



Directors' Report

The Directors have pleasure in submitting their report together with the annual financial statements of First National Bank of Botswana Limited (the Company) and the consolidated annual financial statements of the Company and its subsidiaries (the FNBB Group) for the year ended 30 June 2007.

Nature of business

The Company is a licensed financial institution which offers a wide range of banking and related services through its branches, divisions, automated teller machines, electronic banking and point of sale machines in Botswana. The Company has six subsidiary companies comprising three property owning companies, a group loan scheme company, an insurance agency and an insurance premium finance company. The properties owned by the subsidiaries are used primarily for branch and office accommodation and staff housing. Premium Credit Botswana (Pty) Limited ceased operations in 2002 and is awaiting de-registration. Insurance premium financing is carried out through a division of the Company.

With effect from 1 July 2004, First Funding (Pty) Limited ceased to operate as a separate company and is also awaiting de-registration. Micro lending financing is carried out through a division of the Company.

With effect from 1 July 2007, the properties owned by Financial Services Properties (Pty) Limited, and Plot Four Nine Seven Two (Pty) Limited will be transferred to the holding company. These two property companies will become dormant and will be de-registered in due course.

Trading results

The consolidated income after tax attributable to ordinary shareholders of P309.8 million (2006: P253.2 million) increased by 22.4 percent compared to the results for the year to 30 June 2006. The principal contributors to income are interest income derived from advances, instalment credit, and Bank of Botswana Certificates, and non-interest income from the branch network and treasury and international trade services.

Share capital

At an extraordinary General Meeting held on 13 June 2007, a special resolution was passed in terms of which the authorised and issued ordinary share Capital of the Company was sub-divided by a factor of 10, from ordinary shares with a par value of 10 thebe each to ordinary shares with a par value of 1 thebe each.

Consequently, the authorised share capital now consists of 3,000,000,000 ordinary shares with a par value of 1 thebe each, and the issued share capital consists of 2,563,700,000 ordinary shares, of which First National Bank Holdings (Botswana) Limited holds 1,780 590,000 shares (70%), and the balance is traded on the Botswana Stock Exchange.

With effect from 1 July a new Companies Act has been promulgated, and as a result, the par value of shares falls away.

Directors' Interests

The aggregate number of First National Bank of Botswana Limited shares held directly or indirectly by Directors of the Company amounts to 733,100 (2006: 648,000), which represents approximately 0.029% (2006: 0.025%) of the issued share capital of the Company.



Group Annual Financial Statements for the year ended 30 June 2007

Directors' Report (continued)

Dividends

An interim dividend of 3.75 thebe (2006 - 2.50 thebe) has been paid during the year to holders of ordinary shares. The Directors propose a final dividend of 6.1 thebe per share (2006 - 5.0 thebe per share).

Directorate

The composition of the Board as at 30 June 2007 was as follows:

H.C.L. Hermans	Chairman
D. H. Zandamela	Chief Executive Officer
J.R. Khethe	
M.T. Lategan	
J.K. Macaskill	
A. L. Monchusi	(Appointed 3 August 2006)
J.T. Mynhardt	
M.T. Sekgororoane	
P.D. Shah	
S. Thapelo	
D.E. Wright	(Alternate to D.H. Zandamela)

Transfer Secretaries

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Auditors

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