Contents

A Brief History of FNBB

Established in Botswana in September 1991

1992

Took over the operations of BCCB which was under Bank of Botswana administration and operated 5 branches.

1993

FNB acquired Financial Services Company, a leasing and property finance company, obtained a listing on the Botswana Stock Exchange through this.

1994

FNB acquired Zimbank Limited.

2005 – 2008

Organic growth to a network of 16 branches in 9 major towns.

Total assets have increased from **P565 million** in September 1994 to **P11.5billion** in June 2008.

Board of Directors

Henry Christopher Lamb Hermans (Chairman)

Quill has a degree from Oxford University. He is a recipient of masters degrees from Oxford, Howard and Vanderbilt Universities. Quill has worked for Government in various capacities and more notably as the Governor of the Bank of Botswana, from 1975 to 1977 and again from 1987 till 1997. He is the recipient of the Presidential Order of Meritorious Service, conferred in 1971. Quill is also a Fellow and Honorary Life Member of Botswana Institute of Bankers in Botswana. Quill is the Chairman of the Board, a position he has held since 1997.

Danete Higgins Zandamela (CEO)

Danny holds a Banking diploma and has two mini-MBAs from Henley Management College and Wits University. He is a member of the Institute of Bankers in South Africa. He is an experienced banker who has been in the FNB Group for over 10 years in Senior Management positions. He has held the position of Regional Director of FNB Corporate and later at FNB Commercial Banking (RSA). Danny's previous position was that of Executive Director of FNB Commercial Banking and was responsible for the expansion and strategic development of this business unit into Africa and other Emerging Markets. Danny was appointed Chief Executive Officer of First National Bank of Botswana in January 2006.

Jabulani Richard Khethe

Jabu graduated in South Africa with a Bachelor of Commerce degree in Banking, and subsequently completed his Masters in Business Administration (MBA) with Bond University. He also holds a Marketing Management Diploma, and completed an Executive Management Development Programme in 2001 with GIBS Management College, South Africa and Harvard University. He has extensive banking, insurance and leadership experience with financial institutions in South Africa. Jabu is the Chief Executive Officer of FNB Africa, a division of First National Bank of South Africa (FNB), which is in turn a division of FirstRand Bank Ltd, South Africa.

John Kienzley Macaskill

John is a graduate of the University of Pretoria and UNISA. He has been with First National Bank since 1973 and has held various senior positions within the Group including positions in South Africa, London and Hong Kong. John was Managing Director of First National Bank of Botswana from 1996 till 2003. John is the Chief Investment Officer for FirstRand Africa and Emerging Markets.

Alex Letlhogonolo Monchusi

Alex graduated from the University of Central Lancashire in the UK with a Bachelor of Engineering degree as well as a MSc from the University of Glasgow in Scotland. Alex is a Chartered Engineer and has extensive engineering, management and business leadership experience working both locally and overseas in England and the USA. He is a director and co-owner of the firm of consulting engineers – Systems & Services Engineers (Pty) Ltd.

John Tobias Mynhardt

John has a Bachelor of Commerce degree from the University of Pretoria. He is a prominent businessman with operations in Botswana and the SADC region. He is Chairman of the Cash Bazaar Group of companies which includes a company listed on the Botswana Stock Exchange.

Myra Tshephonyane Sekgororoane

Myra has a Higher National Diploma in Hotel Management obtained in the Republic of Ireland. She previously worked in the Cresta Group from 1985 till 2000 when she left as the Managing Director of the Marakanelo Hotels. Myra is the Chief Executive Officer of Botswana Tourism Board and sits on several company Boards as well. She is Chairperson of the FNBB Foundation, the Bank's primary vehicle for social and community investment activities.

Premchand Shah

Prem is a Fellow of the Botswana Institute of Accountants, a Fellow of the Chartered Secretaries and Administrators in the UK. He has a BSc degree in Economics from the University of London. Prem has extensive experience in auditing, financial investigations, liquidations and company secretarial matters. Prem served with PricewaterhouseCoopers for over 38 years and was Senior Partner of the Botswana practice until his retirement in 2003. He is the chairman of the Audit Committee.

Peter David Stevenson

Peter is a Chartered Accountant and a Fellow member of the Botswana Institute of Accountants. He has extensive management, leadership, business and financial experience gained in 28 years service with the Barloworld Group in Botswana, Namibia and Zimbabwe. Peter was formerly the Group Managing Director of Barloworld

Sifelani Thapelo

Sifelani is a graduate of the University of Cambridge with a Master of Laws obtained in 1994, majoring in Corporate Law and Finance and Securities Regulations. He was a part time lecturer at the University of Botswana between 1992 and 1994. Sifelani is a senior partner in the legal firm of Thapelo Attorneys based in Francistown and is a member of the Cambridge Commonwealth Society, Alumni of the International Development Law Institute as well as being a Board member of several Boards.

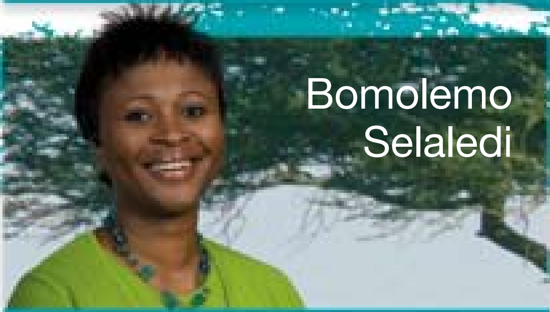
David Wright

Dave has been the Deputy Chief Executive Officer of FNB Botswana since 2003, and has been with FNB in South Africa since 1975. Dave has extensive experience in banking having served in various management positions within the FirstRand Group.

Group Executive Committee

David Wright
Deputy Chief Executive Officer

Steven Bogatsu
Chief Financial Officer



Bomolemo Selaledi
Head of Marketing & Communications

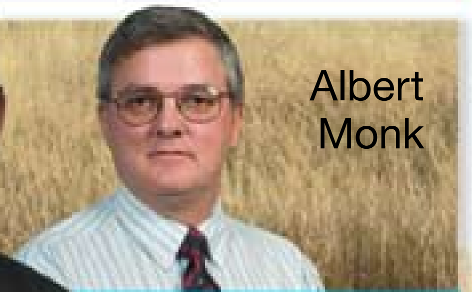
Darshini De Silva
Senior Compliance & Taxation Officer

Christo De Wet
Regional Manager, Wesbank

Cheryl Rabashwa
Head of Human Resources

Yolisa Phillips-Lejowa
Head of Electronic Banking

Tsholofelo Moyo
Senior Manager, Gaborone Industrial Branch



Albert Monk
Senior Manager, Banking Operations

Zukhie Ramahobo
Head of First Funding

Danete Zandamela
Chief Executive Officer

Head of Corporate Banking

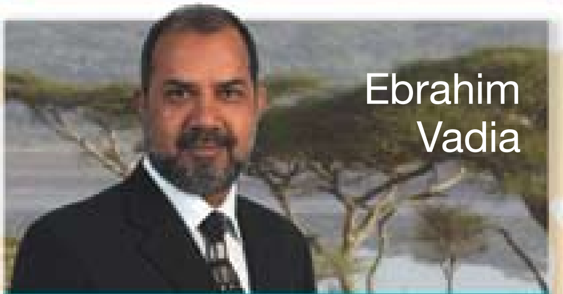
Treasurer

Head of Mining & Public Sector

Senior Manager, FirstCard Division

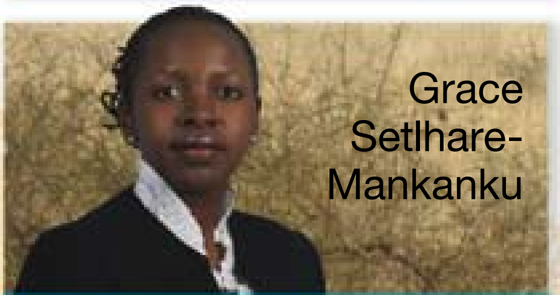
Senior Manager Systems, Technology & Projects

Senior Manager, New Business Development

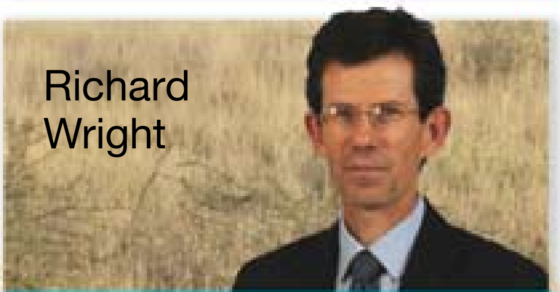


Senior Manager, Main Branch

Head of Property Finance Division



Deputy Head of Corporate Banking



Head of Credit

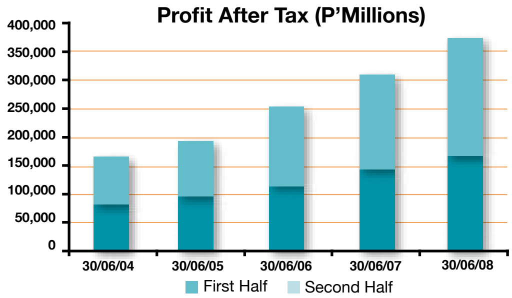
Financial highlights *for the year ended 30 June 2008*

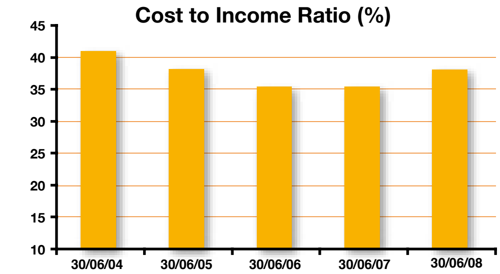
	% change	30 June 2008	30 June 2007
Number of shares in issue at year end		2,563,700,000	2,563,700,000
Number of shares outstanding (excluding treasury shares) at year end		2,543,700,000	2,543,700,000
Year end price per share (thebe)		240	375
Results (P'000)			
Net interest income	15.1	400,252	347,777
Profit before direct tax	22.8	442,866	360,676
Attributable earnings	20.7	374,027	309,847
Basic earnings per share (thebe)	20.7	14.7	12.2
Dividend per share (thebe)	(18.8)	8.0	9.9
Ratios			
Return on year end shareholders' funds (%)		56.1	55.4
Return on average assets (%)		4.0	4.0
Return on year end risk-weighted assets (%)		8.1	8.9
Cost to income		38.0	35.4
Earnings yield (%)		6.1	3.2
Price earnings		16.3	30.8
Dividend yield (%)		3.3	2.6
Dividend cover		1.8	1.2
Capital adequacy		15.1	15.4
Balance Sheet (P'000)			
Shareholders' equity	19.3	724,618	607,625
Total assets	37.5	11,482,162	8,353,070
Total loans and advances to customers	29.2	3,969,496	3,073,209
Total deposit and current accounts	40.8	10,090,115	7,168,685
Total risk-weighted assets (on-and off-balance sheet items)	32.1	4,605,619	3,486,183
Net asset value per share (thebe)	48.1	35.4	23.9
Major Shareholders at year end (number of shares)			
FIRST NATIONAL BANK HOLDINGS (BOTSWANA) LIMITED		1,780,590,000	1,780,590,000
STANBIC NOMINEES BOTSWANA (PTY) LIMITED RE:BIFM BPOPF		108,988,401	119,736,220
BARCLAYS BOTSWANA NOMINEES (PTY) LTD RE:IAM 030/14		90,310,976	105,339,240
STANBIC NOMINEES BOTSWANA (PTY) LIMITED RE:BIFM		79,903,214	95,764,570
BARCLAYS BANK NOMINEES [PTY] LTD RE: FAM 3582376		69,953,951	-
BARCLAYS BOTSWANA NOMINEES (PTY) LTD RE: RE:SSB 001/77		57,060,000	57,060,000
MOTOR VEHICLE ACCIDENT FUND		50,552,910	50,552,910
BARCLAYS BANK NOMINEES [PTY] LTD RE:SIMS 212/005		23,877,141	-
BARCLAYS BANK NOMINEES(PTY) LTD RE: SSB 001/1		22,271,459	30,928,200
STANBIC NOMINEES RE: AG BPOPF		21,467,276	-
FNBB EMPLOYEE SHARE PARTICIPATION SCHEME		20,000,000	20,000,000
BOTSWANA MEDICAL AID SOCIETY		16,598,000	16,598,000
BARCLAYS BOTSWANA NOMINEES (PTY) LTD RE:IAM 203/001		13,528,214	19,199,440
BARCLAYS BANK NOMINEES (PTY) LTD RE:FAM 3184508		12,623,246	-
BARCLAYS BANK NOMINEES (PTY) LTD RE: AG 211/002		12,040,581	13,651,820
STANBIC NOMINEES RE: BIFM BLAF		10,626,490	-
STANBIC NOMINEE RE:CF BPOPF		9,876,723	-
BARCLAYS BANK NOMINEES(PTY) LTD RE: 067/001		9,718,380	-
BARCLAYS BANK NOMINEES [PTY] LTD RE:FAM 201/010		9,218,949	-
STANBIC NOMINEES BOTSWANA (PTY) LIMITED RE:BIFM BPOPF		7,962,163	10,626,490
BARCLAYS BOTSWANA NOMINEES (PTY) LTD RE:IAM 030/030		7,157,345	8,485,040
BARCLAYS BOTSWANA NOMINEES (PTY) LTD RE:FAM BBB SPF		6,000,000	7,109,400
BOTSWANA PUBLIC OFFICERS STAFF PENSION FUND		-	-
BARCLAYS BOTSWANA NOMINEES (PTY) LTD RE: FAM BPOPF		-	65,314,470
STANBIC NOMINEES BOTSWANA (PTY) LIMITED RE:BPOPF		-	22,909,020
BARCLAYS BOTSWANA NOMINEES (PTY) LTD RE:FAM DPF		-	13,218,000
		2,440,325,419	2,437,082,820
Percent of total shares in issue		95.2	95.1

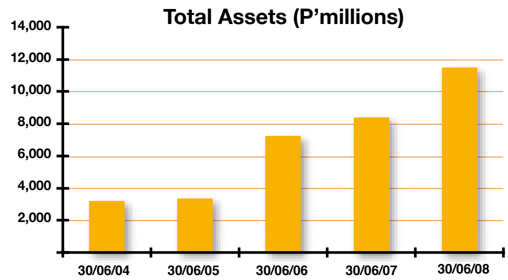
These financial statements are presented in Pula, the currency of Botswana.

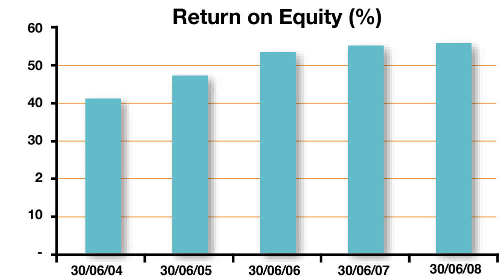
Key mid exchange rates:	30 June 2008	30 June 2007
US Dollar	0.1530	0.1613
Pound Sterling	13.0528	12.4185
SA Rand	1.2015	1.1428
Euro	10.3328	8.3833

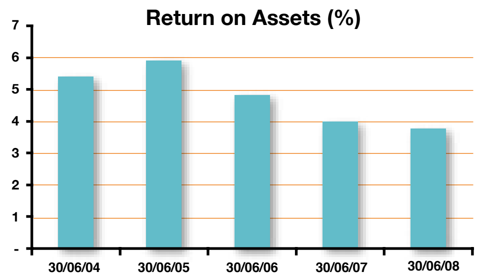
Financial highlights *for the year ended 30 June 2008*

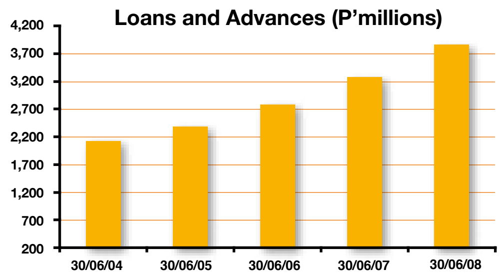


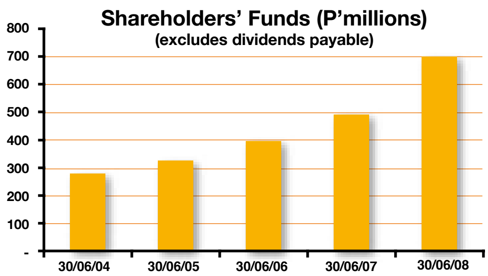


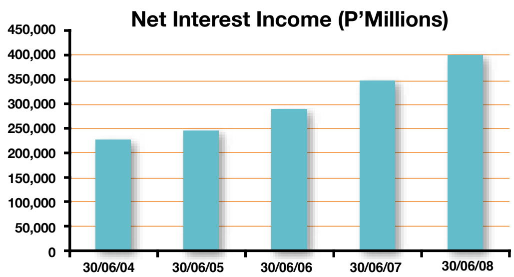


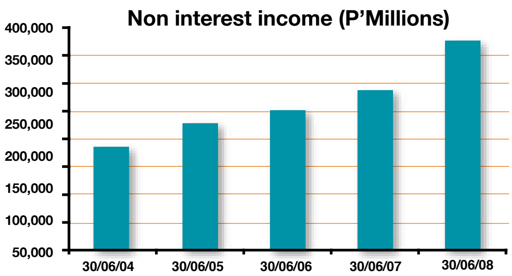


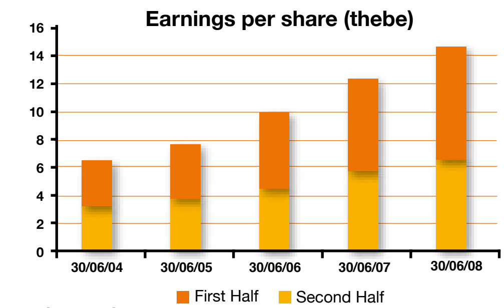


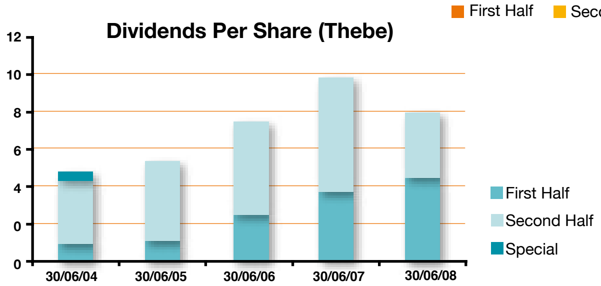












Corporate Governance

Attitude towards governance

First National Bank of Botswana is committed to the principles of transparency, accountability and integrity. The Board of Directors of First National Bank of Botswana recognise that, as the core of the corporate governance function, it is ultimately accountable and responsible for the performance and affairs of the company. The Directors are satisfied that in all material respects the company has adopted best corporate practices in the conduct of its business and has complied with the Botswana Stock Exchange code of Corporate Governance.

The core responsibility of the Directors is to exercise their business judgment to act in what they reasonably believe to be in the best interest of the Bank and its stakeholders. Directors need to fulfill their responsibilities consistently together with their fiduciary duty to all stakeholders, in compliance with applicable laws and regulations. The Board believes that good corporate governance is far more than a list of minimum requirements. It is a working system for principled goal setting, effective decision-making and appropriate ongoing monitoring of compliance and performance.

Directorate

The Bank's Articles of Association provides for a unitary Board of up to ten Directors. The current Board of Directors comprises ten Directors, of which nine are non-executive, and seven of whom are independent. The Chairman of the Board is an independent non-executive Director. The Directors bring together a wealth of experience from their own fields of business and ensure that debate on matters of strategy, policy, progress and performance is robust, informed and constructive.

The Board meets at least six times a year and is responsible for reviewing and guiding corporate strategy, major plans of action, risk policy and annual income and capital expenditure budgets, and monitoring corporate performance.

All directors have access to the advice and services of the Company Secretaries, who are responsible to the Board. The Company Secretaries must ensure that the Board follows procedures and the rules and regulations that apply. If there were any question of the Company Secretaries being removed from their duties, it would be a matter for the Board as a whole.

The Group's philosophy of leadership is based on the principle that the control of the Board and the executive management of the business are two separate and distinct roles. Accordingly, there is a clear division of responsibility between the role of the Chairman of the Board and the Chief Executive Officer.

All non-executive Directors are subject to retirement by rotation and re-election by shareholders periodically in accordance with the Bank's Articles of Association. The appointment of any new directors requires the approval of the Board as a whole, and is also subject to satisfaction of the requirements of the Botswana Banking Act of 1995. When appointing Directors the Board takes cognisance of its needs in terms of different skills, experience and demographics in order to optimise Board effectiveness. The Board does not believe that it should limit the number of years that a person serves as a Director. Directors who have served on the Board for an extended period are able to provide valuable insight on issues based on their understanding of the Group's history, policies and objectives.

Financial statements

The Directors are responsible for monitoring the preparation of and the approval of the financial statements to ensure that they fairly present the Group and Company's affairs for the financial year under review. The external auditors are responsible for independently auditing and reporting on these financial statements. The financial statements set out in this report, have been prepared by management in accordance with International Financial Reporting Standards, and in compliance with the Companies Act 2003. The financial statements are based on appropriate accounting policies, which have been consistently applied, except as indicated, and which are supported by reasonable and prudent judgment and estimates.

Board governance

The Board holds at least six scheduled meetings per year. The Board's responsibilities include:

- Ensuring that the Group adopts a process of good corporate governance;
- Approving the strategic direction of the Group and the budgets necessary for the implementation thereof;
- Monitoring the performance of the Group against set objectives; and

- Ensuring that risk management processes, internal controls and business management and decision support systems are appropriate to achieve the Group's objectives.

Board committees

To assist the Board in discharging its responsibility for corporate governance, a number of Board committees have been established. Board committees have specific terms of reference and are accountable to the Board.

Remuneration committee

The remuneration committee is chaired by a non-executive Director and approves the remuneration of executives and employees of the Bank as well as being responsible for the policy of the Bank's Employee Share Participation Scheme. The Bank seeks to provide rewards and incentives for the remuneration of its employees that reflect levels of performance. Independent external studies and comparisons are used to ensure that employees are fairly rewarded.

Audit committee

The Board appoints a minimum of two members, who are Directors without any executive responsibility, to the audit committee. There are currently four non-executive Directors on the committee, one of whom is the chairperson of the committee. The audit committee has written terms of reference that have been approved by the Board. The external and internal auditors have free access to the chairman of the committee. Meetings are held at least three times a year. The function of the committee is to assist the Board in discharging its duties under the Companies Act, Banking Act and common law. In particular, it monitors financial controls, accounting systems and shareholder reporting. It also assesses the management of financial risks.

The Banking Act imposes additional responsibilities on the Board of the operating company. This is especially true with regard to annual reporting on the functioning of the Bank's system of internal controls and its continuing viability as a going concern.

Senior Credit Risk committee

The committee comprises senior Bank officials, the Chief Executive Officer and Deputy Chief Executive Officer as well as two non-executive Board members. It meets regularly to approve requests for credit facilities falling outside the limit of the various established management risk committees. Facilities agreed by the committee are also tabled at Board meetings for approval.

Executive committee

This committee comprises executive Directors and Senior Management and is involved in formulating the strategic positioning of the Bank. This committee also reviews special projects which ensure that the Bank positions itself to meet the challenges of the changes taking place in the financial services sector.

Directors' Affairs and Governance committee

The committee is made up of four non-executive directors and is charged with determining and evaluating the adequacy, efficiency and appropriateness of the Bank's corporate governance structures and practices. The committee regularly reviews the existing Board committees and charters and makes recommendations to the Board on changes required.

FNB Botswana Foundation Trust

The foundation is a trust established for the purpose of aiding education, arts and culture, sports and recreation, social and welfare development in Botswana by identifying beneficiaries who or which are in need and deserving of assistance in kind, whether by way of erection or establishment of facilities and amenities, provision of necessary working assets, or in cash for a particular purpose or working capital and utilising the Trust Fund to achieve the purpose. This sub committee of the Board is chaired by a non-executive Director, and is made up of external trustees as well as Bank officials.

Internal audit

The Bank's internal audit function performs an independent appraisal function with the full co-operation of the Board and Management. Its objective is to assist members of Executive Management in the effective discharge of their responsibilities through an examination and evaluation of the Bank's activities, resultant business risks and systems of internal control. By virtue of its mandate, any material control weaknesses that are identified are brought to the attention of Management and the Audit Committee for consideration and remedial action.

Nothing has come to the attention of the Directors or to the attention of the Internal Auditors to indicate that any material breakdown in the functioning of the above mentioned internal controls and systems has occurred during the year under review.

Internal control

Internal control comprises methods and procedures designed and implemented by Management to assist in achieving the objectives of safeguarding assets, detecting and preventing fraud and error, ensuring the accuracy and completeness of accounting records and the timely preparation of reliable financial information.

To ensure the accuracy and integrity of the financial statements, the Directors and Management are responsible for the implementation of an adequate system of internal control. Such a system reduces, but cannot eliminate, the possibility of fraud and error. Stakeholders rely on the information contained in the financial statements. The shareholders, depositors, creditor Banks and regulatory authorities have a vested interest in the accuracy and integrity of the financial statements in order to establish and manage the risks emanating from the activities of the company.

To fulfill its responsibilities, Management maintains adequate accounting records and has developed, and continues to maintain, a system of internal controls. The Directors report that the company's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial statements.

These internal controls adequately safeguard, verify and maintain accountability of assets. In addition, these controls are based on established written policies and procedures and are implemented by trained, skilled personnel with an appropriate segregation of duties.

To ensure that the Bank's business practices are conducted in a manner that is in all reasonable circumstances above reproach, all employees are required to maintain the highest ethical standards.

Nothing has come to the attention of the Bank's directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

Regulatory environment

The Banking Supervision Department of the Bank of Botswana strives to promote the soundness of Banks through effective supervision. In doing so, it contributes towards a stable and efficient payments and Banking system. The supervisory environment promotes sound risk management in banks, together with sound corporate governance, transparency and full disclosure.

Compliance function

The introduction and promulgation of new legislation and ongoing changes to existing legislation, has placed greater emphasis on the legal and regulatory compliance function.

First National Bank of Botswana recognises its accountability and responsibilities of all stakeholders under the legal, regulatory and supervisory requirements applicable to our business and is committed to a positive compliance structure. The Board of Directors of FNBB regards compliance as a matter of high priority and is ultimately accountable to its stakeholders for overseeing compliance requirements.

2008 BOARD ATTENDANCE REGISTER

	Board Meetings	Audit Committee	Main Board	Directors Affairs	Credit Committee	Remco	Audit Committee	Total
H C L Hermans	9/9	4/4	207,885	33,013	106,075	42,725	68,700	458,398
D Zandamela*	9/9	4/4	0	0	0	0	0	0
J R Khethe**	9/9		0	0	0	0	0	0
J K Macaskill**	9/9	4/4	0	0	0	0	0	0
A L Monchusi	9/9		137,400	34,350	0	0	0	171,750
J T Mynhardt	6/9		120,225	0	0	0	0	120,225
M Sekgororoane	5/9		108,188	0	0	0	0	108,188
P D Shah	9/9	4/4	167,745	8,925	77,625	17,175	79,845	351,315
PD Stevenson	1/1	1/1	17,850	0	0	0	17,850	35,700
S Thapelo	9/9		137,400	34,350	0	0	0	171,750
			896,693	110,638	183,700	59,900	166,395	1,417,326

* Executive Management ** Holding Company representative

Enterprise Risk Management

One of the biggest challenges facing bank supervisors worldwide is the growing internationalisation of banking groups. The structure of financial groups should be transparent and conducive to risk management and supervision from a group perspective. The Board of Directors and Bank Management team have the key responsibility for the management of this risk.

The minimum standards set by the Basel Committee on Banking Supervision are that:

- all international banking groups should be supervised by a home-country authority that capably performs consolidated supervision; and
- bank supervision authorities are expected to give assurance to host country supervisors through their supervision of group risk of international banks.

The purpose of risk management is to identify the risk factors, which could adversely affect the desired outcomes of the bank's activities. Risk management also seeks to manage these risks so as to reduce and control these risk factors and thereby minimize the incidence and impact of adverse outcomes.

Under Basel II, banks worldwide are adopting an Enterprise Risk Management approach. All the key risks in the Bank are monitored by the enterprise risk manager with the assistance on the risk committee.

Operational risk

Operational risk arises from the potential for loss through fraud, error, systems failure or other similar occurrences. The Bank guards against these risks through the following measures:

- good systems and strong internal control;
- disaster and business recovery procedures;
- regular internal and independent audits;
- risk management programmes; and
- external insurance policies.

The primary objective of the management of operational risk is to identify possible weak links and to strengthen these links through the constant reviewing of internal controls. The Bank has in place a comprehensive policy, standards and a business recovery plan designed to ensure that its key business functions can continue under disaster conditions.

Solvency risk

Insolvency is the chronic condition of being unable to pay one's debts in full. An insolvent bank cannot discharge its debts and must be either liquidated or rescued, usually with public money. Bank failures cause a contraction in the economy.

A bank's solvency may be threatened if its other risks have been mismanaged. Capital adequacy is an exclusive concept which bankers, analysts and regulators measure by a variety of methods. The numerator of the calculation is always the capital base (equity capital, plus reserves, plus subordinated types of debts, plus revaluations and general bad debt provision), and the denominator is the value of the total risk-weighted assets, including off-balance sheet risks. This risk is managed by the Assets and Liabilities Committee (ALCO).

Credit risk

Credit risk can be defined as the risk that a debtor will default on servicing and repaying a borrowing and also includes the possible shortfall in recovering a debt after realising security. In banking terms this is associated with the principal business of a bank, being that of lending money.

The credit department manages the bank's credit risk centrally. The department's primary functions are to formulate credit policies on a macro-level, independently review the group's largest credit exposures and manage the portfolio of risk concentrations. Efficiency of the credit process is also continuously reviewed, as is the efficiency of credit approval processes and the effectiveness of ongoing management of the portfolio. Portfolio credit risk is managed via a categorisation system that identifies and monitors deteriorating credit risks at an early stage.

An established credit process is in place in order to reduce the risks of experiencing high losses like those experienced in the credit crunch of overseas markets. This process involves delegated approval authorities and credit procedures. The objective of this process is to build and maintain high quality assets. The approval delegation includes the use of credit committees. These committees have been formed to effectively and objectively review proposed limits of varying amounts. The most senior of these committees includes members of the Board of Directors.

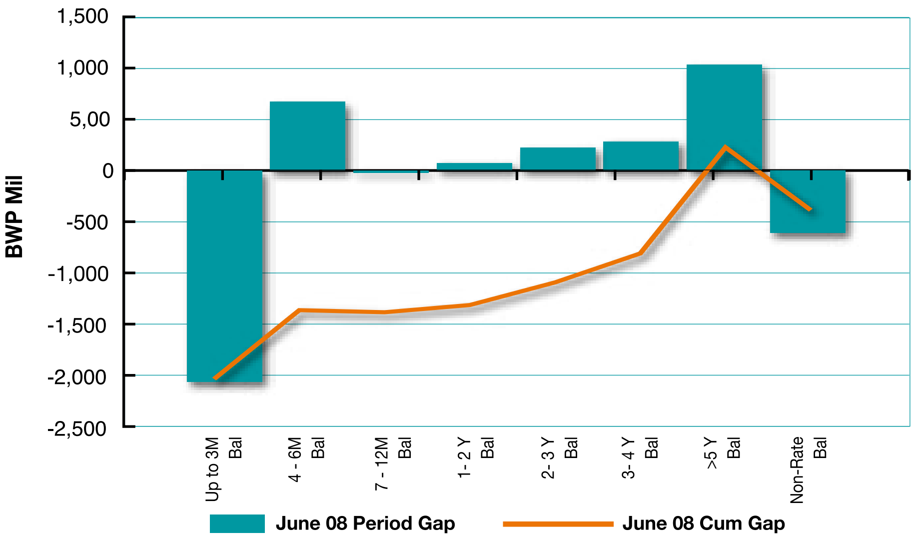
It is necessary for the credit department to continually assess, investigate and adopt best practices applied by banks world-wide, including technological advances, management tools, enhancement of procedures, support and reporting systems. Many developments, especially processes coupled with technology development, are being planned, investigated and rolled-out on an ongoing basis.
Special attention is continually paid to the management of problematic credit. Where appropriate, this is managed to provide intensive control to maximise recoveries. In line with international practice, the bank has recognised the need to move towards integrating credit and market risk management. The credit department oversees concepts and activities that cover any key aspects of risk within the bank.

Market risk

Market risk arises from the negative impact on the current and future earnings potential of the bank as a result of the movement and volatility of equity prices, exchange rates or interest rates.

The bank operates within the Market Risk Management Framework of the FirstRand Banking Group, within which the risks associated with trading positions are managed.

Liquidity gap as at 30 June 2008



The trading portfolio

The risk of adverse movements in the comparative rates of exchange between currencies is managed in the dealing room where operations occur within limits assigned to each dealer based on individual knowledge, expertise and experience. The Treasurer and independent Risk Manager monitor the trading portfolio on a daily basis reporting weekly to the Deputy Chief Executive Officer.

Operational risk with regard to market operations

All activities are authorised and conducted using operational systems that are adequate for the recording, valuation and settlement of all transactions. Adequate security measures are in place to prevent the access of unauthorised persons to the trading and settlement premises and systems. There is adequate segregation of duties in respect of dealing, settlement confirmation and risk exposure measurement.

The non-trading portfolio

The Bank's balance sheet is managed by ALCO, which consists of the Bank's executive management representing key business areas. The committee meets on a fortnightly basis or on a more frequent basis if necessary. The sensitivity to changes in interest rates is measured, using a standard set of rate shocks. The impact of this on the net interest income of the Bank is reviewed monthly.

Interest rate risk is the possibility of incurring losses as a result of changes in interest rates. The ALCO is charged with the responsibility of managing the structure of the balance sheet and administering the key risks that arise during the ordinary course of banking. This risk is quantified by calculating the impact of a one per cent increase and decrease in interest rates on net interest income and is reported to the Board and Group ALCO.

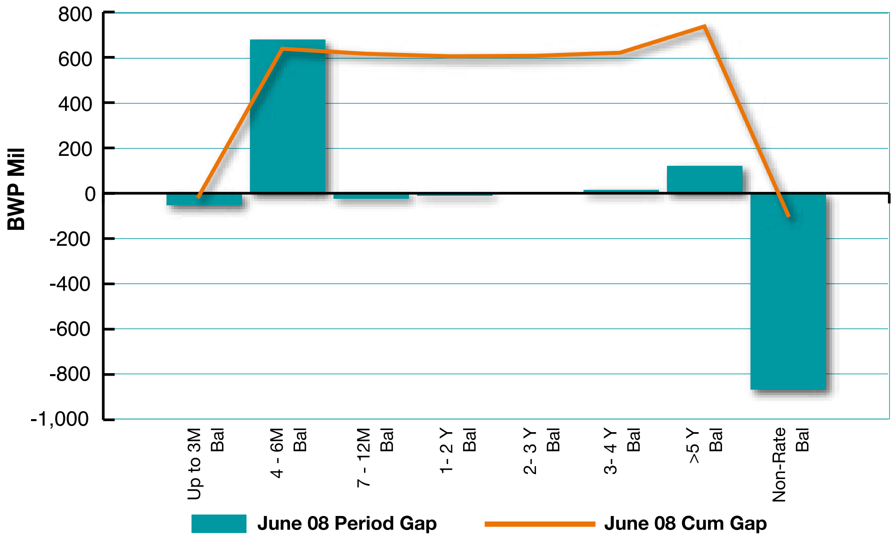
By managing these risks, ALCO ensures that all future cash flow commitments and capital adequacy are met and that net interest income is maximised.

The graph on this page represents the interest rate gap as per the ALCO model at 30 June 2008. Both the period and cumulative gaps are shown.

Counterparty risk

This risk arises from a counterparty to a transaction failing to meet punctually a financial commitment. This risk is managed in the Bank's dealing room by allotting counterparty trading limits on foreign exchange and money market transactions. The Risk Manager monitors these limits daily and deviations are reported to a higher authority.

Repricing gap as at 30 June 2008



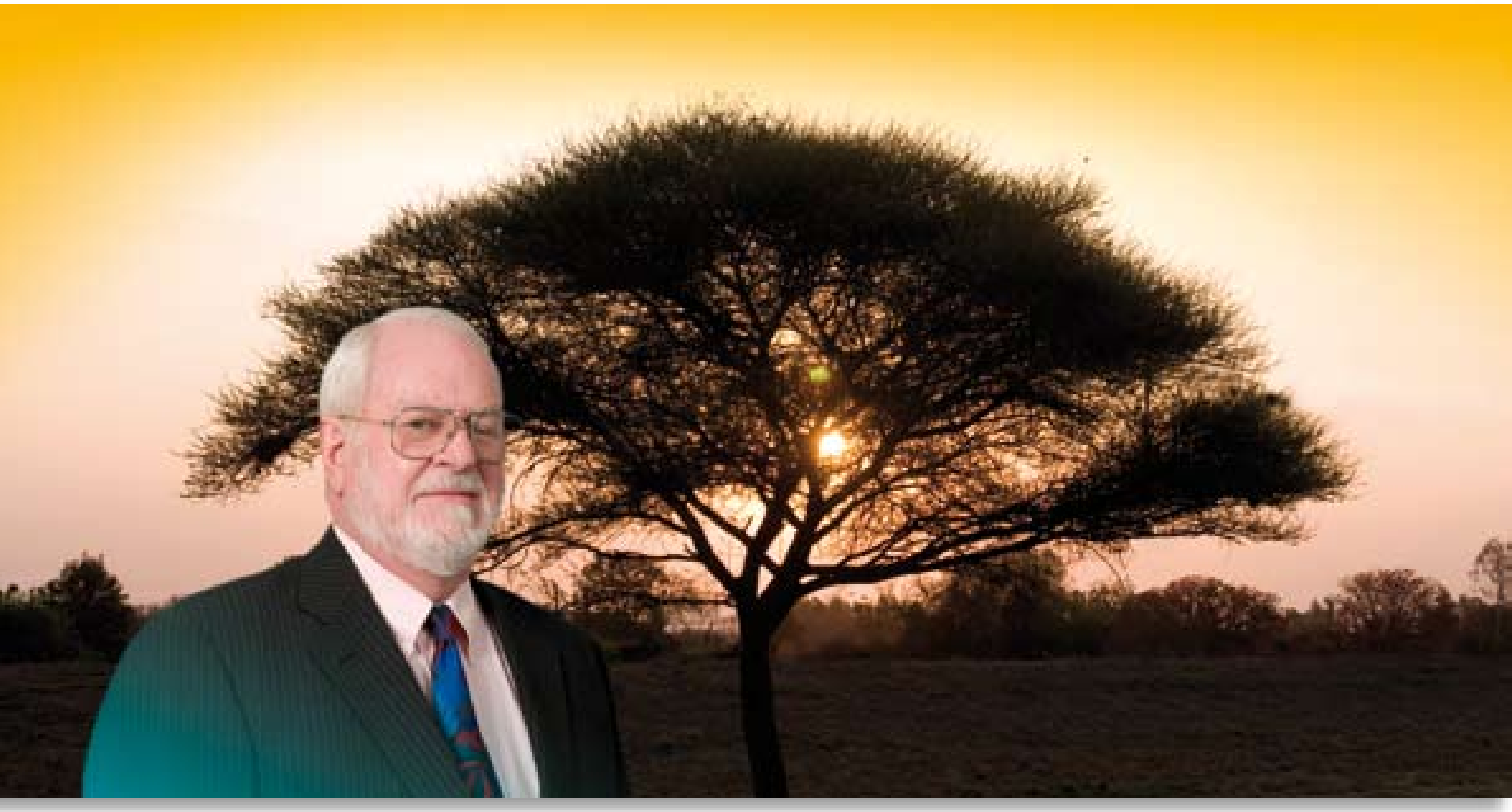
Liquidity and interest rate risk management

Liquidity risk describes the risk of not being able to generate sufficient cash to meet financial commitments to extend credit, meet deposit maturities and fund other transactions in the ordinary course of our business. The aim is to remain prudently and economically liquid. Maturing assets and liabilities imply an inflow and outflow of funds respectively. The mix and maturity profile of the balance sheet therefore impacts on liquidity.

The graph on the previous page represents the liquidity gap as per the ALCO model at 30 June 2008. Both the period and cumulative gaps are shown.

Chairman's Report

I leave the Board of the bank, confident that it will continue to prosper while expanding the frontiers of commercial banking in Botswana.



I am pleased to present my report for the year ended 30 June 2008 to the shareholders and other stakeholders of First National Bank of Botswana Limited (FNBB).

The Economic Environment

All financial institutions are affected by the economic environment in which they operate and this is particularly true in the case of Botswana as we have a very open economy. External trade constitutes a significant proportion of our gross domestic product and national income. What happens to the global and regional economies therefore affects the Botswana economy in many ways, both directly and indirectly, both positively and negatively.

Significant structural changes occurred in the global economy during the past twelve months. The unprecedented increases in oil, commodity and food prices compounded by the effects of the turmoil in the banking industry, primarily in the United States and Europe, raised fears of an impending recession. These developments caused the IMF to downgrade its earlier projections of global output for 2008 to 4.1%, but this forecast masked the growing dichotomy between the poor growth performance of the industrialised countries (2.2%) and the robust growth of the so-called newly emerging economies (8.1%). For the first time, three countries, namely China (11.5%), India (8.9%) and Russia (7.0%), accounted for more than half the global growth recorded last year.

I am proud to have been associated with Botswana's leading commercial bank.

These developments impacted Botswana in several different ways. On the one hand, strong global demand for raw materials ensured that the Botswana economy continued to recover and expand, with a welcome resurgence of growth in the non-mining sectors. On the other hand, the demand for diamonds in the United States, Japan and Europe was blunted by fears of recession, while high and rising levels of inflation and concerns about the availability and cost of electricity in the SADC region caused several groups of investors to reconsider or suspend their investments in mining and other major projects in Botswana.

None of these developments appear to have had any significant effect on FNBB, nor did the licensing of two new commercial banks. The two major business failures which occurred during the year were caused by corporate mismanagement and, thanks to prudent risk management, did not affect FNBB adversely. As mentioned elsewhere in this Annual Report, FNBB continued to benefit from the migration to it of funds and accounts from other commercial banks, attracted by the quality of its services and the range of its products.

Of greater concern is the high level of inflation in Botswana and the measures taken by Bank of Botswana to curb it. Annual inflation in excess of 15% will inevitably stunt growth and reduce personal incomes and therefore, the demand for housing, vehicles and other consumer goods. Close examination of the underlying factors which contributed to local inflationary pressures reveals that they were driven largely by spiralling costs of imported products, mostly grains, petrol and diesel oil, but also by high levels of public spending. The increased price of petrol and diesel fed directly into higher transportation costs which, in turn, generated higher retail prices. Under these circumstances it is difficult to see how progressively raising the commercial banks' interest rates can curb inflationary pressures. Indeed, higher interest rates might actually exacerbate the situation, especially when consumer credit is so readily available at most of the larger stores as well as from the unregulated micro-lenders.

To its credit, the Botswana Government rejected the advice of the 2008 Presidential Commission to Review Public Service Salaries which recommended a highly inflationary and unsustainable 30% across-the-board salary increase, and settled on a lower but still generous 15% increase. Prudent fiscal management prevailed.

> "That FNBB not only **successfully navigated these turbulent** times but also **recorded excellent results** and expanded its retail footprint in Botswana is **testimony to the vision** and efforts of its **outstanding management team.**"

That FNBB not only successfully navigated these turbulent times but also recorded excellent results and expanded its retail footprint in Botswana is testimony to the vision and efforts of its outstanding management team. Two new branches were opened, at Serowe and Selebi-Phikwe. The enlargement of FNBB's capital base will create an excellent platform for its future growth and continued product diversification in the years to come, while the introduction of new products and services should enhance its income streams.

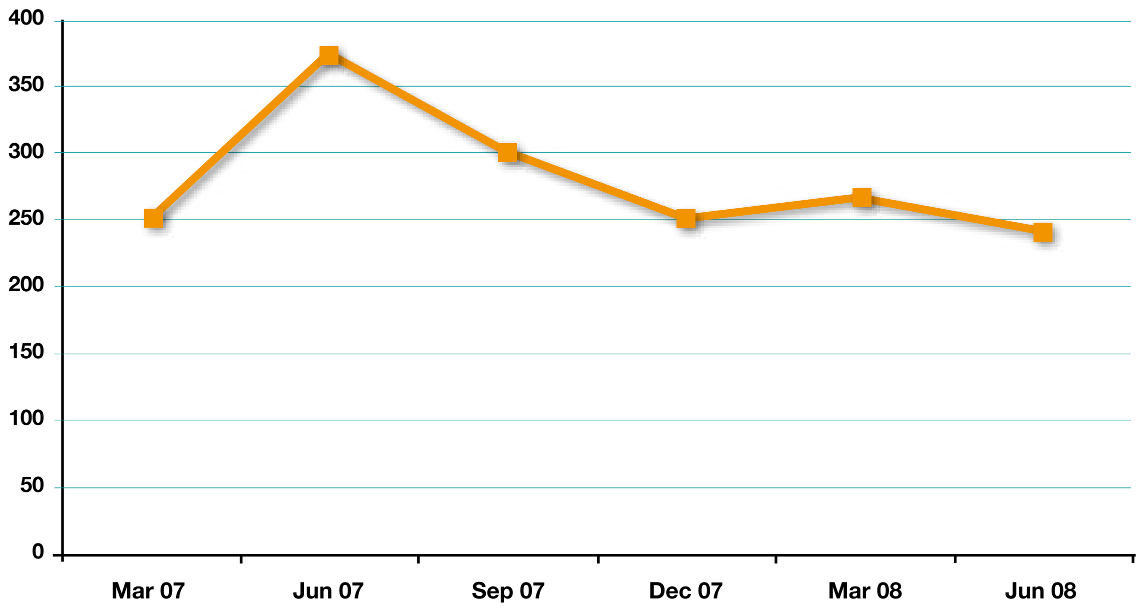
Financial Performance

Against the backdrop of the above economic perspective, the Bank performed very well, achieving growth in profit before tax of 23% for the year ended 30 June 2008. FNBB's performance is fully discussed in the Chief Executive Officer's report below. The Board is delighted with these results and wish to commend Management on their performance.

Board Composition

The current Board of Directors comprises ten Directors, of which nine are non-executive, and seven of whom are independent. I am pleased to welcome Mr P D Stevenson who brings a wealth of knowledge of the commercial sector to the Board of Directors. He is a Chartered Accountant and a Fellow member of the Botswana Institute of Accountants. He has extensive management, leadership, business and financial experience gained in 28 years service with the Barloworld Group in Botswana, Namibia and Zimbabwe. Peter was formerly the Group Managing Director of Barloworld Botswana. He is currently a Director/Trustee of several private companies and charitable trusts.

FNBB Share Price



Corporate Governance

The Board and Management have responsibility for ensuring that the bank's operations are conducted in accordance with all applicable laws and regulations, including the responsibility to:

- ensure that an adequate and effective process of corporate governance, including effective risk management is established and maintained in accordance with recommended current best practice;
- establish and maintain internal controls and report material malfunctions as required by the applicable Laws and Regulations, promoting a culture of integrity, accountability and transparency; and
- ensure that the bank operates as a going concern by managing it's assets and liabilities effectively.

The Board comprises a majority of independent, non-executive Directors and meets regularly. It overviews Executive Management performance and retains effective control over the bank.

The Board is assisted by Board committees, which are responsible for different aspects of governance. The main committees are the Audit, Senior Credit Risk, Directors' Affairs and Governance, and the Remuneration Committees.

Capital Management and dividend policy

The Bank continues to manage its capital in line with the Board approved capital management framework. The purpose of the framework is to create objectives, policies and principles relating to the capital optimisation process of book capital (shareholders funds or accounting capital Net Asset Value), regulatory capital and economic capital. Economic capital is defined as the capital which the bank must hold, commensurate with its risk profile, under severe stress conditions, to give comfort to third party stakeholders that it will be able to discharge its obligations to third parties in accordance with an indicated degree of certainty even under stress conditions, and would continue to operate as a going concern. Tests have been performed and will continue to be performed on a regular basis to ensure that the Bank is appropriately capitalised from an economic risk point of view.

The Bank has experienced a phenomenal increase in Risk Weighted Assets as a result of growth in assets during the period under review. This increase is continuously being monitored by Management as part of capital management to ensure that it does not significantly impact on dividends.

The Bank's capital adequacy ratio, which excludes the dividend reserve has been maintained at 15.11%

at 30 June 2008, and is in line with the Bank's capital management framework and the required ratio by Bank of Botswana of 15%.

As a result of the impact of Basel II, which is international best practice for financial institutions, the bank is currently reviewing its capital management framework.

In line with the substantial growth in assets and 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 it appropriate to adopt a prudent approach to capital management.

Under the circumstances the directors recommend a final dividend of 3.5 thebe (2007: 6.1 thebe) per share payable to shareholders at 30 June 2008. This represents a decline in the total dividend of 18% for the year at 8.0 thebe (2007: 9.8 thebe). However, dividend cover improved to 1.8 times compared to 1.2 times in the prior year. Directors are comfortable that this places the Bank in a sound position for the future.

Share Capital and Share Price

I am pleased to report that the share price has remained steady during the second half of the financial year under review as indicated by the graph shown on the previous page.

Social Responsibility

The Bank 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 Bank has committed to contributing up to 1% of its profit after tax to the Foundation. Since the inception of the Foundation in 2001, the Bank has made grants in excess of P12.4 million to the Foundation, and in turn, the Foundation has approved donations and pledges amounting to more than P12.3 million to qualifying beneficiaries. Details of the foundation and criteria for eligibility can be found at the bank's website: www.fnbbotswana.co.bw.
In addition, the Bank's employees run The FNB Staff Volunteer Programme, which is an initiative that affords the FNB Strategic Business Units (SBUs) an opportunity to identify and donate funds to deserving projects. Broadly speaking, the conditions of sponsorship are:

- the staff of the SBU must have some involvement that goes beyond simply giving financial support;
- the limit for each donation is P50,000 per project;
- the proposal must be routed through the SBU Manager who must make the recommendation to the administrators of the Foundation; and
- the beneficiary must be a registered non-profit making organisation.

The initiative has been very successful, as staff have responded very positively and the communities have also welcomed the opportunity to work hand in hand with their benefactors, thereby promoting the vision of a just and caring society.

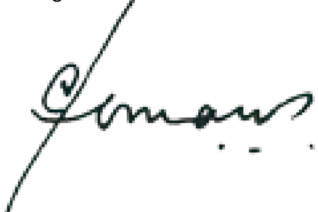
Acknowledgements

As I will be retiring from the Board at the end of 2008, after having served FNBB as Chairman for more than ten years, I wish to pay special tribute to my fellow Directors and to the members of FNBB's Management team. The Bank is most fortunate to have had the services of a succession of outstanding chief executive officers who built the foundation on which the Bank's success has rested. From the outset, they encouraged the efforts and innovation of a devoted group of mainly citizen staff members.

I must also record my sincere gratitude to FNBB's principal shareholder, the FirstRand Group of South Africa. Not only did it demonstrate its foresight and confidence in the Botswana economy when it acquired the Bank for Credit and Commerce (Botswana) in 1991 and subsequently bought the assets of other inadequately capitalised banks, but it has provided invaluable support and advice to FNBB over the succeeding years. What is particularly commendable is that the FirstRand Group delegated most decision-making to a Board comprised largely of citizen Directors and has encouraged the development and localisation of FNBB's staff.

I leave the Board of the Bank confident that, under the dynamic leadership of Danny Zandamela and the wise guidance of my successor, Prem Shah, it will continue to prosper while expanding the frontiers of commercial banking in Botswana.

I am proud to have been associated with Botswana's leading commercial bank.



H.C.L. Hermans
Chairman

In an environment characterised by rising costs, high inflation rates and increasing interest rates impacting

It is with great pleasure that I present my report for the year ended 30 June 2008.

In an environment characterised by rising costs, high inflation rates and increasing interest rates impacting the performances of most customers, the bank achieved a growth of 21% profit after tax.

Financial Performance

Profit before tax increased by 23% for the year ended 30 June 2008, on the back of exceptional performance in non-interest revenue (43% up) and net interest income before impairments (15% up), with impairments on advances decreasing by 5%. On-going expansion initiatives as well as a rise in costs as a result of inflation resulted in a 36% increase in operating expenses during the period.

Net interest income increased by 15% compared to the corresponding period, largely as a result of the growth in the core lending business. Advances increased by 29%. The impact of this growth was not fully felt as the drawdowns took place in the latter part of the financial year. Margin squeeze was experienced as a result of competition as well as the lower returns received on Bank of Botswana Certificates (BoBCs), which grew by 30%. The growth in interest expense and similar charges of 17% is reflective of the growth of deposits which were predominantly raised from the wholesale market.

Non-interest revenue grew by 43% on the corresponding period, as a result of bouyant foreign exchange trading profits, and banking commission income. This is in line with Management's planned expansion initiatives. This growth is largely attributable to increased transaction volumes resulting from growth in new customer accounts and increased product offerings. Service delivery channels, particularly electronic banking point of sale, card and merchant acquiring and breakthrough channels such as CellPhone Banking, are performing well above expectations. The Bank also received shares in VISA Incorporated (a company listed on the New York Stock Exchange) in respect of its existing membership in Visa International Services Association. The shares, worth P35 million, were received at no consideration and were recognised in non-interest income.

Part of the on-going expansion programme is to increase the branch network and to introduce new businesses to service specific customers` needs, as well as to position staff to offer superior service in the market place through up-skilling. The Bank opened two new branches in Selibe Phikwe and Serowe and launched FNB Private Clients and Business Banking Divisions. This expansion programme, together with the full impact of planned prior year expansion initiatives and the continued rise in costs as a result of inflation resulted in a 36% increase in operating expenses during the period. However, this growth in operating expenses is in line with Management's expectations, as it provides access to new revenue streams. Despite the increase in expenses the Bank has maintained its cost to income ratio as the lowest in the industry at 38%.

Despite the strain of high interest rates in the economy after two consecutive 0.5% increases respectively in May and June, credit quality has been maintained, additionally focus has been placed on collections processes and the continuous the performances of most customers, the Bank achieved a **growth of 23% profit before tax.**

monitoring of non-performing loans. This has maintained the impairment charge at a low and acceptable level of P21million (0.52% of advances).

Balance Sheet

Total assets have increased by 38% mainly as a result of a 29% increase in advances, a 30% increase in BoBCs, and a 98% increase in cash and short term funds. The growth in advances has been driven by the Retail network, WesBank and Card divisions, which have performed exceptionally well as a result of various initiatives to improve processes and service to customers.

The deposit book grew by 41%, reflecting good growth in all categories of current, savings and time deposit accounts from the branch network, as well as wholesale deposits directly linked to BoBC holdings. Additionally, the balance reflects a large increase in foreign currency deposits which significantly increased cash and short term funds.

The Return on Equity, based on average year balances, (including the dividend reserve) increased to 56% from 45%. The average return on assets declined marginally to 4%, reflective of the substantial asset growth. The Directors recommend a final dividend of 3.5 thebe per share (2007: 6.1 thebe).

Corporate Banking Division

Corporate Banking Division offers lending, deposit taking and a wide range of transactional banking solutions to corporate and institutional clients through dedicated relationship executives.

The negative impact of rising costs on most businesses and customers has impacted the performance of the division. The book grew marginally by 6%.

In order to mitigate the narrow margins and stringent capital reserve requirements usually associated with corporate lending, we see greater opportunities from the recent restructuring of the division, and we continue to offer customised financial solutions and the most advanced products at competitive pricing and an unflinching dedication to service efficiency and excellence.

Mining and Public Sector

This business unit, established during the last financial year, has made inroads in the Mining and Public Sector arena. The main focus has been on mining, energy, local government and parastatal sector. The copper and nickel mining activities in the northern part of the country, as well as the proposed plans to alleviate the regional power crisis are expected to propel economic activity in the country for years to come.

Retail Bank and service delivery

We continue to work extensively with external consultants to address concerns such as long queues at month end. The allocation of additional resources, continuous improvement of our processes and encouraging customers to use alternative channels such as Internet Banking and Cellphone Banking have contributed significantly towards addressing these concerns. The use of Cellphone Banking in particular has been heeded by customers as evidenced by the increased volumes beyond Management expectations.
In an effort to differentiate our product offering, offer exceptional service, address customer concerns and increase our reach, the Bank continued with its expansion initiatives. During the year under review, two branches were opened in Selibe Phikwe and Serowe respectively. We also increased the numbers of speedpoints and ATMs during the period, and ensured that they are well maintained to ensure acceptable levels of usage.

Our focus for the next year will be on continued expansion and staff upskilling to align with this expansion. Resource constraint issues will be addressed through various interventions that the Bank has put in place. The Bank's systems continue to be upgraded, and processes improved to ensure that FNBB continues to give customers a delightful banking experience.

In line with the Bank's commitment to uplifting the community, the Retail Banking division continues to sponsor Junior schools athletics competitions. This year's competition held in June was, once again, an overwhelming success.

Property Finance Division

This division offers finance for the purchase and development of property in both residential and commercial sectors. The division continues to perform well. The book has grown to exceed P1.2 billion.

Improvement of processes to ensure efficiencies continues to be a focus area. The division continues to introduce new technologies to the market, such as the SMS approval notification. Focus for the next year will be on automating processes and the upgrading of systems to allow for the introduction of innovative solutions. The division continues to reposition itself in order to take advantage of developments in the economy that will impact the property market. Visibility of the brand will continue to be achieved through community initiatives and sponsorships of events that enhance the brand.

WesBank

WesBank had a very good year, with phenomenal growth mainly from the construction industry. The motor industry is recovering from the slowdown brought about by the influx of non-franchise imports of motor vehicles into Botswana. Despite the harsh economic conditions, increased competition and high interest rates impacting the motor industry, WesBank has grown its book by 28% and achieved exceptionally good results during the year. The quality of the book has again improved significantly, and arrears levels driven down.

Staff training and processes are continuously being improved to ensure that efficiency is maintained and improved.

Treasury

This division has achieved good results in spite of market challenges. The economy was characterised by, amongst other things, a stable currency. Although this is a good fundamental for business, it poses challenges in trading activities as opportunities are minimized. The challenges regarding the reduced foreign exchange availed to the market from diamond sale proceeds also impacted the division's performance.

The division will continue to focus on other innovative activities in order diversify its non-interest income. New products offered by the division will be launched during the next financial year.

A new system which will improve efficiencies and enable an innovative environment is currently in test phase and will go live in the next financial year.

IslamicFinance

This division was launched during the last financial year to provide banking services that comply with Sha'riah Law in response to customer needs. The products offered by the division are available to all customers (Muslims and non-Muslims). The division continues to perform well ahead of expectations. Focus during the next financial year will be on improving systems to ensure efficiency is maintained in line with expected increase in the customer base.

Electronic Banking

This division provides electronic delivery channels for the bank's products. The various products such as inContact, payment and cash management, internet banking for both individual and businesses have positioned FNBB as the market leader in technology in Botswana.

Various other services are offered to the Bank's customers including eReg card, a solution that allows customers to view and print their statements and ensure a safe platform through the use of the "Digi Tag" security code device.

The division's breakthrough channel, Cellphone Banking launched two years ago, has been an instant hit with customers and continues to perform exceptionally well. The channel is used for the benefit of not only FNBB customers but all customers in the banking industry in Botswana. The division will continue to launch new innovative products in the Cellphone Banking delivery channel during the new financial year.

FirstCard

This was yet another exceptional year for FirstCard Division. The division continues to dominate the market in merchant acquiring business. Point of sale network expansion continued in an effort offer the best service and to ensure that FNBB speedpoints become the natural choice of both merchants and customers alike. The division also continued to place great emphasis on collections to reduce the level of impairments.

System upgrades were also done during the year to ensure superior service is continuously offered to customers. The success of these initiatives is reflected by the contribution the division made in both non-interest income and interest income.

The division will continue to refine its processes and to improve its systems so as to launch new products on the market.

FNB Private Clients

I am pleased to advise that we launched Botswana's first Private Bank, FNB Private Clients during the year. The division offers highly beneficial innovative quality transactional banking, lending and wealth management services designed to deliver exclusive solutions to affluent and high net worth clients. The services are offered through a dedicated team of transactional, lending, wealth and fiduciary specialists who partner with clients in taking care of their personal balance sheet ensuring that it stays healthy and growing.

Human Resources

As our greatest asset, our people are the vital link allowing us to offer superior service to our customers. Focus in staff development therefore continued to be paramount during the year.

Staff training interventions have been put in place during the year to upskill staff members in various areas of specialisation. We continued to send staff on attachments to various divisions of our parent, FirstRand Bank in South Africa for periods between 6 and 12 months, in order to broaden their knowledge and adequately prepare them for challenges in the Bank.

The Bank continues to develop and roll out the balanced scorecard for the alignment of Bank's objectives with those of the individuals.

Recently restructured, our Human Resources division is better placed to tackle the challenges that come with the Bank's expansion initiatives.

Sustainability at FNB Botswana:

Botswana has one of the fastest growing per capita incomes in the world. The country's economic record is built on the foundation of using revenue generated from diamond mining to fuel economic development through prudent fiscal policies and a cautious foreign policy. Our operating environment is characterised by a prolonged period of high interest rates and high business confidence prevailing in the economy.

Through organic growth, we are intent on moving from good to Great and expanding our business to service specific needs of our stakeholders. This has enabled us to increase our network to 16 branches in major centres in Botswana as well as operate 63 ATMs, 106 Mini-ATMs, and 1,330 point of sale devices, which are conveniently located across the country, whilst our ATM uptime has been consistently maintained above 97%.

We operate on the basis of building enduring, rewarding relationships to offer significant value, competitively priced financial solutions and an unflinching dedication to promote excellence in our operation. Since our founding in 1991, we have shifted from being a bank with a predominantly retail focus to one that also successfully services the commercial and corporate market. We have grown to be a force to be reckoned with in the Botswana market and now play a leadership role in the country. This is testament to the abilities, service ethics and innovation of the people in our business.

We continue to expand and increase our footprint through opening new branches and self-service channels. In 2008, two new branches were opened, Serowe and the Selibe Phikwe Branch. Plans are underway to further increase our representation throughout the country, and to take the Bank to the people. We have conducted customer surveys to identify specific customer's needs and concerns as well as potential shortcomings in our service delivery. We will focus increasingly on the mining and public sector industry, and on banking the unbanked, and will carry out a concerted cross-selling campaign into these sectors of the market.

We have set out to further automate our business processes and improve support functions. We will continue to differentiate our product offering through our dedicated efforts to provide exceptional service delivery to ensure that our current and potential service users enjoy consistently great banking service. This is an integral part of our strategy to gain profitable market share and to retain our customers. Through the use of technology, we are considered the most innovative bank in the country offering world class solutions like mobile and internet banking. In line with our commitment to uplift the community, we supported 88 community projects funded by our Foundation, an investment which translates to BWP 14,834,245 since 2004.

Internally, we collaborate, support and empower each other through the consistent application of our aligned strategies and shared values, to deliver maximum value to our stakeholders. The exponential growth in our business enabled us to created more than 100 new jobs in the last 20 months, a record in our banking history. This renewed focus on our human capital was complemented by the roll-out of the balanced scorecard performance management system to align our business objectives with those of our staff.

As we embark on our final year of our goodtoGreat1in3 strategy, we maintain focus on the importance of mainstreaming sustainability in our business. This focus will enable us to improve our involvement in this area and continue to measure key areas of importance within our operational environment from a customer, supplier, community, regulatory, human resources and environmental perspective.

Acknowledgements

I wish to thank the Board of Directors for their support during the year. They have made a valuable contribution towards the achievement of these results. I also wish to thank Management and staff for their hard work and dedication. Indeed their dedication, support, loyalty and willingness to go the extra mile in serving our customers is evident not only in the results but also the periodic customer service surveys conducted by independent consultants.

I look forward to the road ahead, as we position ourselves to taking head on the challenges and opportunities in the coming years.

Quill Hermans

I would also like to pay special tribute to the outgoing Chairman of the Board, Mr. Quill Hermans, who has served the bank on its board as Director, and subsequently as Chairman for over ten years.

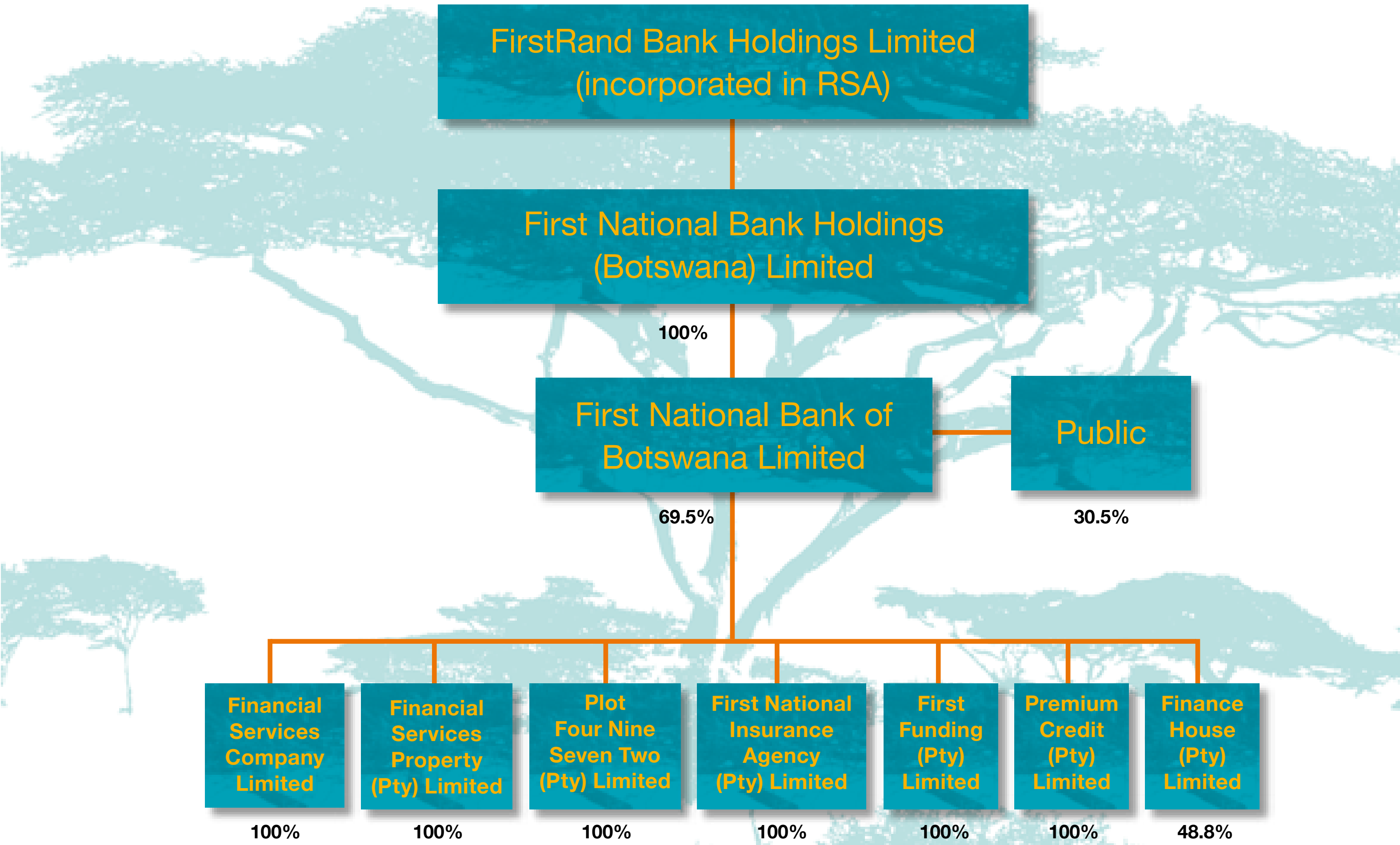
He has made an invaluable contribution to the bank over this time, for which I am most grateful.

I wish Quill a happy and truly well deserved rest during his retirement.

D.H. Zandamela
Chief Executive Officer
FNB Botswana

First National Bank (FNB) Botswana is a financial services entity with an 18 year heritage in Botswana. We employ 906 people and provide services to 262,853 customers ranging from previously unbanked consumers to the largest listed corporates and public sector clients. Our branches and electronic services are located in 2,000 locations (including point of sale units) across the country. We are listed on the Botswana Stock Exchange and are a 70% subsidiary of FirstRand Bank Limited.

Corporate Structure



Shareholders' Diary

Financial year end	30 June 2008
Declaration of dividend and announcement of results	August 2008
Payment of final dividend	September 2008
Publication of Annual Financial Statements	October 2008
Annual General Meeting	12 November 2008
Publication of half-year interim report and dividend announcement	February 2009
Payment of interim dividend	March 2009

Group Annual Financial Statements

for the year ended 30 June 2008

FNB
First National Bank
Botswana

How can we help you?

Contents

Director's Approval

The annual financial statements are the responsibility of the Directors of the Company and Group. The Directors fulfill this responsibility primarily by ensuring that Management establishes and maintains accounting systems and adequate internal accounting controls. Such controls provide assurance that the assets of the company and its subsidiaries are safeguarded, that transactions are executed in accordance with Management's designated authority and that the financial records are reliable.

After making enquiries, the Directors have no reason to believe that the Company will not be a going concern in the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the annual financial statements.

The annual financial statements set out on pages 22 to 90 were approved by the Board of Directors on 06 August 2008 and are signed on its behalf by:

H.C.L. HERMANS
Chairman

D.H. ZANDAMELA
Chief Executive Officer

P.D. SHAH
Director

To The Shareholders And Other Users Of The Financial Statements

The Group's Audit Committee comprises mainly non-executive Directors, in conformity with section 23 of the Botswana Banking Act (Cap 46:04). The external and internal auditors attend audit committee meetings by invitation. The committee meets at least four times a year and assists the Board in discharging its responsibility for ensuring that the Group's financial and accounting systems provide accurate and up-to-date information on its current financial position, and that the Group's published annual financial statements present a fair reflection of this position.

It also ensures that appropriate accounting policies, control and compliance procedures are in place.

The objectives of the committee are:

1. To assist the Board of Directors in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied in the day-to-day management of the business;

2. To provide a forum for communication between the Board of Directors, Management and the internal and external auditors; and

3. To introduce such measures as, in the opinion of the committee, may serve to enhance the credibility and objectivity of the annual financial statements and affairs of the Group.

The committee has met its objectives and has found no material weakness in controls. The Committee is satisfied that the annual financial statements have been prepared in accordance with International Financial Reporting Standards and in compliance with the Companies act in Botswana (Companies Act 2003).

P.D. SHAH
Chairman

14 August 2008
Gaborone

To The Members Of First National Bank Of Botswana Limited

Report on the Financial Statements

We have audited the accompanying financial statements of First National Bank of Botswana Limited which comprises the consolidated and separate balance sheets as at 30 June 2008, and the consolidated and separate income statements and the statements of changes in equity and consolidated and separate cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes and the Director's Report as set out on page 29 to 89.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Companies Act of Botswana (Companies Act, 2003) and the Botswana Banking Act (CAP46:04).

This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects the consolidated and separate financial position of First National Bank of Botswana Limited and its subsidiaries as of 30 June 2008, and its consolidated and separate financial performance and consolidated and separate changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Botswana (Companies Act, 2003).

Deloitte & Touche

Deloitte & Touche
29 August 2008
GABORONE

The Directors have pleasure in submitting their report together with the 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 2008.

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.

Trading results

The consolidated income after tax attributable to ordinary shareholders of P374.0 million (2007: P309.8 million) increased by 21 percent compared to the results for the year to 30 June 2007. Interest income was derived from advances, instalment credit, and Bank of Botswana Certificates. Non-interest income was from the branch network, treasury and international trade services.

Stated capital

The company's stated 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.

Directors' Interests

The aggregate number of First National Bank of Botswana Limited shares held directly or indirectly by Directors of the Company amounts to 1,103,810 (2007: 733,100), which represents approximately 0.043% (2007: 0.029%) of the stated capital of the Company.

Dividends

An interim dividend of 4.50 thebe (2007 - 3.75 thebe) has been paid during the year to holders of ordinary shares. The Directors propose a final dividend of 3.50 thebe per share (2007 - 6.1 thebe per share).

Directorate

The composition of the Board as at 30 June 2008 was as follows:

H.C.L. Hermans	**Chairman**
D.H. Zandamela	**Chief Executive Officer**
J.R. Khethe	
J.K. Macaskill	
A.L. Monchusi	
J.T. Mynhardt	
M.T. Sekgororoane	
P.D. Shah	
P.D. Stevenson	**(Appointed 4 April 2008)**
S. Thapelo	
D.E. Wright	**(Alternate to D.H. Zandamela)**

Transfer Secretaries
PriceWaterhouseCoopers
Plot 50371
Fairgrounds Office Park
PO Box 294 Gaborone

Auditors
Deloitte & Touche
Deloitte & Touche House
Plot 50664
Fairgrounds Office Park
PO Box 778 Gaborone

1. Introduction

Reference to "Bank" relates to First National Bank of Botswana Limited, and reference to "Group" relates to First National Bank of Botswana Limited (the Company) and its subsidiaries.

The Group adopts the following accounting policies in preparing its consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2. Basis of presentation

The Group's audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The principal accounting policies are consistent in all material respects with those adopted in the previous year, except for the adoption of:

- IFRS 7 Financial Instruments: Disclosures, which is effective for years commencing on or after 1 January 2007. The Standard deals with the disclosure of financial instruments and the related qualitative and quantitative risks. The statement therefore does not impact the results of the Group but does impact the disclosure related to financial instruments. Comparative information has been provided where applicable.
- Amendment to IAS 1 Presentation of Financial Statements effective for years commencing on or after 1 January 2007, regarding capital disclosures which requires specific disclosures regarding an entity's objectives, policies and processes for managing capital.

The Group included comparative figures for changes in disclosure in the current year.

The Group prepares its audited consolidated financial statements in accordance with the going concern principle using the historical cost basis, except for certain financial assets and liabilities where it adopts the fair value basis of accounting.

These financial assets and liabilities include:

- financial assets and liabilities held for trading;
- financial assets classified as available-for-sale;
- derivative financial instruments;
- financial instruments elected to be carried at fair value; and
- freehold and leasehold properties.

The preparation of audited consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are outlined in note 39 to the annual financial statements.

All monetary information and figures presented in these financial statements is stated in thousands of Pula (P`000), unless otherwise indicated.

3. Consolidation

The consolidated financial statements include the assets, liabilities and results of the operations of the holding company and its subsidiaries. Subsidiaries are companies in which the Group, directly or indirectly, has the power to exercise control over the operations for its own benefit. The Group considers the existence and effect of potential voting rights that are presently exercisable or convertible in determining control. Subsidiaries are consolidated from the date on which the Group acquires effective control. Consolidation is discontinued from the effective date of disposal.

The Group consolidates a special purpose entity ("SPE") when the substance of the relationship between the Group and the SPE indicates that the Group controls the SPE.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. Associates and joint ventures

Associates are entities in which the Group holds an equity interest of between 20% and 50%, or over which it has the ability to exercise significant influence, but does not control. Joint ventures are entities in which the Group has joint control over the economic activity of the joint venture, through a contractual arrangement. Investments acquired and held exclusively with the view to dispose in the near future (12 months) are not accounted for using the equity accounting method, but carried at fair value less cost to sell in terms of the requirements of IFRS 5.

The Group includes the results of associates and joint ventures in its consolidated financial statements using the equity accounting method, from the effective date of acquisition to the effective date of disposal. The investment is initially recognised at cost. The Group's investment in associates and joint ventures includes goodwill identified on acquisition, net of any accumulated impairment loss.

Earnings attributable to ordinary shareholders include the Group's share of earnings of associates and joint ventures. Reserves include the Group's share of post-acquisition movements in reserves of associates and joint ventures. The cumulative post-acquisition movements are adjusted against the cost of the investment in the associate or joint venture.

The Group discontinues equity accounting when the carrying amount of the investment in an associate or joint venture reaches zero, unless it has incurred obligations or guaranteed obligations in favour of the associated undertaking.

After discontinuing equity accounting the Group applies the requirements of IAS 39 to determine whether it is necessary to recognise any additional impairment loss with respect to the net investment in the associate or joint venture as well as other exposures to the investee. Goodwill included in the carrying amount of the investment in associates or joint ventures is assessed for impairment in accordance with IAS 36 as part of the entire carrying value of the investment in the associate or joint venture.

The Group increases the carrying amount of investments with its share of the associate or joint venture's income when equity accounting is resumed.

Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

5. Interest income and expense

The Group recognises interest income and expense in the income statement for instruments measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the average expected life of the financial instrument or portfolios of financial instruments.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

From an operational perspective, the Group suspends the accrual of contractual interest on non-recoverable advances. However, in terms of IAS 39, interest income on impaired advances is thereafter recognised based on the original effective interest rate used to determine the discounted recoverable amount of the advance. This difference between the discounted and undiscounted recoverable amount is released to interest income over the expected collection period of the advance.

Instruments with characteristics of debt, such as redeemable preference shares, are included in loans and advances or long-term liabilities. Dividends received or paid on these instruments are included and accrued in interest income and expense using the effective interest method.

6. Trading income

The Group includes profits, losses and fair value adjustments on trading financial instruments (including derivative instruments which do not qualify for hedge accounting in terms of IAS 39) as well as financial instruments designated at fair value in trading income as it is earned.

7. Fee and commission income

The Group generally recognises fee and commission income on an accrual basis when the service is rendered.

Certain fees and transaction costs that form an integral part of the effective interest rate of available-for-sale and amortised cost financial instruments are capitalised and recognised as part of the effective interest rate of the financial instrument over the expected life of the financial instruments. These fees and transactions costs are recognised as part of the net interest income and not as non-interest revenue.

Commission income on acceptances, bills and promissory notes endorsed is credited to income over the lives of the relevant instruments on a time apportionment basis.

8. Dividend income

The Group recognises dividends when the Group's right to receive payment is established. This is on the "last day to trade" for listed shares and on the "date of declaration" for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares.

9. Foreign currency translation

9.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Pula ("P"), which is the functional and presentation currency of the Group.

9.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gains or losses.

Foreign currency translation differences on monetary items classified as available–for-sale, such as foreign currency bonds designated as available-for-sale, are not reported as part of the fair value gains or losses in equity, but are recognised as translation gains or losses in the income statement when incurred.

Translation differences on non-monetary items classified as available–for-sale, such as equities, are included in the available-for-sale reserve in equity when incurred.

10. Borrowing costs

The Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset up to the date on which construction or installation of the assets is substantially completed. Other borrowing costs are expensed when incurred.

11. Direct and indirect tax

Direct taxes include Botswana basic taxation and additional company tax (ACT), as well as capital gains tax, if applicable.

Indirect taxes consist of Value Added Tax (VAT) paid to the central Government.

Indirect taxes are disclosed separately from direct tax in the income statement.

The charge for current tax is based on the results for the year as adjusted for items, which are non-taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

12. Recognition of assets

12.1 Assets

The Group recognises assets when it obtains control of a resource as a result of past events, and from which future economic benefits are expected to flow to the entity.

12.2 Contingent assets

The Group discloses a contingent asset where, as a result of past events, it is highly likely that economic benefits will flow to it, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Group's control.

13. Liabilities, provisions and contingent liabilities

13.1 Liabilities and provisions

The Group recognises liabilities, including provisions, when:

i. it has a present legal or constructive obligation as a result of past events:
ii. it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
iii. a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of the obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

13.2 Contingent liabilities

The Group discloses a contingent liability when:

i. it has a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, or
ii. it is not probable that an outflow of resources will be required to settle an obligation, or
iii. the amount of the obligation cannot be measured with sufficient reliability.

14. Sale and repurchase agreements and lending of securities

The financial statements reflect securities sold subject to a linked repurchase agreement ("repos") as trading or investment securities. These instruments are recognised at fair value through profit or loss. The counterparty liability is included in deposits from other banks, other deposits, or deposits due to customers, as appropriate at amortised cost.

Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers as appropriate and recognised at amortised cost. The difference between purchase and resale price is treated as interest and accrued over the life of the reverse repos using the effective interest method.

Securities lent to counterparties are retained in the financial statements of the Group.

The Group does not recognise securities borrowed in the financial statements, unless sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return these securities is recorded as a liability at fair value.

15. Offsetting financial instruments

The Group offsets financial assets and liabilities and reports the net balance in the balance sheet where:

- there is a legally enforceable right to set off, and
- there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

16. Cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprise:

- coins and bank notes;
- money at call and short notice;
- balances with central banks;
- Bank of Botswana Certificates (BoBCs);
- balances guaranteed by central banks; and
- balances with other banks.

All balances included in cash and cash equivalents have a maturity date of less than three months.

17. Financial instruments

17.1 General

Financial instruments carried on the balance sheet include all assets and liabilities, including derivative instruments, but exclude investments in associates and joint ventures, commodities, property and equipment, assets and liabilities of insurance operations, deferred tax, tax payable, intangible assets, inventory and post-retirement liabilities.

The Group recognises financial assets and financial liabilities on its balance sheet when, and only when, the Group becomes a party to the contractual provisions of the instrument.

17.2 Financial assets

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- available-for-sale financial assets; and
- held-to-maturity investments.

Management determines the classification of the asset at initial recognition.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement as gains and losses from investment securities. However, interest calculated on available-for-sale financial assets using the effective interest method is recognised in the income statement as part of interest income. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The Group recognises purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) at settlement date, which is the date the asset, is delivered or received. Otherwise such transactions are treated as derivatives until settlement.

The fair values of quoted investments in active markets are based on current bid prices. Alternatively, it derives fair value from cash flow models or other appropriate valuation models where an active market does not exist. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

17.2.1 Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as a trading instrument if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking. Derivatives are also categorised as held for trading unless they are designated as effective hedges.

Assets are classified on initial recognition as at fair value through profit and loss to the extent that it produces more relevant information because it either:

i. results in the reduction of measurement inconsistency (or accounting mismatch) that would arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or
ii. is a group of financial assets and/or financial liabilities that is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and this is the basis on which information about the assets and/or liabilities is provided internally to the entity's key management personnel; or
iii. is a financial asset or liability containing significant embedded derivatives that clearly require bifurcation.

The Group recognises fair value adjustments on financial assets classified as at fair value through profit and loss in trading income. Interest income on these assets is included in the fair value adjustments.

17.2.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

This category also includes purchased loans and receivables, where the Group has not designated such loans and receivables in any of the other financial asset categories.

17.2.3 Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Should the Group sell other than an insignificant amount of held-to-maturity investments, the entire category would be tainted and reclassified as available-for-sale.
The Group carries held-to-maturity financial assets and investments at amortised cost using the effective interest method, less any impairment.

17.2.4 Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The Group recognises gains and losses arising from changes in the fair value of available-for-sale assets, in equity. It recognises interest income on these assets as part of interest income, based on the instrument's original effective interest rate. Interest income is excluded from the fair value gains and losses reported in equity. When the advances and receivables or investment securities are disposed of or impaired, the related accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

17.3 Financial liabilities

Financial liabilities are initially recognised at fair value less transaction costs for all financial liabilities not carried at fair value through profit and loss. Financial liabilities are subsequently measured at amortised cost and interest is recognised over the period of the borrowing using the effective interest method.

A financial liability is classified as a trading instrument if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial liabilities in which there is evidence of short term profit taking or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as effective hedges.

The Group classifies certain liabilities at fair value through profit and loss to the extent that it produces more relevant information because it either:

i. results in the reduction of a measurement inconsistency (or accounting mismatch) that would arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis; or
ii. a group of financial assets and/or financial liabilities that is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about the assets and/or liabilities is provided internally to the entity's key management personnel; or
iii. a liability containing significant embedded derivatives that clearly requires bifurcation.

The Group recognises fair value adjustments on financial liabilities classified as at fair value through profit and loss in trading income.

The fair values of financial liabilities quoted in active markets are based on current ask / offer prices. If the market for a financial liability is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

17.4 Embedded derivatives

The Group treats derivatives embedded in other financial or non-financial instruments, such as the conversion option in a convertible bond, as separate derivatives when:

i. their risks and characteristics are not closely related to those of the host contract; and
ii. the host contract is not carried at fair value, with gains and losses reported in income.

Where embedded derivatives meet the criteria for hedge accounting, they are accounted for in terms of the applicable hedge accounting rules.

17.5 Derecognition of assets and liabilities

The Group derecognises an asset when:

i. the contractual rights to the asset expires, or
ii. where there is a transfer of the contractual rights that comprise the asset, or
iii. the Group retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and benefits associated with the asset.

Where the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognise the financial asset.

If a transfer does not result in derecognition because the Group has retained substantially all the risks and rewards of ownership of the transferred asset, the Group continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the Group recognises any income on the transferred asset and any expense incurred on the financial liability.

Where the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group determines whether it has retained control of the financial asset. In this case:

i. if the Group has not retained control, it derecognises the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer; or
ii. if the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset

The Group derecognises a financial liability, or part of a financial liability, when it is extinguished, i.e. when the obligation is discharged or cancelled or expired.

18. Impairments of financial assets

18.1. General

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

18.2 Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event(s) has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and performs a collective assessment for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due in accordance with the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets reflect and are directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance account. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

18.3 Available-for-sale financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

19. Derivative financial instruments and hedging

The Group initially recognises derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other derivative financial instruments, in the balance sheet at fair value. Derivatives are subsequently re-measured at their fair value with all movements in fair value recognised in the income statement, unless it is a designated and effective hedging instrument.

The fair value of publicly traded derivatives are based on quoted bid prices for assets held or liabilities to be issued, and current offer prices for assets to be acquired and liabilities held.

The fair value of non-traded derivatives is based on discounted cash flow models and option pricing models as appropriate. The Group recognises derivatives as assets when the fair value is positive and as liabilities when the fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises profits or losses on day one.

Where fair value is determined using valuation techniques whose variables include non observable market data, the difference between the fair value and the transaction price ("the day one profit or loss") is deferred in equity and released over the life of the instrument. However, where observable market factors that market participants would consider in setting a price subsequently become available, the balance of the deferred day one profit or loss is released to income.

The method of recognising the resulting fair value gains or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

i. hedges of the fair value of recognised assets or liabilities or firm commitments ("fair value hedge"); or,
ii. hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction ("cash flow hedge").

The hedge of a foreign currency firm commitment can either be accounted for as a fair value or a cash flow hedge.

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

19.1 Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to the income statement over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

19.2 Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect the income statement (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Where the forecasted transaction or a foreign currency firm commitment results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or liability. For financial assets and liabilities, the Group transfers amounts deferred in equity to the income statement and classifies them as revenue or expense in the periods during which the hedged firm commitment or forecasted transaction affects the income statement.

20. Commodities

Commodities where the Group has a longer-term investment intention are carried at the lower of cost or net realisable value. Cost is determined using the weighted average method. Cost excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost of commodities includes the transfer from equity of any gains or losses on qualifying cash flow hedges relating to purchases of commodities.

Commodities where the Group has a shorter-term trading intention are carried at fair value less cost to sell in accordance with the broker-trader exception in IAS 2.

Forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle a further derivative contract, are recognised as derivative instruments and fair valued.

21. Property and equipment

The Group carries property and equipment at historical cost or valuation less depreciation and impairment, except for land which is carried at cost less impairment. Historical cost includes expenses that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replacement part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated impairment losses. Revaluations are performed every three years such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited in equity to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit and loss, in which case the increase is credited to profit and loss to the extent of the decease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Property and equipment are depreciated on a straight-line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. The difference between the depreciation charge based on the revalued amount and the depreciation charge based on historical cost is transferred from the properties revaluation reserve to retained earnings for each reporting period.

Freehold properties are broken down into significant components that are depreciated to their respective residual values over the economic lives of these components.

The periods of depreciation used are as follows:

• Leasehold premises	Shorter of estimated life or period of lease
• Freehold property:	
• Buildings and structures	50 years
• Mechanical and Electrical Components	20 years
• Sundries	3 - 5 years
• Computer equipment	3 – 5 years
• Furniture and fittings	3 – 10 years
• Motor vehicles	5 years
• Office equipment	3 – 6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains or losses on disposals are determined by reference to the carrying amount of the asset and the net proceeds received, and are recorded in the income statement on disposal.

22. Leases

22.1 A group company is the lessee

22.1.1 Finance leases

The Group classifies leases as finance leases where it assumes substantially all the benefits and risks of ownership.

Finance leases are capitalised as assets at the fair value of the leased asset at the inception of the lease, or, if lower, at the estimated present value of the underlying lease payments. The Group allocates each lease payment between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The interest component of the finance charge is recognised in the income statement over the lease period. The property and equipment acquired are depreciated over the useful life of the assets, unless it is not probable that the Group will take ownership of the assets, in which case the assets are depreciated over the shorter of the useful life of the asset or the lease period, on a basis consistent with similar owned property and equipment.

22.1.2 Operating leases

The Group classifies leases as operating leases where the lessor effectively retains the risks and benefits of ownership. It recognises operating lease payments in the income statement on a straight-line basis over the period of the lease. Minimum rentals due after year-end are reflected under commitments.

The Group recognises as an expense any penalty payment to the lessor for early termination of an operating lease, in the period in which termination takes place.

22.2 A group company is the lessor

22.2.1 Finance leases

The Group recognises as advances assets sold under a finance lease at the present value of the lease payments. The difference between the gross receivable and the present value of the receivable represents unearned finance income. Lease income is recognised over the term of the lease using the effective interest rate method, which reflects a constant periodic rate of return.

22.2.2 Operating leases

The Group includes in a separate category as "assets held under operating lease" property and equipment assets leased out under operating leases. It depreciates these assets over their expected useful lives on a basis consistent with similar owned property and equipment. Rental income is recognised on a straight-line basis over the lease term.

22.3 Instalment credit agreements

The Group regards instalment credit agreements as financing transactions and includes the total rentals and installments receivable, less unearned finance charges, in advances.

The Group calculates finance charges using the effective interest rates as detailed in the contracts and credits finance charges to income in proportion to capital balances outstanding.

23. Intangible assets

23.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the attributable fair value of the Group's share of the net assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For impairment purposes goodwill is allocated to the lowest components of the business that is expected to benefit from synergies of the combination and at which Management monitors goodwill ("cash generating unit"). Each cash generating unit represents a grouping of assets no higher than a primary business or reporting segment.

23.2 Computer software development costs

The Group generally expenses computer software development costs in the financial period incurred. However, where computer software development costs can be clearly associated with a strategic and unique system which will result in a benefit for the Group exceeding the costs incurred for more than one financial period, the Group capitalises such costs and recognise it as an intangible asset.

The Group carries capitalised software assets at cost less amortisation and any impairment losses. It amortises these assets on a straight-line basis at a rate applicable to the expected useful life of the asset, but not exceeding three years. Management reviews the carrying value wherever objective evidence of impairment exists. The carrying value is written down to estimated recoverable amount when a permanent decrease in value occurs. Any impairment is recognised in the income statement when incurred.

23.3 Other intangible assets

The Group generally expenses the costs incurred on internally generated intangible assets, such as trademarks, concessions, patents and similar rights and assets, to the income statement in the period in which the costs are incurred. Internally generated intangible assets which are separately identifiable, where the costs can be reliably measured and where the Group is expected to derive a future benefit for more than one accounting period is capitalised.

The Group capitalises material acquired trademarks, patents and similar rights where it will receive a benefit from these intangible assets in more than one financial period.

The Group carries capitalised trademarks, patents and similar assets at cost less amortisation and any impairments. It amortises these assets at a rate applicable to the expected useful life of the asset, but not exceeding 20 years. Management reviews the carrying value whenever objective evidence of impairment exists. Carrying value is written down to estimated recoverable amount when a permanent decrease in value occurs. Any impairment is recognised in the income statement when incurred.

Amortisation and impairments of intangible assets are reflected under operating expenses in the income statement.

24. Deferred tax

Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statement. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affect neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The Group recognises deferred tax assets if the Directors of the Group consider it probable that future taxable income will be available against which the unused tax losses can be utilised.

Temporary differences arise primarily from depreciation of property and equipment, revaluation of certain financial assets and liabilities including derivative contracts, provisions for pensions and other post retirement benefits and tax losses carried forward.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to fair value re-measurement of available-for-sale financial assets and cash flow hedges, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

25. Employee benefits

25.1 Post-employment benefits

The Group operates a defined contribution scheme, the assets of which are held in separate trustee-administered fund. The pension plan is generally funded by payments from employees and the Company, taking account of the recommendations of independent qualified actuaries. The Provident Funds Act (CAP27:03) governs its administration. The liability of the Group is limited to the contributions made during the employment of the employee. The contributions are recognised as an employee benefit expense. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

25.2 Post-retirement medical benefits

The Group does not provide post-retirement healthcare benefits to its employees.

25.3 Termination benefits

The Group recognises termination benefits as a liability in the balance sheet and as an expense in the income statement when it has a present obligation relating to termination. The Group has a present obligation when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

25.4 Leave pay provision

The Group recognises in full employees' rights to annual leave entitlement in respect of past service.

25.5 Bonuses

Management and staff bonuses are recognised as an expense in staff costs as incurred when it is probable that the economic benefits will be paid and the amount can be reliably measured.

26. Borrowings

The Group initially recognises borrowings, including debentures, at the fair value of the consideration received. Borrowings are subsequently measured at amortised cost. Discounts or premiums on debentures issued are amortised on a basis that reflects the effective interest rate on the debentures over their life span. Interest paid is recognised in the income statement on an effective interest rate basis.

The Group separately measures and recognises the fair value of the debt component of an issued convertible bond in liabilities, with the residual value separately allocated to equity. It calculates interest on the debt portion of the instrument based on the market rate for a non-convertible instrument at the inception thereof.

Instruments with characteristics of debt, such as redeemable preference shares, are included in liabilities. Dividends paid on such instruments are included in interest expense.

Where the Group purchases its own debt, the debt is derecognised from the balance sheet and any difference between the carrying amount of the liability and the consideration paid is included in trading income.

27. Stated capital

27.1 Share issue costs

Shares form part of the stated capital and are classified as equity when there is no obligation to transfer cash or assets. Incremental costs directly related to the issue of new shares or options are shown as a deduction from equity. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

27.2 Dividends paid

Dividends on ordinary shares and non-cumulative non-redeemable preference shares are recognised against equity in the period in which they are approved by the company's shareholder. Dividends declared after the balance sheet date are not recognised but disclosed as a post balance sheet event.

27.3 Treasury shares

Where the Company or other members of the consolidated Group purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity as treasury shares until they are reissued or sold. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental costs, is included in shareholders' equity.

28. Acceptances

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group accounts for and discloses acceptances as a contingent liability.

29. Segment reporting

The Group defines a segment as a distinguishable component or business that provides either:

i. unique products or services ("business segment"), or
ii. products or services within a particular economic environment ("geographical segment"), subject to risks and rewards that are different from those of other segments.

Segments with a majority of revenue earned from charges to external customers and whose revenue, results or assets are 10% or more of all the segments, are reported separately.

Assets, liabilities, revenues or expenses that are not directly attributable to a particular segment are allocated between segments where there is a reasonable basis for doing so. The Group accounts for intersegment revenues and transfers as if the transactions were with third parties at current market prices. Tax is allocated to a particular segment on a pro-rata basis.

Funding is provided to business units and segments based at internally derived transfer pricing rates taking into account the funding structures of the Group.

30. Fiduciary activities

The Group excludes assets and the income thereon, together with related undertakings to return such assets to customers, from these financial statements where it acts in a fiduciary capacity such as nominee, trustee or agent.

31. Share-based payment transactions

The Group operates equity-settled and cash-settled share-based compensation plan.

31.1 Equity-settled share-based compensation plan

The Group expenses the fair value of the employee services received in exchange for the grant of the options, over the vesting period of the options, as employee costs, with a corresponding credit to a share-based payment reserve in the statement of changes in equity. The total value of the services received is calculated with reference to the fair value of the options on grant date.

The fair value of the options is determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each balance sheet date, the Group revises its estimate of the number of options expected to vest. The Group recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

31.2 Cash-settled share based-based payment compensation plans

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date until settled. The liability is recognised over the vesting period and is revalued at every balance sheet date. Any changes in the liability are accounted for in the income statement.

32. Standards and interpretations in issue but not yet effective

Details of the standards, which were in issue at the date of the authorisation of these financial statements, but not yet effective, are set out in note 40 to the annual financial statements.

Income Statements

For the year ended 30 June 2008

	Notes	Group 30 June 2008 P'000	Group 30 June 2007 P'000	Company 30 June 2008 P'000	Company 30 June 2007 P'000
Interest and similar income	2	**1,168,337**	1,005,074	**1,168,337**	1,005,074
Interest expense and similar charges	3	**(768,085)**	(657,297)	**(768,085)**	(657,297)
Net interest income before impairment of advances		**400,252**	347,777	**400,252**	347,777
Impairment losses on loans and advances	12	**(20,804)**	(22,012)	**(20,804)**	(22,012)
Net interest income after impairment of advances		**379,448**	325,765	**379,448**	325,765
Non-interest income	4	**347,666**	243,659	**342,565**	237,315
Income from operations		**727,114**	569,424	**722,013**	563,080
Operating expenses	5	**(279,148)**	(205,052)	**(278,412)**	(204,659)
Net income from operations		**447,966**	364,372	**443,601**	358,421
Share of profit of associate company	16	**1,314**	1,272	**-**	-
Income before tax		**449,280**	365,644	**443,601**	358,421
Indirect taxation	6	**(6,414)**	(4,968)	**(6,410)**	(4,963)
Profit before direct tax		**442,866**	360,676	**437,191**	353,458
Direct taxation	6	**(68,839)**	(50,829)	**(67,168)**	(48,735)
Profit for the year		**374,027**	309,847	**370,023**	304,723
Earnings per share (thebe)	7	**14.70**	**12.18**	**14.55**	**11.98**
Diluted earnings per share (thebe)	7	**14.59**	**12.09**	**14.43**	**11.89**
Dividend per share (thebe) - Declared		**8.00**	**9.85**	**8.00**	**9.85**

Balance Sheets

For the year ended 30 June 2008

	Notes	Group 30 June 2008 P'000	Group 30 June 2007 P'000	Company 30 June 2008 P'000	Company 30 June 2007 P'000
ASSETS					
Cash and short term funds	9	**1,796,013**	904,941	**1,796,013**	904,941
Derivative financial instruments	10	**59,514**	18,476	**59,514**	18,476
Advances to customers	11	**3,969,496**	3,073,209	**3,976,496**	3,080,209
Investment securities	13	**5,363,202**	4,060,061	**5,363,202**	4,060,061
- available- for- sale		**5,286,345**	4,043,897	**5,286,345**	4,043,897
- held for trading		**76,857**	16,164	**76,857**	16,164
Due from related companies	14	**2,029**	1,151	**2,029**	1,189
Accounts receivable	15	**181,911**	197,447	**180,711**	196,343
Investment in associate company	16	**2,297**	2,421	**955**	955
Investment in subsidiary companies	17	**-**	-	**48,285**	48,285
Current taxation		**-**	5,217	**-**	5,217
Property and equipment	18	**80,737**	63,184	**62,423**	40,441
Intangible assets	19	**26,963**	26,963	**-**	-
Total assets		**11,482,162**	8,353,070	**11,489,628**	8,356,117
EQUITY AND LIABILITIES					
Liabilities					
Amounts due to other banks		**142,310**	125,463	**142,310**	125,463
Deposit and current accounts					
- amortised cost	20	**9,763,624**	6,744,640	**9,763,624**	6,744,640
Derivative financial instruments	10	**59,514**	18,476	**59,514**	18,476
Long term loans	21	**424,694**	430,907	**424,694**	430,907
Accrued interest payable		**86,594**	85,100	**86,594**	85,100
Due to related companies	14	**97,587**	213,482	**115,929**	224,411
Current taxation		**5,173**	308	**4,456**	-
Creditors and accruals	22	**114,065**	76,834	**109,915**	74,917
Provisions	23	**20,716**	15,459	**20,716**	15,459
Deferred taxation	6	**43,267**	34,776	**42,061**	33,082
Total liabilities		**10,757,544**	7,745,445	**10,769,813**	7,752,455
Shareholders' equity					
Stated capital	24	**51,088**	51,088	**58,088**	58,088
Reserves	25	**583,800**	400,151	**571,997**	389,188
Dividend reserve		**89,730**	156,386	**89,730**	156,386
Total shareholders' equity		**724,618**	607,625	**719,815**	603,662
Total equity and liabilities		**11,482,162**	8,353,070	**11,489,628**	8,356,117

Statements Of Changes In Equity

For the year ended 30 June 2008

	Stated capital P'000	Associate company retained earnings 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
Group							
Balance as at 1 July 2006	51,088	1,544	3,596	-	326,459	128,185	510,872
Profit for the year					309,847		309,847
2006 final dividend paid						(128,185)	(128,185)
2007 interim dividend paid					(96,139)		(96,139)
2007 final dividend proposed					(156,386)	156,386	-
Recognition of share based payments				2,313			2,313
Decrease in associate company reserves		(78)			78		-
Transfer from revaluation reserve (note 25)			(94)		94		-
Transfer from deferred tax (notes 6 and 25)			14				14
Revaluation of properties during the year			10,252				10,252
Deferred tax on revaluation of							-
properties (notes 6 and 25)			(1,349)				(1,349)
Balance as at 30 June 2007	51,088	1,466	12,419	2,313	383,953	156,386	607,625
Profit for the year					374,027		374,027
Available-for-sale reserve arising during the year			13,769				13,769
2007 final dividend paid						(156,386)	(156,386)
2008 interim dividend paid					(115,367)		(115,367)
2008 final dividend proposed					(89,730)	89,730	-
Recognition of share based payments				910			910
Decrease in associate company reserves		(124)			124		-
Transfer from revaluation reserve (note 25)			(114)		114		-
Transfer from deferred tax (notes 6 and 25)			40		-		40
Balance as at 30 June 2008	51,088	1,342	26,114	3,223	553,121	89,730	724,618
Company							
Balance at 1 July 2006	58,088	-	375	-	331,118	128,185	517,766
Profit for the year					304,723		304,723
2006 final dividend paid						(128,185)	(128,185)
2007 interim dividend paid					(96,139)		(96,139)
2007 final dividend proposed					(156,386)	156,386	-
Recognition of share based payments				2,313			2,313
Transfer from revaluation reserve (note 25)			2				2
Transfer from deferred tax (notes 6 and 25)			(10)		10		-
Revaluation of properties during the year			3,809				3,809
Deferred tax on revaluation of properties (notes 6 and 25)			(627)				(627)
Balance as at 30 June 2007	58,088	-	3,549	2,313	383,326	156,386	603,662
Profit for the year					370,023		370,023
Available-for-sale reserve arising during the year			13,769				13,769
2007 final dividend paid						(156,386)	(156,386)
2008 interim dividend paid					(115,367)		(115,367)
2008 final dividend proposed					(89,730)	89,730	-
Revaluation reserve arising on transfer of properties			3,181				3,181
Recognition of share based payments				910			910
Transfer from revaluation reserve (note 25)							-
Transfer from deferred tax (notes 6 and 25)			23				23
Balance as at 30 June 2008	58,088	-	20,522	3,223	548,252	89,730	719,815

Cash Flow Statements

For the year ended 30 June 2008

	Notes	Group 30 June 2008 P'000	Group 30 June 2007 P'000	Company 30 June 2008 P'000	Company 30 June 2007 P'000
Cash flows from operating activities					
Cash generated by operations	**28**	**437,089**	389,882	**431,077**	382,414
Taxation paid	**29**	**(50,016)**	(55,665)	**(48,946)**	(54,013)
		387,073	334,217	**382,131**	328,401
Increase/ (decrease) in amounts due to other banks		**16,847**	(16,836)	**16,847**	(16,836)
Increase in deposit and current accounts	**30**	**3,018,984**	862,813	**3,018,984**	862,813
Increase/ (decrease) in balances due to related companies		**(115,895)**	164,648	**(108,482)**	169,986
Increase in accrued interest payable		**1,494**	24,198	**1,494**	24,198
Increase / (decrease) in creditors and accruals		**36,702**	(6,686)	**34,469**	(7,351)
Increase in provisions		**5,257**	2,521	**5,257**	2,521
Increase in investments - held for trading		**(60,693)**	(178)	**(60,693)**	(178)
Increase in advances to customers - loans and receivables	**31**	**(917,091)**	(378,817)	**(917,091)**	(378,817)
Decrease / (increase) in accounts receivable		**15,536**	(101,276)	**15,632**	(100,172)
Increase in amounts due from related companies		**(878)**	(1,151)	**(840)**	(1,189)
Net cash flows from operating activities		**2,387,336**	883,453	**2,387,708**	883,376
Cash flows (to)/ from financing activities					
Dividends paid	**32**	**(271,753)**	(224,324)	**(271,753)**	(224,324)
Long term loans repaid		**(6,760)**	(6,286)	**(6,760)**	(6,286)
Net cashflows (to)/ from financing activities		**(278,513)**	(230,610)	**(278,513)**	(230,610)
Cash flows (to)/ from investing activities					
Purchase of property and equipment to maintain operations	**18**	**(25,634)**	(19,785)	**(25,634)**	(19,785)
Proceeds on disposal of property and equipment		**26**	54	**26**	54
Dividends from associate company	**16**	**1,228**	1,073	**1,228**	1,073
Transfer of properties		**-**	-	**(372)**	-
Proceeds on disposal of investment		**19,807**	-	**19,807**	-
Net cash flows (to)/ from investing activities		**(4,573)**	(18,658)	**(4,945)**	(18,658)
Net increase in cash and cash equivalents		**2,104,250**	634,185	**2,104,250**	634,108
Cash and cash equivalents at the beginning of the year		**4,948,838**	4,314,653	**4,948,838**	4,314,730
Cash and cash equivalents at the end of the year	**33**	**7,053,088**	4,948,838	**7,053,088**	4,948,838

1. ACCOUNTING POLICIES

The accounting policies of the Group are set out on pages 28 to 39

	Group		Company	
	30 June 2008 P'000	30 June 2007 P'000	**30 June 2008 P'000**	30 June 2007 P'000
2. INTEREST AND SIMILAR INCOME				
Held for trading				
- Investment securities	**4,132**	1,800	**4,132**	1,800
Loan and receivables				
- Advances	**579,951**	498,740	**579,951**	498,740
- Cash and short term funds	**27,819**	10,266	**27,819**	10,266
- Other	**30,034**	24,662	**30,034**	24,662
- Unwinding of discounted present value on non-performing loans	**2,805**	5,219	**2,805**	5,219
Available-for- sale financial assets				
- Investment securities	**523,596**	464,387	**523,596**	464,387
	1,168,337	1,005,074	**1,168,337**	1,005,074
3. INTEREST EXPENSE AND SIMILAR CHARGES				
Financial liabilities at amortised cost				
- Term deposit accounts	**386,378**	369,964	**386,378**	369,964
- Current accounts	**293,215**	180,150	**292,821**	180,150
- Savings deposits	**36,256**	30,399	**36,256**	30,399
- Deposits from banks and financial institutions	**4,268**	14,887	**4,662**	14,887
- Loans from related parties	**36,745**	42,061	**36,745**	42,061
- Debentures	**11,223**	19,836	**11,223**	19,836
	768,085	657,297	**768,085**	657,297
4. NON-INTEREST INCOME				
Loans and receivables				
- Card commissions	**53,441**	37,499	**53,441**	37,499
- Insurance commissions	**15,197**	11,113	**10,223**	7,292
- Commitment fees	**21,836**	10,843	**21,836**	10,843
Financial liabilities at amortised cost				
- Cash deposit fees	**14,018**	11,234	**14,018**	11,234
- Commissions - bills, drafts and cheques	**28,675**	23,606	**28,675**	23,606
- Service fees	**63,930**	45,029	**63,930**	45,029
Non-financial assets and liabilities				
Other	**21,985**	18,189	**21,985**	18,190
(Losses)/gains on bond trading	**(6)**	146	**(6)**	146
Foreign exchange trading income	**78,102**	69,004	**78,102**	69,004
Gain/(loss) on sale of property and equipment	**26**	(2)	**26**	(2)
Dividend received from an associate company	**-**	-	**1,228**	1,073
Gain on investment (Note 13)	**35,308**	-	**35,308**	-
Other non-interest income	**15,154**	16,998	**13,799**	13,401
	347,666	243,659	**342,565**	237,315

	Group		Company	
	30 June 2008 P'000	30 June 2007 P'000	**30 June 2008 P'000**	30 June 2007 P'000
5. OPERATING EXPENSES				
Auditors` remuneration				
Audit fees				
- current year	**1,638**	1,050	**1,638**	1,050
- prior years	**-**	177	**-**	177
Other services	**(5)**	186	**(5)**	186
	1,633	1,413	**1,633**	1,413
Depreciation				
Land and buildings	**2,523**	1,905	**2,072**	1,456
Motor vehicles	**505**	451	**505**	451
Furniture, computers and office equipment	**5,053**	3,795	**5,052**	3,795
	8,081	6,151	**7,629**	5,702
Directors' remuneration				
For services as directors	**1,417**	1,140	**1,417**	1,140
For other services	**3,267**	2,763	**3,267**	2,763
	4,684	3,903	**4,684**	3,903
Exchange losses (gains)	**215**	(875)	**215**	(875)
Operating lease charges				
Premises	**13,296**	10,596	**13,962**	11,399
- Contractual	**12,220**	10,596	**12,886**	11,399
- Straight line lease rental adjustment	**1,076**	-	**1,076**	-
Equipment	**4,275**	3,493	**4,275**	3,493
	17,571	14,089	**18,237**	14,892
Other operating expenses	**90,118**	70,453	**86,351**	70,090
Professional fees	**24,639**	4,163	**24,602**	4,132
Staff expenses				
Salaries, wages and allowances	**108,164**	86,636	**107,696**	86,177
Contributions to pension, medical and other staff funds	**8,491**	7,252	**8,455**	7,213
Share participation scheme cost	**910**	2,313	**910**	2,313
Leave pay provision	**5,364**	2,660	**5,363**	2,660
Other	**9,278**	6,894	**12,637**	7,039
	132,207	105,755	**135,061**	105,402
Details of the post retirement benefits are provided separately (Note 27)				
Total operating expenses	**279,148**	205,052	**278,412**	204,659

6. TAXATION

	Group 30 June 2008 P'000	Group 30 June 2007 P'000	Company 30 June 2008 P'000	Company 30 June 2007 P'000
Indirect tax				
Value added tax	**6,414**	4,968	**6,410**	4,963
Total indirect tax	**6,414**	4,968	**6,410**	4,963
Direct tax				
Income tax expense				
Current tax at 15%	**58,067**	51,079	**57,180**	49,985
Additional company tax at 10%	**38,712**	34,052	**38,120**	33,324
Underprovision in prior years	**3,557**	-	**3,557**	-
Withholding tax on dividends	**(40,422)**	(33,649)	**(40,422)**	(33,649)
Withholding tax on subsidiaries and associates dividends	**184**	161	**184**	161
Share of associate company's tax	**210**	277	**-**	-
	60,308	51,920	**58,619**	49,821
Deferred taxation				
Charge/(credit) to income statement				
- current year	**8,902**	2,514	**8,920**	2,518
- prior year	**(371)**	(3,605)	**(371)**	(3,604)
	8,531	(1,091)	**8,549**	(1,086)
Total tax expense per income statement	**68,839**	50,829	**67,168**	48,735
Additional company tax				
Additional company tax available for set-off against withholding tax on future dividends payable.	**11,503**	10,058	**11,503**	7,997
Reconciliation of tax charge				
Profit before direct tax	**442,866**	360,676	**437,190**	353,458
Tax at current rate on profit for the year	**110,716**	90,169	**109,297**	88,365
Capital and other allowances	**(112,477)**	(97,496)	**(112,233)**	(97,459)
Dividends received	**-**	-		(269)
Approved training allowance	**(3,105)**	(1,192)	**(3,105)**	(1,192)
Depreciation and lease repayments	**104,386**	91,243	**103,934**	91,131
Withholding tax on dividends	**(40,422)**	(33,649)	**(40,422)**	(33,649)
Withholding tax on subsidiaries and associates dividends	**184**	161	**184**	161
Prior year tax adjustments	**3,557**	-	**3,557**	-
Share of associate company's tax	**210**	277	**-**	-
Other	**(2,742)**	2,407	**(2,594)**	2,733
Current tax	**60,308**	51,920	**58,619**	49,821
Deferred tax				
Balance at the beginning of the year	**34,776**	34,532	**33,082**	33,543
Temporary differences for the year	**8,902**	2,514	**8,919**	2,518
Prior year overprovision	**(371)**	(3,605)	**(371)**	(3,604)
Transfer from subsidiaries	**-**	-	**30**	-
Transfer to revaluation reserve	**(40)**	(14)	**(23)**	(2)
Deferred tax on revaluation of properties	**-**	1,349	**-**	627
Deferred tax arising on transfer of properties	**-**	-	**424**	-
Balance at the end of the year	**43,267**	34,776	**42,061**	33,082

	Group		Company	
	30 June 2008 P'000	30 June 2007 P'000	**30 June 2008 P'000**	30 June 2007 P'000

6. Deferred Tax (continued)

The balance comprises:				
Accelerated capital allowances	**41,570**	34,780	**41,326**	34,365
Revaluation surplus	**1,945**	1,986	**1,108**	707
Other temporary differences	**(248)**	(1,990)	**(373)**	(1,990)
	43,267	34,776	**42,061**	33,082

7. EARNINGS PER SHARE

Basic earnings per share

Earnings per share is calculated by dividing the net profit attributable to equity holders of the Company and Group by the weighted average number of ordinary shares in issue during the year, excluding the number of ordinary shares purchased by the Company and held as treasury shares.

There were no movements during the current year, in the number of shares in issue and as well as the number of ordinary shares held by the Employees Share Participation Scheme - treasury shares.

Profit attributable to equity holders	**374,027**	309,847	**370,023**	304,723
Number of ordinary shares in issue at beginning and end of year (000)	**2 563 700**	2 563 700	**2 563 700**	2 563 700
Less treasury shares (000)	**(20,000)**	(20,000)	**(20,000)**	(20,000)
Weighted average number of ordinary shares in issue (000)	**2 543 700**	2 543 700	**2 543 700**	2 543 700
Basic earnings per share (thebe)	**14.70**	12.18	**14.55**	11.98

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutable potential ordinary shares.

Profit attributable to equity holders	**374,027**	309,847	**370,023**	304,723
Weighted average number of ordinary shares in issue (000)	**2 563 700**	2 563 700	**2 563 700**	2 563 700
Basic diluted earnings per share (thebe)	**14.59**	12.09	**14.43**	11.89

8. ANALYSIS OF ASSETS AND LIABILITIES BY CATEGORY

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies on page 28 to page 39 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the balance sheet per category of financial instrument to which they are assigned and therefore by measurement basis:

	Group		Company	
	30 June 2008 P'000	30 June 2007 P'000	**30 June 2008 P'000**	30 June 2007 P'000
ASSETS				
Loans and receivables				
Cash and short-term funds	**1,796,013**	904,941	**1,796,013**	904,941
Advances to customers	**3,969,496**	3,073,209	**3,976,496**	3,080,209
Due from related companies	**2,029**	1,151	**2,029**	1,189
Accounts receivable	**181,911**	197,447	**180,711**	196,343
Available- for- sale financial assets				
Investment securities	**5,286,345**	4,043,897	**5,286,345**	4,043,897
Held for trading				
Investment securities	**76,857**	16,164	**76,857**	16,164
Derivative financial instruments	**59,514**	18,476	**59,514**	18,476
Non-financial assets				
Investment inn associate company	**2,297**	2,241	**955**	955
Investment in subsidiary company	**-**	-	**48,285**	48,285
Current tax	**-**	5,217	**-**	5,217
Property and equipment	**80,737**	63,184	**62,423**	40,441
Intangible assets	**26,963**	26,963	**-**	-
Total assets	**11,482,162**	8,353,070	**11,489,628**	8,356,117
LIABILITIES				
Financial liabilities at amortised cost				
Amounts due to other banks	**142,310**	125,463	**142,310**	125,463
Deposit and current accounts - amortised cost	**9,763,624**	6,744,640	**9,763,624**	6,744,640
Long term loans	**424,694**	430,907	**424,694**	430,907
Accrued interest payable	**86,594**	85,100	**86,594**	85,100
Due to related companies	**97,587**	213,482	**115,929**	224,411
Creditors and accruals	**114,065**	76,834	**109,915**	74,917
Provisions	**20,716**	15,459	**20,716**	15,459
Held for trading				
Derivative financial instruments	**59,514**	18,476	**59,514**	18,476
Non-financial liabilities				
Current taxation	**5,173**	308	**4,456**	-
Deferred taxation	**43,267**	34,776	**42,061**	33,082
Total liabilities	**10,757,544**	7,745,445	**10,769,813**	7,752,455

9. CASH AND SHORT TERM FUNDS

	Group		Company	
	30 June 2008 P'000	30 June 2007 P'000	**30 June 2008 P'000**	30 June 2007 P'000
Coins and bank notes	**84,517**	56,036	**84,517**	56,036
Money at call and short notice				
- related companies (note 14)	**1,127,533**	354,639	**1,127,533**	354,639
- other banks	**277,487**	-	**277,487**	-
Balances with Bank of Botswana	**249,276**	336,475	**249,276**	336,475
Balances with other banks	**57,200**	157,791	**57,200**	157,791
	1,796,013	904,941	**1,796,013**	904,941
The carrying value approximates the fair value.				
Amounts denominated in foreign currencies included in above balances	**1,393,734**	466,930	**1,393,734**	466,930
Mandatory reserve balances included in above:				
Banks are required to deposit a minimum average balance, calculated monthly, with Bank of Botswana. These deposits bear no interest.	**531,409**	247,979	**531,409**	247,979

Money at short notice constitutes amounts withdrawable in 32 days or less.

10. DERIVATIVE FINANCIAL INSTRUMENTS

Group and company

Strategy in using hedging instruments
Interest rate derivatives comprising mainly interest rate swaps, and forward rate agreements are utilised for hedging purposes to eliminate uncertainty and reduce the risk that the Group faces due to volatile interest rates. The Group accepts deposits at variable rates and uses fixed interest rate derivatives as cash flow hedges of future interest payments, effectively converting borrowings from floating to fixed rates. The Group also has assets at variable rates and uses fixed interest rate derivatives as cash flow hedges of future interest receipts.

The notional amounts of the derivative instruments do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments, and therefore, do not present the Group's exposure to credit or pricing risk. Derivative instruments become favourable (assets) or unfavourable (liabilities) based on changes in market interest rates. The aggregate notional amount of derivative financial instruments, the extent to which the instruments are favourable or unfavourable, and thus the aggregate fair value can fluctuate significantly, over time.

Further information pertaining to the risk management strategy of the Group is set out in note 36.

Forward rate agreements
Forward rate agreements are negotiated interest rate futures that call for cash settlement at a future date for the difference between the contractual and market rates of interest, based on a notional principal amount. The Bank's exposure as at 30 June 2008 was P11 million (2007:Pnil). The balances are included as part of cash and short term funds.

Currency Options
The Bank has written foreign currency option contracts that grant the holder the right, but not the obligation, to buy or sell currency at a specified exchange rate during a specified period of time. At the same time, the Bank enters into a similar option with a related party in order to manage the risks associated with the options. These options are not designated as hedging instruments; consequently both options are recognised as derivative instruments in other assets and liabilities in the balance sheet. The fair value adjustments arising from valuation of both options are recognised in the profit or loss as part of other gains and losses where they essentially net off. The premium on inception of the option is immediately recognised in the profit or loss.

	Assets		Liabilities	
2008	**Notional P'000**	**Fair value P'000**	**Notional P'000**	**Fair value P'000**
Currency derivatives				
- Options	395,734	59,514	395,734	59,514
2007				
Currency derivatives				
- Options	235,350	18,476	235,350	18,476

	Group		Company	
	30 June 2008 P'000	30 June 2007 P'000	**30 June 2008 P'000**	30 June 2007 P'000

11. ADVANCES TO CUSTOMERS

	Group 30 June 2008 P'000	Group 30 June 2007 P'000	Company 30 June 2008 P'000	Company 30 June 2007 P'000
Sector analysis				
Agriculture	**40,846**	34,261	**40,846**	34,261
Building and property development	**111,067**	51,076	**111,067**	51,076
Business and trade	**2,255,319**	1,798,759	**2,255,319**	1,805,759
Government and public authorities	**-**	16	**-**	16
Individuals	**1,231,136**	1,042,384	**1,238,136**	1,042,384
Manufacturing	**293,268**	173,406	**293,268**	173,406
Mining and quarrying	**50,161**	10,789	**50,161**	10,789
Transport and communications	**78,702**	57,674	**78,702**	57,674
Notional value of advances	**4,060,499**	3,168,365	**4,067,499**	3,175,365
Interest suspended on impaired advances	**(26,741)**	(25,432)	**(26,741)**	(25,432)
Gross advances	**4,033,758**	3,142,933	**4,040,758**	3,149,933
Less : impairment of advances (Note 12)	**(64,262)**	(69,724)	**(64,262)**	(69,724)
Net advances	**3,969,496**	3,073,209	**3,976,496**	3,080,209
Category analysis				
Overdrafts and managed accounts debtors	**841,511**	693,707	**830,169**	700,707
Personal loans	**483,419**	338,862	**483,419**	338,862
Lease payments receivable	**399,494**	283,249	**399,494**	283,249
Suspensive sale debtors	**692,417**	547,661	**692,417**	547,661
Property loans	**1,408,681**	1,180,769	**1,408,681**	1,180,769
Other loans and advances	**234,977**	124,117	**253,319**	124,117
Notional value of advances	**4,060,499**	3,168,365	**4,067,499**	3,175,365
Interest suspended on impaired advances	**(26,741)**	(25,432)	**(26,741)**	(25,432)
Gross advances	**4,033,758**	3,142,933	**4,040,758**	3,149,933
Less : impairment of advances (Note 12)	**(64,262)**	(69,724)	**(64,262)**	(69,724)
Net advances	**3,969,496**	3,073,209	**3,976,496**	3,080,209
Maturity analysis				
Maturity within one year	**999,059**	887,745	**999,059**	894,745
Maturity between two and five years	**1,669,477**	1,244,370	**1,669,477**	1,244,370
Maturity more than five years	**1,391,963**	1,036,250	**1,398,963**	1,036,250
	4,060,499	3,168,365	**4,067,499**	3,175,365
Included in above are advances to:				
- Directors	**1,899**	1,727	**1,899**	1,727
- Companies in which directors have substantial interest	**4**	42	**4**	42
	1,903	1,769	**1,903**	1,769
Included in above advances are instalment loans repayable within:				
-one year	**156,519**	52,375	**156,519**	52,375
-one to five years	**931,081**	777,357	**931,081**	777,357
-more than five years	**4,311**	1,178	**4,311**	1,178
	1,091,911	830,910	**1,091,911**	830,910

These loans have been made under normal commercial terms and conditions. The above advances only expose the Bank to credit risk in Botswana.

12. IMPAIRMENT OF ADVANCES

Significant loans and advances are monitored by the credit division and impaired according to the Bank's impairment policy when an indication of impairment is observed.

The following factors are considered when determining whether there is objective evidence that the asset has been impaired:
- The estimated amount of collateral held against the loans and advances;
- Breaches of loan covenants and conditions;
- The time period of overdue contractual payments;
- Loss Given Default (LGD), Probability of Default (PD) and Exposure At Default (EAD);
- Actuarial credit models;
- Loss of employment or death of the borrower; and
- The probability of liquidation of the customer.

Group and Company

		2008	
	Total impairment P'000	**FNBB Retail P'000**	**Corporate & commercial P'000**
Specific Impairment			
At the beginning of the year	50,494	44,800	5,694
Amounts written off	(23,460)	(18,698)	(4,761)
Unwinding of discounted present value on non performing loans	(2,806)	(2,806)	-
	24,228	23,296	933
New and increased provision	30,760	26,549	4,211
Recoveries of bad debts previously written off	(3,277)	(3,211)	(67)
Impairment adjustments	(3,097)	(3,097)	-
Impairment loss recognised in the income statement	24,386	20,241	4,144
At the end of the year	48,614	43,537	5,077
Portfolio Impairment			
At the beginning of the year	13,883	12,318	1,565
(Credit) to the income statement	(5,223)	(5,223)	-
At the end of the year	8,660	7,095	1,565
IBNR Impairment			
At the beginning of the year	5,347	4,744	603
Charge to income statement	1,642	1,642	-
At the end of the year	6,989	6,386	603
Total charge to the income statement	**20,804**	**16,659**	**4,144**
Total impairment at the end of the year	**64,262**	**57,017**	**7,245**

12. IMPAIRMENT OF ADVANCES (continued)

Group and Company

	2007		
	Total impairment P'000	**FNB Retail P'000**	**Corporate & commercial P'000**
Specific Impairment			
At the beginning of the year	54,046	47,953	6,093
Amounts written off	(25,704)	(22,807)	(2,897)
Unwinding of discounted present value	-		
on non performing loans	(5,219)	(4,631)	(588)
	23,123	20,515	2,608
New and increased provision	27,430	24,338	3,092
Recoveries of bad debts previously written off	(3,065)	(2,720)	(345)
Impairment adjustments	3 ,006	2,667	339
Impairment loss recognised in the income statement	27,371	24,285	3,086
At the end of the year	50,494	44,800	5,694
Portfolio Impairment			
At the beginning of the year	19,523	17,322	2,201
(Credit) to the income statement	(5,640)	(5,004)	(636)
At the end of the year	13,883	12,318	1 565
IBNR Impairment			
At the beginning of the year	5,066	4,495	571
Charge to income statement	281	249	32
At the end of the year	5,347	4,744	603
Total charge to the income statement	22,012	19,530	2,482
Total impairment at the end of the year	69,724	61,862	7,862

12. IMPAIRMENT OF ADVANCES (continued)

Non-performing advances - loans and receivables

Group and Company	Credit risk including interest suspended	Security held	Contractual Interest suspended	Impairment provision
	P'000	P'000	P'000	P'000
Sector analysis - 2008				
Agriculture	109	36	30	54
Building and property development	55,165	18,154	4,341	7,761
Individuals	3,595	1,183	1,856	3,319
Manufacturing and commerce	28,636	9,424	11,912	21,299
Transport and communication	12,689	4,176	5,030	8,994
Other advances	12,124	3,990	3,572	7,187
Total non-performing advances - 30 June 2008	112,318	36,963	26,741	48,614
Sector analysis - 2007				
Agriculture	167	63	35	69
Building and property development	62,973	23,793	13,124	26,056
Individuals	13,798	5,213	2,876	5,710
Manufacturing and commerce	15,946	6,025	3,323	6,598
Transport and communication	6,794	2,567	1,416	2,811
Other advances	22,356	8,447	4,659	9,250
Total non-performing advances - 30 June 2007	122,034	46,108	25,432	50,494
Category analysis - 2008				
Overdrafts and managed accounts	38,739	12,749	13,638	24,260
Personal loans	2,909	957	541	3,057
Suspensive sale debtors	15,696	5,165	1,276	11,789
Lease instalments receivable	5,023	1,653	1,681	3,589
Property loans	46,449	15,286	9,605	5,117
Other advances	3,502	1,152	-	802
Total non-performing advances - 30 June 2008	112,318	36,963	26,741	48,614
Category analysis - 2007				
Overdrafts and managed accounts	39,958	1,588	12,463	25,907
Personal loans	2,145	181	396	1,568
Suspensive sale debtors	12,459	788	1,133	10,538
Lease instalments receivable	4,743	625	739	3,379
Property loans	60,967	42,924	10,258	7,785
Other advances	1,762	2	443	1,317
Total non-performing advances - 30 June 2007	122,034	46,108	25,432	50,494

12. IMPAIRMENT OF ADVANCES (continued)

	Group		Company	
	30 June 2008	30 June 2007	**30 June 2008**	30 June 2007
Contractual interest suspended	**P'000**	P'000	**P'000**	P'000
At the beginning of the year				
Written off during the year	**25,432**	17,355	**25,432**	17,355
Suspended during the year	**11,209**	(5,889)	**11,209**	(5,889)
Released during the year	**10,734**	14,862	**10,734**	14,862
At the end of the year	**(20,634)**	(896)	**(20,634)**	(896)
	26,741	25,432	**26,741**	25,432

13. INVESTMENT SECURITIES

Available-for-sale				
Bank of Botswana Certificates	**5,257,075**	4,043,897	**5,257,075**	4,043,897
Investment in VISA Incorporated	**29,270**	-	**29,270**	-
	5,286,345	4,043,897	**5,286,345**	4,043,897
Held for trading				
Government and parastatal bonds	**76,857**	16,164	**76,857**	16,164
	5,363,202	4,060,061	**5,363,202**	4,060,061

P531,409,000 (2007: P301,457,000) of the Bank of Botswana certificates form part of the Group's liquid assets portfolio in terms of the Botswana Banking Act No. 13 of 1995.

Fair value of investment securities is based on the ruling market prices as at the balance sheet date.

During the year the Bank was allocated Class C shares in connection with the Initial Public Offering ("IPO") of VISA Inc, a company listed on the New York Stock Exchange. The shares, which were received in respect of the Bank's existing membership in the VISA association, were worth P35,308,000 at grant date. The shares were received at no consideration and as such the Bank recognised "Day 1" profit in the income statement as part of non-interest income. Subsequent to the initial share allocation, 56% of the Class C shares were redeemed and the remaining 44% was converted to Class A shares on a 1:1 basis. As at year end the Class A shares were valued at P29,270,000 and have been included in the Bank's available-for-sale financial assets. The amount of P13,769,000 arising on the revaluation on these Class A shares has been disclosed as a non-distributable reserve.

14. RELATED PARTIES

The Bank identifies a related party if an entity or individual :

- directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the entity (this includes parent companies, subsidiaries and fellow subsidiaries);

- has an interest in the entity that gives it significant influence over the entity;

- has control over the entity;

- is an associate company, joint venture, or is jointly controlled; or

- is a member of a key Management personnel of the Group. Key Management personnel comprise non-executive Directors, the Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Financial Officer, the Head of Compliance and Governance, Treasurer and the Head of Credit.

Related party balances
Related company balances arise from ordinary banking business under normal commercial terms and conditions. Amounts due to/from related parties as at the year end were:

	Group		Company	
	30 June 2008 P'000	30 June 2007 P'000	**30 June 2008 P'000**	30 June 2007 P'000
Due from related parties				
Rand Merchant Bank Limited (Ireland)	**1,011,038**	327,983	**1,011,038**	327,983
Rand Merchant Bank Limited (South Africa)	**116,495**	26,656	**116,495**	26,656
First National Bank Holdings (Botswana) Limited	**2,029**	1,151	**2,029**	1,151
Plot 4972 (Pty) Limited	**-**	-	**-**	38
	1,129,562	355,790	**1,129,562**	355,828
Less money at call and short notice - related companies (note 9)	**(1,127,533)**	(354,639)	**(1,127,533)**	(354,639)
	2,029	1,151	**2,029**	1,189
Included in advances:				
Finance House (Pty) Limited	**1,713**	2,461	**1,713**	2,461
Entities under control of key Management personnel:				
- Queensway Trustees	**-**	42	**-**	42
	1,713	2,503	**1,713**	2,503

14. RELATED PARTIES (continued)

	Group		Company	
	30 June 2008 P'000	30 June 2007 P'000	**30 June 2008 P'000**	30 June 2007 P'000
Due to related companies- current liabilities				
First National Bank Holdings (Botswana) Limited	**76,724**	67,202	**76,724**	67,202
Rand Merchant Bank Limited (Ireland)	**10,768**	55,458	**10,768**	55,458
Rand Merchant Bank (South Africa)	**-**	44,425	**-**	44,425
Financial Services Company of Botswana Limited	**-**	-	**1,693**	1,436
Financial Services Properties (Proprietary) Limited	**-**	-	**1,075**	871
First National Insurance Agency (Proprietary) Limited	**-**	-	**14,510**	7,612
First Funding (Proprietary) Limited	**-**	-	**64**	1,000
Premium Credit Botswana (Proprietary) Limited	**-**	-	**1,000**	10
First National Bank, a division of FirstRand Bank Limited - South Africa	**10,095**	46,397	**10,095**	46,397
	97,587	213,482	**115,929**	224,411
Due to related companies- long term liability				
Rand Merchant Bank (South Africa) (note 21)	**250,000**	250,000	**250,000**	250,000

The balance due to First National Bank Holdings (Botswana) Limited represents funds due on call deposit account.

Related company transactions
Transactions were carried out in the ordinary course of banking business and were made on an arm`s length basis as detailed below:

	Group		Company	
	30 June 2008 P'000	30 June 2007 P'000	**30 June 2008 P'000**	30 June 2007 P'000
Interest income:				
Related company balances	**28,414**	15,689	**28,414**	15,689
Interest expenditure				
First National Bank Holdings (Botswana) Limited	**10,101**	5,859	**10,101**	5,859
Rand Merchant Bank Limited (Ireland)	**394**	8,500	**394**	8,500
Rand Merchant Bank Limited (South Africa)	**-**	931	**-**	931
Rand Merchant Bank South Africa -long term loan	**26,250**	26,250	**26,250**	26,250
First National Bank, a division of FirstRand Bank Limited (South Africa)	**-**	521	**-**	521
Non-interest income:				
Dividend income - Finance House	**-**	-	**1,228**	1,073
Non-interest expenditure:				
Rent paid - Subsidiary companies	**-**	-	**809**	809
Rent paid - Finance House (Proprietary) Limited	**3,412**	3,412	**3,412**	3,412
Service level agreement costs	**19,652**	15,925	**19,652**	15,925

14. RELATED PARTIES (continued)

	Group		Company	
	30 June 2008 P'000	30 June 2007 P'000	**30 June 2008 P'000**	30 June 2007 P'000
Key Management personnel				
Compensation paid to key Management personnel				
Salaries and allowances	**7,439,967**	5,331,258	**7,439,967**	5,331,258
Other employee benefits	**415,667**	681,229	**415,667**	681,229
Total short term benefits	**7,855,634**	6,012,487	**7,855,634**	6,012,487
Pension contribution	**237,587**	19,802	**237,587**	19,802
Advances				
Personal loans	**515,487**	210,582	**515,487**	210,582
Overdrafts	**63,460**	241,386	**63,460**	241,386
Credit card	**175,295**	223,489	**175,295**	223,489
Instalment finance	**1,157,244**	1,107,037	**1,157,244**	1,107,037
Property loans	**1,459,637**	1,900,941	**1,459,637**	1,900,941
Total advances	**3,371,123**	3,683,435	**3,371,123**	3,683,435

No impairments have been recognised in respect of the above advances (2007: nil). Interest rates are in line with normal rates charged to customers or staff rates in line with company policy.

Personal loans are repayable over 3 years. Property loans and instalment finance loans are repayable monthly over 15 years, and 5 years respectively. Property loans are collaterised by properties with a total fair value of P 1,480,000 (2007: P2,300,000). Instalment finance loans are collaterised by motor vehicles with a total fair value of P1,300,000 (2007: P1,300,000)

Personal loans, overdrafts and credit card balances are unsecured.

Holding company

The Bank's holding company is First National Bank Holdings Limited, a company registered in Botswana. The Bank's ultimate holding company is FirstRand Bank Limited, a company registered in the Republic of South Africa.

	Group		Company	
	30 June 2008 P'000	30 June 2007 P'000	**30 June 2008 P'000**	30 June 2007 P'000
15. ACCOUNTS RECEIVABLE				
Items in transit	**98,006**	159,717	**98,006**	159,717
Accounts receivable and other sundry debtors	**83,619**	37,444	**82,419**	36,340
School debentures	**286**	286	**286**	286
	181,911	197,447	**180,711**	196,343
The above carrying values of accounts receivables approximates their fair value.				
16. INVESTMENT IN ASSOCIATE COMPANY				
Unlisted investments				
Finance House (Proprietary) Limited				
Shares at cost less amounts written off	**955**	955	**955**	955
Share of post-acquisition revenue reserves	**1,342**	1,466	**-**	-
	2,297	2,421	**955**	955
Profit before tax for the year	**2,566**	2,499		
Share of profit before tax	**1,314**	1,272		
Taxation for the year	**(210)**	(277)		
Dividends received for the year	**(1,228)**	(1,073)		
Retained loss for the year	**(124)**	(78)		
Share of retained earnings at the beginning of the year	**1,466**	1,544		
Total retained income	**1,342**	1,466		
Shares at cost	**955**	955		
Total carrying value	**2,297**	2,421		
Group's share of the summary balance sheet				
Total assets	**8,128**	8, 407		
Total liabilities	**3,421**	3,445		
Net assets	**4,707**	4,462		
Investment property	**3,336**	3,427		
Long-term loan	**(815)**	(1,016)		
Other assets (liabilities) -Net	**(224)**	10		
	2,297	2,421		
Fair value of the investment in the associate company at Directors` valuation	**15,714**	15,714		

Finance House (Pty) Limited is a property owning company. The Bank`s proportionate shareholding in the associate at the balance sheet date amounted to 48.8% (2007: 48.8%).

The most recent audited annual financial statements of associates are used by the Group in applying the equity method of accounting for associates. The audited annual financial statements of Finance House (Pty) Limited are prepared as at 30 September each year. The most recent audited financial statements of the company are therefore more than six months before the financial statement date of the Group, hence management accounts as at 31 March are used instead. In instances where significant events occurred between the last financial statement date of the associate and the financial statements date of the Group, the effects of such events are adjusted for.

17. INVESTMENT IN SUBSIDIARY COMPANIES

Company	Nature of business	**2008 30 June P'000**	2007 30 June P'000
Financial Services Company of Botswana Limited	Property owning company	**12,500**	12,500
Financial Services Properties (Proprietary) Limited	Property owning company	**351**	351
Plot Four Nine Seven Two (Proprietray) Limited	Property owning company	**690**	690
First Funding (Proprietary) Limited	Group loan scheme	**34,704**	34,704
Premium Credit Botswana (Proprietary) Limited	Insurance premium finance	**10**	10
First National Insurance Agency (Proprietary) Limited	Insurance agency	**30**	30
		48,285	48,285

All subsidiary companies are wholly owned and are incorporated in Botswana. Premium Credit Botswana (Proprietary) ceased operations in 2002 and is awaiting de-registration. Insurance premium financing is now carried out through a division of the Bank.

With effect from 1 July 2004, First Funding (Proprietary) Limited ceased to operate as a separate company. Micro lending financing is carried out through a division of the Bank.

With effect from 1 July 2007, the properties of Financial Properties (Proprietary) Llimited and Plot Four Nine Seven Two (Proprietary) limited were transferred to the Holding company and the two subsidiaries will remain dormant whilst awaiting de-registration.

18. PROPERTY AND EQUIPMENT

Group	Freehold and leasehold land and buildings P'000	Leasehold improvements P'000	Motor vehicles P'000	Furniture and equipment P'000	Total P'000
2008					
Cost or valuation					
Balance at 1 July 2007	31,920	21,756	2,306	30,621	86,603
Additions	4,014	8,324	255	13,041	25,634
Disposals	-	(2,009)	(86)	(1,795)	(3,890)
Balance at 30 June 2008	35,934	28,071	2,475	41,867	108,347
Accumulated depreciation					
Balance at 1 July 2007	218	9,274	1,206	12,721	23,419
Charge for the year	638	1,885	505	5,053	8,081
Disposals	-	(2,009)	(86)	(1,795)	(3,890)
Balance at 30 June 2008	856	9,150	1,625	15,979	27,610
Net book value as at 30 June 2008	**35,078**	**18,921**	**850**	**25,888**	**80,737**
2007					
Cost or valuation					
Balance at 1 July 2006	21,043	15,445	1,827	23,758	62,073
Additions	3,150	6,676	573	9,386	19,785
Revaluation	7,727	-	-	-	7,727
Disposals	-	(365)	(94)	(2,523)	(2,982)
Balance at 30 June 2007	31,920	21,756	2,306	30,621	86,603
Accumulated depreciation					
Balance at 1 July 2006	2,229	8,247	849	11,394	22,719
Charge for the year	514	1,391	451	3,795	6,151
Revaluation	(2,525)	-	-	-	(2,525)
Disposals	-	(364)	(94)	(2,468)	(2,926)
Balance at 30 June 2007	218	9,274	1,206	12,721	23,419
Net book value as at 30 June 2007	**31,702**	**12,482**	**1,100**	**17,900**	**63,184**

		30 June 2008 P'000	30 June 2007 P'000
Cost or valuation consists of:			
Freehold land and buildings	- cost	**22,385**	18,371
	- valuation	**9,619**	9,619
Leasehold land and buildings	- cost	**1,105**	1,105
	- valuation	**2,825**	2,825
Leasehold land improvements	- cost	**28,070**	21,756
Motor vehicles	- cost	**2,476**	2,306
Furniture and Equipment	- cost	**41,867**	30,621
Total cost or valuation		**108,347**	86,603
Had the Group's land and buildings been measured on a historical cost basis, their carrying amount would have been:			
Freehold and leasehold land and buildings		**28,265**	26,777

Freehold land and buildings consist of a commercial property and four residential properties. The properties were valued by a professional property valuer in May 2007 on the basis of open market value for existing use.

Leasehold land and buildings consist of four residential properties and include the costs of improvements to bank premises. The residential properties were valued by a professional property valuer in May 2007 on the basis of open market value for existing use. The unexpired portion of all the leases is in excess of 50 years.

18. PROPERTY AND EQUIPMENT (continued)

Company	Freehold and leasehold land and buildings P'000	Leasehold improvements P'000	Motor vehicles P'000	Furniture and equipment P'000	Total P'000
2008					
Cost or valuation					
Balance at 1 July 2007	9,800	20,514	2,306	30,621	63,241
Additions	4,014	8,324	255	13,041	25,634
Transfer In	4,006	-	-	-	4,006
Disposals	-	(2,009)	(86)	(1,795)	(3,890)
Balance at 30 June 2008	17,820	26,829	2,475	41,867	88,991
Accumulated depreciation					
Balance at 1 July 2006	2	8,871	1,206	12,721	22,800
Charge for the year	274	1,826	505	5,053	7,658
Disposals	-	(2,009)	(86)	(1,795)	(3,890)
Balance at 30 June 2008	276	8,688	1,625	15,979	26,568
Net book value as at 30 June 2008	**17,544**	**18,141**	**850**	**25,888**	**62,423**
Company 2007					
Cost or valuation					
Balance at 1 July 2006	3,228	14,203	1,827	23,758	43,016
Additions	3,150	6,676	573	9,386	19,785
Revaluation	3,422	-	-	-	3,422
Disposals	-	(365)	(94)	(2,523)	(2,982)
Balance at 30 June 2007	9,800	20,514	2,306	30,621	63,241
Accumulated depreciation					
Balance at 1 July 2006	324	7,844	849	11,394	20,411
Charge for the year	65	1,391	451	3,795	5,702
Revaluation	(387)	-	-	-	(387)
Disposals	-	(364)	(94)	(2,468)	(2,926)
Balance at 30 June 2007	2	8,871	1,206	12,721	22,800
Net book value as at 30 June 2007	**9,798**	**11,643**	**1,100**	**17,900**	**40,441**

Cost or valuation consists of:		**30 June 2008 P'000**	30 June 2007 P'000
Freehold land and buildings	- cost	**5,872**	5,872
	- valuation	**11,948**	3,928
Leasehold improvements	- cost	**26,829**	20,514
Motor vehicles	- cost	**2,475**	2,306
Furniture and Equipment	- cost	**41,867**	30,621
Total cost or valuation		**88,991**	63,241

Had the Group's land and buildings been measured on a historical cost basis, their carrying amount would have been:

	30 June 2008 P'000	30 June 2007 P'000
Freehold and leasehold land and buildings	**13,047**	11,115

19. INTANGIBLE ASSETS

	30 June 2008 P'000	30 June 2007 P'000
Group		
Goodwill		
Goodwill at carrying value	**26,963**	26,963
The above goodwill arose on acquisition of:		
First Funding (Proprietary) Limited	**26,589**	26,589
Premium Credit (Proprietary) Limited	**374**	374
	26,963	26,963

There were no movements in the carrying value of goodwill during the current year.

During the financial year, the Group assessed the recoverable amount of goodwill, and determined that it was not impaired. The recoverable amount of the cash generating units was determined with reference to the value in use. The assumptions used are as follows:

Immediate forecast growth rates	-Projected cash flows based on CGU budget
Perpetual growth rate	-The forecast GDP growth rate
Discount rate	-The weighted average cost of capital for the various CGUs

20. DEPOSIT AND CURRENT ACCOUNTS - AMORTISED COST

	30 June 2008 P'000	30 June 2007 P'000
Group and Company		
Current and managed accounts		
- financial institutions and other customers	**1,967,648**	1,919,284
Savings accounts	**537,312**	425,527
Call and term deposits	**7,258,664**	4,399,829
	9,763,624	6,744,640
Maturity analysis		
Withdrawal on demand	**5,773,422**	3,695,987
Maturing one to twelve months	**3,982,442**	3,022,271
Maturing one to five years	**7,760**	26,382
	9,763,624	6,744,640

The maturity analysis is based on the remaining months from the balance sheet date.

21. LONG TERM LOANS

	Group		Company	
	30 June 2008 P'000	30 June 2007 P'000	**30 June 2008 P'000**	30 June 2007 P'000
Public Debt Service Fund	**82,091**	88,851	**82,091**	88,851
Less : payable within 12 months included in creditors and accruals (note 22)	**(7,397)**	(7,944)	**(7,397)**	(7,944)
	74,694	80,907	**74,694**	80,907
Subordinated Unsecured Registered Bonds				
2 000 (2007: 2 000) bonds of P50 000 each	100,000	100,000	100,000	100,000
Rand Merchant Bank (South Africa)	250,000	250,000	250,000	250,000
Total long term loans	**424,694**	430,907	**424,694**	430,907

Public Debt Service Fund Loans, which are unsecured, bear interest at fixed rates ranging from 7.5% to 9.5% per annum and are repayable in half yearly instalments of P7,089,540 (2007: P7,089,540), inclusive of interest.

The loan from Rand Merchant Bank (South Africa) is unsecured, bears interest at a fixed rate of 10.5% per annum, and matures on 6 December 2010. Interest is paid annually on 1 December.

The Subordinated Unsecured Registered Bonds bear interest at a fixed rate of 10.5% per annum and mature in 2016. Interest is paid semi-annually on 1 June and 1 December.

	Group		Company	
	30 June 2008 P'000	30 June 2007 P'000	**30 June 2008 P'000**	30 June 2007 P'000
22. SUNDRY CREDITORS AND ACCRUALS				
Accounts payable	**2,763**	17,548	**2,763**	17,548
Short term portion of long term loans (Note 21)	**7,397**	7,944	**7,397**	7,944
Other creditors and accruals	**102,829**	51,342	**98,679**	49,425
Deferred lease rental liability	**1,076**	-	**1,076**	-
	114,065	76,834	**109,915**	74,917
23. PROVISIONS				
Leave pay				
At the beginning of the year	**4,950**	3,776	**4,950**	3,776
Additional provisions recognised	**5,364**	2,660	**5,364**	2,660
Utilised	**(2,289)**	(1,486)	**(2,289)**	(1,486)
At the end of the year	**8,025**	4,950	**8,025**	4,950
Audit fees				
At the beginning of the year	**700**	496	**700**	496
Additional provisions recognised	**1,638**	1,413	**1,638**	1,413
Utilised	**(1,320)**	(1,209)	**(1,320)**	(1,209)
At the end of the year	**1,018**	700	**1,018**	700
Other				
At the beginning of the year	**9,809**	8,666	**9,809**	8,666
Additional provisions recognised	**13,673**	10,441	**13,673**	10,441
Utilised	**(11,809)**	(9,298)	**(11,809)**	(9,298)
At the end of the year	**11,673**	9,809	**11,673**	9,809
Total provisions	**20,716**	15,459	**20,716**	15,459

Other provisions consist mainly of staff bonus provisions.

All of the above amounts are expected to be settled within the next twelve months.

	Group		Company	
	30 June 2008 P'000	30 June 2007 P'000	**30 June 2008 P'000**	30 June 2007 P'000
24. STATED CAPITAL				
2 563 700 000 ordinary shares (2007: 2 563 700 000 ordinary shares)	**58,088**	58,088	**58,088**	58,088
Less: 20 000 000 (2006: 2 000 000) shares owned by the company`s employee share participation scheme	**(7,000)**	(7,000)	-	-
	51,088	51,088	**58,088**	58,088
Employee Share Participation Scheme Details of the First National Bank of Botswana Limited share option scheme are set out in note 38.				
25. RESERVES				
Non-distributable reserves				
Surplus on revaluation of properties				
Balance at the beginning of the year	**12,419**	3,596	**3,549**	375
Transfer to retained earnings	**(114)**	(94)	**-**	(10)
Transfer from deferred taxation	**40**	14	**23**	2
Arising on revaluation during the year	**-**	10,252	**-**	3,809
Arising on transfer of properties	**-**	-	**3,181**	-
Deferred tax on revaluation during the year	**-**	(1,349)	**-**	(627)
Balance at the end of the year	**12,345**	12,419	**6,753**	3,549
Retained earnings in associate company				
Balance at the beginning of the year	**1,466**	1,544	**-**	-
Transfer (to)/ from retained earnings	**(124)**	(78)	**-**	-
Balance at the end of the year	**1,342**	1,466	**-**	-
Equity settled employee benefits reserve				
Balance at the beginning of the year	**2,313**	-	**2,313**	-
Share based payment	**910**	2,313	**910**	2,313
Balance at the end of the year	**3,223**	2,313	**3,223**	2,313
Available for sale reserve				
Arising during the year	**13,769**	-	**13,769**	-
Total non-distributable reserves	**30,679**	16,198	**23,745**	5,862
Retained earnings				
Balance at the beginning of the year	**383,953**	326,459	**383,326**	331,118
Transfer from associate company`s reserves	**124**	78	**-**	-
Transfer from revaluation reserve	**114**	94	**-**	10
Retained for the year	**168,930**	57,322	**164,926**	52,198
Balance at the end of the year	**553,121**	383,953	**548,252**	383,326
Total reserves	**583,800**	400,151	**571,997**	389,188

26. CAPITAL ADEQUACY

	Group	
	30 June 2008 P'000	30 June 2007 P'000
Core capital		
Stated Capital	**51,088**	51,088
Retained earnings - Group and associate company	**554,463**	385,419
	605,551	436,507
Less: Goodwill	**(26,963)**	(26,963)
	578,588	409,544
Supplementary capital		
Revaluation reserves subject to 50% risk adjustment	**6,172**	6,210
Portfolio and IBNR provisions	**15,649**	19,230
Subordinated Unsecured Registered Bonds	**100,000**	100,000
	121,821	125,440
Total qualifying capital	**700,409**	534,984
Risk adjusted assets - balance sheet items	**4,153,113**	3,145,195
- off-balance sheet items	**452,506**	340,988
	4,605,619	3,486,183
Capital adequacy ratios (%)	**15.21**	15.35
Core capital (%) (Basel Committee guide: minimum 4%)	**12.56**	11.75
Supplementary capital (%)	**2.65**	3.60
Total (%)	**15.21**	15.35
Bank of Botswana required minimum risk asset ratio (%)	**15.00**	15.00

The Group largely consists of the Bank, which is a licenced financial institution and is subject to regulatory capital requirements. The capital base of the Group provides the foundation for lending, off-balance sheet transactions and other activities. The capital adequacy of the Group is measured in terms of the Banking Act No. 13 of 1995 in terms of which the Group must maintain a minimum level of capital based on its risk weighted assets and off-balance sheet exposures.

27. POST RETIREMENT FUND LIABILITIES

27.1 Post retirement liability

The Group had no post retirement liability as at the balance sheet date (2007: nil).

The Group operates a defined contribution scheme, the assets of which are held in a separate trustee-administered fund. The pension plan is funded by payments from employees and the company, and the Pension Funds Act (CAP 27:03) governs its administration. The liability of the Group is limited to the contributions made during the employment of the employee. The contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group does not provide post-retirement health care benefits to its employees.

	Group		Company	
	30 June 2008 P'000	30 June 2007 P'000	**30 June 2008 P'000**	30 June 2007 P'000

28. CASH GENERATED BY OPERATIONS

Profit before direct taxation	**442,866**	360,676	**437,191**	353,458
Adjusted for:				
- depreciation of property and equipment	**8,081**	6,151	**7,658**	5,702
- share of profit of associate company	**(1,314)**	(1,272)	**-**	-
- dividends from associate company	-	-	**(1,228)**	(1,073)
- gain on acquisition of investments	**(35,308)**	-	**(35,308)**	-
- straight line adjustment	**1,076**	-	**1,076**	-
- impairment losses on loans and advances	**20,804**	22,012	**20,804**	22,012
- (gain) / loss on sale of property and equipment	**(26)**	2	**(26)**	2
- share based payment	**910**	2,313	**910**	2,313
	437,089	389,882	**431,077**	382,414

29. TAXATION PAID

Amounts overpaid at the beginning of the year	**(5,217)**	(887)	**(5,217)**	(1,025)
Amounts overpaid/unpaid at the beginning of the year	**308**	-	**-**	-
Charged to the income statement	**60,308**	51,920	**58,619**	49,821
Share of tax of associate companies	**(210)**	(277)		
Amounts unpaid at the end of the year	**(5,173)**	(308)	**(4,456)**	-
Amounts overpaid at the end of the year	**-**	5,217	**-**	5,217
Cash amounts paid	**50,016**	55,665	**48,946**	54,013

30. INCREASE IN DEPOSIT AND CURRENT ACCOUNTS

Increase in current and managed account deposits	**48,364**	490,795	**48,364**	490,795
Increase in savings deposits	**111,785**	74,227	**111,785**	74,227
Increase in call and term deposits	**2,858,835**	297,791	**2,858,835**	297,791
	3,018,984	862,813	**3,018,984**	862,813

31. INCREASE IN ADVANCES TO CUSTOMERS

Net amount outstanding at the beginning of the year	**3,073,209**	2,716,404	**3,080,209**	2,723,404
Impairment of advances	**(20,804)**	(22,012)	**(20,804)**	(22,012)
Net amount outstanding at the end of the year	**(3,969,496)**	(3,073,209)	**(3,976,496)**	(3,080,209)
	(917,091)	(378,817)	**(917,091)**	(378,817)

32. DIVIDENDS PAID

Previous year's final dividend paid during the year - October 2007	**156,386**	128,185	**156,386**	128,185
Interim dividend paid - March 2008	**115,367**	96,139	**115,367**	96,139
Total dividends paid to shareholders	**271,753**	224,324	**271,753**	224,324

33. CASH AND CASH EQUIVALENTS

Cash and short-term funds				
- Denominated in Pula	**402,279**	438,011	**402,279**	438,011
- Denominated in other currencies	**1,393,734**	466,930	**1,393,734**	466,930
	1,796,013	904,941	**1,796,013**	904,941
Bank of Botswana Certificates (Note 13)	**5,257,075**	4,043,897	**5,257,075**	4,043,897
	7,053,088	4,948,838	**7,053,088**	4,948,838

34. CONTINGENCIES AND COMMITMENTS

	Group		Company	
	30 June 2008 P'000	30 June 2007 P'000	**30 June 2008 P'000**	30 June 2007 P'000
Contingencies				
Guarantees and indemnities	**542,920**	377,380	**542,920**	377,380
Letters of credit	**39,678**	33,556	**39,678**	33,556
	582,598	410,936	**582,598**	410,936
Commitments				
Undrawn commitments to customers	**691,118**	689,611	**691,118**	689,611
Capital commitments				
Capital expenditure approved by the Directors				
- not yet contracted for	**64,672**	88,386	**64,672**	88,386

The above commitments are wholly in respect of property and equipment, and funds to meet these commitments will be provided from the Bank's internal resources.

	Group		Company	
Operating lease commitments				
Next year	**13,446**	9,491	**13,446**	9,491
Two to five years	**15,809**	17,310	**15,809**	17,310
	29,255	26,801	**29,255**	26,801

The above lease commitments are in respect of property rentals of the various branch network channels and Head Office, which are negotiated at market rates for a period of up to five years with an option to renew for a further similar period.

Legal proceedings and claims

The Group gets involved in legal proceedings and claims for and against in the normal course of business, the outcome of which cannot be ascertained as at the balance sheet date.

There were no significant contingent liabilities in respect of the above as at the balance sheet date (2007: nil)

35. TRUST ACTIVITIES

The Bank acts as a trustee and in other fiduciary capacities that result in holding or placing of assets on behalf of customers.

At 30 June 2008 the Bank acted as a trustee in respect of Botswana Government bonds amounting to P2,225,000 and Treasury bills amounting to P2,500,000 (2007 :P5,500,000). These bonds were held in a trust or fiduciary capacity and were not treated as assets of the bank. Accordingly, they have not been included in the balance sheet.

36. RISK MANAGEMENT

A report dealing with risk management of the Group is contained in the risk management section of the annual report ("Enterprise Risk Management"). The report sets out in detail the various risks the Group is exposed to, as well as the strategy, methodology and instruments used to manage and mitigate these risks.

Risk control policies and exposure limits for the key risk areas of the Group are approved by the Board, while operational policies and control procedures are approved by the relevant risk committees.

There have been no significant changes in exposures to risks and Bank's objectives, policies and process for managing risks in the current or prior year.

The Group is principally exposed to credit risk, market risk, and liquidity. The exposures to these risks as at 30 June 2008 are set out below:

36.1 Credit risk management

Credit risk is the risk that a counter party will be unable to repay amounts when they fall due. In general, the Group manages its credit risk exposure by placing limits on the acceptable risk exposure to individual borrowers or groups of borrowers, and within geographic and industry segments. Credit risk is monitored on an ongoing basis. Further information on credit risk management is detailed in the Risk Report.

Significant credit exposures at the year end were:

	ASSETS	
	30 June 2008 P'000	30 June 2007 P'000
Geographical distribution		
Botswana	**10,134,755**	7,886,629
Southern Africa	**104,385**	17,746
Rest of the world	**1,243,022**	448,695
	11,482,162	8,353,070
Distribution by sector		
Banks including Bank of Botswana	**6,898,591**	4,911,278
Government and Parastatal organisations	**76,857**	22,532
Individuals	**1,239,828**	1,113,148
Business/Trading	**2,740,738**	2,186,233
Others	**526,148**	119,879
	11,482,162	8,353,070

Economic sector risk concentrations in respect of advances are set out in note 11.

36. RISK MANAGEMENT (continued)

36.1 Credit risk management (continued)

Collateral pledged

At the end of the current year and prior year the Bank had no borrowings with Bank of Botswana, consequently no collateral had been pledged. The Bank pledges assets under the following terms and conditions:

Mandatory reserve deposits are held with the Bank of Botswana in accordance with statutory requirements. These deposits are not available to finance the Bank's day-to-day operations. Assets are pledged as collateral under repurchase agreements with other banks and for security deposits relating to local futures and options. All other pledges are conducted under terms which are usual and customary to lending arrangements.

Collateral Held

The Bank does not hold any collateral which it has the ability to sell or repledge in the absence of default. Collateral is an important mitigant of credit risk. In accordance with the Bank's credit risk management strategy the following principal types of collateral are held as security for funds advanced by the Bank:

- Vehicle finance: Vehicles subject to the finance agreement normally serve as collateral. In general, vehicles which make up the collateral can be sold when the customer has defaulted under the agreement and a notice of default has been issued. Where more than one third of all instalments have been paid, legal judgement has to be passed before vehicles can be repossessed. For some products, title over the vehicles are held by the Bank. Title only passes to the customer once repayments are fully paid.

- Property finance: Collateral consists of first and second mortgages over property, individual's pension plans, employer and personal guarantees, loss insurance purchased by the client. The collateral can only be sold or exercised on default by the customer.

- Overdrafts and personal loans: These advances are secured by means of cession of debtors, equity portfolios and deposits, claims against individual's pension plans as well as bonds over fixed property and other moveable assets. Credit insurance is sold as an additional component of the loans.

When the Bank takes possession of collateral which is not cash or not readily convertible into cash, the Bank determines a minimum sale amount ("pre-set sale amount") and auctions the asset for the pre-set sale amount. Where the Bank is unable to obtain the pre-set sale amount in an auction the Bank will continue to hold the asset while actively marketing it to ensure an appropriate value is obtained.

The collateral is valued at inception of the credit agreement and subsequently in specific circumstances for example, when the advance becomes a non performing loan or when the Bank is to sell the asset on auction. No physical valuation is performed between these two dates for Small and Medium Entities (SME) and large corporate counter parties.

The valuation at inception is based on physical inspection. Updated valuations are performed by revaluing security during the counterparty review process

Collateral taken possession of and recognised on the balance sheet

There was no collateral taken possession of and recognised on the balance sheet.

36. RISK MANAGEMENT (continued)

36.1 Credit risk management (continued)

Maximum exposure to credit risk

The table below presents the maximum exposure to credit risk of balance sheet and off balance sheet financial instruments, before taking account of any collateral held.

Group 2008

	Average exposure (after interest in in suspense) P'000	Total exposure (after interest in in suspense) P'000	Retail P'000	Corporate and commercial P'000	Other P'000
Cash and short term funds	1,404,095	1,796,013	1,796,013	-	-
- Money at call and short notice	187 437	1,489,537	1 489,537	-	-
- Balances with other banks	1 216 658	306,476	306,476	-	-
Advances to customers					
- loans and receivables	3,527,966	4,035,380	2,948,112	1,087,268	
Unlisted investment securities					
- Debt	4,780,854	5,333,965	-	-	5,333,965
Listed investment securities					
- Equity	1,248	29,270	-	-	29,270
Financial and other guarantees	469,336	582,598	582,598	-	-
Loan commitments not drawn	691,118	691,118	691,118	-	-
Accounts receivable	131,565	181,911	-	-	181,911
Total	**11,004,934**	**12,620,985**	**6,017,841**	**1,087,268**	**5,515,876**

Group 2007

	Average exposure (after interest in in suspense) P'000	Total exposure (after interest in in suspense) P'000	Retail P'000	Corporate and commercial P'000	Other P'000
Cash and short term funds	582,193	904,941	904,941	-	-
- Money at call and short notice	545,745	410,675	410,675	-	-
- Balances with other banks	36,448	494,266	494,266	-	-
Advances to customers					
- loans and receivables	2,984,783	3,142,933	2,272,779	870,154	-
Unlisted investment securities					
- Debt	3,972,707	4,060,348	-	-	4,060,348
Financial and other guarantees	342,819	410,935	228,709	182,226	-
Loan commitments not drawn	689,611	689,611	-	689,611	-
Accounts receivable	91,383	197,447	-	-	197,447
Total	**8,663,496**	**9,406,215**	**3,406,429**	**1,741,991**	**4,257,795**

36. RISK MANAGEMENT (continued)

36.1 Credit risk management (continued)

Credit quality

The table below presents an analysis of the credit quality of neither past due nor impaired (i.e. performing) advances based on the Group's internal credit ratings:

	Investment grade P'000	Non investment grade P'000	Total neither past due nor impaired P'000
Group 2008			
Home loans	848,674	361,815	1,210,489
Credit Cards	48,036	20,479	68,515
Personal loans	333,623	142,234	475,857
Overdrafts	328,002	139,838	467,840
Wesbank	721,698	307,681	1,029,379
Corporate	287,559	123,287	410,846
Total	**2,567,592**	**1,095,334**	**3,662,926**
2007			
Home loans	689,336	293,884	983,220
Credit Cards	38,518	16,421	54,939
Personal loans	240,221	102,414	342,635
Overdrafts	240,872	102,691	343,563
Wesbank	413,414	176,251	589,665
Corporate	224,571	95,742	320,313
Total	**1 846 932**	**787 403**	**2,634,335**

The table below presents an analysis of the credit quality of financial assets other than advances that are neither past due nor impaired:

2008

Credit quality of financial assets other than advances neither past due nor impaired	Other Government and Government guaranteed stock P'000	Other investment securities P'000	Cash and short term funds P'000
Investment Grade	**5,333,965**	**31,260**	**1,796,013**

2007

Credit quality of financial assets other than advances neither past due nor impaired	Other Government and Government guaranteed stock P'000	Other investment securities P'000	Cash and short term funds P'000
Investment Grade	4,058,038	2,023	904,941

36. RISK MANAGEMENT (continued)

36.1 Credit risk management (continued)

The tables below presents an age analysis of advances per class.

Group
2008

Age analysis of advances	Neither past due nor impaired	Renegotiated but current	Past Due but not impaired 1-30 days	31-60 days	> 60 days	Impaired	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Home loans	1,210,489	-	129,392	22,598	29,054	37,287	1,428,820
Credit card	68,515	-	5,365	1,736	1,891	1,099	78,606
Personal loans	475,857	-	16,445	1,663	371	29,263	523,599
Overdraft	503,589	-	-	-	-	26,088	529,677
Corporate	375,097	-	-	-	-	1,644	376,741
WesBank retail asset finance	634,339	-	14,532	3,883	1,339	9,937	664,030
WesBank corporate asset finance	395,040	-	22,730	6,073	2,095	6,347	432,285
Total	**3,662,926**	**-**	**188,464**	**35,953**	**34,750**	**111,665**	**4,033,758**

Group
2007

Age analysis of advances	Neither past due nor impaired	Renegotiated but current	Past Due but not impaired 1-30 days	31-60 days	> 60 days	Impaired	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Home loans	983,220	-	66,891	42,761	57,063	50,710	1,200,645
Credit card	54,939	-	5,149	1,334	277	1,319	63,018
Personal loans	342,635	-	4,949	615	222	1,741	350,162
Overdraft	343,563	-	-	-	-	24,121	367,684
Corporate	320,313	8,901	-	-	-	3,505	332,719
WesBank retail asset finance	294,102	-	87,318	16,762	17,055	8,844	424,081
WesBank corporate asset finance	295,563	-	81,672	10,426	10,602	6,361	404,624
Total	**2,634,335**	**8,901**	**245,979**	**71,898**	**85,219**	**96,601**	**3,142,933**

The above assets are managed with reference to the days in arrears and include assets where monthly payments are due as residential mortgages, instalment sale products, credit card products and personal loans.

36. RISK MANAGEMENT (continued)

36.2 Market Risk

The Group takes on exposure to market risk. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The primary risk control mechanism used for risk control purposes are stress loss test and limits. Further details on the market risk management are set out in the Enterprise Risk Management report.

36.2.1 Currency risk management

The Bank, through Treasury, manages foreign currency risk in accordance with broad market risk guidelines set by the Board and FirstRand. Foreign currency risk arises as a result of fluctuations in exchange rates and the resultant impact on the Bank's position, which is established during normal day to day trading. Even though Treasury may take positions on any major currency, these are consolidated and reported in USD. During the financial year under review, the Bank's authorised intra day limit was set at USD28 million (2007: USD28 million) while the overnight limit was USD7 million. The limits were adhered to during the year and at year end.

The Group takes positions to mitigate the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Consequently the Bank matches its foreign currency assets and liabilities to the extent possible. The Group manages foreign currency exposures in terms of approved limits. The table below sets out the currency position as at the year-end.

Group

	Assets		**Liabilities**	
	30 June 2008 P'000	30 June 2007 P'000	**30 June 2008 P'000**	30 June 2007 P'000
Distribution by currency				
Botswana Pula	**10,134,755**	7,741,168	**7,371,233**	7,549,492
South African Rand	**119,055**	51,443	**119,055**	109,144
United States Dollar	**1,147,629**	421,004	**3,911,151**	558,873
British Pound	**32,480**	46,004	**32,480**	43,620
Euro	**48,243**	91,636	**48,243**	91,941
Others	**-**	1,815	**-**	-
	11,482,162	8,353,070	**11,482,162**	8,353,070

The Group is mainly exposed to USD denominated assets and liabilities. The following table details the gains or losses to a 10% increase and decrease in the Pula (BWP) against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

	30 June 2008 P'000	30 June 2007 P'000
Profit arising from a 10% decrease	**276,352**	19,168
Loss arising from a 10% increase	**(276,352)**	(19,168)

36. RISK MANAGEMENT (continued)

36.2.2 Interest rate risk management

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of repricing or maturity dates.

The table below summarises the Banking Group's exposure to interest rate risk, categorised by contractual maturity date.

			Term to repricing				
	Carrying amount	Demand	1 - 3 months	3-12 months	1-5 years	Over 5 years	Non interest bearing
2008	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Total assets	11,482,162	1,910,450	7,823,464	1,017,652	263,032	267,795	199,769
Total liabilities	11,482,162	3,551,555	5,959,220	73,595	45,602	-	1,852,190
Net interest sensitivity gap	-	(1,641,105)	1,864,244	944,057	217,430	267,795	(1,652,421)
2007							
Total assets	8,353,070	593,201	5,998,580	747,480	371,562	198,720	443,527
Total liabilities	8,353,070	2,269,615	4,533,433	66,055	704,959	-	779,008
Net interest sensitivity gap	-	(1,676,414)	1,465,147	681,425	(333,397)	198,720	(335,481)

Further details on the interest rate risk management are set out in the Enterprise Risk Management report.

36. RISK MANAGEMENT (continued)

36.2.2 Interest rate risk management (continued)

Stress tests are performed on the Group's balance sheet and reviewed by ALCO. The table below presents the potential gains or losses that could arise if interest rates rise or fall by 50 basis points and 100 basis points:

	30 June 2008 P'000	30 June 2007 P'000
50 basis points parallel increase	**12,583**	11,360
50 basis points parallel decrease	**(12,583)**	(11,360)
100 basis points parallel increase	**25,166**	22,719
100 basis points parallel decrease	**(25,166)**	(22,719)

36.2.3 Equity price risk

The Group is exposed to equity price risks arising from equity investments (Note 13). Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. The table below details the potential increase or decrease in reserves if equity prices had been 10% higher or lower:

	30 June 2008 P'000	30 June 2007 P'000
Impact of 10% increase on reserves	**2,899**	-
Impact of 10% decrease on reserves	**(2,899)**	-

Net profit for the year ended 30 June 2008 would have been unaffected as the equity investments are classified as available-for-sale.

36. RISK MANAGEMENT (continued)

36.3 Liquidity risk management

The Group is exposed to daily liquidity requirements from overnight deposits, current accounts, maturing deposits, loan draw-downs and other cash requirements. The Group does not maintain sufficient cash resources to meet all of these liquidity needs, as historical experience indicates a minimum level of re-investment of maturing funds with a high level of certainty.

The matching and controlled mismatching of maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched since business transactions are often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but may also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

The table below sets out the maturity analysis of the Group's balance sheet based on the remaining period from year end to contractual maturity. "Demand" denotes assets or liabilities with a contractual maturity of 32 days or less.

				Term to maturity			
2008	**Carrying amount P'000**	**Demand P'000**	**1 - 3 months P'000**	**3-12 months P'000**	**1-5 years P'000**	**Over 5 years P'000**	**Non sensitive P'000**
Total assets	11,482,162	1,910,449	5,217,638	972,096	1,711,147	1,275,738	395,094
Total liabilities	11,482,162	4,713,339	5,959,220	73,595	45,602	-	690,406
Net liquidity gap	-	(2,802,890)	(741,582)	898,501	1,665,545	1,275,738	(295,312)
2007							
Total assets	8,353,070	593,201	3,952,312	741,213	2,461,961	1,122	603,261
Total liabilities	8,353,070	2,269,615	4,533,433	66,055	96,726	-	1,387,241
Net liquidity gap	-	(1,676,414)	(581,121)	675,158	2,365,235	1,122	(783,980)

Details on the liquidity risk management process is set out in the Enterprise Risk Management report.

36. RISK MANAGEMENT (continued)

36.3 Liquidity risk management (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to settle:

	Group 2008 Term to maturity					
	Call P'000	1-3 months P'000	4-12 months P'000	1-5 years P'000	Over 5 years P'000	Total P'000
Amounts due to other banks	-	142,310	-	-	-	142,310
Deposit and current accounts	3,686,829	5,959,220	73,595	45,602	-	9,765,246
Derivative financial instruments	59,514	-	-	-	-	59,514
Long term loans	-	-	-	431,523	112,030	543,553
Accrued interest payable	-	-	-	-	-	-
Due to related companies	-	97,587	-	-	-	97,587
Current taxation	-	5,173	-	-	-	5,173
Creditors and accruals	-	109,182	4,883	-	-	114,065
Provisions	-	-	20,716	-	-	20,716
	3,746,343	6,313,472	99,194	477,125	112,030	10,748,164

	Group 2007 Term to maturity					
	Call P'000	1-3 months P'000	4-12 months P'000	1-5 years P'000	Over 5 years P'000	Total P'000
Amounts due to other banks	-	125,463	-	-	-	125,463
Deposit and current accounts	3,653,883	243,429	2,838,772	8,556	-	6,744,640
Derivative financial instruments	18,475	-	-	-	-	18,475
Long term loans	-	-	-	361,244	208,001	569,245
Accrued interest payable	-	-	-	-	-	-
Due to related companies	-	213,482	-	-	-	213,482
Current taxation	-	308	-	-	-	308
Creditors and accruals	-	76,834	-	-	-	76,834
Provisions	-	-	15,459	-	-	15,459
	3,672,358	659,516	2,854,231	369,800	208,001	7,763,906

36. RISK MANAGEMENT (continued)

36.4 Fair value of financial instruments

The following represents the fair values of financial instruments not carried at fair value on the balance sheet. For all other instruments the carrying value is equal to or a reasonable approximation of the fair value.

	Group			
	2008		2007	
	Carrying value P'000	**Fair value P'000**	**Carrying value P'000**	**Fair value P'000**
Assets				
Advances				
Home loans	**1,419,510**	**1,562,881**	1,195,371	1,134,250
Credit card	**76,254**	**73,013**	59,624	59,624
Personal loans	**520,360**	**461,559**	348,535	345,049
Overdraft	**496,679**	**496,679**	197,465	197,465
Corporate	**376,740**	**414,111**	459,339	459,339
WesBank retail asset finance	**657,432**	**654,605**	414,956	413,912
Wesbank corporate asset finance	**422,521**	**420,704**	397,919	397,680
Total advances at amortised cost	**3,969,496**	**4,083,552**	3,073,209	3,007,319
Other				
Accounts receivable	**181,911**	**181,911**	197,447	197,447
Total financial assets at amortised cost	**4,151,407**	**4,265,463**	3,270,656	3,204,766
Liabilities				
Deposits and current accounts				
Balances from banks and financial institutions	**1,967,648**	**1,967,648**	122,496	122,496
Balances from customers	**6,208,031**	**6,187,162**	6,108,899	6,061,891
Other deposits	**1,587,945**	**1,587,945**	513,545	513,545
Total deposits and current accounts	**9,763,624**	**9,742,755**	6,744,940	6,697,932
Long term liabilities	**424,694**	**376,771**	430,907	399,021
Other				
Accounts payable	**114,065**	**114,065**	76,834	76,834
Total financial liabilities at amortised cost	**10,302,383**	**10,233,591**	7,252,681	7,173,787

Fair value is determined using internal valuation techniques based on market quoted inputs.

36. RISK MANAGEMENT (continued)

36.4 Fair value of financial instruments (continued)

Fair value is described as the value for which an asset can be exchanged or a liability settled between knowledgeable, williling parties in an arms length transaction. The best evidence of fair value is a price quoted in an active market. It is the Bank's policy to make use of such information when it is available for example the valuation of futures, listed bonds and listed equities. Where there is no active market for a particular instrument the Bank determines the value based on valuation techniques. Where available these valuation techniques give preference to inputs which are observable in an active market.

The following describes the principle methods and assumptions used to determine the fair value of financial instruments:

Treasury Bills
Treasury bills are valued by means of the quoted prices per Bank of Botswana.

Government, public and utility stocks
Where market prices are not available the fair value is estimated using quoted market prices of securities with similar credit, maturity and yield characteristics.

Other dated securities
Fair value of other dated securities is determined by using a discounted cash flow model. The discount curve is derived from similar market quoted instruments.

Derivatives
Contracts are valued by using the differential between the market price and the traded price multiplied by the notional amount. Market prices are obtained from applicable trading exchanges.

Option contracts are valued using the Black-Scholes model. Inputs are obtained from market observable data. Where prices are obtainable from trading exchanges the value per the exchange is used.

Forward contracts are valued by discounting the projected cash flows to obtain the present value of the forward contract. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.

Forward rate agreements are valued by means of the discounted cash flow model. The discount rate is determined using a yield curve of similar market traded instruments. The reset rate is determined in terms of the legal agreement.

Deposits and current accounts
Fair value of deposits and current accounts is determined by discounting future cash flows using a swap curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account as these are considered to have an immaterial impact on the economic value of the instruments. Call deposits are valued at the undiscounted amount of the cash balance, this is considered appropriate because of the short term nature of these instruments. Fair valuation will only be applied to deposits having a maturity profile of longer than 30 days. For all non term products it is assumed that fair value will equal carrying amount which is measured at amortised cost.

Loans and advances to customers
The fair value of advances is the present value of the expected future cash flows determined using an appropriate discount rate adjusted for the credit spreads where necessary. Projected cash flows, taking into account behaviour, loss given default and probability of default are grouped according to their maturity dates. The discount rate for fixed interest rate instruments is adjusted by an appropriate risk premium while floating rate cash flows are discounted by means of a yield curve which represents the projected cash flows.

Long term liabilities
Fair value of debentures, unsecured debt securities and finance lease liabilities are determined by discounting the future cash flows at market related interest rates. The fair value of subordinated notes and fixed and floating rate bonds are determined by discounted the future cash flows at market related interest rates. Fair values of financial instruments recognised in the financial statements may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data. In these instances, the net fair value recorded in the financial statements is the sum of three components:

(i) the value given by application of a valuation model, based upon the Bank's best estimate of the most appropriate model inputs;
(ii) any fair value adjustments to account for market features not included within valuation model (for example, bid mid spreads, counterparty credit spreads and or market data uncertainty); and
(iii) day one profit or loss, or an unamortised element thereof, not recognised immediately in the income statement in accordance with the Bank's accounting policy, and separately detailed within the derivative note above.

37. SEGMENTAL REPORTING

Primary segments (business)

2008	Retail banking P'000	Property division P'000	WesBank P'000	Corporate P'000	Treasury P'000	Support P'000	Total P'000
Segment revenue							
Interest income	202,502	181,280	148,354	38,046	597,204	951	1,168,337
Non-interest income	214,918	324	3,574	6,739	81,965	40,146	347,666
Total segment revenue	417,420	181,604	151,928	44,785	679,169	41,097	1,516,003
Interest expenditure	(74,926)	(82,209)	(62,589)	(18,712)	(529,095)	(553)	(768,085)
Net interest income before impairment of advances	342,494	99,395	89,339	26,073	150,074	40,544	747,918
Impairment of advances	(14,213)	(2,265)	(7,605)	(1,529)	-	4,808	(20,804)
Net interest income after impairment of advances	328,281	97,130	81,734	24,544	150,074	45,352	727,114
Segment expenditure	(151,949)	(13,338)	(24,362)	(13,802)	(32,331)	(43,366)	(279,148)
Segment results before indirect tax	176,332	83,792	57,372	10,742	117,743	1,986	447,966
Indirect taxation	(2,915)	(66)	(666)	(75)	(405)	(2,287)	(6,414)
Segment results	173,417	83,726	56,706	10,667	117,338	(301)	441,552
Share of associate company income							1,314
Direct taxation							(68,839)
Income after taxation							374,027
Balance sheet:							
Total assets	1,812,004	1,453,843	1,161,980	1,914,501	4,764,039	375,795	11,482,162
Total liabilities	3,090,292	17,342	12,082	1,721,780	5,008,041	908,007	10,757,544
Advances (included in assets above)	1,101,504	1,270,563	1,030,272	308,299	258,858	-	3,969,496
Non-performing advances	21,577	1,481	51,471	37,788	-	-	112,317
Deposits (included in liabilities above)	3,061,547	14,226	8,601	1,721,697	4,957,553	-	9,763,624
Key ratios							
Cost to income ratio	45.2	13.5	28.0	53.2	21.8	112.6	38.2
Bad debt charge as a % of advances	1.3	0.2	0.7	0.5	0.0	0.0	0.5
Non-performing loans as a % of advances	2.0	0.1	5.0	12.3	0.0	0.0	2.8

Note

No segmental reporting for the secondary segment (geographical) as no significant income is generated outside Botswana.

37. SEGMENTAL REPORTING

Primary segments (business)

2007	Retail banking P'000	Property division P'000	WesBank P'000	Corporate P'000	Treasury P'000	Support P'000	Total P'000
Segment revenue							
Interest income	168,540	163,116	121,458	37,845	510,910	3,205	1,005,074
Non-interest income	160,772	175	2,532	3,154	72,118	4,908	243,659
Total segment revenue	329,312	163,291	123,990	40,999	583,028	8,113	1,248,733
Interest expenditure	(58,635)	(78,482)	(51,668)	(18,954)	(448,295)	(1,263)	(657,297)
Net interest income before impairment of advances	270,677	84,809	72,322	22,045	134,733	6,850	591,436
Impairment of advances	(9,479)	(1,556)	(9,063)	(1,914)	-	-	(22,012)
Net interest income after impairment of advances	261,198	83,253	63,259	20,131	134,733	6,850	569,424
Segment expenditure	(117,620)	(9,961)	(19,417)	(10,536)	(23,973)	(23,545)	(205,052)
Segment results before indirect tax	143,578	73,292	43,842	9,595	110,760	(16,695)	364,372
Indirect taxation	(2,584)	(76)	(519)	(53)	(215)	(1,521)	(4,968)
Segment results	140,994	73,216	43,323	9,542	110,545	(18,216)	359,404
Share of associate company income before taxation							1,272
Direct taxation							(50,829)
Income after taxation							309,847
Balance sheet includes:							
Total assets	1,310,332	1,352,464	878,908	1,349,932	4,115,238	(653,804)	8,353,070
Total liabilities	2,069,540	3,509	1,886	1,228,851	3,474,951	966,708	7,745,445
Advances (included in assets above)	788,191	1,196,027	779,822	198,209	88,891	22,069	3,073,209
Non-performing advances	37,651	60,845	17,202	6,336	-	-	122,034
Total deposits (included in liabilities above)	2,046,870	-	-	1,228,757	3,469,013	-	6,744,640
Key ratios							
Cost to income ratio	44.4	11.8	27.6	48.0	18.0	365.9	35.5
Bad debt charge as a % of advances	1.2	0.1	1.2	1.0	0.0	0.0	0.7
Non-performing loans as a % of advances	4.8	5.1	2.2	3.2	0.0	0.0	4.0

Note
No segmental reporting for the secondary segment (geographical) as no significant income is generated outside Botswana.

38. EMPLOYEE SHARE PARTICIPATION SCHEME

First National Bank of Botswana Limited operates an equity based share participation scheme. The scheme, started in April 2001 and was amended in November 2003, allowing employees to acquire shares in the company in order to increase the proprietary interests of the employees in the company's success and encourage employees to render their best service to the Group. The number of shares granted is calculated in accordance with the performance based formula approved by the Remuneration Committee. The details of the scheme are as follows:

	30 June 2008	30 June 2007
Group and company		
Number of options in force at beginning of the year Granted at prices ranging between P3.50 to P15.10	**16,500,000**	10,483,320
Number of options granted during the year Granted at a price of P2.8 (2007:P15.10) per share	**680,000**	7,000,000
Number of options exercised during the year Market value ranged between P8.80 to P15.10 (2007: P13.90 to P37.50)	**(2,466,663)**	(483,320)
Number of options cancelled/ lapsed during the year Granted at prices ranging between P2.80 to P15.10 (2007:P3.50 to P15.10)	**(1,481,667)**	(500,000)
Number of options in force at end of the year Granted at prices ranging between P2.80 to P15.10 (2007:P3.50 to P15.10)	**13,231,670**	16,500,000
Number of options available for future allocation	**6,768,330**	3,500,000
Total number of options of the scheme	**20,000,000**	20,000,000
Number of participants	**49**	53
Options are exercisable over the following periods (first date able to release)		
Financial year 2005/2006	**300,000**	50,000
Financial year 2006/2007	**399,996**	-
Financial year 2007/2008	**2,533,317**	203,320
Financial year 2008/2009	**4,533,333**	306,649
Financial year 2009/2010	**3,021,649**	533,337
Financial year 2010/2011	**2,221,689**	329,990
Financial year 2010/2012	**221,686**	226,704
Total	**13,231,670**	1,650,000
Options outstanding (by expiry date)		
Financial year 2009/2010	**3,866,670**	610,000
Financial year 2010/2011	**2,400,000**	310,000
Financial year 2011/2012	**6,965,000**	730,000
Total	**13,231,670**	1,650,000
The significant assumptions used to estimate the fair value of the options granted are as follows:		
Weighted average share price	280.00	105.00
Expected volatility	33.45	33.45
Expected option life	4.00	4.00
Expected risk free rate	12.05	12.05
Expected dividend growth	17.00	17.00

39. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING ESTIMATES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Credit impairment losses on loans and advances

The Group assesses its credit portfolios for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.

For purposes of these judgements the performing portfolio is split into two parts:

(i) The first part consists of the portion of the performing portfolio where there is objective evidence of the occurrence of an impairment event. In the Retail and WesBank portfolios the account status, namely arrears versus non-arrears status, is taken as a primary indicator of an impairment event. In the Commercial portfolios other indicators such as the existence of "high risk" accounts, based on internally assigned risk ratings and management judgement, are used, while the Wholesale portfolio assessment includes a judgemental review of individual industries for objective signs of distress.

A portfolio specific impairment (PSI) calculation to reflect the decrease in estimated future cash flows is performed for this sub segment of the performing portfolio. The decrease in future cash flows is primarily estimated based on analysis of historical loss and recovery rates for comparable sub segments of the portfolio.

(ii) The second part consists of the portion of the performing portfolio where an incurred impairment event is inherent in a portfolio of performing advances but has not specifically been identified. A so-called incurred-but-not-reported (IBNR) provision is calculated on this sub segment of the portfolio, based on historical analysis of loss ratios, roll-rates from performing status into non-performing status and similar risk indicators over an estimated loss emergence period.

Estimates of roll-rates, loss ratios and similar risk indicators are based on analysis of internal and, where appropriate external data. Estimates of the loss emergence period are made in the context of the nature and frequency of credit assessments performed, availability and frequency of updated data regarding customer creditworthiness and similar factors. Loss emergence periods differ from portfolio to portfolio, but typically range from 1 - 12 months.

Non-performing loans

Retail loans are individually impaired if amounts are due and unpaid for three or more months, or if there is evidence before this that the customer is unlikely to repay its obligations in full. WesBank`s loans are impaired upon its classification status, i.e. following an event driven approach and specific assessment of the likelihood to repay. Commercial and Wholesale loans are analysed on a case-by-case basis taking into account breaches of key loan conditions, excesses and similar risk indicators.

Management's estimates of future cash flows on individually impaired loans are based on internal historical loss experience, supplemented by analysis of comparable external data (for Commercial and Wholesale loans) for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Refer to note 12 for a detailed analysis of the impairment of advances and the carrying amounts of the specific and portfolio provisions.

39. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING ESTIMATES (continued)

Share-based payments

Share-based payment costs arise from the issue of share options to employees. These share options are classified as equity-settled share-based payments and as such, the fair value cost is determined on date of grant on an actuarial basis using a number of assumptions. These assumptions used in determining the fair value cost include expected volatility, expected dividend yield, the discount rate and the expected forfeit of lapse rate. In accordance with the principles of valuing equity-settled share-based payments, only a change in the actual experience of forfeits compared to the estimated forfeit rate assumption, will impact on the charge in the income statement. All other assumptions are determined at grant date and are not amended.

The expected volatility assumption is determined based on a ruling historical volatility over the expected life of the options and comparable financial information. The expected dividend yield is determined based on historical dividend yields and management's estimates. The discount rate is based on government bonds and have terms to maturity consistent with the assumed life of the share option. The expected forfeit rate has been based on historical experience and management estimates.

Impairment of goodwill

As required by IAS 36, the goodwill in respect of First Funding (Proprietary) Limited was evaluated for impairment. The value in use calculation requires the Bank to estimate the future cashflows expected to arise from the cash generating unit and the suitable discount rate in order to calculate the present value.

40. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE

The Group will comply with the following new standards and interpretations applicable to its business from the stated effective date.

IFRIC 13 - Customer Loyalty Programmes - effective for annual periods commencing on or after 1 July 2008

The interpretation requires entities to allocate some of the proceeds of the initial sale to the award credits (such as 'points' or travel miles) and recognise that portion of the proceeds as revenue only when the entity has fulfilled its obligations. An entity may fulfill its obligation by supplying awards themselves or engaging a third party to do so.

IFRS 2 (amended) - Vesting conditions and Cancellations - effective for annual periods commencing on after 1 January 2009

The amendments to IFRS 2 clarify that vesting conditions are performance conditions and service conditions only. The amendment also clarify that cancellations of share options by parties other than the entity are to be accounted for in the same way as cancellations by the entity.

This amendment is not expected to impact the Group's results significantly.

IFRS 3 and IAS 27 (revised) - Revision to IFRS 3 Business Combinations and IAS 27 Consolidate and Separate Financial Statements - effective for annual periods commencing on or after 1 July 2008

The revised IFRS 3 retains the current basic requirements. The most significant amendment is that the acquisition related costs will now be recognised as an expense in the income statement when incurred, rather than including it in goodwill.

The revised IFRS 3 also states that contingent consideration must be recognised and measured at fair value at the acquisition date. Subsequent changes in fair value are recognised in accordance with other IFRSs, usually in the income statement rather than by adjusting goodwill.

40. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE (continued)

The amendment to IAS 27 requires that changes in a parent's ownership interest in a subsidiary that does not result in a loss of control to be accounted for within equity.

The amendments are expected to affect the Group's accounting for business combinations that arise after the effective date. The amendment to IAS 27 will necessitate a prospective change in accounting policy for the Group in repct of transactions with minority shareholders.

IFRS 8 - Operating Segments -effective for annual periods commencing on or after 1 January 2009

IFRS 8 replaces IAS 14 Segment Reporting. IFRS 8 requires an entity to report financial and descriptive information about its reportable operating segments. Operating segments are components of an entity about which separate financial information is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assessing performance.

The standard addresses disclosure in the annual financial statements and will not effect recognition and measurement. The impact on the revised disclosure is not expected to be significant.

IAS 1 (revised) - Presentation of Financial Statements - effective for annual periods commencing on or after 1 January 2009

The main change in the revised IAS 1 is the requirement to present all non-owner transactions in the statement of comprehensive income. The amendment also requires two sets of comparative numbers to be provided for the financial position in any year where there has been a restatement or reclassification of balances.

The amendments will not affect the financial position or results of the Group but will introduce some changes to the presentation of the financial position, changes in equity and financial results of the Group.

IAS 23 (amended) - Borrowing Costs - effective for annual periods commencing on or after 1 January 2009

The amendment removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The capitalisation of borrowing costs as part of the cost such as assets is therefore now required.

The Group's accounting policy is to capitalise borrowing costs on qualifying asset. The amendment will therefore not have an effect on the Group's results.

IAS 39 (amended) - Eligible Hedged Items - effective for annual periods commencing on or after 1 July 2009

The amendment clarifies that inflation may only be hedged in instances where changes in inflation are contractually specified portions of cash flows of a recognised financial instrument. It also clarifies that an entity is permitted to designate purchased or net purchased options as hedging instrument in a hedge of a financial or non-financial item and to improve effectiveness, an entity is allowed to exclude the time value of money from hedging instrument.

This amendment is not expected to have a significant impact to the Group.

Annual Improvements - Annual Improvements Project - effective for annual periods commencing on or after 1 January 2009

As part of its first annual improvements projects, the IASB has issued its edition of annual improvements. The annual improvement projects aim is to clarify and improve the accounting standards. The improvements include those involving terminology or editorial changes with minimal effect on recognition and measurement.

There are no significant changes in the current year's improvement that will affect the Group.

41. SUBSEQUENT EVENTS

There were no material events that occurred subsequent to the balance sheet date that require adjustment to the income statement or the balance sheet, or that require disclosure in the annual financial statements. The final dividend declared after the year end is disclosed in the Directors' Report.

Value Added Statements

For the year ended 30 June 2008

	Group		Company	
	30 June 2008 P'000	30 June 2007 P'000	**30 June 2008 P'000**	30 June 2007 P'000
Value added				
Value added is the wealth the Group has been able to create by providing clients with a quality value-added service.				
Income earned by providing banking services	**1,465,541**	1,231,735	**1,461,795**	1,228,988
Cost of services	**(806,460)**	(693,398)	**(807,126)**	(694,201)
Value added banking services	**659,081**	538,337	**654,669**	534,787
Non-operating and other income and expenditure	**(66,226)**	(58,024)	**(65,091)**	(62,499)
	592,855	480,313	**589,578**	472,288
Value allocated				
To employees				
Salaries, wages and other benefits	**135,494**	108,518	**138,348**	108,165
To providers of capital				
Dividends to shareholders	**205,367**	252,525	**202,186**	252,525
To Government				
Taxation	**75,253**	55,797	**73,578**	53,698
To expansion and growth				
Retained income	**168,660**	57,332	**167,837**	52,198
Depreciation	**8,081**	6,151	**7,629**	5,702
	176,741	63,483	**175,466**	57,900
	592,855	480,323	**589,578**	472,288
Summary	**%**	%	**%**	%
Employees	**22.9**	22.6	**23.5**	22.9
Providers of capital	**34.6**	52.6	**34.3**	53.5
Government	**12.7**	11.6	**12.5**	11.4
Expansion and growth	**29.8**	13.2	**29.7**	12.2
	100.0	100.0	**100.0**	100.0

Five-Year Consolidated Income Statements

For the year ended 30 June 2008

	30 June 2008 P'000	30 June 2007 P'000	30 June 2006 P'000	30 June 2005 P'000	30 June 2004 P'000
Interest and similar income	**1,168,337**	1,005,074	583,923	468,543	439,510
Interest expense and similar charges	**(768,085)**	(657,297)	(295,654)	(223,956)	(212,722)
Net interest income before impairment of advances	**400,252**	347,777	288,269	244,587	226,788
Impairment losses on loans and advances	**(20,804)**	(22,012)	(19,393)	(21,142)	(22,962)
Net interest income after impairment of advances	**379,448**	325,765	268,876	223,445	203,826
Non-interest income	**348,980**	244,931	197,471	161,832	138,649
Income from operations	**728,428**	570,696	466,347	385,277	342,475
Operating expenses	**(279,148)**	(205,052)	(167,184)	(151,752)	(145,899)
Income before tax	**449,280**	365,644	299,163	233,525	196,576
Tax	**(75,253)**	(55,797)	(45,920)	(40,877)	(29,726)
Income after tax	**374,027**	309,847	253,243	192,648	166,850
Earnings attributable to outside shareholders	**-**	-	-	-	(1,274)
Earnings attributable to ordinary shareholders	**374,027**	309,847	253,243	192,648	165,576
Appropriations					
Dividends paid and proposed	**(205,097)**	(252,525)	(192,278)	(138,440)	(211,505)
Retained income for the year	**168,930**	57,322	60,965	54,208	(45,929)

Five-Year Consolidated Balance Sheets

For the year ended 30 June 2008

	30 June 2008 P'000	30 June 2007 P'000	30 June 2006 P'000	30 June 2005 P'000	30 June 2004 P'000
ASSETS					
Cash and short-term funds	**1,796,013**	904,941	570,245	334,887	420,681
Derivative financial instruments	**59,514**	18,476	-	-	-
Advances to customers	**3,969,496**	3,073,209	2,716,404	2,482,422	2,053,400
Investment securities	**5,363,202**	4,060,061	3,760,394	389,091	545,168
Investment in associated company	**2,297**	2,421	2,499	2,302	1,694
Due from related companies	**2,029**	1,151	-	-	-
Accounts receivable	**181,911**	197,447	96,171	59,353	106,215
Taxation	**-**	5,217	1,025	320	6,014
Property and equipment	**80,737**	63,184	39,354	37,601	38,559
Goodwill	**26,963**	26,963	26,963	26,963	26,963
Total assets	**11,482,162**	8,353,070	7,213,055	3,332,939	3,198,694
EQUITY AND LIABILITIES					
Liabilities					
Balances due to other banks	**142,310**	125,463	142,299	53,950	58,263
Deposit and current accounts	**9,763,624**	6,744,640	5,881,827	2,430,240	2,261,314
Derivative financial instruments	**59,514**	18,476	-	-	-
Long term loans	**424,694**	430,907	438,851	195,137	200,933
Accrued interest payable	**86,594**	85,100	60,902	17,302	18,520
Due to related companies	**97,587**	213,482	48,834	102,789	146,819
Taxation	**5,173**	308	138	1,131	-
Deferred taxation	**43,267**	34,776	34,532	36,761	44,811
Creditors and accruals	**134,781**	92,293	94,800	63,682	88,158
Total liabilities	**10,757,544**	7,745,445	6,702,183	2,900,992	2,818,818
Shareholders' funds					
Share capital	**51,088**	51,088	51,088	51,088	51,088
Reserves	**583,800**	400,151	331,599	270,620	241,622
Proposed dividends	**89,730**	156,386	128,185	110,239	87,166
Total shareholders' funds	**724,618**	607,625	510,872	431,947	379,876
Equity and liabilities	**11,482,162**	8,353,070	7,213,055	3,332,939	3,198,694

This document is important and requires your immediate attention.

If you are in doubt as to the action you should take in relation to this document, please consult your stockbroker, banker, legal advisor or other professional advisor immediately.

Action required:

A notice convening an Annual General Meeting of Shareholders of First National Bank of Botswana ("AGM"), to be held at 16h00 on Wednesday 12 November 2008 at Gaborone International Conference Centre (GICC), is attached hereto, which notice forms an integral part of this Circular. The relevant form of proxy is attached to the Annual Report that will be posted to Shareholders. Shareholders who are unable to attend the AGM should complete the form of proxy and return it to the Registered Office of the Company so as to be received by no later than 15h00 on Monday 10 November 2008. Submission of a form of proxy will not preclude shareholders from attending and voting in person at the AGM, should they so desire.

regarding

- the adoption of a Constitution in place of the existing Memorandum and Articles in terms of Section 43(3) of the Companies Act .

and incorporating

- a notice convening the Annual General Meeting
- a form of proxy

Contents

Definitions

In this circular unless otherwise stated or the context otherwise requires, the words in the first column have the meanings stated opposite them in the second column, words in the singular include the plural and vice versa, and words importing natural persons shall include juristic persons, whether corporate or incorporate, and vice versa:

"Act"	the Companies Act, 2003, Act No 32 of 2004 as amended;
"Articles"	the Articles of Association of FNBB as amended as at date hereof;
"BSE"	the Botswana Stock Exchange;
"Botswana"	the Republic of Botswana;
"Circular"	this circular dated 8 October 2008, including the annexures hereto, the notice of General Meeting;
"Directors"	the Board of Directors of FNBB;
"FNBB or the Company"	First National Bank of Botswana Limited (registration number 1119) incorporated in the Republic of Botswana, a bank licensed in terms of the Banking Act No. 13 of 1995, and listed on the BSE;
"General Meeting"	the Annual General Meeting of Shareholders to be held on 12 November 2008;
"Memorandum of Association"	the Memorandum of Association of FNBB as amended as the date hereof;
"Resolutions"	the resolutions reflected in the Notice of Special Meeting incorporated within this Circular;
"Shareholders"	holders of Ordinary Shares of the Company;

Salient Dates And Times (Year 2008)

Forms of proxy to be received by 15h00	Monday 10 November
Annual General Meeting at 16h00	Wednesday 12 November

The above dates and times are subject to change. Any amendment will be published in the press.

1. Purpose of the Circular

The purpose of the Circular and the Notice of Annual General Meeting is to furnish information to the Shareholders as to the adoption of a Constitution in place of the existing Memorandum and Articles of Association and to convene the Annual General Meeting to be held at Gaborone International Conference Centre (GICC), at 16h00 on 12 November 2008, at which meeting shareholders will be asked to approve the following special business pursuant to amending the Articles:

a. a special resolution to adopt a Constitution in terms of section 43(3) of the Companies Act in which the Act requires that when any amendments are made to Memorandum and Articles of Association of a company incorporated prior to the coming into force of the new Act, a single document called a Constitution must be filed in place of the Memorandum and Articles.

2. Reasons for Amendments

The amendments to the Articles of Association of the Company in the main seek to effect the following substantive changes:

a. to amend Article 50 of the Articles of Association, in allowing for the number of Directors to increase from not more than ten to not more than thirteen.

b. to delete Article 67 and amend Article 111 to reflect that indemnity in respect of Directors, officers and agents of the Company will be in the terms of the insurance cover provided for and they will not be indemnified out of the assets of the Company generally.

c. to amend Article 76 to remove the ability of the Chairman of the Board to have a second or casting vote in the event of an equality of votes, thus ensuring that decisions of the Board are taken with majority approval.

d. to delete Article 85 as there are no circumstances in which the directors will need to appoint a Local Committee in a foreign country.

e. to amend Articles 56 and 57 of the Articles to limit the appointment of Alternate Directors to Directors representing the holding company or other corporations, therefore not every Director will be entitled to appoint an Alternate.

The reasons for proposing the main amendments are explained below:

Increase in number of Directors

In line with the growing demands of the business and the need for effective management and control, the Board of Directors of FNBB recommend to increase the number of Directors to allow for a greater number of non-executive Directors to increase the knowledge base of the Board. This and other changes are to allow FNBB to bring its corporate governance in line with best practice recommendations.

Indemnity of Directors and other officers

The amendment as to the indemnity of Directors, officers and agents is reflect the actual insurance policy in place, and to remove a general clause that such officers can be indemnified for actions arising from the course of their duty from the assets of the Company.

Removal of Chairman's casting vote

The amendment as to the removal of the Chairman's casting vote in resolutions passed by the Board, is to ensure that all resolutions of the Board are passed by a majority of the Board members. This is in line with best practice recommendations for procedures for Board meetings.

Removal of Local Committee provision

There is no need for the Board to have the power to appoint a Local Committee in a foreign country. This provision is seen as extraneous and it is therefore recommended that it be removed.

Restriction as to the appointment of Alternate Directors

In line with best practice recommendations on corporate governance, it is proposed that only Directors acting on behalf of the holding company or other corporations be allowed to appoint alternate directors to stand in their place. This restriction is so that the Directors appointed by the Company, are the ones considering and taking decisions as to the Company, thus ensuring a greater degree of responsibility and accountability by the members of the Board.

Adoption of a Constitution

In terms of the Companies Act, which came into force on the 3rd July 2007, any existing Company which has as its Constitution, Memorandum and Articles of Association is not entitled to amend such document unless it consolidates both documents into a single document known as the "Constitution".

It is proposed that the Memorandum and Articles of Association be amended and a Constitution adopted through the procedures set out in this circular.

Apart from the main amendments to the Articles that are detailed above, several other changes are sought to be effected, these include, amongst other things, amendments to bring the Constitution in line with changes introduced by the Companies Act (such as the removal of references to authorized share capital, amending references to reflect the current Act, mandatory provisions on the notice period to call meetings etc); as well as changes to delete extraneous provisions and to reflect gender neutral language.

In addition, the Constitution does not incorporate the objects of the Company. This has been rendered unnecessary by the provision of the current Companies Act, which makes the provisions relating to objects optional.

Constitution available for inspection

In order that Shareholders may read the entire document should they so wish, a draft of the Constitution is available for inspection at the Registered Office of the Company, during normal business hours from the 8 of October 2008 until 12 November 2008, the date of the AGM.

3. Announcement

The results of the special business that is to be voted on at the Annual General Meeting will be announced in the press on 14 November 2008.

4. Annual General Meeting

Following hereafter and forming part of the Circular is the Notice of the Annual General Meeting of Shareholders of First National Bank of Botswana Limited to be held at Gaborone International Conference Centre (GICC) on 12 November at 16h00 for the purpose of considering the business of the Annual General Meeting and of considering the special business.

Shareholders who are unable to attend the General Meeting and who wish to be represented there, are requested to complete and return the form of proxy on the last page of the Annual Report. The proxy form should be completed in accordance with the instructions therein and in the Notice.

A proxy need not be a Member of the Company.

By order of the Board.

H.C.L. Hermans
Chairman of the Board of Directors
Gaborone
8 October 2008

D. H. Zandamela
Chief Executive Officer

Notes

Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Shareholders of the Company will be held at Gaborone International Conference Centre (GICC), at 16h00 on Wednesday 12 November 2008, for the purpose of transacting the following business and considering and if deemed fit, passing, with or without modification, the following resolutions:

Agenda

Ordinary Business

1. To read the notice convening the meeting.

2. **Ordinary Resolution 1:**
   To receive, consider, and adopt the audited financial statements for the year ended 30 June 2008.

3. **Ordinary Resolution 2:**
   To approve the distribution of a dividend as recommended by the Directors.

4. **Ordinary Resolutions 3,4,5 and 6:**
   To re-elect the following directors of the Company:
   J R Khethe
   A L Monchusi
   P D Shah
   S Thapelo
   who retire by rotation in terms of Article 51 of the Articles of Association and, being eligible, offer themselves for re-election.

5. **Ordinary Resolution 7:**
   To approve the remuneration of the directors for the year ended 30 June 2008.

6. **Ordinary Resolution 8:**
   To appoint auditors for the ensuing year and to fix their remuneration.

Special Business.

7. To consider, and if considered fit, to pass the following special resolution to amend the Articles of Association and to adopt a Constitution under the Companies Act, 2003:

Special resolution 1:

Resolved to adopt a Constitution in the place of the Memorandum and Articles of Association of the Company, subject to any amendments proposed at the meeting, if any. A copy of which Constitution is initialed by the Chairman in identification.

Voting and proxies

All holders of Ordinary Shares entitled to vote will be entitled to attend and vote at the Annual General Meeting.

A holder of shares who is present in person, or by authorised representative or by proxy shall have one vote on a show of hands and have one vote for every ordinary share held on a poll.

Each Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (none of whom need be a Shareholder of the Company) to attend, speak and subject to the Articles of Association of the Company vote in his/her/its stead.

The form of proxy for the Annual General Meeting, which sets out the relevant instructions for its completion, is annexed to the Circular and Notice of the Annual General Meeting in the Annual Report that is being posted to shareholders on 8 October 2008

In order to be effective, a duly completed form of proxy must be received at the Transfer Secretaries, PricewaterhouseCoopers (Pty) Ltd, Plot 50371, Fairgrounds Office Park, and P O Box 294, Gaborone by not later that 15h00 on 10 November 2008

By Order of the Board

H.C.L. Hermans
Chairman of the Board of Directors

D.H. Zandamela
Chief Executive Officer

Proxy Form

For completion by holders of Ordinary Shares

PLEASE READ THE NOTES OVERLEAF BEFORE COMPLETING THIS FORM.
EXPRESSIONS USED IN THIS FORM SHALL, UNLESS THE CONTEXT REQUIRES OTHERWISE, BEAR THE SAME MEANINGS AS IN THE CIRCULAR TO SHAREHOLDERS OF FNBB ISSUED ON 10 October 2008.

For use at the Annual General Meeting of Shareholders of the Company to be held at Gaborone International Conference Centre at 16h00 on Wednesday 12 November 2008.

I/We
(Name/s in block letters) ______________________________

Of
(Address) ______________________________

Appoint (see note 2):

1. ______________________________ or failing him/her, ______________________________

2. ______________________________ or failing him/her, ______________________________

3. the Chairman of the Meeting,

as my/our proxy to act for me/us at the General Meeting which will be held, in addition to considering the ordinary business, for the purpose of considering and if deemed fit, passing with or without modification, the resolutions to be proposed under the special business vote thereat and at each adjournment thereof, and to vote for or against the resolutions and/or abstain from voting in respect of the Ordinary Shares registered in my/our name in accordance with the following instructions (see note 2):

		Number of Ordinary Shares		
		For	**Against**	**Abstain**
1. Ordinary Resolution 1				
2. Ordinary Resolution 2				
3. Ordinary Resolution 3				
4. Ordinary Resolution 4				
5. Ordinary Resolution 5				
6. Ordinary Resolution 6				
7. Ordinary Resolution 7				
8. Ordinary Resolution 8				
9. Special Resolution 1				

Signed at ______________________ on ______________________ 2008

Signature ______________________________

Assisted by (where applicable) ______________________________

Each Shareholder is entitled to appoint one or more proxies (who need not be Member/s of the Company) to attend, speak and vote in place of that Shareholder at the General Meeting. Please read the notes on the reverse side hereof.

Notes

1. A Shareholder must insert the names of two alternative proxies of the Shareholder's choice in the space provided, with or without deleting "Chairman of the Annual General Meeting". The person whose name appears first on the form of proxy, and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.

2. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the General Meeting as he/she deems fit in respect of the Shareholder's votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorise the proxy to vote in favour of the resolution. A Shareholder or his/her proxy is obliged to use all the votes exercisable by the Shareholder or by his/her proxy.

3. Forms of proxy must be lodged at or posted to the Transfer Secretaries of the Company, PricewaterhouseCoopers (Pty) Ltd, Plot 50371, Fairgrounds Office Park, P O Box 294, Gaborone to be received not less than 24 hours before the General Meeting before 15h00 on 10 November 2008.

4. The completion and lodging of this form will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such Shareholder wish to do so.

5. The Chairman of the General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he is satisfied as to the manner in which the Shareholder concerned wishes to vote.

6. An instrument of proxy shall be valid for the General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.

7. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the Shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the Ordinary Shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the General Meeting or adjourned General Meeting at which the proxy is to be used.

8. The authority of a person signing the form of proxy under a power of attorney or on behalf of a company must be attached to the form of proxy, unless the authority or full power of attorney has already been registered by the Company or the Transfer Secretaries.

9. Where Ordinary Shares are held jointly, all joint Shareholders must sign.

   A minor must be assisted by his/her guardian, unless relevant documents establishing his/her legal capacity are produced or have been registered by the Company.