Unaudited condensed consolidated financial statements and dividend announcement

for the six months ended 31 December 2023

First National Bank Botswana Limited.

Member of the Deposit Insurance Scheme of Botswana

The Directors take pleasure in presenting the unaudited summarised consolidated financial statements and dividend announcement of First National Bank of Botswana Limited and its subsidiaries (referred to as "FNBB" or "the Bank") for the six months ended 31 December 2023.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited interim financial results contained in this analysis of the financial results have been prepared in accordance with the framework concepts and the recognition and measurement requirements of International Financial Reporting Standards ("IFRS"), including interpretations issued by the IFRS Interpretations Committee ("IFRIC") effective for annual periods commencing on or after 1 July 2023, and in compliance with the Banking Act (Cap 46:04).

The principal accounting policies and the methods of computation are consistent in all material respects with those adopted in the previous year. The new or amended IFRS that became effective for the period under review had no impact on the Bank's reported earnings, financial position, reserves, or accounting policies. These interim financial results have not been independently reviewed or audited by the Bank's external auditors.

In the preparation of the unaudited condensed 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 unaudited condensed consolidated financial statements for the financial period ended 31 December 2023 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.

ECONOMIC UPDATE

GLOBAL ECONOMIC OVERVIEW

Divergent growth as risks abound

The recovery of global economic growth from the pandemic continues, but it has been divergent, and risks remain abundant. Stress is unwinding, but global growth is expected to slow down. GDP growth is likely to remain weaker than in 2022 for most economies, particularly in developed markets, as most major Central Banks have committed to maintaining high interest rates for as long as necessary to bring inflation back to desired target ranges.

In its latest World Economic Outlook report, the IMF maintained its global growth forecast for 2023 at 3.0% but has lowered its 2024 estimate by 0.1ppt to 2.9%. The IMF projects that advanced economies will experience a growth slowdown from 2.6% in 2022 to 1.5% in 2023, and further to 1.4% in 2024. This is due to stronger than expected momentum in the US, but weaker-than-anticipated growth in the euro area. The slowdown in emerging markets and developing economies (EMDEs) is expected to be marginal, with the IMF expecting real GDP to have fallen from 4.1% in 2022 to 4.0% in 2023. The IMF revised growth for EMDEs in 2024 down by 0.1ppt to 4.0% largely due to the property sector crisis in China.

The anticipated growth momentum with the reopening of the Chinese economy has plateaued. China still faces headwinds from its real estate sector, which makes up about a fifth of the country's GDP and poses downside risks to economic activity. Authorities have tried to support the economy through fiscal stimulus that led to a mid-year revision in the fiscal budget. On the monetary policy front, the Central Bank's capacity to assist the economy is somewhat constrained due to the weakening yuan and capital outflow pressures.

At this stage, growth in the US is still robust. Preliminary estimates of GDP growth reveal a stronger-than-anticipated real GDP growth as indicators of labour market and industrial economic activity surprised to the upside despite tight monetary policy. Latest 2023 data out of USA reflects an expanded annualised GDP of 3.3% for 4Q23, much better than the forecast of 2%, suggesting that the US economy grew 2.5% in 2023 compared to 1.9% in 2022. This shows inflation continuing to slow down and the restrictive monetary policy has not had a profoundly negative impact on US economy, suggesting a "soft landing". Other risks in the US stem from the need for additional budgetary support in the current fiscal year and the US election slated for November 2024.

Europe is keeping its rates unchanged to bring inflation down to a 2% target. Growth remains subdued on the back of weak foreign demand and tight monetary conditions impacting investment and consumer spending.

Geopolitical tensions that are likely to remain in focus as we progress into 2024 include the Russia-Ukraine and Middle East - Gaza conflicts. Relations between China and the US remain tense but have potentially eased in recent months as Presidents Joe Biden and Xi Jinping seek to strengthen relations. With the Middle East-Gaza conflict, the drought condition is causing global shipping supply chain delays and may slowly impact intermediate product inflation, ultimately placing further pressure on CPI.

REGIONAL ECONOMY

Sub-Saharan Africa's growth to outpace Developed Markets' growth

The outlook for Africa in 2024 is a mixed bag but generally more positive than what was observed in 2023. Like developed markets (DMs) and broader emerging markets (EMs), we anticipate a divergence in GDP growth among African countries in 2024, but on average, an improvement over 2023 is expected. The performance of Africa's resource-intensive and non-resource-intensive countries is likely to be primarily determined by the fluctuation of oil prices.

The IMF has revised its growth forecasts for Sub-Saharan Africa down by 0.2ppt to 3.3% in 2023 and by 0.1ppt to 4.0% in 2024. It is noteworthy that these forecasts remain higher than those for DMs, which are projected at 1.5% in 2023 and 1.4% in 2024. Sub-Saharan Africa continues to be the second fastest-growing region in the world, trailing only behind emerging and developing Asia, which is projected to grow by 5.2% in 2023 and 4.8% in 2024.

For most countries across the continent, we anticipate a decrease in inflation. In countries with high inflation that is projected to increase further, such as Nigeria and Zambia, we predict additional monetary tightening in the early months of 2024. We expect fiscal policy to remain constrained across most markets, partly due to elevated costs of funding and still evident debt vulnerabilities. Debt sustainability will continue to be a concern, as evidenced during the pandemic when debt service obligations for many markets surged. We anticipate continued currency volatility in 2024, with a general tendency towards further depreciation for many currencies in the first half of the year.

BOTSWANA ECONOMY

Mining still Botswana's mainstay – diversification critical

Mining still Botswana's mainstay – diversification critical

Botswana's GDP growth slowed over 2023, primarily driven by a slowdown in the utilities sector and diamond trading activity. The utilities sector suffered from electricity generation challenges owing to the ongoing maintenance works at Morupule B power station, while diamond trading activity suffered from declining sales as global demand decreased.

Over the course of 2024, we expect that the Kalahari Copper Belt will support Botswana's emerging copper production capacity. On diamond mining, both Jwaneng and Karowe mines are expected to transition from open cast to underground mining, extending the life of both mines, in anticipation of demand for diamonds improving from second half of 2024 onwards.

After GDP growth of 5.8% in 2022, we expect the local economy to have expanded by approximately 3.9% in 2023 and to average approximately 4.5% through to 2026. The potential for growth to exceed our expectations lies in the successful implementation of projects, and initiatives, under the Transitional National Development Plan, and the impending National Development Plan 12. These include the continued construction of key infrastructure (road, ICT, water, and electricity) across the country, which, if completed timeously, would improve the general operating environment in Botswana and support business growth. The revision of agricultural policies, such as the new Temo-Letlotlo initiative has the potential to support agricultural growth, although weather conditions present risks.

Inflation to remain within range

Botswana's headline inflation fell to 3.5% y/y in December 2023, from 3.9% in November. As a result, the average inflation rate for 2023 was 5.2%. Core inflation continued to abate at the end of last year, falling to 4.4% y/y (from 9.1% in January). This was supported by low price growth from the supply-side as major utilities providers suspended tariff increases in 2023, limiting price revisions from local businesses.

The BWP construct unchanged

The weights in the Pula basket, initially effected in 2017, have been maintained at ZAR: 45% and SDR: 55% for 2024, with the rate of crawl pegged at -1.51% p.a. The latter has been maintained in view of favourable projected inflation differentials with the former reflecting Botswana's external trade patterns. Despite changes made to the crawl since 2017, the rand will continue to be the dominant factor in influencing the Pula outlook. In our view, Pula movements will continue to be driven bypass-through effects from the political and economic events in the US and South African markets. We expect the USD/BWP and BWP/ZAR to average 13.10 and 1.38 in 2024, respectively, from 13.40 and 1.39 in 2023.

FINANCIAL PERFORMANCE

Statement of Financial Position

Total balance sheet grew 15% year-on-year resulting from a growth in gross customer advances across the Bank's critical operating segments. The retail segment grew 7%, and this was driven by solid growth in the personal lending portfolio (secured and non-secured) following Client Value Proposition enhancements on scheme lending and a refresh of the WesBank product offering. The Commercial Segment concluded key deals which saw a 14% growth in gross advances, with sectors like Agriculture, Retail Sector and Tourism, among others benefiting from this growth. The Corporate Segment customer advances increased 24% year on year, following a 14% growth during the same period of the prior financial year. This growth came mainly from financial solutions extended to the financial services sector (including leverage finance), property sector and certain key State-owned Enterprises.

Investments in financial securities also grew 24% year-on-year on the back of solid customer deposit growth (18%), mainly on current and call accounts. The Bank continued deploying its optimised treasury portfolio management strategy during the period, leading to enhanced risk-adjusted yields.

The overall lending book saw a 2% decrease in Non-Performing Loans (NPL), with an attendant NPL/Gross advances ratio improvement of 6 bps to close the period at 4.5%. The improvement was across all key lending portfolios and products, with the exception of home loans and overdrafts, for which NPL balance grew 3% and 11%, respectively, year-on-year. The overall improvement on the NPL book is reflective of improved economic conditions year-on-year as well as fruitful collection strategies.

In line with the customer advances growth trajectory, the Bank's overall deposit base grew by 18%, with growth in Corporate deposits (33%) leading to overall positive performance. Commercial deposits grew 13% year-on-year, partly driven by a 9% growth of the client base as well as improved trading conditions compared to the same period of the prior year. Retail deposits were up 8%, driven mainly by a 4% growth in client base, as well as the continuously expanding deposit-enabled channels, notably the CashPlus agency model. Overall, current savings and call accounts grew 26% year-on-year, fully offsetting a 12% decline in term deposits. Quite notably, Retail savings grew 13% as the Bank continued enhancing customer yields.

The Loan-to-Deposit Ratio closed the year at 74%, down 4% year-on-year, and this is reflective of an optimised deposit holding approach.

Income Statement

Profit before tax for the half year is P879 million, reflecting a 28% growth year-on year. Total income grew 22% year-on-year, outpacing the 16% growth in expenses over the same period. At top line level, Gross Interest income grew 26%, driven by residual impact of rate hikes at the latter part of the last financial year, as well as an overall 12% growth in customer advances. An additional 24% growth in funds deployed into investment securities also contributed to the overall growth in gross interest income, and this was on the back of increased deposit inflows on current, call and savings accounts. The growth in interest expense over the period was contained to 16%, mainly through a shift in deposit mix. As a result, overall Net Interest Income before impairment charges grew 30% year-on-year.

Impairment charges for the period closed at P10 million, which is significantly lower than the P77 million charged for the same period of the prior year. The main driver of this decline was overlay releases against which underlying risk positions either improved, or there were recoveries.

Net Non-Interest Revenue grew at a moderate 4% over the period. The Bank observed some sustained margin volatility and compression on the forex line, while at the same time certain service fees were either materially reduced or scrapped altogether. All other major Non-Interest Revenue lines continued on a double-digit growth trajectory, driven by increasing transaction volumes, number of accounts and growth in customer base.

Total expenses grew 16%, driven mainly by a 15% growth in employee costs as the Bank continues to revamp its Employee Value Proposition. Further cost increases were influenced by product and channel refreshes that enhances customer experience as well as technology related expenditure that enhances efficiencies within the operating environment of the Bank. Despite the pressure on costs, the Cost to Income ratio was maintained flat at 47.6%.

Overall, the Bank delivered a Return on Equity (ROE) of 36.2%, which compares favourably to the 31,2% delivered for the first half of prior year.

LOOKING AHEAD

With a moderate growth of advanced economies and an expected inflationary view, the Botswana economy will continue its expansion and diversification. The concern remains the Russia- Ukraine war and the Middle East - Gaza conflict.

The Bank's focus during the remainder of the financial year and beyond, is to continuously enhance customer experience through product refresh and channel optimisation, with an increased shift towards self-service secure digital channels. The Bank has been revamping its data journey through the deployment of appropriate technology, and benefits from the associated efforts will increasingly consolidate into the remainder of the financial year and well beyond. As such, customer and employee experience is expected to be enhanced. This will come at increased costs year-on-year, but the ratio of overall costs to income will be maintained within the levels predetermined by management, with guidance from the Board.

The people agenda continues to remain at the centre of the Bank's operations, with work afoot to transition into a high-performance culture. A blueprint has been drawn up in this regard, and focus during the remainder of the financial year will be towards implementation.

The Capital and Liquidity positions of the Bank ended the 2024 interim financial year at levels in line with thresholds set by the Board, and optimally ahead of regulatory prescripts. This positions the Bank for uninterrupted and sustainable growth into the future. The Bank forecasts a healthy performance for the remainder of the financial year and beyond, measured and judged from the perspective of investor returns, the embedding of the sustainability agenda into day-to-day operations and regulatory compliance, among other areas.

EVENTS AFTER REPORTING DATE

There were no events after the reporting period that require disclosure or adjustment to the financial statements. The impact of events that occur after the reporting period will be accounted for in future reporting periods.

CORPORATE GOVERNANCE

The Board and management are responsible for ensuring that FNBB'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 ability to operate as a going concern; and
4. The Bank's consideration of the environmental and social impact of conducting business.

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 supported by sub-committees, which are responsible for various aspects of governance.

The Board sub-committees include;

- Audit
- Credit
- Risk and Capital Management
- Directors Affairs and Governance
- Human Capital and Remuneration
- Compliance and Conduct

SHARED PROSPERITY

In line with global trends the outcome of the Bank's operations will increasingly be more evident within communities. In this regard the Bank focuses on the following key thematic areas;

- Development of Small, Medium and Micro Enterprises (SMME's)
- Human and Social Development
- Elevation of Creative Industries
- Sustainable Environment

The Bank remains committed to increase its procurement spend focus on citizen-owned companies in the form of funding to fulfil purchase orders and SME mentoring through supplier development. Still on the development of Small, Medium and Micro Enterprises front, FNBB partnered with Morupule Coal mine to optimise mining value chain opportunities through FNB Botswana's value proposition. FNBB participated in the national campaign for Prisoner Rehabilitation and Reintegration through the refurbishment of the Moshupa Boys Prison and the Fisheries & Hydroponics projects at the women's prison launched by His Excellency the President. The initiatives were achieved through the FNB Botswana Foundation to create sustainable benefits for communities as well as value for our clients, suppliers, and employees. FNBB commissioned its first solar project at the Francistown Branch in line with its sustainable environment agenda.

CAPITAL AND LIQUIDITY MANAGEMENT

FNBB maintains sound capital and liquidity ratios to maintain confidence in the solvency and the quality of its capital during both calm and turbulent periods in the economy and in financial markets. The Bank aims to maintain capital ratios in line with its risk appetite, thereby appropriately safeguarding its operations and stakeholder interests.

Furthermore, FNBB's capital management strategy is to ensure an optimal level and composition of capital, effective allocation of financial resources including capital and risk capacity, with a view to achieving a sound return on equity and a sustainable dividend distribution to shareholders. The capital planning process is conducted on a forward-looking basis and considers, inter alia, the organic growth requirements and a safety margin for unexpected fluctuations in business plans and earnings volatility. Through this approach, compliance with both internal and regulatory capital adequacy requirements can be achieved, shareholders' returns can be safeguarded, and the Bank can ensure that it remains a 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 quarterly due to the rapidly changing world economic environment for regulatory and business purposes. Additionally, the Directors review the Capital Management Framework annually, and this together with the approval of the economic scenarios forms the basis of the Internal Capital Adequacy Assessment Process (ICAAP) which provides a sound basis for managing our capital in a constantly dynamic world. For the period ended 31 December 2023, FNBB continued to operate above both the internal and regulatory minimum capital adequacy ratios.

DECLARATION OF DIVIDEND

Notice is hereby given that an interim dividend of 16 thebe per share has been declared for the six months ended 31 December 2023. The dividend will be paid on or about 19 March 2024 to shareholders registered at the close of business on 07 March 2024. The ex-dividend date is 05 March 2024.

In terms of the Income Tax Act (Cap 52.01) as amended, withholding tax at the rate of 10% 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 07 March 2024.

For and on behalf of the Board.

B M Bonyongo
Chairperson

S L Bogatsu
Chief Executive Officer

Gaborone, 01 February 2024

TRANSFER SECRETARIES
Central Securities Depository
Company of Botswana,
Plot 70667, 4th Floor,
Fairscape Precinct, Fairgrounds
Private Bag 00417, Gaborone

UNAUDITED SUMMARISED CONSOLIDATED INCOME STATEMENT (P'000)	Six Months ended 31 December 2023	Six Months ended 31 December 2022	% Change
Interest income and similar income using the effective interest rate	1,169,944	925,546	26
Interest expenses and similar charges	(263,146)	(225,995)	16
Net interest income before impairment of advances	**906,798**	**699,551**	**30**
Impairment of advances	(9,670)	(76,932)	(87)
Net interest income after impairment of advances	**897,128**	**622,619**	**44**
Non-interest income and expense	789,406	757,246	4
Income from operations before operating expenditure	**1,686,534**	**1,379,865**	**22**
Operating expenses	(393,376)	(336,707)	17
Employee benefits expenses	(402,118)	(349,502)	15
Income before indirect taxation	**891,040**	**693,656**	**28**
Indirect tax	(12,157)	(7,016)	73
Profit before direct taxation	**878,883**	**686,640**	**28**
Direct taxation	(193,399)	(151,061)	28
Profit for the year attributable to owners of the company	**685,484**	**535,579**	**28**
Total comprehensive income for the period	**685,484**	**535,579**	**28**
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)	**27.0**	**21.1**	**28**

RATIOS AND MARKET INFORMATION	Six Months ended 31 December 2023	Six Months ended 31 December 2022	% Change
Dividend per share (thebe)	16	12	33
Dividend cover (times)	1.7	1.8	(6)
Cost to income ratio (percent)*	47.6	47.6	-
Return on equity (percent)**	36.2	31.2	16
Return on average assets (percent)***	4.5	3.9	15
Capital adequacy ratio (percent)	19.2	18.5	4
Closing share price (thebe)	430	350	23
Price earnings ratio	8.0	8.3	(4)
Earnings per share (thebe)	27.0	21.1	28
Number of ordinary shares issued (thousands)	2,543,700	2,543,700	-

* Cost to income ratio is based on total non-interest expenditure including indirect taxation (value added tax) and excludes impairments of advances
** Return on Equity is annualised and includes proposed dividend (dividend reserve)
*** Return on average assets is annualised

UNAUDITED SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (P'000)	Six Months ended 31 Dec 2023	Six Months ended 31 Dec 2022	% Change	30 June 2023 Audited
Assets				
Cash and short-term funds	6,144,182	5,590,951	10	6,715,040
Derivative financial instruments	29,978	46,708	(36)	36,897
Advances to customers	17,870,419	15,885,592	12	16,274,676
Investment securities	6,930,042	5,569,615	24	5,972,948
Current taxation	43,626	87,237	(50)	88,368
Due from related parties	18,361	6,669	175	6,804
Other assets	684,501	441,262	55	369,882
Property and equipment	518,785	505,182	3	566,148
Goodwill	26,963	26,963	-	26,963
Total assets	**32,266,857**	**28,160,179**	**15**	**30,057,726**
Equity and Liabilities				
Liabilities				
Derivative financial instruments	25,662	28,089	(9)	25,623
Accrued interest payable	40,697	41,731	(2)	40,922
Due to related parties	81,262	25,704	216	72,460
Creditors and accruals	736,955	626,052	18	781,428
Deposits from Banks	796,587	1,171,764	(32)	849,454
Deposits from customers	25,474,543	21,617,061	18	23,333,051
Employee benefits liabilities	73,976	63,746	16	116,915
Borrowings	1,123,717	1,127,895	-	1,100,887
Deferred taxation	9,879	6,252	58	10,151
Total liabilities	**28,363,278**	**24,708,294**	**15**	**26,330,891**
Capital and reserves attributable to ordinary equity holders				
Stated capital	51,088	51,088	-	51,088
Reserves	3,445,499	3,095,553	11	3,167,007
Dividend reserve	406,992	305,244	33	508,740
Total equity	**3,903,579**	**3,451,885**	**13**	**3,726,835**
Total equity and Liabilities	**32,266,857**	**28,160,179**	**15**	**30,057,726**
Undrawn commitments to customers	**2,825,988**	**2,627,310**	**8**	**2,729,340**
Guarantees and letters of credit	**876,684**	**674,778**	**30**	**743,191**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (P'000)	Stated capital	Dividend reserve	Retained earnings	Total
Balance at 01 July 2022	**51,088**	**406,992**	**2,865,218**	**3,323,298**
Profit for the period	-		535,579	535,579
2022 Final Dividends paid	-	(406,992)		(406,992)
2023 Interim Dividends proposed	-	305,244	(305,244)	-
Balance at 31 December 2022	51,088	305,244	3,095,553	3,451,885
Balance at 01 July 2023	**51,088**	**508,740**	**3,167,007**	**3,726,835**
Profit for the period			685,484	685,484
2023 Final Dividends paid		(508,740)		(508,740)
2024 Interim Dividends proposed		406,992	(406,992)	-
Balance at 31 December 2023	**51,088**	**406,992**	**3,445,499**	**3,903,579**

UNAUDITED SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS (P'000)	Six Months ended 31 December 2023	Restated Six Months ended 31 December 2022	% Change
Cash flows from operating activities			
Cash generated from operations before taxation and working capital changes	1,027,049	744,235	38
Taxation paid	**(197,597)**	(155,000)	27
Cash from operating activities	**829,452**	**589,235**	**41**
Movement in amounts due to other Banks	(52,867)	282,902	(119)
Movement in deposits and current accounts	2,141,492	269,449	695
Movement in amount due to related companies	8,802	929	847
Movement in accrued interest payable	(225)	19,992	(101)
Movement in creditors and accruals	(30,513)	41,521	(173)
Movement in employee benefits liabilities	(42,939)	(34,481)	25
Movement in investments- fair value through profit or loss	(569,680)	100,760	(665)
Movement in investments- amortized cost	(686,473)	(315,779)	117
Movement in advances to customers	(1,595,743)	(804,129)	98
Movement in other assets	(314,619)	(112,556)	180
Movement in amounts due from related companies	(11,557)	(106)	10803
Cash flows (used in) / generated from operating activities	**(324,870)**	**37,736**	**(961)**
Cash flows used in investing activities			
Acquisition of property and equipment	(20,034)	(33,823)	(41)
Cash flows used in financing activities			
Borrowings raised /(repaid)	-	(188,887)	(100)
Finance lease interest	(2,402)	(2,461)	(2)
Finance lease payments	(13,960)	(12,689)	10
Dividends paid	(508,740)	(406,992)	25
Net cash used in financing activities	**(525,102)**	**(611,028)**	**(14)**
Cash movement for the period	**(870,006)**	**(607,115)**	**43**
Cash and cash equivalents at the beginning of the period	**8,213,753**	**7,097,681**	**16**
Total cash and cash equivalents at end of the period	7,343,747	6,490,566	13
Cash and short-term funds	6,144,182	5,590,951	10
Investment in Bank of Botswana Certificates	1,199,565	899,615	33
Total cash and cash equivalents at end of the period	**7,343,747**	**6,490,566**	**13**

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 their performance. All operating segments used by the Bank meet the definition of a reportable segment.

The bank has four primary business segments:

- FNB Retail segment - comprising advances and deposits and the revenue flowing from individual customers;
- FNB Commercial segment - comprising advances and deposits and the revenue flowing from commercial and SME customers;
- RMB Corporate segment - comprising advances and deposits and the revenue flowing from corporate customers;
- 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.

UNAUDITED SUMMARISED SEGMENTAL REPORTING	Retail	Commercial	Corporate	Treasury	Total
31 DECEMBER 2023 (P'000)- (six months)					
Interest and similar income	294,133	65,823	49,781	760,207	1,169,944
Non- interest income	346,107	298,098	162,042	(16,841)	789,406
Fees and Commission Income	334,380	214,447	64,252	3,331	616,410
Fair value gains/losses and foreign exchange trading in-come	16,422	82,401	83,714	(19,735)	162,802
Other	(4,695)	1,250	14,076	(437)	10,194
Total segment revenue	**640,240**	**363,921**	**211,823**	**743,366**	**1,959,350**
Interest expense and similar expenses	94,805	132,244	77,083	(567,278)	(263,146)
Segment operating income before impairments	**735,045**	**496,165**	**288,906**	**176,088**	**1,696,204**
Impairment of advances	(13,856)	6,676	(2,490)	-	(9,670)
Net interest income after impairment of advances	**721,189**	**502,841**	**286,416**	**176,088**	**1,686,534**
Depreciation	(45,449)	(311)	(285)	(123)	(46 169)
Total expenditure	(323,424)	(298,440)	(126,316)	(1,146)	(749,325)
Profit before indirect taxation	**352,316**	**204,090**	**159,815**	**174,819**	**891,041**
Indirect taxation	(10,046)	(915)	(576)	(619)	**(12,157)**
Profit before direct taxation	**342,270**	**203,175**	**159,239**	**174,200**	**878,883**
Direct taxation					(193,399)
Profit for the period					**685,484**

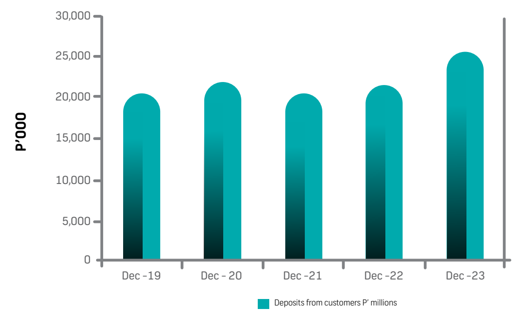
Statement of financial position:					
Gross Advances to customers	**11,522,950**	**3,471,373**	**3,897,766**	**-**	**18,892,088**
Loss allowance	(556,042)	(381,862)	(83,766)	-	(1,021,669)
Net advances	**10,966,908**	**3,089,511**	**3,814,000**	**-**	**17,870,419**
Deposits from customers	**5,873,320**	**10,056,375**	**7,535,083**	**2,009,765**	**25,474,543**

UNAUDITED SUMMARISED SEGMENTAL REPORTING	Retail	Commercial	Corporate	Treasury	Total
31 DECEMBER 2022 (P'000) - (six months)					
Interest and similar income	300,831	61,591	38,658	524,466	925,546
Non- interest income	319,676	259,331	185,833	(7,595)	757,245
Fee and Commission income	308,403	193,312	65,881	1,314	568,910
Fair value gains/losses and foreign exchange income	12,302	67,358	103,319	8,129	174,850
Other	(1,029)	(1,339)	16,633	(780)	13,485
Total segment revenue	**620,507**	**320,922**	**224,491**	**516,871**	**1,682,792**
Interest expense and similar expenses	83,371	115,322	64,231	(488,919)	(225,995)
Segment operating income before impairments	**703,878**	**436,244**	**288,722**	**27,953**	**1,456,797**
Impairment of advances	(52,908)	(5,370)	(18,653)	-	(76,932)
Net interest income after impairment of advances	**650,970**	**430,874**	**270,069**	**27,953**	**1,379,865**
Depreciation	(40,137)	(411)	(183)	(45)	(40,776)
Total expenditure	(275,173)	(260,720)	(109,613)	73	(645,433)
Profit before indirect taxation	**335,660**	**169,743**	**160,273**	**27,981**	**693,656**
Indirect taxation	(5,151)	(216)	(1,416)	(234)	(7,017)
Profit before direct taxation	**330,509**	**169,527**	**158,857**	**27,747**	**686,640**
Direct taxation					(151,061)
Profit for the period					**535,579**

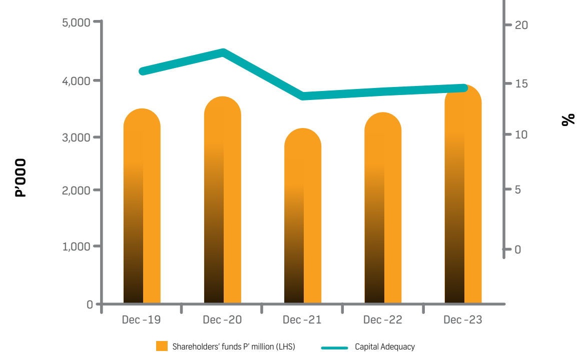
Statement of financial position:					
Gross Advances to customers	**10,750,981**	**3,056,392**	**3,143,713**	**-**	**16,951,086**
Loss allowance	(585,404)	(428,160)	(51,931)	-	(1,065,494)
Net advances	**10,165,578**	**2,628,232**	**3,091,782**	**-**	**15,885,592**
Deposits from customers	**5,427,099**	**8,900,024**	**5,676,708**	**1,613,230**	**21,617,061**

FINANCIAL GRAPHS

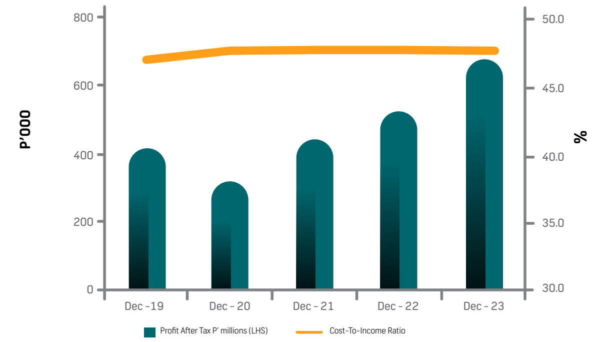
Deposits



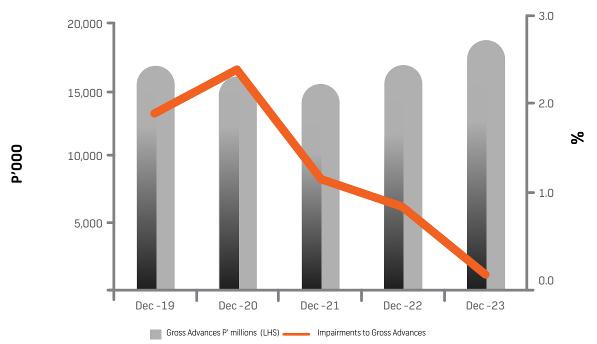
Shareholders' Funds vs Capital Adequacy



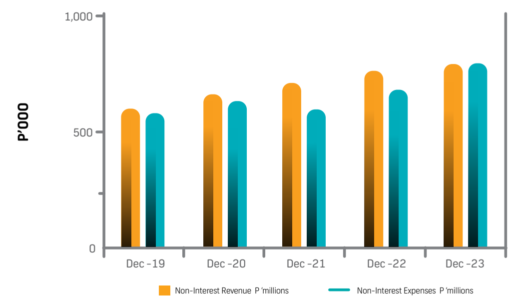
Profit After Tax vs Cost-To-Income Ratio



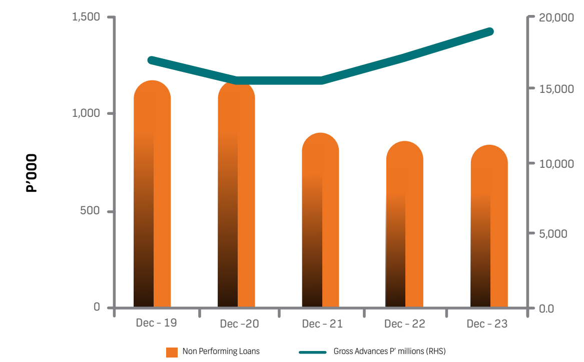
Gross Advances vs Impairments to Gross Advances



Non-Interest Revenue vs Non-Interest Expenses



Gross Advances vs NPLs



ACCOUNTING POLICIES

The accounting policies and other methods of computation applied in the preparation of the condensed interim financial statements are in terms of IFRS and are consistent with those applied for the year ended 30 June 2023.

These summary consolidated financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS.

The following standards became effective, IFRS 17 Insurance Contracts, Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 , Definition of Accounting Estimates (Amendments to IAS 8), Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12), International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12) - Application of the exception and disclosure of that fact, International Tax Reform - Pillar Two Model Rules (Amendments to the 'IFRS for SMEs' Standard) - Application of the exception and disclosure of that fact. None of these amendments to IFRS impacted the Bank's reported earnings, financial position or reserves, or the accounting policies.

ADVANCES

ANALYSIS OF ADVANCES PER CLASS - DECEMBER 2023 (P'000)-(UNAUDITED)	Amortised cost	Loss allowance	Total
Term loans	8,669,098	(292,282)	8,376,816
Instalment sales	1,906,476	(116,075)	1,790,401
Property loans	6,460,439	(337,952)	6,122,487
Overdraft and managed account	1,194,644	(252,495)	942,149
Other	661,431	(22,866)	638,566
Total	**18,892,088**	**(1,021,669)**	**17,870,419**

ANALYSIS OF ADVANCES PER CLASS - DECEMBER 2022 (P'000)-(UNAUDITED)	Amortised cost	Loss allowance	Total
Term loans	7,314,658	(402,302)	6,912,356
Instalment sales	1,701,638	(107,214)	1,594,424
Property loans	6,288,600	(346,618)	5,941,982
Overdraft and managed account	1,196,210	(187,574)	1,008,636
Other	450,114	(21,920)	428,194
Total	**16,951,220**	**(1,065,628)**	**15,885,592**

ANALYSIS OF ADVANCES PER CLASS - JUNE 2023 (P'000)-(AUDITED)	Amortised cost	Loss allowance	Total
Term loans	7,812,186	(317,132)	7,495,054
Instalment sales	1,722,924	(110,032)	1,612,892
Property loans	6,177,956	(352,776)	5,825,180
Overdraft and managed account	1,297,551	(226,146)	1,071,405
Other	294,915	(24,770)	270,145
Total	**17,305,532**	**(1,030,856)**	**16,274,676**

ADVANCES

	Gross advances				Loss allowance			
(P'000) UNAUDITED	**STAGE 1**	**STAGE 2**	**STAGE 3**	**TOTAL**	**STAGE 1**	**STAGE 2**	**STAGE 3**	**TOTAL**
Amortized cost								
Amount as at 01 July 2023	14,146,741	2,295,739	863,052	17,305,532	255,112	223,716	552,028	1,030,856
Stage 2 to stage 1	217 315	(217 315)	-	-	20 345	(20 345)	-	-
Stage 3 to stage 1	1 373	-	(1 373)	-	791	-	(791)	-
Stage 3 to stage 2	-	2 485	(2 485)	-	-	1 646	(1 646)	-
Stage 1 to stage 2	(497 229)	497 229	-	-	(9 828)	9 828	-	-
Stage 2 to stage 3	-	(54 175)	54 175	-	-	(7 238)	7 238	-
Stage 1 to stage 3	(48 291)	-	48 291		(770)	-	770	-
Opening balance after transfers	**13,819,910**	**2,523,963**	**961,659**	**17,305,533**	**265,650**	**207,607**	**557,599**	**1,030,856**
Net movement current year	**2,187,380**	**(480,050)**	**(51,800)**	**1,655,530**	**(102,958)**	**111,170**	**30,444**	**38,657**
Attributable to change in measurement period	(687,421)	(84,610)	-	(772,031)	-	25,186	-	25,186
Attributable to change in risk parameters	-	-	-	-	(123,659)	46,168	19,786	(57,705)
Change due to new business net of attrition	2,874,802	(395,440)	(51,800)	2,427,561	20,701	39,817	10,658	71,176
Bad debts written off	-	-	(68,974)	(68,974)	-	-	(68,974)	(68,974)
Net interest suspended/released	-	-	-	-	-	-	21,131	21,131
Amount as at 31 December 2023	**16,007,290**	**2,043,913**	**840,885**	**18,892,088**	**162,692**	**318,777**	**540,199**	**1,021,669**

	Gross advances				Loss allowance			
(P'000) UNAUDITED	**STAGE 1**	**STAGE 2**	**STAGE 3**	**TOTAL**	**STAGE 1**	**STAGE 2**	**STAGE 3**	**TOTAL**
Amortized cost								
Amount as at 01 July 2022	13,647,419	1,646,389	802,278	16,096,086	167,636	237,906	609,081	1,014,623
Stage 2 to stage 1	(438,805)	438,805	-	-	(4,165)	4,165	-	-
Stage 3 to stage 1	(50,246)	-	50,246	-	(714)	-	714	-
Stage 3 to stage 2	-	(87,878)	87,878	-	-	(17,201)	17,201	-
Stage 1 to stage 2	532,625	(532,625)	-	-	17,816	(17,816)	-	-
Stage 2 to stage 3	-	223	(223)	-	-	145	(145)	-
Stage 1 to stage 3	11,146	-	(11,146)	-	4,186	-	(4,186)	-
Opening balance after transfers	**13,702,139**	**1,464,914**	**929,033**	**16,096,086**	**184,760**	**207,198**	**622,665**	**1,014,623**
Net movement current year	**891,757**	**31,859**	**21,844**	**945,461**	**28,589**	**9,087**	**71,870**	**109,235**
Attributable to change in meas-urement period	-	(10,903)	-	(10,903)	-	15,792	-	15,792
Attributable to change in risk parameters	-	-	-	-	(10,289)	(23,565)	57,935	24,080
Change due to new business net of attrition	891,757	42,763	21,844	956,364	38,878	16,860	13,935	69,673
Bad debts written off	-	-	(90,328)	(90,328)	-	-	(90,328)	(90,328)
Net interest suspended/released	-	-	-	-	-	-	31,787	31,787
Amount as at 31 December 2022	**14,593,896**	**1,496,774**	**860,549**	**16,951,219**	**213,349**	**216,285**	**635,994**	**1,065,627**

	Gross advances				Loss allowance			
(P'000) AUDITED	**STAGE 1**	**STAGE 2**	**STAGE 3**	**TOTAL**	**STAGE 1**	**STAGE 2**	**STAGE 3**	**TOTAL**
Amortized cost								
Amount as at 01 July 2022	13,647,419	1,646,389	802,278	16,096,086	167,636	237,906	609,081	1,014,623
Stage 2 to stage 1	468,531	(468,531)	-	-	14,767	(14,767)	-	-
Stage 3 to stage 1	13,949	-	(13,949)	-	4,244	-	(4,244)	-
Stage 2 to stage 3	-	2,284	(2,284)	-	-	2,111	(2,111)	-
Stage 2 to stage 1	(1,310,009)	1,310,009	-	-	(25,026)	25,026	-	-
Stage 3 to stage 1	(71,865)	-	71,865	-	(706)	-	706	-
Stage 3 to stage 2	-	(63,535)	63,535	-	-	(9,728)	9,728	-
Opening balance after transfers	**12,748,025**	**2,426,616**	**921,445**	**16,096,086**	**160,915**	**240,548**	**613,160**	**1,014,623**
Net movement current year	**1,398,716**	**(130,877)**	**120,199**	**1,388,038**	**94,197**	**(16,832)**	**76,258**	**153,623**
Attributable to change in measurement period	-	(69,002)	-	(69,002)	-	26,043	-	26,043
Attributable to change in risk parameters	-	-	-	-	54,057	(80,671)	17,489	(9,125)
Change due to new business net of attrition	1,398,716	(61,875)	120,199	1,457,040	40,140	37,796	58,769	136,705
Bad debts written off	-	-	(178,592)	(178,592)	-	-	(178,592)	(178,592)
Net interest suspended/released	-	-	-	-	-	-	41,202	41,202
Amount as at 30 June 2023	**14,146,741**	**2,295,739**	**863,052**	**17,305,532**	**255,112**	**223,716**	**552,028**	**1,030,856**

The Bank reports exposures based on the impairment stage at the end of the reporting period. The Bank transfers opening balances (back book), at the value as at 1 July of each year, based on the impairment stage at the end of the reporting period. Any movements in provisions are included in the impairment stage as at the end of the reporting period. Exposures in the back book, can move directly from stage 3 to stage 1, if the curing requirements have been met in a reporting period. All new advances are included in the change in exposure due to new business in the current year based on the exposures' impairment stage at the end of the reporting period. Similarly, exposures in the new business lines can be reported in stage 3 at the end of the reporting date. Changes in exposure reflects the net amount of:

- Additional amounts advanced on the back book and any settlements. Transfers on the back book are reflected separately.
- New business originated during the financial year, the transfers between stages of the new origination and any settlements

IMPAIRMENT OF ADVANCES

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

Impairment of financial assets: Staging of Financial Assets and Significant Increase in Credit Risk (SICR)

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

SICR assessments are client behavioural based determined by applying client behavioural risk scores as well as judgemental factors. Factors may include behavior on other products, industry specific stresses and anticipated changes in legislation, and other relevant factors. Judgmental factors may result in the client being added to the watch list through the 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, Commercial 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.

Approach to Incorporate Forward-Looking Indicators (FLI)

Forward-looking macro-economic indicators (FLI) have been incorporated into expected loss estimates through the application of quantitative modelling and expert judgement-based adjustments applied to PDs (Probability Defaults). The techniques applied estimate the impact of forecasted FLIs on ECL using regression techniques.

The macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for various scenarios. These scenarios are overseen by a governance forum, which is responsible for oversight and is independent from credit and modelling functions.

To arrive at the macroeconomic forecasts, a bottom-up and top-down process is followed. The process is conducted by a team of professional economists. These economists assess micro and macroeconomic developments to formulate (bottom-up) and adjust (top-down) the macroeconomic forecasts. Probabilities are assigned to each scenario with supporting rationale. The creation of macroeconomic scenarios and the determination of associated probabilities are subjective, with final ECL results dependent on the assumptions applied during the process.

The baseline, downside and upside scenarios are used in the ECL calculations.

Economic Scenarios Applied in December 2023 ECL computation

The FLI component of ECL is a dual factor including GDP and monetary policy rate. As the FLI models did not sufficiently capture inflation, additional post-model adjustments were considered.

The economic scenarios applied are described as follows:

Upside: The government successfully rolls out its Transitional National Development Plan, leading to increased activity in sectors such as agriculture, manufacturing, and construction, which have traditionally had a low contribution to Botswana's economy. Global commodity prices rise significantly which boosts diamond and copper production and exports. Public sector stakeholders successfully implement the NDP11 framework which unlocks private investment in key sectors. Improved power and water supply facilitate greater economic activity. Tax revenues increase while the tax base also expands. Bank lending to households and businesses improves gradually given stable interest rates. The USD depreciates as a search for yield in emerging markets returns. Private and public sector investment increases on the back of greater policy certainty. Global inflation trends lower as supply side pressures dissipate.

Baseline: The global economic backdrop continues to improve gradually. Global inflation slows across a range of measures, and thus allows central banks to begin signalling the end of their hiking cycles. Botswana's GDP growth continues to reflect recovery, primarily led by improved diamond mining activities as global demand for diamonds remained supportive. However, global diamond demand is expected to abate over the course of the year which will act as a drag on Botswana's growth, leading to a 3.7% growth average for 2023. Botswana's Transitional National Development Plan (NDP), which is expected to run from 2023/24 to 2025/26, fast tracks outstanding infrastructure projects from NDP11 (which came to an end on 1 April 2023). This will support Botswana's construction industry as well as improve the local operating environment as the planned infrastructure comes onstream. Following a 12.1% average in 2022, Botswana's inflation is expected to moderate to an average of 7.6% in 2023 owing to lower local fuel prices as well as the suspension of rate increases from utilities providers. Botswana Energy Regulatory Authority (BERA) continues to reject the Botswana Power Corporation's (BPC) application for tariff increase. The Botswana Housing Corporation (BHC) suspended rental price increases for two consecutive years effective 1st April 2023, reducing pressure on local inflation. The extension of import restrictions on fresh produce will continue to exert upward pressure on local food prices, along with the reversion of VAT to 14% in April 2023 (from 12% implemented in August 2022) slowing the rate of disinflation locally.

Downside: The war in Ukraine continues to damage global supply chains, creating global shortage of commodities, with high inflation globally. Diamond production slumps due to escalating input costs, weak global demand and delays in the implementation of the Cut 3 and Cut 9 projects. Government finances come under pressure as SACU revenues fall. Credit agencies downgrade Botswana due to reduced government revenues as well as budget deficit increases. The government fails to privatise and/or restructure loss making state-owned entities, causing further drag on the fiscus. The ZAR depreciates sharply against the USD in response to a marked fall in the appetite for emerging market assets. BWP/ZAR increases sharply as a result. Global inflation lifts further due to supply side pressures. Global central Banks tighten monetary conditions to address inflation and financial conditions tighten.

GDP			
FLIs: Applied in ECL Models			
Scenario - December 2023	Upside	Baseline	Downside
2023	3.9	3.9	3.9
2024	7.7	4.5	0
2025	8	4.5	0.5
Weighting	14%	65%	21%

Monetary Policy			
FLIs: Applied in ECL Models			
Scenario - December 2023	Upside	Baseline	Downside
2023	2.4	2.4	2.4
2024	2.15	2.4	5.81
2025	2.15	2.4	5.81
Weighting	14%	65%	21%

GDP			
FLIs: Applied in ECL Models			
Scenario - December 2022	Upside	Baseline	Downside
2023	7	3.9	1.4
2024	7.4	4.1	1.1
2025	7.5	4.2	1
Weighting	15%	65%	19%

Monetary Policy			
FLIs: Applied in ECL Models			
Scenario - December 2022	Upside	Baseline	Downside
2023	3.1	4.2	8.4
2024	3.1	4.2	8.4
2025	3.1	4.2	8.4
Weighting	14%	65%	21%

GDP			
FLIs: Applied in ECL Models			
Scenario - June 2023	Upside	Baseline	Downside
2023	7.5	4.5	1
2024	7.9	4.4	1.2
2025	8	4.3	1.2
Weighting	14%	65%	21%

Monetary Policy			
FLIs: Applied in ECL Models			
Scenario - June 2023	Upside	Baseline	Downside
2023	3.1	4.2	8.4
2024	3.1	4.2	8.4
2025	3.1	4.2	8.4
Weighting	14%	65%	21%

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 maximises the use of relevant observable inputs and minimises 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 market transactions, option-pricing models, and discounted cash flow techniques. The details per type of asset or liability are set out in the tables below.

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 considers 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. FNBB considers factors such as counterparty and own credit risk when making appropriate valuation adjustments.

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 assumptions applied by the Bank are set out in the table below. This category includes certain loans and advances to customers, certain over-the-counter derivatives such as equity options, investments in debt instruments, private equity investments, and certain deposits such as credit linked notes.

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of Level 3 items
Derivative financial instruments					
- Option contracts	Level 2	Option pricing model and industry standard	The Black Scholes model is used. The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves, and for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and by applying extrapolation techniques.	Strike price of the option; market related discount rate; spot or forward rate, the volatility of the underlying dividends and share prices.	Not applicable
- Swaps	Level 2	Discounted cash flows and industry standard models.	The future cashflows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The set date of each swaplet is determined in terms of legal documents pertaining to the swap. The industry standard models calculate fair value based on input parameters such as share price, dividends, volatilities, interest rates, equity repo curves and for multi asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and by applying extrapolation techniques to match the appropriate risk profile.	Market interest rates and curves, volatilities, Dividends, and share prices.	Not applicable
- Forward contracts	Level 2	Discounted cash flows	The future cashflows are projected using a related forecasting curve and then discounted using a market related discounting curve over the contractual period. Projected cashflows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Spot prices of underlying instruments, market interest rate curves, and dividend yield.	Not applicable

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of Level 3 items
Loans and advances to customers					
- Corporate investment banking book held at fair value	Level 3	Discounted cash flows	The future cashflows are discounted using a market related Interest rate. To calculate the fair value of loan book the Group uses a valuation methodology based on the credit spread matrix, which considers loss given default and the internal credit committee rating criteria. The fair value measurement includes the original credit spread and is repriced when there is a change in rating of the counterparty. A decline in credit rating would result in an increase in the spread above the base rate for discounting purposes and consequently a reduction of the fair value of the advance.	Market interest rates and curves	Credit inputs- market related interest rates
- Other loans and advances	Level 2 and 3	Discounted cash flows	The future cashflows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period	Market interest rates and curves	Credit inputs
Investment securities and other investments					
- Equities/bonds listed in an inactive market	Level 2	Discounted cash flows	For listed equities and bonds, the listed price is used where the market is active (i.e., Level1). However, if the market is not active and the listed price is not representative of fair value these are classified as Level 2 and a valuation technique is used, for example the discounted cashflow is used for listed bonds. This will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. The future cashflows are discounted using a market related interest rate adjusted for credit inputs over the contractual period.	Market interest rates and credit spreads	Not applicable

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of Level 3 items
Investment securities and other investments [continued]					
- Unlisted bonds	Level 2	Discounted cash flows	Unlisted bonds are valued similarly to advances measured at fair value. The future cashflows are discounted using a market related interest rate adjusted for credit in puts, over the contractual period.	Market interest rates and credit spreads.	Not applicable
- Negotiable certificates of deposit (NCD	Level 2	Discounted cash flows	The future cashflows are discounted using a market related Interest rate. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and market quotes for NCD instruments	Not applicable
- Treasury Bills	Level 2	Bank of Botswana quoted prices	Bank of Botswana quoted prices.	Market interest rates and curves	Not applicable
Deposits					
- Other deposits	Level 2	Discounted cash flows	The related forecasting curve is adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates	Not applicable
Other liabilities and Tier 2 liabilities	Level 2	Discounted cash flows	The future cash flows are discounted using a market related interest rate.	Market interest rates	Not applicable
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Level 2	Discounted cash flows	The future cash flows are discounted using a market related interest rate and curves adjusted for credit inputs. Where the value of the liability is linked to the performance of an underlying and the underlying is observable, these liabilities are classified as level 2.	Market interest rate curves or performance of underlying	Not applicable

The following represents the fair values of financial instruments carried at amortized cost on the consolidated summarized statements of financial position. (P'000) (Unaudited)

DECEMBER 2023	Level 1	Level 2	Level 3	Fair value	Amortised cost
Advances	-	-	18,026,616	18,026,616	17,870,419
Investment securities	6,844,490	-	-	6,844,490	6,870,787
Due from related parties	-	-	18,361	18,361	18,361
Other assets	-	-	684,501	684,501	684,501
Total financial assets at amortized cost	**6,844,490**	**-**	**18,729,478**	**25,573,968**	**25,444,068**
Deposits and current accounts	-	25,541,923	-	25,541,923	25,474,543
Long-term borrowings	-	999,522	-	999,522	985,610
Due to related parties	-	-	81,262	81,262	81,262
Accrued interest payable	-	40,697	-	40,697	40,697
Creditors and accruals	-	736,955	-	736,955	736,955
Total financial liabilities at amortized cost	**-**	**27,319,097**	**81,262**	**27,400,359**	**27,319,067**

The following represents the fair values of financial instruments carried at amortized cost on the consolidated summarized statements of financial position. (P'000) (Unaudited)

DECEMBER 2022	Level 1	Level 2	Level 3	Fair value	Amortised cost
Advances	-	-	16,069,948	16,069,948	15,885,592
Investment securities	5,309,341	-	-	5,309,341	5,569,615
Due from related parties	-	-	6,669	6,669	6,669
Other assets	-	-	441,262	441,262	441,262
Total financial assets at amortized cost	**5,309,341**	**-**	**16,517,879**	**21,827,220**	**21,903,138**
Deposits and current accounts	-	22,978,951	-	22,978,951	22,788,825
Long-term borrowings	-	949,426	-	949,426	1,127,895
Due to related parties	-	-	25,704	25,704	25,704
Accrued interest payable	-	41,731	-	41,731	41,731
Creditors and accruals	-	626,052	-	626,052	626,052
Total financial liabilities at amortized cost	**-**	**24,596,160**	**25,704**	**24,621,864**	**24,610,207**

The following represents the fair values of financial instruments carried at amortized cost in the consolidated summarized statement of financial position (P'000) (Audited)

JUNE 2023	Level 1	Level 2	Level 3	Fair value	Amortised cost
Advances	-	-	16,242,831	16,242,831	16,274,676
Investment securities	5,695,630	-	-	5,695,630	5,944,902
Due from related parties	-	-	369,882	369,882	369,882
Other assets	-	-	6,804	6,804	6,804
Total financial assets at amortized cost	**5,695,630**	**-**	**16,619,517**	**22,315,147**	**22,596,264**
Deposits and current accounts	-	23,405,219	-	23,405,219	23,333,051
Long-term borrowings	-	981,908	-	981,908	968,241
Due to related parties	-	-	72,460	72,460	72,460
Accrued interest payable	-	40,922	-	40,922	40,922
Creditors and accruals	-	781,428	-	781,428	781,428
Total financial liabilities at amortized cost	**-**	**25,209,477**	**72,460**	**25,281,937**	**25,196,102**

The following represents the fair values of financial instruments carried at amortized cost on the consolidated summarized statements of financial position. (P'000) (Unaudited)

DECEMBER 2023	Level 1	Level 2	Level 3	Total
Mandatory fair value through profit and loss				
- Investments securities	-	59,255	-	59,255
- Derivative financial instruments	-	29,978	-	29,978
Non-financial assets				
Total assets	**-**	**89,233**	**-**	**89,233**
Financial liabilities held for trading				
- Derivative financial instruments	-	25,662	-	25,662
Mandatory at fair value through profit or loss				
- Zero coupon deposit	-	138,107	-	138,107
Total liabilities	**-**	**163,769**	**-**	**163,769**

The following represents the fair values of financial instruments carried at amortized cost on the consolidated summarized statements of financial position. (P'000) (Unaudited)

DECEMBER 2022	Level 1	Level 2	Level 3	Total
Mandatory fair value through profit and loss				
- Investments securities	-	42,277	-	42,277
- Derivative financial instruments	-	46,708	-	46,708
Non-financial assets				
Total assets	**-**	**88,985**	**-**	**88,985**
Financial liabilities held for trading				
- Derivative financial instruments	-	28,090	-	28,090
Mandatory at fair value through profit or loss				
- Zero coupon deposit	-	176,590	-	176,590
Total liabilities	**-**	**204,680**	**-**	**204,680**

The following represents the fair values of financial instruments carried at fair value in the consolidated summarized statement of financial Position (P'000) (Audited)

JUNE 2023	Level 1	Level 2	Level 3	Total
Mandatory fair value through profit and loss				
- Investments securities	-	28,046	-	28,046
- Derivative financial instruments	-	36,897	-	36,897
Non-financial assets				
Total assets	**-**	**64,943**	**-**	**64,943**
Financial liabilities held for trading				
- Derivative financial instruments	-	25,623	-	25,623
Mandatory at fair value through profit or loss				
- Zero coupon deposit	-	132,646	-	132,646
Total liabilities	**-**	**158,269**	**-**	**158,269**

Related parties

The following are the related parties of the Bank:

Ultimate holding company	FirstRand Limited
Holding company	First National Bank Holdings (Botswana) Limited
Subsidiaries	Financial Services Company of Botswana Limited First Funding Proprietary Limited First National Insurance Agency Proprietary Limited
Common Control	First National Bank Insurance Brokers Limited
Key management	Non-executive Directors Chief Executive Officer Chief Financial Officer Chief Operating Officer Chief Risk Officer Director of Human Resources Treasurer Director of Credit

DIRECTORS:

Balisi Bonyongo (Chairperson), Steven L. Bogatsu (CEO - Executive Director)
John K. Macaskill (Non - Executive Director) Doreen Ncube (Independent Non - Executive Director),
Naseem B. Lahri (Independent Non - Executive Director), Ephraim Letebele(Independent Non - Executive Director)
Massimo M. Marinelli (Independent Non - Executive Director), Asad Petkar (Independent Non - Executive Director)
Louis F. Jordaan (Non - Executive Director), Mbako Mbo (CFO - Executive Director)

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

MARKETING & COMMUNICATIONS

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