First National Bank of Botswana Limited

(incorporated in the Republic of Botswana)

HALF-YEAR INTERIM RESULTS AND DIVIDEND ANNOUNCEMENT

for the half year ended 31 December 2010

The Directors have pleasure in announcing the unaudited financial results of the Bank and its subsidiaries ("the Group") for the half year ended 31 December 2010.

Highlights

- Profit after taxation increased by 27%
- Net interest income increased by 21%
- Non interest income increased by 31%
- Cost to income ratio improved to 35.8% from 38.0% in the corresponding period
- Advances growth of 28%
- Return on average assets increased to 4.3% from 3.5% in the corresponding period
- Operating expenses increased by only 8% from corresponding period
- Proposed interim dividend per share of 5.0 thebe

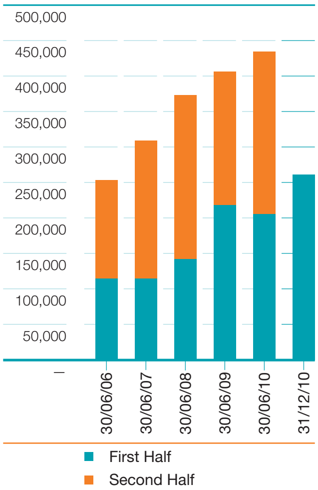
Profit after taxation increased by

+27%

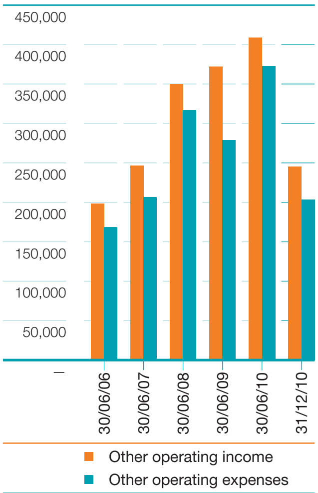
Return on equity

45%

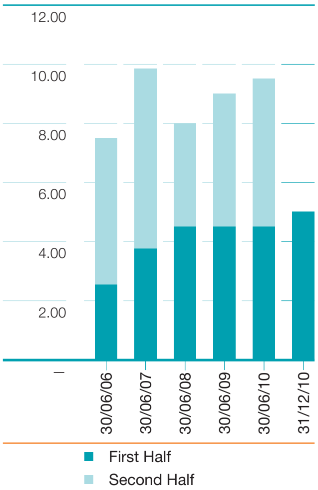
Profit After Tax (P'000)



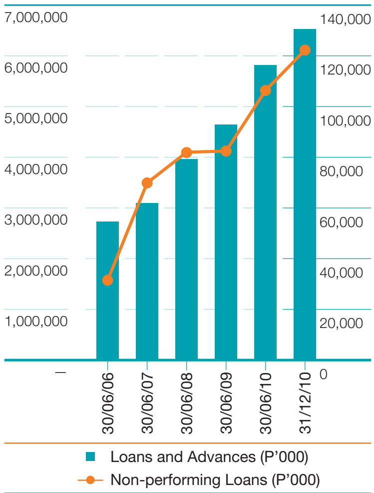
Other Operating income vs Other Operating expenses



Dividends Per Share (thebe)



Advances vs Non-performing loans



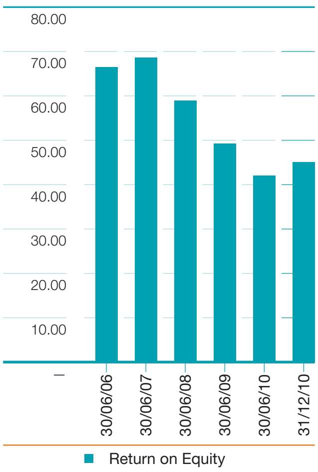
FNB First National Bank Botswana

How can we help you?

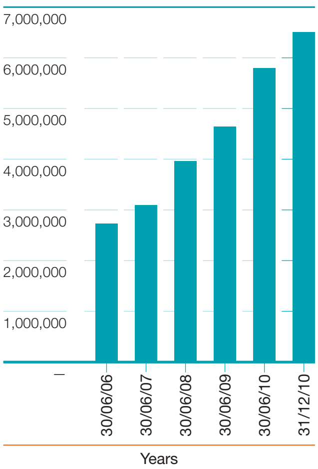
BASIS OF PRESENTATION AND ACCOUNTING POLICIES

- The financial results have been prepared applying the recognition and measurement criteria in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act of Botswana (Companies Act 2003) and the Botswana Banking Act (Cap 46:04).
- All International Financial Reporting Standards and International Reporting Interpretations Committee interpretations issued and effective for the year have been applied.
- The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The principal accounting policies are consistent in all material aspects with those adopted in the previous year, except for the adoption of:
- IFRS 1 First-time Adoption of International Financial Reporting Standards was amended during January 2010. The amendment provides relief to first-time adopters of International Financial Reporting Standards from providing the additional disclosures introduced in March 2009 by the amendment to IFRS 7 Improving Disclosures about Financial Instruments. The additional disclosure requirements included in the amendment to IFRS 7 required enhanced disclosures about fair value measurement and liquidity risk. The amendment does not have an impact on the Group as the Group has already adopted IFRS.
- IAS 32 Financial Instruments: Presentation was amended during October 2009. The amendment clarifies the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. The amendment requires rights issues offered pro rata to all of an entity's existing shareholders to be classified as equity instruments regardless of the currency in which the exercise price is denominated. The amendment has had no impact on the Group's results as no such arrangements have been entered into.
- As part of its annual improvements project the IASB made amendments to a number of accounting standards. The aim is to clarify and improve the accounting standards. The improvements include those involving terminology or editorial changes with minimal effect on recognition and measurement. The annual improvements project for 2009 is effective for annual periods commencing on or after 1 January 2010 and the improvements made to IFRS 3 and IAS 27 as part of the 2010 annual improvements project is effective for annual periods commencing on or after 1 July 2010. The Group has adopted these amendments during the current financial year. These amendments have not had a significant impact on the Group's results nor has it resulted in the restatement of prior year numbers.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments is effective for annual periods commencing on or after 1 July 2010. This interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. These transactions are often referred to as debt for equity swaps. This Interpretation does not address the accounting by the creditor. This Interpretation has no effect on the Group's financial statements as no such arrangements have been entered into.
- The standards that have had the most significant impact on the Group focus on presentation and disclosure and have no impact on the recognition or measurement of amounts presented.
- No other amendments adopted in the current year had a material impact on the Bank in either the current, or prior year, and therefore no restatements have been made.

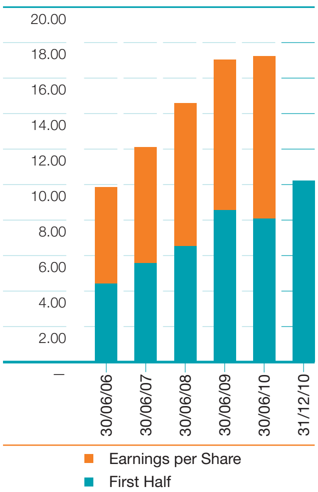
Return on Equity (%)



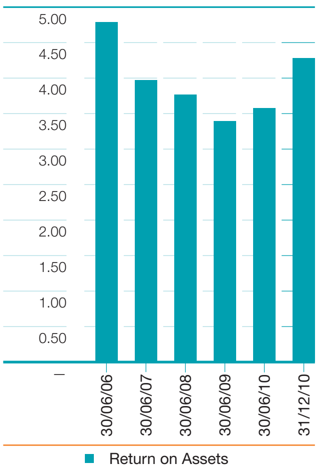
Loans and Advances



Earnings per Share (thebe)



Return on Assets (%)



CONSOLIDATED INCOME STATEMENT

	Unaudited Six months ended 31 Dec 2010 P'000	Unaudited Six months ended 31 Dec 2009 P'000	% Change	Audited Year ended 30 June 2010 P'000
Interest income and similar income	559,331	563,263	(1)	1,062,618
Interest expense and similar charges	(234,518)	(294,195)	(20)	(518,978)
Net interest income before impairment of advances	324,813	269,068	21	543,640
Impairment of advances	(32,578)	(20,172)	62	(43,420)
Net interest income after impairment of advances	292,235	248,896	17	500,220
Non-interest income	245,464	187,690	31	408,312
Income from operations	537,699	436,586	23	908,532
Operating expenses	(93,506)	(86,501)	8	(192,380)
Employee benefits costs	(108,340)	(85,076)	27	(180,464)
Net income from operations	335,853	265,009	27	535,688
Share of profits from associate company	—	—	0	2,298
Profit before indirect taxation	335,853	265,009	27	537,986
Indirect taxation	(2,376)	(2,022)	18	(6,014)
Profit before direct taxation	333,477	262,987	27	531,972
Direct taxation	(73,324)	(58,075)	26	(95,922)
Profit for the year	260,153	204,912	27	436,050
Average number of shares in issue during the period (thousands)	2,563,700	2,563,700		2,563,700
Earnings per share (thebe) (based on weighted average number of shares outstanding)	10.23	8.06	27	17.14
Diluted earnings per share (thebe) (based on weighted average number of shares in issue)	10.15	7.99	27	17.11

Average number of shares outstanding takes into account 20 million shares held by the FNBB Employees Share Participation Trust

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months ended 31 Dec 2010 P'000	Six months ended 31 Dec 2009 P'000	% Change	Year ended 30 June 2010 P'000
Profit for the year	260,153	204,912	27	436,050
Other comprehensive income				
Available-for-sale financial assets	(2,518)	—		4,183
Gains on property revaluation	—			33,601
Other comprehensive income/(loss) for the year before taxation	(2,518)	—		37,784
Income tax relating to components of other comprehensive income	630	—		(9,295)
Other comprehensive income/(loss) for the year	(1,888)	—		28,489
Total comprehensive income attributable to equity holders of the parent	258,265	204,912	26	464,539

RATIOS AND MARKET INFORMATION

	Six months ended 31 Dec 2010 P'000	Six months ended 31 Dec 2009 P'000	% Change	Year ended 30 June 2010 P'000
Dividend per share (thebe)	5.00	4.50	11	9.50
Dividend cover (times)	2.0	1.8	13	1.8
Cost to income ratio (percent)	35.81	38.00	2	39.80
Return on equity (percent)	45	44	1	42
Return on average assets (percent)	4.3	3.5	1	3.5
Capital adequacy ratio (percent)	17.4	17.2	0.2	17.4
Closing share price (thebe)	221	250	(12)	266
Dividend yield - ordinary shares (percent)	4.5	3.6	1	3.6
Price earnings ratio	10.9	15.6	(30)	15.5

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

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

Return on average assets is annualised.

STATEMENT OF FINANCIAL POSITION

	At 31 Dec 2010 P'000	At 31 Dec 2009 P'000	% Change	At 30 June 2010 P'000
ASSETS				
Cash and short-term funds	1,284,140	823,624	56	1,201,491
Derivative financial instruments	319	—		758
Advances to customers	6,512,622	5,079,906	28	5,803,009
Investment securities	3,397,177	5,775,725	(41)	4,946,059
Current taxation	—	—	—	1,041
Due from related companies	422,120	349,045	21	5,075
Accounts receivable	8,023	68,189	(88)	57,719
Investment in associate company	3,151	1,549	103	3,151
Property and equipment	194,389	140,097	39	187,306
Goodwill	26,963	26,963	—	26,963
Total assets	11,848,904	12,265,098	(3)	12,232,572
LIABILITIES AND SHAREHOLDERS FUNDS				
Liabilities				
Deposits from banks	71,777	—		4,000
Deposits from customers	9,940,049	10,511,069	(5)	10,304,632
Accrued interest payable	35,413	45,164	(22)	45,661
Derivative financial instruments	—	—		559
Current taxation	19,021	12,710	50	—
Due to related companies	61,347	42,605	44	50,209
Creditors and accruals	177,291	152,838	16	336,647
Provisions	—			23,830
Long-term liabilities	155,000	410,714	(62)	207,827
Deferred taxation	100,021	79,067	27	100,648
Total liabilities	10,559,919	11,254,167	(6)	11,074,013
Capital and reserve attributable to ordinary equity holders				
Stated capital	51,088	51,088	—	51,088
Reserves	1,109,712	844,476	31	979,286
Dividend reserve	128,185	115,367	11	128,185
Total ordinary equity holders funds	1,288,985	1,010,931	28	1,158,559
Total liabilities and shareholders' funds	11,848,904	12,265,098	(3)	12,232,572
CONTINGENCIES (OFF BALANCE SHEET ITEMS)				
Undrawn commitments to customers	1,011,162	1,004,594	1	927,086
Guarantees and letters of credit	1,213,750	1,000,181	21	1,065,636

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital P'000	Other non-distributable reserves P'000	Equity settled employee benefit reserve P'000	Retained earnings P'000	Dividend reserve P'000	Total P'000
Balance at 1 July 2010	51,088	48,951	9,068	921,267	128,185	**1,158,559**
Profit for the year				260,153		**260,153**
Other comprehensive loss for the year		(1,888)				**(1,888)**
Dividends paid - 2010 final					(128,185)	**(128,185)**
Dividends proposed - 2010 interim				(128,185)	128,185	**—**
Recognition of share based payments			346			**346**
Balance at 31 December 2010	51,088	47,063	9,414	1,053,235	128,185	**1,288,985**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 Dec 2010 P'000	Six months ended 31 Dec 2009 P'000	% Change	Year ended 30 June 2010 P'000
Cash flows (used in)/from operating activities				
Cash generated by operations	**373,919**	288,825	29	590,308
Taxation paid	**(53,262)**	(52,859)		(92,002)
	320,657	235,966		498,306
Change in funds from operating activities	**(1,775,417)**	1,454,223		(1,406,877)
Net cash (used in)/generated from operating activities	**(1,454,760)**	1,690,189		(908,571)
Net cash used in financing activities	**(255,714)**	(125,358)		(188,807)
Net cash used in Investing activities	**(55,894)**	(38,916)		(49,304)
Net (decrease)/increase in cash and cash equivalents	**(1,766,368)**	1,525,915		(1,146,682)
Cash and cash equivalents at the beginning of the year	**6,375,983**	4,850,068		7,095,437
Cash and cash equivalents at the end of the year	**4,609,615**	6,375,983	(28)	5,948,755
Cash and short-term funds at the end of the year				
Cash and short-term funds	**1,284,140**	823,624		1,201,491
Investment in Bank of Botswana Certificates	**3,325,475**	5,552,359		4,747,264
	4,609,615	6,375,983		5,948,755

CONDENSED SEGMENTAL REPORTING 2010

	Retail P'000	Property Division P'000	Wesbank P'000	Corporate P'000	Treasury P'000	Support P'000	Total P'000
Net interest income before impairment of advances	101,935	53,960	45,599	10,628	112,200	491	**324,813**
Impairment of advances	(27,591)	574	(3,409)	(4)	—	(2,148)	**(32,578)**
Net interest income after impairment of advances	74,344	54,534	42,190	10,624	112,200	(1,657)	**292,235**
Non-interest income	182,221	265	6,697	5,573	51,309	(601)	**245,464**
Income from operations	256,565	54,799	48,887	16,197	163,509	(2,258)	**537,699**
Operating expenses	(88,786)	(8,821)	(14,450)	(7,500)	(23,660)	49,711	**(93,506)**
Employee benefits costs	(48,095)	(3,268)	(6,947)	(3,374)	(6,008)	(40,648)	**(108,340)**
Net income from operations	119,684	42,710	27,490	5,323	133,841	6,805	**335,853**
Share of profits from associates							**0**
Profit before indirect taxation	119,684	42,710	27,490	5,323	133,841	6,805	**335,853**
Indirect taxation	(2,911)	(120)	(584)	(63)	(137)	1,439	**(2,376)**
Profit before direct taxation	116,773	42,590	26,906	5,260	133,704	8,244	**333,477**
Direct taxation							**(73,324)**
Profit for the year							**260,153**
Total assets	2,096,682	2,375,988	1,306,322	499,860	5,079,790	490,262	**11,848,904**
Advances	1,871,711	2,371,679	1,300,000	539,259	253,559	176,414	**6,512,622**
Total liabilities	4,666,663	166,683	29,131	1,809,341	3,669,544	218,557	**10,559,919**
Deposits	4,625,885	154,710	18,572	1,807,597	3,333,285	—	**9,940,049**

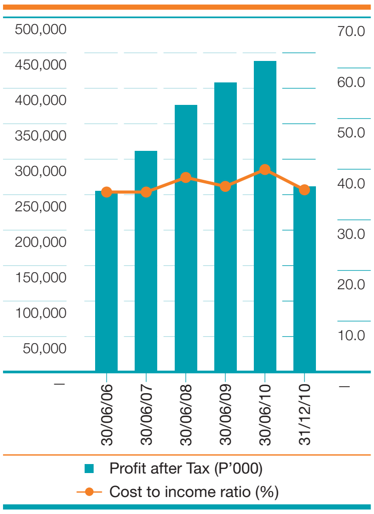
CONDENSED SEGMENTAL REPORTING 2009

	Retail P'000	Property Division P'000	Wesbank P'000	Corporate P'000	Treasury P'000	Support P'000	Total P'000
Net interest income before impairment of advances	72,471	46,982	45,566	9,286	94,497	266	**269,068**
Impairment of advances	(15,556)	1,306	(3,303)	10	(47)	(2,582)	**(20,172)**
Net interest income after impairment of advances	56,915	48,288	42,263	9,296	94,450	(2,316)	**248,896**
Non-interest income	139,907	204	1,840	5,729	33,509	6,501	**187,690**
Income from operations	196,822	48,492	44,103	15,025	127,959	4,185	**436,586**
Operating expenses	(76,592)	(8,190)	(9,452)	(7,386)	(13,441)	28,560	**(86,501)**
Employee benefits costs	(34,291)	(2,318)	(5,878)	(2,561)	(4,507)	(35,521)	**(85,076)**
Net income from operations	85,939	37,984	28,773	5,078	110,011	(2,776)	**265,009**
Share of profits from associates							
Profit before indirect taxation	85,939	37,984	28,773	5,078	110,011	(2,776)	**265,009**
Indirect taxation	(1,867)	(79)	(416)	(52)	(219)	611	**(2,022)**
Profit before direct taxation	84,072	37,905	28,357	5,026	109,792	(2,165)	**262,987**
Direct taxation							**(58,075)**
Profit for the year							**204,912**
Total assets	1,810,230	1,823,212	1,167,327	365,493	6,757,181	341,655	**12,265,098**
Advances	1,303,924	1,818,799	1,162,266	364,961	364,608	65,348	**5,079,906**
Total liabilities	3,908,070	96,314	20,919	2,476,002	4,442,200	310,662	**11,254,167**
Deposits	3,387,021	94,953	14,697	2,475,984	4,434,820	103,594	**10,511,069**

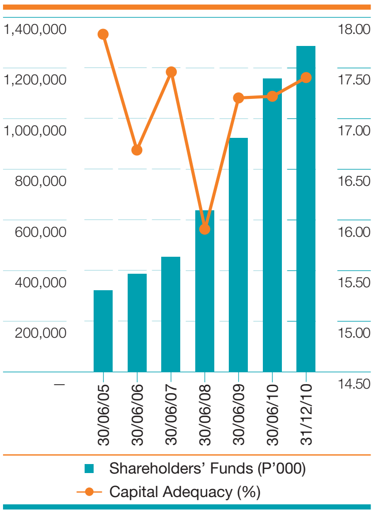
COMMENTARY ON HALF-YEAR INTERIM RESULTS AND DIVIDEND ANNOUNCEMENT

for the half year ended 31 December 2010

Profit After Tax vs Cost to income ratio



Shareholders' Funds vs Capital Adequacy



Economic Review

Although economic conditions are still below the pre recession levels as evidenced by the national credit growth statistics and diamond sales volumes over the period, there has been a stronger recovery in Botswana's most important industry, diamond mining. This recovery, on the back of a robust global diamond market increase, has had a positive impact on government budget and stabilized macroeconomic developments, resulting in 2010 being dubbed the "year of recovery".

Statement of Financial Position

The Group's statement of financial position remains strong despite the marginal decrease of 3% from the previous year. In line with the Group's strategy of extracting greater value from the statement of financial position, deposits in the professional market declined, while retail deposits increased by 36%.

The Group was successful in growing its advances by 28%, in a market where credit growth was much lower. The growth in advances which was mainly in property finance and personal loans areas resulted in an improved advances-to-deposits ratio in line with the Group's strategy.

Reserves increased by 28% reflecting the Group's decision to retain profits in an effort to meet capital adequacy requirements while maintaining a sound dividend payout policy.

Income Statement Performance

The Group's profit before tax increased by 27% from the corresponding period.

Net interest income increased by 21% Y-O-Y reflecting a combination of the increase in advances, reduction in deposits and Bank of Botswana Certificates.

At the back of the strong growth in advances, impairment levels grew by 62% off a very low base and in line with management expectation. Despite this growth in impairments, management continued focus on a quality book has resulted in impairments to gross advances ratio still remaining significantly below the industry norm. Credit management and collections remain a focus area.

In an effort to bring banking to the unbanked, the Group introduced innovative product offerings as well as increasing electronic footprint. These efforts resulted in non-interest income increasing by a remarkable 31%. This is in line with the ongoing efforts of the Group to diversify income streams away from interest income in order to mitigate risks associated with interest rates and loans and advances.

Although diamond sales are still below pre recession levels, the Group was also successful in stimulating foreign exchange customer flows, contributing to the growth in non interest income.

In line with achieving overall efficiencies in the business, the Group was successful in containing costs resulting in only 8% growth in operating expenses. Employee benefits costs grew by 27% as management continues to focus on staff development as well as putting in place structures to cater for strategy, growth and the emergent risks associated with the industry.

Capital Management

The Group's objectives when managing capital, which is a broader concept than the "equity" on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators of the banking markets (the central bank);
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Group continues to manage its capital in line with the Board's approved capital management framework and Basel II.

The purpose of the framework is to create objectives, policies and principles to ensure that book capital (shareholders funds or accounting capital – Net Asset Value); regulatory capital and economic capital are optimised.

Economic capital is defined as the capital which the Group must hold, commensurate with its risk profile, under severe stress conditions, to give comfort to stakeholders that it will be able to discharge its obligations to third parties in accordance with an indicated degree of certainty even under stress conditions and would continue to operate as a going concern.

Tests have been performed and will continue to be performed on a regular basis to assess if the Group is appropriately capitalised from an economic risk point of view. The regulatory capital requirements are strictly observed when managing economic capital.

The Group's capital adequacy ratio, which excludes the dividend reserve, has been maintained at 17.4% at 31 December 2010, and is above the Group's internal limit as well as the required ratio by Bank of Botswana of 15%.

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

The Directors propose an interim dividend of 5.0 thebe per share.

Items not recognised in the Statement of Financial Position

Contingencies grew by 21%, driven mainly by growth in performance guarantees issued to support the current improvement in economic activity in Botswana.

Events after the reporting period

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

Corporate Governance

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

- Ensuring that an adequate and effective process of corporate governance, including effective risk management, is established and maintained in accordance with recommended current best practice;
- Ensuring that internal controls are maintained and material malfunctions are reported; and
- Ensuring that the Group continues to operate as a going concern.

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

The main committees established by the Board are the Audit, Credit, Directors Affairs and Governance, Risk and Remuneration committees.

Social Responsibility

The Group is cognisant of the fact that it carries out its social responsibility function while conducting its business. To this end the Group is committed to assisting the community in various projects aimed at improving lives. This is evident through its establishment of the FNBB Foundation, a vehicle the Group uses to conduct its social welfare programmes.

The Group established the FNBB Foundation for the purpose of aiding educational, arts and culture, and social welfare development in Botswana by identifying beneficiaries who are in need and deserving of assistance. The Group has committed to contributing up to 1% of its profit after tax to the Foundation. Since the inception of the Foundation in 2001, the Group has made grants in excess of P25 million to the Foundation, and in turn, the Foundation has approved donations and pledges to qualifying beneficiaries. Details of the foundation and criteria for eligibility can be found at the Group's website: www.fnbbotswana.co.bw.

Declaration of Dividend

Notice is hereby given that an interim dividend of 5.0 thebe per share has been declared for the half year ended 31 December 2010. The dividend will be paid on or about 25 March 2011 to shareholders registered at the close of business on 11 March 2011. The transfer registers will be closed from 14 March to 18 March 2011, both dates inclusive.

In terms of the Income Tax Act (Cap 52.01) as amended, withholding tax at the rate of 15% will be deducted by the Group from gross dividends.

If a change of address or dividend instructions is to apply to this dividend, notification should reach the Transfer Secretaries by 19 March 2011.

For and on behalf of the Board.

P D Shah
Chairman

L E Boakgomo-Ntakhwana
Chief Executive Officer

GABORONE, 27 January 2011

TRANSFER SECRETARIES
PriceWaterHouse Coopers (Proprietary) Limited
Plot 50371, Fairground Office Park
P O Box 294, GABORONE

This information is also available on the internet.
Visit: www.fnbbotswana.co.bw

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