AUDITED CONSOLIDATED SUMMARISED FINANCIAL RESULTS AND DIVIDEND ANNOUNCEMENT

For The Year Ended 30 June 2018

FNB
First National Bank

how can we help you?



First Place
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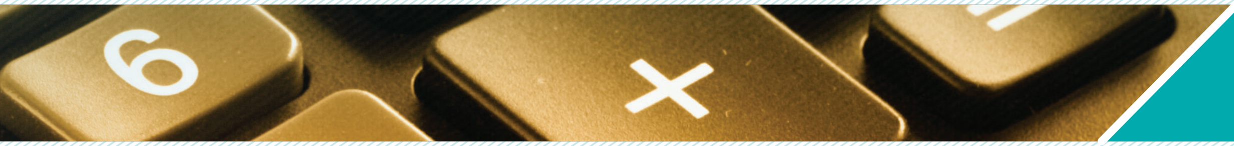
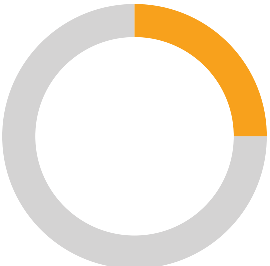


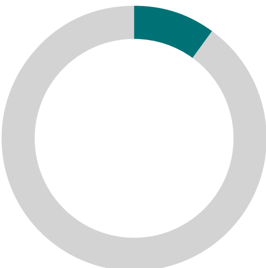
FINANCIAL **HIGHLIGHTS**

	Year ended 30 June 2018 Audited	Year ended 30 June 2017 Audited	% change
Profit before direct tax (P'000)	838 209	680 323	23
Impairments (P'000)	274 168	361 219	(24)
Net advances to customers (P'000)	15 478 937	14 997 373	3
Deposits from customers (P'000)	18 834 336	17 567 471	7
Ratios			
Cost-to-income ratio (%)	50,4	51,4	(2)
Return on average equity (%)	22,1	18,9	17
Return on average assets (%)	2,7	2,2	23
NPL's to Gross Advances (%)	7,0	7,3	(4)
Dividend (thebe)	14	11	27



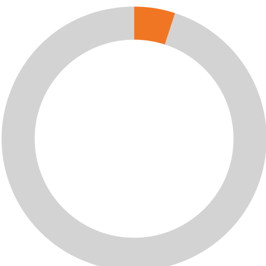
PROFIT BEFORE TAX

▲ 23%



NON-INTEREST INCOME

▲ 9%



OPERATING EXPENSES

▲ 3%

COMMENTARY ON AUDITED CONSOLIDATED SUMMARISED FINANCIAL RESULTS AND DIVIDEND ANNOUNCEMENT

For The Year Ended 30 June 2018

The Directors have pleasure in announcing the audited summarised consolidated financial results and dividend announcement of First National Bank of Botswana Limited (the Bank) and its subsidiaries (the Group) for the year ended 30 June 2018.

BASIS OF PRESENTATION **AND ACCOUNTING POLICIES**

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

In preparing the underlying consolidated financial statements from which these summarised consolidated financial results were extracted, all relevant and applicable International Financial Reporting Standards and International Reporting Interpretations Committee interpretations issued and effective for annual periods ended 30 June 2018 have been applied.

The Group's underlying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and in compliance with the Companies Act of Botswana (Companies Act, 2003), the Non-Bank Financial Institutions Regulatory Authority Act (Cap 46:08) and the Banking Act (Cap 46:04). The principal accounting policies are consistent in all material aspects with those adopted in the previous years' consolidated financial statements. In the preparation of the summarised consolidated financial results, the Group has applied sound business principles with key assumptions concerning any inherent uncertainties in recording various assets and liabilities. These assumptions were applied consistently to the summarised consolidated financial results for the year ended 30 June 2018 and have been thoroughly assessed by management, to ensure the appropriateness thereof. The critical accounting estimates and areas of judgements are on the following elements of the consolidated financial statements:

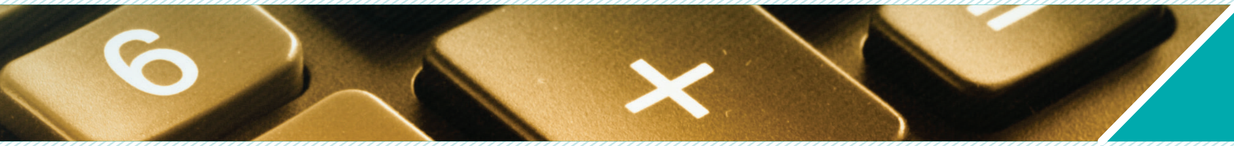
- Impairment of goodwill;
- Application and interpretation of tax regulation;
- Impairment of financial assets;
- Fair value of financial instruments;
- Useful lives of property and equipment; and
- Fair value of cash settled share-based payment plans.

AUDITED SUMMARISED CONSOLIDATED RESULTS - **INDEPENDENT AUDITORS' OPINION**

Deloitte & Touche, First National Bank of Botswana Limited's independent auditors, have audited the consolidated financial statements of First National Bank of Botswana Limited from which the summarised consolidated financial results have been derived, and have expressed an unmodified audit opinion on the consolidated financial statements. The summarised consolidated financial results comprise the summarised consolidated statement of financial position at 30 June 2018, summarised consolidated statement of profit or loss, summarised consolidated statement of other comprehensive income, summarised consolidated statement of changes in equity and summarised consolidated statement of cash flows for the year then ended, and related notes. The full set of financial statements and audit report thereon are available for inspection at First National Bank of Botswana Limited's registered office. The auditor does not necessarily report on all of the information contained in this announcement. For a better understanding of the Group's financial position and the results of its operations for the year and the scope of the audit engagement, these summarised consolidated financial results should be read in conjunction with the audited consolidated financial statements from which the summarised consolidated financial results were derived and the audit report thereon. The audit of the summarised consolidated financial statements was conducted in accordance with International Standards on Auditing.

FORWARD-LOOKING STATEMENTS

Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's auditors.



ECONOMIC **UPDATE**

GLOBAL ECONOMIC OVERVIEW

LESS SYNCHRONISED GLOBAL GROWTH

Although global economic activity remains strong with robust employment levels and corporate results being reported in most developed markets, certain developments pose a threat to future growth. Partly fuelled by the intensification of international trade wars and by domestic idiosyncratic factors, there are early signs of tighter global financial conditions, rising oil prices, flattening yield curve in the US, and market pressures on currencies of emerging markets with weaker fundamentals.

Geopolitical uncertainty has deepened with the possibility of full-blown trade wars which have the potential to depress medium-term growth prospects by negatively impacting resource allocation and productivity. An increase in uncertainty and weakening of investments could result from disruption of global supply chains, which in turn could lead to higher inflation levels and lower growth.

Whereas the IMF projects global growth at 3.9% for both 2018 and 2019 (compared to 3.2% and 3.7% in 2016 and 2017 respectively), they note that risks to this outlook are mounting. Global growth risks becoming less synchronised as the US shows some strengthening in its near-term growth momentum in contrast to the downward revisions on growth projections for the Euro area, Japan and the UK as a reflection of weak domestic activity data in the first half of 2018.

In the Sub-Saharan Africa region, most countries have benefitted from cyclically supportive commodity prices which stabilised currency movements, moderated inflation levels and narrowed the fiscal deficits. Inflation levels also benefited from improved weather conditions which increased agricultural output. However, industrialisation remains elusive for most African countries as manufacturing continues to struggle, hampered variously by competition from cheaper imports, higher production costs and trade disputes. The recovery in Sub-Saharan Africa is expected to continue at a modest pace, with growth increasing from 2.8% in 2017 to 3.4% and 3.8% in 2018 and 2019 respectively.

BOTSWANA ECONOMY

OPTIMISM IN THE FORECAST HORIZON AS ACTIVITY INDICATORS REMAIN SUPPORTIVE FOR RENEWED GROWTH

The activity indicators are pointing towards a renewed strengthening for local growth which we expect to reach 4.0% and 4.3% in 2018 and 2019 respectively. Our view is supported by an anticipated increase in diamond prices, resilience in the services sector, and continued supply-side stability.

In 2017, the country's growth took some toll on the backdrop of negative performance in the base metals sector, with growth slowing to 2.4% against 4.3% in 2016. The growth outlook has improved with the first quarter of 2018 growth rising by 4.8% quarter on quarter compared to 0.9% at the same time last year.

We continue to take the view that price growth will be suppressed while both employment creation continues to be restricted and wages growth remains subdued. Accordingly, the disposable income of households is expected to remain under strain despite the prevailing low inflation. Conversely, the June CPI reading of 3.1%, suggests that inflationary pressures will emanate from the supply side of fuel and administered prices. Headline inflation has averaged 3.2% in the twelve months to June, compared to 3.1% at the same time last year. This was mainly due to slight and phased increases in the fuel price, with the consequential effect on the price of retail consumer goods, and with public road transport fares increasing on 1 April 2018. Given that 70% of total household spending is on essentials such as housing, utilities, transport and food, and despite the relatively low headline and food inflation rate, even minor increases in prices will have a meaningful effect on those lower- to middle-income earners who are already under stress.

Our view is that the price growth will remain within the Bank of Botswana's inflation objective of 3% to 6% with an average of 3.5% in 2018 and 4.1% in 2019. The risk to the upside will continue to emanate from rising administered prices, and we expect two further increases in fuel prices in the year. Given a relatively stable Pula outlook, we anticipate minimal increase in the exchange pass-through inflation from South Africa.

Given the outlook of a low inflation profile, we expect the Bank of Botswana to maintain an accommodative stance for the rest of the year and leave rates unchanged through to 2019. We are of the view that any further easing will have to be cautiously implemented as money market rates remain artificially low, and the widening of rate differentials with trading partners would risk capital outflows and liquidity pressures. Based on constrained inflation growth as well as fragile credit and consumption growth, it is our view that a near-term interest rate hike is unlikely.

While we expect business credit growth to exceed growth in lending to households, we caution that total market credit growth is likely to remain muted at below 7.0% through to 2020. With household disposable income under pressure, low credit appetite by Government, and only a moderate increase in business production capacity, we expect that the drawdown on working capital facilities is likely to remain constrained.

Despite the gradual reduction in recent years of the Rand's weighting in the Pula basket to 45%, the Rand remains the dominant determinant of movement in the Pula's foreign exchange rates. The current global and South African environment does not support further Rand strength from current levels. The currency continues to respond to inflation differentials and weakness in commodity price trends, and is at further risk from possible domestic issues. While the balanced nature of the Pula's foreign exchange basket reduces volatility, the currency remains exposed to movements in the Rand.

FINANCIAL **PERFORMANCE**

With a total statement of financial position of P25 billion, representing a 5% growth year-on-year, the Bank has maintained its deposit market share of just over 30%. The structure of the statement of financial position remains an area of specific focus. Due to the Bank having adopted a cautious credit-risk appetite, total gross advances grew by 4% year-on-year, compared to market credit growth of 7%.

Customer deposit growth of 7% year-on-year emanated predominantly from increases in current account as well as term and notice deposits. The ongoing tight market liquidity position throughout the year resulted in an increased cost of accessing professional funding. The effect of this, combined with Bank lengthening the term structure of the funding portfolio resulted in the interest expense line increasing by 27% year-on-year, as well as the cost of funds for the Bank increasing from 1.4% to 1.7% year-on-year.

The gross advances increase of 4% was largely driven via the growth in consumer lending group schemes, and with significant corporate lending transactions in RMB. The WesBank vehicle asset finance portfolio remained flat, reflecting both reduced sales levels in the market and increased competition. The Business Banking portfolio decreased materially due both to the high percentage of term lending which amortises in value, and to heightened competition on new transactions.

With a scarcity of viable lending opportunities, the Bank placed additional deposits in the interbank market, and extending the tenure of the investment portfolio. The cash holdings were more efficiently managed with a decrease of 1% in cash holdings despite the 7% customer deposit growth. Notwithstanding the 50bps rate cut during the year, interest income increased by 5% year-on-year largely due to the growth in the asset book and the optimisation of the investment portfolio.

The non-performing loans (NPL) to gross advances ratio decreased from 7.3% in June 2017 to 7.0% in June 2018, with the portfolio of P1,13 billion remaining flat while gross advances increased. A good portion of the NPL comprises secured lending, but which involves a time-consuming process to realise, thereby resulting in a "sticky" NPL base. The collections function receives priority focus which has resulted in improved operational and financial metrics. The 24% improvement in the impairment charge on advances is largely driven through the base effect of June 2017 impairments including the impact of the BCL mine closure. Despite this improvement in the charge, management continued to apply prudent collateral haircuts in the current reporting period.

The Bank's customer base increased by 8%, closing the year with 502,000 customers. The Bank measures the level of penetration into a customer's banking requirements through a vertical sales index (VSI), which denotes the number of products each customer uses. Initiatives to ensure that customers were provided with the most appropriate banking solutions for their needs, resulted in the Bank's VSI index improving from 1.54 to 1.64. This simultaneously improved non-interest income as well as customer satisfaction.

The Bank maintained its history of innovation, and the digital migration journey continued with excellent results in the year. Increases were seen in usage across all digital platforms, including, Deposit Taking Machines, cellphone banking, eWallet payments and online banking. Further, the FNB banking app experienced particularly high growth in the year, with the additional security and convenience features driving this success. This digital uptake by clients resulted in increased transactional volumes, with further cost savings being made available to customers.

Overall, the Bank's Non-Interest Revenue grew by 9%. This is largely a result of increased transactional volumes, an inflationary increase in the service fees and growth in card usage. Cash deposit fees remained flat year-on-year, as clients migrated away from expensive branch transactions and towards Deposit Taking Machines and various cashless solutions.

The Bank managed operational expenditure prudently throughout the year, reporting a marginal annual growth of 3.4%. The favourable baseline effect of the expensive 2017 KYC remediation project must be noted. The Bank invested in a new premier suite in Orapa and relocated the Mahalapye branch during the year, rolled out a further 6 ATMs, 9 Deposit Taking Machines and 910 point-of-sale devices. We continue to re-engineer internal processes, and this will remain a focal point in the years to come.

Profit Before Tax (PBT) grew by 23% year-on-year. Return on equity ended the year at 22.1% (18.9% in 2017), which is above the Bank's internal target range of 18% to 22%. The PBT growth is a culmination of the digital migration, leadership renewal, bedding down of KYC, reduction in the impairment charge and improved cost efficiencies. The Profit After Tax (PAT) growth of 29% outpaced the PBT growth of 23%, due to a lower effective tax rate. The return on equity improvement contrasts with the increased capital levels as the Bank continues to retain additional capital to allow for any IFRS 9 adjustments, and to ensure credit capacity so as to remain well positioned for growth. The 27% increase in the annual dividend from 11 Thebe to 14 Thebe per share is aligned to the growth in PAT.

LOOKING **AHEAD**

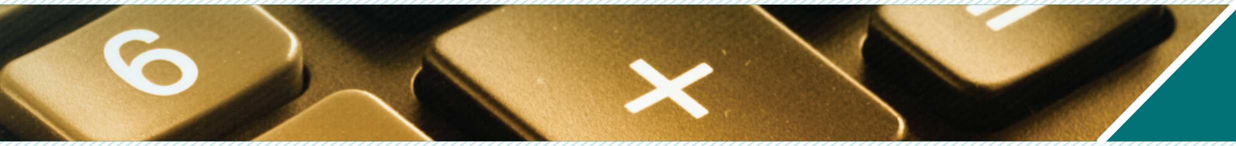
Given the current outlook for the Botswana economy wherein GDP is forecasted to exceed 4%, inflation is within the Bank of Botswana's target range and the positive business sentiment, we expect the positive impact across various sectors. However, as consumer indebtedness levels remain a concern the Bank will continue to cautiously lend into this market.

Despite the positive business sentiments, boosted by the increased business confidence, growth in secured lending facilities will continue to be hampered by the current pressures on the high value retail property sector and commercial office properties. However, we anticipate growth in targeted financing for some sectors of the economy such as agriculture, manufacturing and tourism, which will be supported by credit guarantees from development finance institutions. NDP 11 also provides an opportunity for the private sector to fund more government projects.

Against this backdrop, the Bank will continue to invest in enhancing its digital capabilities to ensure that the client experience remains paramount. The project to refurbish and modernise the branch network will continue, allowing for world-class service solutions to be experienced both online and physically at our various points of presence.

The customer centric model places the client at the centre of all we do, and to deliver on this promise, we require world-class systems and processes - two areas of continual focus. Achieving our goals is underpinned by our success in attracting, training and retaining the best employees in the market, which is supported by our highly successful graduate training programme.

The Bank has invested significant resources to ensure that it is well positioned to adopt the IFRS 9 accounting standard from 1 July 2018. The various processes and systems are adequately prepared for this adoption. The Bank is well positioned to maintain the requisite capital adequacy levels after accounting for the estimated adjustment in capital required by IFRS 9 adoption, without impeding growth in any form.



CAPITAL **MANAGEMENT**

The Group's objectives when managing capital, which is a broader concept than "equity" as shown on the statement of financial position, are to comply with the Bank of Botswana regulations, to safeguard shareholders' returns, to maintain the ability to operate as a going concern and to ensure the Bank has a strong capital base to support the growth of the business.

The Bank seeks to establish and manage a portfolio of businesses and associated risks that will deliver sustainable returns to its shareholders within appropriate levels of earnings volatility. Allocating resources, including capital and risk capacity effectively in terms of the Group's risk appetite and in a manner that maximises value for shareholders is a core competence and a key focus area. Sound capital management practices therefore, form an important component of the Bank's overall business strategy.

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

The Group's capital adequacy ratio, after dividend, has been maintained at 17.94% as at 30 June 2018, and is above the ratio of 15% required by Bank of Botswana and above the internal limits set as part of the stress testing process.

EVENTS AFTER **REPORTING DATE**

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

CORPORATE **GOVERNANCE**

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

1 Adequate and effective management of corporate governance and risk and in accordance with recommended current best practice;
2. Maintenance of appropriate internal controls including the reporting of material malfunctions; and
3. The Group's continued capability to operate as a going concern.

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

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

SOCIAL **RESPONSIBILITY**

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

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

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

- Education
- Job creation
- 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

FNB Botswana has committed to contributing up to 1% of its Profit After Tax to the Foundation annually. Since its inception in 2001, the Group has made grants in excess of P45 million to the Foundation, which has been channeled accordingly to qualifying beneficiaries.

DECLARATION **OF DIVIDEND**

Notice is hereby given that a final dividend of 9 thebe per share has been declared for the year ended 30 June 2018. The dividend will be paid on or about 26 October 2018 to shareholders registered at the close of business on 5 October 2018. The transfer registers will be closed from 8 October to 12 October 2018, both dates inclusive.

In terms of the Income Tax Act (Cap 52.01) as amended, withholding tax at the rate of 7.5% will be deducted by the Group from gross dividends. If a change of address or dividend instructions is to apply to this dividend, notification should reach the Transfer Secretaries by 10 October 2018.

For and on behalf of the Board.

J K Macaskill
Chairman

S L Bogatsu
Chief Executive Officer

Gaborone, 14 August 2018

TRANSFER SECRETARIES

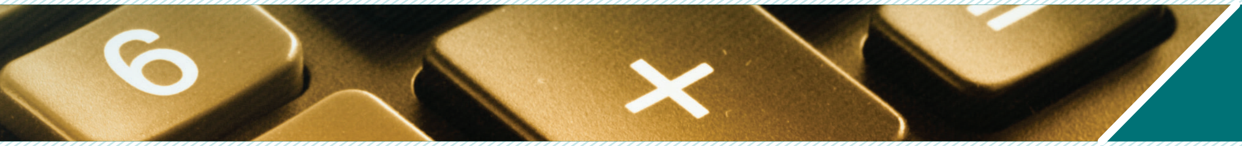
PricewaterhouseCoopers (Proprietary) Limited
Plot 50371, Fairgrounds, PO Box 294, Gaborone

SUMMARISED CONSOLIDATED **STATEMENT OF PROFIT OR LOSS**

	Year ended 30 June 2018 Audited P'000	Year ended 30 June 2017 Audited P'000	% Change
Interest income and similar income	1 507 520	1 429 248	5
Interest expense and similar charges	(335 721)	(265 128)	27
Net interest income before impairment of advances	**1 171 799**	**1 164 120**	**1**
Impairment of advances	(274 168)	(361 219)	-24
Net interest income after impairment of advances	**897 631**	**802 901**	**12**
Non-interest income	1 069 648	978 155	9
Income from operations	**1 967 279**	**1 781 056**	**10**
Operating expenses	(574 492)	(562 005)	2
Employee benefit costs	(538 858)	(514 832)	5
Profit before indirect taxation	**853 929**	**704 219**	**21**
Indirect taxation	(15 720)	(23 896)	-34
Profit before direct taxation	**838 209**	**680 323**	**23**
Direct taxation	(190 154)	(179 804)	6
Profit for the year attributable to owners of the parent	**648 055**	**500 519**	**29**
Earnings per share (thebe) (based on weighted average number of shares outstanding)	25,48	19,68	29
Diluted earnings per share (thebe) (based on weighted average number of shares in issue)	25,48	19,68	29

SUMMARISED CONSOLIDATED **STATEMENT OF OTHER COMPREHENSIVE INCOME**

	Year ended 30 June 2018 Audited P'000	Year ended 30 June 2017 Audited P'000	% Change
Profit for the year	**648 055**	**500 519**	**29**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Net fair value loss on available-for-sale financial assets	(1 153)	-	
Other comprehensive loss for the year net of taxation	**(1 153)**	**-**	
Total comprehensive income for the year attributable to owners of the parent	**646 902**	**500 519**	**29**



RATIOS AND **MARKET INFORMATION**

	Year ended 30 June 2018 Audited	Year ended 30 June 2017 Audited	% Change
Dividend per share (thebe)	14	11	27
Dividend cover (times)	1,8	1,8	-
Cost to income ratio (percent)*	50,4	51,4	(2)
Return on equity (percent)	22,1	18,9	17
Return on average assets (percent)	2,7	2,2	22
Capital adequacy ratio (percent)	17,94	17,67	2
Closing share price (thebe)	222	273	(19)
Price earnings ratio	8,7	13,9	(37)

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

SUMMARISED CONSOLIDATED **STATEMENT OF FINANCIAL POSITION**

	At 30 June 2018 Audited P'000	At 30 June 2017 Audited P'000	% Change
ASSETS			
Cash and short term funds	4 356 895	4 396 885	(1)
Derivative financial instruments	55 181	64 028	(14)
Advances to banks	650 912	-	100
Advances to customers	15 478 937	14 997 373	3
Investment securities	3 360 091	3 313 694	1
Current taxation	65 267	8 641	655
Due from related companies	9 465	9 448	-
Accounts receivable	357 133	288 831	24
Property and equipment	507 584	505 496	-
Goodwill	26 963	26 963	-
Total assets	**24 868 428**	**23 611 359**	**5**
EQUITY AND LIABILITIES			
Liabilities			
Deposits from banks	730 109	1 397 685	(48)
Deposits from customers	18 834 336	17 567 471	7
Accrued interest payable	51 893	46 061	13
Derivative financial instruments	20 315	28 065	(28)
Due to related companies	73 861	36 175	104
Creditors and accruals	459 949	443 530	4
Provisions	82 800	71 606	16
Borrowings	1 288 927	1 059 127	22
Current taxation	7 699	1 208	537
Deferred taxation	200 779	207 566	(3)
Total liabilities	**21 750 668**	**20 858 494**	**4**
Capital and reserve attributable to ordinary equity holders			
Stated capital	51 088	51 088	-
Reserves	2 837 739	2 547 955	11
Dividend reserve	228 933	153 822	49
Total equity	**3 117 760**	**2 752 865**	**13**
Total equity and liabilities	**24 868 428**	**23 611 359**	**5**
Undrawn commitments to customers	2 141 858	2 194 381	(2)
Guarantees and letters of credit	921 076	1 252 996	(26)
Total contingencies and commitments	**3 062 934**	**3 447 377**	**(11)**

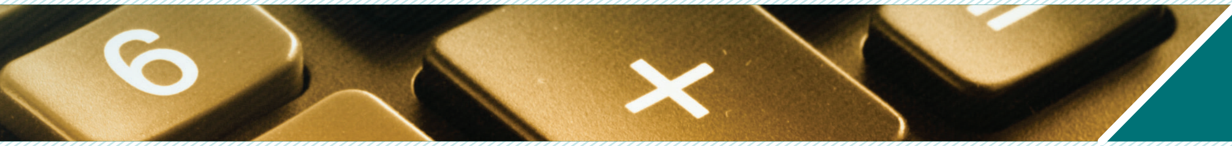
Other contingent liabilities during the current year are adequately disclosed in the financial statements

SUMMARISED CONSOLIDATED **STATEMENT OF CHANGES IN EQUITY**

	Stated capital P'000	Other non-distributable reserves P'000	Available for sale reserve P'000	Retained earnings P'000	Dividend reserve P'000	Total P'000
Balance at 1 July 2016 (Audited)	**51 088**	**47 002**	**-**	**2 282 441**	**153 822**	**2 534 353**
Profit for the year	-	-	-	500 519	-	500 519
Transfer from revaluation reserve	-	(2 680)	-	2 680	-	-
Dividends paid - 2016 final	-	-	-	-	(153 822)	(153 822)
Dividends paid - 2017 interim	-	-	-	(128 185)	-	(128 185)
Dividends proposed -2017 final	-	-	-	(153 822)	153 822	-
Balance at 30 June 2017 (Audited)	**51 088**	**44 322**	**-**	**2 503 633**	**153 822**	**2 752 865**
Profit for the year	-	-	-	648 055	-	648 055
Other comprehensive loss for the year	-	-	(1 153)	-	-	(1 153)
Dividends paid - 2017 final	-	-	-	-	(153 822)	(153 822)
Dividends paid - 2018 interim	-	-	-	(128 185)	-	(128 185)
Dividends proposed - 2018 final	-	-	-	(228 933)	228 933	-
Transfer from revaluation reserve	-	(2 645)	-	2 645	-	-
Balance at 30 June 2018 (Audited)	**51 088**	**41 677**	**(1 153)**	**2 797 215**	**228 933**	**3 117 760**

SUMMARISED CONSOLIDATED **STATEMENT OF CASHFLOW**

	Year ended 30 June 2018 Audited P'000	Year ended 30 June 2017 Audited P'000	% Change
Cash flows from operating activities			
Cash generated by operations	1 182 503	1 102 504	7
Taxation paid	(247 076)	(84 112)	194
	935 427	1 018 392	(8)
Change in funds from operating activities	(1 433 088)	196 568	(829)
Net cash generated from operating activities	**(497 661)**	**1 214 960**	**(141)**
Net cash utilised in investing activities	**(56 965)**	**(67 738)**	**(16)**
Net cash utilised in financing activities	**(57 933)**	**(317 119)**	**(82)**
Net (decrease) / increase in cash and cash equivalents	**(612 559)**	**830 103**	**(174)**
Cash and cash equivalents at the beginning of the year	6 067 942	5 237 839	16
Cash and cash equivalents at the end of the year	**5 455 383**	**6 067 942**	**(10)**
Cash and short-term funds	4 356 895	4 396 885	(1)
Investment in Bank of Botswana Certificates	1 098 488	1 671 057	(34)
	5 455 383	**6 067 942**	**(10)**



SEGMENTAL **REPORTING**

Operating segments are reported in accordance with the internal reporting provided to the Chief Executive Officer (the Chief Operating Decision-Maker), who is responsible for allocating resources to the reportable segments and assesses its performance. All operating segments used by the Group meet the definition of a reportable segment. The Group has five main business segments:

- **Retail segment** - comprising advances and deposits and the revenue flowing from individual customers;
- **Business segment** - comprising advances and deposits and the revenue flowing from business customers;
- **Rand Merchant Bank (RMB)** - comprising advances and deposits and the revenue flowing from RMB customers;
- **WesBank** - comprising vehicle and asset financing; and
- **Treasury** - manages the Group's liquidity and funding.

The revenue from external parties reported to the Chief Executive Officer is measured in a manner consistent with that in the statement of profit or loss. The Group presents interest income after the cost of funding and interest expenditure after the benefit of funding for each reportable segment. These are the amounts that are presented to the Chief Executive Officer for management reporting purposes when assessing performance and allocating resources. This presentation is in line with the management approach of presenting segment information. The information provided about each segment is based on the internal reports about segment performance, assets and liabilities, which are regularly reviewed by the Chief Executive Officer.

SUMMARISED **SEGMENTAL REPORTING**

30 JUNE 2018 (P'000)	Retail	Business	RMB	WesBank	Treasury	Total
Interest income	519 172	111 766	23 581	110 745	742 256	1 507 520
Non- interest income	448 924	368 696	226 215	17 623	8 190	1 069 648
Total segment revenue	**968 096**	**480 462**	**249 796**	**128 368**	**750 446**	**2 577 168**
Interest expenditure	67 950	167 540	121 623	(2 160)	(690 674)	(335 721)
Segment operating income before impairments	**1 036 046**	**648 002**	**371 419**	**126 208**	**59 772**	**2 241 447**
Impairment of advances						(274 168)
Net income after impairment of advances						**1 967 279**
Total other expenditure						(1 113 350)
Profit before indirect taxation						**853 929**
Indirect taxation						(15 720)
Profit before direct taxation						**838 209**
Direct taxation						(190 154)
Profit for the year						**648 055**
Net Advances to customers	**8 468 103**	**3 213 951**	**1 700 379**	**2 096 504**	**-**	**15 478 937**
Deposits from customers	**3 906 559**	**5 694 373**	**6 679 559**	**-**	**2 553 845**	**18 834 336**

SUMMARISED **SEGMENTAL REPORTING**

30 JUNE 2017 (P'000)	Retail	Business	RMB	WesBank	Treasury	Total
Interest income	530 965	154 035	27 096	135 890	581 262	1 429 248
Non- interest income	436 396	313 231	202 603	18 500	7 425	978 155
Total segment revenue	**967 361**	**467 266**	**229 699**	**154 390**	**588 687**	**2 407 403**
Interest expenditure	80 831	157 388	128 338	(8 548)	(623 137)	(265 128)
Segment operating income before impairments	**1 048 192**	**624 654**	**358 037**	**145 842**	**(34 450)**	**2 142 275**
Impairment of advances						(361 219)
Net income after impairment of advances						**1 781 056**
Total other expenditure						(1 076 837)
Profit before indirect taxation						**704 219**
Indirect taxation						(23 896)
Profit before direct taxation						**680 323**
Direct taxation						(179 804)
Profit for the year						**500 519**
Net Advances to customers	**7 950 697**	**3 726 992**	**1 184 235**	**2 135 449**	**-**	**14 997 373**
Deposits from customers	**3 683 444**	**5 825 842**	**6 421 985**	**-**	**1 636 200**	**17 567 471**

FAIR VALUE FINANCIAL **INSTRUMENTS**

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

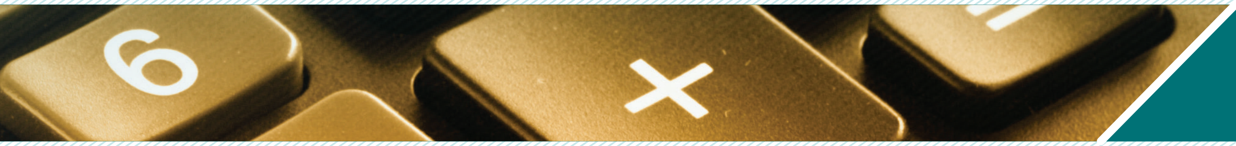
	Level 1 P'000	Level 2 P'000	Level 3 P'000	Fair Value P'000	Carrying amount P'000
GROUP 2018					
ASSETS					
Advances	-	1 451 521	13 665 690	15 117 211	15 160 206
Accounts receivable	-	-	357 133	357 133	357 133
Total financial assets at amortised cost	**–**	**1 451 521**	**14 022 823**	**15 474 344**	**15 517 339**
Deposits	-	19 017 542	-	19 017 542	18 834 336
Long term borrowings	-	1 003 621	-	1 003 621	997 542
Accounts payable	-	459 949	-	459 949	459 949
Total financial liabilities at amortised cost	**–**	**20 481 112**	**–**	**20 481 112**	**20 291 827**

	Level 1 P'000	Level 2 P'000	Level 3 P'000	Fair Value P'000	Carrying amount P'000
GROUP 2017					
ASSETS					
Advances	-	1 181 557	13 081 126	14 262 683	14 510 996
Accounts receivable	-	-	288 831	288 831	288 831
Total financial assets at amortised cost	**–**	**1 181 557**	**13 369 957**	**14 551 514**	**14 799 827**
Deposits	-	17 651 483	-	17 651 483	17 567 471
Long term borrowings	-	960 882	-	960 882	942 041
Accounts payable	-	443 530	-	443 530	443 530
Total financial liabilities at amortised cost	**–**	**19 055 895**	**–**	**19 055 895**	**18 953 042**

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

	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
GROUP 2018				
ASSETS				
Financial assets held for trading	-	149 926	-	149 926
Available for sale financial assets	-	1 098 489	-	1 098 489
Non-financial assets	-	331 848	-	331 848
Total assets	**–**	**1 580 263**	**–**	**1 580 263**
Financial liabilities held for trading	-	20 315	-	20 315
Designated at fair value through profit or loss	-	-	127 985	127 985
Total liabilities	**–**	**20 315**	**127 985**	**148 300**

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



RELATED **PARTIES**

RELATED PARTIES
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
- Non-executive Directors
- Chief Executive Officer
- Chief Risk Officer
- Chief Operating Officer
- Chief Financial Officer
- Director of Human Resources
- Treasurer
- Director of Credit

Related party balances	**2018 P '000**	**2017 P '000**
Due from related parties:		
FirstRand Limited – South Africa	1 977 724	736 153
First National Bank Holdings (Botswana) Limited	9 465	9 448
	1 987 189	745 601
Less money at call and short notice:		
FirstRand Limited – South Africa - call balances	-	(41 401)
FirstRand Limited – South Africa - nostro balances	(1 977 724)	(694 752)
	9 465	**9 448**
Due to related companies - current liabilities:		
FirstRand Limited – South Africa	73 861	36 165
	73 861	**36 165**

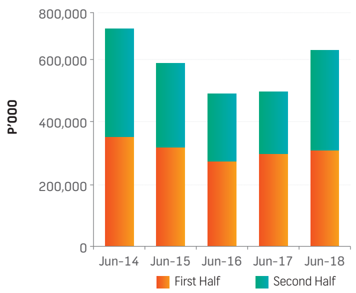
Included in the call and term deposits is a balance of P89 942 149 (2017: P 89 874 821) relating to First National Bank Holdings (Botswana) Limited.

Included in deposits from banks is a balance due to FirstRand Bank Limited of P47 000 (2017: P 47 000), First National Bank Zambia P448 000 (2017: P 39 000), and First National Bank Swaziland P41 000 (2017: P 6 000), First National Bank Tanzania P27 000 (2017: P -) and First National Bank South Africa P397 919 000 (2017: P 276 479 000).

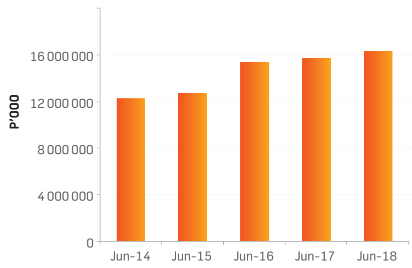
Related party transactions		
Interest Income		
FirstRand Limited – South Africa	32 504	3 615
Interest expenditure		
FirstRand Limited – South Africa	5 804	356
Operating expenses		
Service Fees - FirstRand Limited	195 611	190 812
	195 611	**190 812**
Transactions with key management personnel:		
Compensation paid to key management personnel:		
Share-based payments	2 572	2 118
Short term employee benefits	17 733	18 876
Total short term benefits	**20 305**	**20 994**
Post employment benefits		
Pension	590	1 871
Advances:		
Personal loans	1 152	1 093
Overdrafts	99	1 050
Credit card	223	255
Instalment finance	2 504	1 635
Property loans	12 517	11 166
Total advances	**16 495**	**15 199**

FINANCIAL GRAPHS

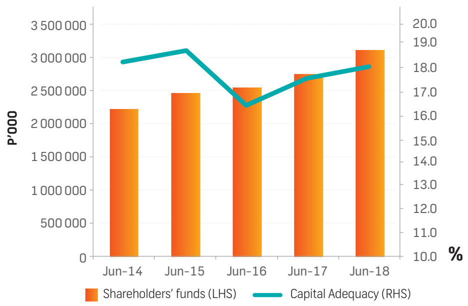
Profit After Tax



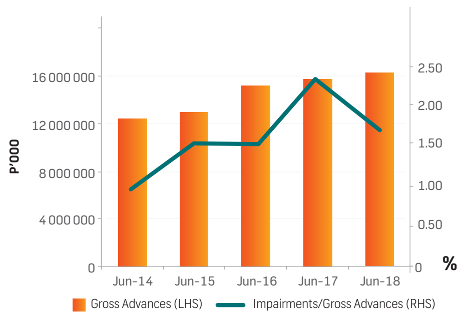
Loans and Advances



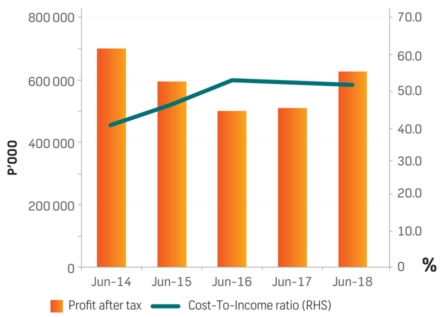
Shareholders' Funds vs Capital Adequacy



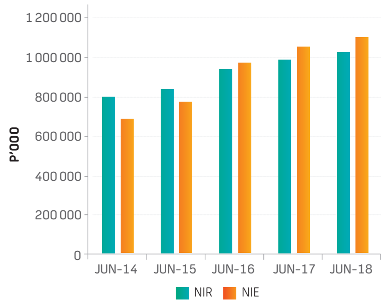
Gross Advances vs Impairments to Gross Advances



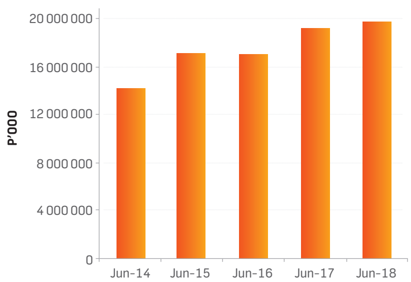
Profit After Tax vs Cost-To-Income Ratio



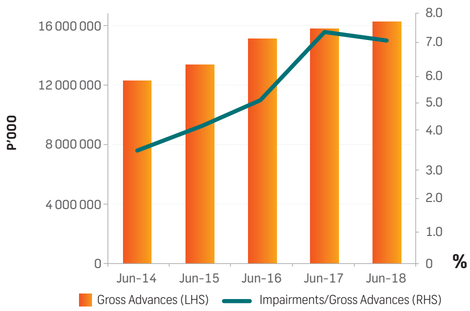
Non-Interest Revenue vs Non-Interest Expenses



Deposits



Gross Advances vs NPLs to Gross Advances



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