

UNAUDITED SUMMARISED FINANCIAL RESULTS AND DIVIDEND ANNOUNCEMENT

for the half year ended 31 December 2011

The Directors have pleasure in announcing the financial results of First National Bank of Botswana Limited (the Company) and its subsidiaries (the Group) for the half year ended 31 December 2011.

HIGHLIGHTS

Profit before taxation

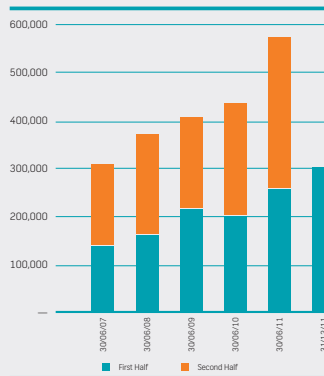
+13%

Return on average equity

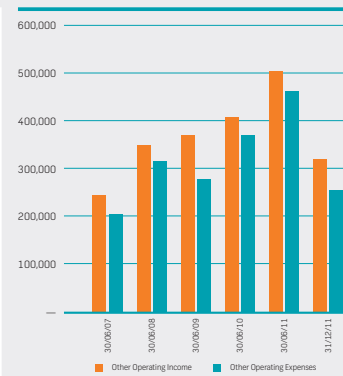
@44%

- Profit before taxation increased by 13%
- Net interest income increased by 12%
- Non interest income increased by 31%
- Advances growth of 24%
- Return on average assets increased to 4.6%
- Return on average equity at 44%
- Cost to income ratio 38%
- Proposed interim dividend per share of 5.0 thebe

Profit After Tax (P'000)



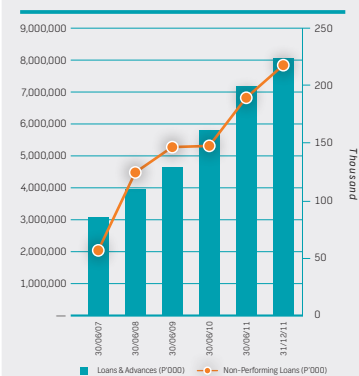
Other Operating income vs Other Operating expenses (P'000)



Dividends Per Share (thebe)



Advances vs Non-Performing Loans



FNB
First National Bank

how can we help you?

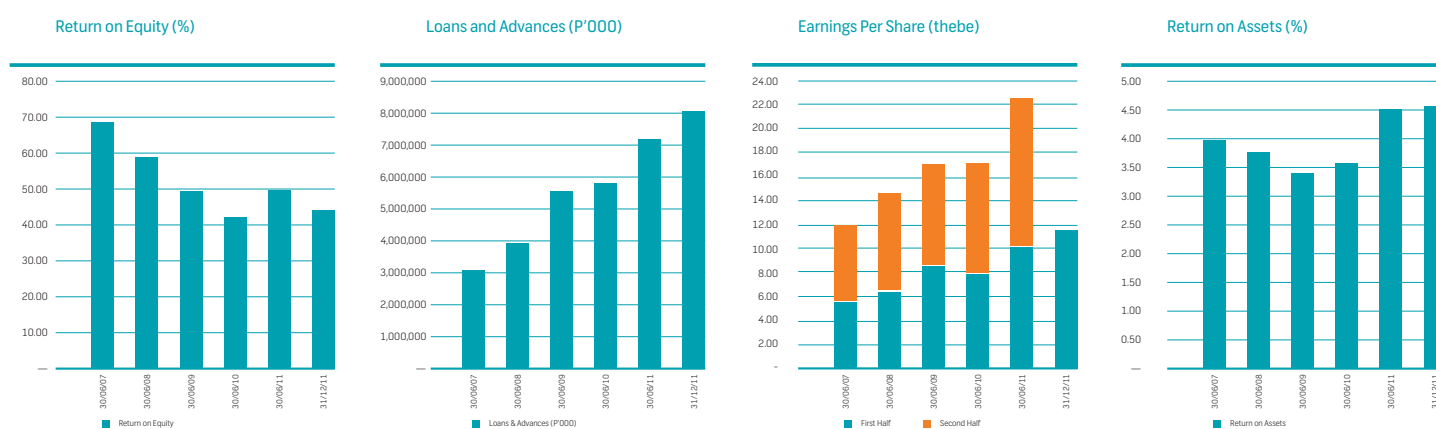
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for the half year ended 31 December 2011

The Directors have pleasure in announcing the financial results of First National Bank of Botswana Limited (the Company) and its subsidiaries (the Group) for the half year ended 31 December 2011.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES

- The summarised financial results have been prepared applying the recognition and measurement criteria in accordance with International Financial Reporting Standards ("IFRS"), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and in the manner required by the Companies Act of Botswana (Companies Act 2003) and the Botswana Banking Act (Cap 46:04).
- In preparing the underlying consolidated financial statements from which these summarised financial results were extracted, all International Financial Reporting Standards and International Reporting Interpretations Committee interpretations issued and effective for annual periods beginning on or after 1 July 2011 have been applied.
- The Group's underlying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The principal accounting policies are consistent in all material aspects with those adopted in the previous year, except for the adoption of the revisions in the standards which have not had a material impact on the financial statements.
- In the preparation of the summarised consolidated financial results, the Group has applied key assumptions concerning the future and other inherent uncertainties in recording various assets and liabilities. These assumptions were applied consistently to the financial results for the half year ended 31 December 2011. These assumptions are subject to ongoing review and possible amendments.



CONSOLIDATED INCOME STATEMENT

	Unaudited Six months ended 31 Dec 2011 P'000	Unaudited Six months ended 31 Dec 2010 P'000	% Change	Audited Year ended 30 June 2011 P'000
Interest and similar income	564,055	559,331	1	1,094,078
Interest expense and similar charges	(199,122)	(234,518)	(15)	(432,327)
Net interest income before impairment of advances	364,933	324,813	12	661,751
Impairment of advances	(50,239)	(32,578)	54	(59,211)
Net interest income after impairment of advances	314,694	292,235	8	602,540
Non-interest income	320,887	245,464	31	504,520
Income from operations	635,581	537,699	18	1,107,060
Operating expenses	(118,857)	(93,506)	27	(237,638)
Employee benefits costs	(135,834)	(108,340)	25	(226,114)
Net income from operations	380,890	335,853	13	643,308
Share of profits from associate company	—	—	0	1,273
Profit before indirect taxation	380,890	335,853	13	644,581
Indirect taxation	(4,208)	(2,376)	77	(6,844)
Profit before direct taxation	376,682	333,477	13	637,737
Direct taxation	(80,612)	(73,324)	10	(63,897)
Profit for the period	296,070	260,153	14	573,840
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)	11.64	10.23	14	22.56
Diluted earnings per share (thebe) (based on weighted average number of shares in issue)	11.55	10.15	14	22.55

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 2011 P'000	Six months ended 31 Dec 2010 P'000	% Change	Year ended 30 June 2011 P'000
Profit for the period	296,070	260,153	14	573,840
Other comprehensive income				
Available-for-sale financial assets	10,184	(2,518)		2,825
Other comprehensive income/(loss) for the period before taxation	10,184	(2,518)		2,825
Income tax relating to components of other comprehensive income	(2,204)	630		1,278
Other comprehensive income/(loss) for the period	7,980	(1,888)		4,103
Total comprehensive income attributable to equity holders of the parent	304,050	258,265	18	577,943

RATIOS AND MARKET INFORMATION

	Six months ended 31 Dec 2011 P'000	Six months ended 31 Dec 2010 P'000	% Change	Year ended 30 June 2011 P'000
Dividend per share (thebe)	5.00	5.00	0	20.00
Dividend cover (times)	2.3	2.0	14	1.1
Cost to income ratio (percent)	37.75	35.81	(2)	40.35
Return on equity (percent)	44	45	(1)	50
Return on average assets (percent)	4.6	4.3	0	4.5
Capital adequacy ratio (percent)	18.0	17.4	0.6	15.7
Closing share price (thebe)	265	221	20	272
Dividend yield - ordinary shares (percent)	3.7	4.5	(1)	7.4
Price earnings ratio	11.5	10.9	5	12.1

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 2011 P'000	At 31 Dec 2010 P'000	% Change	At 30 June 2011 P'000
ASSETS				
Cash and short-term funds	1,796,319	1,284,140	40	1,706,573
Derivative financial instruments	2,718	319	752	2,996
Advances to banks	559,653	—	100	361,178
Advances to customers	8,062,504	6,512,622	24	7,170,842
Investment securities and other investments	2,358,431	3,397,177	(31)	3,496,862
Current taxation	3,554	—	100	4,622
Due from related companies	377,381	422,120	(11)	13,133
Accounts receivable	423,418	8,023	>100	170,502
Investment in associate company	3,058	3,151	(3)	3,058
Property and equipment	244,981	194,389	26	202,200
Goodwill	26,963	26,963	—	26,963
Total assets	13,858,980	11,848,904	17	13,158,929
LIABILITIES AND SHAREHOLDERS FUNDS				
Liabilities				
Deposits from banks	—	71,777	(100)	215,186
Deposits from customers	11,559,523	9,940,049	16	10,597,398
Accrued interest payable	37,753	35,413	7	36,696
Derivative financial instruments	34,997	—	100	18,794
Current taxation	—	19,021	(100)	—
Due to related companies	82,780	61,347	35	140,031
Creditors and accruals	342,636	177,291	93	616,691
Provisions	36,841	—	100	42,646
Long-term liabilities	284,947	155,000	84	244,971
Deferred taxation	97,747	100,021	(2)	98,350
Total liabilities	12,477,224	10,559,919	18	12,010,763
Capital and reserve attributable to ordinary equity holders				
Stated capital	51,088	51,088	—	51,088
Reserves	1,202,483	1,109,712	8	1,045,804
Dividend reserve	128,185	128,185	—	51,274
Total ordinary equity holders funds	1,381,756	1,288,985	7	1,148,166
Total liabilities and shareholders' funds	13,858,980	11,848,904	17	13,158,929
CONTINGENCIES AND COMMITMENTS (OFF BALANCE SHEET ITEMS)				
Undrawn commitments to customers	1,131,200	1,011,162	12	1,551,262
Guarantees and letters of credit	1,570,538	1,213,750	29	1,396,344
Total contingencies and commitments	2,701,738	2,224,912	21	2,947,606

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 2011	51,088	50,143	10,383	985,278	51,274	1,148,166
Profit for the period				296,070		296,070
Other comprehensive income for the period		7,980				7,980
Transfer to income statement on realisation		(19,315)				(19,315)
Dividends paid - 2011 final					(51,274)	(51,274)
Dividends proposed - 2011 interim				(128,185)	128,185	—
Recognition of share based payments			129			129
Balance at 31 December 2011	51,088	38,808	10,512	1,153,163	128,185	1,381,756

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 Dec 2011 P'000	Six months ended 31 Dec 2010 P'000	% Change	Year ended 30 June 2011 P'000
Cash flows (used in)/from operating activities				
Cash generated by operations	436,445	373,919	17	719,072
Taxation paid	(72,436)	(53,262)		(69,351)
	364,009	320,657		649,721
Change in funds from operating activities	(472,299)	(1,775,417)		(603,962)
Cash flows from operating activities	(108,290)	(1,454,760)		45,759
Net cash used in financing activities	(382,793)	(255,714)		(808,045)
Net cash used in investing activities	(19,407)	(55,894)		(30,169)
Net decrease in cash and cash equivalents	(510,490)	(1,766,368)		(792,455)
Cash and cash equivalents at the beginning of the year	4,609,615	6,375,983		5,948,755
Cash and cash equivalents at the end of the year	4,099,125	4,609,615	(11)	5,156,300
Cash and short-term funds at the end of the year				
Cash and short-term funds	1,796,319	1,284,140		1,706,573
Investment in Bank of Botswana Certificates	2,302,806	3,325,475		3,449,727
	4,099,125	4,609,615		5,156,300

CONDENSED SEGMENTAL REPORTING 2011

	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	143,449	73,986	53,214	27,951	66,333	—	364,933
Impairment of advances	(44,328)	(205)	(5,706)	—	—	—	(50,239)
Net interest income after impairment of advances	99,121	73,781	47,508	27,951	66,333	—	314,694
Non-interest income	213,635	297	2,472	2,660	101,823	—	320,887
Income from operations	312,756	74,078	49,980	30,611	168,156	—	635,581
Operating expenses	(103,127)	(9,276)	(15,141)	(8,418)	(29,438)	46,543	(118,857)
Employee benefits costs	(61,312)	(3,255)	(8,170)	(3,777)	(4,426)	(54,894)	(135,834)
Net income from operations	148,317	61,547	26,669	18,416	134,292	(8,351)	380,890
Share of profits from associates							—
Profit before indirect taxation	148,317	61,547	26,669	18,416	134,292	(8,351)	380,890
Indirect taxation	(2,909)	(121)	(534)	(47)	(1,459)	862	(4,208)
Profit before direct taxation	145,408	61,426	26,135	18,369	132,833	(7,489)	376,682
Direct taxation							(80,612)
Profit for the period							296,070
Total assets	2,764,066	3,030,955	1,529,297	1,122,147	5,412,515	—	13,858,980
Advances to customers	2,447,146	2,931,473	1,402,594	1,021,369	259,922	—	8,062,504
Advances to banks	—	—	—	—	559,653	—	559,653
Total liabilities	6,373,780	241,663	35,485	2,514,172	4,693,880	—	13,858,980
Deposits	5,239,493	217,044	18,609	2,412,744	3,671,633	—	11,559,523

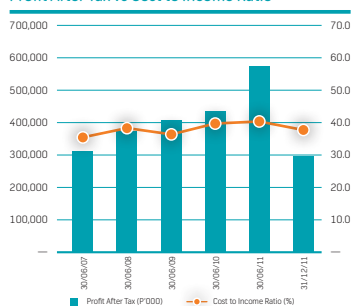
CONDENSED SEGMENTAL REPORTING 2010

	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							—
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 period							260,153
Total assets	2,096,682	2,375,988	1,306,322	499,860	5,079,790	490,262	11,848,904
Advances to customers	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

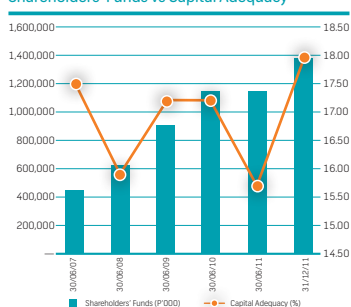
COMMENTARY ON UNAUDITED SUMMARISED FINANCIAL RESULTS AND DIVIDEND ANNOUNCEMENT

for the half year ended 31 December 2011

Profit After Tax vs Cost to Income Ratio



Shareholders' Funds vs Capital Adequacy



Economic review

The Botswana economy continued to show some recovery from the earlier economic slowdown. Both the mining and non-mining private sector recorded good growth during the period under review.

This recovery is however expected to be impacted by a weakening US economy and the Euro zone crisis. This turbulent economic climate for the world economy has led to increased uncertainty and risk aversion, which in the long run will have a trickle down effect on the local economy by impacting on mineral exports and momentum of growth.

Statement of Financial Position

The Bank's statement of financial position grew by 17% from the previous year, with advances to customers growing by 24% mainly in the Property Finance and the Retail space. This increase in loan book was achieved despite credit growth in the economy being sluggish. Deposits received from customers increased by 16%, mainly from corporate and retail, in line with the Bank's strategy of reducing dependency on expensive deposits, thereby reducing the cost of funds.

Total ordinary equity holders' funds increased by only 7% mainly due to the special dividend declared for the year ended 30 June 2011 in order to take advantage of changes in tax legislation effective 1 July 2011. Reserves remain in a healthy position, and the Bank continues to meet all its regulatory capital requirements.

Income statement performance

In spite of the challenges in the economy, the Group's profit before tax increased by 13% from the corresponding period.

Despite an increase in reserving requirement from 6.5% to 10% in July 2011, net interest income before impairment of advances grew by 12% due to an increase in advances of 24%.

On the back of the strong growth in advances, impact of the recent public sector strikes and a more retail focused strategy, impairment levels grew by 54% off a very low base. Despite this growth in impairments, management's focus on the quality of the asset has resulted in impairments to gross advances ratio of 1.2%, which is significantly below the industry norm. Credit management and collections remain a focus area.

Non-interest income increased by 31% as a result of the increase in the number of ATMs to 123 and improved uptime, higher transaction volumes due to expansion initiatives, increased usage of the Bank's technological offerings and improved trading income. The Bank also took advantage of improved prices to sell its VISA shares and this once off sale added to the higher non-interest income. Focus on non-interest income continues to be a critical strategy to mitigate risks associated with the negative impact of interest income, which in the period under review was affected by increases in reserving requirement and a lower interest rate cycle.

Operating expenses grew by 27% from the prior period, reflecting the growth in the business and the Bank's continuing investments in order to improve efficiencies and give convenience to customers. The main initiatives impacting costs include the expansion of the ATM network, revamping of existing branches, opening of a new branch in Ghanzi and introduction of new systems for credit monitoring and financial reporting.

Employee benefits costs grew by 25% as a result of expansion and continued management focus on people both from an up skilling perspective as well as effective talent management initiatives.

Capital management

The Group's objectives when managing capital, which is a broader concept than the "equity" as shown on 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 which is to be adopted in Botswana in 2012.

The purpose of the framework is to create objectives, policies and principles to ensure that book capital (shareholders funds or accounting capital less 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 in the prevailing 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 whether 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 18% as at 31 December 2011, 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, 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.

Contingencies and Commitments (Off Balance Sheet Items)

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 Board committees include 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 giving back to the community. 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 P24.1 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 2011. The dividend will be paid on or about 23 March 2012 to shareholders registered at the close of business on 9 March 2012. The transfer registers will be closed from 12 March to 16 March 2012, both dates inclusive.

In terms of the Income Tax Act (Cap 52:01) as amended, withholding tax at the rate of 7.5% will be deducted by the Group from gross dividends.

If a change of address or dividend instructions is to apply to this dividend, notification should reach the Transfer Secretaries by 16 March 2012.

For and on behalf of the Board.

P D Stevenson
Chairman

L E Boakgomo-Ntakhwana
Chief Executive Officer

GABORONE, 25 January 2012

TRANSFER SECRETARIES

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

Directors:

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

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

First National Bank of Botswana Limited

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