Unaudited condensed consolidated financial statements and dividend announcement

for the six months ended 31 December 2024

First National Bank of Botswana Limited Registration Number BW00000798476
Member of the Deposit Insurance Scheme of Botswana

Unaudited summarised consolidated financial statements and dividend announcement

For the six months ended 31 December 2024

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 2024.

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 2024, and in compliance with the Banking Act (Cap 46:04).

The principal accounting policies and the methods of computation are consistent in all material aspects with those adopted in the 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. The interim financial results have not been independently reviewed or audited by the Bank’s external auditors.

In the preparation of the unaudited summarised 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 summarised consolidated financial statements for the six months ended 31 December 2024 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;

Highlights

FINANCIAL RESULTS OVERVIEW

PROFIT BEFORE TAX	14% ↑	P1.0bn	(2023 P879m)
COST TO INCOME	130bps ↓	46.3%	(2023 47.6%)
ROA	10bps ↑	4.6%	(2023 4.5%)
ROE	30bps ↑	37.1%	(2023 36.2%)
CREDIT LOSS RATIO	(30bps) ↓	(0.08%)	(2023 0.1%)
DIVIDEND PER SHARE	13% ↑	18 thebe	(2023 16 thebe)

CUSTOMER FOCUS

GROSS ADVANCES TO CUSTOMERS	9% ↑	P20.6bn	(2023 P18.9bn)
NPLs/ADVANCES	(100bps) ↓	3.5%	(2023 4.5%)

Economic update

Global economic overview

Divergent growth persists

The latest IMF projections show global growth moderating to 3.2% in 2024 from 3.3% in 2023. Growth is projected to remaining unchanged (at 3.2%) in 2025. These forecasts broadly align with the views released earlier in July 2024, however, the fund notes diminishing cyclical influences on economic outputs among economies, and this will yield outcomes more reflective of underlying potential of nations.

Growth is slow in most advanced economies (except for the United States) but emerging markets, particularly in Asia. India, China, and ASEAN countries, have shown a strong growth trajectory and are expected to be the primary drivers of global growth. Meanwhile, China's better than anticipated net exports have contributed to a higher than initially expected growth in 2024 and 2025, of 4.5% and 4.7% respectively. In the West, the outcome of the US election is likely to result in fiscal stimulus through tax cut extensions and lower corporate tax towards the end of 2025, and into 2026, under the Trump administration. This will have a positive impulse on US growth in the short term, while medium-term pressures are likely to be elevated on account of global trade being sensitive to tariffs that will be announced by US, as well as retaliatory measures from trading partners. Further, the enactment of fiscal spending cuts and lower migration flows will present headwinds to US growth prospects.

A quicker disinflation and increased momentum in structural reforms could result from global growth, however, downside risks include surges in commodity prices due to supply interruptions, especially from geopolitical shocks. The escalating discontent in China's real estate sector may have persistent knock on effects, although authorities are supporting strategic sectors and buying excess property stock to stabilise sentiment.

The global disinflationary trend gained momentum in the second half of 2024, as the US and other developed markets saw a moderation in inflation. We expect slowing employment and wage growth in developed economies, particularly the US, as well as contained energy inflation, to drive headline inflation back to long-term Developed Markets targets in 2025. However, persistent services inflation and rising global maritime freight costs are risks to the global core inflation trajectory and complicate monetary policy decisions. Geopolitical developments and supply chain disruptions further threaten the ongoing disinflationary process. We anticipate that geopolitical tensions will persist in 2025 with risk premia in global financial markets remaining elevated. This is likely to result in bouts of "flight to safety" driven by periods of heightened tensions and sensitive headlines.

Regional economy

Africa's economic growth revised marginally lower in the near term

The IMF expects economic growth to rise to 4.2% in 2025 from 3.4% (revised) in 2024; the downward revision for 2024 is mainly due to Nigeria's growth outlook amid weaker-than-expected activity in the first half of 2024, and a contraction of the South Sudanese economy. Mild recoveries in economic activity for the major economies on the continent like South Africa, Nigeria and Angola are expected, while economic growth in Egypt will remain subdued due to severe foreign exchange shortages and weak economic activity in the first half of 2024. For most countries across the continent, a decrease in inflation is anticipated, although remaining structurally above its long-term average. While inflationary pressures remain largely contained in these markets, there are notable upside risks to inflation. The main risks include a potential surge in oil prices related to escalating geopolitical tensions and depreciation in domestic currencies. Given the continued disinflation trend experienced in most markets, we anticipate further easing by central banks, to bring inflation to within target. Fiscal policy is expected to remain constrained across most markets in the near term, partly due to large fiscal deficits, the slow pace of subsidy reforms in some markets, as well as elevated costs of funding and persistent debt vulnerabilities. High debt and rising debt service costs are driving fiscal consolidation across Africa. However, while most countries are resolute on fiscal consolidation, they are challenged by evident revenue collection underperformance.

Currency volatility could still be observed in 2025, with a general tendency towards further depreciation for many currencies in the first half of the year. Exchange rate pressures continue in several countries that have not allowed their exchange rates to adjust to balance of payments pressures. For these countries more aggressive foreign exchange adjustments will be necessary. However, the strength of the USD is likely to diminish in the first half of 2025, which should generally support African currencies.

Botswana economy

Botswana enters recession as diamond sales drop

Botswana's GDP growth data reflected a contraction over the first three quarters of 2024, primarily owing to reduced diamond mining, cutting and polishing activity, and lower diamond sales. Diamond activity will likely remain subdued in the period ahead, owing to weak global demand and excess inventories only slowly unwinding, overall resulting in a depressed growth profile for Botswana, which is exacerbated by the economy's undiversified nature. The drought experienced in 2024 will also reveal agricultural output and processing capability pressures, once full year GDP figures are published.

The proliferation of lab grown diamonds at the expense of natural diamond production/ sales, and possibly planned diamond mining expansion projects, poses significant downside risk to the country's longer-term GDP growth, and by implication fiscal revenue forecasts. The impact of reduced diamond sales in 2024, resulting in lower mineral tax revenues, stands to negatively affect planned infrastructure investment. The new Government, led by President Boko, will be challenged by persistent budget deficits into the medium term given the country's dependency on diamond revenues for national spending. To prevent further fiscal stress, the expectation is for Government to restrict its spending to projects nearing completion, while new ventures will likely be put on hold. This, however, will be an additional drag on GDP growth. These challenges could potentially present headwinds to the banking sector as result of reduced activity in industries engaged in supplying goods and services to both mining and Government agencies.

Over the medium-term, local growth is expected to register an average of approximately 3.0% p.a., which rests on several factors including; improving global growth; the recent renewal of mining licences boosting capex and ultimately mining output; the Government completing some outstanding infrastructure projects under the transitional National Development Plan and a recovery in household consumption supported by low inflation and planned salary increases for civil servants. However, the ever-growing share of lab-grown diamond sales, at the expense of natural diamonds, poses notable downside risk to longer-term GDP growth prospects

Inflation to remain within range – monetary policy to be accommodative

The average inflation rate for 2024 was 2.8%, benefitting from fuel price cuts over the course of the year, resulting in the transport index moderating from 3.3% y/y in January to -2.5% in December – the transport index averaged 1.3% in 2024. Core inflation also continued to abate at the end of the 2024 year, falling to 3.3% y/y from 4.1% in January 2024. This was supported by low price growth from the supply-side as major utilities providers suspended tariff increases since 2023, limiting the possibility of price revisions from local businesses.

Inflation will likely be driven by developments that affect the transport index, and any upward pressure on global oil prices will drive up local fuel prices, with most group indices within the consumer price index remaining relatively stable. The Central Bank will likely maintain an accommodative stance by keeping the MoPR unchanged at 1.90% into 2025.

The BWP basket weights changed

The basket weights have changed to ZAR: 50% (previously 45%) and Special Drawing Rights (SDR): 50% (previously 55%) for 2025, with the rate of crawl being maintained 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. The recent change will see increased stability in the BWP/ZAR exchange rate, with the Rand continuing to be the dominant factor in influencing the Pula outlook against Developed Market currencies, while pass-through effects from the political and economic events in the US and South African markets are also expected to drive Pula movements.

FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL POSITION

The Bank's total assets grew by 9% to P35.3 billion, up from P32.3 billion in the previous half-year. This growth was supported by an increase in overall deposits, supporting a growth in customer advances and investments in high-quality liquid assets.

The net loans and advances to customers expanded by 10% to P19.7 billion, compared to P17.9 billion in the previous half-year. All the segments of the Bank's operations recorded growth over the period in which RMB (Corporate), Commercial and Retail banking recorded growth of 18%, 12% and 8% respectively. The Bank remains committed to support both individuals and businesses in key sectors with appropriate funding solutions and thus, contribute to the recovery process of the economy while maintaining optimal credit extension discipline as reflected in the decline in the non-performing loans ratio to 3.5% from 4.5% in the previous half-year. The Bank loan book remains adequately provided despite a slight decline in coverage ratios for expected credit losses to 4.3% from 5.4% reported in the previous half year, this indicates an improvement in the underlying credit performance, including collections.

Investment security balances grew by 32% supported by growth in the deposit franchise and portfolio optimization strategy following policy rate cuts.

Overall, deposits increased by 12% to P29.3 billion, up from P26.3 billion in the previous half-year, indicating strong customer confidence and the Bank's ability to attract and retain deposits. Retail deposits grew by 10%, driven by growth in current and call account balances, while Corporate and Commercial deposits are 4% down, partly reflecting the Bank's deposit mix strategic stance in the wake of market liquidity cost pressure.

INCOME STATEMENT

Profit before tax for the half year amounts to P1,004 million from P879 million reported in the previous period, reflecting an increase of 14% over the period . This performance is the result of growth in the underlying business, notably growth in advances across all segments, growth in transaction volumes across all major lines, as well as a significantly reduced cost growth rate.

Total income after impairments grew 11% while cost growth was contained at 8.1%, resulting in positive jaws at a cost to income ratio of 46.3%. Interest income grew by 5% arising from 8% volume growth in loans to customers as well 32% volume growth in investment securities. The growth in interest income was slightly muted by the impact of the rate cuts in June and August 2024, totaling 50 bps. Interest expense Is down 11% from the previous period.

Non-Interest Revenue amounts to P892 million, growing 13% over the period. This performance is a testament of the Bank's commitment to delivering excellent customer experience through efficient, convenient and affordable channels. Customer numbers grew 8% over the period, while volumes were also up across all major transaction lines including eWallet, merchant services, CashPlus transactions and ATM transactions, among others. The Bank has continued to invest in technologies and capabilities as well as investment in people to ensure that client experience at all our points of presence speak to customer needs and preferences.

Growth in operating expenses was contained below double digit, closing at of 8.1% from the previous period, with Cost to Income ratio of 46.3% from 47.6% in the previous half year. This bodes well with efficiency drive across the Bank's operations to ensure cost transformation towards value creation for stakeholders. The Bank has continued to invest in developing and retaining talent to ensure that it is well equipped and positioned to deliver world class customer experience to its clients and grow the business. To that end, employee expenses grew by 13% over the period, while growth in the rest of OPEX was contained at 4%.

Return on Equity (ROE) closed the period at 37.1% compared to 36.2% reported in the previous half year.

LOOKING AHEAD

Recovery in the global demand and price in the natural diamond market, execution of fiscal reforms by Government, and completion of major infrastructural projects under the transitional NDP will, among others define the country's economic outcomes in 2025, and in particular the balance of the Bank's results for the 2025 financial year, which closes in June 2025. The Bank remains cautiously optimistic and will continue its support to key sectors of the economy, supporting businesses, institutions and households with solutions in line with key national priorities. An optimal credit risk appetite will be maintained into the rest of the financial year, with appropriate adjustments as informed by economic realities. Digitalization remains a priority for the Bank, driving the intent to exponentially transform customer experience, operational excellence and employee experience and welfare.

The Bank has embedded sustainability and shared prosperity as part of its day-to-day operations, and targets have been set in areas like green finance and social impact. There will be continued efforts to meet these targets in a very outcome-based fashion in the last 6 months of the financial year and beyond.

The Capital and Liquidity positions of the Bank closed the half year at levels in line with thresholds set by the Board, and optimally ahead of regulatory prescripts. This is a key enabler to the Bank's sustainable growth trajectory.

EVENTS AFTER REPORTING DATE

There were no conditions after the reporting period that require disclosure or adjustment to the summarised consolidated 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 assisted by sub-committees, which are responsible for various aspects of governance. The sub-committees include Audit, Credit, Directors Affairs Governance, Human Capital and Remuneration, Risk and Capital Management, and Compliance and Conduct.

SHARED PROSPERITY

As seen globally, the world has progressive expectations of corporates to behave responsibly. Shared Prosperity is intrinsic to the Bank's strategy, and positive outcomes from our operations will increasingly be evident within communities. In this regard the Bank focuses on the following key thematic areas;

- Sustainable finance
- Development of Small and Medium Enterprises (SME's)
- Financial inclusion and literacy awareness
- Human and Social Development
- Sustainability implementation

SUSTAINABLE FINANCE

During the period under review, the Bank committed P495 million in sustainable finance facilities. A total of P97.9 million was disbursed relating to amounts committed during the current and previous financial year. As part of the transition to a low carbon economy, the Bank also disbursed P59.1 million in transition finance, out of a total commitment of P74.4 million. These transactions aim to combat climate change by supporting green or socially positive businesses and enabling the local transition journey. The Bank continues to have meaningful client engagements to address and assess climate risks and identify opportunities for impact.

SME DEVELOPMENT

The Bank remains committed to supporting economic growth and diversification through strategic initiatives targeted at empowering SMEs. Small business activity is supported through procurement spend that is focused on citizen-owned companies, SME funding, purchase orders financing solution and participation in the Citizen Economic Empowerment Programme (CEEP). Through the FirstPreneur SME Development Programme, the Bank aims to address challenges faced by SMEs and capacitate them for growth.

FINANCIAL INCLUSION AND LITERACY AWARENESS

CashPlus is our flagship product that allows local business owners to provide basic banking services using a secure mobile banking platform connected to our network, expanding reach to underserved. Over 1661 agents are located throughout the country and in this financial year we have pivoted towards impact in remote areas. The Bank also runs a financial literacy awareness drive, targeted to diverse demographics and delivered through multiple media platforms and direct interaction with stakeholders.

HUMAN AND SOCIAL DEVELOPMENT

Social impact is achieved through various corporate sponsorships covering sports and relevant social / business activities. Implementation of the flagship P54 million sponsorship of Botswana Premier League and Senior National Women's Football team is in progress.

The FNB Botswana Foundation is the Bank's Corporate Social Responsibility (CSR) arm and aims to create sustainable benefits for communities as well as value for our clients, suppliers, and employees. Key highlights of impact during the interim period are:

- **Creative arts development** – sponsorship of Thapong Visual Arts Centre to the value of P2.5 million. The sponsorship entails development of the Botswana Arts Online store where artists can showcase and sell their talents locally, regionally and internationally, and provision of nationwide capacity building workshops for artists.
- **Supporting education provision** – implemented a solar bag and stationery drive in 20 schools in underserved communities without electricity. Standards 1s-3s pupils received stationery, while standards 4s to 7s received solar bag packs.
- **Investment in basic infrastructure and hygiene facilities** – procurement of portacabins and toilet construction in Modipane. Facilities are utilised by out of school learners and their children.
- **Cultivating literacy and promote reading at grassroots** – invested in the refurbishment of the Gaborone Children's Library

DEPOSITS

12% ↑ **29.3bn**

(2023 26.3bn)

A final dividend of 18 thebe per share has been declared for the six months ended 31 December 2024

- **Promoting environmental cleanliness, raise awareness on recycling and waste management practices** – construction of a waste recycle centre at the Mochudi Rural Administration Centre, and procurement of waste segregating trash bins for primary schools in the region.
- **Over P500,000** invested in empowering communities through various donations and projects, delivered through our Staff Volunteer Programme.

SUSTAINABILITY INITIATIVES (OWN OPERATIONS)

Climate risk management is a priority area and prudent management of our environmental footprint is pivotal for our own sustainability and the wellbeing of our clients, employees and communities. The Bank manages environmental risks in our own operations, and recently commissioned its first solar project at the Francistown Branch and continues to realise energy efficiencies. The Bank has other initiatives in place around energy and water efficiency as well as waste minimization and management.

From an inward social perspective, the Bank implements initiatives that address social concerns and ensures employees are treated fairly and provided with a conducive working environment. Implementation of the recently approved Diversity, Equity, Inclusion and Belonging (DEIB) Framework and Policy is ongoing.

CAPITAL AND LIQUIDITY MANAGEMENT

FNBB maintains sound capital 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 sound 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 in a year 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 2024, 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 18 thebe per share has been declared for the six months ended 31 December 2024. The dividend will be paid on or about 2 April 2025 to shareholders registered at the close of business on 21 March 2025. The ex-dividend date is 19 March 2025.

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 21 March 2025.

For and on behalf of the Board.

B M Bonyongo
Chairperson

S L Bogatsu
Chief Executive Officer

Gaborone, 30 January 2025

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 2024	Six Months ended 31 December 2023	% Change
Interest income and similar income using the effective interest rate	1,225,313	1,169,944	5
Interest expenses and similar charges	(232,932)	(263,146)	(11)
Net interest income before impairment of advances	**992,381**	**906,798**	**9**
Impairment of advances	(7,638)	(9,670)	(21)
Net interest income after impairment of advances	**984,743**	**897,128**	**10**
Non-interest income and expense	892,124	789,406	13
Income from operations before operating expenditure	**1,876,867**	**1,686,534**	**11**
Operating expenses	(408,115)	(393,376)	4
Employee benefits expenses	(452,693)	(402,118)	13
Income before indirect taxation	**1,016,059**	**891,040**	**14**
Indirect tax	(12,212)	(12,157)	0
Profit before direct taxation	**1,003,847**	**878,883**	**14**
Direct taxation	(220,846)	(193,399)	14
Profit for the year attributable to owners of the company	**783,001**	**685,484**	**14**
Total comprehensive income for the period	**783,001**	**685,484**	**14**
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)**	**30.8**	**27.0**	**14**

RATIOS AND MARKET INFORMATION	Six Months ended 31 December 2024	Six Months ended 31 December 2023	% Change
Dividend per share (thebe)	18	16	13
Dividend cover (times)	1.7	1.7	-
Cost to income ratio (percent)*	46.3	47.6	(3)
Return on equity (percent)	37.1	36.2	1
Return on average assets (percent)	4.6	4.5	2
Capital adequacy ratio (percent)**	18.7	19.2	2
Closing share price (thebe)	511	430	19
Price earnings ratio	8.3	8.0	4
Earnings per share (thebe)	30.8	27.0	14
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*

*** Capital adequacy ratio is Post Dividend*

Return on Equity (ROE) closed the period at 37.1% compared to 36.2% reported in the previous half year.

UNAUDITED SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (P'000)	**31 December 2024**	**31 December 2023**	**% Change**	**30 June 2024 Audited**
Assets				
Cash and short-term funds	5,102,353	6,144,182	(17%)	5,391,077
Derivative financial instruments	25,207	29,978	(16%)	17,368
Advances to customers	19,741,316	17,870,419	10%	18,494,002
Investment securities and other investments	9,131,332	6,930,042	32%	11,603,074
Current taxation	7,110	43,626	(84%)	4,999
Due from related companies	6,177	18,361	(66%)	9,938
Other Assets	678,495	684,501	(1%)	447,825
Deferred Taxation	11,150	-	<100%	8,252
Property and equipment	600,129	518,785	16%	616,301
Goodwill	26,963	26,963	-	26,963
Total assets	**35,330,232**	**32,266,857**	**9%**	**36,619,799**
Equity and Liabilities				
Liabilities				
Deposits from banks	4,036,964	796,587	407%	501,449
Deposits from customers	25,264,490	25,474,543	(1%)	30,021,044
Accrued interest payable	17,122	40,697	(58%)	20,729
Derivative financial instruments	23,281	25,662	(9%)	10,623
Due to related companies	37,514	81,262	(54%)	38,887
Other Liabilities	650,713	736,955	(12%)	668,295
Employee Liabilities	83,541	73,976	13%	131,205
Borrowings	921,906	1,123,717	(18%)	1,029,156
Deferred taxation	865	9,879	(91%)	777
Total liabilities	**31,036,396**	**28,363,278**	**9%**	**32,422,165**
Capital and reserves attributable to ordinary equity holders				
Stated capital	51,088	51,088	-	51,088
Reserves	3,784,882	3,445,499	10%	3,459,747
Dividend reserve	457,866	406,992	13%	686,799
Total equity	**4,293,836**	**3,903,579**	**10%**	**4,197,634**
Total Equity and Liabilities	**35,330,232**	**32,266,857**	**9%**	**36,619,799**
Undrawn commitments to customers	**2,353,700**	**2,825,988**	**(17%)**	**2,611,048**
Guarantees and letters of credit	**1,304,296**	**876,684**	**49%**	**846,548**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (P'000)	**Stated capital**	**Dividend reserve**	**Retained earnings**	**Total**
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)
2023 Interim Dividends proposed	-	406,992	(406,992)	-
Balance at 31 December 2023	**51,088**	**406,992**	**3,445,499**	**3,903,579**
Balance at 01 July 2024	**51,088**	**686,799**	**3,459,747**	**4,197,634**
Profit for the period			783,001	783,001
2024 Final Dividends paid		(686,799)		(686,799)
2024 Interim Dividends proposed		457,866	(457,866)	-
Balance at 31 December 2024	**51,088**	**457,866**	**3,784,882**	**4,293,836**

UNAUDITED SUMMARISED CONSOLIDATED STATEMENT OF CASHFLOWS (P'000)	**Six Months ended 31 December 2024**	**Six Months ended 31 December 2023**	**% Change**
Cash flows from operating activities			
Cash generated from operations before taxation and working capital changes	(522,478)	1,027,049	(151%)
Taxation paid	(198,400)	(197,597)	-
Cash from operating activities	**(720,878)**	**829,452**	**(187%)**
Movement in amounts due to other banks	3,240,377	(52,867)	(6229%)
Movement in deposits and current accounts	(210,053)	2,141,492	(110%)
Movement in amount due to related companies	(43,748)	8,802	(597%)
Movement in accrued interest payable	(23,575)	(225)	10378%
Movement in creditors and accruals	(86,242)	(30,513)	183%
Movement in employee benefits liabilities	9,565	(42,939)	(122%)
Movement in investments- fair value through profit or loss	(865,953)	(569,680)	52%
Movement in investments- amortised cost	(747,185)	(686,473)	9%
Movement in advances to customers	(1,870,897)	(1,595,743)	17%
Movement in other assets	6,006	(314,619)	(102%)
Movement in amounts due from related companies	12,184	(11,557)	(205%
Cash flows used in operating activities	**(1,300,399)**	**(324,870)**	**300%**
Cash flows used in investing activities			
Acquisition of property and equipment	(38,446)	(20,034)	92%
Cash flows used in financing activities			
Finance lease interest	(2,058)	(2,402)	(14%)
Finance lease payments	(13,791)	(13,960)	(1%)
Dividends paid	(686,799)	(508,740)	35%
Net cash used in financing activities	**(702,648)**	**(525,102)**	**34%**
Cash movement for the period	**(2,041,494)**	**(870,006)**	**135%**
Cash and cash equivalents at the beginning of the period	**7,343,747**	**8,213,753**	**(11%)**
Total cash and cash equivalents at end of the period	**5,302,254**	**7,343,747**	**(28%)**
Cash and short-term funds	5,102,354	6,144,182	(17%)
Investment in Bank of Botswana certificates	199,900	1,199,565	(83%)
Total cash and cash equivalents at end of the period	**5,302,254**	**7,343,747**	**(28%)**

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:

1. **FNB Retail segment** comprising advances and deposits and the revenue flowing from individual customers;
2. **FNB Commercial segment** comprising advances and deposits and the revenue flowing from commercial and SME customers;
3. **RMB Corporate segment** comprising advances and deposits and the revenue flowing from corporate customers;
4. **Treasury** manages the Group's liquidity and funding.

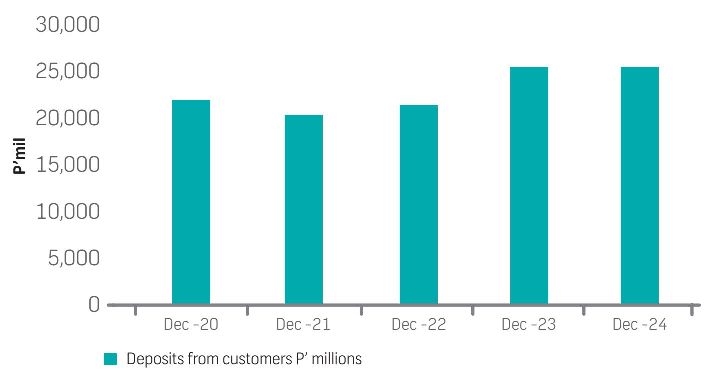
To determine the performance, profitability and efficiency of the segments, the Bank presents interest income after the cost of funding and interest expenditure after the benefit of funding.

UNAUDITED SUMMARISED SEGMENTAL REPORTING	Retail	Commercial	Corporate	Treasury	Total
31 December 2024 (P'000) – (six months)					
Interest and similar income	301,186	75,552	54,137	794,438	1,225,313
Non- interest income	378,922	320,426	196,337	(3,561)	892,124
Total segment revenue	**680,108**	**395,978**	**250,474**	**790,877**	**2,117,437**
Interest expense and similar expenses	125,973	153,369	94,624	(606,898)	(232,932)
Segment operating income before impairments	**806,081**	**549,347**	**345,098**	**183,979**	**1,884,505**
Impairment of advances	(11,645)	(1,585)	5,592	-	(7,638)
Net interest income after impairment of advances	**794,436**	**547,762**	**350,690**	**183,979**	**1,876,867**
Depreciation	(50,622)	(270)	(53)	(26)	(50,971)
Total expenditure	(356,912)	(314,699)	(137,561)	(666)	(809,837)
Profit before indirect taxation	**386,902**	**232,794**	**213,077**	**183,287**	**1,016,059**
Indirect taxation	(9,704)	(1,229)	(816)	(462)	(12,212)
Profit before direct taxation	**377,196**	**231,565**	**212,261**	**182,825**	**1,003,847**
Direct taxation					(220,846)
Profit for the period					**783,001**
SUMMARISED CONSOLIDATED STATEMENT FINANCIAL POSITION					
Gross Advances to customers	**12,272,327**	**3,794,939**	**4,565,255**	**-**	**20,632,521**
Loss allowance	(470,136)	(349,281)	(71,788)	-	(891,205)
Net advances	**11,802,191**	**3,445,658**	**4,493,467**	**-**	**19,741,316**
Deposits from customers	**6,409,567**	**9,608,301**	**6,518,871**	**2,727,751**	**25,264,490**

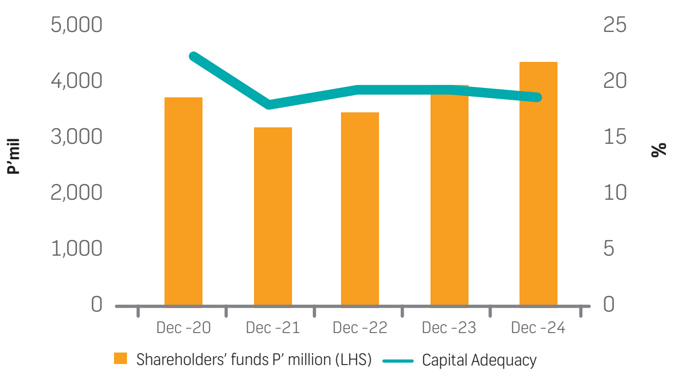
UNAUDITED SUMMARISED SEGMENTAL REPORTING	Retail	Commercial	Corporate	Treasury	Total
31 December 2023 (P'000) – (six months)					
Interest and similar income	294,133	65,823	49,781	760,207	1,169,944
Non- interest income	346,107	298,098	162,042	(16,841)	789,406
Total segment revenue	**640,240**	**363,921**	**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**	**159,816**	**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**
SUMMARISED CONSOLIDATED STATEMENT 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**

FINANCIAL GRAPHS

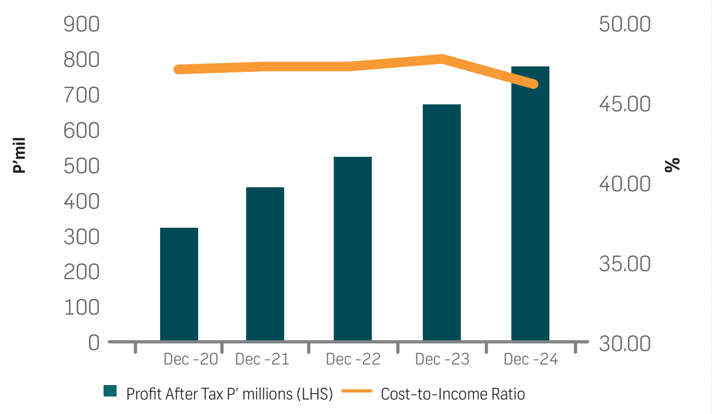
Deposits



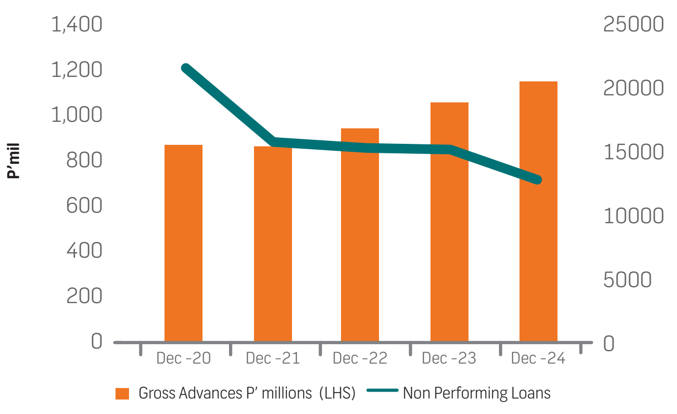
Shareholders' Funds vs Capital Adequacy



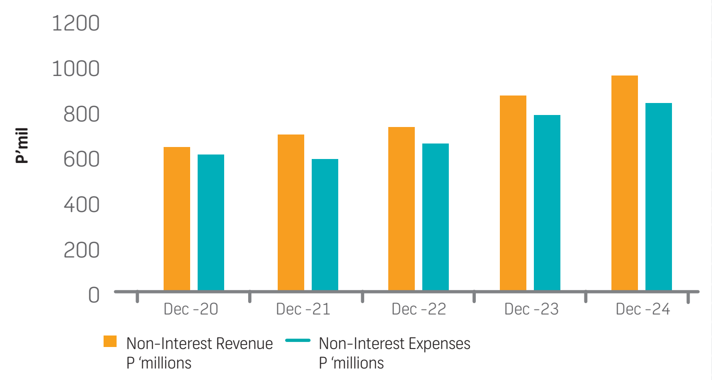
Profit After Tax vs Cost-to-Income Ratio



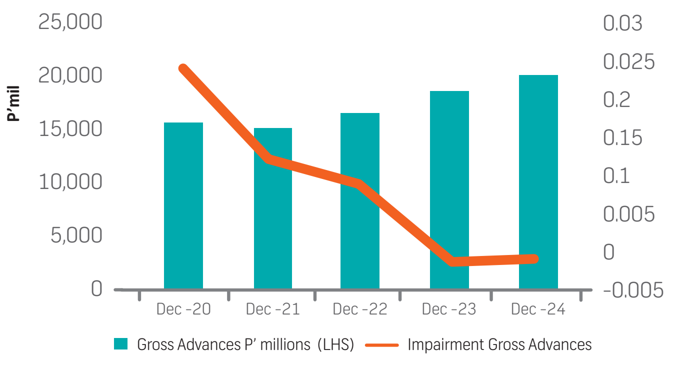
Gross Advances vs NPLs



Non-Interest Revenue vs Non-Interest Expenses



Gross Advances vs Impairment to Gross Advances



ACCOUNTING POLICIES

The accounting policies and other methods of computation applied in the preparation of the summarised consolidated financial statements are in terms of IFRS and are consistent with those applied for the year ended 30 June 2024.

These summarised 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, initial application of IFRS 17 and IFRS 9 - Comparative information, international tax reform - Pillar two model rules - amendments to IAS 12, Lease liability in a sale and leaseback – amendments to IFRS 16, Non-current liabilities with covenants – amendments to IAS 1, Supplier finance arrangements – amendments to IAS 7 and IFRS 7. 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 2024 (P'000)-(UNAUDITED)	**Amortised cost**	**Loss allowance**	**Total**
Term loans	9,870,616	(298,163)	9,572,453
Instalment sales	2,287,954	(129,714)	2,158,240
Property loans	6,589,204	(232,406)	6,356,798
Overdraft and managed account	1,594,254	(196,578)	1,397,676
Other	290,493	(34,344)	256,149
Total	**20,632,521**	**(891,205)**	**19,741,316**

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 – JUNE 2024 (P'000)-(AUDITED)	**Amortised cost**	**Loss allowance**	**Total**
Term loans	9,622,590	(308,798)	9,313,792
Instalment sales	2,064,940	(114,600)	1,950,340
Property loans	6,104,932	(241,614)	5,863,318
Overdraft and managed account	1,294,163	(206,616)	1,087,547
Other	319,464	(40,459)	279,005
Total	**19,406,089**	**(912,087)**	**18,494,002**

IMPAIRMENT OF ADVANCES

DECEMBER 2024 (P'000)-(UNAUDITED)	Gross advances Stage 1	Stage 2	Stage 3	Total	Loss allowance Stage 1	Stage 2	Stage 3	Total
Amortised cost								
Amount as at 01 July 2024	**16,449,539**	**2,179,677**	**776,874**	**19,406,089**	**147,294**	**228,281**	**536,512**	**912,087**
Stage 2 to stage 1	518,041	(518,041)	-	-	24,155	(24,155)	-	-
Stage 3 to stage 1	18,395	-	(18,395)	-	8,788	-	(8,788)	-
Stage 3 to stage 2	-	8,054	(8,054)	-	-	1,783	(1,783)	-
Stage 1 to stage 2	(607,989)	607,989	-	-	(6,829)	6,829	-	-
Stage 1 to stage 3	(59,785)	-	59,785	-	(655)	-	655	-
Stage 2 to stage 3	-	(54,969)	54,969	-	-	(7,914)	7,914	-
Opening balance after transfers	**16,318,202**	**2,222,710**	**865,179**	**19,406,090**	**172,752**	**204,825**	**534,510**	**912,087**
Net movement current year	**1,191,334**	**185,298**	**(79,441)**	**1,297,190**	**(56,900)**	**51,007**	**55,770**	**49,877**
Attributable to change in measurement period	263	(11,303)	-	(11,040)	-	22,460	-	22,460
Attributable to change inrisk parameters	-	-	-	-	(82,246)	1,544	47,548	(33,154)
Change due to new business net of attrition	**1,191,071**	**196,601**	**(79,441)**	**1,308,231**	**25,346**	**27,003**	**8,222**	**60,572**
Bad debts written off	-	-	(70,760)	(70,760)	-	-	(70,760)	(70,760)
Net interest suspended/ released	-	-	-	-	-	-	-	-
Amount as at 31 December 2024	**17,509,535**	**2,408,007**	**714,978**	**20,632,521**	**115,852**	**255,832**	**519,521**	**891,205**

DECEMBER 2023 (P'000)-(UNAUDITED)	Gross advances Stage 1	Stage 2	Stage 3	Total	Loss allowance Stage 1	Stage 2	Stage 3	Total
Amortised 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 1 to stage 3	(48,291)	-	48,291	-	(770)	-	770	-
Stage 2 to stage 3	-	(54,175)	54,175	-	-	(7,238)	7,238	-
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**

JUNE 2024 (P'000)-(AUDITED)	Gross advances Stage 1	Stage 2	Stage 3	Total	Loss allowance Stage 1	Stage 2	Stage 3	Total
Amortised 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	1,466,916	(1,466,916)	-	-	90,820	(90,820)	-	-
Stage 3 to stage 1	48,725	-	(48,725)	-	9,268	-	(9,268)	-
Stage 3 to stage 2	-	20,130	(20,130)	-	-	8,476	(8,476)	-
Stage 1 to stage 2	(1,709,504)	1,709,504	-	-	(14,327)	14,327	-	-
Stage 1 to stage 3	(131,212)	-	131,212	-	(1,700)	-	1,700	-
Stage 2 to stage 3	-	(115,681)	115,681	-	-	(20,286)	20,286	-
Opening balance after transfers	**13,821,666**	**2,442,776**	**1,041,090**	**17,305,532**	**339,173**	**135,413**	**556,270**	**1,030,856**
Net movement current year	**2,627,873**	**(263,099)**	**(101,859)**	**2,262,915**	**(191,878)**	**92,867**	**116,333**	**17,322**
Attributable to change in measurement period	-	(53,230)	-	(53,230)	-	10,695	-	10,695
Attributable to change in risk parameters	-	-	-	-	(241,331)	53,639	92,213	(95,479)
Change due to new business net of attrition	2,627,873	(209,869)	(101,859)	2,316,145	49,453	28,533	24,120	102,106
Bad debts written off	-	-	(162,358)	(162,358)	-	-	(162,358)	(162,358)
Net interest released	-	-	-	-	-	-	26,267	26,267
Amount as at 30 June 2024	**16,449,539**	**2,179,677**	**776,873**	**19,406,089**	**147,295**	**228,280**	**536,512**	**912,087**

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 2024 ECL computation.

The FLI component of ECL is a dual factor including GDP and monetary policy rate.

The economic scenarios applied are described as follows:

Upside: The government successfully rolls out the last year of the transitional NDP, leading to a significant uptick in activity across sectors such as agriculture, manufacturing and construction, which have traditionally had low contribution to Botswana's economy. Global commodity prices rise significantly which boosts diamond and copper production and exports. Public sector stakeholders progressively implement the NDP 12 framework which unlocks private investments in key sectors. The government successfully restructures several state-owned enterprises, eliminating the duplication of mandates, this relieves pressure on Botswana's fiscus while simultaneously leading to a notable productivity boost. Improved power and water supply facilitate greater economic activity and productive efficiency. A successful roll-out of the government's digitisation drive improves domestic operating conditions.

Baseline: Electricity generation and water reticulation projects support economic activity. A rebound in global activity should support diamond and copper sales through improved demand increased copper production capacity supports growth. Fast tracked implementation of outstanding NDP projects unlocks private investment in key sectors such as agriculture, manufacturing, and construction. Progress in structural reforms focusing on rationalism of state-owned enterprises relieves pressure on Botswana's fiscus while simultaneously leading to a boost in productivity. Improvement in fiscal balances over the forecast period are growth supportive. Roll-out of the state's digitisation drive improves efficiency in government service delivery Drought conditions constrain productivity growth in agricultural processing.

Downside: An increase in red tape precipitates a deterioration in capital investments and employment levels. Diamond production slumps due to escalating input costs, persistently weak global demand and delays in the implementation of the Cut 3 and Cut 9 projects at Jwaneng. 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/restructure loss making state-owned entities, causing further drag on the fiscus. Increased political noise around a more interventionist Government, related to Economic inclusion Bill, weakens investor sentiments. The ZAR depreciates sharply against the USD in response to sustained levels of global investor risk aversion. BWP/ZAR increases sharply as a result. Rise in social and political tension due to food and/or water insecurity rising as a result of a prolonged drought.

GDP			
FLIs: Applied in ECL Models			
Scenario - 2024	**Upside**	**Baseline**	**Downside**
2025	8.25	4.20	0.25
2026	8.50	4.00	1.00
2027	8.00	3.80	1.50
Weighting	**15%**	**66%**	**19%**

Monetary Policy			
FLIs: Applied in ECL Models			
Scenario - 2024	**Upside**	**Baseline**	**Downside**
2025	2.10	2.40	3.70
2026	2.10	2.40	3.70
2027	2.10	2.40	3.70
Weighting	**15%**	**66%**	**19%**

GDP			
FLIs: Applied in ECL Models			
Scenario - 2023	**Upside**	**Baseline**	**Downside**
2023	7.50	4.50	1.00
2024	7.90	4.40	1.20
2025	8.00	4.30	1.20
Weighting	**14%**	**65%**	**21%**

Monetary Policy			
FLIs: Applied in ECL Models			
Scenario - 2023	**Upside**	**Baseline**	**Downside**
2023	3.10	4.20	8.40
2024	3.10	4.20	8.40
2025	3.10	4.20	8.40
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
Derivative financial instruments					
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
Derivative financial instruments					
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 ammortised cost in the consolidated summarised statement of financial position (P'000)

UNAUDITED DECEMBER 2024	Level 1	Level 2	Level 3	Fair value	Amortised cost
Advances	-	-	20,098,172	20,098,172	19,741,316
Investment securities	8,934,853	-	-	8,934,853	9,057,267
Due from related parties	-	-	6,177	6,177	6,177
Other assets	-	-	678,495	678,495	678,495
Total financial assets at amortised cost	**8,934,853**	**-**	**20,782,844**	**29,717,697**	**29,483,255**
Deposits and current accounts	-	25,286,549	-	25,286,549	25,264,490
Long-term borrowings	-	829,597	-	829,597	825,979
Due to related parties	-	-	37,514	37,514	37,514
Accrued interest payable	-	17,122	-	17,122	17,122
Other liabilities	-	650,713	-	650,713	650,713
Total financial liabilities at amortised cost	**-**	**26,783,982**	**37,514**	**26,821,495**	**26,795,818**

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 amortised 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
Other liabilities	-	736,955	-	736,955	736,955
Total financial liabilities at amortised 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 in the consolidated summarised statements of financial position (P'000)-(Audited)

JUNE 2024	Level 1	Level 2	Level 3	Fair value	Amortised cost
Advances	-	-	18,462,794	18,462,794	18,494,002
Investment securities	11,488,193	-	-	11,488,193	11,520,740
Other assets	-	-	185,897	185,897	185,897
Due from related parties	-	-	9,938	9,938	9,938
Total financial assets at amortised cost	**11,488,193**	**-**	**18,658,629**	**30,146,822**	**30,210,577**
Deposits and current accounts	-	30,107,111	-	30,107,111	30,021,044
Long-term borrowings	-	1,014,486	-	1,014,486	1,000,365
Due to related parties	-	-	38,887	38,887	38,887
Accrued interest payable	-	20,729	-	20,729	20,729
Creditors and accruals	-	411,825	-	411,825	411,825
Total financial liabilities at amortised cost	**-**	**31,554,151**	**38,887**	**31,593,038**	**31,492,850**

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

DECEMBER 2024	Level 1	Level 2	Level 3	Total
- Investments securities	-	74,065	-	74,065
- Derivative financial instruments	-	25,207	-	25,207
Total assets	**-**	**99,272**	**-**	**99,272**
Financial liabilities held for trading				
- Derivative financial instruments	-	23,281	-	23,281
Mandatory at fair value through profit or loss				
- Zero coupon deposit	-	95,927	-	95,927
Total liabilities	**-**	**119,208**	**-**	**119,208**

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

DECEMBER 2023	Level 1	Level 2	Level 3	Total
Mandatory fair value through profit and loss (P'000)				
- Investments securities	-	59,255	-	59,255
- Derivative financial instruments	-	29,978	-	29,978
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 fair value in the consolidated summarized statement of financial position(P'000)-(Audited)

JUNE 2024	Level 1	Level 2	Level 3	Total
Mandatory fair value through profit and loss (P'000)				
- Investments securities	-	82,334	-	82,334
- Derivative financial instruments	-	17,368	-	17,368
Total assets	**-**	**99,702**	**-**	**99,702**
Financial liabilities held for trading				
- Derivative financial instruments	-	10,623	-	10,623
Mandatory at fair value through profit or loss				
- Zero coupon deposit	-	95,387	-	95,387
Total liabilities	**-**	**106,010**	**-**	**106,010**

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 Premium Credit Botswana Proprietary Limited First National Insurance Agency Proprietary Limited
Common management	FirstRand Limited – South Africa 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 Credit Director of Human Resources Treasurer

DIRECTORS:

Balisi Bonyongo (Chairperson), Steven L. Bogatsu (CEO - 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), Keneilwe Mere – (Independent - Non Executive Director)**, Pinkie Mothopeng- Makepe (Independent- Non Executive Director)**, Lee- Anne van Zyl (Non-Executive Director)

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

MARKETING & COMMUNICATIONS

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