

First National Bank of Botswana Limited

(Incorporated in the Republic of Botswana)

Half-Year Interim Report And Dividend Announcement

For The Period Ended 31 December 2008

The Directors have pleasure in announcing the unaudited financial results of the Bank and its subsidiaries for half year ended 31 December 2008.

Financial Highlights

- Income before direct taxation up 32% on corresponding period
- Earnings per share up 30% on corresponding period
- Cost to income ratio 36.0%
- Return on shareholders' funds 59.3%
- Return on assets 3.6%
- Non interest revenue up 32% on corresponding period
- Proposed interim dividend per share of 4.5 thebe

BASIS OF PREPARATION AND ACCOUNTING POLICIES

- The financial results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34 Interim Financial Reporting and the Botswana Companies Act, 2003.
- All International Financial Reporting Standards and International Financial Reporting Interpretations Committee interpretations issued and effective at 31 December 2008 have been applied.
- All new accounting pronouncements, effective for the year, have been adopted by the Bank in the current year, but did not have material impact on the Bank, either in the current year or the prior year, therefore no restatements have been made.
- The accounting policies applied are consistent with those applied in the annual financial statements for the year ended 30 June 2008.

Income statement performance

Earnings attributable to ordinary shareholders increased by 31% for the half year ended 31 December 2008, on the back of strong performance in net interest income and non-interest revenue.

Although advances increased by 27%, net interest income increased by 31% as growth was mainly in Retail which yields higher margins.

Increased volumes as a result of improved service delivery channels, technological improvements and business growth from expansion have resulted in non interest revenue growing by 32%. Although the non interest revenue was negatively impacted by the reduction in foreign currency availed to the market by Debswana as a result of world economic down turn, the volatility of the Rand has resulted in higher foreign exchange trading profits.

The growth of the Bank and resultant increase in customer base and volume, interventions to increase skilled staff and investment in technology aimed at improving processes

and service, have impacted the Bank's cost base, resulting in a 32% increase.

The effects of the high interest rate environment which the Bank is operating in, following two consecutive 0.5% interest rate increases in May 2008 and June 2008 respectively, has resulted in a strain on customers. The impairment charge has increased by 44% from the corresponding period as a result of growth in advances and to a lesser extent the strain experienced in the market.

In light of the current economic stress, this matter receives close management attention to ensure that the quality of advances is maintained. Although the rates have recently been cut, the trend in the provisions is expected to continue as a result of the current economic climate.

The Bank continues to focus on collections processes and the continuous monitoring of non performing loans.

Balance Sheet

Total assets have increased by 5% mainly as a result of a 27%

increase in advances and 21% decrease in Bank of Botswana Certificates ("BoBCs"). The growth in advances has been driven by the Retail network, WesBank and Card division, which have performed exceptionally well as a result of various initiatives to improve processes and service to customers. The decrease in BoBCs is as a result of the decrease in wholesale deposits directly linked to BoBC holdings.

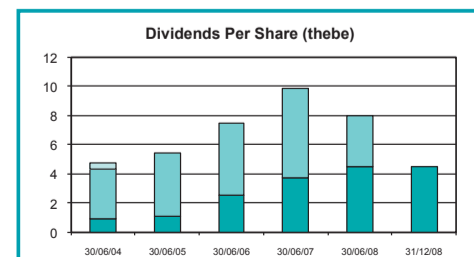
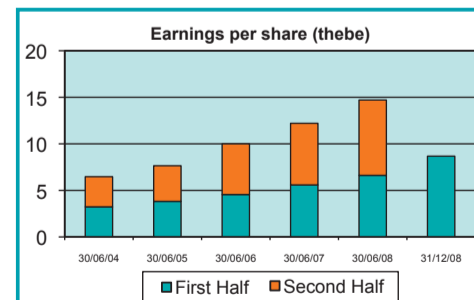
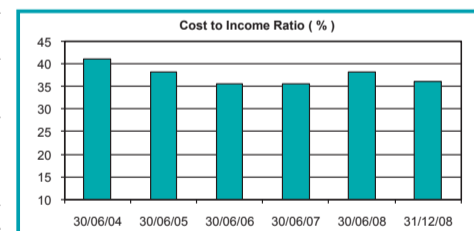
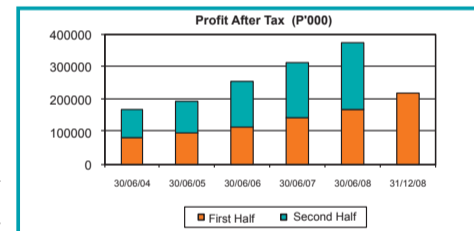
In order to extract greater value, management has embarked on a restructuring of the balance sheet. This has resulted in reduction in wholesale deposits. Although this has led to an increase of only 5% in total assets, it has led to a 31% increase in net interest income as a result of lower growth in interest expenditure. This is reflected on the return on assets remaining constant at 3.6%.

As a result of a decision to retain more profits for capital purposes, the Return on Equity, based on average year balances, (including the dividend reserve) increased to 59.3% from 58.5%.

The Directors recommend an interim dividend of 4.5 thebe per share.

CONDENSED CONSOLIDATED INCOME STATEMENT

| | Unaudited Six months ended 31 Dec 2008 P'000 | Unaudited Six months ended 31 Dec 2007 P'000 | % Change | Audited Year ended 30 June 2008 P'000 |
|---|--|--|----------|---|
| Interest income and similar income | 678,878 | 537,931 | 26 | 1,168,337 |
| Interest expense and similar charges | (420,853) | (342,286) | 23 | (768,085) |
| Net interest income before impairment of advances | 258,025 | 195,645 | 32 | 400,252 |
| Impairment of advances | (17,991) | (12,463) | 44 | (20,804) |
| Net interest income after impairment of advances | 240,034 | 183,182 | 31 | 379,448 |
| Non interest income | 192,336 | 145,898 | 32 | 347,666 |
| Income from operations | 432,370 | 329,080 | 31 | 727,114 |
| Operating expenses | (158,957) | (120,708) | 32 | (279,148) |
| Depreciation | (4,741) | (3,811) | 24 | (8,081) |
| Other operating expenses | (154,216) | (116,897) | 32 | (271,067) |
| Net income from operations | 273,413 | 208,372 | | 447,966 |
| Share of profit of associate company | - | - | | 1,314 |
| Profit before indirect taxation | 273,413 | 208,372 | 31 | 449,280 |
| Indirect taxation | (3,253) | (3,265) | 0 | (6,414) |
| Profit before direct taxation | 270,160 | 205,107 | 32 | 442,866 |
| Direct taxation | (51,329) | (37,752) | 36 | (68,839) |
| Profit for the year | 218,831 | 167,355 | 31 | 374,027 |
| Average number of shares in issue during the year ('000) | 2,563,700 | 2,563,700 | | 2,563,700 |
| * Earnings per share (thebe) (based on weighted average number of shares outstanding) | 8.6 | 6.6 | 30 | 14.7 |
| Diluted earnings per share (thebe) (based on weighted average number of shares in issue) | 8.5 | 6.5 | 31 | 14.6 |
| * Average number of shares outstanding takes into account 20 million shares held by the FNBB Employees Share Participation Trust | | | | |
| RATIOS AND MARKET INFORMATION | | | | |
| Dividend per share (thebe) | 4.5 | 4.5 | - | 8.0 |
| Dividend cover (times) | 1.9 | 1.5 | | 1.8 |
| * Cost to income ratio (percent) | 36.0 | 36.3 | | 38.1 |
| ** Return on equity (percent) | 59.3 | 58.5 | | 56.1 |
| *** Return on average assets (percent) | 3.6 | 3.6 | | 3.8 |
| Capital adequacy ratio (percent) | 18.2 | 17.5 | | 17.2 |
| Capital adequacy ratio excluding dividend reserve (percent) | 15.9 | 15.1 | | 15.1 |
| Closing share price (thebe) | 200.0 | 270.0 | (26) | 240.0 |
| Dividend yield - ordinary shares (percent) | 2.3 | 1.7 | | 3.3 |
| Price earnings ratio | 23.2 | 40.9 | | 16.3 |



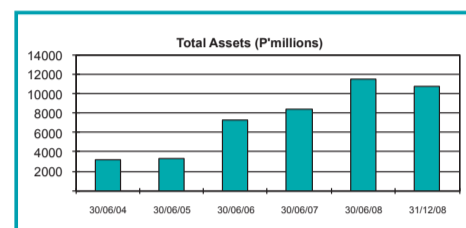
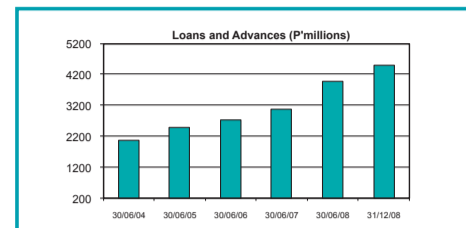
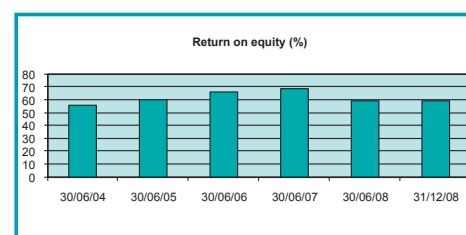
* Cost to income ratio is based on total non-interest expenditure including indirect taxation (Value Added Tax).

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

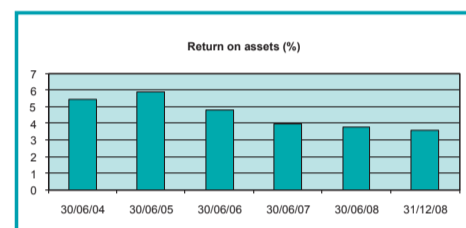
*** Return on average assets is annualised.

CONDENSED CONSOLIDATED BALANCE SHEET

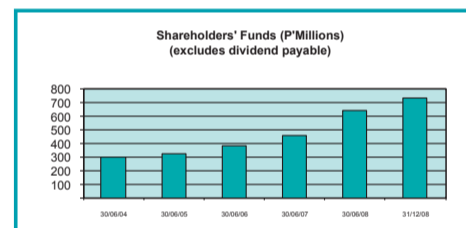
| | Unaudited At 31 Dec 2008 P'000 | Unaudited At 31 Dec 2007 P'000 | % Change | Audited At 30 June 2008 P'000 |
|--|---|---|-----------|--|
| ASSETS | | | | |
| Cash and short-term funds | 794,148 | 690,584 | 15 | 1,796,013 |
| Derivative financial instruments | 58,281 | 30,221 | | 59,514 |
| Investment securities and other investments | 4,210,577 | 5,130,536 | (18) | 5,363,202 |
| Advances | 4,478,789 | 3,513,213 | 27 | 3,969,496 |
| Investment in associate company | 2,297 | 2,421 | | 2,297 |
| Due from related companies | 797,135 | 624,285 | | 2,029 |
| Accounts receivable | 206,403 | 68,611 | | 181,911 |
| Property and equipment | 96,120 | 74,434 | | 80,737 |
| Intangible asset | 26,963 | 26,963 | | 26,963 |
| Total assets | 10,670,713 | 10,161,268 | 5 | 11,482,162 |
| EQUITY AND LIABILITIES | | | | |
| Liabilities | | | | |
| Amounts due to other banks | 42,610 | 43,562 | | 142,310 |
| Deposits and current accounts - amortised cost | 8,960,525 | 8,530,115 | 5 | 9,763,624 |
| Derivative financial instruments | 58,281 | 30,221 | | 59,514 |
| Long-term loans | 320,705 | 335,511 | | 324,694 |
| Accrued interest | 72,934 | 77,364 | | 86,594 |
| Balances due to Group companies | 17,669 | 308,482 | (94) | 97,587 |
| Subordinated unsecured registered bonds | 100,000 | 100,000 | | 100,000 |
| Current taxation | 21,571 | 12,949 | | 5,173 |
| Creditors and accruals | 186,721 | 69,694 | | 134,781 |
| Deferred taxation | 43,265 | 34,776 | | 43,267 |
| Total liabilities | 9,824,281 | 9,542,674 | | 10,757,544 |
| Capital and reserves | | | | |
| Stated capital | 51,088 | 51,088 | | 51,088 |
| Reserves | 679,977 | 452,139 | | 583,800 |
| Dividend reserve | 115,367 | 115,367 | | 89,730 |
| Total capital and reserves | 846,432 | 618,594 | 37 | 724,618 |
| Total liabilities and shareholders' funds | 10,670,713 | 10,161,268 | 5 | 11,482,162 |
| CONTINGENCIES (OFF BALANCE SHEET ITEMS) | | | | |
| Guarantees | 716,480 | 421,583 | | 379,742 |
| Letters of credit | 56,526 | 51,777 | | 289,911 |
| | 773,006 | 473,360 | 63 | 669,653 |


CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | Six months ended 31 Dec 2008 P'000 | Six months ended 31 Dec 2007 P'000 | % Change | Year ended 30 June 2008 P'000 |
|---|---|---|-------------|--|
| Cash flows from operating activities | | | | |
| Cash generated by operations | 292,892 | 221,381 | 32 | 437,299 |
| Taxation paid | (42,707) | (19,894) | | (50,226) |
| | 250,185 | 201,487 | | 387,073 |
| Net increase in assets | (1,294,209) | (958,550) | | (963,126) |
| Net increase in liabilities | 215,904 | 1,784,588 | | 2,963,389 |
| Net cashflows from operating activities | (828,120) | 1,027,525 | | 2,387,336 |
| Dividends paid | (89,730) | (156,386) | | (271,753) |
| Long term loans repaid | (14,806) | - | | (6,760) |
| Net cashflows to financing activities | (104,536) | (156,386) | | (278,513) |
| Net cash to investing activities | (22,192) | (15,061) | | (4,573) |
| Net increase in cash and cash equivalents | (954,848) | 856,078 | | 2,104,250 |
| Cash and cash equivalents at the beginning of the year | 5,804,916 | 4,948,838 | | 4,948,838 |
| Cash and cash equivalents at the end of the year | 4,850,068 | 5,804,916 | (16) | 7,053,088 |
| Cash and short-term funds at the end of the year | | | | |
| Cash and short-term funds | 794,148 | 690,584 | 15 | 1,796,013 |
| Investment in Bank of Botswana Certificates | 4,055,920 | 5,114,332 | (21) | 5,257,075 |
| | 4,850,068 | 5,804,916 | | 7,053,088 |


CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | 31 Dec 2008 P'000 | 31 Dec 2007 P'000 | % Change | 30 June 2008 P'000 |
|--|----------------------|----------------------|-----------|-----------------------|
| Balance at the beginning of the year | 618,595 | 607,625 | | 607,625 |
| Dividend reserve | 115,367 | 115,367 | | 89,730 |
| Dividends paid to ordinary shareholders | (89,730) | (156,386) | | (271,753) |
| Share based reserve arising during the year | - | - | | 910 |
| Increase in other reserves | - | - | | 13,809 |
| Retained profit for the year - net of transfer to dividend reserve | 202,200 | 51,988 | | 284,297 |
| Balance at the end of the year | 846,432 | 618,594 | 37 | 724,618 |


CONDENSED SEGMENTAL REPORTING

| | Retail P'000 | Property Division P'000 | WesBank P'000 | Corporate P'000 | Treasury & International Trade P'000 | Support P'000 | Total P'000 |
|------------------------|-----------------|-------------------------------|------------------|--------------------|---|------------------|----------------|
| Interest income | 124,439 | 102,725 | 95,248 | 24,006 | 333,147 | (687) | 678,878 |
| Profit before taxation | 104,696 | 57,053 | 49,528 | 6,224 | 52,065 | 594 | 270,160 |
| Total Assets | 3,597,126 | 146,671 | 95,491 | 1,524,741 | 4,459,733 | 846,951 | 10,670,713 |
| Total Liabilities | 3,468,586 | 51,761 | 15,526 | 1,469,963 | 4,325,574 | 492,871 | 9,824,281 |

Capital Management

The Bank continues to manage its capital in line with the Board approved capital management framework.

The purpose of the framework is to create objectives, policies and principles relating to the capital optimisation process of book capital (shareholders funds or accounting capital – Net Asset Value), regulatory capital and economic capital.

Economic capital is defined as the capital which the Bank must hold, commensurate with its risk profile, under severe stress conditions, to give comfort to third party stakeholders that it 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.

Tests have been performed and will continue to be performed on a regular basis to assess if the Bank is appropriately capitalised from an economic risk point of view.

The Bank's capital adequacy ratio, which excludes the dividend reserve, has been maintained at 15.90% at 31 December 2008, and is in line with the Bank's capital management framework and the required ratio by Bank of Botswana of 15%.

As a result of the impact of Basel II, the Bank is continually reviewing its capital management framework.

In line with the substantial growth in assets and the planned impact of the introduction of Basel II, and the effect that these factors will have on the capital adequacy ratio, the Directors believe it appropriate to continue with the prudent approach to capital management.

Contingencies
Off Balance Sheet

Contingencies grew by 63%, driven mainly by growth in performance

guarantees required in the current infrastructure expansion in Botswana.

Subsequent Events

There were no material events that occurred subsequent to the balance sheet date that require adjustment to the income statement or balance sheet, or that require disclosure in the interim financial statements. With the economic stress in world markets, the Bank is aware of the effect that this could have on the performance of the Bank and it is a matter that receives close attention.

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 that an adequate and effective process of corporate governance, including 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 Bank continues to operate as a going concern.

The Board comprises a majority of independent, non-executive Directors and meets regularly, oversees executive management performance and retains effective control over the Bank. The Board is assisted by committees, which are responsible for different aspects of governance. The main committees are the Directors Affairs and Governance, Audit, Credit and Remuneration committees.

Social Responsibility

The Bank 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. The Bank has committed to contributing up to 1% of its profit after tax to the Foundation. Since the inception of the Foundation in 2001, the Bank has made grants in excess of P14.5 million to the Foundation, and in turn, the Foundation has approved donations and pledges amounting to more than P13.3 million to qualifying beneficiaries. Details of the foundation and criteria for eligibility can be found at the bank's website: www.fnbbotswana.co.bw.

Declaration of Dividend

Notice is hereby given that an interim dividend of 4.5 thebe per share has been declared for the six months ended 31 December 2008. The dividend will be paid on or about 20 March 2009. The dividend will be paid to shareholders registered at the close of business on 6 March 2009. The transfer registers will be closed from 9 March to 13 March 2009, both dates inclusive.

In terms of the Botswana Income Tax Act (Cap 52:01) as amended, withholding tax at the rate of 15% will be deducted by the company from gross dividends.

If a change of address or dividend instructions is to apply to this dividend, notification should reach the Transfer Secretaries by 13 March 2009.

For and on behalf of the Board

PD Shah
Chairman

DH Zandamela
Chief Executive Officer

GABORONE, 28 January 2009

TRANSFER SECRETARIES
PriceWaterHouse Coopers (Pty) Limited
Plot 50371, Fairground Office Park
PO Box 294 GABORONE


First National Bank of Botswana Limited

A Registered Bank, incorporated in Botswana, Reg No. 1119, Marketing & Communications Department, Finance House, Plot 8843, Khama Crescent, Gaborone, Botswana, PO Box 1552 Gaborone. Tel: (267) 364 2600, Fax: (267) 390 6679

Directors: P.D. Shah (Chairman)(Kenya), D.H. Zandamela (Chief Executive Officer)(S.A.), J.R. Khetho (S.A.), J.K. Macaskill (S.A.), M.T. Sekgororoane, S. Thapelo, A.L. Monchusi, P.D. Stevenson, B.U. Madhav (S.A.), R.C. Wright (Deputy CEO, alternate to D.H. Zandamela)(S.A.)