

AUDITED SUMMARISED

FINANCIAL RESULTS AND
DIVIDEND ANNOUNCEMENT

for the year ended 30 June 2013



FNB
First National Bank

how can we help you?

Key performance indicators

for the year ended 30 June 2013

The Directors have pleasure in announcing the audited financial results of First National Bank of Botswana Limited (the Company or Bank) and its subsidiaries (the Group) for the year ended 30 June 2013.

Financial highlights

	Year ended 30 June 2013	Year ended 30 June 2012	
	P'000	P'000	% change
Profit before tax	905 398	729 961	24
Non-interest income	743 042	626 685	19
Cost to income ratio (percent)	37.45	38.37	(2)
Advances	10 369 937	8 420 553	23
Return on average assets (percent)	4.7	4.2	12
Dividend (thebe)	15	13	15

Profit before tax

+24%

Non-interest income

+19%

Advances

+23%

Cost to income ratio

-2%

Return on average assets

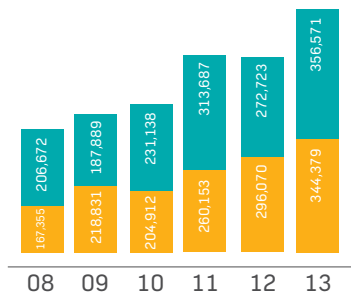
+12%

Dividend (thebe)

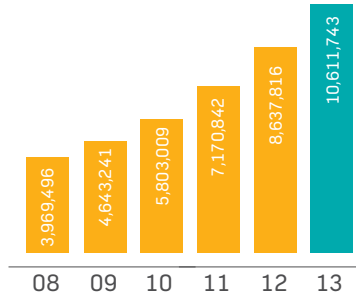
+15%

Profit after tax

■ First Half ■ Second Half

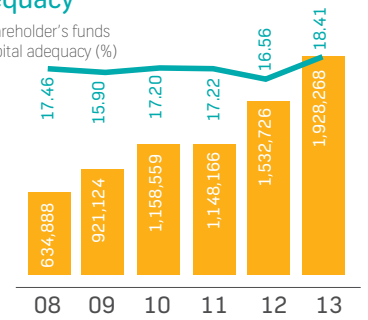


Loans & advances



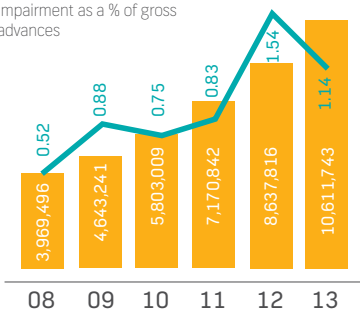
Shareholders' funds vs Capital adequacy

■ Shareholder's funds ■ Capital adequacy (%)



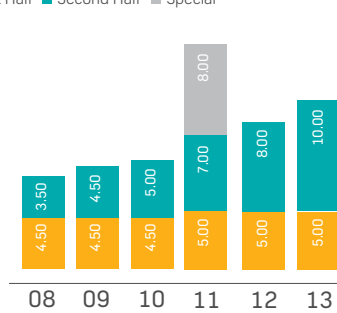
Impairments as a % of advances

■ Loans and advances (Pmil) ■ Impairment as a % of gross advances



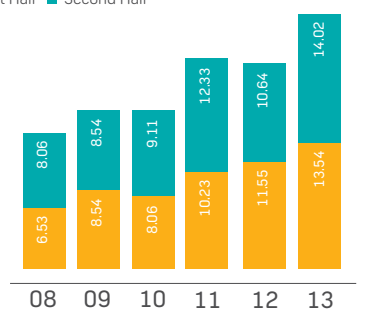
Dividends per share (thebe)

■ First Half ■ Second Half ■ Special



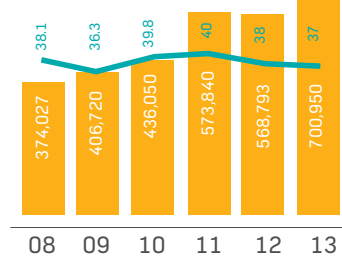
Earnings per share (thebe)

■ First Half ■ Second Half



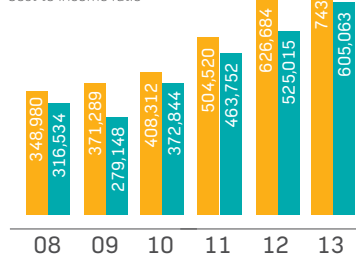
Profit after tax vs cost to income ratio

■ Profit after tax ■ Cost to income ratio

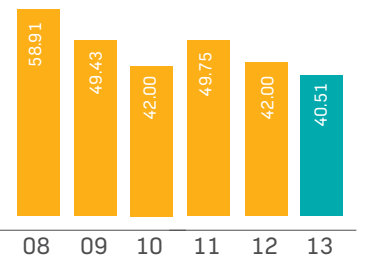


Non-interest income vs operating expenses

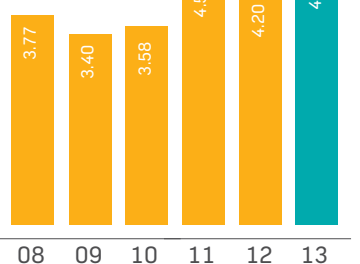
■ Non-interest income ■ Cost to income ratio



Return on equity



Return on assets



BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The summarised financial results have been prepared applying the recognition and measurement criteria in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

In preparing the underlying consolidated financial statements from which these summarised financial results were extracted, all International Financial Reporting Standards and International Reporting Interpretations Committee interpretations issued and effective for annual periods ended 30 June 2013 have been applied.

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

In the preparation of the summarised consolidated financial results, the Group has applied key assumptions concerning the future and other inherent uncertainties in recording various assets and liabilities. These assumptions were applied consistently to the financial results for the year ended 30 June 2013. These assumptions are subject to ongoing review and possible amendments.

SUMMARISED CONSOLIDATED INCOME STATEMENT

	Year ended 30 June 2013 Audited	Year ended 30 June 2012 Audited	
	P'000	P'000	% Change
Interest income and similar income	1,210,031	1,111,862	9
Interest expense and similar charges	(312,629)	(342,799)	(9)
Net interest income before impairment of advances	897,402	769,063	17
Impairment of advances	(120,673)	(132,714)	(9)
Net interest income after impairment of advances	776,729	636,349	22
Non-interest income	743,042	626,685	19
Income from operations	1,519,771	1,263,034	20
Operating expenses	(304,143)	(259,571)	17
Employee benefit costs	(300,918)	(265,444)	13
Net income from operations	914,710	738,019	24
Share of profits from associate company	-	2,423	(100)
Profit before indirect taxation	914,710	740,442	24
Indirect taxation	(9,312)	(10,481)	(11)
Profit before direct taxation	905,398	729,961	24
Direct taxation	(204,446)	(161,168)	27
Profit for the year attributable to owners of the parent	700,952	568,793	23
Average number of shares in issue during the period (thousands)	2,563,700	2,563,700	
Earnings per share (thebe) (based on weighted average number of shares outstanding)	27.56	22.36	23
Diluted earnings per share (thebe) (based on weighted average number of shares in issue)	27.54	22.35	23
Average number of shares outstanding takes into account 20 million shares held by the FNBB Employees Share Participation Trust			

SUMMARISED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Year ended 30 June 2013 Audited	Year ended 30 June 2012 Audited	
	P'000	P'000	% Change
Profit for the year	700,952	568,793	23
Other comprehensive income / (loss)			
Gains on revaluation of property	33,994	-	
Reclassification adjustment relating to available-for-sale financial assets disposed of during the year	-	(15,459)	
Other comprehensive income / (loss) for the year before taxation	33,994	(15,459)	
Taxation relating to components of other comprehensive income	(7,479)	4,124	
Other comprehensive income / (loss) for the year	26,515	(11,335)	
Total comprehensive income for the year attributable to owners of the parent	727,467	557,458	30

AUDITED RESULTS – INDEPENDENT AUDITOR'S OPINION

Deloitte & Touche, First National Bank of Botswana Limited's independent auditors, have audited the consolidated financial statements of First National Bank of Botswana Limited from which the summarised financial results have been derived, and have expressed an unmodified audit opinion on the consolidated annual financial statements. The summarised consolidated financial results comprise the summarised consolidated statement of financial position at 30 June 2013, summarised consolidated income statement, summarised consolidated statement of other comprehensive income, summarised consolidated statement of changes in equity and summarised consolidated statement of cash flows for the year then ended, and selected explanatory notes.

The audit report is available for inspection at First National Bank of Botswana Limited's registered office.

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

FORWARD-LOOKING STATEMENTS

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

RATIOS AND MARKET INFORMATION

	Year ended 30 June 2013 Audited	Year ended 30 June 2012 Audited	% Change
Dividend per share (thebe)	15.00	13.00	15
Dividend cover (times)	1.8	1.7	
* Cost to income ratio (percent)	37.45	38.37	
** Return on equity (percent)	41	42	
*** Return on average assets (percent)	4.7	4.2	
Capital adequacy ratio (percent)	17.41	16.56	
Closing share price (thebe)	365	290	26
Dividend yield – ordinary shares (percent)	4.1	4.5	
Price earnings ratio	13.2	13.0	2

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

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

*** Return on average assets is annualised.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Year ended 30 June 2013 Audited	Year ended 30 June 2012 Audited	% Change
	P'000	P'000	
ASSETS			
Cash and short-term funds	2,288,285	2,557,842	(11)
Derivative financial instruments	10,138	7,861	29
Advances to banks	51,975	-	100
Advances to customers	10,369,937	8,420,553	23
Investment securities	2,290,494	2,699,551	(15)
Current taxation	2,117	-	100
Due from related companies	6,138	7,839	(22)
Accounts receivable	251,474	170,800	47
Non-current assets held for sale	7,101	5,511	29
Property and equipment	502,086	317,559	58
Goodwill	26,963	26,963	-
Total assets	15,806,708	14,214,479	11
LIABILITIES AND SHAREHOLDERS FUNDS			
Liabilities			
Deposits from banks	53,903	172,510	(69)
Deposits from customers	12,932,767	11,443,241	13
Accrued interest payable	34,767	45,179	(23)
Derivative financial instruments	16,964	32,912	(48)
Due to related companies	19,597	57,883	(66)
Creditors and accruals	225,215	275,972	(18)
Provisions	62,076	52,252	19
Borrowings	422,791	519,047	(19)
Current taxation	-	461	100
Deferred taxation	110,360	82,296	34
Total liabilities	13,878,440	12,681,753	9
Capital and reserve attributable to ordinary equity holders			
Stated capital	51,088	51,088	-
Reserves	1,620,810	1,276,542	27
Dividend reserve	256,370	205,096	25
Total ordinary equity holders funds	1,928,268	1,532,726	26
Total liabilities and shareholders' funds	15,806,708	14,214,479	11
CONTINGENCIES AND COMMITMENTS (OFF BALANCE SHEET ITEMS)			
Undrawn commitments to customers	1,417,137	1,373,784	3
Guarantees and letters of credit	1,059,452	1,641,606	(35)
Total contingencies and commitments	2,476,589	3,015,390	(18)

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital	Other non-distributable reserves	Equity settled employee benefits reserve	Retained earnings	Dividend reserve	Total
	P'000	P'000	P'000	P'000	P'000	P'000
Balance at 1 July 2011 (Audited)	51,088	50,143	10,383	985,278	51,274	1,148,166
Profit for the year				568,793		568,793
Other comprehensive loss for the year		(11,335)				(11,335)
Dividends paid - 2011 final					(51,274)	(51,274)
Dividends paid - 2012 interim				(128,185)		(128,185)
Dividends proposed - 2012 final				(205,096)	205,096	-
Recognition of share-based payments			6,561			6,561
Increase in associate company reserves - transfer		715		(715)		-
Transfer from revaluation reserve		(1,796)		1,796		-
Balance at 30 June 2012 (Audited)	51,088	37,727	16,944	1,221,871	205,096	1,532,726
Profit for the year				700,952		700,952
Other comprehensive income for the year		26,515				26,515
Dividends paid - 2012 final					(205,096)	(205,096)
Dividends paid - 2013 interim				(128,185)		(128,185)
Dividends proposed - 2013 final				(256,370)	256,370	-
Recognition of share-based payments		1,356				1,356
Transfer from revaluation reserve		(2,271)		2,271		-
Balance at 30 June 2013 (Audited)	51,088	61,971	18,300	1,540,539	256,370	1,928,268

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 30 June 2013	Year ended 30 June 2012	% Change
	P'000	P'000	
Cash flows (used in)/from operating activities			
Cash generated by operations	1,038,141	883,692	17
Taxation paid	(186,439)	(167,000)	
	851,702	716,692	
Change in funds from operating activities	(1,025,590)	(662,891)	
Net cash (used in)/generated from operating activities	(173,888)	53,801	
Net cash used in investing activities	(175,787)	(93,074)	
Net cash (used in)/generated from financing activities	(429,624)	68,427	
Net (decrease)/increase in cash and cash equivalents	(779,299)	29,154	
Cash and cash equivalents at the beginning of the year	5,185,454	5,156,300	
Cash and cash equivalents at the end of the year	4,406,155	5,185,454	(15)
Cash and short-term funds at the end of the year			
Cash and short-term funds	2,288,285	2,557,842	
Investment in Bank of Botswana Certificates	2,117,870	2,627,612	
	4,406,155	5,185,454	

SUMMARISED SEGMENTAL REPORTING

30 JUNE 2013	Retail Banking	Property Division	Wesbank	Corporate	Treasury	Total
	P'000	P'000	P'000	P'000	P'000	P'000
Net interest income before impairment of advances	385,084	176,189	97,042	171,309	67,778	897,402
Impairment of advances	(101,846)	2,446	(20,445)	(828)	-	(120,673)
Net interest income after impairment of advances	283,238	178,635	76,597	170,481	67,778	776,729
Non-interest income	509,472	442	5,353	(1,155)	228,930	743,042
Income from operations	792,710	179,077	81,950	169,326	296,708	1,519,771
Operating expenses	(215,914)	(7,131)	(15,541)	(20,933)	(44,624)	(304,143)
Employee benefit costs	(202,859)	(24,243)	(19,861)	(16,282)	(37,673)	(300,918)
Net income from operations	373,937	147,703	46,548	132,111	214,411	914,710
Share of profits from associates						
Profit before indirect taxation	373,937	147,703	46,548	132,111	214,411	914,710
Indirect taxation	(5,445)	(173)	(1,256)	(102)	(2,336)	(9,312)
Profit before direct taxation	368,492	147,530	45,292	132,009	212,075	905,398
Direct taxation						(204,446)
Profit for the year						700,952
Total assets	4,053,637	3,703,265	1,701,787	1,487,896	4,860,123	15,806,708
Advances to customers	3,466,425	3,689,875	1,665,466	1,488,698	59,473	10,369,937
Total liabilities	6,974,928	3,689,875	1,665,466	1,488,698	59,473	13,878,440
Deposits	5,060,374	-	-	4,042,348	3,830,045	12,932,767

Note: In the current year, the Group continued to refine its business unit performance measurements. As a result, measurement basis of segment results differs from that of prior year.

30 JUNE 2012	Retail Banking	Property Division	Wesbank	Corporate	Treasury	Total
	P'000	P'000	P'000	P'000	P'000	P'000
Net interest income before impairment of advances	299,121	182,280	116,429	64,296	106,937	769,063
Impairment of advances	(90,760)	(305)	(38,416)	(3,233)	-	(132,714)
Net interest income after impairment of advances	208,361	181,975	78,013	61,063	106,937	636,349
Non-interest income	457,762	4,912	5,343	2,733	155,935	626,685
Income from operations	666,123	186,887	83,356	63,796	262,872	1,263,034
Operating expenses	(161,529)	(22,872)	(22,501)	(20,190)	(32,480)	(259,571)
Employee benefit costs	(188,652)	(12,232)	(29,512)	(12,948)	(22,100)	(265,444)
Net income from operations	315,943	151,784	31,343	30,658	208,292	738,019
Share of profits from associates						2,423
Profit before indirect taxation	315,943	151,784	31,343	30,658	208,292	740,442
Indirect taxation	(6,521)	(253)	(1,112)	(191)	(2,404)	(10,481)
Profit before direct taxation	309,422	151,531	30,231	30,467	205,888	729,961
Direct taxation						(161,168)
Profit for the year						568,793
Total assets	2,627,158	3,176,077	1,518,706	1,411,572	5,480,966	14,214,479
Advances to customers	2,487,625	3,175,262	1,467,484	1,074,565	215,617	8,420,553
Total liabilities	5,002,494	234,273	66,014	2,680,256	4,698,716	12,681,753
Deposits	5,643,556	206,377	19,383	1,813,902	3,760,023	11,443,241

Commentary on audited summarised financial results and dividend announcement

for the year ended 30 June 2013

Return on equity

41%

Our Shareholders should be pleased to note that our Return on Equity ratio is at an impressive 41%.

On this basis, the Directors propose a final dividend of 10.0 thebe per share.

Bank rate

8.5%

With bank rate at 8.5% and prime at 10%, interest rates are at their lowest levels in 13 years.

Growth in deposit

+13%

The Bank successfully realised positive growth in deposits of 13% and an overall balance sheet growth of 11% year on year.

OVERVIEW OF RESULTS

Economic Review

Financial year 2012/13 experienced a mixed bag of economic performance. Globally, the US economy is on a firmer footing but the global growth performance has become more incongruent, with the Eurozone still in recession and trend growth in China slowing. To make matters worse for commodity-producing countries, the negative impact of falling growth in the Chinese economy on commodity prices, exerted further downward pressure on the currencies and asset markets of these economies. Closer to home this is especially true for South Africa.

In Botswana growth rate was lower at 3.2% in Q1 of calendar year 2013, compared to 5.8% at the same time in 2012, when the domestic economy experienced a robust non-mining sector. The worrying trend in the first quarter of 2013 is that unlike in 2012, GDP was affected negatively by both the mining and the non-mining sectors. However, concern continues to be a struggling mining sector and the decline in international commodity prices affecting government diamond revenues.

Inflation has moved into the BOB target range of 3-6% during the Bank's financial year. During the month of June inflation fell to 5.8%, the lowest rate since 2009, and while there are concerns in the market place around its sustainability at this level, there is evidence that there are weak inflationary pressures going forward. This trend is expected to continue for the rest of the calendar year.

Bank of Botswana cut rates twice by a total 100 basis point, a 50 basis point cut at each seating, in the second quarter of the year, giving a reprieve to the over borrowed consumer segment. The rate cuts were on the back of the central bank's lower projected inflationary pressures and a much needed economic stimulus. With bank rate at 8.5% and prime at 10%, interest rates are at their lowest levels in 13 years.

This is a welcome development for consumers whose credit appetite continues to be strong, registering an increase of 32% year on year between April 2012 and 2013. This compares to non-household credit extension of only 10% and total credit extension of 22% during the same period. It is therefore not surprising that the consumer segment is showing some stress in most banks' books.

The foreign exchange markets experienced high levels of volatility thereby positively impacting on foreign currency trading conditions. The Pula held its own against a weak Rand but depreciated against most major currencies.

STATEMENT OF FINANCIAL POSITION

The Bank's balance sheet continues to show good increases in advances with the year on year growth registering an impressive 23% to close at a book record of over P10 billion.

This growth is predominantly in secured assets, especially in the Property and WesBank books. The Bank managed this result despite the high credit growth in the market being mainly from unsecured lending to the consumer segment. The Bank's strategy of growing the secured books as opposed to the unsecured bucked the trend and showed a more conservative credit risk appetite compared to market.

Bank of Botswana Certificates reduced by 12% year on year as the Bank focused on higher yielding advances, thereby taking the loan to deposit ratio into the right direction and positively impacting on margins. Return on average assets registered a healthy 4.7%, an impressive increase from 4.2% recorded in the previous year.

The Bank experienced tighter liquidity conditions when compared to past periods as the banking industry grew their advances and balance sheets by paying up on deposits. Despite this, the Bank successfully realised positive growth in deposits of 13% and an overall balance sheet growth of 11% year on year.

STATEMENT OF COMPREHENSIVE INCOME

On the back of a positive balance sheet trend, the Bank achieved excellent income growth of 24% year on year on profits before tax and 23% growth on profits after tax. This was mainly driven by good growth in advances which produced a good return on interest income, while good growth in the endowment portfolio for funding the advances, made savings on the interest expense line, thereby achieving acceptable margins. As a result, net interest income registered a healthy 17% year on year growth.

Conservative credit risk appetite and a tight ongoing credit risk management, continued to be the focus of the year. This strategy paid off as the Bank's impairments reduced by 9%.

Commentary on audited summarised financial results and dividend announcement (continued)

Efforts to diversify income streams away from interest income continued during the year. The strategy is imperative in the face of the lowest and declining interest rate cycle. A year on year growth of 19% is impressive and was achieved against the Bank's strong drive to move customers from transacting in the more expensive branches to the cheaper electronic channels.

In its diversification drive, the Bank continues to develop and improve its customer offerings and operating platform, which has led to growth in operating costs of 17%. These developments are integral in ensuring the Bank continues to be innovative in its product offerings and services. Despite this growth in operating costs, staff costs remained under control and the Bank's income grew at higher levels than its costs thus resulting in an improved cost to income ratio of 37% down from 38% in the corresponding period.

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 our Regulator, to safeguard Shareholders return, to safeguard the ability to continue as an going concern and to ensure the Bank has a strong capital base in need of business growth and development.

The Group continues to manage its capital in line with the Board's approved capital management framework and Basel 2.5, being the new Bank of Botswana requirements, which will be adopted in Botswana in 2014.

As part of our capital management strategy, the Board assesses regularly whether the Group is appropriately capitalised from an economic risk point of view. Economic capital is defined as the capital which the Group must hold, commensurate with its risk profile, under severe stress conditions. This is to give comfort to stakeholders that the Bank will be able to discharge its obligations to third parties in accordance with an indicated degree of certainty, even under stress conditions, and will continue to operate as a going concern. The regulatory capital requirements are strictly observed when managing economic capital.

The Group's capital adequacy ratio, which excludes the dividend reserve, has been maintained at 17.41% as at 30 June 2013, and is above the Group's internal limit as well as the Bank of Botswana required ratio of 15%.

In line with the substantial growth in assets, the planned impact of the introduction of Basel 2.5, and the effect that these factors will have on the capital adequacy ratio, the Directors believe that it is appropriate to continue with the prudent approach to capital management. However our Shareholders should be pleased to note that our Return on Equity ratio is at an impressive 41%.

On this basis, the Directors propose a final dividend of 10.0 thebe per share.

EVENTS AFTER THE REPORTING DATE

There were no material events that occurred after 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 that an adequate and effective process of corporate governance, incorporating effective risk management, is established and maintained in accordance with recommended current best practice;
- Ensuring that internal controls are maintained and material malfunctions are reported; and
- Ensuring that the Group continues to operate as a going concern.

On the back of a positive balance sheet trend, the Bank achieved excellent income growth of 24% year on year on profits before tax and 23% growth on profits after tax.

The Bank continues to develop and improve its customer offerings and operating platform, which has led to growth in operating costs of 17%

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 the Audit, Credit, Risk, Remuneration and Directors Affairs and Governance committees.

SOCIAL RESPONSIBILITY

The Group is cognisant of the fact that it carries out its social responsibility function while conducting its business.

To this end the Group is committed to giving back to the community through the FNBB Foundation. The Group established the FNBB Foundation for the purpose of aiding educational, arts and culture, and social welfare development in Botswana by identifying beneficiaries who are in need and deserving of assistance.

FNB Botswana has committed to contributing up to 1% of its profit after tax to the Foundation. Since the inception of the Foundation in 2001, the Group has made grants in excess of P31.0 million to the Foundation, and in turn, the Foundation has approved donations and pledges to qualifying beneficiaries. Details of the foundation and criteria for eligibility can be found at the Group's website: www.fnbbotswana.co.bw.

DECLARATION OF DIVIDEND

Notice is hereby given that a final dividend of 10.0 thebe per share has been declared for the year ended 30 June 2013. The dividend will be paid on or about 22 October 2013 to shareholders registered at the close of business on 4 October 2013. The transfer registers will be closed from 14 October to 18 October 2013, 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 15 October 2013.

For and on behalf of the Board.

PD Stevenson
Chairman

LE Boakgomo-Ntakhwana
Chief Executive Officer

Gaborone, 8 August 2013

TRANSFER SECRETARIES

PriceWater House Coopers (Proprietary) Limited
Plot 50371, Fairground Office Park
PO Box 294
GABORONE

DIRECTORS:

P.D. Stevenson (Chairman), L.E. Boakgomo-Ntakhwana (Chief Executive Officer), B.M. Bonyongo, J.R. Khethe (S.A.), D.H. Zandamela (S.A.), Dorcas Kgosietsile, S. Thapelo, M.W. Ward (U.K.), J.K. Macaskill (alternate to J.R. Khethe)(S.A.), L. Haynes (alternate to D.H. Zandamela)(S.A.), R.C. Wright (Deputy CEO, alternate to L.E. Boakgomo-Ntakhwana)



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

MARKETING & COMMUNICATIONS

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