

# Unaudited Half Year Results 2005

## Income Statement

For the six month period ended 30th June 2005

	UNAUDITED Six months ending 30 June 2005 P'000	% Change prior period	UNAUDITED Six months ending 30 June 2004 P'000	AUDITED Year ended 31 Dec 2004 P'000
Interest income	363,849		350,606	683,975
Interest expense	(179,564)		(177,872)	(335,355)
<b>Net interest income</b>	<b>184,285</b>	<b>7%</b>	<b>172,734</b>	<b>348,620</b>
Net fee and commission Income	63,384		58,835	122,702
Net income from foreign exchange activities	31,551		23,939	44,576
Other operating income	249		326	2,894
<b>Total operating income</b>	<b>279,469</b>	<b>9%</b>	<b>255,834</b>	<b>518,792</b>
Staff expenses	(52,917)		(49,929)	(122,953)
Other operating expenses	(81,522)		(87,532)	(155,747)
Impairment (loss)/gain on loans and advances	(2,335)		(11,302)	2,593
<b>Operating profit</b>	<b>142,695</b>	<b>33%</b>	<b>107,071</b>	<b>242,685</b>
Share of results of associate	(1,331)		-	(2,075)
<b>Profit before income tax</b>	<b>141,364</b>	<b>32%</b>	<b>107,071</b>	<b>240,610</b>
Tax	(26,237)		(16,392)	(37,744)
<b>Profit after income tax</b>	<b>115,127</b>	<b>27%</b>	<b>90,679</b>	<b>202,866</b>
<b>Basic earnings per share (thebe)</b>	<b>67.5</b>		<b>53.2</b>	<b>119.0</b>
<b>Interim dividend proposed (thebe)</b>	<b>46.0</b>		<b>41.0</b>	<b>42.0</b>

## Balance Sheet

as at 30th June 2005

<b>ASSETS</b>				
Cash	85,789		104,056	147,189
Balances with the Central Bank	81,261		250,248	106,730
Balances with other banks	111,706		585,323	203,906
Bank of Botswana Certificates	2,046,108		970,968	842,281
Other assets	236,443		251,356	115,230
Loans and advances to customers	2,760,853		2,805,009	2,853,381
Tax	-		32,972	6,926
Related companies				
Investment in associate company	-		3,546	1,331
Balances with related companies	1,015,381		424,922	660,840
Other investments and market placements	20,626		48,940	143,606
Property, plant and equipment	96,505		88,483	98,714
Retirement benefit asset	60,788		62,585	59,366
<b>Total assets</b>	<b>6,515,460</b>	<b>16%</b>	<b>5,628,408</b>	<b>5,239,500</b>
<b>LIABILITIES</b>				
Amounts due to depositors	4,899,597		4,833,989	4,093,618
Dividends payable	-		-	34,087
Deposits from other banks	250,270		15,204	200,557
Other liabilities	267,209		225,683	186,773
Tax	5,849		-	-
Deferred tax	32,622		16,570	27,322
Balances with related companies	332,838		3,775	13,497
Medium term notes	212,918		63,750	215,004
Floating rate notes	102,365		100,000	101,523
<b>Total liabilities</b>	<b>6,103,668</b>	<b>16%</b>	<b>5,258,971</b>	<b>4,872,381</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	8,522		8,522	8,522
Share premium	8,586		8,586	8,586
Reserves	394,684	<b>12%</b>	352,329	350,011
<b>Total shareholders' equity</b>	<b>411,792</b>	<b>11%</b>	<b>369,437</b>	<b>367,119</b>
<b>Total shareholders' equity and liabilities</b>	<b>6,515,460</b>	<b>16%</b>	<b>5,628,408</b>	<b>5,239,500</b>

Notes:

### 1. ACCOUNTING AND PROVISIONING POLICIES

During the period there have been no changes to the accounting and provisioning policies. The accounting and provisioning policies of the Bank which are set out in the last audited annual report for the period ended 31 December 2004 have been consistently applied. An IFRS revision project team is currently assessing the impact of the revised financial reporting results to be included in the year end.

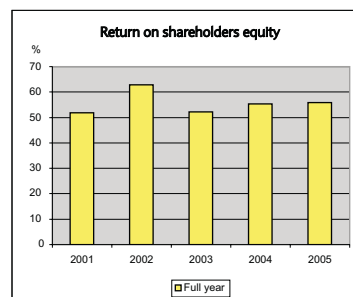
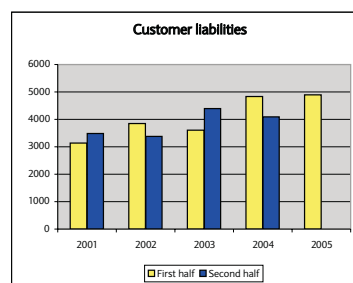
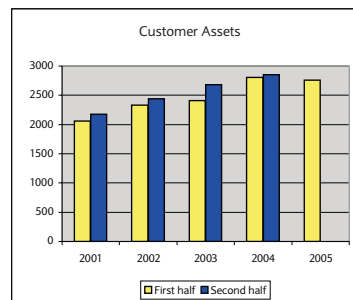
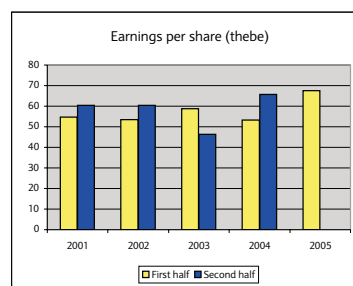
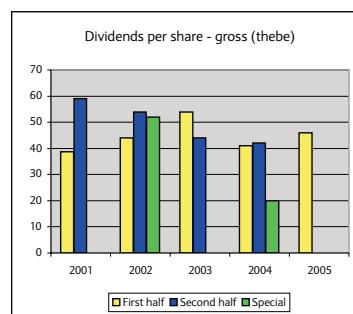
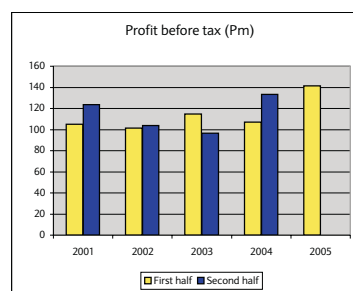
### 2. DECLARATION OF INTERIM DIVIDEND

Notice is hereby given that an interim dividend for the year 2005 amounting to 46.00 thebe gross per

ordinary share has been declared. This dividend will be payable on or about 9th September 2005 to those shareholders registered at the close of business on 2nd September 2005. In terms of the Republic of Botswana Income Tax Act (Cap 52.01), as amended, withholding tax at the rate of 15 percent will be deducted by the Bank from gross dividends.

### 3. PRIOR YEAR ADJUSTMENT

Comparatives are restated in the half year unaudited results to take into account the effects of prior adjustments reported on.



## Cash Flow Statement

For the six month period ended 30th June 2005

	UNAUDITED Six months ending 30 June 2005 P'000	UNAUDITED Six months ending 30 June 2004 P'000	AUDITED Year ended 31 Dec 2004 P'000
<b>Cash flows from operating activities</b>			
Interest receipts	365,312	354,965	692,100
Interest payments	(185,157)	(167,231)	(323,129)
Fee and commission receipts	94,935	82,774	167,278
Other income	249	326	2,894
Cash payments to employees and suppliers	(128,185)	(131,351)	(262,417)
Income taxes paid	(13,462)	(16,729)	(11,824)
Dividends paid	(104,543)	(74,990)	(144,867)
	<b>29,149</b>	<b>47,764</b>	<b>120,035</b>
<b>Cash flows from changes in operating assets and liabilities</b>			
(Decrease)/Increase in deposits	810,327	448,064	(316,002)
Increase in other liabilities	77,894	10,902	225
(Increase) / decrease in advances	104,150	(166,850)	(173,907)
(Increase) / decrease of statutory reserves held with Bank of Botswana	(12,996)	(129,462)	9,863
Increase in balances with related company balances	(35,200)	45,952	(180,244)
(Increase) / decrease in investments and market placings	125,865	(13,830)	(107,276)
(Increase) in other assets	(121,213)	(117,649)	(31,376)
<b>Net cash from operating activities</b>	<b>948,827</b>	<b>77,127</b>	<b>(798,717)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	(2,079)	(8,708)	(26,019)
Proceeds on sale of property and equipment	398	-	258
Decrease / (increase) in Bank of Botswana Certificates	(1,203,827)	25,627	170,853
<b>Net cash from investing activities</b>	<b>(1,205,508)</b>	<b>16,919</b>	<b>145,092</b>
<b>Cash flows from financing activities</b>			
Proceeds from medium term notes	(6,705)	63,750	211,111
Movement on floating rate notes	(3,347)	-	209
<b>Net cash from financing activities</b>	<b>(10,052)</b>	<b>63,750</b>	<b>211,320</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(237,584)</b>	<b>205,560</b>	<b>(322,270)</b>
Cash and cash equivalents - at the beginning of the period	146,344	468,614	468,614
Cash and cash equivalents - at the end of the period	<b>(91,240)</b>	<b>674,174</b>	<b>146,344</b>

## Statement of Changes in Equity

For the six month period ended 30th June 2005

	Share capital P'000	Share premium P'000	Share capital reserve P'000	General risk reserve P'000	Revaluation reserve P'000	Retained earnings P'000	Total P'000
Balance at 1st January 2005	8,522	8,586	2,060	21,631	15,979	310,341	367,119
Net income for the period	-	-	-	-	-	115,127	115,127
Dividends paid	-	-	-	-	-	(70,454)	(70,454)
Transfer to retained earnings	-	-	-	(2,261)	-	2,261	-
<b>Balance at 30th June 2005</b>	<b>8,522</b>	<b>8,586</b>	<b>2,060</b>	<b>19,370</b>	<b>15,979</b>	<b>357,275</b>	<b>411,792</b>

### COMMENTARY

We are delighted with what has overall been a great first half compared to the previous year. Under very tough trading conditions we have been able to improve income as well as cost performance. We are confident that measures currently in place will result in a good second half performance.

Profit before tax increased by 32 per cent in the first half and this was driven by very strong

performance in non-interest income and increased focus on cost containment. A reduction in impairment charges over the prior year has also helped contribute to this strong set of first half results.

We opened a new call centre in the first half of 2005 as part of our strategic drive to concentrate on customer service. A new call centre will ensure customer queries can be resolved quickly and will also act as another channel for customer product information.

We have almost completed our refurbishment and rebranding exercise to ensure that our customers are served in world-class facilities. A new premier centre was opened in Gaborone to enhance our affluent customer segment.

The bank continues to be a leader in community investment through its "miles ahead" initiative. Our staff play an active role in our community through employee initiatives.