Unaudited condensed consolidated financial statements and dividend announcement

for the six months ended 31 December 2022

First National Bank Botswana Limited. Registration Number BW00000790476

The Directors take pleasure in presenting the unaudited condensed consolidated financial results (referred to as "the interim financial results" in this announcement) and dividend announcement of First National Bank of Botswana Limited and its subsidiaries (referred to as "FNBB" or "the bank" in this announcement) for the six months ended 31 December 2022.

BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The interim 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") and as a minimum contain the information required by International Accounting Standard 34 ("IAS 34") - Interim Financial Reporting. Further, the interim financial results have been prepared in compliance with the Banking Act (Cap 46:04), the Companies Act of Botswana (Companies Act, 2003) and the Non-Bank Financial Institutions Regulatory Authority Act (Cap 46:08). The principal accounting policies and the methods of computation are consistent in all material respects with those adopted in the previous year, except for land and buildings which were previously measured under the revaluation model and are now measured using the cost model (refer to change in accounting policy section below). 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 condensed consolidated financial statements, the bank has applied sound business principles with key assumptions concerning any inherent uncertainties in recording various assets and liabilities. These assumptions were applied consistently to the unaudited condensed consolidated financial statements for the period ended 31 December 2022 and have been thoroughly assessed by management to ensure the appropriateness thereof. The critical accounting estimates and areas of judgements are:

- Impairment of financial assets;
- Impairment of goodwill;
- Application and interpretation of tax regulations;
- Provisions, contingent liabilities, and contingent assets;
- Fair value of financial instruments.

FINANCIAL HIGHLIGHTS

PROFIT AFTER TAX
P536m
(2021 P450m)
+19%

COST TO INCOME
47.6%
(2021 47.7%)
-15bps

CREDIT LOSS RATIO
1.0%
(2021 1.3%)
-30bps

RETURN ON ASSETS
3.9%
(2021 3.3%)
+61bps

RETURN ON EQUITY
31.2%
(2021 24.7)
+649bps

DIVIDEND PER SHARE (Interim)
12 thebe
(2021 10 thebe)
+20%

ADVANCES TO CUSTOMERS
P15.9bn
(2021 P14.2bn)
+12%

DEPOSITS FROM CUSTOMERS
P21.6bn
(2021 P20.4bn)
+6%

NPLS/ADVANCES
5.1%
(2021 5.8%)
-70bps

ECONOMIC UPDATE

GLOBAL ECONOMIC OVERVIEW

Growth moderation due to divergent growth profiles

Global economic activity continues to slow down due to a combination of supply side constraints and an ongoing reduction in monetary policy stimulus. This slowdown is starting to have the desired effect on reducing inflation and tightening financial conditions. Developed market central banks have accordingly started to signal a reduction in the size and pace of interest rate increases but they remain resolute in taming near-term inflation pressures. The US Fed is expected to raise its real policy rate to above 0%, even if doing so gives rise to a recession. In the medium to longer term, we expect global inflation to fall considerably from current elevated levels but to remain above Central Bank target levels.

We expect developed market central banks to accept slightly-above target inflation in their market rather than lifting real interest rates to the point of pushing inflation to, or below, their targets. In our view, the continued aggression in hiking interest rates would likely increase global government debt service burdens to unmanageable levels. Demand for risk assets should remain weak, while demand for safe haven assets such as the US dollar should remain strong. Commodity prices are likely to remain under pressure. Sentiment is unlikely to improve until the global economy reaches the bottom of the current cycle from mid-2023 onwards, prompting the Fed to "pivot", to the benefit of the emerging market currencies.

Over the course of the year, we expect the world to contend with slower economic growth. A recessionary-like environment can be expected across developed countries, with more divergence in economic activity for emerging markets. Our base case is for commodity prices to be volatile in 2023 as global economic growth slows. A global shift in monetary policy stance, to either pause or slowdown the pace of interest rate hikes in 2023, will largely remain a function of inflation which is broadly expected to ease especially towards the later part of 2023. We believe that central banks are likely to shift their tone from arresting inflation to supporting growth in the second half of 2023.

REGIONAL ECONOMY

Softer commodity prices likely to weigh on growth

Growth is expected to be heavily dependent on commodity price movements throughout the year. Investment in key sectors such as mining, agriculture, logistics and energy will continue, but will be challenged by higher cost of funding and the global backdrop.

Fiscal policy will remain constrained across sub-Saharan Africa, partly due to elevated costs of funding. Nevertheless, we expect further reliance on multilateral and domestic funding to support the various country deficits. Similarly, the impact of debt sustainability will remain a theme as was seen during the pandemic. The focus in 2023 will be on debt restructuring in markets like Ghana and Zambia, as well as observing vulnerabilities in other markets.

Currency volatility is still expected in 2023, with a general bias toward further depreciation for many currencies, in our view. We expect to see broad dollar strength, associated with an uncertain global environment.

BOTSWANA ECONOMY

Transitional NDP to lead transformation

Botswana's Gross Domestic Product (GDP) reflected continued signs of recovery in 2022 primarily as a result of strong diamond demand. Over the coming 3-5 years, we expect that the mining sector will remain Botswana's key growth driver,supported by the resumption of local copper mining activity with two copper mines in the Kalahari Copper Belt expected to come on stream in the first half of 2023. On the diamond mining front, both Jwaneng and Karowe mines are expected to transition from open cast to underground mining, extending the life of both mines albeit at higher production costs.

Further growth opportunities across other sectors of the economy were expected to be presented by the National Development Plan (NDP) 12, which was anticipated to commence in the 2023/24 fiscal year. However, the government has deferred the formulation and implementation of the NDP 12 to the 2025/26 financial year on account of reforms currently being undertaken. These reforms include the rationalisation and consolidation of government ministries, and parastatals, along with legislative changes aimed at improving citizen economic inclusion and Small Medium Enterprises (SME) development.

We expect the government to table a transitional NDP which will highlight key infrastructure development projects related to road, rail, electricity and water infrastructure, to be implemented during the two-year transitional phase. The successful execution of these projects supports recovery of the construction sector and enhance Botswana's operating environment through improved connectivity and reliable utilities supply.

Price growth slowing, but still above range

Following the 14.6% year-on-year inflation peak observed in August 2022, Botswana's inflation is projected to continue moderating in 2023 owing to reduced fuel prices. Local price growth should also be driven down as the effect of earlier increases in administered prices continues to recede. With this in mind, we expect inflation to average 10.1% in 2023, down from 12.2% registered in 2022.

The pace of disinflation is, however, likely to be challenged by potentially-higher food and energy prices as well as persistent production, supply and logistical constraints. Locally, higher administered prices from major utilities providers in 2023 and entrenched expectations for higher inflation present upside risk to price growth. Additionally, Botswana's restriction on the importation of certain fresh produce has been extended by a further two years. In our view, this move will likely present upside risk to price growth as local production continues to fall short of demand.

In 2022, the Bank of Botswana (BoB) made several changes to its monetary policy implementation framework. The amendments included switching the anchor policy rate from the bank rate to the 7-day BoB Certificate (BoBC) yield in April 2022, in order to improve monetary policy transmission. Following the switch, the 7-day BoBC yield, now termed the Monetary Policy Rate (MoPR), has been prescribed by the Central Bank as opposed to its prior market determination. Since its introduction, the Central Bank's Monetary Policy Committee (MPC) has increased the MoPR by a cumulative 151 basis points in a bid to contain inflation. At the last two meetings of 2022, the MPC made the decision to maintain the MoPR at 2.65% as inflation showed signs of retreat from its August peak. The decision was aimed at supporting Botswana's ongoing economic recovery against a backdrop of strong inflationary pressures and a good degree of uncertainty.

Given our expectation of inflation remaining above the Central Bank's objective range through to 2024, we hold the view of further hikes to the MoPR being instituted in 2023 as a means to address Botswana's negative real rate. Factors that could affect our view for further hikes relate to key changes that have been made to the BoB Act being implemented in 2023.

The BWP remains steady

The weights in the Pula basket have been maintained at ZAR: 45% and SDR: 55%. As a result, the Rand will continue to be the dominant factor in the outlook of the Pula against major currencies. Pula movements will continue to be driven mainly by pass-through effects from the political and economic events in the US and South African markets.

FINANCIAL PERFORMANCE

Statement of Financial Position

The balance sheet increased by 7% year-on-year with good growth in advances and deposits. This is largely attributable to an increase in term deposits in line with the funding requirements of the bank as it continued to extend advances during the period. The bank maintains a prudent approach to lending, and recognises the need for responsible and manageable consumer exposure during times of uncertainty, and most notably the recent impact of inflation and interest rate pressures.

Gross customer advances increased by 11% while the market gross advances rose by 5%. Retail advances experienced growth of 12%, against the market retail advances growth of 4%. The cautious approach to retail lending over the pandemic resulted in a reduced advances portfolio. Post the pandemic, and following the resumption of increased economic activity, growth in this portfolio has resumed. The corporate segment grew by 14% year-on-year, while the commercial segment reflected a marginal growth of 3% due to a cautious risk appetite. The combined result of FNBB's commercial and corporate advances was an increase of 9% against market gross advances increasing by 8%.

The NPLs declined by 4% year-on-year from P894m to P861m, resulting in an NPL/gross advances ratio of 5.1% as at 31 December 2022 (5.8% as at 31 December 2021). This reduction in NPLs was primarily due to a recoverability assessment of long-outstanding exposures and the consequent write-off of irrecoverable loans. The closing provision levels remain appropriate.

The bank's deposits increased by 6% year-on-year. The commercial segment experienced growth of 8% aligned to strong customer growth. The Retail segment remained flat while the Corporate segments experienced moderate growth. FNBB remains well-funded with a loan-to-deposit ratio of 73% and has access to additional funding from the market.

Investment securities grew by 4% year-on-year. The bank increased its holdings in treasury bills (12%) and bonds (12%) and reduced its exposure to BoB's by 33%. This is line with the yield optimisation strategy to acquire longer dated investment securities with higher yielding returns.

Statement of Financial Perfomance

FNBB has achieved growth in profit before tax of 19% over the six-month period. This was underpinned by a strong growth in net interest income, as well as an increase of non-interest revenue (NIR) base. Return on equity of 31.2% (2021: 24.7%) was driven by the 19% increase in profit after tax.

Interest income growth of 33% was driven by the 151 basis points in the prime rate, the 11% growth in gross advances, and the optimisation of the investment securities portfolio. The bank invested in longer-dated bonds and treasury bills which offer attractive yields, and increased placements with other banks (30%) which resulted in an increase in income.

Interest expense increased by 81%. This was driven by the increase in market cost of funds as a result of high inflationary pressures, increase in MoPR during the period under review as well as post Covid-19 economic activities which led to the reduction in market liquidity. In addition, the bank's funding mix shifted to term deposits.

A decline in total impairments of 20% was as a result of a reduction in specific impairments (stage 3) write-offs, offset by increased portfolio impairments due to new advances extended. The prior year stage 3 charge included significant commercial write-offs. The lower impairment charge of P76.9m (2021: P96.7m) resulted in the reduced credit loss ratio of 1.0% (2021: 1.3%).

Non-interest revenue growth of 5% delivered a resilient performance over the period, due to strong performance of the foreign exchange business with growth of 9%. Service and other fees reflected a moderate growth of 5% driven by an increase in eWallet volumes and in the account base. Card commission grew by 2%, benefiting from an increase in transactional volumes and a 3% customer growth.

The cost-to-income ratio of 47.6% (2021: 47.7%) has remained flat after an increase in costs from inflationary pressures as well as an increase in interest income. Employee benefits costs increased by 12% year-on-year including a 7% increase in direct staff costs accounting for the inflationary adjustment, and an increase in headcount mainly to support Know Your Customer (KYC), branch sales and service support areas.

The non-employee related costs increased by 14% year-on-year, largely following strategic investments costs, the bank's rebranding launch, and general inflation. The December 2021 non-employee related cost base was notably low as a result of lower economic activity during the pandemic. The bank's spending pattern has since normalised as evidenced by the increase in travel, marketing and functions.

LOOKING AHEAD

With inflation likely to remain elevated over the short- to medium-term and outside of the Central Bank's range throughout 2023, the possibility for further rate increases remains open. We expect these challenges to exert pressure on the average consumer's spending ability.

FNBB has continued to deploy its financial resources appropriately and prudently, with conservative capital and provisioning levels. This has allowed the bank to respond to customer needs by extending credit selectively without relaxing its overall credit parameters. This is evidenced by the growth in gross advances over the period.

The bank's investment into its platform solution continues, bringing with it efficiency and improved customer and employee experience through all interfaces, but also remaining nimble and responsive to new key technology as it arises within an increasingly dynamic ecosystem. Risk management and prudential deployment of resources remains the foundation in all investment and development decisions.

The bank's rebranding launch over the period highlighted some of the platform solutions, including most notably the refreshed banking app. Growth is evident in registrations across all digital platforms, with customers appreciating the ease of electronic transactions and the growth in the options to serve themselves in the form of convenient, value-added services. A forward-thinking approach to technology and innovation remains a priority for FNBB.

The bank's workforce continues to operate under a blended work model, balancing remote working with face-to-face interactions. In-office working is being encouraged in order to foster innovation and collaboration, ensuring physical presence of customer-facing staff at all times. However, strict governance and risk protocols regarding digital and remote working practices continue to be observed.

In line with trends in global business practice, FNBB maintains close scrutiny on the environmental impact of its operations and consistently seeks practical and commercially realistic ways to contribute to a greener society.

As demonstrated by the success of extending banking services to more remote locations through CashPlus, it is fundamental to our objectives that we build a shared future of prosperity through enriching the lives of our customers, employees, and society in general. This underpins FNBB's enduring commitment to create long-term value and a sustainable future.

EVENTS AFTER REPORTING DATE

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

FINANCIAL PERFORMANCE

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. It 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 different aspects of governance. The sub-committees include Audit, Credit, Directors Affairs & Governance, Remuneration, and Risk Capital Management and Compliance Committees.

SOCIAL RESPONSIBILITY

FNBB remains committed to its social responsibility to the community, which function it performs through the FNBB Foundation. The latter has independent Trustees who ensure that a wide spectrum of sustainable social welfare and development activities nationwide are prudently assessed and funded. FNBB has also adopted a series of policies to minimise its operational impact on the environment in line with global initiatives to counter the threat of climate change.

The Foundation provides the opportunity for greater involvement and co-operation with the community within which the bank operates, specifically:

- Education;
- Youth Empowerment;
- Skills development/vocational training;
- Support for the disadvantaged/ handicapped, especially children;
- Promotion of arts and culture; and
- Provision of sports and recreation facilities for the community.

FNBB has committed to contributing up to 1% of each year's profit after tax to the Foundation. Since the inception of the Foundation in 2001, the bank has made grants of more than P71 million to the Foundation, which have been invested appropriately in qualifying beneficiaries.

The bank has adopted a series of policies to minimise its operational impact on the environment to counter the threat of climate change, whilst developing strategies to manage risk and transition to sustainable development and finance opportunities. With the global adoption of the Environment Social and Governance (ESG) principles and frameworks this will become more prevalent in the bank's integrated reporting going forward.

CAPITAL 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 at least twice a year for regulatory and business purposes. The same process is a key input into the Internal Capital Adequacy Assessment Process (ICAAP) which in turn informs our capital management. For the period ended 31 December 2022, FNBB continued to operate above both the internal and regulatory minimum capital adequacy ratios.

DECLARATION OF DIVIDEND

Notice is hereby given that a dividend of 12 thebe per share has been declared for the six months ended 31 December 2022. The dividend will be paid on or about 16 March 2023 to shareholders registered at the close of business on 06 March 2023. The ex-dividend date will be on 02 March 2023.

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 06 March 2023.

For and on behalf of the Board.

B Bonyongo
Chairman

S L Bogatsu
Chief Executive Officer

Gaborone, 2 February 2023

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

UNAUDITED SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (P'000)	Six Months ended 31 December 2022	Six Months ended 31 December 2021	% Change
Interest income calculated using the effective interest rate	925,546	696,091	33
Interest expenses and similar charges	(225,995)	(124,583)	81
Net interest income before impairment of advances	**699,551**	**571,508**	**22**
Impairment of advances	(76,932)	(96,727)	-20
Net interest income after impairment of advances	**622,619**	**474,781**	**31**
Non-interest revenue	**757,246**	**718,680**	**5**
Income from operations	**1,379,865**	**1,193,461**	**16**
Operating expenses	(336,707)	(295,047)	14
Employee benefits expenses	(349,502)	(310,784)	12
Income before taxation	**693,656**	**587,630**	**18**
Indirect taxation	(7,016)	(10,112)	-31
Profit before direct taxation	**686,640**	**577,518**	**19**
Direct taxation	(151,061)	(127,048)	19
Profit for the period attributable to owners of the company	**535,579**	**450,470**	**19**
Total comprehensive income for the period	**535,579**	**450,470**	**19**
Average number of shares in issue during the period (thousands)	**2,543,700**	**2,543,700**	**-**

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (P'000)	Six Months ended 31 December 2022	Six Months ended 31 December 2021	% Change
Profit for the six-month period	**535,579**	**450,470**	**19**
Other comprehensive income	-	-	-
Total comprehensive income for the year attributable to owners of the parent	**535,579**	**450,470**	**19**

RATIOS AND MARKET INFORMATION	Six Months ended 31 December 2022	Six Months ended 31 December 2021	% Change
Dividend per share (thebe)	12	10	20
Dividend cover (times)	1.8	1.8	-
Cost to income ratio (percent)*	47.6	47.7	-
Return on equity (percent)**	31.2	24.7	26
Return on average assets (percent)***	3.9	3.3	18
Capital adequacy ratio (percent)	18.5	18.5	-
Closing share price (thebe)	350	250	40
Price earnings ratio	8.3	7.1	(15)
Earnings and diluted earnings per share (thebe)	21.1	17.7	19
Number of ordinary shares issued	2,543,700	2,543,700	-

* Cost to income is based on total non-interest expenditure including indirect taxation (Value Added Tax) and income excludes the impairment charge.
** Return on Equity is annualised and includes proposed dividend (dividend reserve)
*** Return on average assets is annualised

UNAUDITED SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (P'000)	Six Months ended 31 December 2022	Restated Six Months ended 31 December 2021	% Change	Restated Six Months ended 31 December 2020	30 June 2022 Audited
Assets					
Cash and short-term funds	5,590,951	5,331,846	5	4,743,236	6,198,095
Derivative financial instruments	46,708	36,829	27	68,236	41,114
Advances to banks	-	239,966	(100)	287,953	-
Advances to customers	15,885,592	14,174,701	12	14,118,607	15,081,463
Investment securities	5,569,615	5,367,375	4	7,452,918	5,354,595
Current taxation	87,237	66,501	31	169,434	82,299
Due from related parties	6,669	13,877	(52)	10,562	6,563
Other assets	441,262	613,515	(28)	413,162	328,706
Property and equipment	505,182	510,452	(1)	540,063	533,669
Goodwill	26,963	26,963	-	26,963	26,963
Deferred taxation	-	11,221	(100)	3,706	-
Total assets	**28,160,179**	**26,393,246**	**7**	**27,834,840**	**27,653,467**
Equity and Liabilities					
Liabilities					
Derivative financial instruments	28,089	19,270	46	32,488	28,632
Accrued interest payable	41,731	11,392	266	10,094	21,739
Due to related parties	25,704	20,645	25	17,394	24,775
Creditors and accruals	626,052	675,757	(7)	573,711	584,531
Deposit from banks	1,171,764	594,471	97	511,752	888,862
Deposit from customers	21,617,061	20,372,057	6	21,238,765	21,347,612
Employee benefits liabilities	63,746	59,828	7	53,358	98,227
Borrowings	1,127,895	1,538,432	(27)	1,508,643	1,329,454
Deferred taxation	6,252	-	100	196,989	6,336
Total liabilities	**24,708,294**	**23,291,852**	**6**	**24,143,194**	**24,330,168**
Capital and reserves attributable to ordinary equity holders					
Stated Capital	51,088	51,088	-	51,088	51,088
Reserves	3,095,553	2,795,936	11	3,487,936	2,865,219
Dividend reserve	305,244	254,370	20	152,622	406,992
Total equity	**3,451,885**	**3,101,394**	**11**	**3,691,646**	**3,323,299**
Total Equity and Liabilities	**28,160,179**	**26,393,246**	**7**	**27,834,840**	**27,653,467**
Contingencies and commitments (off balance sheet items)					
Undrawn commitments to customers	**2,627,310**	**2,559,418**	**3**	**2,062,674**	**2,439,931**
Guarantees and letters of credit	**674,778**	**500,491**	**35**	**466,209**	**425,969**

The comparatives have been restated due to a change in accounting policy for the measurement of freehold and leasehold land and buildings from the revaluation model to the cost model and the re-classification of marketable advances from investment securities to advances

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (P'000)	Stated capital	Other non-distributable reserves	Dividend reserve	Retained earnings	Total
Balance at 01 July 2020 as previously stated	**51,088**	**59,866**	**203,496**	**3,283,696**	**3,598,146**
Transfer from revaluation reserve	-	(30,000)	-	30,000	-
Change in accounting policy	-	(29,866)	-	-	(29,866)
Balance at 01 July 2020 as restated	**51,088**	**-**	**203,496**	**3,313,696**	**3,568,280**
Profit for the period	-	-	-	326,862	326,862
Dividend paid - 2020 final	-	-	(203,496)	-	(203,496)
Dividend proposed - 2021 interim	-	-	152,622	(152,622)	-
Balance at 31 December 2020	**51,088**	**-**	**152,622**	**3,487,936**	**3,691,646**
Balance at 01 July 2021 as restated	51,088	-	**1,246,413**	**2,599,837**	**3,897,338**
Profit for the period	-	-	-	450,470	450,470
Dividend paid - 2021 final	-	-	(1,246,413)	-	(1,246,413)
Dividend proposed - 2022 interim	-	-	254,370	(254,370)	-
Balance at 31 December 2021	**51,088**	**-**	**254,370**	**2,795,937**	**3,101,395**
Balance at 01 July 2022	**51,088**	**-**	**406,992**	**2,865,218**	**3,323,298**
Profit for the period	-	-	-	535,579	535,579
Dividend paid - 2022 final	-	-	(406,992)		(406,992)
Dividend proposed - 2023 interim	-	-	305,244	(305,244)	-
Balance at 31 December 2022	**51,088**	**-**	**305,244**	**3,095,553**	**3,451,885**

The comparatives have been restated due to change in accounting policy for the measurement of freehold and leasehold land and buildings from the revaluation model to cost model.

UNAUDITED SUMMARISED CONSOLIDATED STATEMENT OF CASHFLOWS (P'000)	Six Months ended 31 December 2022	Restated Six Months ended 31 December 2021	% Change
Cash flows from operating activities			
Cash generated from operations before taxation and working capital changes	1,013,963	879,655	15
Taxation paid	(300,450)	(405,850)	(26)
Cash from operating activities	**713,513**	**473,805**	**51**
Movement in amounts due to other banks	577,293	82,719	598
Movement in deposits and current accounts	1,245,004	(866,708)	(244)
Movement in amount due to related companies	5,059	3,251	56
Movement in accrued interest payable	30,339	1,298	2,237
Movement in creditors and accruals	(49,705)	102,046	(152)
Movement in employee benefits liabilities	3,918	6,470	(39)
Movement in investments- fair value through profit or loss	(118,273)	135,027	(188)
Movement in investments- amortised cost	(384,395)	(949,065)	(66)
Movement in advances to customers	(1,629,505)	302,971	(437)
Movement in advances to banks	239,966	47,987	400
Movement in other assets	172,253	(200,353)	(187)
Movement in amounts due from related companies	7,208	(55,939)	(113)
Cash flows generated from/(used in) operating activities	**812,675**	**(916,491)**	**(189)**

UNAUDITED SUMMARISED CONSOLIDATED STATEMENT OF CASHFLOWS (P'000)	Six Months ended 31 December 2022	Restated Six Months ended 31 December 2021	% Change
Cash flows to investing activities			
Acquisition of property and equipment	(33,823)	(22,560)	50
Cash flows (used in)/from financing activities			
Borrowings (repaid)/raised	(410,537)	29,789	(1,478)
Finance lease payments	(2,461)	(2,674)	(8)
Dividends paid	(406,992)	(1,399,035)	(71)
Net cash used in financing activities	**(819,990)**	**(1,371,920)**	**(40)**
Cash movement for the period	(41,137)	(2,310,971)	(98)
Cash and cash equivalents at the beginning of the period	6,531,703	8,842,673	(26)
Total cash and cash equivalents at end of the period	**6,490,566**	**6,531,702**	**(1)**
Cash and short-term funds	5,590,951	5,331,846	5
Investment in Bank of Botswana certificates	899,615	1,199,857	(25)
Total cash and cash equivalents at end of the period	**6,490,566**	**6,531,703**	**(1)**

The comparatives have been restated due to the re-classification of marketable advances from investment securities to advances.

SEGMENTAL REPORTING

Operating segments are reported in accordance with the internal reporting provided to the Chief Executive Officer (the Chief Operating Decision-Maker), who is responsible for allocating resources to the reportable segments and assesses their performance. All operating segments used by the bank meet the definition of a reportable segment.

The bank has four primary business segments:

- FNB Retail segment - comprising advances and deposits and the revenue flowing from individual customers;
- FNB Commercial segment - comprising advances and deposits and the revenue flowing from commercial and SME customers;
- RMB Corporate segment - comprising advances and deposits and the revenue flowing from corporate customers;
- Treasury - manages the bank's liquidity and funding.

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

UNAUDITED SUMMARISED SEGMENTAL REPORTING	Retail	Commercial	Corporate	Treasury	Total
31 DECEMBER 2022 (P'000)- (six months)					
Interest and similar income	300,831	61,591	38,658	524,466	925,546
Non- interest income	319,676	259,331	185,833	(7,595)	757,245
Total segment revenue	**620,507**	**320,922**	**224,492**	**516,871**	**1,682,792**
Interest expense and similar expenses	83,371	115,322	64,231	(488,919)	(225,995)
Segment operating income before impairments	**703,878**	**436,244**	**288,722**	**27,953**	**1,456,797**
Impairment of advances	(52,908)	(5,370)	(18,653)	-	(76,932)
Net interest income after impairment of advances	**650,970**	**430,873**	**270,069**	**27,953**	**1,379,865**
Total expenditure	(315,310)	(261,131)	(109,796)	28	(686,209)
Profit before indirect taxation	**335,660**	**169,742**	**160,273**	**27,981**	**693,656**
Indirect taxation	(5,151)	(216)	(1,416)	(234)	(7,017)
Profit before direct taxation	**330,509**	**169,526**	**158,857**	**27,747**	**686,639**
Direct taxation					(151,061)
Profit for the period					**535,579**

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

UNAUDITED SUMMARISED SEGMENTAL REPORTING	Retail	Commercial	Corporate	Treasury	Total
31 DECEMBER 2021 (P'000)- (six months)					
Interest and similar income	273,338	59,250	24,278	339,225	696,091
Non- interest income	304,705	231,708	179,033	3,234	718,680
Total segment revenue	**578,043**	**290,958**	**203,311**	**342,459**	**1,414,771**
Interest expense and similar expenses	53,662	66,146	40,753	(285,144)	(124,583)
Segment operating income before impairments	**631,705**	**357,104**	**244,064**	**57,315**	**1,290,188**
Impairment of advances	(98,025)	(272)	1,570	-	(96,727)
Net interest income after impairment of advances	**533,680**	**356,832**	**245,634**	**57,315**	**1,193,461**
Total expenditure	(276,931)	(241,606)	(88,636)	1,342	(605,831)
Profit before indirect taxation	**256,749**	**115,226**	**156,998**	**58,657**	**587,630**
Indirect taxation	(8,847)	9	(1,010)	(264)	(10,112)
Profit before direct taxation	**247,902**	**115,235**	**155,988**	**58,393**	**577,518**
Direct taxation					(127,048)
Profit for the period					**450,470**

Statement of financial position:					
Gross Advances to customers*	**9,620,755**	**2,954,805**	**2,746,152**	**-**	**15,321,712**
Loss allowance	(595,487)	(520,295)	(31,230)	-	(1,147,011)
Net advances	**9,025,268**	**2,434,510**	**2,714,922**	**-**	**14,174,701**
Deposits from customers**	**5,409,837**	**8,214,771**	**5,508,880**	**1,238,569**	**20,372,057**

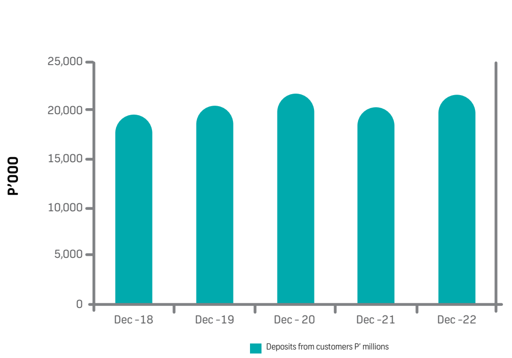
*The table below shows the impact of the marketable advances reclassification:

Statement of financial position:	Corporate	Reclass	Corporate restated	Total
Gross Advances to customers	2,565,064	181,088	2,746,152	15,321,712
Loss allowance	(31,230)	-	(31,230)	(1,147,011)
Net advances	**2,533,834**	**181,088**	**2,714,922**	**14,174,701**

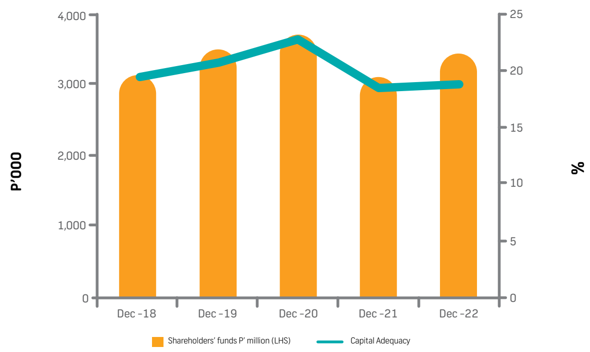
** The prior year deposits from customers were disclosed as P20 966 529 as opposed to P20 372 057

FINANCIAL GRAPHS

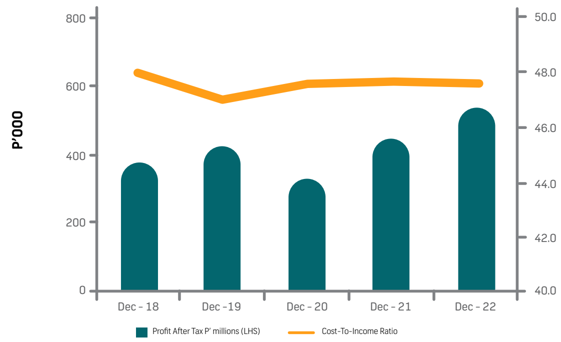
Deposits



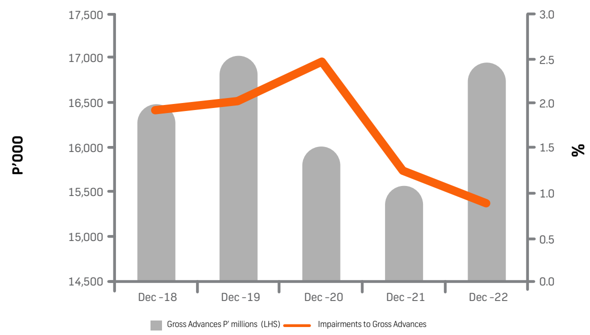
Shareholders' Funds vs Capital Adequacy



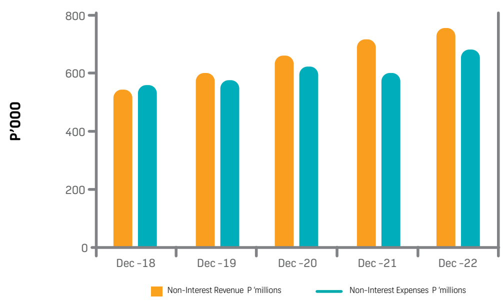
Profit After Tax vs Cost-To-Income Ratio



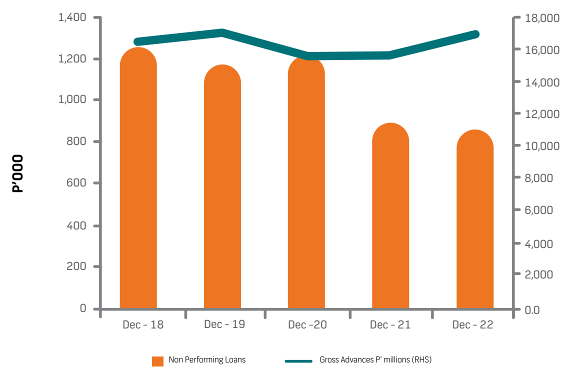
Gross Advances vs Impairments to Gross Advances



Non-Interest Revenue vs Non-Interest Expenses



Gross Advances vs NPLs



IMPACT OF ADOPTING REVISED ACCOUNTING STANDARDS

The accounting policies and other methods of computation applied in the preparation of the condensed interim financial statements are in terms of IFRS and are consistent with those applied for the year ended 30 June 2022.

The condensed interim financial report is prepared in accordance with the going concern principle under the historical cost basis as modified by fair value accounting or certain assets and liabilities where required or permitted by IFRS.

Improvements to the Conceptual Framework, as well as amendments to IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRS 9 Financial Instruments become effective in the current year. None of these amendments to IFRS impacted the bank's reported earnings, financial position or reserves, or the accounting policies.

CHANGE IN ACCOUNTING POLICY

During the financial year ended 30 June 2022, the Bank changed its accounting policy for the measurement of freehold and leasehold land buildings from the revaluation model to the cost model. This change was implemented in order to remove unnecessary areas of judgement in the financial statements as the Group's portfolio of land and buildings is primarily held for the execution of the Groups operating activities. The impact of the change in accounting policy is as follows:

P'000	As reported 31 December 2020	Change in accounting policy	Restated 31 December 2020	As reported 31 December 2021	Change in accounting policy	Restated 31 December 2021
Property and equipment	580,322	(40,259)	540,063	550,711	(40,259)	510,452
Deferred tax	207,382	(10,393)	196,989	-	(10,393)	(10,393)
Retained income	3,457,936	30,000	3,487,936	2,767,500	28,436	2,795,936
2020*	–	30,000	–	–	30,000	–
2021*	–	–	–	–	(1,564)	–
Other non-distributable reserves	59,866	(59,866)	-	58,302	(58,302)	-
2020*	-	(59,866)	-	-	(59,866)	-
2021*	–	-	–	–	1,564	–

RESTATEMENT OF CORPORATE MARKETABLE ADVANCES

During the 6-month period to December 2021 the bank entered into structured marketable advances to the value of P180 million. It is the Group's policy to report structured marketable advances as part of advances. However, the gross carrying amount of these advances was incorrectly classified as investment securities.

These marketable advances were correctly classified as advances for the year ended 30 June 2022 and the reclassification only impacts the comparative as at 31 December 2021.

Statement of financial position

*The table below shows the impact of the marketable advances reclassification:

	2021	Reclassification	2021 Restated
Net Advances to customers	13,993,613	181,088	14,174,701
Investment securities	5,548,463	(181,088)	5,367,375

Statement of cash flow

*The table below shows the impact of the marketable advances reclassification:

(P'000)	2021	Reclass	2021 restated	% Change
Movement in investments- amortised cost	(1,130,153)	181,088	(949,065)	(66)
Movement in advances to customers	484,059	(181,088)	302,971	(437)
Cash flows generated from/(used in) operating activities	812,675	-	(646,094)	(189)

ADVANCES

UNAUDITED- ADVANCES CLASSIFIED PER LOAN TYPE 31 DECEMBER 2022 (P'000)	Amortised cost	Loss allowance	Total
Term loans	7,314,658	(402,302)	6,912,356
Instalment sales	1,701,638	(107,214)	1,594,424
Property loans	6,288,600	(346,618)	5,941,982
Overdraft and managed account	1,196,210	(187,574)	1,008,636
Other	450,114	(21,920)	428,194
Total	**16,951,220**	**(1,065,628)**	**15,885,592**

UNAUDITED- ADVANCES CLASSIFIED PER LOAN TYPE 31 DECEMBER 2021 (P'000)	Amortised cost	Loss allowance	Total
Term loans	6,281,393	(473,175)	5,808,218
Instalment sales	1,778,841	(116,187)	1,662,654
Property loans	5,963,953	(361,814)	5,602,139
Overdraft and managed account	1,064,275	(178,854)	885,421
Other	233,250	(16,981)	216,269
Total	**15,321,712**	**(1,147,011)**	**14,174,701**

ANALYSIS OF ADVANCES PER CLASS – 2022 (P'000)-(AUDITED)	Amortised cost	Loss allowance	Total
Term loans	6,707,243	(364,822)	6,342,421
Instalment sales	1,709,983	(98,123)	1,611,860
Property loans	6,257,007	(358,690)	5,898,317
Overdraft and managed account	1,164,389	(175,603)	988,786
Other	257,464	(17,385)	240,079
Total	**16,096,086**	**(1,014,623)**	**15,081,463**

*The table below shows the impact of the marketable advances reclassification:

P'000	Amortised cost	Reclass	Amortised cost restated	Loss allowance	Total
Term loans	6,100,305	181,088	6,281,393	(473,175)	5,808,218
Instalment sales	1,778,841	-	1,778,841	(116,187)	1,662,654
Property loans	5,963,953	-	5,963,953	(361,814)	5,602,139
Overdraft and managed account	1,064,275	-	1,064,275	(178,854)	885,421
Other	233,250	-	233,250	(16,981)	216,269
Total	**15,140,624**	**181,088**	**15,321,712**	**(1,147,011)**	**14,174,701**

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

	Gross advances				Loss allowance			
(P'000) (AUDITED)	**STAGE 1**	**STAGE 2**	**STAGE 3**	**TOTAL**	**STAGE 1**	**STAGE 2**	**STAGE 3**	**TOTAL**
Amortised cost								
Amount as at 01 July 2021	12,401,432	1,377,901	1,084,645	14,863,978	172,922	294,161	754,868	1,221,951
Stage 2 to stage 1	298,101	(298,101)	-	-	10,627	(10,627)		-
Stage 3 to stage 1	3,989	-	(3,989)	-	2,219	-	(2,219)	-
Stage 3 to stage 2	-	66,512	(66,512)	-	-	21,162	(21,162)	-
Stage 1 to stage 2	271,365)	271,365	-	-	(2,208)	2,208	-	-
Stage 1 to stage 3	(32,485)	-	32,485	-	(351)	-	351	-
Stage 2 to stage 3	-	(61,990)	61,990	-	-	(10,536)	10,536	-
Opening balance after transfers	**12,399,672**	**1,355,687**	**1,108,619**	**14,863,978**	**183,209**	**296,368**	**742,374**	**1,221,951**
Net movement current year	**570,280**	**102,241**	**17,065**	**689,586**	**3,399**	**20,161**	**107,551**	**131,111**
Attributable to change in measure-ment period	-	14,349	-	14,349	-	2,198	-	2,198
Attributable to change in risk parameters	-	-	-	-	(16,443)	(18,765)	103,879	68,671
Change due to new business net of attrition	570,280	87,892	17,065	675,237	19,842	36,728	3,672	60,242
Bad debts written off	-	-	(231,852)	(231,852)	-	-	(231,852)	(231,852)
Net interest suspended/released	-	-	-	-	-	-	25,801	25,801
Amount as at 31 December 2021	**12,969,952**	**1,457,928**	**893,832**	**15,321,712**	**186,608**	**316,529**	**643,874**	**1,147,011**

(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 2021	12,619,678	1,377,611	1,084,645	15,081,934	172,921	294,162	754,868	1,221,951
Stage 2 to stage 1	370,347	(370,347)	-	-	24,435	(24,435)	-	-
Stage 3 to stage 1	25,569	-	(25,569)	-	9,020	-	(9,020)	-
Stage 3 to stage 2	-	56,055	(56,055)	-	-	17,205	(17,206)	(1)
Stage 1 to stage 2	(709,318)	709,318	-	-	(34,423)	34,423	-	-
Stage 1 to stage 3	(85,722)	-	85,722	-	(869)	-	869	-
Stage 2 to stage 3	-	(64,008)	64,008	-	-	(10,085)	10,085	-
Opening balance after transfers	**12,220,554**	**1,708,629**	**1,152,751**	**15,081,934**	**171,084**	**311,270**	**739,596**	**1,221,950**
Net movement current year	**1,426,865**	**(62,240)**	**13,502**	**1,378,127**	**(3,448)**	**(73,364)**	**186,047**	**109,235**
Attributable to change in measurement period	-	(37,249)	-	(37,249)	-	17,430	-	17,430
Attributable to change in risk parameters	-	-	-	-	(36,787)	(115,895)	166,276	13,594
Change due to new business net of attrition	1,426,865	(24,991)	13,502	1,415,376	33,339	25,101	19,771	78,211
Bad debts written off	-	-	(363,975)	(363,975)	-	-	(363,975)	(363,975)
Net interest suspended/released	-	-	-	-	-	-	47,413	47,413
Amount as at 30 June 2022	**13,647,419**	**1,646,389**	**802,278**	**16,096,086**	**167,636**	**237,906**	**609,081**	**1,014,623**

*The table below shows the impact of the marketable advances reclassification:

UNAUDITED (P'000)	Gross advances STAGE 1	STAGE 2	STAGE 3	TOTAL	Loss allowance STAGE 1	STAGE 2	STAGE 3	TOTAL
Amount as at 31 December 2021	12,788,864	1,457,928	893,832	15,140,624	186,608	316,529	643,874	1,147,011
Reclass	181,088	-	-	-	-	-	-	-
Amount as at 31 December 2021 restated	12,969,952	1,457,928	893,832	15,321,712	186,608	316,529	643,874	1,147,011

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

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 behaviour 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 2022 ECL computation

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

The economic scenarios applied are described as follows:

Upside: The government successfully rolls out its Economic Recovery & Transformation Plan, leading to increased activity in sectors such as agriculture, manufacturing, and construction, which have traditionally had a low contribution to Botswana's economy. Global commodity prices rise significantly which boosts diamond and copper production and exports. Public sector stakeholders successfully implement the NDP11 framework which unlocks private investment in key sectors. Improved power and water supply facilitate greater economic activity. Tax revenues increase while the tax base also expands. Bank lending to households and businesses improves gradually given stable interest rates. More companies list on the Botswana's Stock Exchange as investment confidence picks up. Trading liquidity improves as a result. Private and public sector investment increases on the back of greater policy certainty. Global inflation trends lower as supply side pressures dissipate and stronger than expected global growth.

Baseline: The disruptions caused by the war between Russia and Ukraine, along with the sanctions imposed on Russia, pose upside risks to local price growth. Headline inflation from 2023 onwards to receive upside pressure owing to the anticipated increase in administered prices, with the Botswana Power Corporation, Water Utilities Corporation and Botswana Housing Corporation all expected to increase their tariffs in the next fiscal year. As a result of these factors, coupled with the expectation of local food prices continuing to tick up because of import substitution policies, inflation expected to average 12.5% in 2022. The BoB is expected to resume hiking in 2023 by an additional 250bps worth of hikes as inflation remains elevated, along with increased capital inflows owing to the anticipated changes to Botswana's pension fund regulations. The pension fund regulation changes will see asset managers being required to invest a minimum of 50% of assets under management in the domestic market, from the current 30% minimum requirement. Growth expectations have been marginally adjusted upwards over the forecast period, supported by a better-than-expected performance of the mining sector over the first half of 2022, along with the expectation of increased copper mining activity. The budget deficit is expected to be financed through a combination of domestic and external borrowing over the medium term

Downside: The war in Ukraine continues to damage global supply chains, creating global shortage of commodities, with high inflation globally. Faster-than-expected global monetary tightening negatively impacting prospects for global growth and diamond demand, and a move by major jewellers to using lab-grown diamonds could limit Botswana's ability to sell its extracted stones. 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 ZAR depreciates sharply against the USD in response to a marked fall in the appetite for emerging market assets. BWP/ZAR increases sharply as a result. Global inflation lifts further due to supply side pressures. Global central banks tighten monetary conditions to address inflation and financial conditions tighten.

FLIs: Applied in ECL Models as at 31 December 2022

GDP Per Annum	Upside	Baseline	Downside
2023	7	3.9	1.4
2024	7.4	4.1	1.1
2025	7.5	4.2	1
Weighting	**15%**	**65%**	**19%**

FLIs: Applied in ECL Models as at 31 December 2022

Monetary Policy Rate (Period-end)	Upside	Baseline	Downside
2023	5.6	5.2	10.9
2024	5.6	5.2	10.9
2025	5.6	5.2	10.9
Weighting	**15%**	**65%**	**19%**

FLIs: Applied in ECL Models as at 31 December 2021

GDP Per Annum	Upside	Baseline	Downside
2021	6	3.7	2
2022	7	4.3	0.7
2023	7.5	3.9	0.2
Weighting	**19%**	**66%**	**15%**

FLIs: Applied in ECL Models as at 31 December 2021

Monetary Policy Rate (Period-end)	Upside	Baseline	Downside
2021	3.8	3.8	3.8
2022	3.3	3.8	5.5
2023	3.0	4.3	4.3
Weighting	**19%**	**66%**	**15%**

FLIs: Applied in ECL Models as at 30 June 2022

GDP Per Annum	Upside	Baseline	Downside
2022	5.25	3.7	0.9
2023	5.45	3.9	0.55
2024	5.5	4	0.4
Weighting	**15%**	**66%**	**19%**

FLIs: Applied in ECL Models as at 30 June 2022

Monetary Policy Rate (period-end) Per Annum	Upside	Baseline	Downside
2022	3.8	3.8	3.8
2023	1.7	1.7	1.7
2024	1.7	2.3	3.3
Weighting	**15%**	**66%**	**19%**

Fair Value Financial Instruments

Fair value hierarchy and measurements

The bank has established control frameworks and processes at an operating business level to independently validate its valuation techniques and inputs used to determine its fair value measurements. At an operating business level, valuation specialists are responsible for the selection and implementation of the valuation techniques used to determine fair value measurements, as well as any changes required. Valuation committees comprising representatives from key management have been established within each operating business and at an overall bank level. They are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval at an operating business level by the required valuation specialists, valuation committees and relevant risk committees annually, or more frequently if considered appropriate.

Valuations based on observable inputs include:

Level 1
This category includes listed bonds and equity, exchange-traded derivatives, exchange-traded commodities and short trading positions.

Level 2
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
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.

The below table provides insight into valuation inputs and techniques of level 2 and level 3 fair value instruments.

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					
Forward rate agreements, forwards and swaps	Level 2	Discounted cash flow	Future cash flows are projected using a related forecasting curve or referencing a traded future contract price and then discounted using a market-related discounting curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates, future contract prices, credit, and currency basis curves and spot prices	Not applicable
Options and equity derivatives	Level 2	Option pricing and industry standard models	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 to match the appropriate risk profile.	Strike price of the option, market-related discount rate spot or forward rate, the volatility of the underlying, dividends and listed share prices	Not applicable
Loans and advances to customers					
- Corporate investment banking book held at fair value	Level 3	Discounted cash flows	The future cashflows are discounted using a market related interest rate. To calculate the fair value of loan book the Group uses a valuation methodology based on the credit spread matrix, which considers loss given default and the internal credit committee rating criteria. The fair value measurement includes the original credit spread and is repriced when there is a change in rating of the counterparty. A decline in credit rating would result in an increase in the spread above the base rate for discounting purposes and consequently a reduction of the fair value of the advance.	Market interest rates and curves	Credit inputs- market related interest rates.

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of Level 3 items
Loans and advances to customers					
- 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. Level 1). However, if the market is not active and the listed price is not representative of fair value these are classified as Level 2 and a valuation technique is used, for example the discounted cashflow is used for listed bonds. This will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. The future cashflows are discounted using a market related interest rate adjusted for credit inputs over the contractual period.	Market interest rates and credit spreads	Not applicable

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of Level 3 items
Investment securities and other investments					
Unlisted bonds, bonds listed in an inactive market or negotiable certificates of deposit (NCD)	Level 2	Discounted cash flows	Future cash flows are discounted using a market-related interest rate adjusted for credit inputs over the contractual period. Where the valuation technique incorporates observable inputs for credit risk or the credit risk is an insignificant input, level 2 of the fair value hierarchy is deemed appropriate. Where the valuation technique incorporates significant inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Market interest rates, credit inputs 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	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	Level 2	Bank of Botswana quoted prices	The future cash flows are discounted using a market related interest rate.	Market interest rates and curves	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

FAIR VALUE OF FINANCIAL INSTRUMENTS

The following represents the fair values of financial instruments carried at amortised cost on the consolidated summarised statements of financial position.

(P'000)	Level 1	Level 2	Level 3	Fair value	Amortised cost
Unaudited December 2022					
Advances	-	-	16,069,948	16,069,948	15,885,592
Investment securities	5,309,341	-	-	5,309,341	5,569,615
Due from related parties	-	-	6,669	6,669	6,669
Other assets	-	-	441,262	441,262	441,262
Total financial assets at amortised cost	**5,309,341**	**-**	**16,517,879**	**21,827,220**	**21,903,138**
Deposits and current accounts	-	21,807,187	-	21,807,187	21,617,061
Long-term borrowings	-	959,672	-	959,672	951,305
Due to related parties	-	-	25,704	25,704	25,704
Accrued interest payable	-	41,731	-	41,731	41,731
Creditors and accruals	-	626,052	-	626,052	626,052
Total financial liabilities at amortised cost	**-**	**23,434,642**	**25,704**	**23,460,346**	**23,261,853**

(P'000)	Level 1	Level 2	Level 3	Fair value	Amortised cost
Unaudited December 2021					
Advances	-	181,088	14,043,247	14,224,335	14,174,701
Investment securities	5,145,479	-	-	5,145,479	5,323,747
Other assets	-	-	613,515	613,515	613,515
Total financial assets at amortised cost	**5,145,479**	**181,088**	**14,656,762**	**19,983,329**	**20,111,963**
Deposits	-	20,376,285	-	20,376,285	20,372,057
Long term borrowings	-	1,393,623	-	1,393,623	1,366,759
Accrued interest payable	-	19,270	-	19,270	19,270
Creditors and accruals	-	675,757	-	675,757	675,757
Due to related parties	-	-	20,645	20,645	20,645
Total financial liabilities at amortised cost	**-**	**22,464,935**	**20,645**	**22,485 580**	**22,454,488**

(P'000)	Level 1	Level 2	Level 3	Fair value	Amortised cost
Audited June 2022					
Advances	-	-	15,219,501	15,219,501	15,081,463
Investment securities	5,135,504	-	-	5,135,504	5,312,010
Due from related parties	-	-	6,563	6,563	6,563
Other assets	-	-	328,706	328,706	328,706
Total financial assets at amortised cost	**5,135,504**	**-**	**15,554,770**	**20,690,274**	**20,728,742**
Deposits and current accounts	-	21,460,122	-	21,460,122	21,347,612
Long-term borrowings	-	1,184,053	-	1,184,053	1,154,987
Due to related parties	-	-	24,775	24,775	24,775
Accrued interest payable	-	21,739	-	21,739	21,739
Creditors and accruals	-	584,531	-	584,531	584,531
Total financial liabilities at amortised cost	**-**	**23,250,445**	**24,775**	**23,275,220**	**23,133,644**

The following represents the fair values of financial instruments carried at fair value on the consolidated summarised statement of financial position.

(P'000)	Level 1	Level 2	Level 3	Total
Unaudited December 2022				
Financial assets at fair value through profit and loss				
Investments securities	-	42,277	-	42,277
Derivative financial instruments	-	46,708	-	46,708
Total financial assets at fair value	**-**	**88,985**	**-**	**88,985**
Financial liabilities held for trading				
Derivative financial instruments	-	28,090	-	28,090
Mandatory at fair value through profit or loss				
Zero coupon deposit	-	176,590	-	176,590
Total financial liabilities at fair value	**-**	**204,680**	**-**	**204,680**

Unaudited December 2021	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Investments securities	-	43,628	-	43,628
Derivative financial instruments	-	36,829	-	36,829
Total financial assets at fair value	**-**	**80,457**		**80,457**
Financial liabilities held for trading				
Derivative financial instruments	-	19,270	-	19,270
Mandatory at fair value through profit or loss				
Zero coupon deposit	-	171,673		171,673
Total financial liabilities at fair value	**-**	**190,943**	**-**	**190,943**

(P'000)-(Audited)				
Audited June 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit and loss				
- Investments securities	-	42,585	-	42,585
- Derivative financial instruments	-	41,114	-	41,114
Total financial assets at fair value	**-**	**83,699**	**-**	**83,699**
Financial liabilities held for trading				
- Derivative financial instruments	-	28,632	-	28,632
Mandatory at fair value through profit or loss				
- Zero coupon deposit	-	174,467	-	174,467
Total liabilities	**-**	**203,099**	**-**	**203,099**

RELATED PARTY BALANCES (P'000)	As at 31 December 2022	As at 31 December 2021
Due from related parties:		
FirstRand Limited - South Africa	3,761,811	2,866,379
First National Bank Holdings (Botswana) Limited	6,369	9,523
	3,768,180	**2,875,902**
Less money at call and short notice:		
FirstRand Limited – call balances	(215,769)	(56,712)
FirstRand Limited – nostro balances	(3,545,742)	(2,805,313)
Net	**6,669**	**13,877**
Due to related companies -current liabilities:		
FirstRand Limited	25,704	20,645
	25,704	**20,645**

RELATED PARTY TRANSACTIONS (P'000)	As at 31 December 2022	As at 31 December 2021
Interest Income		
FirstRand Limited – South Africa*	66,763	20,061
Interest expenditure		
FirstRand Limited – South Africa	18,998	7,459
Operating expenses		
Service Fees - FirstRand Limited	145,628	126,851
Compensation paid to key management personnel:		
Share-based payments	1,617	1,896
Short term employee benefits	9,270	12,073
Total short term benefits	**10,887**	**13,969**
Post-employment benefits: Pension	251	419
Advances:		
Personal loans	267	500
Overdrafts	486	-
Credit card	391	321
Instalment finance	83	958
Property loans	8,426	14,548
Total advances	**9,653**	**16,327**
Interest rates are in line with normal rates charged to customers or staff rates in line with company policy. For all the above facilities, normal credit checks are performed. Personal loans are repayable between 5 - 6 years. Property loans and instalment finance loans are repayable monthly over 20 years, and 6 years respectively. Property loans are collaterised by properties with a total fair value of P13 510 000 (2021: P28 360 000). Personal loans, overdrafts and credit card balances are unsecured.		

*The prior year interest income balances with FirstRand Bank Limited were erroneously disclosed as P12 602 000 as opposed to P20 061 000.

The following represents the fair values of financial instruments carried at fair value on the consolidated summarised statement of financial position.				
RELATED PARTY (FIRSTRAND BANK LIMITED) DERIVATIVES P'000	**Asset**		**Liability**	
Unaudited as at December 2022	**Notional**	**Fair Value**	**Notional**	**Fair Value**
Trading derivatives	105,134	395	19,088	-
Interest rate swaps	107,874	8,051	251,294	21,549
Currency swaps	248,585	5,987	187,270	2,899
	461,593	**14,433**	**457,651**	**24,447**
Unaudited as at December 2021				
Trading derivatives	117,752	281	57,916	313
Interest rate swaps	324,748	22,014	34,420	6,330
Currency options	10,265	44	-	-
Currency swaps	373,615	5,937	1,845	44
	826,380	**28,276**	**94,181**	**6,687**

RELATED PARTY (FIRSTRAND BANK LIMITED) DERIVATIVES P'000	**Notional P '000**	**Fair Value P '000**	**Notional P '000**	**Fair Value P '000**
Audited as at June 2022				
Trading derivatives	104,049	620	240,843	7,516
Interest rate swaps	324,748	23,157	34,420	2,005
Currency swaps	211,107	11,102	-	-
	639,904	**34,879**	**275,263**	**9,521**

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 Risk Officer Chief Operating Officer Chief Financial Officer Director of Human Resources Treasurer Director of Credit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First National Bank Botswana Limited. Registration Number BW00000790476

DIRECTORS:

Balisi Bonyongo (Chairperson), Steven L. Bogatsu (CEO - Executive Director)
Jabulani R. Khethe (Independent Non - Executive Director), John K. Macaskill (Non - Executive Director)
Doreen Ncube (Independent Non - Executive Director), Michael W. Ward (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), Luke D. Woodford (CFO - Executive Director)

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MARKETING & COMMUNICATIONS

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