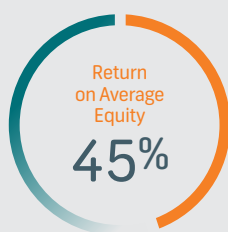


# UNAUDITED SUMMARISED FINANCIAL Results and Dividend Announcement

for the half year ended 31 December 2012

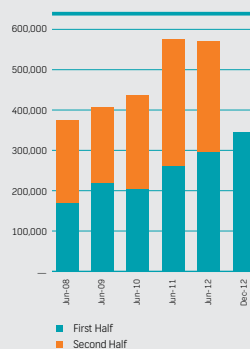
*The Directors have pleasure in announcing the unaudited financial results of the Bank and its subsidiaries (the Group) for the half year ended 31 December 2012.*

## HIGHLIGHTS

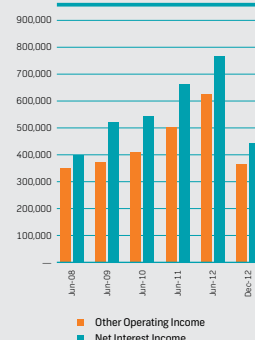


- Profit before taxation increased by 17%
- Net interest income increased by 21%
- Non interest income increased by 14%
- Advances growth of 14%
- Return on average assets increased to 4.7%
- Return on average equity increased to 45%
- Cost to income ratio declined from corresponding period to 37.29%
- Proposed interim dividend per share of 5.0 thebe

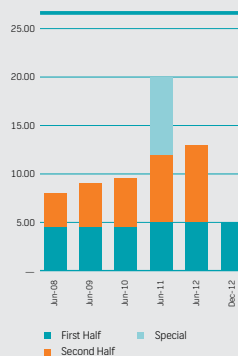
Profit After Tax (P'000)



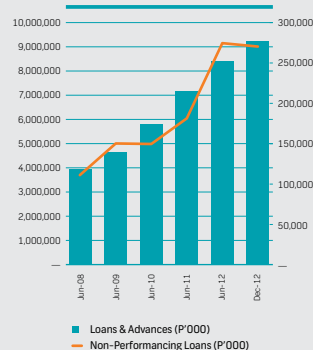
Other Operating Income vs Net Interest Income (P'000)



Dividends Per Share (thebe)



Advances vs Non-Performing Loans (P'000)



**FNB**  
First National Bank

how can we help you?

# FIRST NATIONAL BANK OF BOTSWANA LIMITED

(Incorporated in the Republic of Botswana)

## UNAUDITED SUMMARISED FINANCIAL RESULTS AND DIVIDEND ANNOUNCEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2012

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 2012.

### 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).
- 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 2012 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 2012. These assumptions are subject to ongoing review and possible amendments.



### CONSOLIDATED INCOME STATEMENT

	Unaudited 6 months ended 31 Dec 2012 P'000	Unaudited 6 months ended 31 Dec 2011 P'000	% Change	Audited Year ended 30 June 2012 P'000
Interest and similar income	602,527	564,055	7	1,111,862
Interest expense and similar charges	(159,564)	(199,122)	(20)	(342,799)
<b>Net interest income before impairment of advances</b>	<b>442,963</b>	<b>364,933</b>	<b>21</b>	<b>769,063</b>
Impairment of advances	(65,585)	(50,239)	31	(132,714)
<b>Net interest income after impairment of advances</b>	<b>377,378</b>	<b>314,694</b>	<b>20</b>	<b>636,349</b>
Non-interest income	364,803	320,887	14	626,685
<b>Income from operations</b>	<b>742,181</b>	<b>635,581</b>	<b>17</b>	<b>1,263,034</b>
Operating expenses	(147,673)	(118,857)	24	(259,571)
Employee benefits costs	(148,472)	(135,834)	9	(265,444)
<b>Net income from operations</b>	<b>446,036</b>	<b>380,890</b>	<b>17</b>	<b>738,019</b>
Share of profits from associate company	—	—	—	2,423
<b>Profit before indirect taxation</b>	<b>446,036</b>	<b>380,890</b>	<b>17</b>	<b>740,442</b>
Indirect taxation	(5,101)	(4,208)	21	(10,481)
<b>Profit before direct taxation</b>	<b>440,935</b>	<b>376,682</b>	<b>17</b>	<b>729,961</b>
Direct taxation	(96,556)	(80,612)	20	(161,168)
<b>Profit for the period</b>	<b>344,379</b>	<b>296,070</b>	<b>16</b>	<b>568,793</b>
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)	13.54	11.64	16	22.36
Diluted earnings per share (thebe) (based on weighted average number of shares in issue)	13.43	11.55	16	22.35
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

	Unaudited 6 months ended 31 Dec 2012 P'000	Unaudited 6 months ended 31 Dec 2011 P'000	% Change	Audited Year ended 30 June 2012 P'000
<b>Profit for the period</b>	<b>344,379</b>	296,070	16	568,793
<b>Other comprehensive income</b>				
Reclassification adjustment relating to available-for-sale financial assets disposed of during the year	—	—		(15,459)
Available-for-sale financial assets	—	10,184		—
<b>Other comprehensive income for the period before taxation</b>	<b>—</b>	10,184		(15,459)
Income tax relating to components of other comprehensive income	—	(2,204)		4,124
<b>Other comprehensive income for the period</b>	<b>—</b>	7,980		(11,335)
<b>Total comprehensive income attributable to equity holders of the parent</b>	<b>344,379</b>	304,050	13	557,458

## RATIOS AND MARKET INFORMATION

	6 months ended 31 Dec 2012 P'000	6 months ended 31 Dec 2011 P'000	% Change	Year ended 30 June 2012 P'000
Dividend per share (thebe)	5.00	5.00	—	13.00
Dividend cover (times)	2.7	2.3	17	1.7
* Cost to income ratio (percent)	37.29	37.75	(0.46)	38.37
** Return on average equity (percent)	45	44	1	42
*** Return on average assets (percent)	4.7	4.6	0.1	4.2
Capital adequacy ratio (percent)	17.2	16.5	0.7	16.6
Closing share price (thebe)	280	265	6	290
Dividend yield - ordinary shares (percent)	3.5	3.7	(0.2)	4.5
Price earnings ratio	10.4	11.5	(9)	13.0

\* 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

	Unaudited At 31 Dec 2012 P'000	Unaudited At 31 Dec 2011 P'000	% Change	Audited At 30 June 2012 P'000
<b>ASSETS</b>				
Cash and short-term funds	1,562,785	1,796,319	(13)	2,557,842
Derivative financial instruments	1,132	2,718	(58)	7,861
Advances to banks	—	559,653	(100)	—
Advances to customers	9,221,892	8,062,504	14	8,420,553
Investment securities and other investments	2,387,227	2,358,431	1	2,699,551
Current taxation	—	3,554	(100)	—
Due from related companies	1,348,707	377,381	257	7,839
Accounts receivable	278,495	423,418	(34)	170,800
Non-current assets held for sale	5,511	—	100	5,511
Investment in associate company	—	3,058	(100)	—
Property and equipment	399,813	244,981	63	317,559
Goodwill	26,963	26,963	—	26,963
<b>Total assets</b>	<b>15,232,525</b>	13,858,980	10	14,214,479
<b>LIABILITIES AND SHAREHOLDERS FUNDS</b>				
<b>Liabilities</b>				
Deposits from banks	162,000	—	100	172,510
Deposits from customers	12,249,118	11,559,523	6	11,443,241
Accrued interest payable	33,575	37,753	(11)	45,179
Derivative financial instruments	20,116	34,997	(43)	32,912
Current taxation	1,500	—	100	461
Due to related companies	209,131	82,780	153	57,883
Creditors and accruals	239,557	342,636	(30)	275,972
Provisions	45,009	36,841	22	52,252
Borrowings	517,183	284,947	82	519,047
Deferred taxation	81,848	97,747	(16)	82,296
<b>Total liabilities</b>	<b>13,559,037</b>	12,477,224	9	12,681,753
<b>Capital and reserve attributable to ordinary equity holders</b>				
Stated capital	51,088	51,088	—	51,088
Reserves	1,494,215	1,202,483	24	1,276,542
Dividend reserve	128,185	128,185	—	205,096
<b>Total ordinary equity holders funds</b>	<b>1,673,488</b>	1,381,756	21	1,532,726
<b>Total liabilities and shareholders' funds</b>	<b>15,232,525</b>	13,858,980	10	14,214,479
<b>CONTINGENCIES AND COMMITMENTS (OFF BALANCE SHEET ITEMS)</b>				
Undrawn commitments to customers	1,061,332	1,131,200	(6)	1,373,784
Guarantees and letters of credit	1,375,942	1,570,538	(12)	1,641,606
<b>Total contingencies and commitments</b>	<b>2,437,274</b>	2,701,738	(10)	3,015,390

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital P'000	Other non - distributable reserves P'000	Equity settled employee benefits reserve P'000	Retained earnings P'000	Dividend reserve P'000	Total P'000
<b>Balance at 1 July 2012</b>	51,088	37,727	16,944	1,221,871	205,096	<b>1,532,726</b>
Profit for the period				344,379		<b>344,379</b>
Dividends paid - 2012 final					(205,096)	<b>(205,096)</b>
Dividends proposed - 2012 interim				(128,185)	128,185	<b>—</b>
Recognition of share based payments			1,479			<b>1,479</b>
<b>Balance at 31 December 2012</b>	<b>51,088</b>	<b>37,727</b>	<b>18,423</b>	<b>1,438,065</b>	<b>128,185</b>	<b>1,673,488</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 31 Dec 2012 P'000	6 months ended 31 Dec 2011 P'000	% Change	Year ended 30 June 2012 P'000
<b>Cash flows (used in)/from operating activities</b>				
Cash generated by operations	516,523	436,445	18	883,692
Taxation paid	(98,517)	(72,436)		(167,000)
<b>Change in funds from operating activities</b>	<b>418,006</b>	<b>364,009</b>		<b>716,692</b>
<b>Net cash flows from operating activities</b>	<b>(192,522)</b>	<b>(108,290)</b>		<b>53,801</b>
Net cash used in investing activities	(101,045)	(19,407)		(93,074)
Net cash used in financing activities	(19,407)	(382,793)		68,427
Net decrease in cash and cash equivalents	(312,974)	(510,490)		29,154
Cash and cash equivalents at the beginning of the year	4,099,125	4,609,615		5,156,300
Cash and cash equivalents at the end of the year	3,786,151	4,099,125	(8)	5,185,454
<b>Cash and short-term funds at the end of the year</b>				
Cash and short-term funds	1,562,785	1,796,319		2,557,842
Investment in Bank of Botswana Certificates	2,223,366	2,302,806		2,627,612
	3,786,151	4,099,125		5,185,454

## CONDENSED SEGMENTAL REPORTING

In the current period, all costs and revenues that were previously allocated to the Support segment in the prior period have been allocated to the five segments below and therefore Support no longer exists as a separate segment. The comparatives have been re-allocated accordingly.

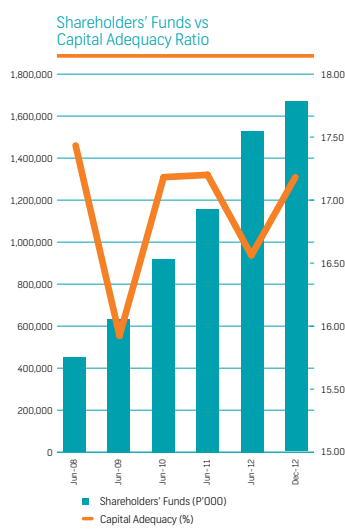
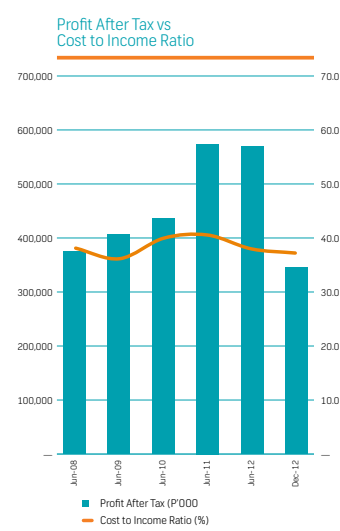
	Retail P'000	Property Division P'000	WesBank P'000	Corporate P'000	Treasury P'000	Total P'000
<b>31 DECEMBER 2012</b>						
<b>Income statement</b>						
Net interest income before impairment of advances	173,579	81,008	48,809	75,513	64,054	442,963
Impairment of advances	(48,505)	(1,861)	(15,219)	—	—	(65,585)
<b>Net interest income after impairment of advances</b>	<b>125,074</b>	<b>79,147</b>	<b>33,590</b>	<b>75,513</b>	<b>64,054</b>	<b>377,378</b>
Non-interest income	244,539	(164)	2,864	10,336	107,228	364,803
<b>Income from operations</b>	<b>369,613</b>	<b>78,983</b>	<b>36,454</b>	<b>85,849</b>	<b>171,282</b>	<b>742,181</b>
Operating expenses	(106,106)	(5,965)	(13,575)	(6,906)	(15,121)	(147,673)
Employee benefits costs	(102,881)	(7,044)	(14,079)	(8,321)	(16,147)	(148,472)
<b>Net income from operations</b>	<b>160,626</b>	<b>65,974</b>	<b>8,800</b>	<b>70,622</b>	<b>140,014</b>	<b>446,036</b>
Share of profits from associates						—
<b>Profit before indirect taxation</b>	<b>160,626</b>	<b>65,974</b>	<b>8,800</b>	<b>70,622</b>	<b>140,014</b>	<b>446,036</b>
Indirect taxation	(3,257)	(99)	(589)	(56)	(1,100)	(5,101)
<b>Profit before direct taxation</b>	<b>157,369</b>	<b>65,875</b>	<b>8,211</b>	<b>70,566</b>	<b>138,914</b>	<b>440,935</b>
Direct taxation						(96,556)
<b>Profit for the period</b>						<b>344,379</b>
<b>Statement of Financial Position</b>						
Total assets	3,073,175	3,504,575	1,684,734	1,486,862	5,483,179	15,232,525
Advances to customers	2,397,250	3,494,871	1,652,340	1,486,859	190,572	9,221,892
Total liabilities	3,326,571	232,203	50,231	4,159,797	5,790,235	13,559,037
Deposits	3,140,077	—	—	4,235,870	4,873,171	12,249,118

## CONDENSED SEGMENTAL REPORTING

31 DECEMBER 2011	Retail P'000	Property Division P'000	WesBank P'000	Corporate P'000	Treasury P'000	Total P'000
<b>Income statement</b>						
Net interest income before impairment of advances	119,307	73,986	53,214	52,093	66,333	364,933
Impairment of advances	(44,328)	(205)	(5,706)	—	—	(50,239)
<b>Net interest income after impairment of advances</b>	<b>74,979</b>	<b>73,781</b>	<b>47,508</b>	<b>52,093</b>	<b>66,333</b>	<b>314,694</b>
Non-interest income	213,635	297	2,472	2,660	101,823	320,887
<b>Income from operations</b>	<b>288,614</b>	<b>74,078</b>	<b>49,980</b>	<b>54,753</b>	<b>168,156</b>	<b>635,581</b>
Operating expenses	(64,669)	(9,350)	(5,245)	(8,400)	(31,193)	(118,857)
Employee benefits costs	(99,937)	(5,953)	(14,942)	(6,908)	(8,094)	(135,834)
<b>Net income from operations</b>	<b>124,008</b>	<b>58,775</b>	<b>29,793</b>	<b>39,445</b>	<b>128,869</b>	<b>380,890</b>
Share of profits from associates	—	—	—	—	—	—
<b>Profit before indirect taxation</b>	<b>124,008</b>	<b>58,775</b>	<b>29,793</b>	<b>39,445</b>	<b>128,869</b>	<b>380,890</b>
Indirect taxation	(2,909)	(121)	(534)	(47)	(597)	(4,208)
<b>Profit before direct taxation</b>	<b>121,099</b>	<b>58,654</b>	<b>29,259</b>	<b>39,398</b>	<b>128,272</b>	<b>376,682</b>
Direct taxation	—	—	—	—	—	(80,612)
<b>Profit for the period</b>						<b>296,070</b>
<b>Statement of Financial Position</b>						
Total assets	2,425,350	3,030,955	1,529,297	1,460,863	5,412,515	13,858,980
Advances to customers	2,108,429	2,931,473	1,402,594	1,360,086	259,922	8,062,504
Advances to banks	—	—	—	—	559,653	559,653
Total liabilities	4,585,343	217,569	31,947	3,416,470	4,225,895	12,477,224
Deposits	4,086,529	217,044	18,609	3,565,708	3,671,633	11,559,523

## COMMENTARY ON UNAUDITED SUMMARISED FINANCIAL RESULTS AND DIVIDEND ANNOUNCEMENT

for the half year ended 31 December 2012



### ECONOMIC REVIEW

Uncertainty in the global markets continues to impact the local mining sector through decline in global demand. This has manifested itself as reduced government revenues, which situation has further been exacerbated by decline in SACU revenues. The consumer continues to face uncertainty due to job losses and inflation-related income erosion. In the absence of indications that the uncertainties in the global markets will subside in the short term, projections are that growth in the Botswana economy will decline to 3.5% in 2012 from 4.9% in 2011.

### STATEMENT OF FINANCIAL POSITION

Set against the backdrop of the difficult economic conditions, the Bank was still able to post a 10% growth in the statement of financial position.

The strategy to reduce dependency on professional funding produced positive results in the form of growth in current accounts and savings deposits, and with an overall increase in deposits of 6%.

Advances to customers grew by 14%, predominantly from growth in Property Finance and WesBank. This level of growth in advances compared with growth of 1% in investment securities reflected the Bank's strategy to substitute Bank of Botswana Certificates with higher yielding assets.

Total ordinary shareholders' equity increased by 24% in line with the Bank's prudent capital preservation policy. This position also caters for plans to meet, not only, regulatory capital requirements, but also economic capital in line with Basel II.

### STATEMENT OF COMPREHENSIVE INCOME

The growth in advances of 14% as mentioned above, was predominantly in the asset-backed portfolio and corporate segment, thereby adversely impacting margins as reflected by the 7% growth in interest income. This was however countered by a reduction in interest expenditure by 20% as a result of favourable change in deposit mix. The net impact was an increase in net interest income of 21%.

The strain that the consumer is experiencing on the back of job losses and overall slowed economic activity has impacted debt serviceability levels. To this end, the Bank has revised its provisioning methodologies to be more prudent, thus resulting in the impairment levels growing by 31%. This area has received significant management focus over the period which has also resulted in the tightening and centralising of the Bank's Collections and ongoing Risk Management functions. The positive results of this focus have started to be evident and are expected to continue to further strengthen the credit risk management.

The Bank's revenue diversification strategy which aims at placing more reliance on non-interest income as a more sustainable revenue stream is still ongoing. As a result, expansion of the footprint, particularly electronic channels, continued in the period to December 2012. The Bank has increased its ATMs to 132 and introduced chip and pin enabled point of sale devices. The last six months also saw improved trading income mainly as a result of the volatility in the trading environment resulting in improved flows. All these factors contributed to the growth in non-interest income of 14%.

Operating expenses grew by 24% on the prior period. This growth reflects the Bank's continuing investment in infrastructure in order to drive efficiencies and give customers convenience. The period under review saw the opening of Rail Park and Airport Junction branches, expansion of the ATM network, and an increase in the point of sale machines.

Employee costs grew by 9% on the prior period as the Bank placed greater focus on efficiencies and consolidation of existing resources. Despite this investment into the business, the cost to income ratio declined from corresponding period.

## CAPITAL MANAGEMENT

The Group's objectives when managing capital, being a broader concept than the "equity" as shown in 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; 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 2014. The purpose of the framework is to create objectives, policies and principles to ensure optimisation of book capital (shareholders' funds or accounting capital less Net Asset Value), regulatory capital and economic capital.

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

The Group's financial position is routinely stress-tested to ensure that capital requirements are strictly observed when managing regulatory and economic capital.

The Group's capital adequacy ratio, which excludes the dividend reserve, has been maintained at 17.2% as at 31 December 2012, and is above the Group's internal limit as well as the ratio of 15% required by Bank of Botswana.

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.

In line with this prudent approach, the Directors propose to maintain the interim dividend at 5.0 thebe per share.

## CONTINGENCIES AND COMMITMENTS (OFF BALANCE SHEET ITEMS)

Contingencies declined by 10% in line with reduced demand for guarantees and letters of credit in this time of reduced economic activity.

## 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;
- Internal controls are maintained and material malfunctions are reported; and
- The Group continues to operate as a going concern, even under stress conditions

The Board comprises a majority of independent, non-executive Directors and meets regularly. It 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 very mindful of its social responsibility and remains committed to supporting the community through the FNBB Foundation.

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 amounting to P29.8 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](http://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 2012. The dividend will be paid on or about 22 March 2013 to shareholders registered at the close of business on 8 March 2013. The transfer registers will be closed from 11 March to 15 March 2013, 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 15 March 2013.

**For and on behalf of the Board.**

**P D Stevenson**  
Chairman

**L E Boakgomo-Ntakhwana**  
Chief Executive Officer

GABORONE, 23 January 2013

## TRANSFER SECRETARIES

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

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## Directors:

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

This information is also available on the internet.  
Visit: [www.fnbbotswana.co.bw](http://www.fnbbotswana.co.bw)

## First National Bank of Botswana Limited

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