to enable them to interact effectively with one another, clients and other stakeholders, to navigate the various social and professional situations.
- **Technical skills:** These particular skills were meant to provide the employees with specific abilities and knowledge required for them to perform specific job tasks and/ activities.
- **Enablement/product knowledge skills:** The main objective for these skills was to give employees the specific abilities and expertise required to understand, promote and effectively communicate information about the Bank's products and services. The skills are important for stakeholder engagements and client support to showcase and explain the features and benefits of a product or service.

Leadership development

As a way of fostering effective leadership in theBank, we have started providing the Bank's leadership with the necessary training, guidance and support to transform them into effective leaders who can drive the Bank towards its goals and objectives.

Leadership development is considered as a top priority under talent management. It focuses on nurturing talent from within the Bank and provides them with skills development opportunities such as technical courses, coaching and mentoring, among other programmes designed to elevate our talent.

The Bank has spent P674 602 in FY2023 on a coaching and mentoring programme with nine candidates assigned coaches, mostly candidates on the succession pipeline and ExCo team. Two of the candidates in the succession pipeline are enrolled in a comprehensive executive development programme to enhance their leadership capabilities.

Social impact (continued)

It is worth noting that on 1 September 2022, the Bank introduced the First Leap Mentorship Programme which proved to be a resounding success that has sparked excitement throughout FNB Botswana with about 14 identified Top Talent as mentors and 15 graduate trainees as mentees.

Leadership development

These skills were necessary to help develop a set of abilities, traits and competencies needed to build effective leadership aligning to the FNB Botswana culture. These were crucial as they enabled the leaders from different levels to inspire and guide their teams, make informed decisions and drive positive change within the bank. Some of the interventions that took place were:

- Talent Management (ExCo) – 14 trained
- Executive coaching programme – 23 trained
- Mentoring, onboarding and upskilling programme – TM - communication mastery training – executives – 20 trained
- Performance management – 34 trained
- Digital transformation - 1 trained

Online learning

Online learning was part of the 2022/2023 learning and development strategic deliverables meant to provide employees with opportunities for versatile and accessible ways of upskilling and reskilling. Online learning was mainly used to revolutionise work-based learning by providing a flexible, accessible and cost-effective way for employees to enhance their skills and knowledge.

Udemy for Business

The Bank, through the FirstRand Group, procured 1 358 licences to help create a more skilled and adaptable workforce.

Udemy for Business has proved to offer numerous advantages and benefits that contribute to the overall success of learning. It facilitated continuous self-paced learning, allowing employees access to training materials and resources whenever they needed it, and to address immediate challenges or skills gaps in real time, leading to more efficient problem-solving and improved performance.

Part claims for self-sponsored qualifications

To encourage employees to acquire higher qualifications, part of the training budget is used for reimbursements by employees who have successfully acquired higher qualifications through self-sponsorship. Below is a summary of qualifications and the number of employees who were able to claim upon successfully acquiring their qualifications relevant to the bank.

- BBA and BA Business Management – 15 trained
- Bachelor of Commerce – 1 trained
- BSc Computer Systems Engineering – 1 trained
- MBA – 3 trained

The Bank continued its quest to sponsor employees to pursue higher qualifications to enhance workforce skills and knowledge to meet current and future business needs. This is part of the employee value proposition that creates opportunities for further education. For the year under review, 14 employees (9 undergraduate and 5 postgraduate) were offered sponsorship amounting to P1 401 110.

Programme	Total sponsorship
BA (Hons) Finance and Banking	**P84 600**
Bachelor of Business Admin	**P80 000**
Bachelor of Commerce in Risk Management	**P75 500**
Bachelor of Finance	**P170 000**
Bachelor of Science in Computing	**P40 000**
BSc (Hons) Business Intelligence	**P135 310**
BSc (Hons) in Management Accounting	**P90 500**
BSc Computer System Engineering	**P125 200**
BSc in Forensic Financial Accounting	**P100 000**
Masters in Business Transformation	**P100 000**
MPhil in Future Studies	**P100 000**
MSc Financial Tech	**P100 000**
MSc in Digital Transformation	**P100 000**
Postgraduate Diploma in Future Skills	**P100 000**
Grand Total	**P1 401 110**

Social impact (continued)

Graduate development

FNB Botswana is committed to youth employment through two graduate programmes: the First Spark Internship Programme and the FNB International Graduate Programme.

First Spark Internship Programme

Over the past three years, this internship programme has prepared 33 graduates to enter the workforce by providing hands-on experience in various Bank functions. FNB Botswana has absorbed four of these interns. The programme focuses on inclusivity and talent development, with a FY2024 intake focusing on people living with disabilities.

This programme includes:

Knowledge-sharing and projects	Graduates actively participate in knowledge-sharing and projects, helping them to maximise their skills and explore career paths within FNB Botswana, preparing them for leadership roles.
University partnerships	FNB Botswana has signed Memorandums of Understanding (MOU) with local universities, such as Boitekanelo College and BUIST, to unearth and expose young talent to the world of work. This includes employee experiences shared with students and sponsoring awards for top students at graduation ceremonies. FNB Botswana's commitment to these programmes reflects its dedication to nurturing young talent and creating opportunities for future leaders in the banking industry.

FNB International Graduate Programme

This programme has appointed 35 graduates since inception, aiming to develop a pipeline for key roles within the Bank. In the current year, four graduates with qualifications in various fields joined, engaging in innovation projects to address branch challenges, enhance self-service delivery and explore app enhancements. They also received training in personal development and essential leadership skills.

Accelerating the work environment

In response to the fast-paced and evolving workplace, we embrace the hybrid work model which combines remote and office work, offering multiple organisational benefits. This approach provides flexibility and empowers employees to work to their strengths, ultimately enhancing productivity.

We foster a culture that sees remote work as a positive option for focused tasks, while ensuring that teams strike a balance between creativity and collaboration.

Our **Workday Project** went live on 3 July 2023 and has been steadily advancing in terms of adoption, with active participation from our human capital team in building various system modules. Workday is cloud-based human capital management software that streamlines learning experiences within a single interface.

Employee wellness

FNB Botswana's comprehensive approach to employee wellbeing spans financial, emotional and physical health. It reflects the Bank's commitment to fostering a supportive and healthy work environment for its employees and the wider community.

FNB Botswana has made significant strides in prioritising employee wellbeing, focusing on four key strategic pillars that guide its programmes. These pillars work in harmony to provide a holistic approach to employee wellbeing, recognising the interconnectedness of emotional and physical health.

Financial wellbeing

FNB Botswana understands the impact of financial stability on emotional wellbeing and work performance. Efforts in this area include financial relief for employees, along with access to information and advice. In FY2023, a Retirement Workshop for employees aged 50 and above was conducted, with attendance at 61.8% of the target. The workshop covered psychosocial dynamics, medical concerns and financial planning related to retirement.

Emotional wellbeing

Recognising the emotional demands of the banking industry, FNB Botswana has engaged external experts to support the psychological and mental wellbeing of its staff. Utilisation of this service has reached 45%, and it is now extended to employees' immediate family members. The Kids Lounge facility, which provides daycare for young children, has seen significant uptake, surpassing the target by over 100%.

Physical wellbeing

Physical wellbeing is a vital part of FNB Botswana's wellbeing strategy, encompassing healthy behaviours such as exercise, nutrition, sleep, sexual health and disease prevention. The Wellness Centre in Gaborone serves employees and their families, offering services like physiotherapy, psychology, general practitioners and a medical laboratory. The Bank also maintains an active gym facility in Gaborone, along with various sporting clubs to promote physical activity.

Wellness initiatives

FNB Botswana hosts an annual Wellness Day to educate staff on wellbeing issues, with various health practitioners offering services such as screenings, counselling and therapy. These events are open to the public, demonstrating FNB Botswana's commitment to the broader community's health and wellbeing.

Governance

The Board believes that effective governance is the cornerstone of the Bank's success and sustainability. By fostering strong relationships with clients, employees and shareholders, the Bank can create shared value and act in the best interests of all stakeholders.

With a commitment to responsible and transparent decision making, the Board strives to ensure the long-term prosperity and growth of the Bank while upholding the highest standards of ethics and integrity. Through effective governance, the Bank aims to build trust, inspire confidence and deliver value to all its stakeholders, contributing to a thriving and sustainable future for the organisation and the communities it serves.

Delegation of authority

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

Guiding the Board are the Board Charters that delineate composition, meeting frequency and roles. These Charters are subject to an 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.

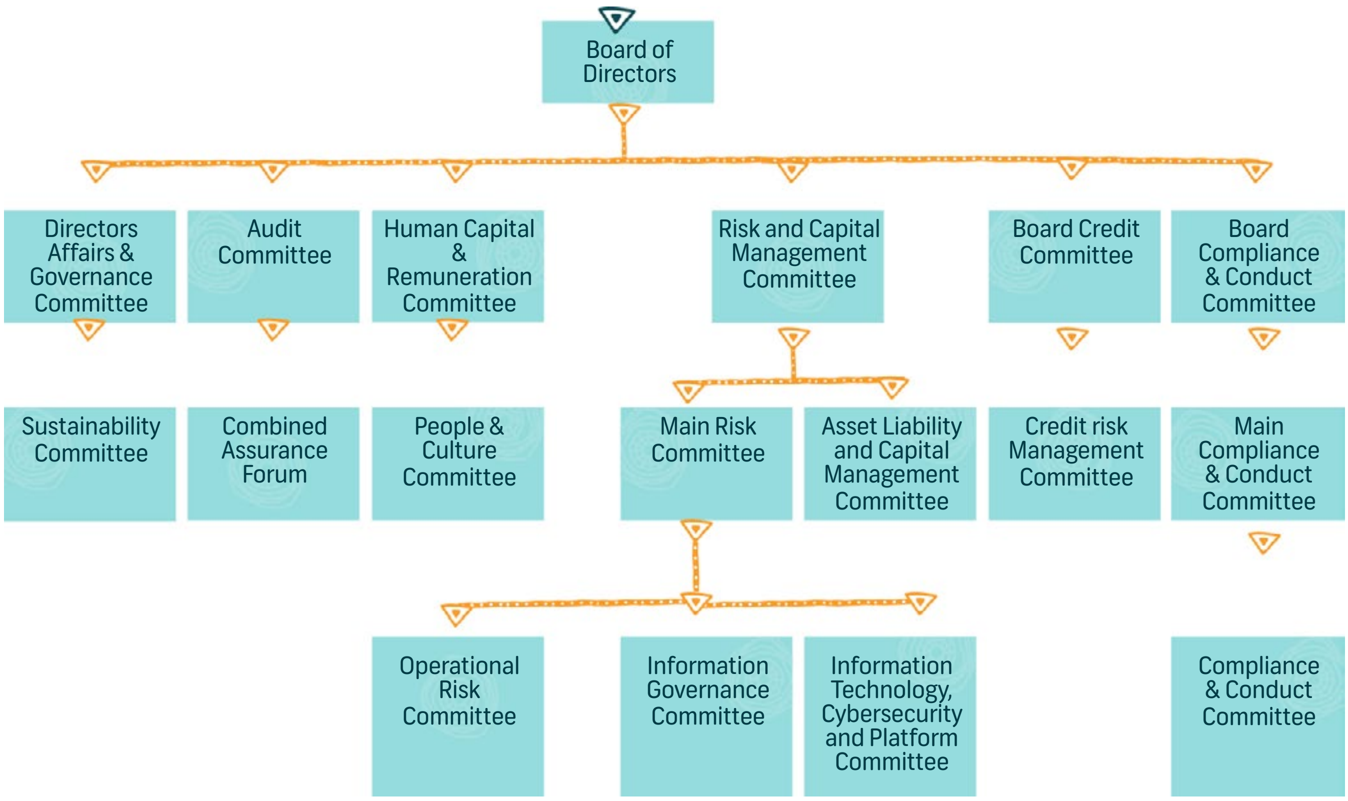
The Board is satisfied that the delegation of authorities as set out in the Board Governance Framework contributes to role clarity and the effective exercise of authority.

Governance framework

During the period under review, the Bank of Botswana issued Corporate Governance Guidelines for banks. FNB Botswana's Governance Framework was thereafter updated accordingly. Existing Board and committee mandates were also updated, with new mandates being established.

Major changes brought by the new Bank of Botswana guidelines for banks include the introduction of the Compliance mandate, which is separate from the risk mandate. The existing ethics mandate will be subsumed under the new compliance mandate to establish the Board Compliance and Conduct Committee. The credit mandate has also been separated from the risk mandate and will be subsumed under the existing large exposure mandate. The remuneration mandate has also been expanded to include human capital issues end-to-end. Below is the resultant governance structure in alignment with Bank of Botswana guidelines:

Governance structure



The above structure will be fully operationalised and reported in FY2024.

Reporting will therefore based on the below depicted committees which prevailed as at 30 June 2023

Board Committees

Audit Committee

Board Credit Risk Committee

Directors' Affairs, Governance and Ethics Committee

Risk, Capital Management and Compliance Committee

Remuneration Committee

Governance (continued)

Board of Directors

Balisi Mohumi Bonyongo (55)
Independent Non-Executive Director (Chairperson)

BEng (Hons) Mineral Engineering (University of Leeds), MBA (UCT), SEP (London Business School)

Appointed to Board: 2019
RCCC, DAGC, REMCO

Bonyongo is the former Managing Director of Debswana Diamond Company, the world's leading diamond producer by value and volume. During his distinguished 26-year career with Debswana, he held various senior management and executive roles, including Corporate Strategy Manager, Jwaneng Mine General Manager and Debswana Chief Operations Officer.

Bonyongo has held several other directorships and is the former Board Chairperson of the Botswana International University of Science and Technology (BIUST). He also served on the Botswana Power Corporation (BPC) board and was a member of the Botswana Vision 2036 Council.

Risk, Capital Management and Compliance Committee
Directors' Affairs, Governance and Ethics Committee
Remuneration Committee

John Kienzley Macaskill (73)
Non-Executive Director

BCom (University of Pretoria), CAIB (Bankers Diploma), AEP (UNISA)

Appointed to Board: 2014
AC, DAGC

Macaskill started his career with Barclays National Bank. He remained with the Bank through its transition to FNB in 1987 and held several senior positions in the FirstRand Group in South Africa, London and Hong Kong until he retired in September 2013. Macaskill was the former CEO of FNB Botswana (1996-2003) and Board Chairperson (2017-2019). His career in financial services spans human resources and international corporate and retail banking. Macaskill also serves on the Board of FNB Mozambique.

Audit Committee
Directors' Affairs, Governance and Ethics Committee

Michael William Ward (69)
Independent Non-Executive Director

Appointed to Board: 2009
BRCR, RCCC

As an entrepreneur, Ward has over 30 years' experience of business in Botswana, mainly in commercial security. He created one of Botswana's first home-grown public companies, Inco Holdings, which was listed in 1992. Ward was CEO and the largest shareholder until a controlling interest was acquired in 2003 by an international group to become G4S, now one of Botswana's largest employers.

From 2003, he acted as Regional Director responsible for developing businesses in many countries in Africa, firstly with the G4S group until 2008, and then with ADT South Africa. Ward brings to the FNB Botswana Board his entrepreneurial acumen and knowledge of the business environment in Botswana and the region.

Board Credit Risk Committee
Risk, Capital Management and Compliance Committee

Doreen Ncube (64)
Independent Non-Executive Director

MSc Management (Arthur D Little Management Education Institute), BA (Admin) (UBLS)

Appointed to Board: 2015
BCRC, RCCC

Ncube has worked in the banking sector for 23 years and has extensive experience in financial planning, risk management and compliance. She began her career with the Ministry of Commerce in 1990 and briefly joined Shell Oil Botswana. She later joined the Bank of Botswana in 1991 where she held several roles and rose to the rank of Deputy Director of the Banking Supervision. In 2002 Ncube joined Barclays Bank Botswana Limited in Compliance where she rose to the rank of Head of Risk Advisory Services and Regional Head of Compliance for Southern Africa. Ncube previously served on the Botswana Medical Aid Society Board where she chaired the Board's Finance Committee.

Board Credit Risk Committee
Risk, Capital Management and Compliance Committee

Ephraim Dichopase Letebele (63)
Independent Non-Executive Director

MSc Strategic Management (University of Derby), BCom (UB) Chartered Secretary (Associate of the Chartered Governance Institute of Southern Africa (CGISA)

Appointed to Board: 2017
BCRC, DAGC

Letebele's career began in Botswana's public service in 1979 where he served in various capacities for 26 years. His last tour of service was as Accountant-General in the Ministry of Finance and Development Planning. In 2005, Letebele was appointed as the first CEO of the Secretariat of Botswana Public Officers' Pension Fund (BPOPF), where he served for eight years. In 2010, he established Ramokoroga (Pty) Ltd as Managing Director, a property development and sub-letting business. In 2018, Letebele was appointed Chief Executive Director of Prescient Fund Services (Botswana) (Pty) Ltd until January 2020 when the company ceased it operations in Botswana. Letebele previously served on several boards in the telecommunication, education, pension and banking sectors.

Board Credit Risk Committee
Directors' Affairs, Governance and Ethics Committee

Jabulani Richard Khethe (60)
Independent Non-Executive Director

BCom (University of Pretoria), MBA (Bond University), MMDip, Executive Management Development Programme (GIBS and INSEAD)

Appointed to Board: 2005
AC, REMCO, DAGC

Khethe retired as CEO of FirstRand's Rest of Africa portfolio in April 2017 and has extensive banking, insurance and leadership experience with financial institutions in South Africa.

Khethe has previously served as a member of the Boards of the FirstRand Group's African subsidiaries, FNB Namibia and FNB Mozambique.

Audit Committee
Risk, Capital Management and Compliance Committee
Directors' Affairs, Governance and Ethics Committee

Governance (continued)

Naseem Banu Lahri (47)
Independent Non-Executive Director

MSc Strategic Management (University of Derby), BCom (UB), ACCA (Botswana Accountancy College)

Appointed to Board: 2019
AC, REMCO

Lahri is a well-rounded Fellow Chartered Certified Accountant (FCCA) and strategist with 20 years' of working experience, including two years in an audit firm, 17 years in the mining industry and one year in insurance.

In May 2018, Lahri became the first Motswana woman to lead a diamond mining company, Lucara Diamond Corporation. Prior to that, she was CFO of the company and had been in different leadership positions at Debswana Mining Company for 10 years.

Audit Committee
Risk, Capital Management and Compliance Committee

Asad Petkar (50)
Independent Non-Executive Director

Bachelor of Commerce (Information Systems and Economics), Bachelor of Commerce Honours (Information Systems) and Master of Commerce (Information Systems), all from the University of Cape Town

Appointed to Board: 2021
RCCC

Petkar is a seasoned management consultant whose career commenced with KPMG Consulting in 2001. He is now the co-owner of an evolved and new-generation management consultancy firm that has a presence in Botswana, Namibia and Australia. Petkar's specific areas of expertise include corporate strategy development, deployment of strategic information technology that supports 4IR practices, organisational transformation, digitalisation, organisational restructuring, talent management, finance and audit, performance management and SME growth. Petkar has and continues to serve on a number of Boards in various industries. These include appointments in property, real estate and education.

Risk, Capital Management and Compliance Committee

Massimo (Max) Marinelli (66)
Independent Non-Executive Director

BCompt Unisa, Hons BCompt Unisa, Certified Fellow Chartered Accountant Botswana and Chartered Accountant South Africa

Appointed to Board: 2021
AC

Marinelli is the former Country Managing Partner of Deloitte Botswana, with a career spanning over 40 years. During his tenure at Deloitte, he served in South Africa and Botswana and spent 31 years as a Partner in Botswana until his retirement on May 31 2020. Marinelli provided a wide range of services, including audit, tax, financial advisory, consulting and corporate finance, to various local entities, multinational corporations and major parastatals in Botswana across various industries.

Marinelli also served as a Council Member and President of the Botswana Institute of Chartered Accountants. He remains an active member of the Institute, currently serving on the Disciplinary Committee. Furthermore, Max is a member of the Board of Governors of The Mokolodi Wildlife Foundation and holds several other Directorships

Audit Committee

Louis Frans Jordaan (53)
Non-Executive Director

BCompt from the University of South Africa Programme in Mathematical Modelling of Derivatives (Unisa) Executive Development Programme (Duke)

Appointed to Board: 2022

Jordaan is a banking expert with experience in the areas of credit, risk, governance and strategy. He has nearly 30 years of banking experience. Some of his roles include being senior executive of various divisions within FirstRand.

Jordaan retired from FirstRand in December 2020. While employed by FirstRand, he served as a Director and chairman of several subsidiary banks within FirstRand.

Risk, Capital Management and Compliance Committee

Steven Lefentse Bogatsu (51)
FNB Botswana CEO, Executive Director

ACCA, MSc Strategic Management (University of Derby)

Appointed to Board: 2015
Standing invitee on all Board committees

In April 2015, Bogatsu became CEO of FNB Botswana. This followed two years as CEO of FNB Swaziland and previous positions as CFO and Director of Product Houses at FNB Botswana, responsible for property finance, WesBank, credit card, International trade and custody.

Alongside his banking career, Bogatsu has held Directorships on several boards, including the Local Enterprise Authority and Botswana Medical Aid and Med Rescue International.

Mbako Mbo (43)
FNB Botswana CFO, Executive Director

PhD (Business Management and Administration), MBA, FCCA, BSc (Hons) Applied Accounting, AMCT, BAcc) Harvard Executive Education Programme

Appointed to Board: 2023
Standing invitee on all Board committees

Mbo joined the Bank in February 2023 from an international banking group in Singapore, where he was a Global CFO for personal, business banking and digital, having previously served as CFO for one of the local banks.

Prior to joining the banking group, Mbo worked for Botswana Development Corporation as its CFO. He also worked for the African Development Bank, based in South Africa as a fiduciary specialist, for a portfolio spanning several African countries. During his career journey of over 19 years, Mbo has had an opportunity to serve on various boards of corporates as well as non-profit organisations.

Governance (continued)

Corporate governance

In its role as the guardian of corporate governance, the Board upholds the tenets of the Board Governance Framework. This framework is informed by the Companies Act of 2007 as amended, BSE Listings Requirements, Banking Act of 1995 as amended, Corporate Governance Guidelines for Banks and King IV. The Board's commitment to these regulations is unwavering, and it diligently ensures complete adherence while proactively putting into practice the guiding principles enshrined within the King IV framework.

Striving to align with international best practices in corporate governance, the Board upholds the highest standards of effective leadership, ethical conduct and professionalism. These principles serve as the foundation for the Bank's ability to achieve its strategic objectives and create shared value for all stakeholders.

As part of its role in ensuring the Bank's current success and long-term sustainability, the Board takes responsibility for providing strategic direction, and as custodians of governance, providing ethical and accountable leadership to FNB Botswana. It also identifies and monitors risk and opportunity management, sets performance measures and routinely reviews the implementation of strategic objectives as outlined in the Board Charter.

Through its commitment to sound corporate governance practices, the Board ensures that the Bank operates with transparency, accountability and a focus on achieving its goals, thereby building trust and confidence among its stakeholders.

Board considerations and future focus areas

Key Board activities 2023

Primary responsibilities				
Effective governance	Effective leadership	Effective risk management and increasing risk maturity	Re-growth strategies	High-performance culture

Strengthened Board governance

- Reviewed and approved the Board Governance Framework and Board and Committee Charters in alignment with the Bank of Botswana Corporate Governance Guidelines
- Conducted an independent Board evaluation
- Implemented a succession plan to strengthen Board composition and ensure leadership continuity by appointing new members of the Board
- Re-composition of Board Committees to align with Bank of Botswana Corporate Governance Guidelines
- Reviewed and approved the Board and Committee Charters
- Reviewed and approved the Board Governance Framework
- Approved training plan for 2023
- Maintenance of the Board Declarations of Interest file through the Company Secretary

Reviewed financial reports

- Approved the annual financial statements and integrated report
- Approved the 2023 budget
- Declared interim and full-year dividends

Reviewed operational performance reports

- Approved credit facilities exceeding certain limits that require Board approval
- Approved macro-economic assumptions to support various financial and operational assessments

Approved Policies

- Enterprise Risk Management Framework (Including the policy delegation document which delegates some policies to Board Committees and specialist Management Committees)
- Pillar 3 Disclosures
- Compliance and Risk Management Framework
- Approval for trading in Supranational Bonds for the purpose of bank placements
- Approved the Risk Return Framework.

Monitored and approved regulatory reports including:

- Going concern and solvency test review in line with Section 58(3) of the Companies Act
- Maintained the bank's capital adequacy within the prescribed regulatory levels
- SARB Regulation 39 Governance Assessments
- South African Reserve Bank (SARB) Regulation 40(5)(a)(iv) compliance related to going concern and the adequacy of the control environment

Oversaw:

- Delivery of shared value to all the Bank's stakeholders
- Effective management of Financial Controls
- Implementation of Exco's accountability measures in terms of the agreed scorecard
- Implementation of the 2023 strategic focus areas
- Review of the 2025 Strategy and setting the 2024 strategic focus areas (including strategies aimed at re-growing the business across all segments)
- Strengthening the Bank's resilience with robust risk management frameworks and a maturing risk process and culture
- The Exco succession planning
- The NIACC growth and protection of shareholder value

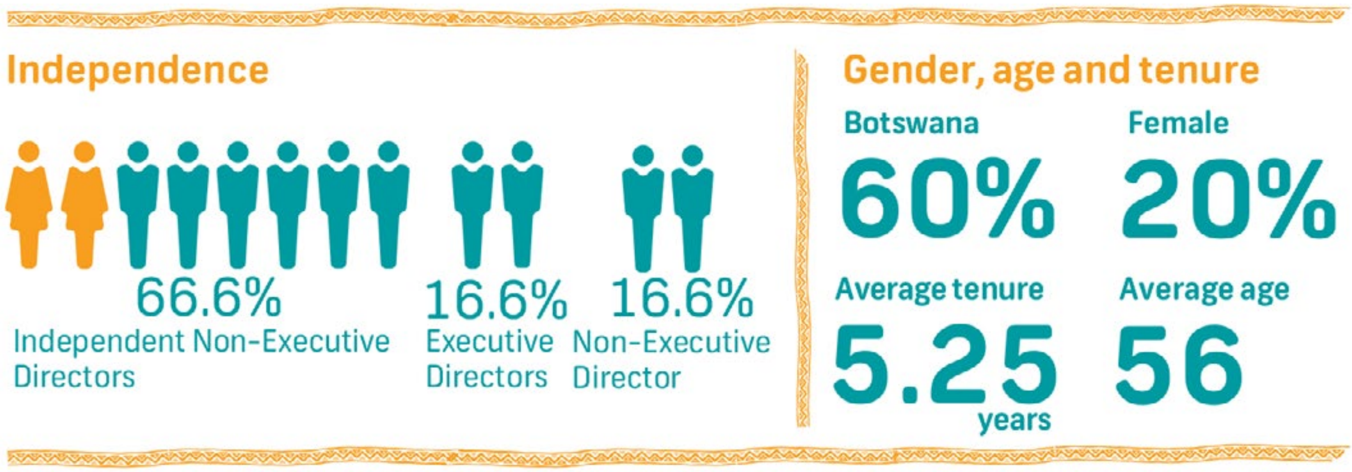
The Board's continued and ongoing focus areas

- Board effectiveness and continuity
- Effective Board Governance
- Effective leadership
- Ethical foundation and culture
- High-performance culture
- Implementation of the 2024 strategic focus areas and continuously measuring its performance
- Re-growth strategies
- ESG Framework and practices
- Shared prosperity

Board composition and tenure

As per the Bank's Constitution, the Board can have a maximum of 13 and a minimum of four Directors.

As of June 30 2023, the Board consisted of 12 Board members, with the majority being Independent Non-Executive Directors. This composition reflects the Bank's commitment to maintaining a diverse and experienced Board with a strong emphasis on independent oversight and governance. With a well-structured Board, the Bank ensures effective decision making, risk management and strategic guidance, fostering the institution's long-term success and sustainable growth.



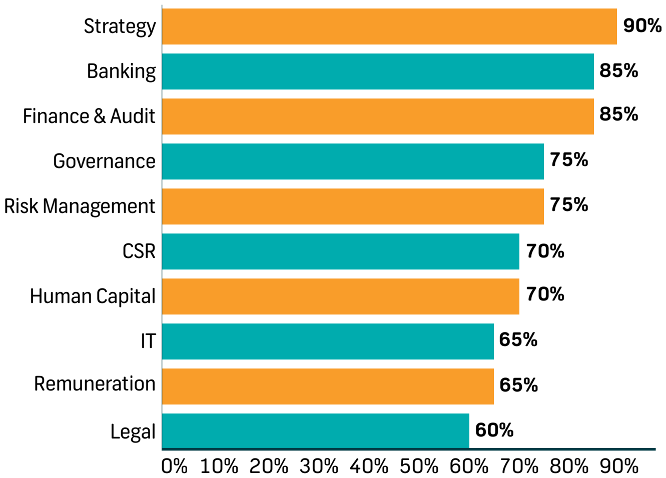
Tenure

16% >9 years | 33% 5-7 years | 50% 1-4 years

Governance (continued)

Board diversity

The Board ensures that its composition contains an appropriate mix of gender, age, tenure and skills diversity. To ensure that diversity and independence are maintained when new Directors are appointed, the Board is guided by its Governance Framework.



Board appointments after the financial year-end

The Board is confident that its current composition represents a balanced mix of knowledge, skills, experience, diversity and independence.

Luke Duncan Woodford retired as an Executive Director following his CFO tenure coming to an end. Dr Mbako Mbo, having been appointed CFO in February 2023, was subsequently appointed executive Director of the Board on 17 August 2023.

Evaluation

The Board has, for the first time, appointed an external service provider to conduct the Board evaluation for the period under review. The purpose of this evaluation is to appraise the Board's overall performance and efficacy along with that of individual Directors, including the CEO (Executive Director) and the Company Secretary. The assessment encompasses:

- Governance, performance and effectiveness of the Board and its Committees
- Independence assessment of Directors who have served on the Board for more than nine years
- Performance and effectiveness of individual Non-Executive Directors and the executive Director
- Performance and effectiveness of the Board Chairperson and the Chairpersons of the Board Committees
- Performance and effectiveness of the Company Secretary
- Judgement, skills, competence, contribution and participation in meetings by the Directors

The report of the evaluation and the recommended remediation, if any, will be shared with the Board post the publication of this report

Rotation

Directors are appointed through a formal process overseen by the DAGC. The committee shortlists candidates for interviews, considering their skills, experience, integrity, leadership qualities and other commitments to ensure their effectiveness in the role.

All Non-Executive Directors are subject to retirement by rotation and re-election by shareholders annually. The Constitution mandates a staggered rotation of Non-Executive Directors to maintain valuable skills and knowledge continuity. At the upcoming AGM, Jabulani Khethe, Michael Ward and Ephraim Letebele will retire by rotation. Only Mr Letebele will seek re-election and Mr Ward and Mr Khethe will not as they have reached the 10-year limit as prescribed by the Bank of Botswana. As per Corporate Governance Guidelines for Banks issued by the Bank of Botswana, a Non-Executive Director shall not serve for a period of more than 10 years.

The retirement age for Non-Executive Directors as per the Corporate Governance Guidelines for Banks and as issued by the Bank of Botswana, is 75 years. In terms of the Constitution of the FNB Botswana, the retirement age is 70 and this will be revised accordingly to align with the recent regulation.

The Chairperson of the Board is elected annually, and Balisi Bonyongo was unanimously re-elected as Chairperson by the Board.

Company Secretary

Gaone Setlhake, as the Company Secretary, holds a pivotal role in furnishing the Board with vital information and legal counsel regarding its duties, responsibilities and corporate governance principles. Ensuring adherence to procedures, statutes and regulations is Setlhake's key responsibility.

All Directors are afforded unrestricted access to the guidance and services provided by the Company Secretary, encompassing all facets of the Board's obligations.

The performance of the Company Secretary 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 throughout the reviewed year
- Exhibiting competence, suitable qualifications and a wealth of experience
- 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

Independent advice

Under the Constitution, Board members are entitled to procure independent advice at FNB Botswana's cost while carrying out their fiduciary obligations. Additionally, they possess the privilege of direct communication with external auditors and ExCo, accessible at all times.

The Company Secretary holds the responsibility of aiding Directors in procuring independent professional counsel when required. The Board expresses satisfaction with the efficacy of these provisions.

Meeting attendance

Directors	Board	AC	BCRC	RCCC	DAGC	REMCO
Executive Directors						
SL Bogatsu[1]	4/4[1]	4/4[1]	12/15[1]	4/4[1]	5/5[1]	2/2[1]
Non-Executive Directors						
JK Macaskill	4/4	4/4		4/4[2]	5/5*	
Independent Non-Executive Directors						
BM Bonyongo*	4/4			4/4	5/5	2/2
MW Ward	4/4		15/15	4/4*		
D Ncube	4/4		15/15*	4/4		
JR Khethe	4/4	4/4			5/5	2/2*
ED Letebele	4/4		15/15		5/5	
N Lahri	4/4	4/4				2/2
A Petkar	4/4			4/4		
M Marinelli[3]	4/4	4/4*		4/4[3]		
LF Jordaan[4]	4/4			3/4[4]		
LD Woodford[1]	4/4[1]	4/4[1]	15/15[1]	4/4[1]	3/5[1]	

* Chairperson.

[1] Standing invitee. The executive Director is a standing invitee at all Board Committee meetings and a member of the Board Credit Risk Committee with the CFO and Director of Credit, who represent him in instances where he is not present.

[2] Invitee.

[3] Chairperson of AC effective from February 2023. However, started attending AC from November 2021 as an AC member. He is also an invitee to the RCCC.

[4] Joined RCCC in October 2022.

Governance (continued)

Development

The Board's annual development programme offers Directors ongoing training and focuses on the governance of risk and the needs identified during the annual assessment process. The training programme is facilitated by in-house experts. The 2023 training plan was approved by the Board. The Board completed the following modules for the year:

- Interest rate risk in the banking book – hedging strategies
- Liquidity Stress Simulation
- Credit Risk Management
- ESG and shared value
- Ethics

Induction

A comprehensive onboarding procedure for incoming Directors is implemented, centring on both the Company's culture and operational intricacies. Newly appointed Directors are furnished with pertinent documents and receive training on:

- Board governance, including the Constitution, the CEO's delegation of authority, the Governance Framework and the Board and Board Committee Charters
- Ethics, including the Company's Code of Ethics and related policies
- Financial information, including the FNB Botswana Integrated Reports
- Risk management, including the Risk Management Framework and regulatory risk

CEO succession planning

The CEO is engaged under a standard employment agreement, consistent with the terms applicable to all other employees. The Board sanctioned a succession strategy for the CEO position, outlining potential candidates based on their preparedness to assume the role. The selection criteria encompassed factors such as:

- Emergency/ready-now candidate
- Medium-term candidate (ready in one to three years)
- Long-term candidate (ready in three to five years)
- A deliberate and thorough development plan was formulated and put into action for the candidates chosen to succeed the CEO.

Executive team (includes CEO and CFO, as profiled under Board of Directors)

William Wilson
Chief Operating Officer (COO)

Bachelor of Accounting Science (Unisa), Advanced Diploma in Enterprise Risk Management (University of Johannesburg), Certificate in Compliance Management (University of Johannesburg)

Wilson has nearly 30 years of banking experience having worked across the organisation including branch banking, credit, strategic planning, corporate governance, finance, project management, compliance management, risk management and operations, including five years working across FirstRand's broader Africa portfolio.

He has joined the team to run the Bank's centralised operations capabilities and to drive efficiencies as part of the Bank's platform journey to improve client experience. Wilson has a keen eye for detail and focuses on driving practical client-centric solutions.

Moses McGeoff
Chief Information Officer (CIO)

BSc Computer Science (UB) and an MBA (University of Maryland Global Campus) Certified ITIL Expert, COBIT 5 Implementation, PRINCE 2 Practitioner, and RESILIA Cybersecurity Management.

McGeoff holds the responsibility of developing and executing information technology capabilities as a strategic asset to support the Bank's overarching strategy.

He initially joined the Bank in May 2019 as the head of IT Operations and has played a pivotal role in establishing and implementing processes and technological advancements that facilitate efficient and high-quality delivery of IT services to cater to the Bank's and its clients' requirements.

With a career spanning 24 years, Moses McGeoff has contributed his expertise across various sectors including consultancy services, IT infrastructure management, academia and Government.

Before joining FNB Botswana, McGeoff was associated with the Botswana Institute on Technology Research and Innovation (BITRI), an organisation he co-founded in 2014.

Lindiwe Mogotsi
Chief Risk Officer (CRO)

BCom University of Melbourne, Australia and is a member of ACCA and CPA Australia

Mogotsi has close to 20 years' banking experience spanning across various countries and disciplines in financial services; including risk management, business performance, balance sheet management and operations.

As CRO, Mogotsi's role is to oversee the Bank's risk management strategies and formulating the Bank's risk appetite. She is also tasked with ensuring a seamless alignment and coordination of the entire risk management strategy across all risk categories in accordance with the Bank's risk profile.

Governance (continued)

Luke Woodford
Director, Credit

CA, FCMA, Accelerated Development Programme (Wharton Business School)

Woodford has worked for the FirstRand Group for over 15 years in various roles. During his tenure with the FirstRand Group, he worked in the FNB Home Loans division where he was integrally involved in the credit and collections processes following the 2008 global financial crisis. He was also the CFO of FNB Tanzania, following which he was transferred to FirstRand India, also in his capacity as CFO. In 2018, Luke was appointed the CFO of FNB Botswana where he continues to guide management and the Board on the Bank's financial matters.

Woodford brings to the Board his vast knowledge of the banking sector and his experience in the areas of accounting, finance, credit, risk, and strategy.

Gaone Setlhake
Company Secretary (Governance, Legal, Investor Relations and Sustainability)

Bachelor of Laws – University of Botswana
Masters in Science – Leadership and Change Management- University of Leeds Metropolitan
Post Graduate Certificate - Enterprise Risk Management, Botswana Accountancy College

Setlhake is the Company Secretary for the Bank. She is also the executive responsible for Governance, Legal, Investor Relations and Sustainability. With her service spanning 15 years, Setlhake has held different roles with different employers. She started her career in 2008 with the Attorney-General Chambers as a state counsel in the Civil Litigation Department. In 2010, she transitioned to private practice when she joined Collins Newman and Co as a corporate commercial lawyer. In 2013, Setlhake joined the Bank as Legal Risk Manager. In 2016 she was appointed Head of Legal. Setlhake assumed the Company Secretary role in January 2023, a position she holds currently. Setlhake's collective experience is in corporate and banking law, credit, corporate governance, strategy and risk management.

Monkgogi (Mo) Mogorosi
Director, Retail

BSc Finance (Virginia Commonwealth University)
MSc Strategic Management (University of Derby)
Digital Business Strategy Certificate (Massachusetts Institute of Technology)
Management Development Programme Certificate (University of Stellenbosch)

With over 18 years' experience in retail banking, Mogorosi is an all-round highly experienced retail banker. She joined FNB Botswana on 1 March 2023. Her experience spans across Retail product development and full-product lifecycle management (deposits and lending). Management of retail banking portfolios through client sub segmentation and Client Value proposition development. She has retail frontline experience driving Sales, Service and Client experience through relationship managers, contact centres, branches and ATMs.

In the five years prior to joining FNB, Mogorosi was focused on driving digital innovation for retail clients, doing digital product management, mapping of client journeys on digital platforms to enable access to end-to-end offering of retail products through digital platforms. Notably, she has led the deployment of banking apps across multiple African countries.

Lerato Chana Sekgororoane
Director, Channels

BA Social Sciences (UB), Senior Leadership Programme (Gordon Institute of Business Science, University of Pretoria)

Sekgororoane joined FNB Botswana in 2014 as the Head of Channels, later being promoted to Director of Channels in 2015. With 30 years of engagement within the banking industry, she brings a wealth of experience. In her current capacity, Sekgororoane takes charge of the management of all 25 branches spanning the country. She also oversees the Self-Service Delivery Department, which encompasses the comprehensive range of FNB Botswana ATM and ATM with deposit devices across the Bank's network.

Furthermore, Sekgororoane manages the Digital Banking Department, dedicated to FNB's electronic banking platforms, as well as the Sales and Sales Contact Centre, operating around the clock.

Notably, she also leads the newly introduced FNB Alternative Channels initiative, including CashPlus and Bank on Wheels. Managing a team of 591 employees, Sekgororoane's responsibility extends to providing banking services to clients both nationally and internationally.

Sethunya Molodi
Director, Compliance

LLB (UB), Diploma in Trial Advocacy (National Institute for Trial Advocacy, US), ACIS (The Chartered Governance Institute of Southern Africa)

Since November 1 2019, Molodi has held the position of Director of Compliance at FNB Botswana. In this capacity, she is responsible for implementing effective compliance management strategies, tools and methodologies to cultivate and integrate a culture of compliance within the bank.

Over her 15 years of professional experience, she has garnered expertise in law and company secretaryship, investor relations management, corporate governance and stakeholder management. Before joining FNB Botswana, Molodi has contributed her skills at entities like the National Development Bank, Botswana Medical Aid Society and Botswana Post, where she held the role of Head of Legal and Company Secretary. Notably, she previously served as the Company Secretary for FNB Botswana from 2016 until she ascended to the Director of Compliance position.

Molodi holds the designation of Chartered Company Secretary and is an associate member of the Chartered Governance Institute of Southern Africa.

Mlungisi Jackalas
Director, Human Capital

BA in Economics and BComm (Honours) Organisational Psychology from the University of Cape Town. Master of Commerce in Organisational Psychology from the University of South Africa.

Jackalas has experience from various sectors covering mining, telecommunications and health insurance. His career started in 2001 as a graduate trainee in HR with Debswana. He progressed through the ranks to assume the role of Senior Manager – Human Resources at Jwaneng Mine. Jackalas has also worked for Mascom Wireless and held senior management roles at Associated Fund Administrators, Morupule Coal Mine (MCM) and Diamond Trading Company Botswana. Jackalas is passionate about self-development, mindset change, psychological assessments, coaching for high performance and organisational effectiveness. He has led organisation-wide transformation and restructuring exercises, and implemented talent management frameworks.

Jackalas is a registered organisational psychologist with the Botswana Health Profession Council and a certified talent practitioner.

Governance (continued)

Peo Porogo
Director, Marketing and Communications

Chartered Institute of Marketing Member (CIM) – The Chartered Institute of Marketing UK
Bachelor's Degree in Business Administration – University of Botswana
Marketing Management Development Programme – University of Cape Town and Stellenbosch

Porogo is a strategic marketing expert and results-oriented marketing and communications professional with over 16 years of experience across various sectors including FMCG, telecommunications and banking.

Porogo's expertise lies in strategic marketing, brand-building, PR, market intelligence and insights and client experience as well as sales and business relationship-building.

She joined FNB Botswana in 2016 as the Marketing Manager for Retail and subsequently progressed to the role of Director of Marketing and Communications. In this role, she is responsible for overseeing the brand and marketing portfolio, with a clear mandate to position the FNB brand effectively in a highly competitive financial services industry.

Notably, Porogo is responsible for the Client Services and Client experience of the bank, where she works with a team of client service experts to ensure that the Bank caters to the needs of its clients in a timely and efficient manner.

Kapumpe Chola Kaunda
Director, RMB

MBA Financial Studies (Nottingham University Business School)
BA Psychology (University of Zambia)
Dealing Certificate (ACI UK)

Kaunda has extensive commercial and investment banking experience spanning 25 years – across Africa and the United Kingdom. She has extensive knowledge of the financial services sector and the ability to lead and work with diverse teams.

Kaunda joined FNB Botswana in August 2022 as Director for Rand Merchant Bank, the corporate and investment banking arm of FNB Botswana. Prior to coming to Botswana, she was based in FNB Zambia where she held the position of Head – Corporate and Investment Banking for more than five years.

Kaunda combines strategic relationship management skills with strong technical capabilities in global and capital markets.

Junior Sentsho
Chief Internal Auditor

Certified Internal Auditor (IIA)
Certified Risk Based Auditor (IABFM)
Msc in Strategic Management (University of Derby)
Associate Diploma in Banking (BIBF)

Sentsho has extensive banking experience spanning over 25 years. He joined Internal Audit in 2008, and has been instrumental in establishing a fully fledged internal audit function that meets the needs of the organisation and external stakeholders, including how internal audit works with other providers of assurance.

As the accountable executive for the internal audit function, Sentsho plays a critical role in delivering the organisation's strategic objectives by objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control.

There have been subsequent changes to the ExCo team post the reporting period as follows:

- Tshepiso Mokgethi-Magapa was appointed as Treasurer from 10 July 2023 and Jennifer Makgabenyana was appointed as the Director of Commercial Banking from 1 July 2023.

Tshepiso Mokgethi-Magapa
Treasurer

Bachelor of Business Management from the University of Botswana, an Associate Diploma in Banking from the Institute of Bankers Botswana, an ACI Dealing certificate, Senior Management Development Programme.

Mokgethi-Magapa's banking career started with FNB Botswana when she joined the Bank as an Executive Trainee in 2005 and has 18 years of banking experience overall. Mokgethi-Magapa brings her extensive experience in providing strategic leadership and direction to the treasury function and managing the Bank's treasury activities to ensure sustainability through appropriate capital, funding and liquidity management.

She previously held the Treasurer position at a local Bank for the past seven years, having been with the Bank for 15 years serving in different treasury management roles.

In her former Treasury role, Mokgethi-Magapa led many projects aimed at digital transformation and drove alternative funding strategic initiative in which she built relations with International Development Financial Institutions (DFI's) and commercial banks.

She is experienced and knowledgeable in non-interest income growth through trade activities, sound risk management and stakeholder relations.

Jennifer Makgabenyana
Director of Commercial Banking

Master's in Business Administration with Management College of Southern Africa
Diploma in Accounting and Business Studies
Associate Diploma in Banking
Management Development Programme certificate with Stellenbosch University
RMB Lead – Lapin International
Coaching for Development – University of Cape Town

Makgabenyana has worked for FNB Botswana for 13 years. Prior to that, she had worked at a local Bank where she was the corporate credit manager.

She started with FNB in 2010 as a Senior Relationship Manager in the Corporate segment, a position she held for three years. She later joined RMB Botswana as a Senior Relationship Manager until 2015 when she was seconded to FNB Mozambique as the Head of Coverage for two years. Coming back to Botswana in 2017, Makgabenyana then joined RMB Botswana as the Head of Coverage until 2021, and then was sent on secondment to FNB Ghana as the head of corporate and investment banking.

In her role as Director of Commercial, Makgabenyana is responsible for providing the segment with strategic direction to identify business growth opportunities, increase product penetration and deliver unmatched client experience through strengthened client relationships.

Governance (continued)

Gender, age and tenure – Executives

Average tenure
5 Years

Average age
45 Years

Batswana
84%

Female
56%

Skills diversity – Executives

90%	CSR	85%	Strategy
90%	Finance and Audit	75%	Human Capital
85%	Banking	75%	IT
85%	Governance	70%	Legal
85%	Risk Management	70%	Remuneration

Board committees

Board Committees

The Board receives support from both management and Board Committees in fulfilling its duties of overseeing the Bank, as well as identifying, overseeing and managing both risks and opportunities.

Each committee operates within the parameters outlined in their respective Board-approved Charters. The Chairperson of each committee provides the Board with updates on the discussions and decisions made during committee meetings. All Committee Charters were subject to review and approval by the Board. Each committee is satisfied that it effectively discharged its responsibilities as delineated in its Charter during the reporting period.

Audit Committee (AC)

Mandate	
The committee's objectives are to: • Assist the Board 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 • Introduce such measures as, in the opinion of the AC, may serve to enhance the credibility and objectivity of the financial statements and affairs of the bank • Provide a forum for communication between the Board, management and the internal and external auditors The AC has an independent role, with accountability to the Board and shareholders. The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.	**Members at 30 June 2023** M Marinelli – Chairperson NB Lahri JR Khethe J. Macaskill – Invitee SL Bogatsu – Standing invitee LD Woodford – Standing invitee

Board Committees (continued)

Key activities in 2023

- Reviewed significant internal and external audit findings and monitored progress reports on corrective actions to rectify internal control lapses
- Considered quarterly financial reports from ExCo:
  - Conducted SARB Regulation 39
  - Self-governance assessment
  - Determined that the bank's financial statements reflect its financial position and that the bank maintained effective accounting practices and policies
  - Oversaw implementation of financial reporting as required by the Botswana Accountancy Oversight Authority
  - Reviewed a documented assessment, including key assumptions prepared by management of the going concern status of the bank and confirmed that the bank will be a going concern for the foreseeable future
  - Reviewed and approved the internal audit and external audit plans for 2022/2023
  - Reviewed and approved the Internal Audit and the Combined Assurance Forum Charters
  - Reviewed and monitored capital and ascertained that expenditure was adequately budgeted, controlled and monitored
  - Reviewed internal and external audit findings and assurances for 2022/2023
- Scrutinised accounts outside normal clearing periods in accordance with the Account Management Reconciliation Policy Submitted to the Board, for approval, in accordance with regulatory and statutory reporting:
  - Audit Committee Charter
  - Dividend recommendations for interim and full year
  - Interim results and year-end results, together with annual financial statements and integrated report
  - Signature of SARB Regulation 40(5)(a)(vi) letter confirming going concern which includes the review and defining of "material malfunction"
  - Signature of the solvency certificate as required by section 58(3) of the Companies Act
- Conducted the annual assessment of the Chief Financial Officer, internal and external auditors in line with the requirements of King IV
- Considered and monitored the effective functioning of internal controls which were deemed effective in all material respects during the year under review, including the skills and resources of the internal audit and finance functions
- Increased management oversight and control of risk data aggregation and risk reporting to strengthen risk management
- Oversaw and assessed the bank's compliance in relation to corporate and other withholding taxes, and management's interactions with the Botswana Unified Revenue Service (BURS) in dealing with specific tax assessments and other tax treatments
- Reviewed and approved the Internal Audit and Combined Assurance Charters and considered the effectiveness of the combined assurance processes and key performance indicator assessment
- Reviewed Basel Committee on Banking Supervision – Principle 239 compliance and effectiveness of the bank's systems and processes

Ongoing focus area

- Adopting additional matters as legislation, regulations and new accounting standards are introduced
- Monitoring going concern and key financial ratios
- Monitoring remediation of both internal and external audit findings
- Monitoring the adequacy and effectiveness of internal controls
- All key activities as set out for 2024

Internal Audit

The role of the internal audit function is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

The central goal of the Internal Audit function is to augment and safeguard organisational value through the delivery of risk-centred and impartial assurance, counsel and insights. This function aids ExCo and the Audit Committee in realising their goals by employing a structured and methodical approach to assess and enhance the efficiency of risk management, controls and governance processes within the bank.

The function ensures the Board receives affirmation concerning the adequacy and efficacy of the Bank's Internal control and risk management practices, as well as the integrity of financial reporting systems. Internal audit collaborates with management, presenting suggestions to improve the control and risk management landscape.

The Audit Committee was regularly presented with quarterly reports from internal audit detailing identified control deficiencies, including financial controls. These reports prompted discussions about potential corrective actions to be undertaken by management.

External Audit

The Audit Committee Chairperson conducted private sessions with the external auditors to obtain feedback on the FNB Finance department strengths and areas for improvement, without the presence of management. Annually, the Committee assesses and endorses the catalogue of non-audit services that the auditors are authorised to undertake.

The Audit Committee is satisfied with the performance of the external audit, affirming the independence of both the external auditors and lead partner in relation to the bank. The Audit Committee has also taken measures to guarantee that the appointment of auditors aligns with all applicable legislations pertaining to auditor appointments.

Combined assurance forum

The primary aim of combined assurance is to streamline, coordinate and harmonise risk management and assurance endeavours across the Bank, enhancing oversight of risk, governance and control within the Bank's financial and risk landscape.

The Combined Assurance Forum convenes quarterly, featuring representatives from management, internal audit and external audit. Its purpose is to assess and oversee vital risks, controls and the progression and implementation of risk and control systems and where external audit can place reliance on the internal audit reviews and assessments. This platform also facilitates efficient communication and synchronisation between management activities and the two assurance providers, internal audit and external audit, while offering guidance and support.

The consolidated perspective on key risks and control themes across the bank, as observed through combined assurance, is reported to the audit committee on a quarterly basis.

To ensure comprehensive coverage of all significant aspects of FNB Botswana's operations and to minimise redundant efforts, internal audit and the external auditors maintain a closely-knit collaboration. This collaboration ensures effective coverage while avoiding duplicate work.

Board Committees (continued)

Board Credit Risk Committee (BCRC)

Mandate

The Board Credit Risk Committee (Credit Review Committee) operates with autonomy in its decision making capacity as defined by its delegated authority.

The committee's scope of authority entails the approval of credit applications ranging from P100 million to 10% of the bank's unimpaired capital. For applications exceeding this threshold, the BCRC takes on the role of recommending them to the Board for their deliberation and subsequent approval.

It is important to note that the BCRC does not take on the managerial functions that remain under the purview of the executive directors, officers and other senior management members.

Members at 30 June 2023

D Ncube – Chairperson
ED Letebele
MW Ward
SL Bogatsu – Standing invitee
LD Woodford – Standing invitee

Key activities in 2023

- Conducted SARB Regulation 39 Self-Governance Assessment
- Reviewed the BCRC Charter and recommended it to the Board for approval
- Ensured that all the credit activities relating to large exposures were conducted within Board-approved risk strategy, policies and tolerance levels
- Ensured that exposures were sufficiently backed by collateral provided by counterparties and covenants adhered to and with appropriate risk/reward balance
- Maintained 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
- Overseeing Nostros and Bank Placement limits
- Monitored scheme loan limits
- Reviewed and approved credit applications within its mandate

Ongoing focus area

- Reviewing and monitoring of large exposures
- Monitoring of scheme loans given the current operating challenges

Risk, Capital Management and Compliance Committee (RCCC)

Mandate

The primary goal of the RCCC is to assist the Board in fulfilling its duty of supervising risk management throughout the bank, ensuring the safeguarding and prudent management of the bank's capital. While retaining its core function, the committee has entrusted the management of distinct risk categories, emerging from the intricacies, complexity and inherent risks of its operations to expert risk management sub-committees. The RCCC submits its reports and findings to the Board and highlights control issues to the AC.

The responsibilities of the RCCC are determined by the following legislations:

- Banking Act, 1995 as amended (Cap 55:01) and regulations relating to banks
- Botswana Stock Exchange Listing Requirements
- Companies Act of 2007 as amended
- Bank of Botswana Corporate Governance Guidelines for Banks

Members at 30 June 2023

MW Ward – Chairperson
D Ncube
A Petkar
BM Bonyongo
LF Jordaan
JK Macaskill – Invitee
SL Bogatsu – Standing Invitee
LD Woodford – Standing Invitee

Key activities in 2023

- Assessed compliance and monitoring of processes to mitigate potential risk related to change in KYC regulation governing BURS, Companies and Intellectual Property Authority and state-owned entities
- Considered reports from Exco on regulatory risk management and inspections
- Oversaw the implementation of measures to comply with AML/CFT requirements for identifying depositors at ATMs with deposit terminals and addressing enhanced due diligence of Politically Exposed Persons
- Considered credit risk report matters, including:
  - Non-performing loans
  - Credit exposures on specific outlier clients
  - Islamic Finance credit exposure
- Considered interventions to strengthen asset and liability management and maintain risk metrics within an established risk appetite
- Ensured that systems and resources necessary to combat cybercrime and fraud are continually assessed and amended as necessary for this ever-evolving risk and paying particular attention to evolving risks and the pace of change which will come with the advent of AI
- Monitored the legal process to protect the bank's various intellectual properties
- Oversight of material legislation
- Reviewed risk control and identification process and key risk indicators
- Satisfied itself that all transfer pricing regulatory requirements were embedded in management and tax processes
- Satisfied itself with the bank's standing in relation to the frameworks and policy universe
- Scrutinised the Business Continuity Management and IT risk report
- Tracked progress of the IT access risk remediation and fraud risk management audit
- Approving the following policies as delegated by the Board:
  - ALCCO Mandate
  - Main Risk Committee Charter
  - Operational Risk Appetite Statement
  - Integrated Crime Management Framework
  - Risk Data Aggregation and Risk Reporting (RDARR) Framework
  - IT Governance Framework
  - Data Privacy Framework
  - Environmental Policy
  - Operational Risk Appetite Policy
  - Anti-Bribery and Corruption Policy
  - Whistleblowing Policy
  - Ethical Conduct in Financial Markets Policy
  - Fair Market Conduct Policy

Ongoing focus area

- Oversee approved risk appetite per risk type
- Risk maturity
- Micro and macro-operating environments and markets

Board Committees (continued)

Directors' Affairs and Governance Ethics Committee (DAGC)

Mandate

The DAGC's objective is to ensure the appropriateness of the corporate governance practices of the Bank and assist the Board in discharging its responsibilities for governance, Board and committee structures, Board continuity, executive remuneration, Board effectiveness and executive succession. The DAGC's mandate has also been extended to overseeing the Bank's ethics programme.

The DAGC undertakes the interview and appointment process of directors to ensure that there is a balance of diversity and skills required for the Board and Board committees that are appropriate for the stature and size of the Bank.

The DAGC reviews the structure and composition of the Board and its subsidiaries. The committee ensures that the Board complies with all applicable laws, regulations and codes of conduct and practices.

Additionally, the DAGC monitors ethics and fair treatment of client relationships and employees. Matters of conduct and ethical and reputational importance are paramount in all business activities and interactions with all stakeholders of the Bank.

Members as at 30 June 2023

JK Macaskill – Chairperson

JR Khethe

BM Bonyongo

ED Letebele

SL Bogatsu – Standing invitee

LD Woodford – Standing invitee

Key activities in 2023

- Considered and recommended for Board approval the appointment of Ms Lee-Anne Van Zyl (subject to regulatory approval) as a non-executive director due to her skills set in retail and digital banking. There is also the focus to improve the gender balance on the Board
- Reviewed both ExCo and Board succession plans, including new Board appointments and Board committee re-composition following the retirement of directors
- 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
  - Independence of independent Non-Executive Directors who have served continuously
- Conducted SARB Regulation 39 Self-Governance Assessment
- Considered the results of the Board self-assessment; no significant findings were noted
- Facilitated the pledging of the bank's Code of Ethics by directors
- Oversaw the bank's ethics and culture risk
- Oversaw the implementation of the approved Board training plan for 2023
- Reviewed CEO and ExCo succession plans
- Submitted to Board for approval the revised Governance Framework, the Board Charter and DAGC Charter

Ongoing focus area

- Board effectiveness and continuity
- Continued focus on Board succession planning
- Continued focus on Board training
- Monitoring the evolving ESG and Sustainability programme

Remuneration Committee (REMCO)

Mandate	
The REMCO supervises the bank's remuneration policies, guaranteeing their congruence with the welfare of both employees and shareholders. REMCO actively promotes fairness in remuneration practices, emphasising the implementation of the "equal pay for work of equal value" principle. Furthermore, the committee maintains vigilance to ensure that remuneration practices remain in line with market standards and are sustainable over time.	**Members as at 30 June 2023** JR Khethe – Chairperson BM Bonyongo NB Lahri SL Bogatsu – Standing invitee LD Woodford – Standing invitee

Key activities in 2023

- Considered macro-economic factors likely to have an impact on remuneration
- Considered the bank's business and financial performance
- Monitored union negotiations of non-managers' salaries and the mediation
- Considered and recommended to the Board the proposed Non-Executive Director fees for 2024
- Considered the 2023 annual salary review principles for salary increase, bonus and share allocations
- Performed annual review of pay comparisons and benchmarking in the local market of salaries and variable pay (incentive/flexible options bonus and shares and retention packages for key resources)
- Approved the implementation of the Pay Scale Project and addressed capacity requirements to implement the project
- Reviewed the line-by-line remuneration of Exco, relative to the market
- Conducted SARB Regulation 39 Self-Governance Assessment
- Submitted the REMCO Charter to the Board for approval

Ongoing focus area

- Continued improvements in remuneration disclosures as per King IV
- Continued research and evaluation of remuneration best practices
- Human capital strategy implememtation following expansion of the committee mandate

King IV code on corporate governance as applied at FNB Botswana

The below broadly highlights the application status of King IV by the Board. The intended application of the principles is to promote and harness ethical culture, good governance, effective control and legitimate business practices.

Principle	Status of application	Comments
Principle 1: The governing body should lead ethically and effectively.	Applied	▷ As part of the annual Board evaluations, Board members are assessed on ethics and integrity. ▷ Board members periodically attest to the bank's code of ethics. ▷ Board members declare their interests as a standing governance practice and as per the Conflict-of-Interest Policy.
Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	Applied	▷ The Board, through the DAGC, has oversight of the bank's ethics culture. ▷ Management, through the ethics committee, submits a quarterly ethics report to the DAGC.
Principle 3: The governing body should ensure that the organisation is and seen to be a responsible corporate citizen.	Applied	▷ The Board has adopted a shared-value framework through which the bank strives to unlock environmental, economic and social value for all our stakeholders, including the broader society in which it operates. This also includes, but is not limited to, the value created through the FNB Botswana Foundation activities. ▷ Refer to the Shared Value section on page 86.
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.	Applied	▷ Refer to page 6 on purpose of the bank ▷ Refer to page 18 on material matters ▷ Refer to page 42 on strategy ▷ Refer to page 68 on 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.	Applied	▷ This report aligns with the relevant reporting standards as prescribed to ensure that stakeholders make informed assessment of the performance of the bank with no room for ambiguity. Page 4 of this report highlights the key reporting frameworks used.
Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.	Applied	▷ Refer to page 106 on Corporate Governance. The Board has adopted a Board Governance Framework wherein the Board serves as the focal point and custodian on corporate governance.
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.	Applied	▷ Refer to page 113 on Board Composition ▷ Refer to pages 108 – 111 on Board Member profiles
Principle 8: The governing body should ensure that its arrangements for delegation within its own structures should promote independent judgement and assist with the balance of power and the effective discharge of its duties.	Applied	▷ Refer to page 106 on delegation of authority ▷ Refer to pages 123 on Board Committee Reports

Principle	Status of application	Comments
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.	Applied	Refer to page 114 on Board Evaluations
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.	Applied	The DAGC is responsible for the Exco appointments and succession planning Refer to page 128 on the DAGC report
Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives	Applied	Refer to the RCCC report on page 126
Principle 12: The governing body should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives.	Applied	IT risk is managed as part of operational risk by the RCCC. Refer to page 126 for the RCCC report
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.	Applied	Compliance with applicable laws is a key risk that is managed through the RCCC. Refer to page 126 for the RCCC report Additionally, matters of business and market conduct are managed through the DAGC.
Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.	Applied	Refer to the Remuneration Report on page 129.
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 external reporting purposes.	Applied	The bank's assurance is provided through the internal and external audit functions. Additionally, there is a combined assurance forum that has been set up. Refer to page 125 for further reading on this.
Principle 16: In the execution of its governance roles 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.	Applied	Refer to the Stakeholder Report on page 58

Remuneration

Background statement

The REMCO believes that the bank has effectively met the objectives outlined in its Remuneration Charter and has fulfilled its commitment to establishing equitable and accountable remuneration practices as defined in its Remuneration Policy.

FNB Botswana acknowledges that its employees are the core and enduring foundation of competitive advantage in a contemporary service driven economy. Their pivotal role in sustaining the bank's success is evident through exceptional client service and valuable collaborative relationships.

This report marks FNB Botswana's fourth integrated report and signifies a progressive enhancement in disclosing directors' remuneration as stipulated by King IV guidelines.

Internal and external factors that influenced remuneration

The remuneration structure for the 2022/2023 period was influenced by macro-economic factors, notably inflation and interest rates.

The REMCO also considered competitive reward systems when evaluating suitable compensation packages. The assessment of individual performance ratings was a key aspect for both managerial and non-managerial staff, carried out through a well-established performance management process. Consistent with a pay-for-performance approach, employees with ratings below three on a five-point scale did not receive salary increases.

FNB Botswana participated in annual salary surveys administered by Emergence Growth, focusing on the Botswana Banking and Financial services sector. The bank's 50th percentile was matched against the industry's 50th percentile for the Total Guaranteed Package. The comparative ratio for Total Guaranteed Pay, across all job grades, averaged at 101%. Broadly, a majority of FNB Botswana employees exhibited favourable comparisons to the Botswana banking industry sector's market median, which typically ranges from the 80th to 120th percentile in terms of Total Guaranteed Pay. The survey results highlighted that all non-managerial salary bands within FNB Botswana fall comfortably within the market range

Most recent results of voting

The Botswana Stock Exchange (BSE) does not mandate the submission of the complete Remuneration Implementation Report for shareholder voting. However, the approval of Non-Executive Directors' fees is a requirement at the AGM. At the 2022 AGM, a significant majority of 98.23% of shareholders voted in favour of the proposed Non-Executive Directors' fees.

Key decisions taken by the REMCO

The following key decisions were taken by the committee:

- Approved a mandate for non-managers' salary negotiations with the union for 2022/2023 salaries
- Approved managerial and non-managerial pools for 2022/2023 performance
- Approved managerial salary increase for 2022/2023
- Approved salary budget for 2023/2024
- Approved share allocations for 2022/2023 performance
- Recommended directors' fees to the Board for approval
- Reviewed the REMCO Charter.

Future focus areas

- Continued improvements in remuneration disclosures as per King IV
- Continued research on best remuneration practices

FNB Botswana Remuneration Policy

The purpose of FNB Botswana's Remuneration Policy is 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 Remuneration Policy is based on four fundamental principles

Total reward	Managing and rewarding performance	Competitive and fair reward	Recognition and celebration

Total reward

FNB Botswana acknowledges that employee motivation goes beyond mere financial compensation. As such, the Bank emphasises the concept of total reward, which encompasses all facets of remuneration. FNB Botswana recognises the principle of total reward, embracing

- Guaranteed pay
- Incentives, recognition schemes and long-term incentive schemes
- Performance bonus

The bank also considers intangible rewards such as:

- A positive work environment with supportive colleagues
- A positive and empowering culture
- Growth and development
- Innovation

FNB Total reward approach

FNB culture
Growth and development
Workplace

Reward
- Guaranteed pay
- Benefits
- Variable pay
- Recognition

Employee
- High-performing
- Engaged
- Sharing in value created

Business
- High performance
- Innovation
- Efficiencies

Managing and rewarding performance

FNB Botswana operates as a people-centric organisation with a strong emphasis on achieving high performance standards. Every employee is held responsible and is bound to deliver work at a predefined level of excellence. This approach aligns with the bank's performance management strategy, which aims to empower performance rather than merely enforcing control. FNB Botswana has recently reviewed the performance management system towards performance enablement approach which focuses on conducting regular coaching conversations. Emphasis is on holding continuous conversations and not wait for specific periods of the year to ensure that the organisation achieves a high-performance culture.

FNB Botswana is dedicated to the principle of rewarding and managing performance. The bank firmly believes that every employee should have the capacity to influence their earnings through the value they contribute. It is important to note that salary increases and bonuses are only granted for performance that meets or exceeds expectations.

Remuneration (continued)

Competitive and fair reward

FNB Botswana ensures that reward decisions are impartially established through rigorous and transparent procedures. The bank is committed to eradicating unwarranted pay disparities in salaries based on employees' race or gender, assuming their qualifications, experience and performance rating are identical. Corrective measures are taken when such discrepancies are identified.

The bank's philosophy revolves around offering competitive salaries that match the external market, provided that performance standards are fulfilled. Regular benchmarking is conducted to compare FNB Botswana positions with equivalent roles in the market, ensuring the bank remains competitive. For senior and executive positions, reliance on salary ranges is minimised, favouring a market-pricing approach to determine compensation.

Recognition and celebration

While achieving results remains significant, FNB Botswana places equal emphasis on genuine recognition and the commemoration of achievements, viewing these as integral components of our people-centric practices.

Salary components

Component	Executive management	Other employees
Guaranteed package The overall cost of increases is set at a level agreed by the REMCO and reviewed annually on 1 August. A top-down process is followed where, once approval for salary increases is obtained and negotiations with the union are completed, the business is allocated a pool for increases.	Year-on-year increases for ExCo were set at:	Managerial and non-managerial

Rating	Normal % increase
3.0-3.4	7.5%
3.5-3.9	8%
4.0-4.5	8.5%
4.5-4.9	

Category	Rating	Managerial	Non-managerial
Outstanding	5	8.5%	12%
Very good	4.0-4.9	8.0%	11%
Good	3.0-3.9	7.5%	10%
Room for improvement	2.0-2.9	0%	0%
Unacceptable	1.0-1.9	0%	0%

Component	Executive management	Other employees
Other benefits	- Group Life Cover inclusive of income continuation benefit - Pension fund 13.5% - 100% medical aid cover - Four months maternity leave at full salary - Paid paternity leave of 10 days - Payment for professional fees and subscriptions - Favourable interest rates for home loans, personal loans and WesBank loans - Annual Christmas gift from CEO - Car allowance for managers and some non-managers as a tool of trade	- Banking charge exemptions - Scholarship scheme - Study loan at 0% interest (capped at P50 000) - Subsidised gym fees at Head Office, which is currently being introduced to other branches outside Gaborone - Subsidised meal fees at Head Office cafeteria - Access to the Employee Assistance Programme, through the Employee Wellness Programme service offering - Performance bonus - Innovation programme that rewards ideas and implementation

<table>
<tr><th>Component</th><th>Executive management</th><th>Other employees</th></tr>
<tr><td>13th cheque</td><td colspan="2">Equivalent to one month's salary</td></tr>
<tr><td>Sign-on bonus</td><td colspan="2">• Sign-on bonuses are applied in limited circumstances, for example, when the business is heavily reliant on high-demand scarce skill sets, to replace prospective employees' current benefits, and/or to remain attractive and competitive in the market.
• A lock-in arrangement is in place where the new joiner repays FNB Botswana should he/ she leave the Company within a certain period.</td></tr>
<tr><td>Bonus
Allocation is discretionary based on individual performance, overall profitability and return on equity targets</td><td>The overall bonus pool for FNB Botswana is determined at FirstRand Group level based on country performance.</td><td>The pool for all ExCo, managerial and non-managerial employees is determined by the FNB Botswana REMCO based on FNB Botswana's financial performance and industry trends.</td></tr>
<tr><td>FirstRand share allocation</td><td colspan="2">• Shares are allocated per principles in line with the Group to reward long-term performance, high performers and employees with rare or critical skills. Allocation of shares is based on employee contribution to the strategy and living the FNB Botswana values.
• Internal fairness in terms of the individual quantum of shares allocated is achieved by means of targeted allocations for people in similar salary categories and by means of an overview and functional calibration process.</td></tr>
<tr><td>Retention payments
Subject to the approval of an FNB Botswana executive and those in excess of
P500 000 are subject to approval by the CEO</td><td colspan="2">• A lock-in or cash retention payment may be negotiated with an existing employee in limited circumstances i.e. when the employee is working on a business-critical project, and it is essential to retain the service of such an employee who has competencies that are scarce and specifically related to the project.</td></tr>
<tr><td>Termination, malus and clawback provisions</td><td colspan="2">Malus is applicable to awards that have not yet vested and 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 were based on erroneous, inaccurate or misleading information
• 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 and 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, both long-term incentives and short-term incentives, three years after the awards vested.
Should an employee resign or be dismissed, unpaid bonus tranches are forfeited except where the REMCO deems an individual a 'good leaver'.</td></tr>
</table>

Remuneration (continued)

Non-Executive Directors
REMCO engaged the services of an external service provider to conduct a benchmarking and competitor analysis of Non-Executive Directors fees in the banking and financial services industry. Following the exercise and in line with the benchmarks and recommendations provided, REMCO and Board approved an amount of P6, 595,000 (Six Million, Five Hundred and Ninety-Five Thousand Pula) for Non-Executive Directors fees. This amount is constituted by sitting fees and retainer fees and will be paid to 10 Non-Executive Directors for their directorship on the Board and its 6 committees. This amount will be subject to approval by shareholders at the upcoming AGM. For a full appreciation of the breakdown of the proposed fees, refer to the AGM notice at page 250. For the year ended June 2023, a total of P5,489,337 (Five Million, Four Hundred and Eighty-Nine Pula) was paid to Non-Executive Directors. **The following principles apply to Board fees:**

i. Executive Directors and Non-Executive Directors employed by the FirstRand Group do not receive fees
ii. Fees are reviewed annually in line with industry benchmarks and are approved at the AGM for the year ahead
iii. Board and Committee meeting fees will no longer be paid at an hourly rate, and shall be paid at a flat rate, with a premium rate for the Chairpersons.
iv. Meeting fees cover preparation and actual meetings
v. All members of the Board are paid a retainer, with the Chairperson of the Board earning a premium retainer
vi. All Committee Chairpersons are paid a retainer relative to the complexity of each Committee.
vii. Only the members of the Audit Committee are paid a retainer
viii. The retainer covers retention for skill and expertise, round robin applications, adhoc and special meetings, training, attendance of bank events, and engagement with Bank stakeholders.
ix. The retainer will be paid on a quarterly basis in advance.

Executive Management's fees – target illustrations

Below is an illustration of the potential effect on the total remuneration for executive management (excluding CEO and CFO) (based on a single, total figure):

Element	Total
Total number of executive management members	14
Annual total base pay	P19 422 376
Annual total gross package (base, car allowance, medical aid)	P24 186 968
Short-term Incentive Plan	P9 306 200
Long-term Incentive Plan	6 783 160

Implementation report

There were no deviations from the Remuneration Policy upon implementation.

Single total figure remuneration received and receivable at fair value – 2023

Name	Directors' fees (P)
Executive Directors	
S.L. Bogatsu	6 277 246
L.D. Woodford	4 074 844
Total	**10 352 090**
Non-Executive Directors	
B.M. Bonyongo	646 892
A. Petkar	338 878
D. Ncube	854 153
E.D. Letebele	738 068
J.K. Macaskill	560 651
J.R. Khethe	422 370
L.F. Jordaan	308 908
M. Marinelli	443 110
M.W. Ward	830 611
N. Lahri	345 696
Total	**5 489 337**
Total Executive and Non-Executive Directors	**15 841 427**

Single total figure remuneration received and receivable at fair value – 2022

Name	Directors' fees (P)
Executive Directors	
S.L. Bogatsu	5 392 381
L.D. Woodford	3 708 604
Total	**9 100 985**
Non-Executive Directors	
B.M. Bonyongo	582 536
A. Petkar**	185 291
D. Ncube	717 892
E.D. Letebele	619 988
J.K. Macaskill	564 710
J.R. Khethe	361 970
L.F. Jordaan	28 924
M. Marinelli***	181 877
M.W. Ward	717 793
N. Lahri	271 256
S. Thapelo*	110 834
Total	**4 343 071**
Total Executive and Non-Executive Directors	**13 444 056**

* Retired at AGM, November 2021

Remuneration (continued)

** Joined the Board on 26 August 2021
*** Joined the Board on 26 August 2021

Executive Directors' Scorecard

	Category	Measure	Metrics	Category weight
FINANCIAL	Earnings and returns	Growth in pre-provision operating profit (PPOP)	Normalised PPOP	30%
		Normalised earnings measured against budget/ business case	Normalised earnings	
		Year-on-year NIACC growth	NIACC	
STRATEGIC	**Category**	**Measure**	**Metrics**	**Category weight**
	Protect and grow banking business	Growth in active customers	Active customer number	25%
		Increase cross-sell	VSI	
		Increase number of primary bank relationships	Number of primary banking relationships	
		Grow deposit franchise	Closing deposits	
		Targeted origination strategies in line with risk appetite	Closing advances	
		Cost management – Good control of run-the-bank cost	Run-the-bank cost	
	Advances growth	Growth in advances within risk parameters via the segment led strategies with growth in Commercial being a specific focus area	Closing advances – commercial	
	Platform Journey	Digitising operations and customer relationships aligned with the FirstRand platform journey and work item process	Delivery in line with roadmap	
	Disciplined management of financial resources	Adherence to FRM guidelines	Assessment based on FRM guidelines	
	Process automation	Automation of processes and improvements in customer experiences resulting in cost benefits	Country to agree on measurables	
	KYC	Execution of KYC refresh	As per agreed timelines	
RISK AND CONTROL	**Category**		**Metrics**	**Category weight**
	Control environment		Audit issues per risk maturity scorecards	25%
	Market conduct		Regulatory, incl. conduct rating per risk scorecards	
	Business conduct		Regulatory, incl. conduct rating per risk scorecards	
	Risk appetite and volatility		Risk Maturity Rating per risk scorecards	
	Credit loss/impairments		Credit loss ratio	
	Reduce NPL ratio over time		NPL ratio	
	Operational, market and investment risks		Ops Losses Per Risk Maturity Scorecards	
	Operational, market and investment risks		AML scored based on o/s high risk EDDs, overall programme status	

	Category	Metrics	Category weight
ESG	Ensuring the health of organisational culture and good corporate governance	Engagement survey	10%
	Health of key relationships	Health of regulatory relationship, Feedback from Board Chair and audit committee Chair	
	Shared value Community Upliftment Amount Allocation SME Development Ring-Fenced Balance Sheet	Localisation of procurement spend	
	Climate	Customised and approved policies (Climate Change and Energy Policy)	
PEOPLE	**Category**	**Metrics**	**Category weight**
	Talent management and succession planning	Pipeline utilisation Bench strength Time-to-fill and onboarding Risk and impact of loss of key skills Talent mobility Development activities	10%
TOTAL SCORE/RATING			**100%**

Executive Directors' Performance

	Return on Equity (ROE)	Profit Before Tax (PBT)	Net Income after Cost of Capital (NIACC)	Customer number	Advances
Target	21% - 24%	1,279,175	626,700 - 765,966	686,031	17,884,820
Actual	32.0%	1,419,876	696,333	655,418	17,305,532

Executive Directors' Remuneration: Guaranteed Pay, Short-Term Incentive (STI) and Long-Term Incentive (LTI)

(P)	2022	2023
STI Allocation		
S.L. Bogatsu	1 650 000	2 000 000
L.D. Woodford	1 596 000	1 760 000
LTI Allocation		
S.L. Bogatsu	2 042 360	2 211 900
L.D. Woodford	1 172 465	1 142 815

Annual financial statements

Consolidated and separate financial statements
for the year ended 30 June 2023

First National Bank of Botswana Limited
(Registration number BW00000790476) Consolidated
and Separate Financial Statements for the year ended June 30, 2023

Table of contents for financial statements

Report of the Audit Committee

FOR THE YEAR ENDED 30 JUNE 2023

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 International Financial Reporting Standards and in compliance with the Banking Act (Cap 46:04).

On behalf of the Audit Committee

Massimo Marinelli
Chairman

Friday, September 8, 2023

Directors' Responsibility Statement

FOR THE YEAR ENDED 30 JUNE 2023

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 International Financial Reporting Standards (IFRS) 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 independent auditors, Deloitte & Touche, who were given unrestricted access to all financial records and related data, including minutes of the meetings of the Board of Directors and committees of the Board. The Directors believe that all representations made to the independent auditors during their audit are valid and appropriate. The independent auditor's report is presented on pages 146 to 150 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 140 to 242 of these Annual Financial Statements, which were approved on September 08, 2023 and were signed on their behalf by:

Approval of financial statements

Balisi Bonyongo	**Steven L. Bogatsu**
Chairman	**Chief Executive Officer**

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2023

The Directors have pleasure in submitting their report together with the consolidated and separate financial statements of First National Bank of Botswana Limited (FNBB), (the Group and the Company) for the year ended June 30, 2023.

The consolidated and separate financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) 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 P1,116 billion (2022: P 927 million) increased by 20% compared to the results for the year ended June 30, 2022. The Company income after tax of P1,113 billion (2022: P 915 million) increased by 22%, compared to the results for the year ended June 30, 2022.

Stated capital

The Company's stated capital consists of 2,543,700,000 (2022: 2,543,700,000) ordinary shares, of which First National Bank Holdings (Botswana) Limited holds 1,780,590,000 (2022: 1,780,590,000) representing 70.00% (2022:70.00%), and the balance is traded on the Botswana Stock Exchange (BSE).

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 (2022: 23,012), which represents approximately 0.0009% (2022: 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 20.00 thebe per share (2022: 16.00 thebe). An interim dividend of 12.00 thebe per share (2022: 10.00 thebe) for the year ended June 30, 2023 has been paid to holders of ordinary shares.

The post-dividend capital adequacy ratio at the end of June 2023 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 Bank's operations will continue to remain uninterrupted for the foreseeable future.

On the basis of this review, and in light of the current financial position and profitable trading history, the directors are satisfied that the bank has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

Directors' Report (continued)

FOR THE YEAR ENDED 30 JUNE 2023

Events after the reporting period
There were no conditions after the reporting period that require disclosure or adjustment to the financial statements.

Directorate

The composition of the Board was as follows:

Directors	Office	Nationality	Appointed	Resigned
Balisi Bonyongo	Chairperson	Motswana		
Steven L. Bogatsu	Chief Executive Officer	Motswana		
Jabulani R. Khethe	Independent Non-Executive Director	South African		
John K. Macaskill	Non-Executive Director	South African		
Doreen Ncube	Independent Non-Executive Director	Motswana		
Michael W. Ward	Independent Non-Executive Director	British		
Naseem B. Lahri	Independent Non-Executive Director	Motswana		
Ephraim Letebele	Independent Non-Executive Director	Motswana		
Massimo Marinelli	Independent Non-Executive Director	Italian		
Asad Petkar	Independent Non-Executive Director	Motswana		
Louis F. Jordaan	Non-Executive Director	South African		
Luke D. Woodford	Director Credit	South African		17 August 2023
Mbako Mbo	Chief Financial Officer	Motswana	17 August 2023	

Transfer Secretaries
Central Securities Depository Botswana

Business address	Plot 70667 4th Floor, Fair Precinct Fairgrounds, Gaborone, Botswana
Postal address	Private Bag 00417, Gaborone, Botswana

Auditors
Deloitte & Touche

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

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF FIRST NATIONAL BANK OF BOTSWANA LIMITED

Opinion

We have audited the Consolidated and Separate Financial Statements ('the financial statements') of First National Bank of Botswana Limited ('the Company') and its subsidiaries ('the Group'), set out on pages 151 to 173, which comprise the consolidated and separate statements of financial position as at 30 June 2023, and 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, and the notes to the Consolidated and Separate Financial Statements, including a summary of significant accounting policies.

In our opinion, the Consolidated and Separate Financial Statements give a true and fair view of the consolidated and separate financial position of the Group and the Company as at 30 June 2023, and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Botswana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF FIRST NATIONAL BANK OF BOTSWANA LIMITED

Key Audit Matter	How the matter was addressed in the audit
Impairment of Advances (Consolidated and Separate)	

We considered the impairment of advances to be a matter of significant importance to our current year audit due to the following:

- Advances are material to the financial statements;
- The level of subjective judgement and assumptions applied in determining the ECL on advances;
- The uncertainty related to local and global economic stress.

Management continues to monitor the impact of the IFRS 9 - Financial Instruments (IFRS 9), Expected Credit Loss (ECL) methodology and to refine inputs and judgements made to ensure that the ECL is aligned to the requirements of the accounting standard, industry and Global and local developments.

The Group's advances broadly fall into three customer segments:

- Retail;
- Commercial, as part of the FNB business; and
- Corporate/Wholesale which forms part of the RMB business.

We have set out below the risks and responses based on the ECL approach adopted.

Collectively assessed ECL

Where advances are a large homogenous population of customers the ECL is calculated on a collective or portfolio basis. Where clients have not defaulted on their advances, management uses a portfolio provisioning approach in which they use statistical models incorporating various judgements and assumptions in developing their expected credit losses on the portfolio of clients. The Bank uses a number of complex statistical models across all segments incorporating data and assumptions which are not always necessarily observable. Management applies professional judgement in developing the credit impairment models, analysing data and determining the most appropriate assumptions and estimates.

The inputs into the modelling process require significant management judgement, including:

- The input assumptions and methodologies applied to estimate the probability of default (PD), exposure at default (EAD) and loss given default (LGD) within the ECL calculations;
- The assessment of whether there has been a significant increase in credit risk (SICR) event since origination date of the exposure to the reporting date. IFRS 9 requires that accounts reflecting signs of SICR should be reported as Stage 2 and attract a lifetime ECL provision, relative to Stage 1 accounts which attract a 12-month ECL;

Our audit of the impairment of advances included, inter alia, the following procedures performed with the assistance of our credit and actuarial specialists.

- Across all significant portfolios we assessed the ECL policies and judgements applied by management against the requirements of IFRS 9;
- We tested the design and implementation of relevant controls over the processes used to calculate impairments;
- We assessed the Group's probability-weighted macroeconomic scenario estimates and evaluated the outlined methodology, scenario views and associated probabilities in terms of the principles of IFRS 9, including the review of the approval of these macro-economic variables through the appropriate governance structures; and
- We evaluated the design and implementation and tested the operating effectiveness of controls relating to credit origination, and the calculation of arrears and days past due.

Below is a summary of the substantive procedures performed for each segment:

Retail and commercial advances

We performed the following procedures on the ECL for all material retail and commercial advances portfolios with the assistance of our credit and actuarial experts:

- Obtained an understanding of the methodologies and assumptions used by management in the various ECL model components (PD, EAD, LGD) and assessed these against the requirements of IFRS 9 and industry best practice;
- Assessed the reasonableness of the SICR criteria adopted by management;
- Assessed the application of forward-looking information in the ECL calculation. This included selection of relevant macro-economic variables such as gross domestic product (GDP) and the central bank rates, and assessing whether these variables were appropriate indicators of future losses;
- Tested the completeness and accuracy of data inputs into the models by tracing a sample of data inputs back to the information sourced by management from internal systems;
- Assessed the accuracy of the Bank's model output at a parameter level and in total against our independent challenger model output, and investigated any material variances;
- Inspected a sample of legal agreements and supporting documentation to assess the legal right to and existence of collateral;

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF FIRST NATIONAL BANK OF BOTSWANA LIMITED

Key Audit Matter	How the matter was addressed in the audit
Impairment of Advances (Consolidated and Separate)	
• The determination of the lifetime of a financial instrument subject to ECL assessment; • The incorporation of unbiased probability weighted forward-looking information. **Individually assessed ECL** The Bank individually assesses ECL for watch list accounts and accounts that are credit impaired (Stage 3). All watchlist accounts are considered to have SICR and attract a lifetime ECL. The other key judgements we considered are: • valuation of collateral held; • estimation of the recoverable amounts and timing of future cash flows. **Out of model adjustments and overlays** Across all portfolios, management applies judgement to recognise additional ECL (in the form of overlays and out of model adjustments) where there is uncertainty in respect of the models' ability to accurately predict future losses. This could be due to data limitations, inability to accurately model emerging risks due to inherent limitations of modelling based on past performance, and macro-economic events that are not adequately captured by the models. We consider out of model adjustments and overlays as a significant risk across all segments given the high level of judgement and estimation uncertainty inherent in these. Related disclosures in the Consolidated and Separate Financial statements: • 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; and • Note 39 - Financial risk management.	• Assessed a sample of watch list accounts and accounts that are credit impaired (Stage 3) for reasonableness of collateral valuation considered in assessing ECL; and • Assessed the discount rates and periods used for discounting estimated future cash flows for reasonableness. **Corporate advances** We performed the following procedures on the ECL for corporate advances with the assistance of our credit and actuarial specialists: • Assessed, the appropriateness of assumptions made by management in determining the level of impairment, including the probability of default and valuation of collateral and the incorporation of the macro-economic variables; • Tested the appropriateness of the forward looking information in order to evaluate whether the chosen macro-economic factors provide a reasonable representation of the impact of macro-economic changes on the ECL results; and • Assessed the reasonability of the credit risk parameters calculated by management. **Out of model adjustments and overlays** • We challenged the validity and reasonableness of overlays recorded by management by ensuring each overlay was related to a known model weakness or model limitation; • We challenged the key assumptions and judgements related to each overlay to ensure that these were reasonable and supportable using available Bank information or other widely available market data; • Assessed the need for any other overlays not considered by management based on our expert judgement and widely available information; and • Performed a top down test of the reasonableness of the overall ECL provisions under stressed conditions to assess whether adequate provisions were recorded. In conclusion, we determined the impairment of allowances and related disclosures to be adequate.

Other Information

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

Our opinion on the Consolidated and Separate Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF FIRST NATIONAL BANK OF BOTSWANA LIMITED

Other Information (Continued)

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

The directors are responsible for overseeing the Group's and Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

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

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF FIRST NATIONAL BANK OF BOTSWANA LIMITED

Responsibilities of the Directors for the Consolidated and Separate Financial Statements (Continued)

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

We also provide the 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 Audit Committee, we determine those matters that were of most significance in the audit of the Consolidated and Separate 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.

Deloitte + Touche

08 September 2023
Gaborone

Deloitte & Touche
Firm of Certified Auditors
Practicing Member: Pragnaben Naik (CAP 007 2023)

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1. INTRODUCTION

The Group's consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including interpretations issued by the IFRS Interpretations Committee and the Banking Act (Cap 46:04).

These financial statements comprise the statements of financial position as at June 30, 2023, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, as well as the notes, which comprise a summary of significant 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 financial instruments that are measured at fair values.

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:

- Audited 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 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 judgements and estimates
The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement 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 transactions.

International Financial Reporting Standards are applied where items are considered material. Management applies judgement 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) or non-monetary items. For non-monetary items measured at cost the rate applied is the transaction date rate.

Foreign exchange gains or losses are recognised in profit or loss.

The Group presents its statement of financial position in order of liquidity. Where permitted or required under IFRS, the Group offsets assets and liabilities or income and expenses and presents the net amount in the statement of financial position or in the statement of other comprehensive income.

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1.1 BASIS OF PREPARATION (continued)

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 macroeconomic 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 significant accounting policies in preparing its financial statements and these policies have been consistently applied to all years presented.

SUMMARY OF SIGNIFICANT 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)		

New standards adopted in the current year
There were no new or amended IFRS standards which became effective for the year ended June 30, 2023 that impacted the Group's reported earnings, financial position or reserves, or the accounting policies.

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1.2 SUBSIDIARIES

1.2.1 Basis of consolidation

The consolidated and separate financial statements incorporate the consolidated and separate financial statements of the company and all subsidiaries. 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

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.

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,
- 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.

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 30 JUNE 2023

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.

Interest expense includes:
- Interest on debt instruments measured at fair value through profit or loss;
- Interest on debt instruments measured at amortised cost;
- The interest portion of the net gains or losses on derivatives that are used to economically hedge interest rate risk; and
- The difference between the purchase and resale price in repurchase agreements where the related deposit is measured at amortised cost.

The total interest expense is reduced by the amount of interest expense 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 is excluded from fees and commissions from customers and are recognised in non-interest revenue.

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.

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1.3 INCOME, EXPENSES AND TAXATION (continued)

1.3.1 Income and expenses (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, electricty 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.

Insurance income – non-risk related

Where the Group is acting as an agent, commissions and admin fees earned on the sale of insurance products to customers of the Group on behalf of an insurer, are recognised at the point that the significant obligation has been fulfilled over the life of the related facility.

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;
- Fair value adjustments that are not related to credit risk on advances designated at fair value through profit or loss;
- A component of interest expense that relates to interest paid on liabilities which fund the Group's fair value operations; 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 value added tax. Indirect tax is disclosed separately from income tax and operating expenses in the income statement.

1.3.2 Income tax expenses

The current income tax expense is calculated by adjusting the net profit for the year for items that are non-taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

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.

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1.3 INCOME, EXPENSES AND TAXATION (continued)
1.3.2 Income tax expenses (continued)

Typical temporary differences in the Group for which deferred tax is provided include:

- Depreciation of property and equipment;
- Prepaid expenses.

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.

Presentation
Deferred income tax is presented 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.

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.

1.4 FINANCIAL INSTRUMENTS (continued)
1.4.1 Classification and measurement (continued)

In considering whether the business objective of holding a group of financial assets is achieved primarily through collecting contractual cash flows, amongst 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.

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 doesn't 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 principle 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 acquisition. 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.

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1.4 FINANCIAL INSTRUMENTS (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.

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.

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1.4 FINANCIAL INSTRUMENTS (continued)

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.

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.

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1.4 FINANCIAL INSTRUMENTS (continued)

Advances

Significant increase in credit risk since initial recognition (SICR)
In order 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.

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 unlikeliness 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 re-defined rates. Curing from default within Corporate and Commercial is determined judgementally through a committee process.

Purchased or originated credit-impaired assets
Financial assets that meet the aforementioned definition of credit-impaired at initial recognition.

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1.4 FINANCIAL INSTRUMENTS (continued)

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.

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

All physical cash is classified as stage 1. Other exposures are 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.

Intercompany balances

All intercompany balances are classified as stage 1, unless there is evidence of impairment, in which case exposures are moved directly to stage 3.

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1.4 FINANCIAL INSTRUMENTS (continued)

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).

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).

1.4 FINANCIAL INSTRUMENTS (continued)

1.4.4 Offsetting of financial instruments and collateral (continued)

Financial collateral (mostly cash) is also obtained, often daily, for the net exposure between counterparties to mitigate credit risk.

Repurchase and reverse repurchase agreements, and securities lending and borrowing transactions
These transactions by the Group are covered by master agreements with netting terms similar to those of the ISDA MNA. Where the Group has entered into a repurchase and reverse repurchase or securities borrowing and lending transaction, with the same counterparty, the advance and liability balances are set-off in the statement of financial position only if they are due on a single day, denominated in the same currency and the Group has the intention to settle these amounts on a net basis. The Group receives and accepts collateral for these 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 assets

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

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.

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1.5 OTHER ASSETS AND LIABILITIES (continued)

1.5.4 Leases (continued)

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 company is 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 included in the lease. If this rate cannot be readily determined, the Group's own internal borrowing rate is applied.

The ROUAs are measured at 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 treated in line with 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 creditors and accruals 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.

Operating Leases

Group company is the lessee
For short-term and low value leases, which the Group has defined as all other leases except for property and vehicles leases, the lease payments are recognised as operating expense spread on a straight line basis over the term of the lease.

Group company is 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.

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1.5 OTHER ASSETS AND LIABILITIES (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 on a straight line basis over the useful life of the assets, except for assets capitalised under finance leases where the Group is the lessee, in which case depreciation is calculated as set out in the accounting policy for leases. The useful lives of the Group and Company's assets are disclosed below.

Land and buildings held for use in the supply of services, or for administrative purposes, are stated 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
Leasehold improvements	Straight line	Shorter of estimated life or period of lease
Furniture and equipment	Straight line	Varies between 3 to 10 years
Motor vehicles	Straight line	5 years
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.

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 30 JUNE 2023

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 a liability for management and staff bonuses when it is probable that the economic benefits will be paid and the amount can be reliably measured. The expense is included in staff costs.

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 30 JUNE 2023

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 behavior on other products, industry specific stresses and anticipated changes in legislation and other relevant factors. Judgmental factors may result in the client being added to the watch list through the 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

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.

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1.8 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (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 macroeconomic 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 life-time 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 macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for various scenarios. These scenarios are overseen by a governance forum, which is responsible for oversight and is independent from credit and modelling functions.

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

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.

Economic Scenarios Applied in June 2023 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 its Transitional National Development Plan, leading to increased activity in 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 successfully implement the NDP11 framework which unlocks private investment in key sectors. Improved power and water supply facilitate greater economic activity. Tax revenues increase while the tax base also expands. Bank lending to households and businesses improves gradually given stable interest rates. The USD depreciates as a search for yield in emerging markets returns. Private and public sector investment increases on the back of greater policy certainty. Global inflation trends lower as supply side pressures dissipate. Stronger than expected global growth.

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1.8 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

Baseline: The global economic backdrop continues to improve gradually. Global inflation slows across a range of measures, and thus allows central banks to begin signaling the end of their hiking cycles. Botswana's GDP growth continues to reflect recovery, primarily led by improved diamond mining activities as global demand for diamonds remained supportive. However, global diamond demand will abate over the course of the year which will act as a drag on Botswana's growth, leading to a 3.7% growth average for 2023. Botswana's Transitional National Development Plan (NDP), which is expected to run from 2023/24 to 2025/26, fast track outstanding infrastructure projects from NDP11 (which came to an end on 1 April 2023). This will support Botswana's construction industry as well as improve the local operating environment as the planned infrastructure comes onstream.Following a 12.1% average in 2022, Botswana's inflation is expected to moderate to an average of 7.6% in 2023 owing to lower local fuel prices as well as the suspension of rate increases from utilities providers. Botswana Energy Regulatory Authority continues to reject the Botswana Power Corporation's (BPC) application for tariff increase. The Botswana Housing Corporation suspended rental price increases for two consecutive years effective 1st April 2023 , reducing pressure on local inflation. The extension of import restrictions on fresh produce will continue to exert upward pressure on local food prices, along with the reversion of VAT to 14% in April 2023 (from 12% implemented in August 2022) slowing the rate of disinflation locally.

Downside: The war in Ukraine continues to damage global supply chains, creating global shortage of commodities, with high inflation globally. Diamond production slumps due to escalating input costs, weak global demand and delays in the implementation of the Cut 3 and Cut 9 projects. Government finances come under pressure as SACU revenues fall. Credit agencies downgrade Botswana due to reduced government revenues as well as budget deficit increases. The government fails to privatise and/or restructure loss making state-owned entities, causing further drag on the fiscus. The ZAR depreciates sharply against the USD in response to a marked fall in the appetite for emerging market assets. BWP/ZAR increases sharply as a result. Global inflation lifts further due to supply side pressures. Global central banks tighten monetary conditions to addressinflation and financial conditions tighten.

Gross Domestic Product

	FLIs: Applied in ECL Models		
Scenario - 2023	**Upside**	**Baseline**	**Downside**
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		
Scenario - 2022	Upside	Baseline	Downside
2023	5.25	3.70	0.90
2024	5.45	3.90	0.55
2025	5.50	4.00	0.40
Weighting	15 %	66 %	19 %

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1.8 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

Monetary policy

	FLIs: Applied in ECL Models		
Scenario - 2023	**Upside**	**Baseline**	**Downside**
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 %

	FLIs: Applied in ECL Models		
Scenario - 2022	Upside	Baseline	Downside
2023	3.70	2.70	3.70
2024	3.10	3.20	8.40
2025	3.10	3.20	8.40
Weighting	15 %	66 %	19 %

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.

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1.8 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

June 30, 2023

	Exposure	ECL Impact
	P'000	**P'000**
Total	639,985	45,805

June 30, 2022

	Exposure	ECL Impact
	P'000	**P'000**
Total	42,549	2,720

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 2023:

	Industry Overlay Sensitivity Analysis		
Scenarios	**Current factor**	**Sensitivity factor**	**ECL Impact P'000**
Low	3	5	879
Medium	7	9	4,576
High	11	13	3,922
Total			**9,377**

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 2022.

	Increased Probability of Default		
Scenarios	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**

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1.8 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (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 2023 sensitivity shown indicates the ECL impact of a further 5% increase on the Gross Carrying Amount (GCA) for the affected Schemes

	Exposure P'000	ECL Impact P'000
Exposure at risk	507,472	38,208
5% increase in exposure at risk	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.

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 CGUs. For impairment testing purposes, goodwill is allocated to cash generating units (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:

	2023 P '000	2022 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.

Significant Accounting Policies (continued)

FOR THE YEAR ENDED 30 JUNE 2023

1.8 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

1.8.6 Impairment of goodwill (continued)

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 macroeconomic 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.

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

	2023 %	2022 %
Pre-tax discount rates (%)	15.70	15.45
Growth rates (%)	4.70	4.90

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 (2022: 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 CGUs. 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.

Income Statements

AS AT JUNE 30, 2023

		Group		Company	
	Note(s)	**2023 P '000**	2022 P '000	**2023 P '000**	2022 P '000
Interest income and similar income using effective interest rate	2	1,950,758	1,432,283	1,950,758	1,432,283
Interest expenses and similar charges	3	(469,175)	(268,455)	(472,024)	(270,288)
Net interest income before impairment of advances		**1,481,583**	**1,163,828**	**1,478,734**	**1,161,995**
Impairment of advances	14	(93,557)	(50,297)	(93,557)	(50,297)
Net interest income after impairment of advances		**1,388,026**	**1,113,531**	**1,385,177**	**1,111,698**
Non-interest income and expense					
Fee and commission income	4	1,366,975	1,273,742	1,366,975	1,273,742
Fee and commission expense	4	(253,021)	(226,818)	(253,021)	(226,818)
Other income	4	372,950	343,731	372,521	343,323
		1,486,904	**1,390,655**	**1,486,475**	**1,390,247**
Income from operations before operating expenditure		**2,874,930**	**2,504,186**	**2,871,652**	**2,501,945**
Operating expenses	5	(710,067)	(651,221)	(710,417)	(655,844)
Employee benefits expenses	6	(725,879)	(628,007)	(725,879)	(628,007)
Income before taxation		**1,438,984**	**1,224,958**	**1,435,356**	**1,218,094**
Indirect taxation	7	(19,108)	(26,047)	(19,108)	(26,047)
Profit before direct taxation		**1,419,876**	**1,198,911**	**1,416,248**	**1,192,047**
Direct taxation	7	(304,104)	(272,168)	(303,026)	(277,341)
Profit for the year attributable to owners of the company		**1,115,772**	**926,743**	**1,113,222**	**914,706**
Earnings per share					
Basic earnings per share (thebe)	9	43.86	36.43		
Diluted earnings per share (thebe)	9	43.86	36.43		

Statements of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2023

	Note(s)	Group 2023 P '000	Group 2022 P '000	Company 2023 P '000	Company 2022 P '000
Profit for the year		**1,115,772**	**926,743**	**1,113,222**	**914,706**
Other comprehensive income		–	–	–	–
Total comprehensive income for the year attributable to owners of the company		**1,115,772**	**926,743**	**1,113,222**	**914,706**

Statements of Financial Position

AS AT JUNE 30, 2023

	Note(s)	Group 2023 P '000	Group 2022 P '000	Company 2023 P '000	Company 2022 P '000
Assets					
Cash and short-term funds	11	6,715,040	6,198,095	6,715,040	6,198,095
Derivative financial instruments	12	36,897	41,114	36,897	41,114
Advances to customers	13	16,274,676	15,081,463	16,274,676	15,081,463
Investment securities	15	5,972,948	5,354,595	5,972,948	5,354,595
Current taxation	32	88,368	82,299	78,378	70,129
Due from related parties	16	6,804	6,563	16,631	22,244
Other assets	17	369,882	328,706	369,882	328,706
Investments in subsidiaries	18	-	-	13,540	13,540
Property and equipment	19	566,148	533,669	550,621	516,717
Goodwill	20	26,963	26,963	26,589	26,589
Total assets		**30,057,726**	**27,653,467**	**30,055,202**	**27,653,192**
Equity and Liabilities					
Liabilities					
Derivative financial instruments	12	25,623	28,632	25,623	28,632
Accrued interest payable		40,922	21,739	40,922	21,739
Due to related parties	16	72,460	24,775	84,828	35,790
Creditors and accruals	24	781,428	584,531	781,428	584,531
Deposits from banks	22	849,454	888,862	849,454	888,862
Deposits from customers	21	23,333,051	21,347,612	23,333,051	21,347,612
Employee benefits liabilities	25	116,915	98,227	116,915	98,227
Borrowings	23	1,100,887	1,329,454	1,100,887	1,329,454
Deferred taxation	8	10,151	6,336	9,014	6,251
Total liabilities		**26,330,891**	**24,330,168**	**26,342,122**	**24,341,098**
Capital and reserves attributable to ordinary equity holders					
Share capital	28	51,088	51,088	51,088	51,088
Reserves	29	3,167,007	2,865,219	3,153,252	2,854,014
Dividend reserve		508,740	406,992	508,740	406,992
Total equity		**3,726,835**	**3,323,299**	**3,713,080**	**3,312,094**
Total Equity and Liabilities		**30,057,726**	**27,653,467**	**30,055,202**	**27,653,192**

Statements of Changes In Equity

FOR THE YEAR ENDED 30 JUNE 2023

	Stated capital P '000	Dividend reserve P '000	Retained income P '000	Total equity P '000
Group				
Balance at June 30, 2021	**51,088**	**1,246,413**	**2,599,838**	**3,897,339**
Profit for the year	-	-	**926,743**	**926,743**
2021 Final Dividends paid	-	(1,246,413)	-	(1,246,413)
2022 Interim Dividends paid	-	-	(254,370)	(254,370)
2022 Final Dividends proposed	-	406,992	(406,992)	-
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**(839,421)**	**(661,362)**	**(1,500,783)**
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**
Note			29	
Company				
Balance at June 30, 2021	**51,088**	**1,246,413**	**2,600,670**	**3,898,171**
Profit for the year	-	-	**914,706**	**914,706**
2021 Final Dividends paid	-	(1,246,413)	-	(1,246,413)
2022 Interim Dividends paid	-	-	(254,370)	(254,370)
2022 Final Dividends proposed	-	406,992	(406,992)	-
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**(839,421)**	**(661,362)**	**(1,500,783)**
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**
Note			29	

Statements of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2023

	Note(s)	Group 2023 P '000	Group 2022 P '000	Company 2023 P '000	Company 2022 P '000
Cash flows from operating activities					
Cash used in operations before taxation and working capital changes	30	(110,495)	(186,889)	(112,700)	(190,228)
Interest and similar income received		1,949,109	1,425,230	1,949,109	1,425,230
Interest and similar expense paid		(445,412)	(262,551)	(448,261)	(264,384)
Taxation paid	31	(306,358)	(421,884)	(308,513)	(425,532)
		1,086,844	**553,906**	**1,079,635**	**545,086**
Movement in operating assets and liabilities					
Movement in amounts due to other banks		(39,408)	398,709	(39,408)	398,709
Movement in deposits from customers	33	1,985,439	(48,445)	1,985,439	(48,445)
Movement in amounts due to related parties		47,685	(318)	49,040	(839)
Movement in accrued interest payable		208	(353)	208	(353)
Movement in creditors and accruals		196,555	(102,653)	196,555	(71,811)
Movement in employee benefits liabilities		18,688	4,340	18,688	4,340
Movement in investments - fair value through profit or loss		14,539	53,071	14,539	53,071
Movement in investments - amortised cost		(33,764)	(618,364)	(33,764)	(618,364)
Movement in advances to customers	34	(1,285,121)	(1,482,680)	(1,285,121)	(1,482,680)
Movement in advances to banks		-	217,957	-	217,957
Movement in other assets		(41,176)	77,952	(41,176)	69,724
Movement in amounts due from related companies		(241)	989	5,613	(14,692)
Cash flows from/(used in) operating activities		**1,950,248**	**(945,889)**	**1,950,248**	**(948,297)**
Cash flows used in investing activities					
Acquisition of property and equipment	19	(85,870)	(46,859)	(85,870)	(44,451)
Cash flows used in financing activities					
Borrowings raised		-	183,190	-	183,190
Repayment of borrowings	23	(236,746)	(389,398)	(236,746)	(389,398)
Finance lease interest	3	(4,788)	(5,172)	(4,788)	(5,172)
Finance lease payments	24	(25,582)	(24,327)	(25,582)	(24,327)
Dividends paid	35	(712,236)	(1,500,783)	(712,236)	(1,500,783)
Net cash used in financing activities		**(979,352)**	**(1,736,490)**	**(979,352)**	**(1,736,490)**
Cash movement for the year		**885,026**	**(2,729,238)**	**885,026**	**(2,729,238)**
Cash and cash equivalents at the beginning of the year		7,097,680	9,470,080	7,097,680	9,470,080
Effect of exchange rate movement on cash balances		231,047	356,838	231,047	356,838
Total cash and cash equivalents at end of the year	36	**8,213,753**	**7,097,680**	**8,213,753**	**7,097,680**

	Note(s)	Group 2023 P '000	Group 2022 P '000	Company 2023 P '000	Company 2022 P '000
2. INTEREST AND SIMILAR INCOME					
Instruments at amortised cost					
Advances		1,504,429	1,183,864	1,504,429	1,183,864
Cash and short-term funds		56,106	17,006	56,106	17,006
Related parties	16	123,641	32,468	123,641	32,468
Unwinding of discounted present value of off-market staff loans		20,625	15,911	20,625	15,911
Investment securities		218,258	160,274	218,258	160,274
Instruments at fair value through profit or loss					
Investment securities		27,699	22,760	27,699	22,760
		1,950,758	**1,432,283**	**1,950,758**	**1,432,283**
3. INTEREST EXPENSE AND SIMILAR CHARGES					
Financial liabilities at amortised cost					
Term deposits		305,917	159,269	308,766	161,102
Current and call accounts		72,482	37,183	72,482	37,183
Savings deposits		8,949	3,801	8,949	3,801
Deposits from banks and other financial institutions		952	943	952	943
Related parties	16	38,568	24,147	38,568	24,147
Borrowings		37,519	37,940	37,519	37,940
Lease liabilities		4,788	5,172	4,788	5,172
		469,175	**268,455**	**472,024**	**270,288**
4. NON-INTEREST INCOME AND EXPENSE					
Fee and commission income					
Card commissions		498,348	446,774	498,348	446,774
Agent commission		3,004	6,948	3,004	6,948
Facility fees		34,886	46,108	34,886	46,108
Commissions - guarantees and letters of credit		5,613	3,814	5,613	3,814
Cash deposit fees		50,080	53,778	50,080	53,778
Commissions - bills, drafts and cheques		99,761	83,190	99,761	83,190
Service fees		527,014	478,268	527,014	478,268
Commissions - customer service		148,269	154,862	148,269	154,862
Total fee and commission income		**1,366,975**	**1,273,742**	**1,366,975**	**1,273,742**
Fee and commission expense					
Card commissions		183,448	148,369	183,448	148,369
Cash deposit fees		10,753	13,427	10,753	13,427
Service fees		25,190	13,609	25,190	13,609
Commissions - customer service		33,630	51,413	33,630	51,413
Total fee and commission expense		**253,021**	**226,818**	**253,021**	**226,818**

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

	Group		Company	
	2023 P '000	2022 P '000	2023 P '000	2022 P '000
4. NON-INTEREST INCOME AND EXPENSE (continued)				
Other income				
Fair value gains or losses and foreign exchange trading income				
Net gain on bond trading	2,492	1,563	2,492	1,563
(Loss)/gain on financial liabilities at fair value	(6,443)	5,796	(6,443)	5,796
Foreign exchange trading income	340,736	301,479	340,736	301,479
Total fair value gains or losses and foreign exchange trading income	**336,785**	**308,838**	**336,785**	**308,838**
Other non-interest income				
Non-financial assets and liabilities				
Loss on sale of property and equipment	(78)	(521)	(78)	(505)
Other*	36,243	35,414	35,814	34,990
Other non-interest income	**36,165**	**34,893**	**35,736**	**34,485**
Total other income	**372,950**	**343,731**	**372,521**	**343,323**
Total non-interest revenue	**1,486,904**	**1,390,655**	**1,486,475**	**1,390,247**

*Other includes commission from non-banking product sales via various platforms including online banking.

	Group		Company	
	2023 P '000	2022 P '000	2023 P '000	2022 P '000
5. OPERATING EXPENSES				
Audit fees				
Current year	9,044	8,149	9,044	8,149
Prior year	1,011	1,118	1,011	1,118
	10,055	**9,267**	**10,055**	**9,267**
Depreciation				
Buildings	15,742	16,715	15,017	16,639
Motor vehicles	1,822	1,261	1,822	1,261
Furniture and equipment	40,696	30,805	39,995	32,589
Capitalised leased assets (ROUA)	23,229	24,404	23,229	24,404
	81,489	**73,185**	**80,063**	**74,893**
Directors' remuneration				
For service as executive directors	10,352	9,441	10,352	9,441
For services as non-executive directors	5,489	4,440	5,489	4,440
	15,841	**13,881**	**15,841**	**13,881**
Operating lease charges				
Non-capitalised lease charges				
Short-term lease charge	**8,072**	**10,472**	**11,539**	**13,498**
Service fee paid to related company				
Systems	172,816	154,604	172,816	154,604
Services	94,127	84,208	94,127	84,208
Products	44,401	39,722	44,401	39,722
	311,344	**278,534**	**311,344**	**278,534**
Professional fees	**14,117**	**18,302**	**14,117**	**18,302**
Other operating expenses				
Advertising and marketing	45,072	34,494	45,072	34,494
Communication	46,584	46,195	46,584	46,187
Computer expenditure	20,349	19,287	20,349	19,287
Property maintenance	62,484	62,280	62,374	62,154
Stationery, storage and postage	14,116	13,728	14,116	13,709
Service fees	13,199	11,934	13,199	11,934
Other	67,345	59,662	65,764	59,704
Other operating costs	**269,149**	**247,580**	**267,458**	**247,469**
Total operating expenses	**710,067**	**651,221**	**710,417**	**655,844**

Other is inclusive of various expenses comprising mainly of travel, staff functions and entertainment, membership fees, motor vehicle cost, insurance, donations and credit checks.

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

	Group		Company	
	2023 P '000	2022 P '000	2023 P '000	2022 P '000
6. EMPLOYEE BENEFITS EXPENSES				
Direct employee costs				
Salaries, wages and allowances	606,823	521,414	606,823	521,414
Defined pension contributions	53,387	47,771	53,387	47,771
Leave pay	15,489	13,012	15,489	13,012
Other	50,180	45,810	50,180	45,810
	725,879	**628,007**	**725,879**	**628,007**

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 P10,538,000 (2022: P9,867,000).

	Group		Company	
	2023 P '000	2022 P '000	2023 P '000	2022 P '000
7. TAXATION				
Indirect taxation				
Value added tax	**19,108**	**26,047**	**19,108**	**26,047**
Direct taxation				
Current taxation				
Local income tax - current period	310,940	418,378	310,940	418,138
Local income tax - prior year (over)/under provision	(10,651)	6,446	(10,676)	6,921
	300,289	**424,824**	**300,264**	**425,059**
Deferred taxation				
Originating and reversing temporary differences	3,561	(140,568)	2,762	(140,797)
Deferred tax - prior year over/(under) provision	254	(12,088)	-	(6,921)
	3,815	**(152,656)**	**2,762**	**(147,718)**
Total direct taxation expense per income statements	**304,104**	**272,168**	**303,026**	**277,341**
Reconciliation of the taxation charge				
Reconciliation between accounting profit and tax expense.				
Profit before direct taxation	1,419,876	1,198,911	1,416,248	1,192,047
Tax at the applicable tax rate of 22% (2022: 22%)	312,373	263,760	311,575	262,250
Tax effect of adjustments on taxable income				
Over-provision of current tax in prior years	(10,651)	6,446	(10,676)	6,921
Over/(under) provision of deferred tax in prior years	254	(12,088)	-	(6,921)
Donations	2,128	1,964	2,127	1,963
Other	-	12,086	-	13,128
Total tax expense per income statements	**304,104**	**272,168**	**303,026**	**277,341**
Effective tax rate	**21.42 %**	**22.70 %**	**21.40 %**	**23.27 %**

	Group		Company	
	2023 P '000	2022 P '000	**2023 P '000**	2022 P '000
8. DEFERRED TAXATION				
Balance at beginning of year	6,336	158,992	6,251	153,969
Temporary differences for the year	3,561	(140,568)	2,762	(140,797)
Prior year over/(under) provision	254	(12,088)	-	(6,921)
Balance at the end of the year	**10,151**	**6,336**	**9,014**	**6,251**
The balance comprises of the following:				
Accelerated capital allowances	22,856	24,373	21,993	24,517
Other temporary differences	(12,705)	(18,037)	(12,979)	(18,266)
	10,151	**6,336**	**9,014**	**6,251**

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	
	2023 P '000	2022 P '000
Earnings attributable to ordinary equity holders	**1,115,772**	**926,743**
Diluted weighted average number of shares in issue (thousands)	**2,543,700**	**2,543,700**
Basic and diluted earnings per share (thebe)	**43.86**	**36.43**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue by the share options in force assuming conversion of all dilutable potential ordinary shares.

Diluted earnings per share		
Earnings attributable to ordinary equity holders - P'000	**1,115,772**	**926,743**
Weighted average number of ordinary shares in issue (thousands)	**2,543,700**	**2,543,700**
Diluted earnings per share (thebe)	**43.86**	**36.43**

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

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. The principal accounting policies on pages 151 to 173 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statements of financial position per category of financial instrument to which they are assigned and therefore by measurement basis:

Group - 2023 P'000		At fair value through profit or loss					
ASSETS	**Amortised cost**	**Mandatory**	**Designated**	**Non-financial instruments**	**Total carrying value**	**Current**	**Non-current**
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	369,882	-	-	-	369,882	369,882	-
Investment securities	5,944,902	28,046	-	-	5,972,948	3,000,275	2,972,673
Derivative financial instrument	-	36,897	-	-	36,897	36,897	-
Current tax receivable	-	-	-	88,368	88,368	88,368	-
Property and equipment	-	-	-	566,148	566,148	-	566,148
Goodwill	-	-	-	26,963	26,963	-	26,963
Total assets	**29,311,304**	**64,943**	**-**	**681,479**	**30,057,726**	**14,177,944**	**15,879,782**
LIABILITIES							
Deposits 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	-
Creditors and accruals	604,751	-	-	176,677	781,428	781,428	-
Derivatives 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**

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

10. ANALYSIS OF ASSETS AND LIABILITIES BY CATEGORY (continued)

Group - 2022 P'000		At fair value through profit or loss					
ASSETS	**Amortised cost**	**Mandatory**	**Designated**	**Non-financial instruments**	**Total carrying value**	**Current**	**Non-current**
Cash and short-term funds	6,198,095	-	-	-	6,198,095	6,198,095	-
Advances to customers	15,081,463	-	-	-	15,081,463	3,581,614	11,499,849
Due from related parties	6,563	-	-	-	6,563	6,563	-
Other assets	328,706	-	-	-	328,706	328,706	-
Investment securities	5,312,010	42,585	-	-	5,354,595	3,409,894	1,944,701
Derivative financial instruments	-	41,114	-	-	41,114	41,114	-
Current tax receivable	-	-	-	82,299	82,299	82,299	-
Property and equipment	-	-	-	533,669	533,669	-	533,669
Goodwill	-	-	-	26,963	26,963	-	26,963
Total assets	**26,926,837**	**83,699**	**-**	**642,931**	**27,653,467**	**13,648,285**	**14,005,182**
LIABILITIES							
Deposits from banks	888,862	-	-	-	888,862	888,862	-
Deposits from customers	21,347,612	-	-	-	21,347,612	20,422,504	925,108
Borrowings	1,154,987	-	174,467	-	1,329,454	269,210	1,060,244
Accrued interest payable	21,739	-	-	-	21,739	21,739	-
Due to related parties	24,775	-	-	-	24,775	24,775	-
Employee benefits liabilities	-	-	-	98,227	98,227	98,227	-
Creditors and accruals	411,128	-	-	173,403	584,531	584,531	-
Derivatives financial instruments	-	28,632	-	-	28,632	28,632	-
Deferred tax liability	-	-	-	6,336	6,336	-	6,336
Total liabilities	**23,849,103**	**28,632**	**174,467**	**277,966**	**24,330,168**	**22,338,480**	**1,991,688**

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

10. ANALYSIS OF ASSETS AND LIABILITIES BY CATEGORY (continued)

Company – 2023 P'000

		At fair value through profit or loss					
ASSETS	**Amortised cost**	**Mandatory**	**Designated**	**Non-financial instruments**	**Total carrying value**	**Current**	**Non-current**
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	369,882	-	-	-	369,882	369,882	-
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 tax receivable	-	-	-	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	**29,321,131**	**64,943**	**-**	**669,128**	**30,055,202**	**14,191,321**	**15,863,881**
LIABILITIES							
Deposits 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	-
Creditors and accruals	604,751	-	-	176,677	781,428	781,428	-
Derivatives 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**

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

10. ANALYSIS OF ASSETS AND LIABILITIES BY CATEGORY (continued)

Company – 2022 P'000

		At fair value through profit or loss					
ASSETS	**Amortised cost**	**Mandatory**	**Designated**	**Non-financial instruments**	**Total carrying value**	**Current**	**Non-current**
Cash and short-term funds	6,198,095	-	-	-	6,198,095	6,198,095	-
Advances to customers	15,081,463	-	-	-	15,081,463	3,581,614	11,499,849
Due from related parties	22,244	-	-	-	22,244	22,244	-
Other assets	328,706	-	-	-	328,706	328,706	-
Investment securities	5,312,010	42,585	-	-	5,354,595	3,409,894	1,944,701
Derivative financial instruments	-	41,114	-	-	41,114	41,114	-
Current tax receivable	-	-	-	70,129	70,129	70,129	-
Investments in subsidiaries	-	-	-	13,540	13,540	13,540	-
Property and equipment	-	-	-	516,717	516,717	-	516,717
Goodwill	-	-	-	26,589	26,589	-	26,589
Total assets	**26,942,518**	**83,699**	**-**	**626,975**	**27,653,192**	**13,665,336**	**13,987,856**
LIABILITIES							
Deposits from banks	888,862	-	-	-	888,862	888,862	-
Deposits from customers	21,347,612	-	-	-	21,347,612	20,422,504	925,108
Borrowings	1,154,987	-	174,467	-	1,329,454	269,210	1,060,244
Accrued interest payable	21,739	-	-	-	21,739	21,739	-
Due to related parties	35,790	-	-	-	35,790	35,790	-
Employee benefits liabilities	-	-	-	98,227	98,227	98,227	-
Creditors and accruals	411,128	-	-	173,403	584,531	584,531	-
Derivatives financial instruments	-	28,632	-	-	28,632	28,632	-
Deferred tax liability	-	-	-	6,251	6,251	-	6,251
Total liabilities	**23,860,118**	**28,632**	**174,467**	**277,881**	**24,341,098**	**22,349,495**	**1,991,603**

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

		Group		Company	
	Note(s)	2023 P '000	2022 P '000	2023 P '000	2022 P '000
11. CASH AND SHORT-TERM FUNDS					
Coins and bank notes		434,588	411,060	434,588	411,060
Money at call and short notice - related parties	16	62,303	151,003	62,303	151,003
Money at call and short notice - other banks		884,342	1,163,955	884,342	1,163,955
Balances with Bank of Botswana - Primary reserve requirement		515,722	442,029	515,722	442,029
Balances with Bank of Botswana - Statutory account balance		17,440	16,758	17,440	16,758
Standing deposit facility (SDF)		420,019	160,005	420,019	160,005
Balances with other banks - related parties	16	3,856,999	3,176,899	3,856,999	3,176,899
Balances with other financial institutions - related party	16	388,492	351,322	388,492	351,322
Balances with other banks - other banks		135,135	325,064	135,135	325,064
		6,715,040	**6,198,095**	**6,715,040**	**6,198,095**

ECL for physical cash is zero. ECL for cash equivalents is calculated using the loss rate approach - Nil (2022: Nil).

The carrying value of cash and short-term funds approximates the fair value.

Amounts denominated in foreign currencies included in above balances	**4,391,773**	**3,569,286**	**4,391,773**	**3,569,286**
Balances with Bank of Botswana - Primary Reserve Requirement	**515,722**	**442,029**	**515,722**	**442,029**

Banks are required to deposit a minimum average balance, calculated monthly, with Bank of Botswana as the Primary Reserve. These deposits bear no interest.

Money at short notice constitutes amounts withdrawable in 30 days or less.

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.

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

12. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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.

Group and Company

2023	**Assets**		**Liabilities**	
	Notional P '000	**Fair value P '000**	**Notional P '000**	**Fair value P '000**
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) derivatives 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**

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

12. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Group and Company

2022	**Assets**		**Liabilities**	
Currency derivatives	**Notional P '000**	**Fair value P '000**	**Notional P '000**	**Fair value P '000**
Currency options	10,000	2,095	10,000	2,095
Trading derivatives	248,232	2,755	609,744	15,787
Currency swaps	211,107	11,102	141,248	4,194
Interest rate derivatives				
Interest rate swaps	359,168	25,162	251,294	6,556
	828,507	**41,114**	**1,012,286**	**28,632**
Related party (FirstRand Bank Limited) derivatives included in above balances				
Trading derivatives	104,049	620	240,843	7,516
Interest rate swaps	324,748	23,157	34,420	2,005
Currency swaps	211,107	11,102	-	-
	639,904	**34,879**	**275,263**	**9,521**

		Group		**Company**	
	Note(s)	**2023 P '000**	2022 P '000	**2023 P '000**	2022 P '000
13. Advances to customers					
Sector analysis					
Agriculture		312,909	213,013	312,909	213,013
Building and property development		238,896	259,654	238,896	259,654
Individuals		10,792,756	10,130,886	10,792,756	10,130,886
Manufacturing and commerce		406,583	443,317	406,583	443,317
Transport and communication		235,603	169,453	235,603	169,453
Other advances		5,318,785	4,879,763	5,318,785	4,879,763
Gross advances		17,305,532	16,096,086	17,305,532	16,096,086
Less: impairment of advances	14	(1,030,856)	(1,014,623)	(1,030,856)	(1,014,623)
Net advances		**16,274,676**	**15,081,463**	**16,274,676**	**15,081,463**
Category analysis					
Term loans*		7,812,186	6,707,243	7,812,186	6,707,243
Instalment sales		1,722,924	1,709,983	1,722,924	1,709,983
Property loans		6,177,956	6,257,007	6,177,956	6,257,007
Overdraft and managed accounts		1,297,551	1,164,389	1,297,551	1,164,389
Other		294,915	257,464	294,915	257,464
Total customer advances		17,305,532	16,096,086	17,305,532	16,096,086
Gross value of advances		17,305,532	16,096,086	17,305,532	16,096,086
Less: impairment of advances	14	(1,030,856)	(1,014,623)	(1,030,856)	(1,014,623)
Net advances		**16,274,676**	**15,081,463**	**16,274,676**	**15,081,463**
Maturity analysis					
Maturity within one year		4,991,537	3,581,614	4,991,537	3,581,614
Maturity between one and five years		7,824,994	8,093,701	7,824,994	8,093,701
Maturity more than five years		4,489,001	4,420,771	4,489,001	4,420,771
		17,305,532	**16,096,086**	**17,305,532**	**16,096,086**

*Term loans include marketable advances of P385,137,000 (2022: P222,488,000).

13. ADVANCES TO CUSTOMERS (continued)

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

Analysis of advances per category - 2022 P'000	Amortised cost	Loss allowance	Total
Term loans	6,707,243	(364,822)	6,342,421
Instalment sales	1,709,983	(98,123)	1,611,860
Property loans	6,257,007	(358,690)	5,898,317
Overdraft and managed account	1,164,389	(175,603)	988,786
Other	257,464	(17,385)	240,079
Total	**16,096,086**	**(1,014,623)**	**15,081,463**
Segmental analysis P'000			
Retail	10,081,991	(567,999)	9,513,992
Commercial	2,990,898	(413,340)	2,577,558
Corporate	3,023,197	(33,284)	2,989,913
Total	**16,096,086**	**(1,014,623)**	**15,081,463**

14. IMPAIRMENT OF ADVANCES

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

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

14. IMPAIRMENT OF ADVANCES (continued)

Analysis of the gross advances and loss allowance on total advances as at June 30, 2023 - P'000

	Gross advances			
Group and Company	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Amortised cost	13,647,419	1,646,389	802,278	16,096,086
Amount as at July 1, 2022	13,647,419	1,646,389	802,278	16,096,086
Stage 2 to stage 1	468,531	(468,531)	-	-
Stage 3 to stage 1	13,949	-	(13,949)	-
Stage 3 to stage 2	-	2,284	(2,284)	-
Stage 1 to stage 2	(1,310,009)	1,310,009	-	-
Stage 1 to stage 3	(71,865)	-	71,865	-
Stage 2 to stage 3	-	(63,535)	63,535	-
Opening balance after transfers	12,748,025	2,426,616	921,445	16,096,086
Net movement current year	1,398,716	(130,877)	120,199	1,388,038
Attributable to change in measurement period	-	(69,002)	-	(69,002)
Attributable to change in risk parameters	-	-	-	-
Change due to new business net of attrition	1,398,716	(61,875)	120,199	1,457,040
Bad debts written off	-	-	(178,592)	(178,592)
Net interest released	-	-	-	-
Amount as at June 30, 2023	**14,146,741**	**2,295,739**	**863,052**	**17,305,532**

Analysis of the gross advances and loss allowance on total advances as at June 30, 2022 - P'000

	Gross advances			
Group and Company	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Amortised cost	12,401,432	1,377,901	1,084,645	14,863,978
Amount as at July 1, 2021	12,401,432	1,377,901	1,084,645	14,863,978
Stage 2 to stage 1	370,347	(370,347)	-	-
Stage 3 to stage 1	25,569	-	(25,569)	-
Stage 3 to stage 2	-	56,055	(56,055)	-
Stage 1 to stage 2	(709,318)	709,318	-	-
Stage 1 to stage 3	(85,722)	-	85,722	-
Stage 2 to stage 3	-	(64,008)	64,008	-
Opening balance after transfers	12,002,308	1,708,919	1,152,751	14,863,978
Net movement current year	1,645,111	(62,530)	13,502	1,596,083
Attributable to change in measurement period	-	(37,249)	-	(37,249)
Attributable to change in risk parameters	-	-	-	-
Change due to new business net of attrition	1,645,111	(25,281)	13,502	1,633,332
Bad debts written off	-	-	(363,975)	(363,975)
Net interest released	-	-	-	-
Amount as at June 30, 2022	**13,647,419**	**1,646,389**	**802,278**	**16,096,086**

	Loss allowance			
	Stage 1	Stage 2	Stage 3	Total
	167,636	237,906	609,081	1,014,623
	167,636	237,906	609,081	1,014,623
	14,767	(14,767)	–	–
	4,244	–	(4,244)	–
	–	2,111	(2,111)	–
	(25,026)	25,026	–	–
	(706)	–	706	–
	–	(9,728)	9,728	–
	160,915	240,548	613,160	1,014,623
	94,197	(16,832)	76,258	153,623
	–	26,043	–	26,043
	54,057	(80,671)	17,489	(9,125)
	40,140	37,796	58,769	136,705
	–	–	(178,592)	(178,592)
	–	–	41,202	41,202
	255,112	**223,716**	**552,028**	**1,030,856**

	Loss allowance			
	Stage 1	Stage 2	Stage 3	Total
	172,921	294,162	754,868	1,221,951
	172,921	294,162	754,868	1,221,951
	24,435	(24,435)	-	-
	9,020	-	(9,020)	-
	-	17,205	(17,205)	-
	(34,423)	34,423	-	-
	(869)	-	869	-
	-	(10,085)	10,085	-
	171,084	311,270	739,597	1,221,951
	(3,448)	(73,364)	186,046	109,234
	-	17,430	-	17,430
	(36,787)	(115,895)	166,276	13,594
	33,339	25,101	19,770	78,210
	-	-	(363,975)	(363,975)
	-	-	47,413	47,413
	167,636	**237,906**	**609,081**	**1,014,623**

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

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.

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

14. IMPAIRMENT OF ADVANCES (continued)

- 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 RMB 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 RMB 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 P128,173,000 (2022: P 324,505,000).

For more information on the computation of ECL, refer to accounting policy 1.8.

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

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 Stage 1	Stage 2	Stage 3	Total
Residential mortgages	2,875,315	303,235	321,380	3,499,930
Instalment sales	933,840	215,203	66,782	1,215,825
Overdrafts	7,043	13,020	18,618	38,681
Term loans	4,906,840	821,521	112,573	5,840,934
Other	127,275	31,112	4,941	163,328
Total Retail	8,850,313	1,384,091	524,294	10,758,698
Property mortgages	803,563	211,765	116,310	1,131,638
Instalment sales	347,949	147,634	11,515	507,098
Overdrafts	369,398	181,983	78,334	629,715
Term loans	493,644	141,022	125,796	760,462
Other	116,186	3,860	6,781	126,827
Total Commercial	2,130,740	686,264	338,736	3,155,740
Corporate business banking	561,431	225,384	22	786,837
Investment banking	2,604,257	-	-	2,604,257
Total Corporate	3,165,688	225,384	22	3,391,094
Total advances	**14,146,741**	**2,295,739**	**863,052**	**17,305,532**

Analysis of the gross advances and loss allowance on total advances per class as at June 30, 2022 – P'000

Group and Company	Gross advances Stage 1	Stage 2	Stage 3	Total
Residential mortgages	3,019,438	187,949	276,244	3,483,631
Instalment sales	792,463	361,996	60,206	1,214,665
Overdrafts	12,889	11,622	13,324	37,835
Term loans	4,584,843	483,555	124,989	5,193,387
Other	124,146	14,760	9,436	148,342
Total Retail	8,533,779	1,059,882	484,199	10,077,860
Property mortgages	1,024,144	127,524	93,958	1,245,626
Instalment sales	425,219	51,755	18,343	495,317
Overdraft	376,659	102,547	74,664	553,870
Term loans	345,750	119,336	126,007	591,093
Other	98,404	5,642	5,077	109,123
Total Commercial	2,270,176	406,804	318,049	2,995,029
Corporate business banking	392,952	179,703	30	572,685
Investment banking	2,450,512	-	-	2,450,512
Total Corporate	2,843,464	179,703	30	3,023,197
Total advances	**13,647,419**	**1,646,389**	**802,278**	**16,096,086**

	Loss allowance			
	Stage 1	Stage 2	Stage 3	Total
	127,219	24,107	125,026	276,352
	5,225	26,293	56,017	87,535
	4,488	11,284	12,966	28,738
	46,694	16,371	102,956	166,021
	3,789	6,372	3,922	14,083
	187,415	84,427	300,887	572,729
	10,155	6,695	57,804	74,654
	4,410	8,732	9,355	22,497
	21,127	26,977	76,903	125,007
	20,509	24,640	102,207	147,356
	1,298	1,223	4,850	7,371
	57,499	68,267	251,119	376,885
	4,800	71,022	22	75,844
	5,398	-	-	5,398
	10,198	71,022	22	81,242
	255,112	**223,716**	**552,028**	**1,030,856**

	Loss allowance			
	Stage 1	Stage 2	Stage 3	Total
	65,207	23,855	176,027	265,089
	4,262	20,393	49,980	74,635
	1,109	5,636	11,685	18,430
	27,482	62,846	108,257	198,585
	3,045	3,082	5,133	11,260
	101,105	115,812	351,082	567,999
	23,941	14,673	54,986	93,600
	3,391	8,547	11,550	23,488
	21,412	32,625	72,283	126,320
	12,170	36,300	115,336	163,806
	1,190	1,122	3,814	6,126
	62,104	93,267	257,969	413,340
	1,996	28,827	30	30,853
	2,431	-	-	2,431
	4,427	28,827	30	33,284
	167,636	**237,906**	**609,081**	**1,014,623**

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

14. IMPAIRMENT OF ADVANCES (continued)

For more information on the computation of ECL refer to accounting policies 1.4, 1.8 and note 39

Group and Company	Loss allowance P'000 Stage 1	Stage 2	Stage 3	Total
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

Group and Company	Loss allowance P'000 Stage 1	Stage 2	Stage 3	Total
Amount as at June 30, 2022	167,636	237,906	609,081	1,014,623
- Forward looking information	(16,288)	(5,761)	-	(22,049)
- Model driven including watchlist	183,924	243,667	-	427,591
- Specific provisions	-	-	609,081	609,081

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	2023 Amortised cost	2023 Total	2022 Amortised cost	2022 Total
Increase in loss allowance	153,631	153,631	109,235	109,235
Recoveries of bad debts	(60,073)	(60,073)	(58,938)	(58,938)
Impairment of advances recognised during the period	**93,558**	**93,558**	**50,297**	**50,297**

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

14. IMPAIRMENT OF ADVANCES (continued)

Group and Company	Security held P'000	Specific impairment P'000	Total P'000
Non-performing advances - amortised cost:			
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**
Sector analysis - 2022			
Agriculture	9,055	11,052	20,107
Building and property development	1,091	24,593	25,684
Individuals	139,207	343,856	483,063
Manufacturing and commerce	767	8,345	9,112
Transport and communication	5,536	23,253	28,789
Other advances	37,541	197,982	235,523
Total non-performing advances - June 30, 2022	**193,197**	**609,081**	**802,278**
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**
Category analysis - 2022			
Overdrafts and managed accounts	4,037	83,980	88,017
Term loans	27,404	223,593	250,997
Instalment sales	17,018	61,530	78,548
Property loans	139,189	231,013	370,202
Other advances	5,549	8,965	14,514
Total non-performing advances -June 30, 2022	**193,197**	**609,081**	**802,278**
Retail	132,979	350,980	483,959
Commercial	60,218	258,101	318,319
Credit-impaired advances	**193,197**	**609,081**	**802,278**

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

15. INVESTMENT SECURITIES

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**

Group and Company - 2022

	Fair value through profit or loss - designated P '000	Amortised cost P '000	Total P '000
Bank of Botswana Certificates	-	899,585	899,585
Government Bonds	-	3,178,474	3,178,474
Government and Parastatal Bonds	42,585	-	42,585
Treasury Bills	-	1,233,951	1,233,951
	42,585	**5,312,010**	**5,354,595**

P1,498,713,000 (2022: P 899,585,000) 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 (2022: seven day and twenty eight days maturity period).

Both the transferred investments and related deposits under repurchase agreements are reported at amortised cost.

Loss allowance on investment securities	2023 P'000	2022 P'000
Stage 1	527	458
	527	**458**
Total Investment securities		
Analysis of Investment securities		
Amortised cost	527	458
Total Investment securities	**527**	**458**

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

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.

		Group		Company	
	Note(s)	**2023 P '000**	2022 P '000	**2023 P '000**	2022 P '000
Related party balances					
Due from related parties					
FirstRand Limited - South Africa		3,919,302	3,327,902	3,919,302	3,327,902
RMB International Mauritius Ltd	11	388,492	351,322	388,492	351,322
First National Bank Holdings (Botswana) Limited		6,804	6,563	6,804	6,563
Financial Services Company of Botswana Proprietary Limited		-	-	9,827	15,681
		4,314,598	3,685,787	4,324,425	3,701,468
Less money at call and short notice					
FirstRand Limited - South Africa - call balances	11	(62,303)	(151,003)	(62,303)	(151,003)
FirstRand Limited - South Africa - nostro balances	11	(3,856,999)	(3,176,899)	(3,856,999)	(3,176,899)
RMB International Mauritius Ltd		(388,492)	(351,322)	(388,492)	(351,322)
		6,804	**6,563**	**16,631**	**22,244**
Due to related companies - current liabilities					
Financial Services Properties Proprietary Limited		-	-	50	146
Financial National Insurance Agency Proprietary Limited		-	-	7,712	6,231
FNB Insurance Brokers (Botswana) Proprietary Limited		45,834	-	45,834	-
First Funding Proprietary Limited		-	-	4,521	4,528
Plot Four Nine Seven Two Proprietary Limited		-	-	85	110
FirstRand Limited - South Africa		26,626	24,775	26,626	24,775
Due to related companies - creditors and accruals		**72,460**	**24,775**	**84,828**	**35,790**

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.

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

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	
	2023 P '000	2022 P '000	**2023 P '000**	2022 P '000
Interest income				
FirstRand Limited - South Africa Proprietary Limited	**123,641**	**32,468**	**123,641**	32,468
Non-interest income				
Administration Fee - FNB Insurance Brokers (Botswana) Proprietary Limited	**3,004**	**6,948**	**3,004**	6,948
Interest expenditure				
FirstRand Limited - South Africa	**38,568**	**24,147**	**38,568**	24,147
Operating expenses				
Service fees - FirstRand Limited (Note 5)	**311,344**	**278,534**	**311,344**	278,534
Rent expense - Financial Services Company of Botswana Proprietary Limited	-	-	3,467	3,026
Management fees - FNB Insurance Brokers (Botswana) Proprietary Limited	(584)	(347)	(584)	(347)
Management fees - Financial Services Company of Botswana Proprietary Limited	-	-	(92)	(36)
	310,760	**278,187**	**314,135**	**281,177**
Contigencies 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	1,624	1,596	1,624	1,596
Short-term employee benefits	18,083	17,223	18,083	17,223
	19,707	**18,819**	**19,707**	**18,819**
Post employment benefits				
Pension	**654**	**659**	**654**	659
Advances				
Personal loans	500	813	500	813
Credit card	409	282	409	282
Instalment finance	735	1,136	735	1,136
Property loans	10,205	11,473	10,205	11,473
Total advances	**11,849**	**13,704**	**11,849**	**13,704**

For all the above facilities, standard credit checks are performed.

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

16. RELATED PARTIES (continued)

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 P16,440,000 (2022: P17,940,000). Personal loans, overdrafts and credit card balances are unsecured.

	Group		Company	
	2023 P '000	2022 P '000	**2023 P '000**	2022 P '000
17. OTHER ASSETS				
Items in transit	36,782	63,823	36,782	47,620
Other sundry debtors	333,100	264,883	333,100	281,086
Total carrying amount of other assets	**369,882**	**328,706**	**369,882**	**328,706**

The above carrying value of other assets approximates their fair value.

Included in the above balances of Other sundry debtors is an amount of P19,494,000 (2022: P 21,650,000) relating to the Group's share based payments scheme. 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 2023 P'000**	**Carrying amount 2022 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
Plot Four Nine Seven Two Proprietary Limited	Dormant	100.00 %	-	-
Financial Services Properties Proprietary Limited	Dormant	100.00 %	-	-
			13,540	13,540

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

19. PROPERTY AND EQUIPMENT

Group - P'000	2023			2022		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Freehold and leasehold land and buildings	380,450	(97,577)	282,873	368,211	(93,620)	274,591
Leasehold improvements	155,823	(108,086)	47,737	155,918	(102,015)	53,903
Furniture and equipment	445,947	(349,585)	96,362	387,799	(311,946)	75,853
Motor vehicles	19,313	(14,853)	4,460	18,206	(13,863)	4,343
Right of use asset- property	180,406	(50,828)	129,578	175,188	(50,557)	124,631
Capital - Work in progress	5,138	-	5,138	348	-	348
Total	**1,187,077**	**(620,929)**	**566,148**	**1,105,670**	**(572,001)**	**533,669**

Company - P'000	2023			2022		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Freehold and leasehold land and buildings	344,301	(75,071)	269,230	333,597	(71,837)	261,760
Leasehold improvements	155,823	(108,086)	47,737	155,918	(102,015)	53,903
Furniture and equipment	441,709	(347,231)	94,478	382,025	(310,293)	71,732
Motor vehicles	19,313	(14,853)	4,460	18,206	(13,863)	4,343
Right of use asset- property	180,406	(50,828)	129,578	175,188	(50,557)	124,631
Capital - Work in progress	5,138	-	5,138	348	-	348
Total	**1,146,690**	**(596,069)**	**550,621**	**1,065,282**	**(548,565)**	**516,717**

Reconciliation of property and equipment - Group - 2023 P'000

	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
Leasehold improvements	53,903	5,736	(12)	(3,744)	-	(8,146)	47,737
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
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**

Reconciliation of property and equipment - Group - 2022 P'000

	Opening balance	Additions	Disposals	Transfers*	IFRS 16 lease adjustment	Depreciation	Total
Freehold and leasehold land and buildings	274,380	-	-	1,265		(1,054)	274,591
Leasehold improvements	58,729	11,591	-	(754)	-	(15,663)	53,903
Furniture and equipment	72,931	34,067	(521)	180	-	(30,804)	75,853
Motor vehicles	4,403	1,201	-	-	-	(1,261)	4,343
Right of use asset- property	119,164	16,113	-	-	13,757	(24,403)	124,631
Capital - Work in progress	1,039	-	-	(691)	-	-	348
	530,646	**62,972**	**(521)**	**-**	**13,757**	**(73,185)**	**533,669**

*Transfers consist of reallocation of assets within the respective categories so as to accurately reflect the nature of the asset.

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

19. PROPERTY AND EQUIPMENT (continued)

Reconciliation of property and equipment - Company - 2023 - P'000

	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
Leasehold improvements	53,903	5,736	(12)	(3,744)	-	(8,146)	47,737
Furniture and equipment	71,732	62,788	(66)	19	-	(39,995)	94,478
Motor vehicles	4,343	1,843	-	96	-	(1,822)	4,460
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**

Reconciliation of property and equipment - Company - 2022 - P'000

	Opening balance	Additions	Disposals	Transfers	IFRS 16 lease adjustment	Depreciation	Total
Freehold and leasehold land and buildings	267,250	-	-	(4,513)	-	(977)	261,760
Leasehold improvements	56,093	8,313	-	5,160	-	(15,663)	53,903
Furniture and equipment	69,889	34,937	(505)	-	-	(32,589)	71,732
Motor vehicles	4,403	1,201	-	-	-	(1,261)	4,343
Right of use asset- property	119,164	16,113	-	-	13,757	(24,403)	124,631
Capital - Work in progress	995	-	-	(647)	-	-	348
	517,794	**60,564**	**(505)**	**-**	**13,757**	**(74,893)**	**516,717**

*Transfers consist of reallocation of assets within the respective categories so as to accurately reflect the nature of the asset.

20. GOODWILL

Group P'000	**2023**			**2022**		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Goodwill	26,963	-	26,963	26,963	-	26,963

Company P'000	**2023**			**2022**		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Goodwill	26,589	-	26,589	26,589	-	26,589

For more information on the assessment of goodwill impairment refer to accounting policy 1.8.6

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

21. DEPOSITS FROM CUSTOMERS

Group and Company	2023 P'000	2022 P'000
Current and managed accounts	11,170,433	10,370,141
Savings accounts	1,552,972	1,544,281
Call and term deposits	10,609,646	9,433,190
	23,333,051	**21,347,612**

Included in the call and term deposits is a balance of P7,197,000 (2022: P 7,127,000) relating to First National Bank Holdings (Botswana) Limited.

Discounted maturity analysis	2023 P'000	2022 P'000
Withdrawal on demand	21,607,864	18,658,181
Maturing within one year	1,685,309	2,626,389
Maturing two to five years	32,878	63,042
Maturing over 5 years	7,000	-
	23,333,051	**21,347,612**

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

22. DEPOSIT FROM BANKS

	Group		Company	
	2023 P '000	2022 P '000	2023 P '000	2022 P '000
Unsecured and payable on demand	849,454	888,862	849,454	888,862
	849,454	**888,862**	**849,454**	**888,862**

Included in this amount is a balance due to FirstRand Group Limited of P696,593,000 (2022: P603,760,000), First National Bank Zambia P282,000 (2022: P259,000), and First National Bank Eswatini P133,000 (2022: P83,000), First National Bank Tanzania P - (2022: P27,000), FNB Lesotho P94,000 (2022: P416,000) and First National Bank Namibia P799,000 (2022: P37,000).

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

	Group 2023 P '000	Group 2022 P '000	Company 2023 P '000	Company 2022 P '000
23. BORROWINGS				
Subordinated Unsecured Bonds (Qualifying as Tier 2 capital)				
Floating rate 196.80 Medium Term Notes of P1,000,000 each (2022: 196.80 at P1,000,000 each)	196,802	196,802	196,802	196,802
Floating rate 117,750.00 Medium Term Notes of P1,000 each (2022: 117,750.00 at P1,000 each)	117,750	117,750	117,750	117,750
Fixed rate 6,544.00 Medium Term Notes of P10,000 each (2022: 6,544.00 at P10,000 each)	65,440	65,440	65,440	65,440
	379,992	379,992	379,992	379,992
Unsuborinated Unsecured Bonds				
Floating rate 12,635.00 Medium Term Notes of P10,000 each (2022: 23,847.00 at P10,000 each)	126,350	238,470	126,350	238,470
	506,342	618,462	506,342	618,462
Other borrowings				
Zero coupon deposit				
Botswana Life Insurance Limited (BLIL) Proprietary Limited - 15 year zero coupon deposit	132,646	174,467	132,646	174,467
Other zero coupon deposits	395,353	470,048	395,353	470,048
	527,999	644,515	527,999	644,515
Negotiable Certificates of deposit	66,546	66,477	66,546	66,477
Total borrowings	**1,100,887**	**1,329,454**	**1,100,887**	**1,329,454**

The Subordinated Unsecured Registerd 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 quartely 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 8.98% and matures fully by 2026. Repayments of P50 million will be made in 2024, 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 7.53% and 9.29% per annum, with maturities ranging from July 2025 to January 2026.

Negotiable certificates (P'000)	Interest rate	Maturity
65,567	9 %	February 2027
979	5 %	August 2028
66,546		

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

23. BORROWINGS (continued)

	Group		Company	
	2023 P '000	2022 P '000	2023 P '000	2022 P '000
Funding liabilities				
Opening balance	1,329,454	1,527,200	1,329,454	1,527,200
Proceeds from the issue of other liabilities	-	183,190	-	183,190
Redemption of other liabilities	(271,000)	(427,338)	(271,000)	(427,338)
Interest accrued	34,254	37,940	34,254	37,940
Cash flow movements	**(236,746)**	**(206,208)**	**(236,746)**	**(206,208)**
Fair value movement	8,179	8,462	8,179	8,462
Non-cash flow movements	**8,179**	**8,462**	**8,179**	**8,462**
	1,100,887	**1,329,454**	**1,100,887**	**1,329,454**

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.

	2023		2022	
	Fair value	Contractually payable at maturity	Fair value	Contractually payable maturity
Zero coupon deposits	**132,646**	**150,000**	**174,467**	**200,000**

Total fair value income included in profit or loss for the year

	2023	2022
Total fair value income for the year has been disclosed as:		
Fair value gains and losses included in non-interest revenue	(8,179)	(8,462)

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

	Group		Company	
	2023 P '000	2022 P '000	**2023 P '000**	2022 P '000
24. CREDITORS AND ACCRUALS				
Accounts payable	16,229	20,808	16,229	20,781
Other creditors and accruals	186,743	141,602	186,743	141,679
Items in transit	433,238	276,718	433,238	276,718
Lease liabilities	139,180	138,838	139,180	138,838
Audit fees	6,038	6,565	6,038	6,515
Creditors and accruals	**781,428**	**584,531**	**781,428**	**584,531**
Lease liabilities				
Opening balance	138,838	132,212	138,838	132,212
New leases recognised during the year	16,198	16,113	16,198	16,113
Modification of leases	9,726	14,840	9,726	14,840
Interest accrued	4,788	5,172	4,788	5,172
Non-cashflow movements	**30,712**	**36,125**	**30,712**	**36,125**
Principal payments towards lease liabilities	(25,582)	(24,327)	(25,582)	(24,327)
Interest paid	(4,788)	(5,172)	(4,788)	(5,172)
Cashflow movements	**(30,370)**	**(29,499)**	**(30,370)**	**(29,499)**
	139,180	**138,838**	**139,180**	**138,838**
Maturity analysis of future lease payments outstanding at the reporting date				
1 - 3 months	6,476	7,596	6,476	7,596
4 - 12 months	19,415	18,710	19,415	18,710
1 - 5 years	91,691	73,967	91,691	73,967
Over 5 years	21,598	38,565	21,598	38,565
	139,180	**138,838**	**139,180**	**138,838**

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 a period 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.

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

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

	Group 2023 P '000	Group 2022 P '000	Company 2023 P '000	Company 2022 P '000
25. EMPLOYEE BENEFITS LIABILITIES				
Leave pay				
At the beginning of the year	32,644	38,747	32,644	38,747
Additional accrual recognised	13,548	12,980	13,548	12,980
Utilised	(8,310)	(19,083)	(8,310)	(19,083)
At the end of the year	**37,882**	**32,644**	**37,882**	**32,644**
Bonus				
At the beginning of the year	65,583	55,140	65,583	55,140
Additional accrual recognised	97,506	81,969	97,506	81,969
Utilised	(84,056)	(71,526)	(84,056)	(71,526)
At the end of the year	**79,033**	**65,583**	**79,033**	**65,583**
At the end of the year	**116,915**	**98,227**	**116,915**	**98,227**

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

	Note	Group June 30, 2023 P '000	Group June 30, 2022 P '000
26. CAPITAL ADEQUACY			
Tier 1 - Core capital			
Stated		51,088	51,088
Retained income - adjusted to revised operating capital by Bank of Botswana		3,167,006	2,816,389
		3,218,094	2,867,477
Goodwill		(26,963)	(26,963)
		3,191,131	2,840,514
Tier 2 - Supplementary capital			
Stage 1 and 2 provisioning		225,792	206,749
Subordinated Unsecured Bonds	23	379,992	379,992
		605,784	586,741
Total qualifying capital		3,796,915	3,427,255
Risk adjusted assets*			
- Credit risk weighted assets (Simple Approach)		18,063,388	16,539,959
- Market risk weighted assets		234,555	95,756
- Operational risk weighted assets		2,644,922	2,503,164
		20,942,865	19,138,879
Capital adequacy ratios (%)		18.13	17.91
Core capital (%) (Basel Committee guide: minimum 4.5%)		15.24	14.84
Supplementary capital (%)		2.89	3.07
Total (%)		18.13	17.91
Bank of Botswana required minimum risk asset ratio (%)		12.50	12.50

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

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% (2022: 20.5%) of pensionable salary towards retirement funding). This is made up of an employee contribution rate of 7.0% (2022: 7.0%) and an employer contribution rate of 13.5% (2022: 13.5%). The liability of the Group is limited to the contributions made during the employment period of the employee.

The Group does not provide post-retirement health care benefits to its employees.

	Group		Company	
	2023 P '000	**2022 P '000**	**2023 P '000**	**2022 P '000**
28. STATED CAPITAL				
Ordinary shares of no-par value 2,543,700,000 (2022: 2,543,700,000)	**51,088**	**51,088**	**51,088**	**51,088**
29. RESERVES				
Retained earnings				
Balance at 01 July	2,865,219	2,599,838	2,854,014	2,600,670
Profit for the year	1,115,772	926,743	1,113,222	914,706
Ordinary dividends	(305,244)	(254,370)	(305,244)	(254,370)
Retained earnings	3,675,747	3,272,211	3,661,992	3,261,006
Dividend reserve				
Final dividends proposed	(508,740)	(406,992)	(508,740)	(406,992)
	(508,740)	(406,992)	(508,740)	(406,992)
Total reserves	**3,167,007**	**2,865,219**	**3,153,252**	**2,854,014**

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

	Group		Company	
	2023 P '000	2022 P '000	2023 P '000	2022 P '000
30. CASH USED IN OPERATIONS BEFORE TAXATION AND WORKING CAPITAL CHANGES				
Profit before direct taxation	1,419,876	1,198,911	1,416,248	1,192,047
Adjustments for:				
Depreciation and amortisation	81,489	73,185	80,063	74,893
Loss on sale of property and equipment	78	521	78	505
Foreign exchange movements on cash balances	(231,047)	(356,838)	(231,047)	(356,838)
Impairment losses on loans and advances	93,557	50,297	93,557	50,297
Unrealised loss on derivative financial instruments	1,208	1,318	1,208	1,318
Net loss on financial instruments held at fair value through profit and loss	8,179	8,462	8,179	8,462
Finance lease adjustments	(2,252)	1,083	(2,252)	1,083
Interest and similar income	(1,950,758)	(1,432,283)	(1,950,758)	(1,432,283)
Interest expense and similar expenses	469,175	268,455	472,024	270,288
	(110,495)	**(186,889)**	**(112,700)**	**(190,228)**
31. CURRENT INCOME TAX PAID				
Amounts overpaid at the beginning of the year	(82,299)	(85,239)	(70,129)	(69,656)
Charged to the income statement	300,289	424,824	300,264	425,059
Amounts overpaid at the end of the year	88,368	82,299	78,378	70,129
Cash amounts paid	**306,358**	**421,884**	**308,513**	**425,532**
32. CURRENT INCOME TAXATION ASSET				
Opening asset	82,299	85,239	70,129	69,656
Charged to the income statement	(300,289)	(424,824)	(300,264)	(425,059)
Cash amounts paid net of refunds received	306,358	421,884	308,513	425,532
Closing net asset	**88,368**	**82,299**	**78,378**	**70,129**
33. MOVEMENT IN DEPOSITS FROM CUSTOMERS				
Movement in current and managed account deposits	800,292	(159,774)	800,292	(159,774)
Movement in savings deposits	8,691	45,234	8,691	45,234
Movement in call and term deposits	1,176,456	66,095	1,176,456	66,095
	1,985,439	**(48,445)**	**1,985,439**	**(48,445)**
34. MOVEMENT IN ADVANCES TO CUSTOMERS				
Net amount outstanding at the beginning of the year	15,081,463	13,642,027	15,081,463	13,642,027
Impairment of advances	(93,557)	(50,297)	(93,557)	(50,297)
Net amount outstanding at the end of the year	(16,274,676)	(15,081,463)	(16,274,676)	(15,081,463)
Movement in accrued interest	1,649	7,053	1,649	7,053
	(1,285,121)	**(1,482,680)**	**(1,285,121)**	**(1,482,680)**
35. DIVIDENDS PAID				
Previous year's final dividends paid during the year	406,992	1,246,413	406,992	1,246,413
Interim dividends	305,244	254,370	305,244	254,370
Total dividends paid to shareholders	**712,236**	**1,500,783**	**712,236**	**1,500,783**

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

	Note(s)	Group 2023 P '000	Group 2022 P '000	Company 2023 P '000	Company 2022 P '000
36. CASH AND CASH EQUIVALENTS					
Cash and short-term funds	11	6,715,040	6,198,095	6,715,040	6,198,095
Bank of Botswana Certificates	15	1,498,713	899,585	1,498,713	899,585
		8,213,753	**7,097,680**	**8,213,753**	**7,097,680**
37. CONTINGENCIES AND COMMITMENTS					
Letters of credit		7,676	13,775	7,676	13,775
Guarantees - performance		677,259	343,250	677,259	343,250
Guarantees - other		58,256	68,944	58,256	68,944
		743,191	**425,969**	**743,191**	**425,969**
The above contingencies represent guarantees and letters of credit.					
Commitments					
Revocable		1,802,009	1,551,804	1,802,009	1,551,804
Irrevocable		927,331	888,127	927,331	888,127
Undrawn commitments to customers		**2,729,340**	**2,439,931**	**2,729,340**	**2,439,931**
Capital commitments					
Capital expenditure approved by the Directors					
- not yet contracted for		**104,536**	**81,205**	**104,536**	**81,205**

The capital commitments are wholly in respect of property and equipment, and will be funded from internal resources.

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 (2022: 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, 2023 the Group acted as a custodian in respect of Botswana Government bonds amounting to P2,513,866,000 (2022: P2,224,007,000), money markets P2,695,044,000 (2022: P1,155,929,000) and equities amounting to P9,175,785,000 (2022: P8,233,385,000). 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.

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

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).

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.

<table>
<tr><th colspan="3">Overview of financial risk</th></tr>
<tr><td rowspan="2">CREDIT RISK</td><td colspan="2">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.</td></tr>
<tr><td>Credit risk arises primarily from the following instruments:

• Advances;
• Certain investment securities; and
• Off-balance sheet exposures.

Other sources of credit risk are:
• Cash and cash equivalents;
• Accounts receivable included in other assets; and
• Derivative balances.</td><td>The following information is presented for these assets;

• credit assets and concentration risk;
• information about the quality of credit assets'; and
• credit risk mitigation techniques and collateral held.</td></tr>
</table>

39. FINANCIAL RISK MANAGEMENT (continued)

Overview of financial risk		
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: • Undiscounted cash flow analysis of financial liabilities; • Discounted cash flow analysis of total assets, and liabilities; • Collateral pledged.
MARKET RISK	Traded market risk is the risk of adverse revaluation of any financial instrument as a consequence of changes in the market prices or rates.	
	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. 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.	The following information is presented for interest rate risk in the banking book: • Projected NII sensitivity to interest rate movements. Information on the Group's net structural foreign exposures and sensitivity of these exposures are presented.
CAPITAL MANAGEMENT	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.	

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

39. Financial risk management (continued)

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.

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.

39. Financial risk management (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 - 2023 **On-balance sheet exposures**	**Botswana P'000**	**Southern Africa P'000**	**Europe P'000**	**North America P'000**	**Rest of the world P'000**	**Total P'000**
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	369,882	-	-	-	-	369,882
	24,175,707	2,781,736	2,200,501	188,769	29,534	29,376,247
Off-balance sheet exposures						
Guarantees, acceptances and letters of credit	743,191	-	-	-	-	743,191
Commitments	2,729,340	-	-	-	-	2,729,340
	27,648,238	**2,781,736**	**2,200,501**	**188,769**	**29,534**	**32,848,778**

Group - 2022 On-balance sheet exposures	**Botswana P'000**	**Southern Africa P'000**	**Europe P'000**	**North America P'000**	**Rest of the world P'000**	**Total P'000**
Cash and short-term funds	1,354,916	2,728,375	1,415,708	689,683	9,413	6,198,095
Derivative financial instruments	6,236	34,878	-	-	-	41,114
Advances to customers	15,081,463	-	-	-	-	15,081,463
Investment securities	5,354,595	-	-	-	-	5,354,595
Due from related parties	6,563	-	-	-	-	6,563
Other assets	328,706	-	-	-	-	328,706
	22,132,479	2,763,253	1,415,708	689,683	9,413	27,010,536
Off-balance sheet exposures						
Guarantees, acceptances and letters of credit	425,969	-	-	-	-	425,969
Commitments	2,439,931	-	-	-	-	2,439,931
	24,998,379	**2,763,253**	**1,415,708**	**689,683**	**9,413**	**29,876,436**

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

39. FINANCIAL RISK MANAGEMENT (continued)

Sector analysis concentration of advances
Advances expose the Group to concentration risk in various industry sectors. The tables in Notes 13 and 14 set out the Group's exposure to various industry sectors for total advances and credit-impaired advances.

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).

2023	Financial risk (FR) 1 - 25		Financial risk (FR) 26 - 90		Financial risk (FR) 91 - 100		Total	Total
Term 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	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**

2022	Financial risk (FR) 1 - 25		Financial risk (FR) 26 - 90		Financial risk (FR) 91 - 100		Total	Total
Term 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	311,578	5,731	5,541,131	427,687	646	-	5,853,355	433,418
Stage 2	3,992	-	517,376	1,161	81,523	546	602,891	1,707
Stage 3	-	-	-	-	250,997	217	250,997	217
	315,570	**5,731**	**6,058,507**	**428,848**	**333,166**	**763**	**6,707,243**	**435,342**

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**	**-**

2022	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	-	-	1,205,289	-	12,393	-	1,217,682	-
Stage 2	-	-	319,478	-	94,274	-	413,752	-
Stage 3	-	-	-	-	78,549	-	78,549	-
	-	**-**	**1,524,767**	**-**	**185,216**	**-**	**1,709,983**	**-**

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

39. FINANCIAL RISK MANAGEMENT (continued)

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**

2022	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	915,206	103,239	4,654,373	277,224	1,753	400	5,571,332	380,863
Stage 2	-	-	103,030	1,608	212,443	-	315,473	1,608
Stage 3	-	-	-	-	370,202	3,089	370,202	3,089
	915,206	**103,239**	**4,757,403**	**278,832**	**584,398**	**3,489**	**6,257,007**	**385,560**

2023	Financial risk (FR) 1 - 25		Financial risk (FR) 26 - 90		Financial risk (FR) 91 - 100		Total	Total
Overdraft and managed accounts	**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	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**

2022	Financial risk (FR) 1 - 25		Financial risk (FR) 26 - 90		Financial risk (FR) 91 - 100		Total	Total
Overdraft and managed accounts	**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	338,732	1,000,848	443,768	314,819	-	114	782,500	1,315,781
Stage 2	72,339	95	200,844	28,137	20,689	30	293,872	28,262
Stage 3	-	-	-	-	88,017	996	88,017	996
	411,071	**1,000,943**	**644,612**	**342,956**	**108,706**	**1,140**	**1,164,389**	**1,345,039**

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

39. FINANCIAL RISK MANAGEMENT (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**

2022	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	41,986	201,132	180,563	64,963	-	687	222,549	266,782
Stage 2	638	46	10,083	2,966	9,681	2,718	20,402	5,730
Stage 3	-	-	-	-	14,513	1,477	14,513	1,477
	42,624	**201,178**	**190,646**	**67,929**	**24,194**	**4,882**	**257,464**	**273,989**

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**

2022	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	-	135,446	-	267,033	-	-	-	402,479
Stage 2	-	16,389	-	4,381	-	569	-	21,339
Stage 3	-	-	-	-	-	2,150	-	2,150
	-	**151,835**	**-**	**271,414**	**-**	**2,719**	**-**	**425,968**

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.

39. FINANCIAL RISK MANAGEMENT (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 – 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 cash equivalents			
Stage 1	**5,771,110**	**509,342**	-

Group – 2022	AAA to BB	BB+ TO B-	CCC
Investment securities at amortised cost			
Stage 1	5,312,010	-	-
Investment securities at fair value through profit or loss			
Stage 1	42,585	-	-
Total investment securities	**5,354,595**	**-**	**-**
Other assets			
Stage 1	-	**328,706**	-
Cash and cash equivalents			
Stage 1	**4,680,722**	**1,106,334**	-

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; and
- Working capital facilities in Corporate are secured and unsecured.

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

39. FINANCIAL RISK MANAGEMENT (continued)

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.

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.

Group - 2023	Gross carrying amount P'000	Off balance sheet exposure P'000	Maximum exposure to credit risk P'00	Netting and financial collateral P'000	Net exposure to credit risk P'000
Term loans	7,812,186	472,742	8,284,928	(49,531)	8,235,397
Instalment sales	1,722,924	-	1,722,924	(12,925)	1,709,999
Property loans	6,177,956	387,017	6,564,973	(246,868)	6,318,105
Overdraft and managed accounts	1,297,551	1,593,047	2,890,598	(1,700)	2,888,898
Other	294,915	276,534	571,449	-	571,449
Total advances	17,305,532	2,729,340	20,034,872	(311,024)	19,723,848
Investment securities	5,972,948	-	5,972,948	-	5,972,948
Cash and cash equivalents	6,715,040	-	6,715,040	-	6,715,040
Other assets	369,882	-	369,882	-	369,882
Derivatives	36,897	-	36,897	-	36,897

Group - 2022	Gross carrying amount P'000	Off balance sheet exposure P'000	Maximum exposure to credit risk P'00	Netting and financial collateral P'000	Net exposure to credit risk P'000
Term loans	6,707,243	435,342	7,142,585	(27,404)	7,115,181
Instalment sales	1,709,983	-	1,709,983	(17,018)	1,692,965
Property loans	6,257,007	385,560	6,642,567	(139,189)	6,503,378
Overdraft and managed accounts	1,164,389	1,345,039	2,509,428	(4,037)	2,505,391
Other	257,464	273,989	531,453	(5,549)	525,904
Total advances	16,096,086	2,439,930	18,536,016	(193,197)	18,342,819
Investment securities	5,354,595	-	5,354,595	-	5,354,595
Cash and cash equivalents	6,198,095	-	6,198,095	-	6,198,095
Other assets	328,706	-	328,706	-	328,706
Derivatives	41,114	-	41,114	-	41,114

39. FINANCIAL RISK MANAGEMENT (continued)

Collateral held against derivative positions

The table below sets out the cash collateral held against the net derivative position.

	2023 P'000	2022 P'000
Cash collateral held	395,353	361,169

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	**2023**		**2022**	
Collateral held in structured transactions	**Fair value P'000**	**Fair value of collateral sold or pledged in the absence of default P'000**	**Fair value P'000**	**Fair value of collateral sold or pledged in the absence of default P'000**
Advances to customers	474,121	-	472,861	-

Investment securities exclude securities lending transactions where securities are obtained as collateral for securities lent. This is in line with industry practice.

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 whilst 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.

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

39. FINANCIAL RISK MANAGEMENT (continued)

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.

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.

2023	Call P '000	1 - 3 months P '000	4 - 12 months P '000	1 - 5 years P '000	Over 5 years P '000	Total P '000
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	-	6,126	4	-	-	6,130
Borrowings	-	7,818	84,022	798,863	478,471	1,369,174
Due to related companies	72,460	-	-	-	-	72,460
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

2022	Call P '000	1 - 3 months P '000	4 - 12 months P '000	1 - 5 years P '000	Over 5 years P '000	Total P '000
On-balance sheet exposures						
Amounts due to other banks	888,862	-	-	-	-	888,862
Deposit and current accounts	16,876,313	3,057,033	1,684,293	-	39,546	21,657,185
Derivative financial instruments	-	5,425	-	10,922	-	16,347
Borrowings	-	83,482	194,997	807,835	493,384	1,579,698
Due to related companies	24,775	-	-	-	-	24,775
Off-balance sheet exposures						
Financial and other guarantees	-	103,489	103,851	22,989	181,864	412,193
Other contingencies and commitments	-	-	-	-	13,775	13,775
Facilities not drawn	2,439,931	-	-	-	-	2,439,931

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

39. FINANCIAL RISK MANAGEMENT (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					
2023	**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**
Total assets	30,057,726	6,858,678	2,484,750	4,834,515	9,523,257	6,356,525
Total liabilities	(26,839,631)	(24,040,637)	(1,120,156)	(601,593)	(745,871)	(331,374)
Net liquidity gap	**3,218,095**	**(17,181,959)**	**1,364,594**	**4,232,922**	**8,777,386**	**6,025,151**

	Group – Term to maturity					
2022	**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**
Total assets	27,653,467	7,029,210	1,120,477	5,273,868	9,134,588	5,095,324
Total liabilities	(24,737,160)	(20,179,103)	(1,084,506)	(1,823,145)	(748,318)	(902,088)
Net liquidity gap	**2,916,307**	**(13,149,893)**	**35,971**	**3,450,723**	**8,386,270**	**4,193,236**

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.

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 USD40 million (2022: USD35 million) for all asset classes (foreign currency and interest rate risk). The Group takes positions to mitigate the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Consequently the Group strives to match its foreign currency assets and liabilities. The Group manages foreign currency exposures in terms of approved limits. The table below sets out the currency position as at the year-end.

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

39. FINANCIAL RISK MANAGEMENT (continued)

Group and Company	**Assets**		**Liabilities**	
Distribution by currency	**June 30, 2023 P'000**	**June 30, 2022 P'000**	**June 30, 2023 P'000**	**June 30, 2022 P'000**
Botswana Pula	24,934,037	23,410,801	22,091,706	21,049,850
South African Rand	586,250	399,557	735,237	564,318
United States Dollar	3,496,892	2,951,120	3,205,598	2,482,864
British Pound	131,341	85,094	129,910	91,187
Euro	168,238	139,074	158,899	132,802
Others	59,489	24,890	9,541	9,147
	29,376,247	**27,010,536**	**26,330,891**	**24,330,168**

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.

Loss arising from a 10% decrease	**June 30, 2023 P'000**	**June 30, 2022 P'000**
South African Rand	14,899	16,476
United States Dollar	(29,129)	(46,826)
	(14,230)	**(30,350)**

Gain arising from a 10% increase	**June 30, 2023 P'000**	**June 30, 2022 P'000**
South African Rand	(14,899)	(16,476)
United States Dollar	29,129	46,826
	14,230	**30,350**

The above gain/(loss) would affect 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.

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.

39. FINANCIAL RISK MANAGEMENT (continued)

2023	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
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)**

2022	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
Total assets	27,653,467	18,992,970	782,867	3,620,320	1,216,505	1,054,505	1,986,300
Total liabilities and equity	(27,653,467)	(19,530,338)	(1,068,620)	(1,819,502)	(742,026)	(380,923)	(4,112,058)
Net interest sensitivity gap	**-**	**(537,368)**	**(285,753)**	**1,800,818**	**474,479**	**673,582**	**(2,125,758)**

The table below presents the potential gains or losses that could arise if net interest income rises or falls by 200 basis points:

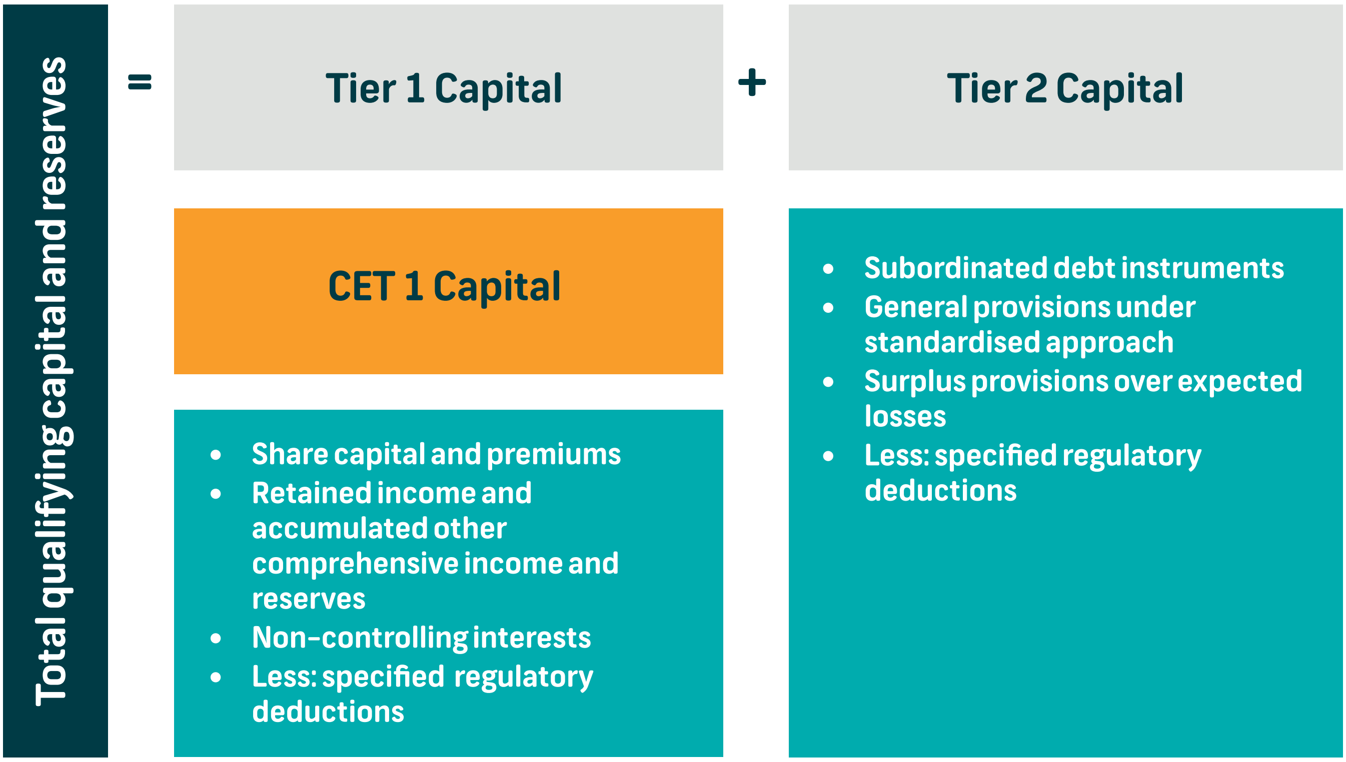
	June 30, 2023 P '000	June 30, 2022 P '000
200 basis points increase - gains	48,399	23,277
200 basis points decrease - losses	(48,399)	(23,277)

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

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.

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.

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.

39. FINANCIAL RISK MANAGEMENT (continued)

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

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

39. FINANCIAL RISK MANAGEMENT (continued)

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of Level 3 items
LOANS AND ADVANCES TO CUSTOMERS					
- 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

39. FINANCIAL RISK MANAGEMENT (continued)

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of Level 3 items
- 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
INVESTMENT SECURITIES AND OTHER INVESTMENTS					
- 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

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

39. FINANCIAL RISK MANAGEMENT (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 - 2023	Level 1 P'000	Level 2 P'000	Level 3 P'000	Fair value P'000	Amortised cost P'000
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	-	-	369,882	369,882	369,882
Due from related parties	-	-	6,804	6,804	6,804
Total financial assets at amortised cost	**5,695,630**	**-**	**16,619,517**	**22,315,147**	**22,596,264**
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
Creditors and accruals	-	781,428	-	781,428	781,428
Due to related parties	-	-	72,460	72,460	72,460
Total financial liabilities at amortised cost	**-**	**25,209,477**	**72,460**	**25,281,937**	**25,196,102**

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

39. FINANCIAL RISK MANAGEMENT (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 – 2022	Level 1 P'000	Level 2 P'000	Level 3 P'000	Fair value P'000	Amortised cost P'000
Assets					
Advances					
Home loans	-	-	5,919,063	5,919,063	5,919,063
Other advances	-	-	240,078	240,078	240,078
Term loans	-	-	6,454,771	6,454,771	6,321,676
Overdraft	-	-	988,785	988,785	988,785
Instalment sales	-	-	1,616,804	1,616,804	1,611,861
Total advances at amortised cost	-	-	15,219,501	15,219,501	15,081,463
Investment securities	5,135,504	-	-	5,135,504	5,312,010
Other assets	-	-	328,706	328,706	328,706
Due from related parties	-	-	6,563	6,563	6,563
Total financial assets at amortised cost	**5,135,504**	**-**	**15,554,770**	**20,690,274**	**20,728,742**
Liabilities					
Deposits and current accounts					
Current and managed accounts	-	10,370,141	-	10,370,141	10,370,141
Balances from customers (term)	-	4,583,207	-	4,583,207	4,470,697
Other deposits (call and savings)	-	6,506,774	-	6,506,774	6,506,774
Total deposits and current accounts	-	21,460,122	-	21,460,122	21,347,612
Long-term borrowings	-	1,184,053	-	1,184,053	1,154,987
Accrued interest payable	-	21,739	-	21,739	21,739
Creditors and accruals	-	584,531	-	584,531	584,531
Due to related parties	-	-	24,775	24,775	24,775
Total financial liabilities at amortised cost	**-**	**23,250,445**	**24,775**	**23,275,220**	**23,133,644**

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

39. FINANCIAL RISK MANAGEMENT (continued)

Assets and liabilities measured at fair value

Group - 2023	Level 1	Level 2	Level 3	Total
Mandatory fair value through profit and loss	**P '000**	**P '000**	**P '000**	**P '000**
- Investment securities	-	28,046	-	28,046
- Derivative financial instruments	-	36,897	-	36,897
Non-financial assets				
Total assets	-	64,943	-	64,943
Financial liabilities held for trading				
- Derivative financial instruments	-	25,623	-	25,623
Mandatory at fair value through profit or loss				
- Zero coupon deposit	-	132,646	-	132,646
Total liabilities	-	158,269	-	158,269

Group - 2022	Level 1	Level 2	Level 3	Total
Mandatory fair value through profit and loss	P '000	P '000	P '000	P '000
- Investment securities	-	42,585	-	42,585
- Derivative financial instruments	-	41,114	-	41,114
Non-financial assets				
Total assets	-	83,699	-	83,699
Financial liabilities held for trading				
- Derivative financial instruments	-	28,632	-	28,632
Mandatory at fair value through profit or loss				
- Zero coupon deposit	-	174,467	-	174,467
Total liabilities	-	203,099	-	203,099

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.

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

40. SEGMENTAL REPORTING (continued)

Group - 2023	Retail P'000	Commercial P'000	Corporate P'000	Treasury P'000	Total P'000
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)
Total expenditure	(576,369)	(551,094)	(225,183)	(1,811)	(1,354,457)
Profit before indirect taxation	677,755	352,802	269,112	139,315	1,438,984
Indirect taxation	(16,642)	(70)	(1,718)	(678)	(19,108)
Profit before direct taxation	661,113	352,732	267,394	138,637	1,419,876
Direct taxation					(304,104)
Profit for the year					**1,115,772**
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

Major customers - In terms of IFRS 8, a customer is regarded as a major customer if the revenue from transactions with this customer exceeds 10% or more of the entity's revenue. The Group has no major customers as defined and is, therefore, not reliant on the revenue from one or more major customers.

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

40. SEGMENTAL REPORTING (continued)

Group - 2022	Retail P'000	Commercial P'000	Corporate P'000	Treasury P'000	Total P'000
Income statement					
Interest and similar income	549,786	126,369	65,234	690,894	1,432,283
Non-interest income	608,400	447,804	326,376	8,075	1,390,655
Total segment revenue	1,158,186	574,173	391,610	698,969	2,822,938
Interest and similar expenses	103,423	131,636	85,335	(588,849)	(268,455)
Segment operating income before impairments	1,261,609	705,809	476,945	110,120	2,554,483
Impairment of advances	(126,472)	76,657	(482)	-	(50,297)
Net interest income after impairment of advances	1,135,137	782,466	476,463	110,120	2,504,186
Depreciation	(71,753)	(1,187)	(98)	(147)	(73,185)
Total expenditure	(501,309)	(513,188)	(193,329)	1,784	(1,206,043)
Profit before indirect taxation	562,075	268,091	283,036	111,757	1,224,958
Indirect taxation	(22,944)	120	(2,689)	(534)	(26,047)
Profit before direct taxation	539,131	268,211	280,347	111,223	1,198,911
Direct taxation					(272,168)
Profit for the year					**926,743**
Statement of financial position:					
Gross advances to customers	10,081,991	2,990,898	3,023,197	-	16,096,086
Loss allowance	(567,999)	(413,340)	(33,284)	-	(1,014,623)
Net advances	9,513,992	2,577,558	2,989,913	-	15,081,463
Deposits from customers	5,617,729	8,342,605	5,942,301	1,444,977	21,347,612

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:

Reference to the Conceptual Framework: Amendment to IFRS 3
The amendment makes reference to the Conceptual Framework for Financial Reporting issued in 2018 rather than to the IASC's Framework for the Preparation and Presentation of Financial Statements. The amendment specifically points to the treatment of liabilities and contingent liabilities acquired as part of a business combination, and which are in the scope of IAS 37 Provisions, Continent Liabilities and Contingent Assets or IFRIC 21 Levies. It clarifies that the requirements of IAS 37 or IFRIC 21 should be applied to provisions, contingent liabilities or levies to determine if a present obligation exists at the Acquisition date. The amendment further clarifies that contingent assets of acquirees share not be recognised as part of the business combination.

The effective date of the Group is for years beginning on or after January 1, 2022.

The group has adopted the amendment for the first time in the 2023 consolidated and separate financial statements. The impact of the amendment is not material.

Annual Improvement to IFRS Standards 2018-2020: Amendment to IFRS 9
The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the Group is for years beginning on or after January 1, 2022.

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

41. NEW STANDARDS AND INTERPRETATIONS (continued)

The group has adopted the amendment for the first time in the 2023 consolidated and separate financial statements. The impact of the amendment is not material.

Property, Plant and Equipment: Proceeds before Intended Use: Amendment to IAS 16
The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts in now specifically required.

The effective date of the Group is for years beginning on or after January 1, 2022.

The Group has adopted the amendment for the first time in the 2023 consolidated and separate financial statements. The impact of the amendment is not material.

Onerous Contracts – Cost of Fulfilling a Contract: Amendment to IAS 37
The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example depreciation allocation).

The effective date of the Group is for years beginning on or after January 1, 2022.

The Group has adopted the amendment for the first time in the 2023 consolidated and separate financial statements. The impact of the amendment is not material.

41.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The Group has elected 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, 2023 or later periods:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture: Amendment to IFRS 10 and IAS 28
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.

Lease liability in a sale and leaseback: Amendment 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.

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

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

41. NEW STANDARDS AND INTERPRETATIONS (continued)

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.

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

Deferred tax related to assets and liabilities arising from a single transaction – Amendment 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 it occured 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.

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

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.

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

Definition of accounting estimates: Amendment 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.

It is unlikely that the amendment will 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.

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

Notes to the Consolidated and Separate Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2023

41. NEW STANDARDS AND INTERPRETATIONS (continued)

Insurance Contracts: Amendment to IFRS 17
The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the amendment is for years beginning on or after January 1, 2023.

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

Extension of the temporary exemption from applying IFRS 9– Amendment to IFRS 4
The objective of the amendment is to extend the expiry date of the temporary exemption from applying IFRS 9 by two years (i.e. from 2021 to 2023) in order to align the effective dates of IFRS 9 Financial Instruments with IFRS 17 Insurance Contracts.

The effective date of the amendment is for years beginning on or after January 1, 2023.

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

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 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

Contents

Value Added Statement

FOR THE YEAR ENDED 30 JUNE 2023

	Group		Company	
	30-Jun-23	30-Jun-22	30-Jun-23	30-Jun-22
Income earned by providing banking services	3,437,662	2,822,938	3,437,233	2,822,530
Cost of services	(1,924,229)	(1,573,730)	(1,927,428)	(1,580,186)
Value added banking services	1,513,433	1,249,208	1,509,805	1,242,344
Non-operating and other income and expenditure	720,042	661,980	718,616	663,688
Value added	2,233,475	1,911,188	2,228,421	1,906,032
Value allocated				
To employees and Executive directors				
Salaries, wages and other benefits	736,231	637,448	736,231	637,448
To providers of capital				
Dividends to shareholders	813,984	661,362	813,984	661,362
To Government				
Direct and Indirect Tax	323,212	298,215	322,134	303,388
To expansion and growth				
Retained earnings	301,788	265,381	299,238	253,344
Depreciation - Owned	58,260	48,782	56,834	50,490
	2,233,475	1,911,188	2,228,421	1,906,032
Employees	33%	33%	33%	33%
Providers of capital	36%	35%	37%	35%
Government	15%	16%	15%	16%
Expansion growth	16%	16%	16%	16%
	100%	100%	100%	100%

Ten-Year Consolidated Income Statements

FOR THE YEAR ENDED 30 JUNE 2023

	30 June 2023 P'000	30 June 2022 P'000	30 June 2021 P'000	30 June 2020 P'000
Interest and similar income	1,950,758	1,432,283	1,408,692	1,649,128
Interest expense and similar charges	(469,175)	(268,455)	(241,506)	(310,893)
Net interest income before impairment of advances	1,481,583	1,163,828	1,167,186	1,338,235
Impairments losses on loans and advances	(93,557)	(50,297)	(241,251)	(421,442)
Net interest income after impairment of advances	1,388,026	1,113,531	925,935	916,793
Non interest income	1,486,904	1,390,655	1,205,745	1,199,354
Income from operations	2,874,930	2,504,186	2,131,680	2,116,147
Operating expenses	(1,455,054)	(1,305,275)	(1,213,972)	(1,188,902)
Income before taxation	1,419,876	1,198,911	917,708	927,245
Taxation	(304,104)	(272,168)	(232,533)	(231,439)
Income after taxation	1,115,772	926,743	685,175	695,806
Dividends paid and proposed	(508,740)	(406,992)	(1,246,413)	(203,496)
Retained income for the year	607,032	519,751	(561,238)	492,310

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	30 June 2014 P'000
1,617,445	1,507,520	1,429,248	1,308,394	1,288,434	1,244,817
(359,916)	(335,721)	(265,128)	(363,565)	(415,321)	(290,200)
1,257,529	1,171,799	1,164,120	944,829	873,113	954,617
(264,912)	(274,168)	(361,219)	(228,570)	(201,068)	(122,510)
992,617	897,631	802,901	716,259	672,045	832,107
1,142,315	1,069,648	978,155	926,949	862,386	794,557
2,134,932	1,967,279	1,781,056	1,643,208	1,534,431	1,626,664
(1,172,601)	(1,129,070)	(1,100,733)	(984,196)	(777,928)	(704,425)
962,331	838,209	680,323	659,012	756,503	922,239
(229,795)	(190,154)	(179,804)	(155,121)	(165,020)	(202,578)
732,536	648,055	500,519	503,891	591,483	719,661
(406,992)	(357,118)	(282,007)	(282,007)	(410,192)	(384,555)
325,544	290,937	218,512	221,884	181,291	335,106

Ten-year statements of Financial position (continued)

FOR THE YEAR ENDED 30 JUNE 2023

	30 June 2023 P'000	30 June 2022 P'000	30 June 2021 P'000	30 June 2020 P'000
ASSETS				
Cash and short term funds	6,715,040	6,198,095	5,470,758	4,697,599
Derivative financial instruments	36,897	41,114	35,307	76,872
Advances to banks	-	-	217,957	-
Advances to customers	16,274,676	15,081,463	13,642,027	14,686,767
Investment securities	5,972,948	5,354,595	7,889,039	9,509,211
Current taxation	88,368	82,299	85,239	86,324
Deferred taxation		-	-	3,706
Due from related companies	6,804	6,563	7,552	11,684
Other assets	369,882	328,706	406,658	479,314
Property and equipment	566,148	533,669	530,646	560,785
Goodwill	26,963	26,963	26,963	26,963
Total assets	30,057,726	27,653,467	28,312,146	30,139,225
LIABILITIES				
Deposits from banks	849,454	888,862	490,153	545,002
Deposits from customers	23,333,051	21,347,612	21,396,057	23,171,897
Accrued interest payable	40,922	21,739	21,360	28,079
Derivative financial instruments	25,623	28,632	21,507	36,708
Current taxation	-	-	-	-
Due to related companies	72,460	24,775	25,093	21,322
Creditors and accruals	781,428	584,531	680,558	723,587
Employee liabilities	116,915	98,227	93,887	81,504
Borrowings	1,100,887	1,329,454	1,527,200	1,765,858
Deferred taxation	10,151	6,336	158,992	196,988
Total liabilities	26,330,891	24,330,168	24,414,807	26,570,945
EQUITY				
Stated capital	51,088	51,088	51,088	51,088
Reserves	3,167,007	2,865,219	2,599,838	3,313,696
Dividend reserve	508,740	406,992	1,246,413	203,496
Total ordinary equity holder's funds	3,726,835	3,323,299	3,897,339	3,568,280
Total equity and liabilities	30,057,726	27,653,467	28,312,146	30,139,225

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	30 June 2014 P'000
4,411,739	4,356,895	4,396,885	3,651,793	4,371,324	2,721,384
49,606	55,181	64,028	76,646	26,716	24,922
789,903	650,912	-	324,960	640,000	461,921
15,939,047	15,478,937	14,997,373	14,386,819	12,846,481	12,131,415
4,135,220	3,360,091	3,313,694	2,447,230	2,256,337	1,536,828
106,768	65,267	8,641	99,966	46,832	12,895
7,054	-	-	-	-	-
6,388	9,465	9,448	6,324	6,319	6,272
317,627	357,133	288,831	376,245	211,080	196,112
481,307	507,584	505,496	495,692	540,393	520,694
26,963	26,963	26,963	26,963	26,963	26,963
26,271,622	24,868,428	23,611,359	21,892,638	20,972,445	17,639,406
581,243	730,109	1,397,685	300,166	199,334	12,157
19,591,409	18,834,336	17,567,471	17,063,756	17,233,721	14,328,142
63,566	51,893	46,061	30,553	88,895	39,027
14,844	20,315	28,065	42,631	13,796	18,079
-	7,699	1,208	898	650	3,870
32,898	73,861	36,175	124,726	11,673	30,499
863,734	459,949	443,530	429,680	360,109	274,596
85,894	82,800	71,606	68,127	61,949	60,588
1,502,642	1,288,927	1,059,127	1,094,239	395,376	489,495
200,623	200,779	207,566	203,509	160,956	118,973
22,936,853	21,750,668	20,858,494	19,358,285	18,526,459	15,375,426
51,088	51,088	51,088	51,088	51,088	51,088
3,029,311	2,837,739	2,547,955	2,329,443	2,112,891	1,930,885
254,370	228,933	153,822	153,822	282,007	282,007
3,334,769	3,117,760	2,752,865	2,534,353	2,445,986	2,263,980
26,271,622	24,868,428	23,611,359	21,892,638	20,972,445	17,639,406

Glossary

AC	Audit committee
AGM	Annual General Meeting
ALCCO	Asset, Liability and Capital Committee
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ADT	Automated deposit teller machines
ATM	Automatic teller machine
BA	Broader Africa
Banking Act	Botswana Banking Act of 1995 (Cap 46:04)
BCRC	Board Credit Risk Committee
Board	Board of directors
BOW	Bank on Wheels
BSE	Botswana Stock Exchange
BSE Listings Requirements	Botswana Stock Exchange Equity Listings Requirements, version 3.2, approved with effect from 1 January 2019
BURS	Botswana Unified Revenue Service
Capital inputs	Financial capital Manufactured capital Intellectual capital Human capital Social and relationship capital Natural capital
CEO	Chief Executive Officer
CEEP	Citizen Economic Empowerment Programme
CFO	Chief Financial Officer
Companies Act	Botswana Companies Act of 2007, as amended (Cap 42:01)
Corporate Governance Guidelines for banks	Guidlines on Corporate Gorvernance for Banks/Financial institutions Licensed and Supervised by the Bank of Botswana on 22 November 2022
CRA	Culture risk assessment
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
DAGC	Directors' Affairs and Governance Committee
ECL	Expected credit loss
ECSI	External Client Satisfaction Index
ERTP	Economic Recovery and Transformation Plan
ESG	Environmental, Social and Governance
FATF	Financial Action Task Force
FICA	Financial Intelligence Act
Fintech	Financial technology
FNB App	FNB Banking application
FNB Botswana/FNB	First National Bank of Botswana Limited
FOA	FirstRand Organisational Assessment
Foundation	FNB Botswana Foundation

GDP	Gross Domestic Product
Group	FirstRand Limited and its subsidiaries
HPC	High-performance culture
HR	Human resources
IFRS	International Financial Reporting Standards
IT	Information technology
King IV	King Report on Corporate Governance™ for South Africa
KYC	Know your Client
LTV	Loan-to-Value
MoPR	Monetary Policy Rate
NIACC	Net income after cost of capital
NPLs	Non-performing loans
NPS	Net Promoter Score
POF	Purchase Order Finance
POS	Point of Sale
RCCC	Risk, Capital Management and Compliance Committee
REMCO	Remuneration Committee
RMB	Rand Merchant Bank
RTO	Recovery time objective
Sand P	Sand P Global Ratings
SARB	South African Reserve Bank
SME	Small, medium, and micro-enterprise
TCF	Treating Customer Fairly
TCFD	Task Force on Climate-related Financial Disclosures
the/this report/integrated report	2023 integrated report
the/this year/2023	1 July 2022 to 30 June 2023

Shareholder information

Shareholder diary

Dividend and results announcement	13 September 2023
Publication of abridged Annual Financial Statements	13 September 2023
Payment of final dividend	11 October 2023
Annual General Meeting	02 November 2023
Next financial year end	30 June 2024

Shareholder information

Shareholder analysis

FNBB is a public company listed on the Botswana Stock Exchange with a total of 4 883 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		% OF HOLDERS	SHARES HELD	% OF ISSUED SHARES
1-5000	3896	79.79	3,451,622	0.14
5001-10000	336	6.88	2,780,528	0.11
10001-50000	404	8.27	9,693,760	0.38
50001-100000	76	1.56	5,712,725	0.22
100001-500000	100	2.05	19,123,707	0.75
500001-1000000	16	0.33	11,413,030	0.45
Above 1000000	55	1.13	2,491,524,628	97.95
Total	**4883**	**100.00**	**2,543,700,000**	**100.00**

Top 10 shareholders

Name of Holder	Total QTY	% OF ISSUED SHARES
FNB HOLDINGS BOTSWANA LIMITED	1,780,590,000	70.00%
FNB BOTSWANA NOMINEES RE: BIFM	216,222,849	8.50%
BPOPF VUNANI	160,240,671	6.30%
MOTOR VEHICLE ACCIDENT FUND	41,053,910	1.61%
NINETY-ONE - DEBSWANA PENSION FUND	27,249,643	1.07%
STANBIC NOMINEES BOTSWANA RE BIFM PLEF	21,501,031	0.85%
BOTSWANA PUBLIC OFFICERS PENSION FUND	20,623,252	0.81%
STANBIC NOMINEES BOTSWANA RE BIFM MLF	20,301,133	0.80%
NINETY-ONE-RE BOTSWANA MANAGED FUND	15,988,245	0.63%
STANBIC NOMINEES BOTSWANA RE BPOPF WT PRO PORT MCP	15,854,729	0.62%
Total	**2,319,625,463**	**91.19%**
Others	224,074,537	8.81%
Total issued	**2,543,700,000**	**100.00%**

Director interests

Shareholder	Shares held
Luke Woodford	8,693
Doreen Ncube	7,930
Bonyongo Family Trust	6,389
Michael William Ward	100
Total	**23,112**

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (AGM) of shareholders of the Company will be held at Grand Aria Hotel at 13h00 on Thursday, 2 November 2023, 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

1. To read the notice of AGM (notice) and ascertain the presence of a quorum required in terms of the Constitution.
2. **Ordinary resolution 1:**

   RESOLVED THAT, the Audited Annual Financial Statements for the year ended 30 June 2023 together with directors' and auditor's reports thereon be adopted.
3. **Ordinary resolution 2:**

   RESOLVED THAT dividends of 12 Thebe per ordinary share declared for the interim period, and 20 Thebe per ordinary share for the year ended 30 June 2023 be approved as recommended by the directors and the distribution be ratified thereof.
4. **Ordinary resolution 3:**

   RESOLVED THAT Mr Ephraim Dichopase Letebele retire by rotation in terms of the Company's Constitution and is eligible to offer himself for re-election.

   Mr Letebele, being eligible and available, offers himself for re-election and shall be re-elected by way of separate resolutions. Biographical information of the directors to be re-elected is set on pages 108 to 110 in the Integrated Report. The Board recommends the re-election of these directors.
5. **Ordinary resolution 4 and 5:**

   RESOLVED THAT the following Directors retire in accordance with the terms of the Company's Constitution and do not offer themselves for re-election and will retire as Independent Non-Executive Directors of the Company:

   - **Mr Jabulani Richard Khethe (Independent Non-Executive Director) (Resolution 4)**
   - **Mr Michael William Ward (Independent Non-Executive Director) (Resolution 5)**
6. **Ordinary resolution 6**

   To ratify the appointment of the following Directors of the Company:

   - Dr Mbako Mbo (Executive Director)

7. Ordinary resolution 7:

RESOLVED THAT the annual fees of the Non-Executive Directors as reflected below, be approved:	Proposed 2024 fee (BWP)
First National Bank of Botswana Limited Board	
Member	270 000
Chairperson	540 000
Audit Committee	
Member	184 000
Chairperson	314 000
Risk and Capital Management Committee	
Member	68 000
Chairperson	211 000
Human Capital and Remuneration Committee	
Member	84 000
Chairperson	239 000
Directors' Affairs and Governance Committee	
Member	60 000
Chairperson	155 000
Board Credit Committee	
Member	60 000
Chairperson	155 000
Large Exposure Sub-Committee	
Member	120 000
Chairperson	160 000
Board Compliance and Conduct Committee	
Member	60 000
Chairperson	155 000
Strategy	30 000

Additional information in respect of Ordinary Resolution 7

i. Executive Directors and Non-Executive Directors employed by the FirstRand Group do not receive fees as members of the Board.
ii. Fees are reviewed annually in line with industry benchmarks and are approved at the AGM for the year ahead.
iii. Board and Committee meeting fees will no longer be paid at an hourly rate, and shall be paid at a flat rate, with a premium rate for the Chairpersons.
iv. Meeting fees cover preparation and actual meetings.
v. Invitees get paid half of the members' meeting fee.
vi. All members of the Board 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, adhoc 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 8:

RESOLVED THAT, as recommended by the Audit Committee of the Company, Ernst & Young be appointed as auditors of the Company and the directors be authorised to determine the remuneration thereof.

Additional information in respect of Ordinary Resolution 8

The remuneration of the Company's auditors is determined by the Audit Committee as per the Audit Committee Charter.

9. Ordinary Resolution 9:

RESOLVED THAT, the auditor's remuneration of P10 055 000 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 Tuesday, 31 October 2023.

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 THURSDAY, 12 OCTOBER 2023.

For use at the Annual General Meeting (AGM) of shareholders of the Company to be held on Thursday, 2 November 2023.

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			

Signed at ______________________________ on ______________ 2023

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, Fairscape Precinct, Fairgrounds Private Bag 00417 Gaborone to be received before 12h00 on 31 October 2023.
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.

First National Bank of Botswana Limited

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Telephone: +267 370 6000 • **Website:** www.fnbbotswana.co.bw
Registered Bank • Registration Number BW00000790476 • S.W.I.F.T. • FIRNBWGX

Feedback

Telephone: +267 370 6000 • **Email:** investor@fnbbotswana.co.bw
Share Transfer Secretaries • Central Securities Depository Company of Botswana • Plot 70667, 4th Floor, Fairscape Precinct, Fairgrounds Private Bag 00417 • Gaborone, Botswana Telephone: 3674400 • **Email:** csd@bse.co.bw