




# Audited summarised consolidated financial statements and dividend announcement

for the full year ended 30 June 2020





**The Directors take pleasure in presenting the audited summarised consolidated financial statements and dividend announcement of First National Bank of Botswana Limited and its subsidiaries (referred to as “FNBB” or “the bank” in this announcement) for the year ended 30 June 2020.**

# Audited summarised consolidated financial statements and dividend announcement for the year ended 30 June 2020

## Basis of presentation and accounting policies

The audited summarised consolidated financial statements contained in this analysis of financial results booklet have been prepared in terms of the framework concepts and recognition and measurement criteria in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB) interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and as a minimum contain the information required by International Accounting Standard 34 (“IAS 34”) – Interim Financial Reporting..

The bank’s underlying audited consolidated financial statements from which the summarised consolidated financial statements have been extracted have been prepared in accordance with IFRS and all interpretations issued by IFRIC effective 1 July 2019, and in compliance with the Companies Act of Botswana (Companies Act, 2003), the Non-Bank Financial Institutions Regulatory Authority Act (Cap 46:08) and the Banking Act (Cap 46:04). The principal accounting policies and the methods of computation are consistent in all material aspects with those adopted in the most recent audited consolidated financial statements, with the exception of the adoption of IFRS 16: Leases and IFRIC 23 Uncertainty of Income Tax Treatments effective for periods beginning on or after 1 January 2019.

The bank has adopted IFRS 16: Leases and IFRIC 23 Uncertainty of Income Tax Treatments from 1 July 2019. The adoption of IFRS 16 has mainly impacted the accounting for the bank’s operating leases (as defined under IAS 17 Leases) where the bank is the lessee. The adoption of IFRS 16 has had an impact on the accounting policy and reported results of the bank. The IFRIC 23 interpretation clarifies how to apply the recognition and measurement requirements of IAS 12: Income Taxes when there is

uncertainty over income tax treatments. The adoption of IFRIC 23 has not had a material impact on the reported results of the bank.

In the preparation of the consolidated financial statements, the bank has applied sound business principles with key assumptions concerning any inherent uncertainties in recording various assets and liabilities. These assumptions were applied consistently to the audited summarised consolidated financial statements for the financial year ended 30 June 2020 and have been thoroughly assessed by management to ensure the appropriateness thereof. The critical accounting estimates and areas of judgements are:

- Impairment of financial assets;
- Impairment of goodwill;
- Application and interpretation of tax regulations;
- Provisions, contingent liabilities, and contingent assets;
- Fair value of financial instruments;

The directors confirm that this information has been correctly extracted from the audited consolidated financial statements from which the audited summarised consolidated financial statements were derived.

The directors have reviewed the bank’s budgets and flow of funds forecasts and considered the bank’s ability to continue as a going concern considering current and anticipated economic conditions. These budgets and flow of funds forecasts took the impact of the COVID-19 pandemic into consideration, including projections of the impact on the bank’s capital and funding requirements. The directors further considered the bank’s operating resilience, the legal and regulatory environment, and any potential valuation concerns around the bank’s assets recognised in the statement of financial position. 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.

## Significant judgements and estimates impacted by COVID-19

Due to the unprecedented nature of the COVID-19 pandemic, it is not possible to accurately predict the full extent, nor the duration, of its economic impact. Specific areas of judgement set out in the audited consolidated financial statements did not change. However, given the dynamic nature of the pandemic and the limited recent experience of the ensuing economic and financial impact, additional judgements have been applied within those identified areas. This has resulted in changes to the estimates and assumptions that have been applied in the measurement of the assets of FNBB for the current reporting period. Further, certain balances, processes and related disclosures have been impacted by COVID-19. In these instances judgement has been applied and adjustments made on a conservative but reasonable basis, and where appropriate disclosed.

The audited consolidated financial statements contain forward-looking indicators, including a detailed explanation of the scenarios considered in determining FNBB’s assumptions for the purposes of its expected credit loss (ECL). Noting the wide range of possible scenarios and macroeconomic outcomes as well as the relative uncertainty of the social and economic consequences of COVID-19, these scenarios represent reasonable forward-looking views as supported by the information available at the reporting date. The bank has not considered the impact of COVID-19 as a blanket significant increase in credit risk (SICR) trigger that is expected to result in the entire portfolio of advances moving into their next respective staging buckets. An enhanced and more systematic targeted approach to the impact of COVID-19 on the customer base has been undertaken, which is in line with the bank’s existing credit impairment policies.

The valuation techniques for the fair value measurement of financial instruments have been assessed to determine the impact that the market volatility introduced by COVID-19 has had on the fair value measurements of these instruments. We also considered the appropriateness of the inputs to valuations, which include the use of correlations, price volatilities, funding costs and bid offer spread, counterparty and own credit spreads. Changes in valuation inputs have also been assessed in terms of the impact they have on the classification of exposures in the fair value hierarchy.

### Audited summarised consolidated statements – independent auditor’s opinion

Deloitte & Touche, First National Bank of Botswana Limited’s independent auditors, have audited the consolidated financial statements of First National Bank of Botswana Limited from which

the summarised consolidated financial statements have been derived, and have expressed an unmodified audit opinion on the consolidated financial statements. The summarised consolidated financial statements comprise the summarised consolidated statement of financial position at 30 June 2020, summarised consolidated income statement, summarised consolidated statement of comprehensive income, summarised consolidated statement of changes in equity and summarised consolidated statement of cash flows for the year then ended, and related notes. Included in the audit report on the consolidated financial statements is a key audit matter on impairment of advances. The full set of financial statements and audit report thereon are available for inspection at First National Bank of Botswana Limited’s registered office. The financial statements do not necessarily report on all the information contained in this announcement. For a better understanding of the bank’s financial position and the statements of its operations for the year and

the scope of the audit engagement, these audited summarised consolidated financial statements should be read in conjunction with the audited consolidated financial statements from which the summarised consolidated financial statements were derived and the audit report thereon. The audit of the summarised consolidated financial statements was conducted in accordance with International Standards on Auditing.

### Forward-looking statements

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

## Financial highlights



	Year ended 30 June 2020 Audited	Year ended 30 June 2019 Audited	% Change
Profit after tax (P'000)	695 806	732 536	(5)
Advances to customers (P'000)	14 686 767	15 939 047	(8)
Deposits from customers (P'000)	23 171 897	19 591 409	18
<b>Ratios</b>			
Cost-to-income ratio (%)	49.3	49.6	(1)
Return on equity (%)	20.1	22.7	(12)
Return on average assets (%)	2.5	2.9	(16)
NPLs to gross advances (%)	7.6	6.7	13
Dividend per share (thebe)	15.0	16.0	(6)



## Economic update

### Global economy overview

#### COVID-19 pandemic and related economic shocks – the perfect storm

The necessary protection measures related to the COVID-19 pandemic are severely impacting economic activity worldwide, and the IMF projects that global economy will contract by 4.9% in 2020 (2.9% growth in 2019). While some economies are reopening gradually, others are tightening lockdown regulations to stem the risk of the 'second-wave'. Several countries have been forced to lift their debt levels in order to combat the virus and must now proceed to stabilise economic growth and manage fiscal indebtedness. This environment remains supportive of safe-haven assets which should continue to protect the US Dollar in the near term, although this support is expected to fade further as and when the global recovery commences in earnest. While the disinflationary trend is expected to subside in 2021, inflation in the developed markets is expected to remain below target levels for some time. The IMF projects that 2021 global growth will recover to 5.4% on the premise that a well co-ordinated fiscal and monetary support policy will underpin further stabilisation of financial markets.

### Regional economy

#### A crisis like no other

The outbreak of COVID-19 has had a severe impact on global supply chains, leaving commodity-dependent countries heavily exposed. According to the IMF, the sub-Saharan Africa (SSA) growth is expected to contract by 3.2% in 2020 (3.1% growth in 2019), before gradual rebound to 3.4% growth in 2021. The downside risks to the region's growth will mostly stem from a weak external environment which is linked to a fragile global economy and COVID-19 impact. High public and corporate debt levels continue to affect several economies

in the region and could result in sovereign defaults. Further credit downgrades are likely. Across the region, we anticipate the hardest hit sectors to be tourism and hospitality, mining and oil, aviation and trade. Most economies in the region are forecast to register negative growth. We expect macroeconomic pressures with currency transferability and convertibility risk to rise sharply over 2020 due to the uncertainty in commodity prices, especially oil, together with the impact of COVID-19 on global markets. Consequently, we expect the Nigerian economy to enter a deep recession in 2020 and to last through to the first half of 2022. In South Africa, weak domestic demand and income growth has been exacerbated by COVID-19, and the fiscal space available to support the economy is limited. This demand weakness continues to depress core inflation which in turn has allowed the South African Reserve Bank to provide significant monetary policy support to the economy.

Any growth recovery for SSA in 2021 will be dependent on the continued gradual easing of the COVID-19 restrictions as implemented in the latter part of 2Q20 and, importantly, provided the region avoids the same epidemic dynamics that have played out elsewhere.

### Botswana economy

#### Hopes of recovery pinned on the Economic Recovery & Transformation Plan

The bank anticipates that the disruptions to business and consumer activity associated with COVID-19 pandemic will result in an economic contraction of 10.5% in 2020 (3.0% growth in 2019). The impact on the global economy has already reduced the demand for diamonds, leading to a moderation of both diamond prices and local production. This trend is expected to persist until the virus is sufficiently contained to allow real economic recovery.

Mining activity is expected to contract by over 40%, with the additional challenge of travel bans prohibiting sightholder participation in the diamond sales cycles. The same travel restrictions are severely affecting other sectors with close ties to tourism, including hospitality and aviation. Botswana's trade sector, which has been a key driver of growth in recent years, is expected to contract by over 20% as a result of disruptions in trade patterns following lockdown measures implemented globally. The spill-over effect will be evident in manufacturing and construction with local businesses facing both procurement difficulties and subsiding demand.

The Government has drafted an economic recovery and transformation plan aimed at supporting businesses and the economy through this pandemic. The fiscal package proposes several initiatives that span most industries with the stated objective of transforming Botswana from a mineral-led, public-sector dominated economy to a more diversified, export-led private-sector economy, although this narrative for growth has yet to have shown material results. The estimated cost of the package is P20bn (10% of GDP) over 2.5 years, which in addition to the expected budget deficit over the same period of around P20bn, increases the overall budget deficit to P40bn over that period. However, unlike many of its peers in the region, Botswana has the cushion of several funding options. With sizeable foreign exchange reserves, a history of prudent fiscal governance, capacity to increase its public debt, a captive domestic capital market, and options for foreign-currency debt from various DFIs, the country remains the highest rated sovereign in SSA, despite the recent downgrades by S&P.

#### Scope to reduce Bank Rate further as inflation substantially declines

Headline inflation averaged 2.3% in the twelve months to June 2020, having breached the Bank of Botswana's lower inflation objective since the second half of 2019. Following negative economic growth and broad-based decline in business and consumer activity, the June 2020 inflation figure dropped below 1%. We expect headline inflation to average 1.9% in 2020, further supported by low Brent crude oil prices. The recessionary pattern anticipated in 2020 with subdued demand and output prospects, inform the bank's view that the Monetary Policy Rate will trend lower in the short- to medium-term, and dropping to 3.50% during 2020 (currently at 4.25%).

## Pula outlook

While the fundamentals provide an impetus for further rate cuts, this should have minimal impact on the Pula outlook as the currency is pegged 45% to the Rand and 55% to the IMF SDR. The Pula's international value is therefore unlikely to be a primary consideration in any decision on rates. The Rand remains the dominant determinant of the Pula outlook due to the significance of imports from South Africa, and any weakness in the Rand will flow through to an extent. For 2020, we forecast USD/BWP and BWP/ZAR to average 11.51 (10.77 in 2019) and 1.43 (1.34 in 2019) respectively.

## COVID-19

The bank implemented appropriate measures to ensure that employees, customers, vendors and other stakeholders are protected from the spread of the virus. The measures commenced with convening the established crisis management team in accordance with the bank's established

business continuity policy. The crisis management team meet frequently to review the bank's organisational preparedness and to implement the various response tactics as appropriate. Initiatives include communication to the public to create awareness of the pandemic, the encouragement to customers to use digital service channels, the establishment of remote working protocols as well as the continued assessment of the IT readiness plan (including remote working enablement and ensuring uninterrupted customer service through digital channels).

To offer support to our stakeholders and customers through the economic uncertainty caused by COVID-19, the bank provided cash flow relief to customers via debt restructuring and offered reduced pricing on certain transactional services. This cash flow relief was designed to enable individuals and businesses withstand immediate cash flow pressures presented by COVID-19.

The table below provides insight into these relief measures provided to clients:

	Value of exposure P'000	Number of clients
Retail	412 990	2 207
SMEs/ Business	989 597	1 268
<b>Total</b>	<b>1 402 587</b>	<b>3 475</b>

The bank also donated P5m to the COVID-19 relief fund in support of Government's call to action from the private sector. The FNB Foundation pledged a further P5m towards several other COVID-19 relief measures, including support for the Arts, sanitisation of public spaces and a number of other initiatives to combat the humanitarian and social impacts of COVID-19.

The directors are confident that the banks' operations will continue to remain uninterrupted throughout the COVID-19 pandemic.

# Financial performance



FNBB continued to deliver a resilient performance with a quality return profile (ROE 20.1% and ROA of 2.5%). The 5% reduction in PAT compared to the previous reporting period was primarily driven by the impact of COVID-19 on the business. The consequent economic pressures resulted in significant increases in credit impairment charges so as to position the bank appropriately and prudently for both an increase in defaults and a decrease in the value of collateral.

FNBB's strategy to deliver customer-centric integrated financial services that will ensure the preservation of value, remains a core strategic focus. The bank has broadened its financial services offering through new products as well as enhancing the capabilities of its digital channels to further develop its relationship with its core transactional customers. The continued success of this strategy is reflected in the Non-Interest Revenue (NIR) growth registered during the reported period.

## Statement of Financial Position

Growth in deposits of 18% was underpinned by the high growth in the call and current account portfolios. This was on the back of an increase in market liquidity, mainly attributed to the effects of Botswana's FATF grey listing, as well as, to the structural reforms in the monetary policy as implemented by the Bank of Botswana in response to COVID-19. FNBB's funding structure has benefited from the issuance of Tier II Capital amounting to P196m, which has elongated the funding profile and enhanced the resilience of the balance sheet.

For several years prior to the current economic uncertainties, FNBB had exercised caution in its credit origination which has improved its position to face the uncertainties ahead. Gross customer advances declined by 6% year-on-year with all customer segments experiencing reductions. The absence of new business growth due to the effects of lockdowns and other COVID-19 restrictions led to sharp amortisation of the portfolios, together with a halting of the working capital cycle as businesses preserve liquidity and secure affordability in a “wait and see” approach.

FNBB continued to register credit defaults over the period with the stage 3 (non-performing loan or NPL) portfolio increasing by P77m year-on-year (7% increase). The retail portfolio, which is impacted predominantly by the labour market, also experienced an increase in defaults. The home loan portfolio has been underperforming for the last 5 years, and has continued to slow in line with trends in the residential property market and the effects of the pandemic.

Efficient deployment of cash and short-term funds resulted in the bank increasing its investment portfolio by over 100% year-on-year. The surplus cash position followed increased deposits, reduced advances disbursements, and careful management of the investment portfolio to ensure liquidity risk is well within approved thresholds.

## Income statement

**Profit before tax and profit after tax both declined by 5% due to pressure on top line revenue and the required provisioning due to the increase in credit risk brought about by COVID-19. The resultant return on equity is 20.1% (22.7% in 2019).**

Interest income growth of 2% was largely driven by the core investment portfolio which saw income growth of 12% year-on-year. Despite the cumulative Bank Rate cut of 75bps during the year, the net interest income on advances remained flat. This was made possible by a change in the portfolio mix as well as gross advances having averaged at higher levels during the period before experiencing a sharp decline towards the end of the period.

Interest expense declined by 14% year-on-year largely underpinned by the temporary structural adjustment in market liquidity. Additionally, the Bank Rate cuts reduced

pricing on the money market curve across the industry, especially on term deposits.

The impairment charge for the year increased by 59% year-on-year with a charge of P421m and an overall credit loss ratio of 2.6%. FNBB recognised the economic impact of COVID-19, and undertook to restructure a significant portfolio of loans to afford customers cash flow relief and assist them in weathering the crisis. To cater for the expected downward pressure on customer risk profiles and realisable values of collateral, the bank increased provision coverage ratios through an in-depth review of all key credit risk parameters. The coverage ratios across all stages increase year-on-year, stage 1 from 1.4% to 1.5%, stage 2 from 18.6% to 19.9% and stage 3 from 55.8% to 72.5%.

NIR increased 11% year-on-year driven by fee and point-of-sale (POS) commission income growth of 13% and 15% respectively. This was supported by increased volumes across the bank’s digital and electronic channels but most noticeably in merchant transactions. Both transactional volumes and values increased due to the improved connectivity on our digital channels as well as the FNB App not requiring user data to access it across all networks. FNBB broadened its financial inclusion by launching a new channel called Cash Plus which brings services to more remote locations and offers further convenience to our customers.

The cost-to-income ratio at 49.3% reflects FNBB’s continued steadiness in balancing cost management initiatives with strategic investments. This cost is being closely monitored in the context of COVID-19, with adjustments to the bank’s discretionary remuneration structures.

## Looking ahead

**Given the current outlook for the Botswana economy, we expect credit extension to remain limited with households constrained by pressures on discretionary income and businesses deferring capex cycles until the economic fallout from the COVID-19 pandemic stabilises. Further, with rates remaining low and credit default pressure remaining high, the operating environment for financial services will remain challenging.**

Much of the bank’s success can be attributed to its forward-thinking approach

to technology and innovation which will remain a central focus. The majority of the bank’s workforce has been enabled to work remotely with a view to long term flexible working arrangements. This strategy also facilitated the rapid introduction of responsible social distancing practices in line with the COVID-19 protocols.

One effect of the pandemic has been acceleration of the customer’s journey into digital banking. The FNB App and Online Banking registrations grew notably with clients being further empowered to serve themselves in the form of convenient, value-added services. Cyber security remains paramount given the technological uptake in the market and the bank has invested significant resources in this area to provide safe platforms for customers to transact on. FNBB will continue to invest in the consumer payments ecosystem with the roll out of further POS devices and contactless cards, as well as further investment in the POS infrastructure.

FNBB will continue to optimise and standardise its operational processes with a view to enriching job roles and functions, and providing a strong foundation for further development of technology and automation across the bank. Major initiatives such as the implementation of robotic process automation, machine learning and optical character recognition are under consideration. The improved back office processes will translate into an overall improvement in customer experience. This acceleration of the digital and remote working strategies has been and will continue to be underpinned by strict governance and risk protocols.

The bank remains a strong proponent of good governance and corporate citizenship. Subject to there being no compromise to the bank’s financial stability, the intention remains to be accommodative to clients needing assistance during the COVID-19 crisis. After proving a success in extending banking services to more remote locations and multiple access points, the new Cash Plus channel will be further rolled out in line with our financial inclusion strategy. Following publication in November 2019 of the first Report to Society, FNBB will publish an Integrated Annual Report. It is fundamental to our strategy to build a shared future of prosperity through enriching the lives of our customers, employees and society in general. This is the foundation to a sustainable future and will preserve the bank’s enduring commitment to create long term value.

## Events after reporting date

There were no material events that occurred after the reporting date that require adjustment to the amounts recognised in the financial statements.

## Corporate governance

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

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

FNBB will publish its first Integrated Report that will provide insights into how the bank's strategy, governance and performance, lead to the creation of value in the context of its external environment.

The Board is comprised of a majority of independent, non-executive Directors and meets regularly, reviews executive management's performance and retains effective control over the bank. The Board is assisted by sub-committees, which are responsible for different aspects of governance. The sub-committees include Audit, Credit, Directors Affairs and Governance, Remuneration and Risk Capital Management and Compliance Committees.

## Social responsibility

FNBB remains committed to its social responsibility to the community, which function it performs through the FNBB Foundation. The FNBB Foundation has independent Trustees who ensure that a wide spectrum of sustainable social welfare and development activities nationwide are prudently assessed and funded.

The Foundation provides the opportunity for greater involvement and co-operation with the community within which the bank operates, specifically:

- Education
- Youth Empowerment
- Skills development/vocational training
- Support for the disadvantaged/handicapped, especially children
- Promotion of arts and culture
- Provision of sports and recreation facilities for the community

FNBB has committed to contributing up to 1% of each year's profit after tax to the Foundation. Since its inception in 2001, the bank has made grants of more than P57m to the Foundation to enable the purposes mentioned.

This year, in addition to its contribution to the Foundation, FNBB also donated P5m to the COVID-19 relief fund in support of Government's call to action from private entities. The Foundation pledged a further P5m towards several other COVID-19 relief measures, including support for the Arts, sanitisation of public spaces and a number of other initiatives to combat the humanitarian and social impacts of COVID-19.

## Capital management

FNBB's capital management philosophy is to maintain sound capital ratios to ensure confidence in its solvency and quality of capital during both calm and turbulent periods in the economy and in the financial markets. The bank, therefore, aims to maintain capitalisation ratios aligned to its risk appetite and appropriate to safeguarding operations and stakeholder interests.

Furthermore, 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, so as to achieve a sound return on equity and a sustainable dividend distribution to shareholders. The capital planning process for FNBB 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 the internal and regulatory capital adequacy requirements can be achieved, shareholders' returns can be safeguarded, and the bank can maintain the ability to continue as a going concern even under severe stress conditions.



The capital focus has been directed to the composition of the capital structure and efficiency of the risk-weighted assets. The directors review and approve macroeconomic scenarios twice a year for regulatory and business purposes. The same process is a key input into the Internal Capital Adequacy Process (ICAAP) which in turn informs our capital management. For the financial year ended 30 June 2020, FNBB continued to operate above both the internal and regulatory minimum capital adequacy ratios.

In the context of the prevailing economic conditions, the directors have adopted a prudent approach to balancing an efficient capital position with the need to retain sufficient capital for unexpected fluctuations in earnings volatility. This has resulted in increasing the capital adequacy ratio and conserving capital, and taking into account a medium- to long-term horizon. We have thoroughly assessed the financial position of the bank and continue to review this on a monthly basis.

FNBB issued Tier II capital of P196m during the year to enhance capital efficiencies through a rebalance of the Tier I and Tier II capital composition. In line with this restructure and the conservative approach to capital preservation, the directors recommend a final ordinary dividend of 8 thebe per share. The post-dividend capital adequacy ratio at the end of June 2020 will be 21.37%, well above the regulatory minimum of 12.5%, and an increase on the June 2019 post-dividend capital adequacy ratio of 17.42%.



## Declaration of dividend

Notice is hereby given that a final dividend of 8 thebe per share has been declared for the year ended 30 June 2020. The dividend will be paid on or about 7 October 2020 to shareholders registered at the close of business on 25 September 2020. The ex-dividend date is 23 September 2020.

In terms of the Income Tax Act (Cap 52.01) as amended, withholding tax at the rate of 7.5% will be deducted by the bank from gross dividends. If a change of address or dividend instructions is to apply to this dividend, notification should reach the Transfer Secretaries by 1 October 2020.

For and on behalf of the Board.



**B M Bonyongo**  
Chairman



**S L Bogatsu**  
Chief Executive Officer

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

Gaborone, 20 August 2020

## Summarised consolidated income statement (P'000)

	Year ended 30 June 2020 Audited	Year ended 30 June 2019 Audited	% Change
Interest income calculated using the effective interest rate	1 649 128	1 617 445	2
Interest expense and similar charges*	(310 893)	(359 916)	(14)
<b>Net interest income before impairment of advances</b>	<b>1 338 235</b>	<b>1 257 529</b>	<b>6</b>
Impairment of advances	(421 442)	(264 912)	59
<b>Net interest income after impairment of advances</b>	<b>916 793</b>	<b>992 617</b>	<b>(8)</b>
Non-interest revenue	1 267 468	1 142 315	11
<b>Income from operations</b>	<b>2 184 261</b>	<b>2 134 932</b>	<b>2</b>
Operating expenses*	(644 308)	(597 052)	8
Employee benefits costs	(612 708)	(575 549)	6
<b>Income before taxation</b>	<b>927 245</b>	<b>962 331</b>	<b>(4)</b>
Indirect taxation	(26 394)	(16 984)	55
<b>Profit before direct taxation</b>	<b>900 851</b>	<b>945 347</b>	<b>(5)</b>
Direct taxation	(205 045)	(212 811)	(4)
<b>Profit for the year attributable to owners of the parent</b>	<b>695 806</b>	<b>732 536</b>	<b>(5)</b>
Average number of shares in issue during the period (thousands)	2 543 700	2 543 700	-
Earnings per share (thebe) (based on weighted average number of shares outstanding)	27.35	28.80	(5)

\*The group elected not to restate comparative information as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis.

## Summarised consolidated statement of other comprehensive income (P'000)

	Year ended 30 June 2020 Audited	Year ended 30 June 2019 Audited	% Change
Profit for the year	695 806	732 536	(5)
Items that will not be reclassified to profit or loss:			
Losses on property revaluation		(11 196)	(66)
Deferred income tax on property revaluation		2 463	(100)
<b>Total items that will not be reclassified to profit or loss:</b>		<b>(8 733)</b>	<b>(56)</b>
<b>Other comprehensive income/(loss) for the year net of taxation</b>		<b>(8 733)</b>	<b>(56)</b>
<b>Total comprehensive income for the year attributable to owners of the parent</b>	<b>695 806</b>	<b>723 803</b>	<b>(4)</b>

## Ratios and market information

	Year ended 30 June 2020 Audited	Year ended 30 June 2019 Audited	% Change
Dividend per share (thebe)	15	16	(6)
Dividend cover (times)	1.8	1.8	1
Cost to income ratio (percent)*	49.3	49.6	(1)
Return on equity (percent)	20.1	22.7	(12)
Return on average assets (percent)	2.5	2.9	(16)
Capital adequacy ratio (percent)	21.37	17.42	23
Closing share price (thebe)	240	275	(13)
Price earnings ratio	8.77	9.55	(8)

\* Cost to income is based on total non-interest expenditure including indirect taxation (Value Added Tax) and income excludes the impairment charge.

## Summarised consolidated statement of financial position (P'000)

	Year ended 30 June 2020 Audited	Year ended 30 June 2019 Audited	% Change
<b>Assets</b>			
Cash and short term funds	4 697 599	4 411 739	6
Derivative financial instruments	76 872	49 606	55
Advances to banks	-	789 903	(100)
Advances to customers	14 686 767	15 939 047	(8)
Investment securities	9 509 211	4 135 221	130
Current taxation	86 324	106 768	(19)
Due from related companies	11 684	6 388	83
Other assets*	479 314	317 627	51
Property and equipment**	601 044	481 307	25
Goodwill	26 963	26 963	-
Deferred taxation	3 706	7 054	(47)
<b>Total assets</b>	<b>30 179 484</b>	<b>26 271 623</b>	<b>15</b>
<b>Equity and liabilities</b>			
<b>Liabilities</b>			
Derivative financial instruments	36 708	14 844	147
Accrued interest payable	28 079	63 566	(56)
Due to related parties	21 322	32 898	(35)
Creditors and accruals	723 586	863 735	(16)
Deposit from banks	545 002	581 243	(6)
Deposit from customers	23 171 897	19 591 409	18
Employee benefits liabilities	81 504	85 894	(5)
Borrowings	1 765 858	1 502 642	18
Deferred taxation	207 382	200 623	3
<b>Total liabilities</b>	<b>26 581 338</b>	<b>22 936 854</b>	<b>16</b>
<b>Capital and reserve attributable to ordinary equity holders</b>			
Stated capital	51 088	51 088	-
Reserves	3 343 562	3 029 311	10
Dividend reserve	203 496	254 370	(20)
<b>Total equity</b>	<b>3 598 146</b>	<b>3 334 769</b>	<b>8</b>
<b>Total equity and liabilities</b>	<b>30 179 484</b>	<b>26 271 622</b>	<b>15</b>
Undrawn commitments to customers	2 233 457	2 247 847	(1)
Guarantees and letters of credit	386 300	661 218	(42)
<b>Total contingencies and commitments</b>	<b>2 619 757</b>	<b>2 909 065</b>	<b>(10)</b>

\*In the prior year, these amounts were presented as accounts receivable. The description "other assets" is more appropriate based on the nature of the assets included in this line items and is in line with industry practice.

\*\*The group elected not to restate comparative information as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis. Refer to accounting policy note 1.5 for details.

The operations of FNIA were discontinued on the 15th of May 2020 in accordance with regulatory limitations.

Other contingent liabilities during the current year are adequately disclosed in the full set of audited consolidated financial statements.

## Summarised consolidated statement of changes in equity (P'000)

	Stated capital	Other non-distributable reserves	Dividend reserve	Retained earnings	Total
<b>Balance at 01 July 2018</b>	<b>51 088</b>	<b>71 677</b>	<b>228 933</b>	<b>2 640 823</b>	<b>2 992 521</b>
Profit for the year	-	-	-	732 536	732 536
Other comprehensive loss for the year	-	(8 733)	-	-	(8 733)
Transfer from revaluation reserve-revaluation portion of depreciation	-	(1 514)	-	1 514	-
Dividends paid - 2018 final	-	-	(228 933)	-	(228 933)
Dividends paid - 2019 interim	-	-	-	(152 622)	(152 622)
Dividends proposed -2019 final	-	-	254 370	(254 370)	-
<b>Balance at 01 July 2019</b>	<b>51 088</b>	<b>61 430</b>	<b>254 370</b>	<b>2 967 881</b>	<b>3 334 769</b>
Profit for the year	-	-	-	695 806	695 806
Transfer from revaluation reserve-revaluation portion of depreciation	-	(1 564)	-	1 564	-
Dividends paid - 2019 final	-	-	(254 370)	-	(254 370)
Dividends paid - 2020 interim	-	-	-	(178 059)	(178 059)
Dividends proposed - 2020 final	-	-	203 496	(203 496)	-
<b>Balance at 30 June 2020 (Audited)</b>	<b>51 088</b>	<b>59 866</b>	<b>203 496</b>	<b>3 283 696</b>	<b>3 598 146</b>

## Summarised consolidated statement of cash flow (P'000)

	Year ended 30 June 2020 Audited	Year ended 30 June 2019 Audited	% Change
<b>Net cash generated from operating activities</b>	<b>4 906 298</b>	<b>809 232</b>	<b>506</b>
Cash flows from operating activities	1 074 403	1 003 195	7
<i>Cash generated by operations</i>	<i>1 248 898</i>	<i>1 269 950</i>	<i>(2)</i>
<i>Taxation paid</i>	<i>(174 495)</i>	<i>(266 755)</i>	<i>(35)</i>
Change in funds from operating activities	3 771 957	(275 288)	(1 470)
<b>Net cash utilised in investing activities</b>	<b>(44 457)</b>	<b>(54 539)</b>	<b>(18)</b>
<b>Net cash utilised in financing activities</b>	<b>(241 252)</b>	<b>(230 383)</b>	<b>5</b>
<b>Net increase in cash and cash equivalents</b>	<b>4 620 589</b>	<b>524 310</b>	<b>781</b>
<i>Effect of exchange rate movement on cash balances</i>	<i>164 640</i>	<i>30 351</i>	<i>442</i>
Cash and cash equivalents at the beginning of the year	6 010 045	5 455 384	10
Cash and cash equivalents at the end of the year	10 795 274	6 010 045	80
<i>Cash and short-term funds</i>	<i>76 872</i>	<i>4 411 739</i>	<i>(98)</i>
<i>Investment in Bank of Botswana Certificates</i>	<i>10 718 402</i>	<i>1 598 307</i>	<i>571</i>

## Segmental reporting

Operating segments are reported in accordance with the internal management reporting procedures to determine the performance of each segment to ensure that resources are suitably allocated. All operating segments used by the bank meet the definition of a reportable segment. FNBB has five main business segments:

- FNB Retail segment - comprising advances and deposits and the revenue flowing from individual customers;
- FNB Business segment - comprising advances and deposits and the revenue flowing commercial and SME customers;
- RMB Corporate segment - comprising advances and deposits and the revenue flowing from corporate customers;
- WesBank - comprising vehicle and asset financing; and
- Treasury - manages the bank's liquidity and funding.

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

## Summarised segmental reporting (P'000)

30 June 2020	Retail	Business	Corporate	WesBank	Treasury	Total
Interest income	554 688	105 387	34 495	106 420	848 138	1 649 128
Non- interest income	602 056	402 597	251 494	5 072	6 249	1 267 468
<b>Total segment revenue</b>	<b>1 156 744</b>	<b>507 984</b>	<b>285 989</b>	<b>111 492</b>	<b>854 387</b>	<b>2 916 596</b>
Interest expenditure	120 839	184 447	162 004	(983)	(777 200)	(310 893)
<b>Segment operating income before impairments</b>	<b>1 277 583</b>	<b>692 431</b>	<b>447 993</b>	<b>110 509</b>	<b>77 187</b>	<b>2 605 703</b>
Impairment charge	(202 292)	(194 472)	1 766	(26 444)	-	(421 442)
<b>Operating income after impairment of advances</b>	<b>1 075 291</b>	<b>497 959</b>	<b>449 759</b>	<b>84 065</b>	<b>77 187</b>	<b>2 184 261</b>
<b>Gross advances to customers</b>	<b>9 028 170</b>	<b>2 974 174</b>	<b>1 817 296</b>	<b>2 196 838</b>	<b>-</b>	<b>16 016 478</b>
Impairments	(525 138)	(657 672)	(29 194)	(117 707)	-	(1 329 711)
<b>Net Advances</b>	<b>8 503 032</b>	<b>2 316 502</b>	<b>1 788 102</b>	<b>2 079 131</b>	<b>-</b>	<b>14 686 767</b>
<b>Deposits from customers</b>	<b>3 649 274</b>	<b>6 987 896</b>	<b>9 709 297</b>	<b>-</b>	<b>2 825 430</b>	<b>23 171 897</b>

## Summarised segmental reporting (P'000)

30 June 2019	Retail	Business	Corporate	WesBank	Treasury	Total
Interest income	536 905	102 639	31 730	103 715	842 456	1 617 445
Non- interest income	471 275	407 762	257 807	24 411	(18 940)	1 142 315
<b>Total segment revenue</b>	<b>1 008 180</b>	<b>510 401</b>	<b>289 537</b>	<b>128 126</b>	<b>823 516</b>	<b>2 759 760</b>
Interest expenditure	92 474	186 517	146 692	4 931	(790 530)	(359 916)
<b>Segment operating income before impairments</b>	<b>1 100 654</b>	<b>696 918</b>	<b>436 229</b>	<b>133 057</b>	<b>(32 986)</b>	<b>2 399 844</b>
Impairment charge	(120 337)	(102 524)	(7 891)	(34 636)	476	(264 912)
<b>Operating income after impairment of advances</b>	<b>980 317</b>	<b>594 394</b>	<b>428 338</b>	<b>98 421</b>	<b>33 462</b>	<b>2 134 932</b>
<b>Gross advances to customers</b>	<b>9 501 885</b>	<b>3 252 785</b>	<b>1 866 649</b>	<b>2 363 300</b>	<b>-</b>	<b>16 984 619</b>
Impairments	(404 815)	(504 156)	(30 964)	(105 637)	-	(1 045 572)
<b>Net Advances</b>	<b>9 097 070</b>	<b>2 748 629</b>	<b>1 835 685</b>	<b>2 257 663</b>	<b>-</b>	<b>15 939 047</b>
<b>Deposits from customers</b>	<b>4 734 194</b>	<b>6 548 469</b>	<b>7 383 251</b>	<b>-</b>	<b>925 495</b>	<b>19 591 409</b>

## Impact of adopting revised accounting standards

The bank adopted IFRS 16 effective 1 July 2019, which replaces IAS 17 and various related interpretations. IFRS 16 introduced a single lease accounting model for lessees, which had an impact on the bank's financial results as at 1 July 2019.

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents leasing transactions. Under IFRS 16, the accounting treatment of leases by the lessee has changed fundamentally as it eliminates the dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases.

Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The bank leases a variety of properties. Rental agreements typically include fixed periods over which the item is leased, which are individually negotiated and contain a wide range of different terms and conditions. The bank assesses whether a contract is or contains a lease at inception of a contract. Qualifying leases are recognised as a ROUA (Right Of Use Asset) and a corresponding liability at the date at which the leased asset is made available for use by the bank. The following is an extract of the updated accounting policies as a result of the implementation of the IFRS 16 amendments. The IFRS 16 policies only include the accounting policies where the bank is the lessee, as IFRS 16 did not have an impact on the accounting policies for transactions where the bank is the lessor.

	Leases where the bank is the lessee
<b>At inception</b>	<p>The bank recognises a 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. The bank considers the following assets as low value assets: printers, laptops and office furniture. These are assessed as low value assets on the following basis:</p> <ul style="list-style-type: none"> <li>• The underlying asset is not highly dependent on, or highly interrelated with, other assets; and</li> <li>• These assets have individual values that are not significant when compared to our other leased assets.</li> </ul> <p>The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the bank uses its own incremental borrowing rate, being the rate that it can borrow funds from the Treasury department.</p> <p>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.</p>
<b>Over the life of the lease</b>	<p>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.</p> <p>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. For short-term and low value leases, the bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.</p> <p>The bank applies IAS 36 to determine whether a ROUA is impaired and accounts for any identified impairment loss.</p>
<b>Variable Lease Payments</b>	<p>Variable lease 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 operating expenses in the income statement.</p>
<b>Presentation</b>	<p>The lease liability is presented in other liabilities in the consolidated statement of financial position. The ROUAs are not presented as a separate line in the consolidated statement of financial position, but rather disclosed as ROUA in the property and equipment.</p>

## Impact of adopting revised accounting standards [Continued]

As permitted by IFRS 16, the bank did not restate comparative information and elected to apply the modified retrospective approach on the date of initial application (DIA) being 1 July 2019. On the DIA, a lease liability, measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at DIA was recognised. The bank elected to measure the ROUA at a value equal to the lease liability as calculated at the DIA, adjusted for any lease prepayments that were made as well as any operating lease smoothing liabilities that were raised under IAS 17. This measurement option is as per IFRS 16 par C8 (b) (ii).

The ROUA recognised is accounted for as Property and equipment within the bank. This leads to additional capital requirements and the transition to IFRS 16 resulted in an decrease of 9 basis points (on a fully loaded basis) to the Common Equity Tier 1 (CET1) ratio of the bank.

The recognition of the lease liability and right-of use assets has impacted the amounts recognised in the bank's income statement from the DIA. Under IAS 17 a straight-lined operating lease charge was recognised in operating expenses.

From DIA, the following amounts are recognised in the income statement under IFRS 16:

- interest expense on the lease liability;
- depreciation charge on the right-of use assets and is recognised over the lease term; and
- rental charge is recognised in operating expenses for assets classified as short-term or low-value in terms of the bank's policy.

The table below reconciles the operating lease commitments recognised under IAS 17 to the lease liabilities recognised on balance sheet as at 1 July 2019:

	Note	Amount P'000
<b>Operating lease commitments disclosed as at 30 June 2019 under IAS 17</b>	1	51 457
Less: short term leases	2	-
Less: low-value leases	3	-
Less: variable rate leases	4	-
Add: adjusted for treatment of extension and termination options	5	136 009
Less: opening IAS 17 straight-lining balance		(3 130)
<b>Total qualifying operating leases subject to IFRS 16</b>		<b>184 336</b>
Less: discounted using the bank's incremental borrowing rate	6	24 680
<b>Additional lease liability recognised as at 1 July 2019 (included in other liabilities)</b>		<b>159 656</b>

The adoption of IFRS 16 had no material impact on retained earnings and the amount of deferred tax recognised as at 1 July 2019.

Note	Adjustment	Description of FNBB Policy
1	Operating lease commitments under IAS 17	The bank applied the practical expedient in IFRS 16 paragraph C3 and did not reassess the definition of a lease on its current lease contracts but applied the requirements of IFRS 16 to all leases recognised as operating leases previously under IAS 17.
2	Short term leases	IFRS 16 provides an exemption for leases that are short-term in nature. The exemption allows a lessee to not recognise a ROUA or lease liability. The exemption is applied per class of leases (i.e. leases of property, leases of vehicles, etc.). The bank applied this exemption to all classes of leases at DIA and for new leases entered into after the DIA that meets the definition of short term leases.
3	Low-value leases	<p>IFRS 16 provides an exemption for leases of assets that are low-value in nature. The exemption allows a lessee to not recognise a ROUA or lease liability. The exemption is applied on an asset-by-asset basis and is at the election of the lessee. This exemption has been applied to all classes of leases, excluding property, at DIA and to new leases entered into after the DIA.</p> <p>The bank considers the following assets as low value assets: printers, laptops and office furniture. These are assessed as low value assets on the following basis:</p> <ul style="list-style-type: none"> <li>• The underlying asset is not highly dependent on, or highly interrelated with, other assets; and</li> <li>• These assets have individual values that are not significant when compared to our other leased assets.</li> </ul>
4	Variable rate leases (payments not based on a rate or index)	Under IAS 17, certain service agreements with variable lease payments were included in the amount of operating lease commitments disclosed in the annual financial statements. Under IFRS 16 variable lease payments that are not linked to a rate or an index are not capitalised and are expensed when incurred.
5	Extension and termination options	The bank's policy is to include extension and termination operations for certain property leases where there is a reasonably certain expectation asserted that the lease will be renewed and as such the value of these extension and termination options are taken into consideration in the determination of the lease liability. In assessing whether it is reasonably certain that the option will be exercised, past practices observed for similar types of leases and the economic reasons for electing those options are used to conclude whether it is reasonably certain that the option will be exercised or not.
6	Discounting using the bank's incremental borrowing rate	IFRS 16 requires that the lease payments are discounted. The discounted amount is calculated using the incremental borrowing rate at DIA. The bank used the practical expedient in IFRS 16 that allows the use of a single discount rate to a portfolio of leases with reasonably similar characteristics. The incremental borrowing rates used ranged between 4.15% - 5.7%. The range is indicative of: <ul style="list-style-type: none"> <li>• Duration of the lease;</li> <li>• Credit risk of the business that is the lessee.</li> </ul>

## Impact of adopting revised accounting standards [Continued]

The impact on the bank's financial results as at 1 July 2019 (DIA for IFRS 16) is set out below.

	As previously reported at 30 June 2019 P'000	Restatement adjustment for IFRS 16 P'000	Restated 1 July 2019 P'000
Property and equipment	481 307	159 656	640 963
Accounts receivable (Prepayments)	317 627	-	317 627
All other assets	25 472 688	-	25 472 688
<b>Total assets</b>	<b>26 271 622</b>	<b>159 656</b>	<b>26 431 278</b>
<b>Liabilities</b>			
All other liabilities	22 073 119	-	22 073 119
Creditors, accruals and provisions (Straight-lining liability)	863 734	159 656	1 023 390
<b>Total liabilities</b>	<b>22 936 853</b>	<b>159 656</b>	<b>23 096 509</b>
<b>Equity</b>			
Ordinary shares	51 088	-	51 088
Dividend reserve	254 370	-	254 370
Reserves	3 029 311	-	3 029 311
<b>Capital and reserves attributable to equity-holders of the group</b>	<b>3 334 769</b>	<b>-</b>	<b>3 334 769</b>
<b>Total equity and liabilities</b>	<b>26 271 622</b>	<b>159 656</b>	<b>26 431 278</b>

### Impact of revised accounting standards – Other

We have considered the implications of the other new International Financial Reporting Standards ("IFRS") that were effective for the first time in our current financial year. These include:

- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19 *Employee Benefits*
- Long-term Interests in Joint Ventures and Associates - Amendments to IAS 28 *Investments in Associates and Joint Ventures*
- Annual Improvements to IFRS 2015 - 2017 cycle: Amendments to IFRS 3 Business Combinations, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes and IAS 23 Borrowing Costs*

Detailed disclosures on the impact of these new standards can be found in the Audited Financial Statement for the year ended 30 June 2020. The adoption of these IFRS have not had a material impact on the reported results of the bank.

## Impairment of advances

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

#### Impairment of financial assets: Staging of financial assets

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

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

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

#### Default events

Exposures are classified as stage 3 if there are quantitative or qualitative indicators that the obligor is unlikely to pay their credit obligations in full – a default event. Distressed restructures of accounts in stage 2 are also considered to be default events.

#### Cure of accounts

For a Retail and Retail SME account to migrate from stage 3 to either stage 2 or stage 1, the account needs to meet a stringent cure definition. Cure definitions are determined on a portfolio level with reference to suitable analysis and are set such that the probability of a previously cured account re-defaulting is equivalent to the probability of default for an account that has not defaulted in the past. For Wholesale and Business SME exposures, cures are assessed on a case-by-case basis, subsequent to an analysis by the appropriate governance forums comprised of experts.



## Impairment of financial assets: Computation of expected credit loss

In determining whether an impairment loss should be recognised, the bank 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 bank's credit risk exposure.

### *Methodology to determine the parameters applied in the measurement of the 12-month and Life-time Expected Credit loss (LECL)*

Retail and Retail SME 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.

Corporate, Business and SME 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 Wholesale credit experts and motivations for any adjustments to modelled parameters are carefully reviewed.

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 a loan. The remaining lifetime is limited to the contractual term of loans and instruments in the portfolio, except for loans and instruments with an undrawn limit commitment. This also includes 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.

Expected credit losses on open accounts are discounted from the expected date of default to the reporting date using the asset's original effective interest rate or a reasonable approximation thereof.

The statistical models applied implicitly assume that the risk drivers that influence default risk, payment behaviour and recovery expectations is within the historical data will continue to be relevant in the future.

### *Computation of the expected credit loss: The Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) approach*

The bank has adopted the PD and LGD approach, applied to the EAD, for the calculation of ECL for advances. Measures are computed at a portfolio level (where accounts with similar characteristics are clustered together) except for high value Corporate exposures that are assessed on a counterparty level.

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 bank 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.

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 (resulting in a Lifetime Expected Credit Loss estimate). 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. An average of three macroeconomic scenarios incorporating a base scenario, upside scenario and downside scenario, weighted by the probability of occurrence.

LGDs are present value measurements of the expected loss that the bank will incur if a borrowing account defaults (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 net recovered value of 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 back to stage 2. Present value discount rates applied are 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)*

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 baseline, downside, upside and stress 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 the team of economists. These economists assess micro and macroeconomic developments to formulate (bottom-up) and adjust (top-down) macroeconomic forecasts. Several internal and external economists are then requested to assign a probability to each scenario with supporting rationale. The loss estimates are based on the macroeconomic scenarios and the determination of associated probabilities are subjective, with final modelled 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 hold under current macro-economic conditions, judgemental adjustments have been made through post-model adjustments.

The macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for baseline, downside, upside and stress scenarios. The baseline, downside and upside scenarios are used in the ECL calculations.

## Impairment of financial assets: Computation of expected credit loss [Continued]

### Economic scenarios applied in June 2020 ECL computation

Key FLI macroeconomic indicators applied in the modelling process are the changes to GDP and monetary policy rate. In context of the economic conditions proceeding COVID-19, it is expected that the historical relationship between monetary policy rate and default rates will not maintain historic correlations. The bank has therefore conservatively nullified application of the monetary policy rate in the ECL computation as at 30 June 2020. The FLI component of ECL is therefore limited to GDP.

The macroeconomic scenarios have been reviewed and approved by the directors in June 2020. An average of three macroeconomic scenarios incorporating a base scenario, upside scenario and downside scenario, weighted by the probability of occurrence, has been calculated. This weighted average has been applied to the PD computation through a credit index model. The scenarios and the relative weighting thereof have been included in the table below.

FLIs: Applied in ECL Models				
GDP Per Annum	Upside	Baseline	Downside	
2021	-0.3%	-2.1%	-6.91%	
2022	4.9%	3.3%	0.25%	
2023	5.6%	3.5%	0.85%	
Weighting	15%	66%	19%	

The economic scenarios applied are described as follows:

**Upside:** Domestic growth lifts to the 70th percentile of the historical distribution. The global economy experiences a short but severe recession before rebounding strongly in 2021 while developed market inflation remains low and global financial conditions ease meaningfully over the forecasted horizon.

**Baseline:** Given the global tensions around the COVID-19, disruptions appear in the global supply chain due to lockdowns. Amid prevalent factors, growth prospects in Botswana's key sectors may be negatively impacted with local trade operations disrupted, exerting further pressure on tax revenues and mounting fiscal pressure. The informal sector is impacted by extreme social distancing measures that Government has put in place with some factors, such as wage subsidies and social packages, provided some mitigation to the impact.

**Downside:** Domestic growth falls below the 8th percentile of the historical distribution. The global economy moves into a deep, but temporary, recession before experiencing a muted recovery as global supply chains struggle to recover following COVID-19 shocks. Inflation begins to rise, preventing major central banks from maintaining accommodative monetary policy conditions.

### COVID-19: Financial relief offered to clients

The bank has offered financial relief to borrowing clients in response to the COVID-19 pandemic. This has been offered in the form of restructures of existing exposures with no change in the present value of the estimated future cash flows.

Exposures on which relief has been offered have been assessed to determine whether the requirement for relief is expected to be temporary or permanent in nature. Where the requirement for relief is expected to be temporary in nature and as such qualified as a non-distressed restructure, the staging of the exposure prior to the restructure has been maintained, and adjustments have been made to coverage to allow for incremental credit risk and potential masking of normal arrears. Where the requirement for relief is not expected to be temporary in nature, the exposure has been treated as a distressed restructure, and staging and coverage has been adjusted in line with normal practice.

### COVID-19: Determination of whether the credit risk of financial instruments have increased significantly since initial recognition

Although COVID-19 has had a negative impact on the economies in which the bank operates, in isolation it initially reflected a liquidity constraint more than an inherent increase in credit risk for the entire portfolio of advances held by the bank and as such the bank did not impose a blanket downgrade to all credit risk stages.

A more systematic and targeted approach to the impact of COVID-19 on the bank's customer base was undertaken, following the bank's existing credit framework, which allowed for well-balanced and consistent decisions that considered the impact of COVID-19 and prevailing economic trends as well. As such, the bank did not view requests for payment deferrals and liquidity assistance as the sole indicator that SICR had occurred for performing advances.

### COVID-19: Considerations for the computation of ECL

The bank has reviewed all parameters comprising the baseline ECL computation for appropriateness given the severe impact of COVID-19.

Regression modelling techniques have been used to determine which borrower and transaction characteristics are predictive of certain behaviours, based on relationships observed in historical data related to the bank of accounts to which the model will be applied. This resulted in the production of models that are used to predict impairment parameters based on the predictive characteristics identified through the regression process. Given the extended length of historical data applied in these regression models and the relatively recent impact of COVID-19, the historical assumptions were not considered sufficient to predict the ECL impact of the COVID-19 on the existing exposures.

This identified limitation in the ECL models was addressed via a post-model adjustment (PMA) process. The bank undertook a thorough review of the appropriateness of two key ECL parameters (PD and LGD).

### COVID-19: Considerations for the computation of ECL [continued]

Where exposures were restructured but staging remained the same, increased ECL were implemented to allow for incremental credit risk and potential masking of normal arrears. This has been implemented via an increase in PDs. Where stage migrations were undertaken, appropriate stage specific ECL parameters were applied to the exposure.

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 doesn't include, the bank computed an appropriate scalar to apply to the PDs. This was applied directly to the restructured portfolio on a 1:1 basis. The application to the non-restructured portfolio was performed via an industry risk assessment.

Assessments were undertaken to determine the expected increase in risk that each industry would experience under COVID-19 conditions and to classify them as high, medium or low. Stage 1 and 2 exposures were ranked, based on client industries, into high, medium and low risk categories. High industries received a factor of 100%, medium 83% and low 50%. The industry factors were then applied to the PD scalar and the appropriate ECLs were computed.

In the context of the economic conditions preceding COVID-19, it is expected that the historical relationship between monetary policy rate and default rates will not maintain historic correlations. The bank has therefore conservatively nullified the application of the monetary policy rate in the ECL computation.

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. To incorporate the increase in LGDs that the historic default data doesn't include the bank reviewed key assumptions underpinning LGDs including the net recoverable value of collateral and the period taken to recover that collateral. The period to recover collateral was increased by 6 months on all stage 3 products. The collateral used in assessing the net recoverable value was classified into 3 broad categories including: residential properties, business properties and vehicles. Each category was thoroughly assessed and appropriate discounts applied to the collateral.

## Fair value financial instruments

### Fair value hierarchy and measurements

The bank classifies assets and liabilities measured at fair value using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. If this information is not available, fair value is measured using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. The valuation techniques employed by the bank include, inter alia, quoted prices for similar assets or liabilities in an active market, quoted prices for the same asset or liability in an inactive market, adjusted prices from recent arm's length transactions, option-pricing models, and discounted cash flow techniques. The details per type of asset or liability are set out in the tables that follow.

Where a valuation model is applied and the bank cannot mark-to-market, it applies a mark-to-model approach, subject to prudent valuation adjustments. Mark-to-model is defined as any valuation which must be benchmarked, extrapolated or otherwise calculated from a market input. When applying mark-to-model, an extra degree of conservatism is applied. The bank will consider the following in assessing whether a mark-to-model valuation is prudent:

- As far as possible, market inputs are sourced in line with market prices;
- Generally accepted valuation methodologies are consistently used for products unless deemed inappropriate by the relevant governance forums;
- Where a model has been developed in-house, it is based on appropriate assumptions, which have been assessed and challenged by suitably qualified parties independent of the development process;
- Formal change control procedures are in place;
- Awareness of the weaknesses of the models used and appropriate reflection in the valuation output where relevant;
- The model is subject to periodic review to determine the accuracy of its performance; and
- Valuation adjustments are only made when appropriate, for example, to cover the uncertainty of the model valuation.

### Valuations based on observable inputs include:

#### Level 1

Fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities where this is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. This category includes listed bonds and equity, exchange-traded derivatives, exchange-traded commodities and short trading positions.

#### Level 2

Fair value is determined using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly such as quoted prices for similar items in an active market or for an identical item in an inactive market, or valuation models using observable inputs or inputs derived from observable market data. This category includes loans and advances to customers, equities listed in an inactive market, debt instruments, private equity investments, non-recourse investments and deposits, over the counter derivatives, deposits, other liabilities, long term borrowings, commodities which are not exchange-traded and investment properties.

#### Level 3

Fair value is determined using a valuation technique and significant inputs that are not based on observable market data (i.e. unobservable inputs) such as an entity's own assumptions about what market participants would assume in pricing assets and liabilities.

The following table outlines the valuation techniques for financial instruments measured at fair value which are included in level 2 and 3 of the fair value hierarchy:

## Fair value financial instruments [Continued]

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of Level 3 items
Option Contracts	Level 2	Option pricing model	The Black Scholes model is used	Strike price of the option; market related discount rate; forward rate and cap and floor volatility	Not applicable
Swaps	Level 2	Discounted cash flows	The future cashflows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The set date of each swaplet is determined in terms of legal documents pertaining to the swap.	Market interest rates and curves	Not applicable
Forward Contracts	Level 2	Discounted cash flows	The future cashflows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. Projected cashflows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Market interest rates and curves	Not applicable
Treasury Bills	Level 2	Bank of Botswana quoted prices	Bank of Botswana quoted prices	Market interest rates and curves	Not applicable
Other Deposits	Level 2 and 3	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account. Where the significant inputs are not market observable, the deposits are classified as level 3.	Market interest rates and curves	Credit inputs
Call and non-term deposits	Level 2	None – the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand i.e. the undiscounted amount of the deposit.	None – The undiscounted amounts approximates fair value and no valuation is performed	Not applicable

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of Level 3 items
Credit Inputs 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 and curves	Not applicable
RMB 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 bank uses a valuation methodology based on the credit spread matrix, which considers loss given default, tenure 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 rate which translated to a fair value adjustment of 101.33% of the book.
- 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 market related interest rate which translated to a fair value adjustment of the following: property (100.22%), term loans (101.33%), asset finance (99.88%), overdrafts (100%) and other loans (100%).

## Fair value financial instruments [Continued]

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

2020	Level 1 P'000	Level 2 P'000	Level 3 P'000	Fair value P'000	Carrying P'000
Advances	-		14 897 285	14 897 285	14 805 729
Cash and cash equivalents	-		4 697 599	4 697 599	4 697 599
Investment securities	9 509 211		-	9 509 211	9 509 211
Other assets	-		479 314	479 314	479 314
<b>Total financial assets at amortised cost</b>	<b>9 509 211</b>		<b>20 074 198</b>	<b>29 583 409</b>	<b>29 491 853</b>
Deposits	-	2 317 189	21 322	23 193 219	23 199 171
Long term borrowings	-	1 615 983	-	1 615 983	1 614 201
Accrued interest payable	-	28 079	-	28 079	28 079
Creditors and accruals	-	723 586	-	723 586	723 586
<b>Total financial liabilities at amortised cost</b>	<b>-</b>	<b>25 539 545</b>	<b>21 322</b>	<b>25 560 867</b>	<b>25 565 037</b>
<b>2019</b>					
Advances	-		14 972 807	16 246 442	15 845 272
Cash and cash equivalents	-		4 411 739	4 411 739	4 411 739
Investment securities	4 135 220		-	4 135 220	4 135 220
Other assets	-		317 627	317 627	317 627
<b>Total financial assets at amortised cost</b>	<b>4 135 220</b>		<b>19 702 173</b>	<b>25 111 028</b>	<b>24 709 858</b>
Deposits	-	19 601 492	32 898	19 634 390	19 624 307
Long term borrowings	-	1 365 651	-	1 365 651	1 363 089
Accrued interest payable	-	-	63 566	63 566	63 566
Creditors and accruals	-	863 734	-	863 734	863 734
<b>Total financial liabilities at amortised cost</b>	<b>-</b>	<b>21 830 877</b>	<b>96 464</b>	<b>21 927 341</b>	<b>21 914 696</b>

The following represents the fair values of financial instruments carried at fair value on the consolidated summarised statement of financial position.

2020	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
Financial assets at fair value through profit and loss				
Investments securities	-	163 154	-	163 154
Derivative financial instruments	-	76 872	-	76 872
Non-financial assets				
Freehold and leasehold land and buildings		300 262		300 262
<b>Total financial assets at fair value</b>	<b>-</b>	<b>540 288</b>	<b>-</b>	<b>540 288</b>
Financial liabilities held for trading				
Derivative financial instruments	-	36 708	-	14 844
Mandatory at fair value through profit or loss				
Zero coupon deposit	-	-	151 657	151 657
<b>Total financial liabilities at fair value</b>	<b>-</b>	<b>36 708</b>	<b>151 657</b>	<b>188 365</b>
<b>2019</b>				
Financial assets at fair value through profit and loss				
Investments securities	-	134 837	-	134 837
Derivative financial instruments	-	49 606	-	49 606
Non-financial assets				
Freehold and leasehold land and buildings	-	309 365	-	309 365
<b>Total financial assets at fair value</b>	<b>-</b>	<b>493 808</b>	<b>-</b>	<b>493 808</b>
Financial liabilities held for trading				
Derivative financial instruments	-	14 844	-	14 844
Mandatory at fair value through profit or loss				
Zero coupon deposit	-	-	139 553	139 553
<b>Total financial liabilities at fair value</b>	<b>-</b>	<b>14 844</b>	<b>139 553</b>	<b>154 397</b>

Restatement of prior year figures due to the revision of the fair value hierarchy on advances. Credit card and overdraft advances previously classified under level 2 have now been classified under level 3. In addition, cash and cash equivalents, investments securities and accrued interest have been added to the analysis.

## Effect of changes in significant unobservable assumptions of level 3 instruments to reasonably possible alternatives

The table below illustrates the sensitivity of the significant inputs when changed to reasonably possible alternative inputs

Asset / Liability	Significant unobservable inputs	Reasonably possible changes to significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Deposits	Credit risk of the cash collateral leg of credit linked notes	Credit migration matrix	The deposits included in level 3 of the hierarchy, represents the collateral leg of the credit linked notes. The most significant unobservable input in determining the fair value of the linked notes is the credit risk component. The sensitivity to credit risk has been assessed in the same way as for advances using the credit migration matrix with the deposit representing the cash collateral component thereof.

## Changes in level 3 instruments with recurring fair value measurements (P'000)

	Year ended 30 June 2020 Audited	Year ended 30 June 2019 Audited	
Balance at the beginning of the year	139 533	127 985	9
Amounts recognised in profit or loss for the year	12 104	11 548	5
<b>Balance at the end of the year</b>	<b>151 637</b>	<b>139 533</b>	<b>9</b>

## Related party balances (P'000)

	Year ended 30 June 2020 Audited	Year ended 30 June 2019 Audited
<b>Due from related parties:</b>	<b>11 684</b>	<b>6 388</b>
FirstRand Limited	853 005	2 324 756
First National Bank Holdings (Botswana) Limited	11 684	6 388
<b>Less money at call and short notice:</b>	<b>(853 005)</b>	<b>(2 324 756)</b>
<i>FirstRand Limited – call balances</i>	<i>(13 592)</i>	<i>(48 831)</i>
<i>FirstRand Limited – nostro balances</i>	<i>(839 413)</i>	<i>(2 275 925)</i>
<b>Due to related companies – current liabilities:</b>	<b>21 322</b>	<b>32 898</b>
FirstRand Limited	21 322	32 898

Included in the call and term deposits is a balance of P7 115 691 (2019: P 8 313 399) relating to First National Bank Holdings (Botswana) Limited.

## Related party balances (P'000)

	Year ended 30 June 2020 Audited	Year ended 30 June 2019 Audited
<b>Interest Income</b>		
FirstRand Limited – South Africa	37 479	68 759
<b>Interest expenditure</b>		
FirstRand Limited – South Africa	17 558	14 530
<b>Operating expenses</b>		
Service Fees - FirstRand Limited	209 440	192 554
<b>Compensation paid to key management personnel:</b>		
Share-based payments	4 374	3 204
Short term employee benefits	17 289	15 255
<b>Total short term benefits</b>	<b>21 663</b>	<b>18 459</b>
Post-employment benefits: Pension	779	746
<b>Advances:</b>		
Personal loans	1 054	2 526
Overdrafts	-	73
Credit card	401	406
Instalment finance	2 193	2 771
Property loans	13 737	16 404
<b>Total advances</b>	<b>17 385</b>	<b>22 180</b>

Interest rates are in line with normal rates charged to customers or staff rates in line with company policy. For all the above facilities, normal credit checks are performed. Personal loans are repayable between 5 - 6 years. Property loans and instalment finance loans are repayable monthly over 20 years, and 6 years respectively. Property loans are collateralised by properties with a total fair value of P26 520 292. Personal loans, overdrafts and credit card balances are unsecured.

## Related party balances

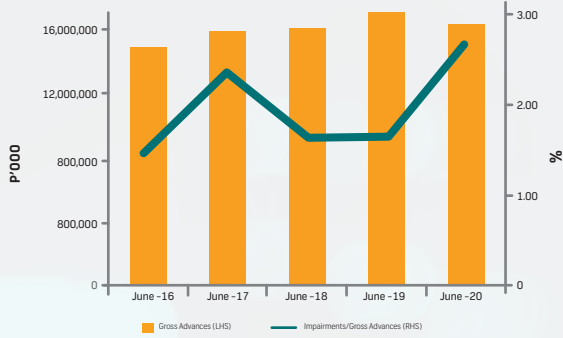
### Relationships:

Ultimate holding company	FirstRand Limited
Holding company	First National Bank Holdings Limited
Subsidiaries	Financial Services Company of Botswana Limited First Funding (Proprietary) Limited Premium Credit Botswana (Proprietary) Limited First National Insurance Agency (Proprietary) Limited
Common management	FirstRand Limited – South Africa
Key management	Chief Executive Officer Chief Operating Officer Chief Financial Officer Director of Human Resources Treasurer Director of Credit

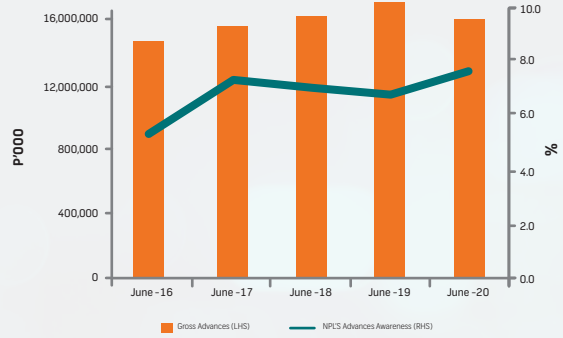


# Financial Graphs

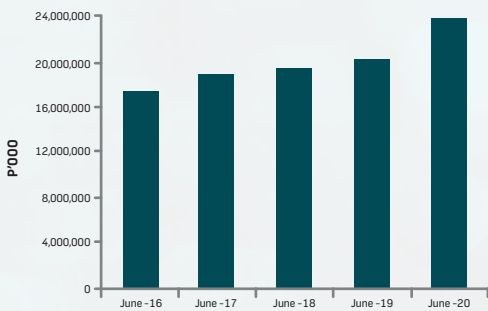
### Gross Advances vs Impairments to Gross Advances



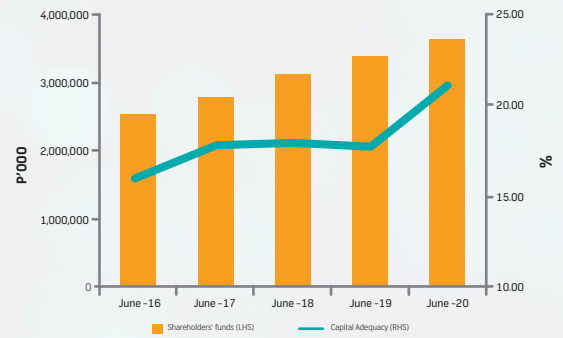
### Gross Advances vs NPL's to Gross Advances



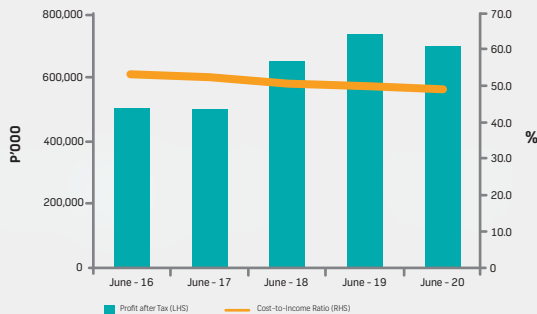
### Deposits



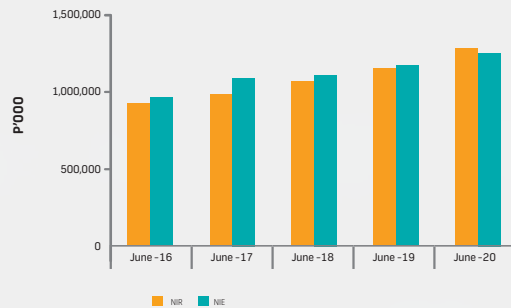
### Shareholders' Funds vs Capital Adequacy



### Profit After Tax vs Cost-To-Income Ratio



### Non-Interest Revenue vs Non-Interest Expenses







#### **DIRECTORS:**

Balisi Bonyongo (Chairman-Independent Non-Executive Director )John K. Macaskill (Independent Non-Executive Director)(SA), Sifelani Thapelo (Independent Non-Executive Director), Steven L. Bogatsu (CEO – Executive Director), Jabulani R. Khethe (Non-Executive Director)(SA), Michael W. Ward (Independent Non-Executive Director), Nelson D. Mokgethi (Independent Non-Executive Director), Doreen Ncube (Independent Non-Executive Director), Markos G. Davias (Non-Executive Director)(SA), Ephraim D. M. Letebele (Independent Non-Executive Director),Naseem Banu Lahri (Independent Non-Executive Director)

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#### **MARKETING & COMMUNICATIONS**

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