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Board of Directors

Premchand Shah, Chairman

Sifelani Thapelo

Peter Stevenson

Myra Tshephonyane Sekgororoane

Balisi Bonyongo

Board of Directors

John Kienzley Macaskill

Bobby Madhav

Richard Wright

Jabulani Richard Khethe

Lorato Boakgomo-Ntakhwana
FNBB CEO

Board of Directors

Premchand Shah – CHAIRMAN

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 2001. He is the Chairman of the Board of Directors.

Lorato Edith Boakgomo-Ntakhwana – CEO

Lorato graduated with a Bachelor of Commerce degree in 1985 and an MBA in 1992 whilst working for the Central Bank of Botswana. She joined the South African Reserve Bank in 1986 where she worked her way through the ranks, ultimately appointed Head of the Reserve Management Unit in 1986 and Assistant General Manager in the Financial Markets Department in 2002. She joined Rand Merchant Bank's Treasury Division in 2004 as Deputy Treasurer responsible for the Africa Treasuries, the Africa Trading Desk, international bank relations and was a member of the Treasury Management Board. In 2008 she moved to FirstRand where her responsibilities included developed markets relations, Rand Account Services and balance sheet management-Africa. Lorato was appointed Chief Executive Officer of First National Bank of Botswana in June 2009.

Danete Higgins Zandamela - Outgoing CEO

Danny holds a Banking diploma and has a number of mini-MBAs from various institutions. He is a member of the Institute of Bankers in South Africa and a member Abship. 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 Chief Executive Officer of First National Bank of Botswana from January 2006 to June 2009.

John Kienzley Macaskill

John is a graduate of the University of Pretoria and UNISA. He has been with FNB 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.

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.

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 where she left as the Group Operational Director. 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.

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 S. Thapelo Attorneys based in Francistown and is a member of the Cambridge Commonwealth Society, Alumni of the International Development Law Organization as well as being a member of several Boards.

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 Botswana. He is currently a Director/Trustee of several private companies and charitable trusts. He is the Chairman of the Audit Committee.

Boupendra Uttam Madhav

Bobby is a management graduate with 25 years banking experience with the FirstRand Group. He is currently the Provincial Chairman of Gauteng, First National Bank in South Africa and is responsible for some of the new businesses in commercial banking including 2010 strategic business development.

Balisi Mohumi Bonyongo

Balisi graduated with honors in Mineral Engineering from the University of Leeds in 1992 and obtained an MBA from the University of Cape Town in 2002. He attended a Senior Executive Programme in 2007 at the London Business School. He is currently the General Manager of Debswana Jwaneng Mine and a Director of PEO and BPC.

Corporate Structure

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FirstRand Bank Holdings Limited
(incorporated in RSA)

100%

First National Bank Holdings (Botswana) Limited

69.5%

First National Bank of Botswana Limited — Public 30.5%

Financial Services Company Limited	Financial Services Property (Pty) Limited	Plot Four Nine Seven Two (Pty) Limited	First National Insurance Agency (Pty) Limited	First Funding (Pty) Limited	Finance House (Pty) Limited
100%	100%	100%	100%	100%	48.8%

Shareholders' Diary

Declaration of final dividend and announcement of results	September 2009
Payment of final dividend	September 2009
Publication of Annual Financial Statements	October 2009
Annual General Meeting	11 November 2009
Publication of half-year interim report and dividend announcement	February 2010
Payment of interim dividend	March 2010
Financial year end	30 June 2010

Group Executive Committee

Front Row:

Lorato Boakgomo-Ntakhwana Chief Executive Officer

Yolisa Phillips-Lejowa Head of Electronic Banking

Bomolemo Selaledi Head of Marketing & Communications

Pauline Motswagae Treasurer

Ogone Madisa-Kgwarae Head of Property Finance Division

Cheryl Rabashwa Head of Human Resources

Back Row:

Richard Wright Deputy Chief Executive Officer

Christo De Wet Regional Manager, Wesbank

Kwanele Ngwenya Head of Retail Banking

Steven Bogatsu Chief Financial Officer

Denis Ivins Senior Manager Systems Technology & Projects

Boiki Tema Senior Manager, New Business Development

Group Executive Committee

Front Row:

Zhukie Ramahobo
Head of First Funding

Constance Storom
Senior Manager
FirstCard Division

Grace Setlhare-Mankanku
Head of
Corporate Banking

Ella Makgwa
Head of Retail
Credit

Tsholofelo Moyo
Senior Manager
Gaborone Industrial Branch

Darshini De Silva
Senior Compliance
Officer

Back Row:

Ebrahim Vadia
Senior Manager
Main Branch

Nathan Mapombere
Head of Credit,
Asset Based Finance

Kgopodiso Justine Moeti
Deputy Head,
Wesbank

Michael Nakedi
Head of
Corporate Credit

Albert Monk
Senior Manager,
Banking Operations

Financial Highlights

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For the year ended 30 June 2009

	% change	30 Jun 2009	30 Jun 2008
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)		205	240
Results (P'000)			
Net interest income	30.6	522,896	400,252
Profit before direct taxation	19.4	528,480	442,656
Attributable earnings	8.7	406,720	374,027
Earnings per share (thebe)	8.8	16.0	14.7
Dividend per share (thebe)	8.7	8.7	8.0
Ratios			
Return on year end shareholders' funds (%)		49.4	56.1
Return on average assets (%)		3.0	4.0
Return on year end risk-weighted assets (%)		7.8	8.1
Cost to income		37.0	38.0
Earnings yield (%)		7.8	6.1
Price earnings		13.1	16.3
Dividend yield (%)		4.1	3.3
Dividend cover		1.8	1.8
Capital adequacy		16.9	15.1
Balance Sheet (P'000)			
Shareholders' funds	27.1	921,124	724,618
Total assets	8.4	12,449,487	11,482,162
Total loans and advances to customers	17.0	4,643,241	3,969,496
Total deposit and current accounts (including accrued interest)	7.8	10,622,841	9,850,218
Total risk-weighted assets (on-and off-balance sheet items)	13.5	5,229,535	4,605,619
Net asset value per share (thebe)	(21.5)	27.8	35.4

Major Shareholders At Year End (Number Of Shares)	30-Jun 2009	30-Jun 2008
FIRST NATIONAL BANK HOLDINGS (BOTSWANA) LIMITED	1,780,590,000	1,780,590,000
STANBIC NOMINEES BOTSWANA (PTY) LIMITED RE:BIFM BPOPF	101,278,543	108,988,401
BARCLAYS BOTSWANA NOMINEES (PTY) LTD RE:IAM 030/14	89,329,767	90,310,976
STANBIC NOMINEES BOTSWANA (PTY) LIMITED RE:BIFM	75,441,795	79,903,214
BARCLAYS BOTSWANA NOMINEES (PTY) LTD RE: FAM 3582376	70,427,285	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	33,782,321	23,877,141
BARCLAYS BANK NOMINEES(PTY) LTD RE: SSB 001/1	4,267,612	22,271,459
STANBIC NOMINEES RE: AG BPOPF	20,215,894	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	13,886,972	13,528,214
BARCLAYS BANK NOMINEES (PTY) LTD RE:FAM 3184508	16,857,673	12,623,246
BARCLAYS BANK NOMINEES (PTY) LTD RE: AG 211/002	11,389,830	12,040,581
STANBIC NOMINEES RE: BIFM BLAF	3,574,249	10,626,490
STANBIC NOMINEE RE:CF BPOPF	7,029,585	9,876,723
BARCLAYS BANK NOMINEES(PTY) LTD RE: 067/001	6,218,380	9,718,380
BARCLAYS BOTSWANA NOMINEES (PTY) LTD RE: SSB 001/81	5,711,600	366,100
BOB STAFF PENSION FUND	4,730,454	-
BARCLAYS BANK NOMINEES (PTY) LTD RE:FAM 201/010	12,358,315	9,218,949
STANBIC NOMINEES BOTSWANA (PTY) LIMITED RE:BIFM BPOPF	16,420,517	7,962,163
BARCLAYS BOTSWANA NOMINEES (PTY) LTD RE:IAM 030/030	7,535,525	7,157,345
BARCLAYS BOTSWANA NOMINEES (PTY) LTD RE:FAM BBB SPF	-	6,000,000
	2,425,257,227	**2,440,691,519**
Percent Of Total Shares In Issue	94.6%	95.2%

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

Key mid exchange rates:		
US Dollar	0.1472	0.1530
Pound Sterling	11.3559	13.0528
SA Rand	1.1439	1.2015
Euro	9.5832	10.3328

Financial Highlights - Graphs

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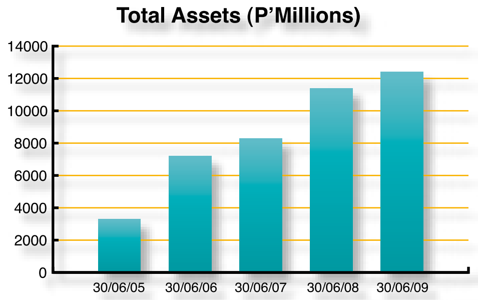
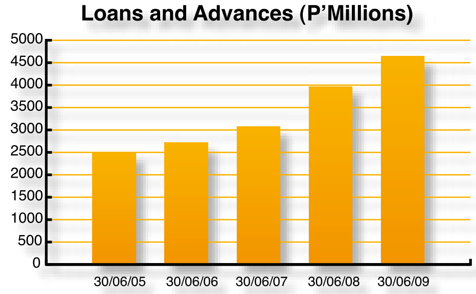
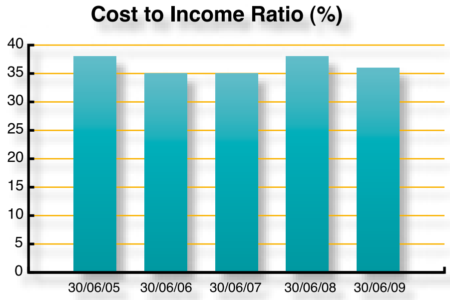
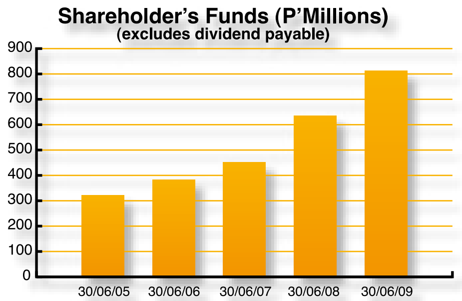
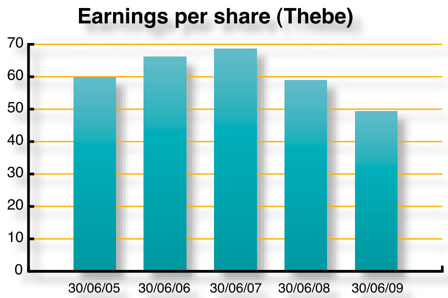
For the year ended 30 June 2009

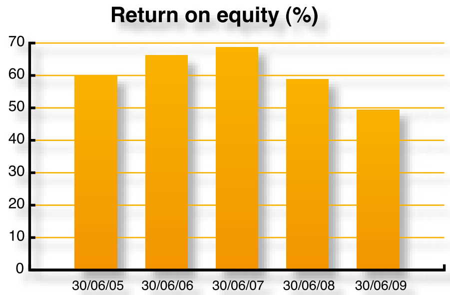


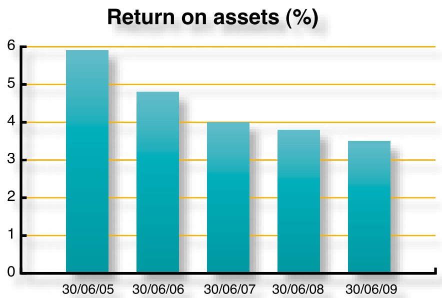


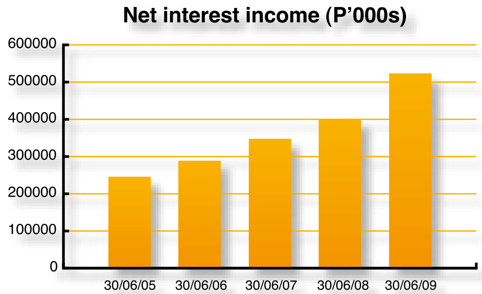


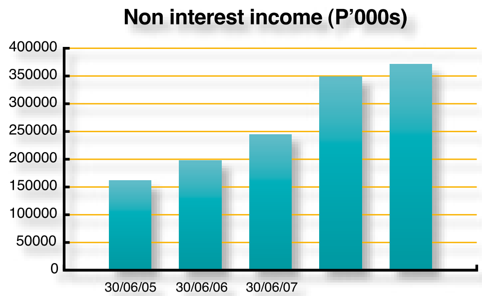


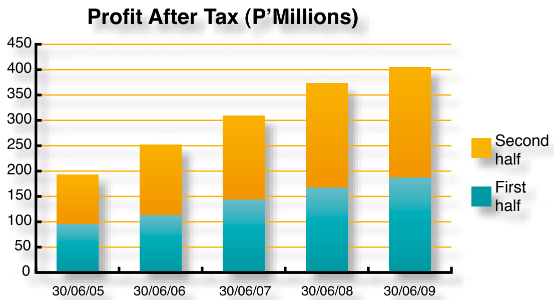


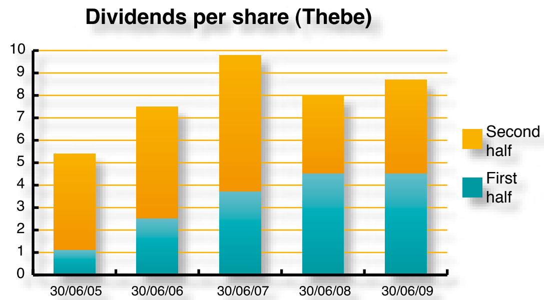












Corporate Governance

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 Group. The Directors are satisfied that in all material respects the Group has adopted best corporate practices in the conduct of its business.

The core responsibility of the Directors is to exercise their business judgment to act in what they reasonably believe to be 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 Constitution provide for a unitary Board of up to 13 Directors. The current Board comprises nine Directors, of which five are independent non-executive Directors. The Chairman of the Board is a non-executive independent 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, 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 Constitution. 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 Company and Group'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 of Botswana (Companies Act 2003) and the Botswana Banking Act (Cap 46:04). 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 Bank adopts a process of good corporate governance;
- Approving the strategic direction and the budgets necessary for the implementation thereof;
- Monitoring the performance against set objectives; and
- Ensuring that risk management processes, internal controls and business management and decision support systems are appropriate to achieve the set 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 three non-executive independent 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

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 utilizing the Trust Fund to achieve the purpose. The Foundation is chaired by a non-executive Director, external trustees as well as Bank officials.

Internal audit

The Bank's internal audit performs an independent appraisal 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 Bank.

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 Bank'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.

The Bank recognizes its accountability and responsibilities to 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 the Bank regards compliance as a matter of high priority and is ultimately accountable to its stakeholders for overseeing compliance requirements.

Enterprise Risk Management

Group enterprise risk management

One of the biggest challenges facing Bank supervisors worldwide is the growing internationalization 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.

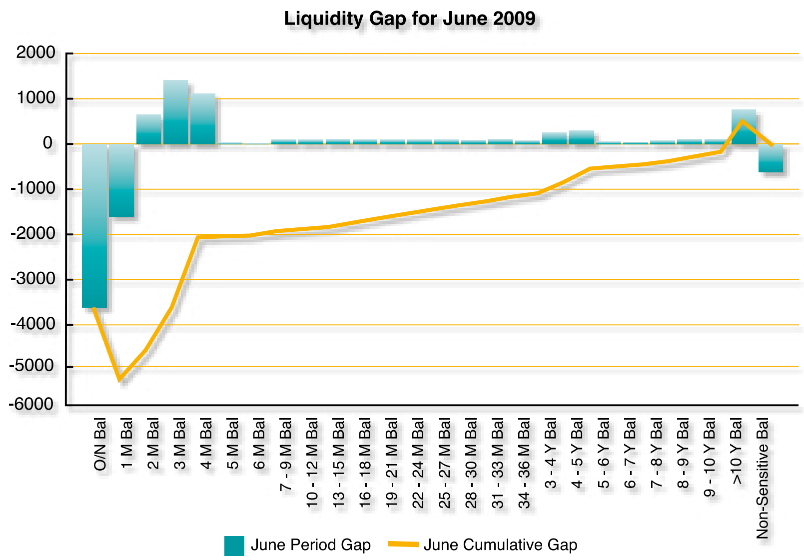
Under Basel II, banks worldwide are adopting an enterprise risk management approach.

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.



Legal risk

The Legal Function is responsible for ensuring that legal risk is adequately managed. This is achieved by provision of proper legal advice to management and all business units and divisions; and through the use of standard legal documentation wherever possible. The legal function also has the primary responsibility for identifying the relevant laws, rules and standards with which the bank should comply and for providing interpretation in case of doubt. Further more, the legal function monitors the relationship with external counsel in terms of getting the right law firms on the panel, fees, and substance amongst others.

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.

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. 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 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.

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 higher authority.

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 the Asset and Liability Committee (ALCO), which consists of the Bank's Executive Management representing key business areas. The committee meets on a monthly basis or on a more frequent basis should interest rates require them to do so. The sensitivity to moves 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.

Counterparty risk

This risk arises from 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 compliance with these limits daily and deviations are reported to a higher authority.

Liquidity and interest rate risk management

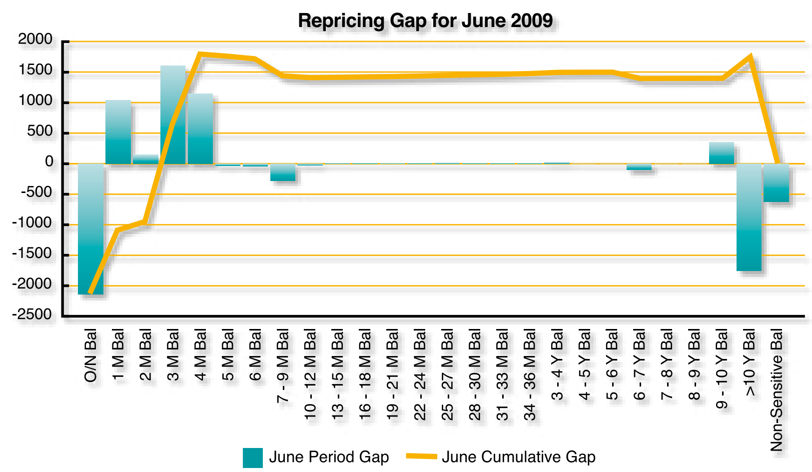
Liquidity risk describes the risk of not being able to generate sufficient cash to meet financial commitments to extend credit, meet deposit maturities and fund other transactions in the ordinary course of our business, the aim being to remain prudently and economically liquid. Maturing assets and liabilities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

The graph on page 14 represents the liquidity gap as per the ALCO model at 30 June, 2009. Both the period and cumulative gaps are shown.

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.

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, 2009 both the period and cumulative gaps are shown.



Chairman's Report

I am pleased to present my report for the year ended 30 June 2009 to the shareholders and other stakeholders of First National Bank of Botswana Limited (FNBB).

The economic environment

It must be noted that significant structural changes have occurred in the global economy during the past twelve months as a result of the global economic crisis. The unprecedented increases in oil, commodity and food prices compounded by the effects of the turmoil in the Banking industry have resulted in an economic downturn which has affected Botswana in spite of opinions expressed by experts to the contrary.

These developments impacted Botswana in several different ways. The demand for diamonds in the United States, Japan and Europe was reduced as a result of the recession and the mining sector responded by closing operations for several months during the year. It is now generally accepted that the period of rapid growth fuelled by diamonds is over.

However, the magnitude of the economic downturn in Botswana must not be exaggerated. Substantial foreign exchange reserves enabled Botswana to avoid extensive foreign borrowing and the introduction of the crawling peg system has been successful in the stabilisation of real exchange rates. Inflation is expected to reduce to the targetted 6% in 2009. Botswana enjoys a well managed business regulatory environment and the financial sector is a regional leader with minimal intervention from Government. The business climate is stable and considered superior in Africa with prevailing practice of good governance.

The Bank 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.

Financial performance

Against the backdrop of the above economic perspective, the Bank performed very well, achieving growth in profit before tax of 19% for the year ended 30 June 2009, the Bank's performance is fully discussed in the Chief Financial Officer's report below. The Board is delighted with these results and wishes to commend Management on their performance in spite of difficult business conditions.

Board composition

The Board consists of nine Directors, five independent non-executives, three non-executives and one executive. I am pleased to welcome Lorato Boakgomo-Ntakhwana as the new Chief Executive Officer, and non-executives to the Board, Mr B U Madhav with over 24 years experience with the FirstRand Group, and Mr B M Bonyongo, General Manager of Debswana Jwaneng Mine who brings a wealth of knowledge in the mining sector.

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;
- 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.

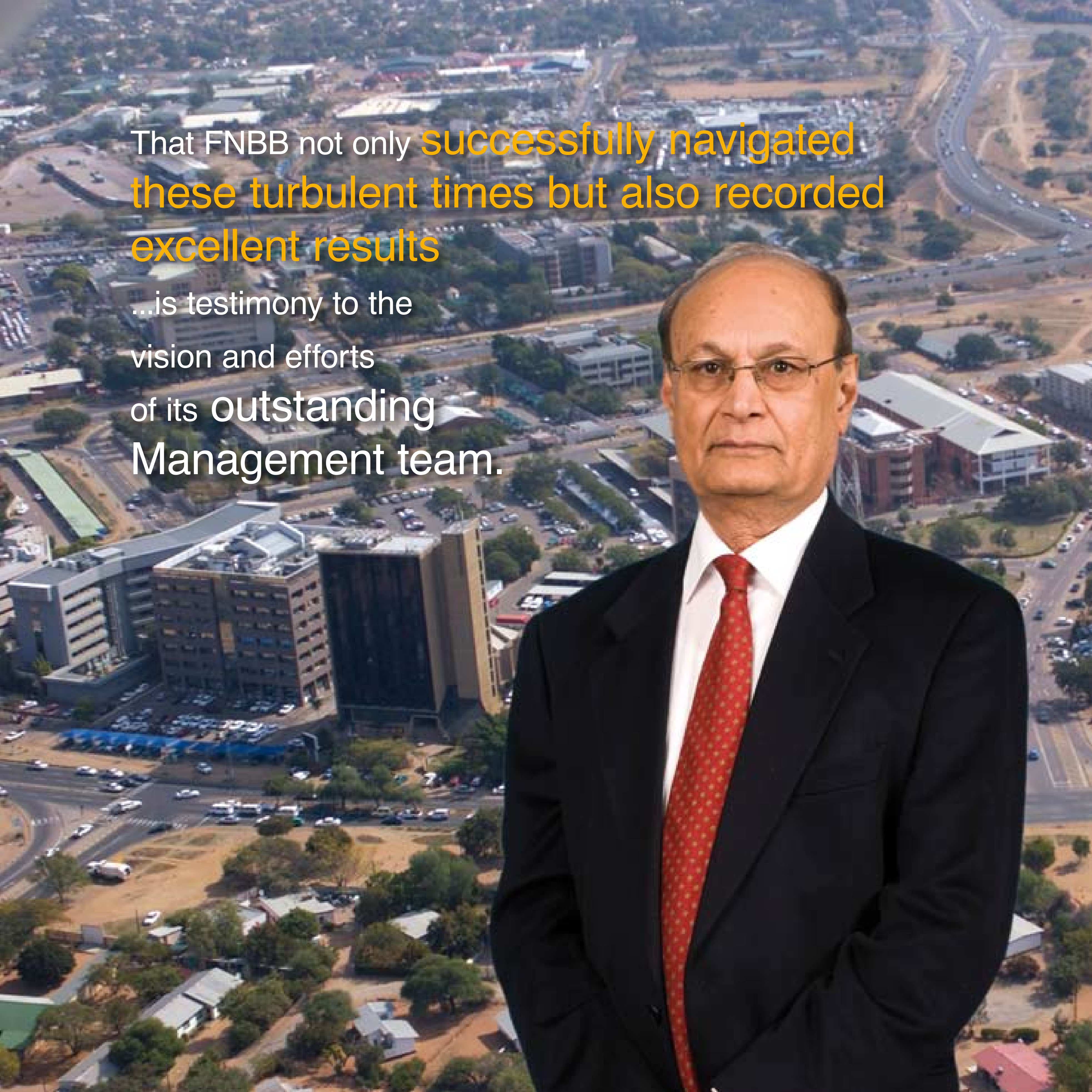
The Board is assisted by Board committees, which are responsible for different aspects of governance. The main sub committees are the Audit, Senior Credit Risk, Directors' Affairs and Governance, and the Remuneration Committees.

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 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

That FNBB not only successfully navigated these turbulent times but also recorded excellent results

...is testimony to the vision and efforts of its outstanding Management team.

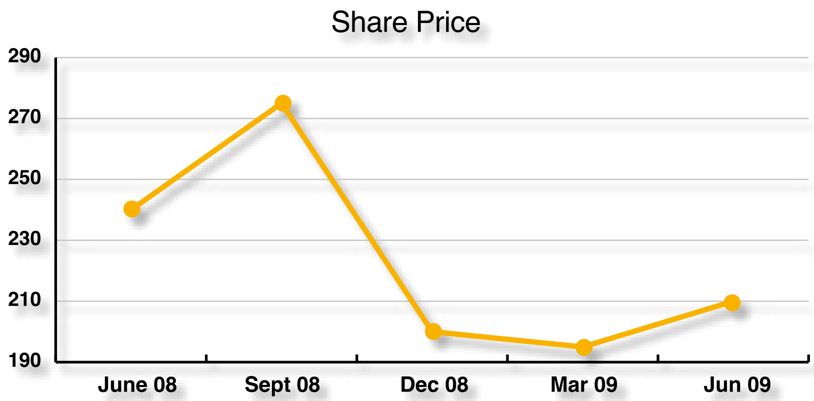


on a regular basis to ensure that the Bank is appropriately capitalised from an economic risk point of view.

The Bank has experienced an increase in risk weighted assets as a result of growth 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 16.9% at 30 June 2009, 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 has reviewed and refined 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 4.5 thebe (2008: 3.5 thebe) per share payable to shareholders at 30 June 2009. This represents an increase in the total dividend of 13% for the year at 9.0 Thebe (2008: 8.0 thebe) and dividend cover 1.76 times compared to 1.82 times in the prior year. Directors are comfortable that this places the Bank in a sound financial position for the future.

Stated capital and share price

I am pleased to report that the share price has increased steadily during the second half of the financial year under review as indicated by the graph above.

Social responsibility

The Bank established a Foundation for the purpose of aiding educational, social welfare, 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 before tax to the Foundation. Since the inception of the Foundation in 2001, the Bank has made grants in excess of P 17 million to the Foundation, and in turn, the Foundation has approved donations and pledges to qualifying beneficiaries. Details of the Foundation and criteria for eligibility can be found at the Bank's website: **www.fnbbotswana.co.bw.**

In addition, the Bank's employees run The Staff Volunteer Programme, which is an initiative that affords the Business Units an opportunity to identify and donate funds to deserving projects. Broadly speaking, the conditions of sponsorship are:

- the staff 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 manager who must make the recommendation to the administrators of the Foundation; and
- the beneficiary must be a registered non-profit making organization.

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

I wish to thank my fellow Directors for their vision, support and guidance during the past year. I must also record the gratitude of the Board to the Management and staff for their commitment, professionalism and hard work which contributed to the excellent results achieved.

PD Shah
Chairman

Despite the economic setback, the Mining and Public Sector Division has continued to make considerable strides in acquiring new customers.

Chief Executive Officer's Report

It is with great pleasure that I present my last report as Chief Executive Officer for the year ended 30 June 2009.

The period under review was characterised by mixed economic conditions. During the first half of the financial year, inflation was at an all time high, as a result of rising fuel and food prices and high interest rates. Both individuals and businesses experienced significant credit growth. Despite this, demand for products and services remained high.

Signs of economic stress started showing around October 2008, and the full impact was felt during the second half of the financial year. Activity in the mining sector slowed down significantly, impacted by reduced demand from our export markets which were hard hit by the global economic crisis, and declining commodity prices. The resultant impact for the local economy was the reduction in government revenues, significant retrenchments, particularly in the mining industry, and general economic slowdown across all sectors of the economy. Inflation reduced as food prices stabilised and fuel prices dropped significantly. Credit growth was also impacted negatively, and the response from Bank of Botswana was a significant cut in the Bank rate, from 17% at its peak to the current 13%, a total of 400 basis points to date.

In this environment, the Bank achieved growth of 19% in profit before tax.

Corporate Banking Division

The Corporate Banking Division offers a broad array of innovative solutions which are tailor-made to address Banking requirements of medium to large business entities. This division adheres to a relationship client centric model which promotes the building of enduring and rewarding relationships thus fostering business growth, effortless and enjoyable Banking. The internal focus in 2009 was to realign our structures so that we could offer effective and efficient service to the market.

The performance of the division has been satisfactory. The client acquisition and retention strategies coupled with a deliberate focus on the realignment of people to customers' needs translated positively to our performance.

The major challenge of serving our clients remains the margin squeeze, which we continue to mitigate through customized financial solutions, and leveraging on our efficient systems, which are supported by a dedicated team.

Mining and Public Sector Division

The division was established in 2006 to address needs and provide a focal point of contact to the mining houses and the public sector business and in recognition of these two industry sectors as being the driving forces of the country's economy.

In 2008 the mining sector was adversely affected by the global economic downturn which resulted in a number of mines being shut down. The economic downturn impacted government revenues resulting in cuts on both the recurrent and developmental expenditures.

The Human Resources Department

continued to support the strategic initiatives of the Bank

as well as to provide support to all the Business Units and Branches.

With signs of recovery beginning to emerge, several mines were opened during the second half of the year. Other big projects in the energy sector will continue, albeit at a reduced scale.

Despite the economic setback the division has continued to make considerable strides especially in the public sector, in acquiring new customers. This was largely attributed to the improved focus, our relationship model which improved our visibility in the market and our brand which is synonymous with superior customer service and advanced technology.

Retail Banking Division

We continue to increase our foot-print and now have 17 branches in the country, with the Letlhakane branch which was opened during the 2009 financial year being our most recent addition. In an effort to grow the delivery channels, we have increased our ATM network to 87 sites and 75 mini ATM sites and we will continue to improve and expand our delivery channels.

With the appointment of the Head of Retail, the division has improved its operational efficiency and the ability to upgrade product offerings and delivery channels.

A concerted effort has been made with the help of external consultants to address concerns such as long queues at month end and improve our turnaround times as well as continuously encouraging our clients to use alternative channels such as Online Banking and Cellphone Banking. We continue to ensure that our people are up-skilled and empowered to deliver our products and services in line with international standards as they are the key drivers in the retention and fostering of customer relationships.

Property Finance Division

The division primarily focuses on the acquisition, refinancing and development of both commercial and residential properties. The loan book has grown to P1,5 billion, primarily in the residential and commercial market. Despite the growth in the asset book and the down-turn in the economy, arrears are at acceptable levels due to the robust collection strategy in place.

To cater for the increased business, the division recently moved to more spacious premises within Fairgrounds Office Park. The location is ideal as it is centrally located with easy accessibility and ample parking facilities. New technology based services such as SMS loan approval notification and SMS arrears notification were introduced. The division`s focus for the next year is to introduce various innovative solutions.

Staff up-skilling and development is ongoing and this will strengthen the division's ability to take advantage of developments and opportunities within the property market.

WesBank Division

The global economic climate has had a severe impact on the motor industry in Botswana, reversing the upswing reported in 2007 and 2008. Total vehicles sales were down by more than 30%. Despite the pressure on the business sector, and ultimately households, pro-active arrears management resulted in record low arrear levels and bad debt well under control.

Even under these difficult economic conditions WesBank achieved a growth in the asset book of 22% and the book is now in excess of P1 billion

Treasury Division

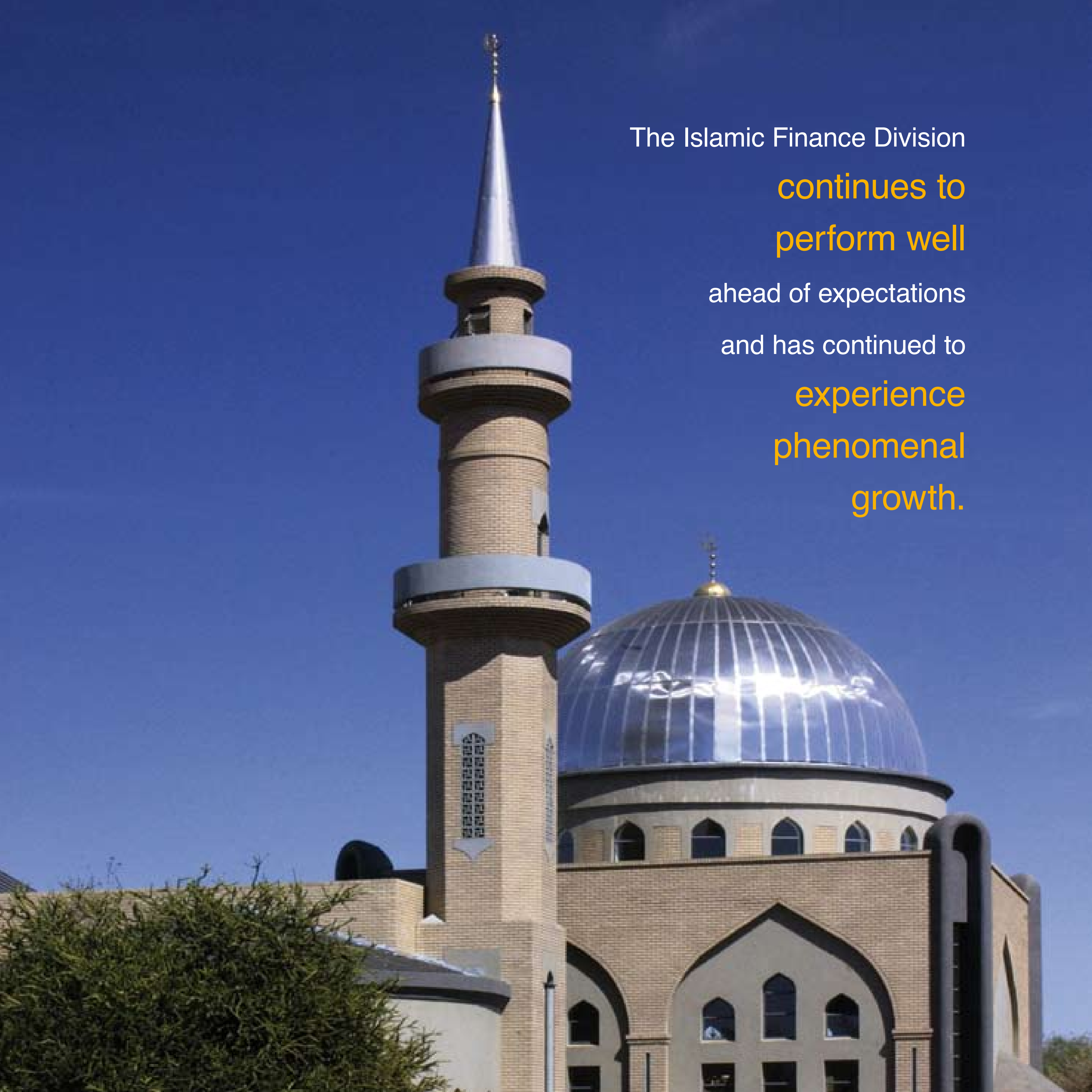
The division, which also comprises International Trade and Custodial Services, recorded strong financial performance during the year, largely supported by trading and interest income. Opportunities created by increased volatility in the currency markets as well as increased client volumes experienced during the first half of the year under review compensated for the underperformance that resulted from a slump in the mining sector during the remainder of the year. Sales and marketing tactics and prudent liquidity management employed during the year contributed positively to net interest income even under conditions of aggressive monetary policy easing.

The new treasury and foreign exchange system was implemented in the division and across all the branches in January 2009. This technology will enhance our operational efficiencies by facilitating a higher level of straight through processing thus reducing risks associated with manual processing. The system also provides a platform for Treasury to be more innovative. Our Custodial Services started operating during the second half of the financial year. We continue to build on these innovations to further enhance our market share and impact.

Islamic Finance Division

This division was launched in March 2007. It focuses on providing finance for asset purchases in a Sharia compliant manner. The products are available to, and have been taken up by many customers, regardless of their religious beliefs. The division continues to perform well ahead of expectations and has continued to

The Islamic Finance Division continues to perform well ahead of expectations and has continued to experience phenomenal growth.



experience phenomenal growth. Focus during the next financial year will be on improving systems to ensure efficiency and service levels are maintained despite the continuously increasing customer base.

Electronic Banking Division

This division provides electronic delivery channels to existing Bank products. The offering of these solutions has seen the Bank positioning itself as a market leader in Banking technology.

Solutions offered through this division are: - inContact (sms messaging service), Online Banking for both individuals and businesses and Cellphone Banking which has proved to be a market favourite. This past year has seen continued enhancements to these solutions offered, making them totally web-based. Due to the secure, reliable and stable platforms from which these solutions are offered we have been able to attract and retain customers ahead of our expectations.

We also introduced inContact through the third mobile network (beMobile) and the division will continue pursuing convenient and innovative solutions to provide our customer during the new financial year.

FirstCard Division

The division achieved modest performance, reflecting the economic slow-down. FirstCard has maintained its top position in the Botswana market share of VISA and MasterCard card acquiring business. This is as a result of its innovative, card acquiring solutions and products that not only serve our card acquiring Merchant needs, but are tailor-made to address various individual merchant needs. Plans are afoot to launch more innovative products and solutions that will re-shape VISA and MasterCard Acquiring and VISA Card issuance in Botswana.

FirstCard credit cards are still the product of choice in the Botswana market, as evidenced by the recent launch of the "Limited Edition VISA/FIFA Branded Credit Card", geared towards the involvement and participation of Batswana in the FIFA 2010 initiative, leveraging off our parent company FNB South Africa's status as the Official FIFA 2010 Banking Partner and a National Supporter of the event.

As part of our prudent investment strategy in innovation, 2008/2009 saw an extension of the electronic delivery of customer balances, state of account and mini statements delivered to our credit card customers via their cellphones. Customers can also pay their credit cards real-time through transfer between accounts via Online Banking and Cell-Phone Banking. These offerings are provided so as to make Banking such a pleasure and, more importantly, to add more convenience for our customers. In our quest to be the leader in innovative card products and solutions, we shall continue to assess the market needs and requirements and respond appropriately.

Private Clients Division

Private Clients is Botswana's first Private Bank. The division was launched in June 2008. This was part of the Bank's strategic drive to segment its market in order to offer targeted solutions. The division has seen tremendous growth since the launch.

The product offerings are targeted at high net worth clients who are offered distinctive levels of service on all their transactional Banking requirements and a relationship management model is employed. Clients also have access to solutions such as structured lending and wealth management services. The Private Clients team is highly specialized and their aim is to partner with clients in taking care of their personal balance sheet, ensuring that it stays healthy and growing.

The division has seen tremendous uptake of its offerings, especially in the area of wealth management, which focuses on assisting clients in drawing personal financial plans.

Human Resources Division

Our focus on staff development continued during the year. Attraction, retention and development of our human capital are crucial in the execution of the Bank's strategy.

In order to strive to retain and develop our human capital during the period under review, the Bank made substantial investments in leadership development. We are pleased to report that some members of our Senior Management team attended an intensive Senior Management Development Programme with a view to develop their leadership and strategic management skills. In addition, managers at junior and middle management level also attended a Management Development Programme targeted for their respective level which also focused on developing management and leadership skills. All these leadership initiatives have also been cemented by the establishment of a special platform in the Bank, which aims at exposing junior managers to decision making at senior and strategic levels.

Retail Banking Division

With the appointment of the Head of Retail, **the division has improved its operational efficiency and the ability to upgrade** product offerings and delivery channels.

The Bank also introduced the care and growth philosophy in order to align our staff to the Bank's expectations. A substantial proportion of our leadership team underwent the training and the philosophy will continue to be rolled out throughout the Bank as it is one of the pillars that support our human capital development.

In addition to the above, various training interventions have been put into place during the year to up-skill our staff in order for them to provide an effective service to our client base. The Bank also continues to encourage staff to develop themselves, and to that end the Bank has reviewed its Study Assistance Policy.

Key positions have also been identified where development initiatives are being put into place to mitigate the retention risk associated with these positions. A framework has been developed for the process and will eventually be extended to all the positions for succession management purposes.

Human Resources Department continued to support the strategic initiatives of the Bank as well as to provide support to all the Business Units and Branches.

Acknowledgement

Sincere thanks goes to our customers, staff and other stakeholders for their continued support and warm hospitality during my three and a half years here as CEO and I trust that you will continue to give the new CEO Lorato Boakgomo-Ntakhwana the same level of support that I received. The guidance and support that the Board gave has affirmed the capabilities that the Bank has to tackle the challenges that lie ahead.

I wish this great Bank, its valuable customers and its highly motivated and professional staff continued and increased success on the journey to excellence in the provision of Banking services across the beautiful Republic of Botswana.

Danny Zandamela
Chief Executive Officer
(Outgoing)

"Each succesive CEO receives this jewel, which they polish and pass on to the next CEO"
GT Ferreira - FirstRand

In true FNB style, Danny Zandamela came into FNB Botswana, received this jewel from his predecessor, polished it and I am the recipient of a shinier jewel than the one Danny received. With the support of the Board, the Management Team and the Bank's valuable clients, I am excited to receive this jewel. My mandate is to polish it some more before I pass it on to the next CEO.

I would like to pay tribute to Mr. Zandamela for his dedication and leadership during his term as CEO of FNB Botswana. I look forward to working with the vibrant and astute businessmen and women of the Management Team, and the rest of the staff.

Together, using our owner-manager culture model, we will create the best bank to work for, and the best bank for our clients.

Lorato Boakgomo-Ntakhwana
Chief Executive Officer
(Incoming)

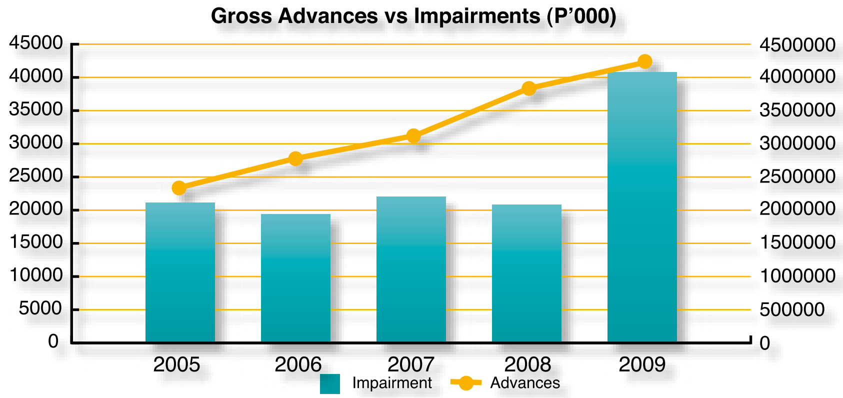
"Together, using our owner-manager culture model, we will create **the best bank to work for, and the best bank for our clients"**

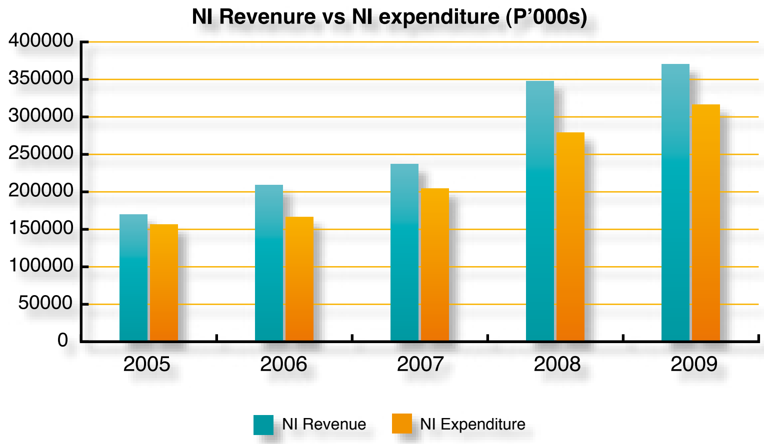
Outgoing CEO Danny Zandamela handed over the reins to new CEO Lorato Boakgomo-Ntakhwana this year

Chief Financial Officer's Report

Bank overall performance

In an environment dogged by uncertainty, low business confidence and declining interest rates, the banking industry has had to deal with significant challenges in interest income, impairment of advances and rising costs. Past successes in revenue diversification and prudent lending practices cushioned the Bank against these adverse effects, including the additional challenges presented by the global economic downturn. In the midst of these challenges, the Bank achieved profit before tax (PBT) of P529 million (2008: P443 million which represents an increase of 19% on the 2008 result.





Income Statement

Net interest income and impairments

The increase in interest revenue is largely attributable to the growth in the core lending business as a result of the ability to tap into the market through the recent expansion initiatives of the Bank. Although the advances increased by 17%, net interest income increased by 31%. This is reflective of the focus on replacing lower yielding assets with higher yielding assets, as well as successes in increasing liabilities from the retail segment and a reduction in wholesale deposits directly linked to Bank of Botswana Certificates has led to marginal growth in interest expense to P773 million (2008: P768 million).

Impairments grew by 96% off a relatively low base in the prior year. However, this is also a reflection of the hardships experienced by customers, particularly in the consumer segment, as a result of the economic climate characterised by high levels of job losses as well as remuneration cuts particularly in the mining sector. Although interest rates have recently been cut, the trend in impairments is expected to continue as a result of the current economic climate, marked by uncertainty as well as increased unemployment rates. Management is monitoring this closely to keep impairments at acceptable levels by innovative measures such as introduction of SMS notifications when default arises. The Bank also continues to work closely with customers in exploring various options of cushioning the impact of the downturn. Even with this increase in impairments, the ratio of the impairment charge to advances remains in line with Management expectations and compares favourably with the market.

Going forward, although the recent rate cuts will ease the burden on customers' ability to service their obligations, net interest revenue will be negatively impacted. The Bank continues to ensure that this impact will be mitigated.

In the midst of these economic challenges, the Bank achieved profit before tax of

P529 million

P529 million

Non-interest revenue

The growth of non-interest income of only 6%, reflects the impact of the once-off income of P35 million on the Bank's investment in VISA in the prior year. If the income from VISA is excluded in the prior year, non-interest income has grown by 18% year on year mainly due to increased transactional volumes resulting from growth in new customer accounts in the first half of the year, increased product offerings and improved automated teller machine (ATM) up-time.

The volatility in foreign exchange trading experienced during the year mitigated the impact of the low volumes experienced in that market. The economic slowdown also resulted in a reduction in transactional volumes, particularly in the second half of the year, mainly due to economic hardships as unemployment rates increased.

The Bank will continue to offer new products to further diversify the income streams, and respond to customer needs with solutions.

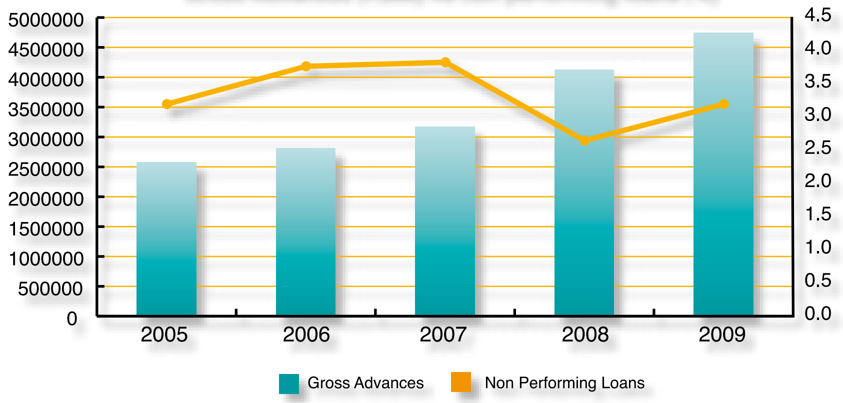
Operating expenses

Various initiatives such as the new Quartz system in the Treasury area and realignment of staffing across the Bank to cope with the strain of expansion on resources impacted costs.

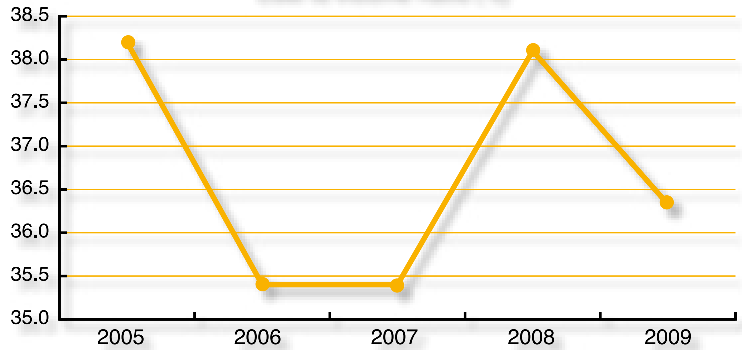
However the Bank focused on cost efficiencies and risk management initiatives during the second half of the financial year and despite these challenges and the high inflation environment during the first half of the year, costs grew by only 13%.

The cost to income ratio has improved to 36%, remaining the lowest in the market.

Gross Advances (P,000) vs non performing loans (%)



Cost to Income Ratio (%)



Taxation

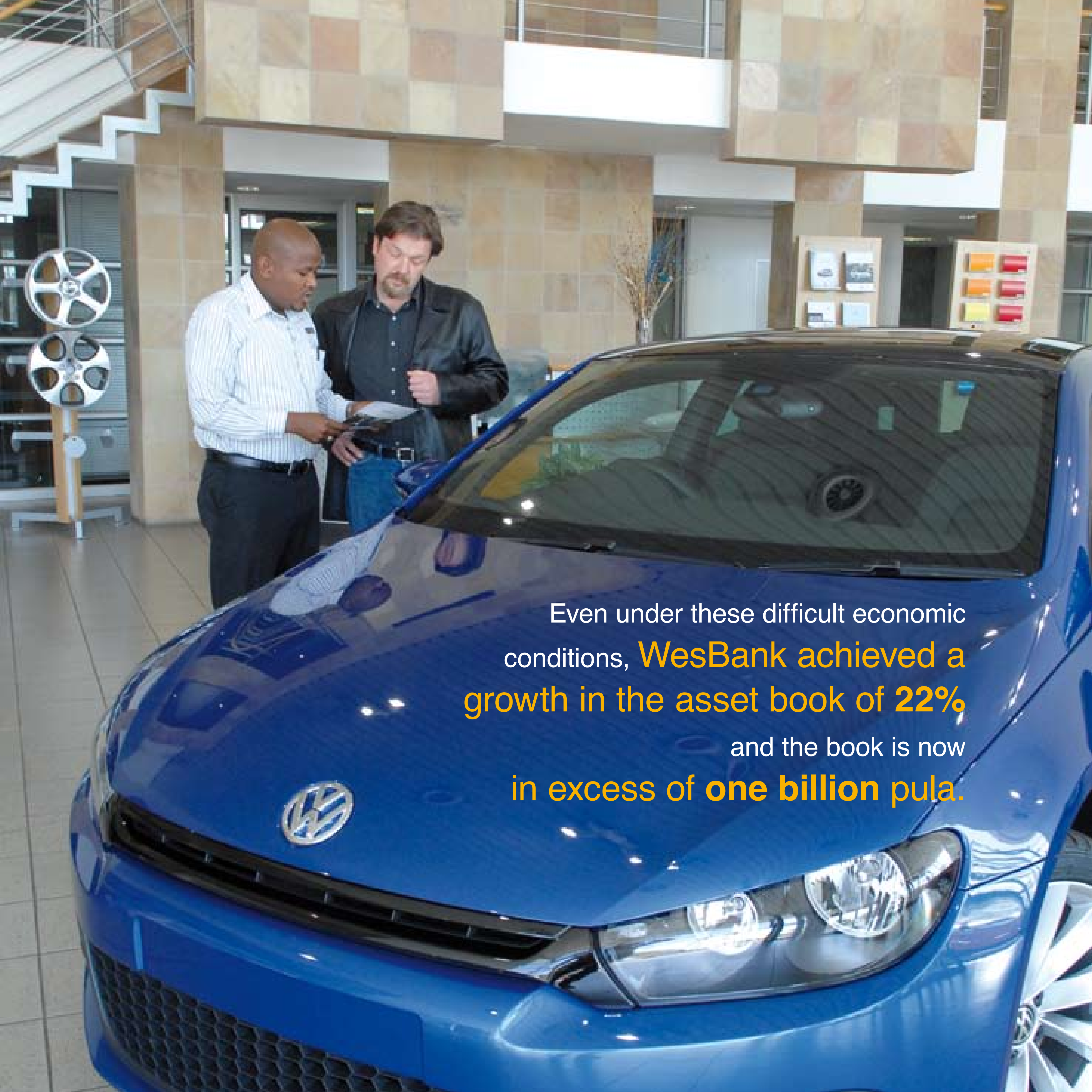
The effective tax rate increased from 15.5% to 23% based on current accounting practice and a lower dividend declared in the prior year.

Balance Sheet

An increase of 17% in advances and 13% in Bank of Botswana Certificates ("BoBCs"), and a decrease of 34% in cash and short term funds, caused total assets to increase marginally by 8%, mainly as a result of a modest 8% increase in customer deposits. The growth in advances has been driven by the Retail network and WesBank, which have performed exceptionally well as a result of various initiatives to improve processes and service to customers. The lower increase in BoBCs is as a result of the decrease in wholesale deposits directly linked to BoBC holdings. Reserves increased by 27%, reflecting the Bank's prudent approach to capital management.

The decrease in foreign currency deposits is mainly as a result of decreased appetite following from reduced global interest rates particularly in the USA. Local currency deposits decreased as a result of a decrease in fixed deposits linked to BoBCs. The reduction in these deposits led to the reduction in both BoBCs and cash holdings. In addition, bond holdings have increased due to the issue of two government bonds which the Bank participated in.

Continued focus through customer calling, aggresive marketing and expansion, mainly from Wesbank, Card Division, Retail Banking and Property Finance resulted in growth in advances. The increased demand for personal credit in the economy during the first half of the financial year and the drive by branches to



Even under these difficult economic conditions, **WesBank achieved a growth in the asset book of 22%** and the book is now in excess of **one billion** pula.

grow their asset base in line with the retail strategy of growing market share has resulted in increased sales. The quality of the assets still remains healthy and the Bank remains the leader in property and asset financing.

Gross advances vs impairments

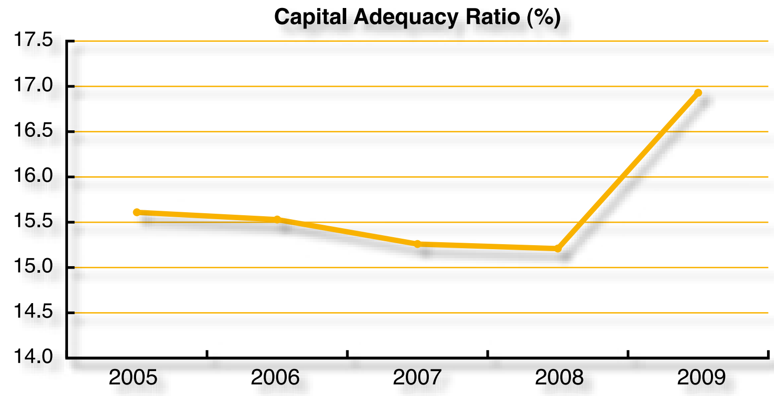
Encouraging individuals to save remains crucial although high household debt and low interest rates are discouraging factors.

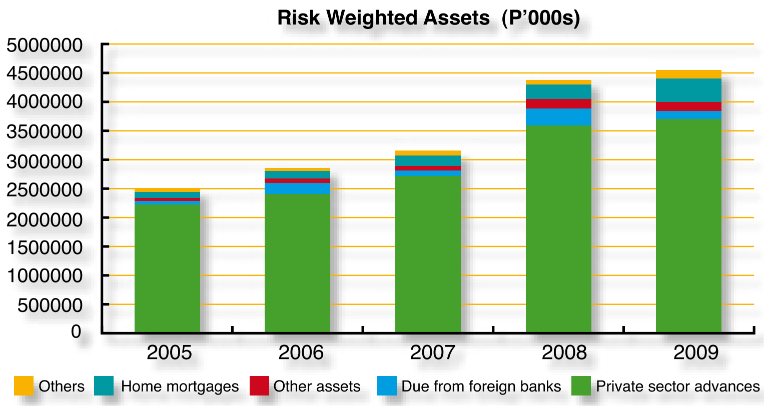
Capital Management

The Bank continues to manage its capital in line with the Board approved capital management framework and the introduction of Basel II, which is to be adopted in Botswana in 2011. 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 assess if the Bank is appropriately capitalised from an economic risk point of view.

The Bank's capital adequacy ratio, which excludes the dividend reserve, has been maintained at 17% as at 30 June 2009, and is in line with the Bank's capital management framework and the required ratio by Bank of Botswana, of 15%.



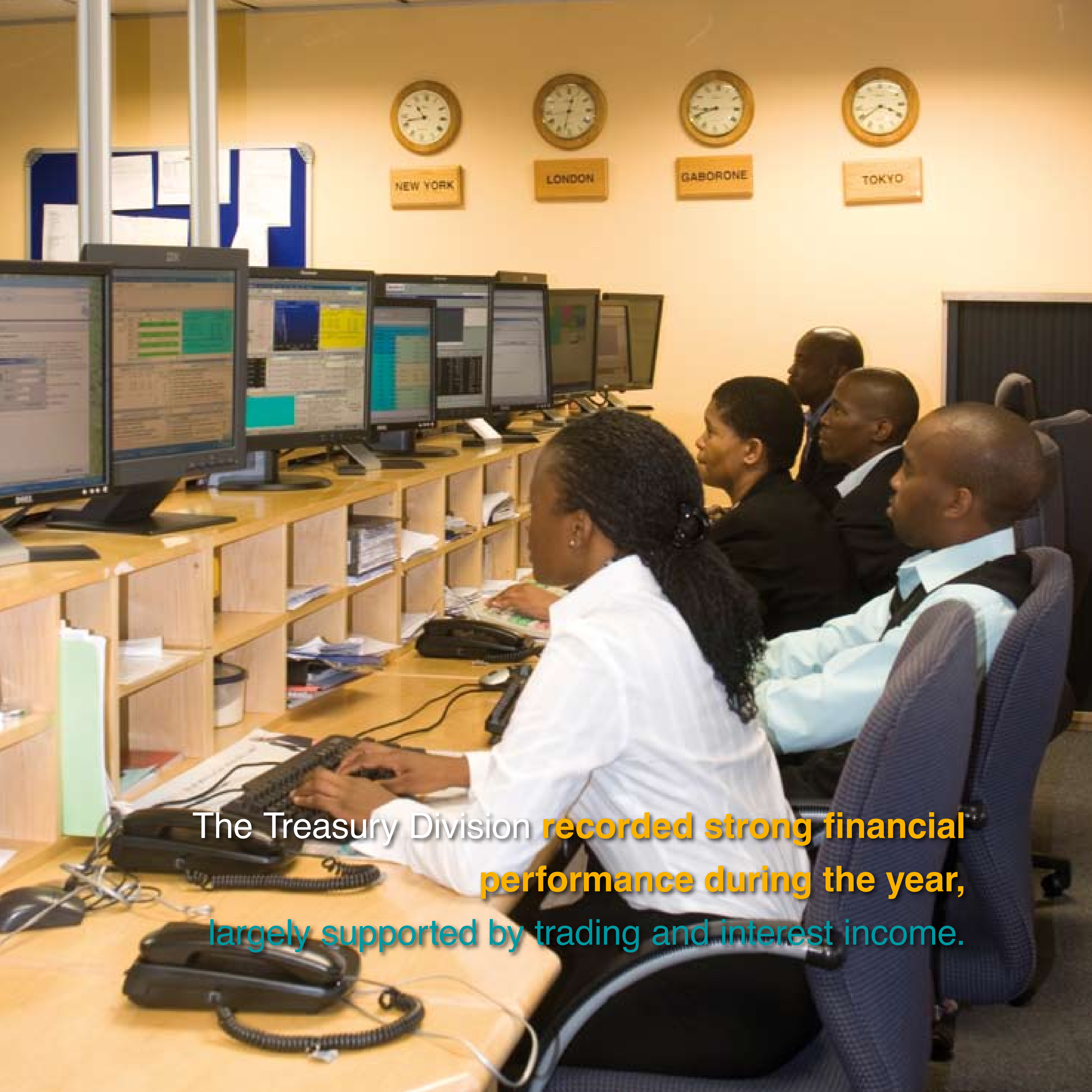


In line with the substantial growth in assets and the planned impact of the introduction of Basel II, and the effect that these factors will have on the capital adequacy ratio, the Directors believe it appropriate to continue with the prudent approach to capital management.

Conclusion

Indications are that the economy is showing signs of recovery from the downturn that began in 2008. Full recovery though is not expected in the short term. Focus will continue on revenue diversification efforts, cost efficiencies, customer service and credit management practices in order to minimise the adverse impact on both customers and the Bank.

Steven Lefentse Bogatsu
Chief Financial Officer



The Treasury Division **recorded strong financial performance during the year,** largely supported by trading and interest income.

30.06.09

Group Annual Financial Statements

FNB
First National Bank
Botswana

How can we help you?

Contents

30·06·09

Director's Statement of Responsibility and Approval of the Annual Financial Statements

The directors are responsible for the preparation of annual financial statements in accordance with International Financial Reporting Standards and in compliance with the Companies Act in Botswana (Companies Act 2003) and the Botswana Banking Act (Cap 46:04).

The independent auditor is responsible to give an independent opinion on the annual financial statements based on their audit of the affairs of First National Bank of Botswana Limited in accordance with International Standards on Auditing.

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

The directors are satisfied that management introduced and maintained adequate internal controls to ensure that dependable records exist for the preparation of the group annual financial statements and the annual financial statements of First National Bank of Botswana Limited, to safeguard the assets of the group and to ensure that all transactions are duly authorised.

Against this background, the directors accept responsibility for the group annual financial statements and annual financial statements presented on pages 40 to 105, which were approved on 14 August 2009 and are signed on its behalf by:

P.D. SHAH
Chairman

L.E. BOAKGOMO-NTAKHWANA
Chief Executive Officer

2009 Board Attendance Register and Directors' Remuneration

	Board	Audit	Main P	Directors P	Credit P	Remco P	Special P	Audit P	Total P
H C L Hermans	4/4	2/2	121,380	17,850	30,350	15,175	192,000	35,700	412,455
A L Monchusi	7/7	2/2	130,050	50,625	0	0	0	39,100	219,775
J T Mynhardt	1/5		54,400	0	0	0	0	0	54,400
M Sekgororoane	5/7		112,200	0	0	12,708	0	0	124,908
P D Shah	7/7	4/4	188,700	55,500	124,959	16,400	0	99,790	485,349
J K Macaskill*	7/7	4/4	0	0	0	0	0	0	0
J R Khethe*	6/7		0	0	0	0	0	0	0
B U Madhav*	2/3		0	0	0	0	0	0	0
D Zandamela	7/7	4/4	0	0	0	0	0	0	0
S Thapelo	7/7		130,050	30,006	0	0	0	0	160,056
P D Stevenson	7/7	4/4	130,050	0	63,000	0	0	104,126	297,176
			866,830	**153,981**	**218,309**	**44,283**	**192,000**	**278,716**	**1,754,119**

**** Directors remuneration is included in management fees payable to holding company***

Independent Auditor's Report

To The Members Of First National Bank Of Botswana Limited

Report on the Financial Statements

We have audited the group annual financial statements and the annual financial statements of First National Bank of Botswana Limited, which comprise the consolidated and separate balance sheets as at 30 June 2009, and the consolidated and separate income statements, 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 as set out on pages 40 to 105.

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 (Cap 46:04).

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.

Auditor's 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 as at 30 June 2009, and its consolidated and separate financial performance and consolidated and separate 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) and the Botswana Banking Act (Cap 46:04).

Deloitte & Touche

19 August 2009
GABORONE

Report of the Audit Commitee

30·06·09

For the year ended 30 June 2009

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 of Botswana(Companies Act 2003) and the Botswana Banking Act (Cap 46:04).

P.D. STEVENSON
Chairman

14 August 2009
Gaborone

Directors' Report

30·06·09

For the year ended 30 June 2009

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 Group) for the year ended 30 June 2009.

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 P406.7 million (2008: P374.0 million) increased by 9% percent compared to the results for the year to 30 June 2008. Interest income was derived from advances, instalment credit, and Bank of Botswana Certificates. Non-interest income was derived 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 (69.45%), 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 1,156,620 (2008: 1,103,810), which represents approximately 0.043% (2008: 0.043%) of the stated capital of the Company.

Dividends

An interim dividend of 4.50 thebe (2008 - 4.50 thebe) has been paid during the year to holders of ordinary shares. The Directors propose a final dividend of 4.50 thebe per share (2008 - 3.50 thebe per share).

Directorate

The composition of the Board as at 30 June 2009 was as follows:

P.D. Shah	Chairman
B.M. Bonyongo	(Appointed 06 May 2009)
L.E. Boakgomo-Ntakhwana	(Executive Director, appointed 10 June 2009)
J.R. Khethe	
J.K. Macaskill	
B.U. Madhav	(Appointed 29 January 2009)
M.T.Sekgororoane	
P.D. Stevenson	
S. Thapelo	
R. Wright	(Alternate to L E Boakgomo-Ntakhwana)

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

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

1 Introduction

Reference to "Company" 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Group prepares the company and consolidated financial statements in accordance with the going concern principle. The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments.

The financial assets and liabilities carried at fair value include:

i. financial assets and liabilities held for trading;
ii. financial assets classifiead as available-for-sale;
iii. derivative financial instruments; and
iv. financial instruments elected to be carried at fair value through profit or loss

The preparation of the consolidated and company 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 are 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, at 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 except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, which are recognised and measured at fair value less costs to sell.

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 typically 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 36 to determine whether it is necessary to recognise any impairment loss with respect to the net investment in the associate or joint venture as well as other exposures to the investee. Goodwill on the acquisition of an associate or joint venture is included in the carrying amount of the investment. The goodwill is assessed for impairments annually in terms of IAS 36.

The Group increases the carrying amount of investments with its share of the associate or joint venture's income when equity accounting is resumed. The Group resumes equity accounting only after its share of the profits equals its share of the losses not recognised.

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 relevant 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 but does not consider future credit losses. The calculation includes all fees and commissions 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 Fair value income

The Group includes gains, 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 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 Indirect tax

Indirect taxes consist of Value Added Tax (VAT) and Witholding tax (WHT) paid to the central Government. Indirect taxes are disclosed separately from direct tax in the income statement.

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 insignificant.

Provisions are measured at the present value of expenditures expected to be required to settle the obligation.

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 Cash and cash equivalents

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

i. coins and bank notes;
ii. money at call and short notice;
iii. balances with central banks;
iv. Bank of Botswana Certificates (BoBCs);
v. balances guaranteed by central banks; and
vi. balances with other banks.

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

15 Financial instruments

15.1 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.

15.2 Financial assets

The Group classifies its financial assets in the following categories:

i. financial assets at fair value through profit or loss;
ii. loans and receivables;
iii. available-for-sale financial assets; and
iv. 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 those financial assets that are subsequently measured at armotised cost.

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 subsequently 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 financial assets quoted 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.

15.2.1 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.

The Group classifies certain assets on initial recognition 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 containing significant embedded derivatives that clearly require bifurcation.

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

15.2.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at armotised using the effective interest method less any impairment.

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.

15.2.3 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 for a period of two years.

The Group carries held-to-maturity financial assets and investments at amortised cost using the effective interest method, less any impairment.

15.2.4 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.

15.3 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 incurred principally for the purpose of repurchasing 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 designates certain liabilities on initial recognition 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 liabilities classified at fair value through profit and loss in fair value income.

The fair values of financial liabilities quoted in active markets are based on current 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.

15.4 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;
ii. they meet the definition of a derivative; and
iii. 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.

15.5 Sale and repurchase agreements and lending of securities

The financial statements reflect securities sold subject to a linked repurchase agreement ("repos") as available-for-sale investment securities. 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.

15.6 Offsetting financial instruments

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

i. there is a legally enforceable right to set off, and

ii. there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

15.7 Past due and renegotiated advances

A financial asset is past due when a counter party has failed to make a payment when contractually due. Advances are considered to be past due in the following circumstances:

i. Loans with a specific expiry date are treated as overdue when the principal or interest totalling one or more instalment is overdue for one day and remains unpaid at the reporting date;
ii. Consumer loans repayable by regular instalments (e.g. mortgage loans and personal loans) are treated as overdue when one or more payments are overdue for one day and remains unpaid as at the reporting date;
iii. An amount payable in instalments includes the full amount not yet written off, outstanding under the transaction concerned, including, in the case of an amount payable in instalments, such instalments not yet due and penalty interest, if any, incurred in respect of overdue amounts;
iv. An amount with a specific expiry date includes the principal, or interest payable on the principal, still outstanding as at the reporting date;
v. Bankers acceptances includes the principal, or the interest payable on the principal, still outstanding as at the reporting date;
vi. A bill payable at a determinable date includes the full amount outstanding after the maturity date; and
vii. A sight bill in respect of imported goods includes the full amount still outstanding within one month after presentation.

Advances are restructured or renegotiated when the original terms and conditions of the advances are altered or modified and the client is currently within the renegotiated terms. Advances that are renegotiated, but current are those renegotiated loans that are not overdue or in arrears in terms of the new terms and conditions.

15.8 Impairments of financial assets

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.

Objective evidence that a financial asset or portfolio is impaired includes observable data that comes to the attention of the Group about the following loss events:

i. significant financial difficulty of the issuer or obligor, or
ii. a breach in contract, such as default or delinquency in interest or principal payments, or
iii. the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider, or
iv. it becomes probable that the borrower will enter bankruptcy or other financial reorganisation, or
v. the disappearance of an active market for that financial asset because of financial difficulty, or
vi. observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the portfolio, including
    - adverse changes in the payment status of such borrowers in the portfolio; and
    - national or local economic conditions that correlate with defaults on the assets in the portfolio.

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 asset 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.

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.

15.8.1 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.

15.9 Derecognition of financial assets and liabilities

The Group derecognises a financial 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.

16 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.

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 market information. 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 Group does not apply hedge accounting.

17 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.

18 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 supply of 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 and properties held under finance lease 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:	
o Buildings and structures	50 years
o Mechanical and Electrical Components	20 years
o 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.

19 Leases

19.1 A group company is the lessee

19.1.1 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.

19.1.2 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. Contingent rentals are expensed in the period incurred.

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.

19.2 A group company is the lessor

19.2.1 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.

19.2.2 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.

19.3 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.

20 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.

21 Intangible assets

21.1 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 recognises 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.

22 Taxation

22.1 Current tax

The tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other year's and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

22.2 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 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 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 First National Bank of Botswana Limited 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 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, property revaluations 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.

22.3 Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

23 Employee benefits

23.1 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 fund is in an actuarially sound position. 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 when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

23.2 Post-retirement medical benefits

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

23.3 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.

23.4 Leave pay provision

The Group recognises in full employees' rights to annual leave entitlement in respect of past service based on their total cost of employment.

23.5 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.

24 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.

25 Stated capital

25.1 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.

25.2 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.

25.3 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.

26 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.

27 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.

28 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.

29 Share-based payment transactions

The Group operates equity-settled compensation plans for employees. If options are forfeited after the vesting date, an amount equal to the value of the options forfeited is debited against the share based payment reserve and credited against retained earnings.

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

29.1 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 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.

Amounts recognised for services received if the options granted do not vest because of failure to satisfy a vesting condition, are reversed through the income statement.

30 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

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For the year ended 30 June 2009

	Notes	Group 30 June 2009 P'000	Group 30 June 2008 P'000	Company 30 June 2009 P'000	Company 30 June 2008 P'000
Interest and similar income	2	1,296,474	1,168,337	1,296,474	1,168,337
Interest expense and similar charges	3	(773,578)	(768,085)	(773,578)	(768,085)
Net interest income before impairment of advances		522,896	400,252	522,896	400,252
Impairment of advances	12	(40,752)	(20,804)	(40,752)	(20,804)
Net interest income after impairment of advances		482,144	379,448	482,144	379,448
Non interest income	4	370,158	347,666	364,401	342,565
Income from operations		852,302	727,114	846,545	722,013
Operating expenses	5	(316,534)	(279,148)	(315,409)	(278,412)
Net income from operations		535,768	447,966	531,136	443,601
Share of profit of associate company	16	1,038	1,104	-	-
Profit before tax		536,806	449,070	531,136	443,601
Indirect taxation	6	(8,326)	(6,414)	(8,323)	(6,410)
Profit before direct tax		528,480	442,656	522,813	437,191
Direct taxation	6	(121,760)	(68,629)	(120,143)	(67,168)
Profit for the year		**406,720**	**374,027**	**402,670**	**370,023**
Basic earnings per share (thebe)	7	15.99	14.70	15.83	14.55
Diluted earnings per share (thebe)	7	15.86	14.59	15.71	14.43

Balance Sheets

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For the year ended 30 June 2009

	Notes	Group 30 June 2009 P'000	Group 30 June 2008 P'000	Company 30 June 2009 P'000	Company 30 June 2008 P'000
ASSETS					
Cash and short term funds	9	1,185,914	1,796,013	1,185,914	1,796,013
Derivative financial instruments	10	22,611	59,514	22,611	59,514
Advances to customers	11	4,643,241	3,969,496	4,650,242	3,976,496
Investment securities	13	6,085,772	5,363,202	6,085,772	5,363,202
Due from related companies	14	3,956	2,029	3,938	2,029
Accounts receivable	15	363,392	181,911	360,327	180,711
Investment in associate company	16	2,037	2,297	955	955
Investment in subsidiary companies	17	-	-	48,285	48,285
Property and equipment	18	115,601	80,737	97,739	62,423
Goodwill	19	26,963	26,963	-	-
Total assets		**12,449,487**	**11,482,162**	**12,455,783**	**11,489,628**
EQUITY AND LIABILITIES					
Liabilities					
Amounts due to other banks		13,851	142,310	13,851	142,310
Deposit and current accounts - amortised cost	20	10,552,699	9,763,624	10,552,699	9,763,624
Accrued interest payable		70,142	86,594	70,142	86,594
Derivative financial instruments	10	21,388	59,514	21,388	59,514
Current taxation		7,494	5,173	5,910	4,456
Due to related companies	14	175,827	97,587	196,425	115,929
Creditors and accruals	22	166,538	115,083	163,861	110,933
Provisions	23	24,741	19,698	24,741	19,698
Long term liabilities	21	416,612	424,694	416,612	424,694
Deferred taxation	6	79,071	43,267	77,900	42,061
Total liabilities		**11,528,363**	**10,757,544**	**11,543,529**	**10,769,813**
Shareholders' equity					
Stated capital	24	51,088	51,088	58,088	58,088
Reserves	25	754, 669	583,800	738,799	571,997
Dividend reserve		115,367	89,730	115,367	89,730
Total shareholders' equity		**921,124**	**724,618**	**912,254**	**719,815**
Total equity and liabilities		**12,449,487**	**11,482,162**	**12,455,783**	**11,489,628**

Statements of Changes in Equity

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For the year ended 30 June 2009

	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 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)			(258)		258		-
Transfer from deferred tax (notes 6 and 25)			40		-		40
Balance as at 30 June 2008	51,088	1,342	25,970	3,223	553,265	89,730	724,618
Profit for the year					406,720		406,720
Decrease in available-for-sale reserve			(6,199)				(6,199)
Defered tax on available-for-sale			(1,173)				(1,173)
2008 final dividend paid						(89,730)	(89,730)
2009 interim dividend paid					(115,367)		(115,367)
2009 final dividend proposed					(115,367)	115,367	-
Recognition of share based payments				2,215			2,215
Decrease in associate company reserves		(260)			260		-
Transfer from revaluation reserve (note 25)			(258)		258		-
Transfer from deferred tax (notes 6 and 25)			40				40
Balance as at 30 June 2009	**51,088**	**1,082**	**18,380**	**5,438**	**729,769**	**115,367**	**921,124**
Company							
Balance at 1 July 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)			(144)		144		-
Transfer from deferred tax (notes 6 and 25)			23				23
Balance as at 30 June 2008	58,088	-	20,378	3,223	548,396	89,730	719,815
Profit for the year					402,670		402,670
Decrease in available-for-sale reserve			(6,199)				(6,199)
Defered tax on available-for-sale			(1,173)				(1,173)
2008 final dividend paid						(89,730)	(89,730)
2009 interim dividend paid					(115,367)		(115,367)
2009 final dividend proposed					(115,367)	115,367	-
Recognition of share based payments				2,215			2,215
Transfer from revaluation reserve (note 25)			(144)		144		-
Transfer from deferred tax (notes 6 and 25)			23				23
Balance as at 30 June 2009	**58,088**	**-**	**12,885**	**5,438**	**720,476**	**115,367**	**912,254**

Cash Flow Statements

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For the year ended 30 June 2009

		Group		Company	
	Notes	30 June 2009 P'000	30 June 2008 P'000	30 June 2009 P'000	30 June 2008 P'000
Cash flows from operating activities					
Cash generated by operations before taxation and working capital changes	28	579,191	437,089	572,812	431,077
Taxation paid	29	(84,768)	(50,016)	(84,000)	(48,946)
		494,423	**387,073**	**488,812**	**382,131**
(Decrease) / increase in amounts due to other banks		(128,459)	16,847	(128,459)	16,847
Increase in deposit and current accounts	30	789,075	3,018,984	789,075	3,018,984
Increase / (decrease) in balances due to related companies		78,240	(115,895)	80,496	(108,482)
(Decrease)/increase in accrued interest payable		(16,452)	1,494	(16,452)	1,494
Increase in creditors and accruals		50,788	36,702	52,261	34,469
Increase in provisions		5,043	5,257	5,043	5,257
Increase in investments - held for trading		(76,321)	(60,693)	(76,321)	(60,693)
Increase in advances to customers - loans and receivables	31	(714,497)	(917,091)	(714,498)	(917,091)
(Increase) / decrease in accounts receivable		(181,481)	15,536	(179,616)	15,632
Increase in amounts due from related companies		(1,927)	(878)	(1,909)	(840)
Net cash generated from operating activities		**298,432**	**2,387,336**	**298,432**	**2,387,708**
Cash flows from financing activities					
Dividends paid	32	(205,097)	(271,753)	(205,097)	(271,753)
Long term liabilities repaid		(7,455)	(6,760)	(7,455)	(6,760)
Net cash utilised in financing activities		**(212,552)**	**(278,513)**	**(212,552)**	**(278,513)**
Cash flows from investing activities					
Purchase of property and equipment to maintain operations	18	(44,865)	(25,634)	(44,865)	(25,634)
Proceeds on disposal of property and equipment		36	26	36	26
Dividends from associate company	16	1,298	1,228	1,298	1,228
Transfer of properties		-	-	-	(372)
Proceeds on disposal of investment		-	19,807	-	19,807
Net cash utilised in investing activities		**(43,531)**	**(4,573)**	**(43,531)**	**(4,945)**
Net increase in cash and cash equivalents		42,349	2,104,250	42,349	2,104,250
Cash and cash equivalents at the beginning of the year		7,053,088	4,948,838	7,053,088	4,948,838
Cash and cash equivalents at the end of the year	33	**7,095,437**	**7,053,088**	**7,095,437**	**7,053,088**

	Group		Company	
	30 June 2009 P'000	30 June 2008 P'000	30 June 2009 P'000	30 June 2008 P'000
1. ACCOUNTING POLICIES				
The accounting policies of the Group are set out on pages 40-51.				
2. INTEREST AND SIMILAR INCOME				
Held for trading				
- Investment securities	10,876	4,132	10,876	4,132
Loan and receivables				
- Advances	681,858	579,951	681,858	579,951
- Cash and short term funds	25,023	27,819	25,023	27,819
- Other	47,807	30,034	47,807	30,034
- Unwinding of discounted present value on non-performing loans	(2,221)	2,805	(2,221)	2,805
Available-for- sale financial assets				
- Investment securities	533,131	523,596	533,131	523,596
	1,296,474	**1,168,337**	**1,296,474**	**1,168,337**
3. INTEREST EXPENSE AND SIMILAR CHARGES				
Financial liabilities at amortised cost				
- Term deposit accounts	369,458	386,378	369,458	386,378
- Current and call accounts	305,614	293,215	305,614	292,821
- Savings deposits	44,755	36,256	44,755	36,256
- Deposits from banks and financial institutions	5,224	4,268	5,224	4,662
- Loans from related parties (note 14)	37,391	36,745	37,391	36,745
- Debentures	11,136	11,223	11,136	11,223
	773,578	**768,085**	**773,578**	**768,085**
4. NON INTEREST INCOME				
Loans and receivables				
- Card commissions	73,251	58,501	73,251	58,501
- Insurance commissions	15,498	15,197	9,806	10,223
- Commitment fees	26,411	21,836	26,411	21,836
- Commissions - foreign notes	6,101	3,547	6,101	3,547
- Commissions - guarantees and indemnities	6,165	4,828	6,165	4,828
Financial liabilities at amortised cost				
- Cash deposit fees	16,800	14,018	16,800	14,018
- Commissions - bills, drafts and cheques	26,758	28,675	26,758	28,675
- Service fees	77,860	63,930	77,860	63,930
- Commissions - customer services	18,807	15,307	18,807	15,307
Held for trading				
- Gains/(losses) on bond trading	5,515	(6)	5,515	(6)
Available-for- sale financial assets				
- Gain on investment (Note 13)	-	35,308	-	35,308
Non financial assets and liabilities				
- Foreign exchange trading income	84,892	78,102	84,892	78,102
- Gain on sale of property and equipment	36	26	36	26
- Dividend received from an associate company	-	-	1,298	1,228
- Other non-interest income	12,064	8,397	10,701	7,042
	370,158	**347,666**	**364,401**	**342,565**

	Group		Company	
	30 June 2009 P'000	**30 June 2008 P'000**	**30 June 2009 P'000**	**30 June 2008 P'000**
5. OPERATING EXPENSES				
Auditors' remuneration				
Audit fees				
- current year	2,044	1,638	2,044	1,638
- prior year	142	-	142	-
Other services	-	(5)	-	(5)
	2,186	1,633	2,186	1,633
Depreciation				
Buildings	2,928	2,523	2,476	2,100
Motor vehicles	643	505	643	505
Furniture, computers and office equipment	6,430	5,053	6,430	5,033
	10,001	8,081	9,549	7,658
Directors' remuneration				
For services as directors	1,754	1,397	1,754	1,397
For other services	4,776	3,287	4,776	3,287
	6,530	4,684	6,530	4,684
Exchange losses (gains)	(11,027)	215	(11,027)	215
Operating lease charges				
Premises	13,925	13,296	14,593	13,962
- Contractual	13,885	12,220	14,553	12,886
- Straight line lease rental adjustment	40	1,076	40	1,076
Equipment	4,487	4,275	4,487	4,275
	18,412	17,571	19,080	18,237
Other operating expenses				
Advertising and marketing	16,022	17,319	16,022	17,313
Communication	13,691	11,911	13,691	11,911
Computer expenditure	12,558	7,917	12,558	7,917
Property rentals and maintenance	24,601	16,009	24,403	15,897
Stationery, storage and postage	15,015	13,187	15,015	13,187
Service fees	9,950	6,285	9,950	6,285
Management fees paid to group	11,877	10,589	11,697	10,409
Other	12,598	6,901	12,432	3,403
	116,312	90,118	115,768	86,322
Professional fees	19,686	24,639	19,655	24,602
Staff expenses				
Salaries, wages and allowances	124,503	108,164	123,836	107,696
Contributions to pension, medical and other staff funds	12,128	8,491	12,053	8,455
Share based payments expense	2,215	910	2,215	910
Leave pay provision	4,317	5,364	4,317	5,363
Other	11,271	9,278	11,247	12,637
	154,434	132,207	153,668	135,061
Total operating expenses	**316,534**	**279,148**	**315,409**	**278,412**

Details of the post retirement benefits are provided separately in note 27.

	Group		Company	
	30 June 2009 P'000	30 June 2008 P'000	30 June 2009 P'000	30 June 2008 P'000
6. TAXATION				
Indirect tax				
Value added tax	**8,326**	**6,414**	**8,323**	**6,410**
Direct taxation				
Income tax expense				
Current tax at 15%	72,927	58,067	71,907	57,180
Additional company tax at 10%	48,556	38,712	47,941	38,120
(Over) / underprovision in prior years	(4,237)	3,557	(4,237)	3,557
Withholding tax on dividends	(30,157)	(40,422)	(30,157)	(40,422)
Withholding tax on subsidiaries and associates dividends	-	184	-	184
	87,089	60,098	85,454	58,619
Deferred taxation				
Charge/(credit) to income statement				
- current year	10,516	14,028	10,534	14,046
- prior year	24,155	(5,497)	24,155	(5,497)
	34,671	8,531	34,689	8,549
Total tax expense per income statement	**121,760**	**68,629**	**120,143**	**67,168**
Additional company tax				
Additional company tax available for set-off against withholding tax on future dividends payable	28,417	10,018	27,802	10,018
Reconciliation of tax charge				
Profit before direct taxation	528,480	442,866	522,813	437,190
Taxation at current rate on profit for the year	132,120	110,716	130,703	109,297
Withholding tax on dividends	(30,157)	(40,422)	(30,157)	(40,422)
Withholding tax on subsidiaries and associates dividends	-	184	-	184
(Over) / underprovision of current tax in prior years	(4,237)	3,557	(4,237)	3,557
Under / (overprovision) of deferred tax in prior years	24,155	(5,497)	24,155	(5,497)
Other	(121)	91	(321)	49
Total tax expense per income statement	**121,760**	**68,629**	**120,143**	**67,168**
Deferred tax				
Balance at the beginning of the year	43,267	34,776	42,061	33,082
Temporary differences for the year	10,516	14,028	10,534	14,046
Prior year underprovison / (overprovision)	24,155	(5,497)	24,155	(5,497)
Transfer from subsidiaries	-	-	-	30
Deferred tax on available-for-sale investments	1,173	-	1,173	-
Transfer to revaluation reserve	(40)	(40)	(23)	(23)
Deferred tax arising on transfer of properties	-	-	-	423
Balance at the end of the year	**79,071**	**43,267**	**77,900**	**42,061**

	Group		Company	
	30 June 2009 P'000	30 June 2008 P'000	30 June 2009 P'000	30 June 2008 P'000
6. TAXATION (continued)				
Deferred tax (continued)				
The balance comprises:				
Accelerated capital allowances	84,204	41,570	84,612	41,326
Revaluation surplus	1,152	1,945	1,151	1,108
Other temporary differences	(6,285)	(248)	(7,863)	(373)
	79,071	**43,267**	**77,900**	**42,061**

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 classified as treasury shares.

	Group 30 June 2009 P'000	Group 30 June 2008 P'000	Company 30 June 2009 P'000	Company 30 June 2008 P'000
Earnings attributable to equity holders	406,720	374,027	402,670	370,023
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)	**15.99**	**14.70**	**15.83**	**14.55**

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.

	Group 30 June 2009 P'000	Group 30 June 2008 P'000	Company 30 June 2009 P'000	Company 30 June 2008 P'000
Earnings attributable to equity holders	406,720	374,027	402,670	370,023
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)	**15.86**	**14.59**	**15.71**	**14.43**

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 40 to page 51 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 2009 P'000	**30 June 2008 P'000**	**30 June 2009 P'000**	**30 June 2008 P'000**
ASSETS				
Loans and receivables				
Cash and short-term funds	1,185,914	1,796,013	1,185,914	1,796,013
Advances to customers	4,643,241	3,969,496	4,650,242	3,976,496
Due from related companies	3,956	2,029	3,938	2,029
Accounts receivable	363,392	181,911	360,327	180,711
Available- for- sale financial assets				
Investment securities	5,932,594	5,286,345	5,932,594	5,286,345
Held for trading				
Investment securities	153,178	76,857	153,178	76,857
Derivative financial instruments	22,611	59,514	22,611	59,514
Non-financial assets				
Investment in associate company	2,037	2,297	955	955
Investment in subsidiary companies	-	-	48,285	48,285
Property and equipment	115,601	80,737	97,739	62,423
Goodwill	26,963	26,963	-	-
Total assets	**12,449,487**	**11,482,162**	**12,455,783**	**11,489,628**
LIABILITIES				
Financial liabilities at amortised cost				
Amounts due to other banks	13,851	142,310	13,851	142,310
Deposit and current accounts - amortised cost	10,552,699	9,763,624	10,552,699	9,763,624
Long term loans	416,612	424,694	416,612	424,694
Accrued interest payable	70,142	86,594	70,142	86,594
Due to related companies (note 14)	175,827	97,587	196,425	115,929
Creditors and accruals	166,538	114,065	163,861	109,915
Provisions	24,741	20,716	24,741	20,716
Held for trading				
Derivative financial instruments	21,388	59,514	21,388	59,514
Non-financial liabilities				
Current taxation	7,494	5,173	5,910	4,456
Deferred taxation	79,071	43,267	77,900	42,061
Total liabilities	**11,528,363**	**10,757,544**	**11,543,529**	**10,769,813**

	Group		Company	
	30 June 2009 P'000	**30 June 2008 P'000**	**30 June 2009 P'000**	**30 June 2008 P'000**
9. CASH AND SHORT TERM FUNDS				
Coins and bank notes	107,334	84,517	107,334	84,517
Money at call and short notice				
- related companies (note 14)	562,436	1,127,533	562,436	1,127,533
- other banks	99,717	277,487	99,717	277,487
Balances with Bank of Botswana	411,427	249,276	411,427	249,276
Balances with other banks	5,000	57,200	5,000	57,200
	1,185,914	**1,796,013**	**1,185,914**	**1,796,013**
The carrying value approximates the fair value.				
Amounts denominated in foreign currencies included in above balances	**662,153**	**1,393,734**	**662,153**	**1,393,734**
Mandatory reserve balances	**408,011**	**531,409**	**408,011**	**531,409**

Banks are required to deposit a minimum average balance, calculated monthly, with Bank of Botswana. These deposits bear no interest.

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 economic 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 economic 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.

Currency options
The Group 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 Group 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	
2009	**Notional P'000**	**Fair value P'000**	**Notional P'000**	**Fair value P'000**
Currency derivatives:				
Currency options	185,462	19,948	185,462	19,144
Currency forwards	26,171	2,663	9,187	2,244
	211,633	**22,611**	**194,649**	**21,388**
2008				
Currency derivatives:				
Currency options	**395,734**	**59,514**	**395,734**	**59,514**

	Group		Company	
	30 June 2009 P'000	30 June 2008 P'000	30 June 2009 P'000	30 June 2008 P'000
11. ADVANCES TO CUSTOMERS				
Sector analysis				
Agriculture	35,597	40,846	35,597	40,846
Building and property development	122,980	111,067	122,980	111,067
Business and trade	2,261,621	2,255,319	2,268,622	2,255,319
Government and public authorities	86	-	86	-
Individuals	1,894,265	1,231,136	1,894,265	1,238,136
Manufacturing	276,637	293,268	276,637	293,268
Mining and quarrying	64,429	50,161	64,429	50,161
Transport and communications	93,435	78,702	93,435	78,702
Notional value of advances	4,749,050	4,060,499	4,756,051	4,067,499
Contractual interest suspended	(27,460)	(26,741)	(27,460)	(26,741)
Gross advances	4,721,590	4,033,758	4,728,591	4,040,758
Less : impairment of advances (note 12)	(78,349)	(64,262)	(78,349)	(64,262)
Net advances	**4,643,241**	**3,969,496**	**4,650,242**	**3,976,496**
Category analysis				
Overdrafts and managed accounts debtors	949,203	841,511	956,203	830,169
Personal loans	617,111	483,419	617,111	483,419
Lease payments receivable	455,779	399,494	455,779	399,494
Suspensive sale debtors	755,725	692,417	755,725	692,417
Property loans	1,555,525	1,408,681	1,555,525	1,408,681
Other loans and advances	415,707	234,977	415,708	253,319
Notional value of advances	4,749,050	4,060,499	4,756,051	4,067,499
Contractual interest suspended	(27,460)	(26,741)	(27,460)	(26,741)
Gross advances	4,721,590	4,033,758	4,728,591	4,040,758
Less : impairment of advances (note 12)	(78,349)	(64,262)	(78,349)	(64,262)
Net advances	**4,643,241**	**3,969,496**	**4,650,242**	**3,976,496**
Maturity analysis				
Maturity within one year	1,089,946	999,059	1,096,947	999,059
Maturity between one and five years	1,943,864	1,669,477	1,943,864	1,669,477
Maturity more than five years	1,715,240	1,391,963	1,715,240	1,398,963
	4,749,050	**4,060,499**	**4,756,051**	**4,067,499**
Included in above are advances to:				
- Directors	3,627	1,899	3,627	1,899
- Companies in which directors have substantial interest	-	4	-	4
	3,627	**1,903**	**3,627**	**1,903**
Included in above advances are instalment loans repayable within:				
-one year	57,921	156,519	57,921	156,519
-one to five years	1,153,583	931,081	1,153,583	931,081
-More than five years	-	4,311	-	4,311
	1,211,504	**1,091,911**	**1,211,504**	**1,091,911**

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

12. IMPAIRMENT OF ADVANCES

Significant loans and advances are monitored by the credit division and impaired according to the Group'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

	2009		
	Total impairment P'000	**Retail P'000**	**Corporate and commercial P'000**
Specific impairment			
At the beginning of the year	48,614	43,537	5,077
Amounts written off	(26,665)	(24,578)	(2,087)
	21,949	18,959	2,990
Impairment loss recognised in the income statement	32,232	31,538	694
New and increased provision	32,859	32,037	822
Recoveries of bad debts previously written off	(5,237)	(5,109)	(128)
Impairment adjustments	4,610	4,610	-
At the end of the year	54,181	50,497	3,684
Present valuation of security adjustment	9,894	9,651	243
	64,075	60,148	3,927
Portfolio impairment			
At the beginning of the year	8,660	7,095	1,565
Charge / (credit) to the income statement	1,872	2,511	(639)
At the end of the year	10,532	9,606	926
IBNR impairment			
At the beginning of the year	6,988	6,385	603
Credit to income statement	(3,246)	(3,078)	(168)
At the end of the year	**3,742**	**3,307**	**435**
Total charge to the income statement	**40,752**	**40,622**	**(113)**
Total impairment at the end of the year	**78,349**	**63,410**	**5,045**

12. IMPAIRMENT OF ADVANCES (Continued)

Group and Company

	2008		
	Total impairment P'000	**Retail P'000**	**Corporate and 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
Impairment loss recognised in the income statement	24,386	20,241	4,144
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)	-
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)

Non-performing advances - loans and receivables

Group and Company	Total including interest suspended P'000	Security held P'000	Contractual interest suspended P'000	Specific impairment P'000
Sector analysis - 2009				
Agriculture	147	69	26	52
Building and property development	74,499	34,412	13,483	26,604
Individuals	4,855	2,244	878	1,733
Manufacturing and commerce	42,679	19,714	7,724	15,241
Transport and communication	17,137	7,917	3,101	6,119
Other advances	12,363	5,683	2,246	4,432
Total non-performing advances - 30 June 2009	**151,680**	**70,039**	**27,460**	**54,181**
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	3,989	3,572	7,187
Total non-performing advances - 30 June 2008	**112,318**	**36,962**	**26,741**	**48,614**
Category analysis - 2009				
Overdrafts and managed accounts	68,991	30,476	13,766	23,498
Personal loans	7,084	-	736	7,599
Suspensive sale debtors	17,922	1,914	1,689	14,319
Lease instalments receivable	5,448	855	1,825	2,768
Property loans	45,687	35,840	7,792	2,055
Other advances	6,548	954	1,652	3,942
Total non-performing advances - 30 June 2009	**151,680**	**70,039**	**27,460**	**54,181**
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**	**36,962**	**26,741**	**48,614**

	Group		Company	
	30 June 2009 P'000	30 June 2008 P'000	30 June 2009 P'000	30 June 2008 P'000
Contractual interest suspended				
At the beginning of the year	26,741	25,432	26,741	25,432
Written off during the year	(15,880)	(9,425)	(15,880)	(9,425)
Suspended during the year	16,599	10,734	16,599	10,734
At the end of the year	**27,460**	**26,741**	**27,460**	**26,741**

	Group		Company	
	30 June 2009 P'000	**30 June 2008 P'000**	**30 June 2009 P'000**	**30 June 2008 P'000**
13. INVESTMENT SECURITIES				
Available-for-sale:				
Bank of Botswana Certificates	5,909,523	5,257,075	5,909,523	5,257,075
Investment in VISA Incorporated (listed)	23,071	29,270	23,071	29,270
	5,932,594	5,286,345	5,932,594	5,286,345
Held for trading:				
Government and parastatal bonds	153,178	76,857	153,178	76,857
	6,085,772	**5,363,202**	**6,085,772**	**5,363,202**

P816,023,000 (2008: P531,409,000) 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. The Bank of Botswana Certificates have maturities ranging from one to three months.

In 2008 the Group 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 Group'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. As at year end, these shares were valued at P23,071,000 (2008: P29,270,000) and have been included in the Group's available-for-sale financial assets. The movement of P6,198,695 (2008:P13,769,000) arising on the fair valuation on these shares has been disclosed as a non-distributable reserve.

14. RELATED PARTIES

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

	Group		Company	
	30 June 2009 P'000	**30 June 2008 P'000**	**30 June 2009 P'000**	**30 June 2008 P'000**
Due from related parties				
Rand Merchant Bank Limited (Ireland)	562,436	1,011,038	562,436	1,011,038
Rand Merchant Bank Limited (South Africa)	-	116,495	-	116,495
First National Bank Holdings (Botswana) Limited	3,938	2,029	3,938	2,029
Financial Services Properties (Proprietary) Limited (Botswana)	18	-	-	-
	566,392	1,129,562	566,374	1,129,562
Less money at call and short notice - related companies (note 9)	(562,436)	(1,127,533)	(562,436)	(1,127,533)
	3,956	**2,029**	**3,938**	**2,029**
Included in advances:				
Finance House (Proprietary) Limited	971	1,713	971	1,713
	971	**1,713**	**971**	**1,713**

	Group		Company	
	30 June 2009 P'000	30 June 2008 P'000	30 June 2009 P'000	30 June 2008 P'000
14. RELATED PARTIES (continued)				
Due to related companies - current liabilities				
First National Bank Holdings (Botswana) Limited	78,376	76,724	78,376	76,724
Rand Merchant Bank Limited (Ireland)	45,061	10,768	45,061	10,768
Financial Services Company of Botswana Limited	-	-	2,052	1,693
Financial Services Properties (Proprietary) Limited	-	-	1,057	1,075
First National Insurance Agency (Proprietary) Limited	-	-	16,425	14,510
First Funding (Proprietary) Limited	-	-	1,000	64
Plot Four Nine Seven Two (Proprietary) Limited			64	-
Premium Credit Botswana (Proprietary) Limited	-	-	-	1,000
First National Bank, a division of FirstRand Bank Limited - South Africa	52,390	- 10,095	- 52,390	10,095
	175,827	**97,587**	**196,425**	**115,929**
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 party transactions
Transactions were carried out in the ordinary course of banking business and were made on an arm`s length basis as detailed below:

	30 June 2009 P'000	30 June 2008 P'000	30 June 2009 P'000	30 June 2008 P'000
Interest income:				
Rand Merchant Bank Limited (Ireland)	17,985	21,202	17,985	21,202
First National Bank, a division of FirstRand Bank Limited - South Africa	9,086	7,212	9,086	7,212
	27,071	**28,414**	**27,071**	**28,414**
Interest expenditure				
First National Bank Holdings (Botswana) Limited	9,455	10,101	9,455	10,101
Rand Merchant Bank Limited (Ireland)	1,686	394	1,686	394
Rand Merchant Bank (South Africa) -long term loan	26,250	26,250	26,250	26,250
	37,391	**36,745**	**37,391**	**36,745**
Non-interest income:				
Dividend income - Finance House	**-**	**-**	**1,298**	**1,228**
Non-interest expenditure:				
Rent paid - Subsidiary companies	-	-	667	809
Rent paid - Finance House (Proprietary) Limited	4,728	3,412	4,728	3,412
Service level agreement costs	30,823	19,652	30,823	19,652
	35,557	**23,064**	**36,218**	**23,873**

	Group		Company	
	30 June 2009 P'000	30 June 2008 P'000	30 June 2009 P'000	30 June 2008 P'000
14. RELATED PARTIES (continued)				
Key Management personnel				
Compensation paid to key Management personnel				
Salaries and allowances	7,270	7,440	7,270	7,440
Other employee benefits	797	416	797	416
Total short term benefits	**8,067**	**7,856**	**8,067**	**7,856**
Pension contribution	**225**	**238**	**225**	**238**
Advances				
Personal loans	271	515	271	515
Overdrafts	115	63	115	63
Credit card	285	175	285	175
Instalment finance	1,142	1,157	1,142	1,157
Property loans	1,425	1,460	1,425	1,460
Total advances	**3,238**	**3,370**	**3,238**	**3,370**

No impairments have been recognised in respect of the above advances (2008: nil). Interest rates are in line with normal rates charged to customers or staff rates in line with company policy. For all the above facilities, normal credit checks are performed.

Personal loans are repayable 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 P1,520,000 (2008: P1,480,000). Instalment finance loans are collaterised by motor vehicles with a total fair value of P1, 200, 000 (2008: P1,300,000).

Personal loans, overdrafts and credit card balances are unsecured.

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

	Group 30 June 2009 P'000	Group 30 June 2008 P'000	Company 30 June 2009 P'000	Company 30 June 2008 P'000
15. ACCOUNTS RECEIVABLE				
Items in transit	294,755	98,006	294,755	98,006
Other sundry debtors	68,351	83,619	65,286	82,419
School debentures	286	286	286	286
	363,392	**181,911**	**360,327**	**180,711**
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	1,082	1,342	-	-
	2,037	**2,297**	**955**	**955**
Profit before tax for the year	2,318	2,566		
Share of profit before tax	1,038	1,314		
Dividends received for the year	(1,298)	(1,228)		
Retained loss for the year	(260)	(124)		
Share of retained earnings at the beginning of the year	1,342	1,466		
Total retained income	1,082	1,342		
Shares at cost	955	955		
Total carrying value	**2,037**	**2,297**		
Group's share of balance sheet				
Total assets	5,628	8,128		
Total liabilities	(1,453)	(3,421)		
Net assets	**4,175**	**4,707**		
Investment property	2,232	3,336		
Long-term loan	(68)	(815)		
Other assets (liabilities) -Net	(127)	(224)		
	2,037	**2,297**		
Fair value of the investment in the associate company at Directors` valuation	**15,714**	**15,714**		

The directors' valuation of the unlisted investment is considered to be fair.

Finance House (Proprietary) Limited is a property owning company. The Group`s proportionate shareholding in the associate at the balance sheet date amounted to 48.8% (2008: 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 (Proprieatry) 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 30 June are used instead.

17. INVESTMENT IN SUBSIDIARY COMPANIES

Company	Nature of business	30 June 2009 P'000 Carrying amount	30 June 2008 P'000 Carrying amount
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, incorporated in Botswana and are not listed on the Botswana Stock Exchange. 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 Services Properties (Proprietary) Limited 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
2009					
Cost or valuation					
Balance at 1 July 2008	35,934	28,071	2,475	41,867	108,347
Additions	25,692	5,010	983	13,180	44,865
Disposals	-	-	(103)	-	(103)
Balance at 30 June 2008	61,626	33,081	3,355	55,047	153,109
Accumulated depreciation					
Balance at 1 July 2008	856	9,150	1,625	15,979	27,610
Charge for the year	726	2,202	643	6,430	10,001
Disposals	-	-	(103)	-	(103)
Balance at 30 June 2009	1,582	11,352	2,165	22,409	37,508
Net book value as at 30 June 2009	**60,044**	**21,729**	**1,190**	**32,638**	**115,601**
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 2007	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**

18. PROPERTY AND EQUIPMENT (continued)

		30 June 2009 P'000	30 June 2008 P'000
Group (continued) Cost or valuation consists of:			
Freehold land and buildings	- cost	45,748	20,056
	- valuation adjustment	11,948	11,948
Leasehold land and buildings	- cost	1,105	1,105
	- valuation adjustment	2,825	2,825
Leasehold land improvements	- cost	33,081	28,071
Motor vehicles	- cost	3,355	2,475
Furniture and Equipment	- cost	55,047	41,867
Total cost or valuation		**153,109**	**108,347**
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		**28,070**	**28,265**

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. Properties are revalued every three years.

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 2009	**Freehold and leasehold land and buildings P'000**	**Leasehold improvements P'000**	**Motor vehicles P'000**	**Furniture and equipment P'000**	**Total P'000**
Cost or valuation					
Balance at 1 July 2008	17,820	26,829	2,475	41,867	88,991
Additions	25,692	5,010	983	13,180	44,865
Disposals	-	-	(103)	-	(103)
Balance at 30 June 2009	43,512	31,839	3,355	55,047	133,753
Accumulated depreciation					
Balance at 1 July 2008	276	8,688	1,625	15,979	26,568
Charge for the year	274	2,202	643	6,430	9,549
Disposals	-	-	(103)	-	(103)
Balance at 30 June 2009	550	10,890	2,165	22,409	36,014
Net book value as at 30 June 2009	**42,962**	**20,949**	**1,190**	**32,638**	**97,739**
Company 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
Transfers 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 2007	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**

18. PROPERTY AND EQUIPMENT (continued)

Company (continued)		30 June 2009 P'000	30 June 2008 P'000
Cost or valuation consists of:			
Freehold land and buildings	- cost	33,893	8,201
	- valuation adjustment	9,619	9,619
Leasehold improvements	- cost	31,839	26,829
Motor vehicles	- cost	3,355	2,475
Furniture and equipment	- cost	55,047	41,867
Total cost or valuation		**133,753**	**88,991**
Had the Company's land and buildings been measured on a historical cost basis, their carrying amount would have been:			
Freehold and leasehold land and buildings		**15,974**	**13,047**

	30 June 2009 P'000	30 June 2008 P'000
19. GOODWILL		
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 assessment is performed for a period of five years. The assumptions used are that the free cashflows will grow at 1.0% for the first three years and thereafter a constant growth rate of 3.0% for the remaining two years. The discount rate used is 11.5%.

	30 June 2009 P'000	30 June 2008 P'000
20. DEPOSIT AND CURRENT ACCOUNTS - AMORTISED COST		
Group and Company		
Current and managed accounts		
- financial institutions and other customers	1,711,748	1,967,648
Savings accounts	801,162	537,312
Call and term deposits	8,039,789	7,258,664
	10,552,699	**9,763,624**
Maturity analysis		
Withdrawal on demand	5,733,178	5,773,422
Maturing within one year	4,809,019	3,982,442
Maturing two to five years	10,502	7,760
	10,552,699	**9,763,624**

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

	Group		Company	
	30 June 2009 P'000	30 June 2008 P'000	30 June 2009 P'000	30 June 2008 P'000
21. LONG TERM LIABILITIES				
Public Debt Service Fund	74,636	82,091	74,636	82,091
Less : payable within 12 months included in creditors and accruals (note 22)	(8,024)	(7,397)	(8,024)	(7,397)
	66,612	74,694	66,612	74,694
Subordinated Unsecured Registered Bonds 2 000 (2008: 2 000) bonds of P50 000 each	100,000	100,000	100,000	100,000
Rand Merchant Bank (South Africa) (Note 14)	250,000	250,000	250,000	250,000
Total long term loans	**416,612**	**424,694**	**416,612**	**424,694**

Public Debt Service Fund Loans, which are unsecured, have fixed repayment terms and 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 (2008: P7,089,540), inclusive of interest. The loans have maturities ranging from 2012 to 2018.

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 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 2009 P'000	**30 June 2008 P'000**	**30 June 2009 P'000**	**30 June 2008 P'000**
22. CREDITORS AND ACCRUALS				
Accounts payable	79,902	62,249	79,902	62,249
Short term portion of long term loans (Note 21)	8,024	7,397	8,024	7,397
Other creditors and accruals	76,042	43,343	73,365	39,193
Deferred lease rental liability	1,116	1,076	1,116	1,076
Audit fees	1,454	1,018	1,454	1,018
	166,538	**115,083**	**163,861**	**110,933**
23. PROVISIONS				
Leave pay				
At the beginning of the year	8,025	4,950	8,025	4,950
Additional provisions recognised	4,317	5,364	4,317	5,364
Utilised	(2,129)	(2,289)	(2,129)	(2,289)
At the end of the year	10,213	8,025	10,213	8,025
Staff costs related provisions				
At the beginning of the year	11,673	9,809	11,673	9,809
Additional provisions recognised	24,215	13,673	24,215	13,673
Utilised	(21,360)	(11,809)	(21,360)	(11,809)
At the end of the year	14,528	11,673	14,528	11,673
Total provisions	**24,741**	**19,698**	**24,741**	**19,698**

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

	Group 30 June 2009 P'000	Group 30 June 2008 P'000	Company 30 June 2009 P'000	Company 30 June 2008 P'000
24. STATED CAPITAL				
2,563,700,000 ordinary shares (2008: 2,563,700,000 ordinary shares)	58,088	58,088	58,088	58,088
Less: 20,000,000 (2008: 20,000,000) 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	12,201	12,419	6,609	3,549
Transfer to retained earnings	(258)	(258)	(144)	(144)
Transfer from deferred taxation	40	40	23	23
Arising on transfer of properties	-	-	-	3,181
Balance at the end of the year	11,983	12,201	6,488	6,609
Retained earnings in associate company				
Balance at the beginning of the year	1,342	1,466	-	-
Transfer (to)/ from retained earnings	(260)	(124)	-	-
Balance at the end of the year	1,082	1,342	-	-
Equity settled employee benefits reserve				
Balance at the beginning of the year	3,223	2,313	3,223	2,313
Share based payment expense	2,215	910	2,215	910
Balance at the end of the year	5,438	3,223	5,438	3,223
Available-for-sale reserve				
Balance at the beginning of the year	13,769	-	13,769	-
Fair valuation of available for sale investment	(6,199)	13,769	(6,199)	13,769
Deferred tax on valuation adjustments	(1,173)	-	(1,173)	-
Balance at the end of the year	6,397	13,769	6,397	13,769
Total non-distributable reserves	24,900	30,535	18,323	23,601
Retained earnings				
Balance at the beginning of the year	553,265	383,953	548,396	383,326
Transfer from associate company`s reserves	260	124	-	-
Transfer from revaluation reserve	258	258	144	144
Profit for the year	406,720	374,027	402,670	370,023
Interim dividend paid	(115,367)	(115,367)	(115,367)	(115,367)
Dividend reserve	(115,367)	(89,730)	(115,367)	(89,730)
Balance at the end of the year	729,769	553,265	720,476	548,396
Total reserves	**754,669**	**583,800**	**738,799**	**571,997**

In respect of the current year, the Directors proposed that a dividend of 4.50 thebe per share will be paid to shareholders. This dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these annual financial statements. The total estimated dividend to be paid is P115,367,000.

26. CAPITAL ADEQUACY

	Group 30 June 2009 P'000	Group 30 June 2008 P'000
Core capital		
Stated Capital	51,088	51,088
Retained earnings - Group and associate company	730,851	554,607
	781,939	605,695
Less: Goodwill	(26,963)	(26,963)
	754,976	578,732
Supplementary capital		
Revaluation reserves subject to 50% risk adjustment	5,992	6,172
Portfolio and IBNR provisions (including present value of security adjustmnet)	24,168	15,649
Subordinated Unsecured Registered Bonds (Note 21)	100,000	100,000
	130,160	121,821
Total qualifying capital	**885,136**	**700,553**
Risk adjusted assets - balance sheet items	4,528,025	4,153,113
- off-balance sheet items	701,510	452,506
	5,229,535	**4,605,619**
Capital adequacy ratios (%)	**16.93**	**15.21**
Core capital (%) (Basel Committee guide: minimum 4%)	14.44	12.56
Supplementary capital (%)	2.49	2.65
Total (%)	**16.93**	**15.21**
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

The Group had no post retirement liability as at the balance sheet date (2008: 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 and Provident 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. As at 30 June 2009, the fund was in an actuarily sound position.

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

	Group		Company	
	30 June 2009 P'000	30 June 2008 P'000	30 June 2009 P'000	30 June 2008 P'000
28. CASH GENERATED BY OPERATIONS BEFORE TAXATION AND WORKING CAPITAL CHANGES				
Profit before direct tax	528,480	442,866	522,813	437,191
Adjusted for:				
-depreciation of property and equipment	10,001	8,081	9,549	7,658
-share of profit of associate company	(1,038)	(1,104)	-	-
-dividends from associate company	-	-	(1,298)	(1,288)
-gain on acquisition of investments	-	(35,308)	-	(35,308)
-straight line adjustment of lease rentals	40	1,076	40	1,076
-impairment losses on loans and advances	40,752	20,804	40,752	20,804
-(gain) / loss on sale of property and equipment	(36)	(26)	(36)	(26)
-unrealised gain on derivative financial instruments	(1,223)	-	(1,223)	-
-share based payment expense	2,215	910	2,215	910
	579,191	**437,299**	**572,812**	**431,077**
29. TAXATION PAID				
Amounts overpaid at the beginning of the year	-	(5,217)	-	(5,217)
Amounts unpaid at the beginning of the year	5,173	518	4,456	-
Charged to the income statement	87,089	60,098	85,454	58,619
Amounts unpaid at the end of the year	(7,494)	(5,173)	(5,910)	(4,456)
Cash amounts paid	**84,768**	**50,226**	**84,000**	**48,946**
30. INCREASE IN DEPOSIT AND CURRENT ACCOUNTS				
(Decrease) / increase in current and managed account deposits	(255,900)	48,364	(255,900)	48,364
Increase in savings deposits	263,850	111,785	263,850	111,785
Increase in call and term deposits	781,125	2,858,835	781,125	2,858,835
	789,075	**3,018,984**	**789,075**	**3,018,984**
31. INCREASE IN ADVANCES TO CUSTOMERS				
Net amount outstanding at the beginning of the year	3,969,496	3,073,209	3,976,496	3,080,209
Impairment of advances	(40,752)	(20,804)	(40,752)	(20,804)
Net amount outstanding at the end of the year	(4,643,241)	(3,969,496)	(4,650,242)	(3,976,496)
	(714,497)	**(917,091)**	**(714,498)**	**(917,091)**
32. DIVIDENDS PAID				
Previous year's final dividend paid during the year - October 2008	89,730	156,386	89,730	156,386
Interim dividend paid - March 2009	115,367	115,367	115,367	115,367
Total dividends paid to shareholders	**205,097**	**271,753**	**205,097**	**271,753**
33. CASH AND CASH EQUIVALENTS				
Cash and short-term funds				
- Denominated in Pula	523,761	402,279	523,761	402,279
- Denominated in other currencies	662,153	1,393,734	662,153	1,393,734
	1,185,914	1,796,013	1,185,914	1,796,013
Bank of Botswana Certificates (Note 13)	5,909,523	5,257,075	5,909,523	5,257,075
	7,095,437	**7,053,088**	**7,095,437**	**7,053,088**

34. CONTINGENCIES AND COMMITMENTS

	Group 30 June 2009 P'000	Group 30 June 2008 P'000	Company 30 June 2009 P'000	Company 30 June 2008 P'000
Contingencies				
Guarantees and indemnities	868,322	542,920	868,322	542,920
Letters of credit	50,967	39,678	50,967	39,678
	919,289	**582,598**	**919,289**	**582,598**
Commitments				
Undrawn commitments to customers	**1,091,913**	**691,118**	**1,091,913**	**691,118**
Capital commitments				
Capital expenditure approved by the Directors - not yet contracted for	**27,014**	**64,672**	**27,014**	**64,672**

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 30 June 2009 P'000	Group 30 June 2008 P'000	Company 30 June 2009 P'000	Company 30 June 2008 P'000
Operating lease commitments				
Payable within - one year	3,024	13,446	3,024	13,446
- two to five years	12,097	15,809	12,097	15,809
	15,121	**29,255**	**15,121**	**29,255**

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 (2008: nil).

35. TRUST ACTIVITIES

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

At 30 June 2009 the Group acted as a trustee in respect of Botswana Government bonds amounting to P60,004,000 (2008: P2,225,000) and Treasury bills amounting to Pnil (2008: P2,500,000). 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 ("The Enterprise Risk Management Report"). 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.

Due to the global financial crisis, the Group has experienced an increase in credit risk. Management is monitoring this risk closely. There have been no significant changes in exposures to risks and Group'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 risk. The exposures to these risks as at 30 June 2009 are set out below:

36.1 Credit risk management

Credit risk is the risk that a counterparty 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 2009 P'000	Assets 30 June 2008 P'000
Geographical distribution		
Botswana	11,803,596	10,134,755
Southern Africa	139,564	104,385
Rest of the world	506,327	1,243,022
	12,449,487	**11,482,162**
Distribution by sector		
Banks including Bank of Botswana	6,533,001	6,898,591
Government and Parastatal organisations	153,178	76,857
Individuals	1,894,265	1,239,828
Business/Trading	2,261,621	2,740,738
Others	1,607,422	526,148
	12,449,487	**11,482,162**

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 the Group had borrowings with Bank of Botswana amounting to P234, 574,166 (2008: Pnil), for which collateral of P235,000,000 had been pledged. The collateral pledged was Bank of Botswana Certificates (BOBCs) which are reported as part of investment securities on Note 13. The borrowing is included as part of the Group's deposits.

The Group 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 Group'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 Group 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 Group's credit risk management strategy the following principal types of collateral are held as security for funds advanced by the Group:

- 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 Group. 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 Group takes possession of collateral which is not cash or not readily convertible into cash the Group determines a minimum sale amount ("pre-set sale amount") and auctions the asset for the pre-set sale amount. Where the Group is unable to obtain the pre-set sale amount in an auction, the Group 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 Group 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 2009	Average exposure (after interest in suspense) P'000	Total exposure (after interest in suspense) P'000	Retail P'000	Corporate and Commercial P'000	Other P'000
On balance sheet exposures					
Cash and short term funds	1,672,232	1,185,914	769,487	-	416,427
- Money at call and short notice	1,246,182	769,487	769,487	-	-
- Balances with other banks	426,050	416,427	-	-	416,427
Advances to customers					
- loans and receivables	4,409,457	4,643,241	2,321,433	2,321,808	-
Unlisted investment securities - Debt	4,663,762	6,062,701	-	-	6,062,701
Listed investment securities - Equity	25,189	23,071	-	-	23,071
Accounts receivable	121,574	363,392	-	-	363,392
Off balance sheet exposures					
Financial and other guarantees	791,690	919,289	446,250	473,039	-
Loan commitments not drawn	1,091,913	1,091,913	118,998	972,915	-
Total	**12,775,817**	**14,289,521**	**3,656,168**	**3,767,762**	**6,865,591**

Group 2008	Average exposure (after interest in suspense) P'000	Total exposure (after interest in suspense) P'000	Retail P'000	Corporate and Commercial P'000	Other P'000
On balance sheet exposures					
Cash and short term funds	1,404,095	1,796,013	1,796,013	-	-
- Money at call and short notice	1,216,658	1,489,537	1,489,537	-	-
- Balances with other banks	187,437	306,476	306,476	-	-
Advances to customers					
- loans and receivables	3,527,966	3,969,496	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
Accounts receivable	131,565	181,911	-	-	181,911
Off balance sheet exposures					
Financial and other guarantees	469,336	582,598	582,598	-	-
Loan commitments not drawn	691,118	691,118	691,118	-	-
Total	**11,006,182**	**12,584,371**	**6,017,841**	**1,087,268**	**5,545,146**

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:

Group	Investment grade P'000	Non investment grade P'000	Total neither past due nor impaired P'000
2009			
Home loans	989,435	426,471	1,415,906
Credit Cards	44,797	19,309	64,106
Personal loans	355,962	153,428	509,390
Overdrafts	511,893	220,638	732,531
Wesbank	499,197	215,166	714,363
Corporate	311,998	134,479	446,477
Total	**2,713,282**	**1,169,491**	**3,882,773**
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**

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

2009 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	**6,062,701**	**23,071**	**1,185,914**

2008 Credit quality of financial assets other than advances neither past due nor impaired	Other Government and Government guaranteed stock P'000	Other undated securities P'000	Cash and short term funds P'000
Investment Grade	**5,333,965**	**31,260**	**1,796,013**

Investment grade are those financial assets rated in one of the four highest rating categories in line with International rating agencies.

36. RISK MANAGEMENT (continued)

36.1 Credit risk management (continued)

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

Group
2009

Age analysis of advances	Neither past due nor impaired P'000	Past due but not impaired 1 - 30 days P'000	31 - 60 days P'000	> 60 days P'000	Impaired P'000	Total P'000
Home loans	1,415,906	82,176	6,926	50,517	37,895	1,593,420
Credit card	64,106	3,890	1,487	11,544	3,721	84,748
Personal loans	509,390	54,386	19,774	27,213	6,348	617,111
Overdraft	732,531	-	-	-	55,225	787,756
Corporate	446,477	-	-	-	1,175	447,652
WesBank retail asset finance	477,909	117,906	95,494	46,458	12,509	750,276
WesBank corporate asset finance	236,454	105,438	79,164	12,224	7,347	440,627
Total	**3,882,773**	**363,796**	**202,845**	**147,956**	**124,220**	**4,721,590**

Group
2008

Age analysis of advances	Neither past due nor impaired P'000	Past due but not impaired 1 - 30 days P'000	31 - 60 days P'000	> 60 days P'000	Impaired P'000	Total 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	373,521	158,041	86,247	36,284	9,937	664,030
WesBank corporate asset finance	200,942	160,967	55,291	8,738	6,347	432,285
Total	**3,280,010**	**470,210**	**167,535**	**76,338**	**111,665**	**4,033,758**

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 Risk Report.

36.2.1 Currency risk management

The Group, through Treasury, manages foreign currency risk in accordance with broad market risk guidelines set by the Board and FirstRand Bank Limited. Foreign currency risk arises as a result of fluctuations in exchange rates and the resultant impact on the Group'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 (2008: 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 Group strives to matche its foreign currency assets and liabilities. 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		Equity and liabilities	
	30 June 2009 P'000	**30 June 2008 P'000**	**30 June 2009 P'000**	**30 June 2008 P'000**
Distribution by currency				
Botswana Pula	11,454,932	10,134,755	11,559,280	7,371,233
South African Rand	154,444	119,055	162,788	119,055
United States Dollar	575,878	1,147,629	443,608	3,911,151
British Pound	165,612	32,480	169,394	32,480
Euro	78,339	48,243	88,593	48,243
Others	20,282	-	25,824	-
	12,449,487	**11,482,162**	**12,449,487**	**11,482,162**

The Group is mainly exposed to foreign currency risk on its 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 2009 P'000	30 June 2008 P'000
(Loss) / gain arising from a 10% decrease	(10,435)	276,352
Gain / (loss) arising from a 10% increase	10,435	(276,352)

The above loss / gain would affect the income statement.

36. RISK MANAGEMENT (continued)

36.2.2 Interest rate risk management

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 Group's exposure to interest rate risk, categorised by contractual maturity date.

		Term to repricing					
2009	**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 interest bearing P'000**
Total assets	12,449,487	1,653,660	8,468,150	1,200,890	90,930	355,630	680,227
Total liabilities and equity	12,449,487	3,787,370	5,686,940	434,480	7,330	104,400	2,428,967
Net interest sensitivity gap	**-**	**(2,133,710)**	**2,781,210**	**766,410**	**83,600**	**251,230**	**(1,748,740)**
2008							
Total assets	11,482,162	1,910,450	7,823,464	1,017,652	263,032	267,795	199,769
Total liabilities and equity	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)**

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:

Group	**30 June 2009 P'000**	30 June 2008 P'000
50 basis points parallel increase	8,581	12,583
50 basis points parallel decrease	(8,581)	(12,583)
100 basis points parallel increase	17,163	25,166
100 basis points parallel decrease	(17,163)	(25,166)

36.2.3 Equity price risk

The Group is exposed to equity price risk 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:

Group	**30 June 2009 P'000**	30 June 2008 P'000
Impact of 10% increase on reserves	2,307	2,899
Impact of 10% decrease on reserves	(2,307)	(2,899)

Profit for the year ended 30 June 2009 would have been unaffected as the equity investments are classified as available-for-sale through equity.

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						
Group 2009	**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	12,449,487	947,510	6,162,810	1,573,700	1,603,700	1,163,350	998,417
Total liabilities and equity	12,449,487	4,990,800	5,686,940	431,400	10,390	104,420	1,225,537
Net liquidity gap	**-**	**(4,043,290)**	**475,870**	**1,142,300**	**1,593,310**	**1,058,930**	**(227,120)**
Group 2008							
Total assets	11,482,162	1,910,449	5,217,638	972,096	1,711,147	1,275,738	395,094
Total liabilities and equity	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)**

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:

	Term to maturity					
Group 2009	**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	-	13,851	-	-	-	13,851
Deposit and current accounts	6,122,545	4,403,427	107,974	7,180	-	10,641,126
Derivative financial instruments	21,388	-	-	-	-	21,388
Long term loans	-	5,252	43,840	372,556	148,076	569,724
Due to related companies	-	175,827	-	-	-	175,827
Creditors and accruals	-	164,096	2,442	-	-	166,538
Provisions	-	14,528	10,213	-	-	24,741
	6,143,933	**4,776,981**	**164,469**	**379,736**	**148,076**	**11,613,195**

	Term to maturity					
Group 2008	**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
Due to related companies	-	97,587	-	-	-	97,587
Creditors and accruals	-	109,182	4,883	-	-	114,065
Provisions	-	-	19,698	-	-	19,698
	3,746,343	**6,308,299**	**98,176**	**477,125**	**112,030**	**10,741,973**

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			
	2009		2008	
	Carrying value P'000	Fair value P'000	Carrying value P'000	Fair value P'000
Assets				
Advances				
Home loans	1,587,580	1,457,338	1,419,510	1,562,881
Credit card	79,153	79,153	76,254	73,013
Personal loans	615,155	632,435	520,360	461,559
Overdraft	787,756	787,756	496,679	496,679
Corporate	382,694	382,694	376,740	414,111
WesBank retail asset finance	750,276	798,060	657,432	654,605
WesBank corporate asset finance	440,627	468,690	422,521	420,704
Total advances at amortised cost	4,643,241	4,606,126	3,969,496	4,083,552
Other				
Accounts receivable	363,392	363,392	181,911	181,911
Total financial assets at amortised cost	**5,006,633**	**4,969,518**	**4,151,407**	**4,265,463**
Liabilities				
Deposits and current accounts				
Balances from banks and financial institutions (current and managed)	1,711,748	1,711,748	1,967,648	1,967,648
Balances from customers (Term)	4,473,361	4,424,011	6,208,031	6,187,162
Other deposits (call and savings)	4,367,590	4,367,590	1,587,945	1,587,945
Total deposits and current accounts	10,552,699	10,503,349	9,763,624	9,742,755
Long term liabilities	416,612	507,348	424,694	376,771
Other				
Accounts payable	166,538	166,538	114,065	114,065
Total financial liabilities at amortised cost	**11,135, 849**	**11,177,235**	**10,302,383**	**10,233,591**

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 Group'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 Group 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 armotised 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 Group'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 Group's accounting policy, and separately detailed within the derivative note above.

37. SEGMENTAL REPORTING

Primary segments (business)

2009

	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	248,785	200,292	183,919	49,058	609,950	4,470	1,296,474
Non-interest income	257,226	352	3,727	8,956	83,525	16,372	370,158
Total segment revenue	506,011	200,644	187,646	58,014	693,475	20,842	1,666,632
Interest expenditure	(123,373)	(93,249)	(99,585)	(30,924)	(392,348)	(33,919)	(773,578)
Net interest income before impairment of advances	125,412	106,863	84,334	18,134	217,602	(29,449)	893,054
Impairment of advances	(28,857)	7	(6,538)	43	(745)	(4,662)	(40,752)
Net interest income after impairment of advances	96,555	106,870	77,796	18,177	216,857	(34,111)	852,302
Segment expenditure	(221,403)	(16,281)	(28,062)	(17,097)	(19,029)	(14,662)	(316,534)
Segment results before indirect tax	132,378	90,941	53,461	10,036	281,353	(32,401)	535,768
Indirect tax	(3,468)	(83)	(803)	(100)	(1,546)	(2,326)	(8,326)
Segment results	128,910	90,858	52,658	9,936	279,807	(34,727)	527,442
Share of associate company income							1,131
Direct tax							(121,853)
Income after tax							**406,720**
Balance sheet:							
Total assets	1,775,352	1,444,705	1,093,050	355,318	7,122,729	658,333	12,449,487
Total liabilities	3,342,163	70,421	17,978	1,901,070	5,630,594	566,136	11,528,363
Advances (included in assets above)	1,138,390	1,439,433	1,087,472	354,925	623,021	-	4,643,241
Non-performing advances	49,066	45,686	23,370	33,558	-	-	151,680
Deposits (included in liabilities above)	3,324,026	70,176	12,085	1,900,047	5,246,365	-	10,552,699
Key ratios							
Cost to income ratio	179.3	15.3	34.2	94.8	9.5	62.9	36.4
Bad debt charge as a % of advances	2.5	0.0	0.6	0.0	0.1	0.0	0.9
Non-performing loans as a % of advances	4.3	3.2	2.1	9.5	0.0	0.0	3.3

Note

No segmental reporting for the secondary segment (geographical) as no significant income is generated outside Botswana.
The geographical distribution of assets and liabilities is provided in note 33.

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 tax	(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 tax							(68,839)
Income after tax							**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.

The geographical distribution of assets and liabilities is provided in note 33.

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:

Group and company	**30 June 2009**	30 June 2008
Number of options in force at beginning of the year Granted at prices ranging between P1.51 to P3.50	13,231,670	16,500,000
Number of options granted during the year Granted at a price of P3.32 (2008:P2.80) per share	9,200,000	680,000
Number of options exercised during the year Market value ranged between P1.95 to P3.40 (2008: P0.88 to P1.51)	(2,133,322)	(2,466,663)
Number of options cancelled/ lapsed during the year Granted at prices ranging between P0.88 to P1.51 (2008:P1.51 to P2.80)	(830,001)	(1,481,667)
Number of options in force at end of the year Granted at prices ranging between P1.51 to P2.80 (2008:P1.51 to P2.80)	19,468,347	13,231,670
Number of options available for future allocation	531,653	6,768,330
Total number of options of the scheme	20,000,000	20,000,000
Number of participants	57	49
Options are exercisable over the following periods (first date able to release)		
Financial year 2005/2006	-	300,000
Financial year 2006/2007	300,000	399,996
Financial year 2007/2008	199,998	2,533,317
Financial year 2008/2009	566,662	4,533,333
Financial year 2009/2010	4,199,999	3,021,649
Financial year 2010/2011	2,711,650	2,221,689
Financial year 2011/2012	5,145,006	221,686
Financial year 2012/2013	3,278,336	-
Financial year 2013/2014	3,066,696	-
Total	**19,468,347**	**13,231,670**
Options outstanding (by expiry date)		
Financial year 2009/2010	5,266,659	3,866,670
Financial year 2010/2011	2,711,650	2,400,000
Financial year 2011/2012	5,145,006	6,965,000
Financial year 2012/2013	3,278,336	-
Financial year 2013/2014	3,066,696	-
Total	**9,468,347**	**13,231,670**
The significant assumptions used to estimate the fair value of the options granted are as follows:		
Weighted average share price (thebe)	280	280
Expected volatility (percentage)	33.45	33.45
Expected option life (years)	5	4
Expected risk free rate (percentage)	14	12.05
Expected dividend growth (percentage)	20	17

39 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING ESTIMATES

The Group makes estimates and assumptions that will affect the reported amounts of assets and liabilities within the next financial year. 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.

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

(b) 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.

(c) 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.

(d) 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 Group 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.	**Effective Date**
IFRIC 15 **Amendments" Real Estate Sales** The interpretation clarifies when real estate sales should be accounted for in terms of IAS 11 Construction Contracts or IAS 18 Revenue. The interpretation is not applicable to the Group.	**Annual periods commencing on or after 1 January 2009**
IFRIC 16 **Hedges of a Net Investment of a Foreign Operation** The interpretation clarifies which risks can be hedged under a hedge of the net investment in a foreign operation and by which entities within the Group the hedging instruments can be held in order to qualify as a hedge of a net investment in a foreign operation. The Group does not currently apply hedge accounting to net investments in foreign operations.	**Annual periods commencing on or after 1 October 2009**
IFRIC 17 **Distribution of Non-cash Assets to Owners** The interpretation clarifies how an entity should measure distribution of assets other than when it pays cash dividends to its owners. At present there is diversity in practice when accounting for these dividends payable. This assets will be measured at their fair value, and the difference between the fair value and the carrying will be recorded in the profit or loss for the period. The impact of this interpretation on the Group is not considered to be significant.	**Annual periods commencing on or after 1 July 2009**
IFRIC 18 **Transfers of Assets from Customer** The interpretation clarifies how an entity should treat items of property, plant and equipment from its customers that must be used to connect those customers to a network and provide them with ongoing access to a supply of commodities such as electricity, gas or water. An entity could also receive cash from customers for the acquisition or construction of such items of property, plant and equipment. This Interpretation applies to the accounting for such transfers. This amendment is not expected to impact the Group's results significantly.	**Annual periods commencing on or after 1 July 2009**

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

	Effective Date
IFRS 1 and IAS 27 (revised) **Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate** The amendments to IFRS 1 allow first-time adopters of IFRS 1 to use a deemed cost option for determining the cost of an investment in a subsidiary, jointly controlled entity or associate. The amendments will not impact 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.	**Annual periods commencing on or after 1 January 2009**
IFRS 2 (amended) **Vesting Conditions and Cancellations** 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.	**Annual periods commencing on or after 1 January 2009**
IFRS 2 (amended) **Group Cash-settled Share-based Payment Transactions** The amendments clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers. The amendments make clear that: An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction,and no matter whether the transaction is settled in shares or cash. The amendment is not expected to impact the Group's results significantly.	**Annual periods commencing on or after 1 January 2010**

40 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE (continued)

	Effective Date
IFRS 3 and IAS 27 (revised) **Revision to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements** The revised IFRS 3 retains the current basic requirements. The most significant amendments are 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. 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 requires that transactions with minorities be accounted for in equity,will require a prospective change in accounting policy for the Group in line with the amended transitional provisions.	**Annual periods commencing on or after 1 July 2009**
IFRS 7 Financial Instruments: Disclosures The amendments to IFRS 7 will require enhanced disclosures about fair value measurements and liquidity risk. The amendment addresses disclosure in the annual financial statements and will not effect recognition and measurement.	**Annual periods commencing on or after 1 January 2009**
IFRS 8 Operating Segments 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.	**Annual periods commencing on or after 1 January 2009**

40 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE (continued)

	Effective Date
IAS 1 (revised) **Presentation of Financial Statements** 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.	**Annual periods commencing on or after 1 January 2009**
IAS 23 (amended) **Borrowing Costs** 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 of such assets is therefore now required. The Group's accounting policy is to capitalise borrowing costs on a qualifying asset. The amendment will therefore not have an effect on the Group's results.	**Annual periods commencing on or after 1 January 2009**
IAS 32 (amended) **Financial Instruments Puttable at Fair value** The amendment to IAS 32 requires the classification of certain puttable financial instruments and financial instruments that impose on the issuer an obligation to deliver a pro-rata share of the entity only on liquidation as equity. The amendments sets out specific criteria that are to be met to present the instruments as equity together with related disclosure requirements. This amendment is not expected to have an impact to the Group.	**Annual periods commencing on or after 1 January 2009**

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

	Effective Date
IAS 39 (amended) **Eligible Hedged Items** 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 a 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 the hedging instrument. This amendment is not expected to have a significant impact to the Group.	**Annual periods commencing on or after 1 July 2009**
Annual Improvements **Annual Improvements Project** As part of its annual improvements projects, the IASB has issued its editions 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.	**Annual periods commencing on or after 1 January 2009**
Annual improvements project undertaken in the 2008 calendar year. There are no significant changes in either of the improvement projects that are expected to affect the Group's financial results.	**Annual periods commencing on or after 1 January 2010**

41. SUBSEQUENT EVENTS

The dividend proposed after the year end has been disclosed in note 25. There were no other 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.

Value Added Statements

30·06·09

For the year ended 30 June 2009

	Group		Company	
	30 June 2009 P'000	**30 June 2008 P'000**	**30 June 2009 P'000**	**30 June 2008 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	1,666,632	1,465,541	1,660,875	1,461,795
Cost of services	(908,302)	(806,460)	(908,426)	(807,126)
Value added banking services	758,330	659,081	752,449	654,669
Non-operating and other income and expenditure	(62,221)	(66,226)	(53,320)	(65,091)
Value added	**696,109**	**592,855**	**699,129**	**589,578**
Value allocated				
To employees				
Salaries, wages and other benefits	159,210	135,494	158,444	138,348
To providers of capital				
Dividends to shareholders	223,042	205,367	223,042	202,186
To Government				
Taxation	130,179	75,253	128,466	73,578
To expansion and growth				
Retained income	183,678	168,660	179,628	167,837
Depreciation	10,001	8,081	9,549	7,629
	183,678	176,741	189,177	175,466
	696,109	**592,855**	**699,129**	**589,578**
Summary	%	%	%	%
Employees	22.9	22.9	22.7	23.5
Providers of capital	32.0	34.6	31.9	34.3
Government	18.7	12.7	18.4	12.5
Expansion and growth	26.4	29.8	27.1	29.7
	100.0	**100.0**	**100.0**	**100.0**

Five-year Consolidated Income Statements

30·06·09

For the year ended 30 June 2009

	Year ended 30 June 2009 P'000	Year ended 30 June 2008 P'000	Year ended 30 June 2007 P'000	Year ended 30 June 2006 P'000	Year ended 30 June 2005 P'000
Interest and similar income	1,296,474	1,168,337	1,005,074	583,923	468,543
Interest expense and similar charges	(773,578)	(768,085)	(657,297)	(295,654)	(223,956)
Net interest income before impairment of advances	522,896	400,252	347,777	288,269	244,587
Impairments losses on loans and advances	(40,752)	(20,804)	(22,012)	(19,393)	(21,142)
Net interest income after impairment of advances	482,144	379,448	325,765	268,876	223,445
Non interest income	371,196	348,980	244,931	197,471	161,832
Income from operations	853,340	728,428	570,696	466,347	385,277
Operating expenses	(316,534)	(279,148)	(205,052)	(167,184)	(151,752)
Income before tax	536,806	449,280	365,644	299,163	233,525
Tax	(130,086)	(75,253)	(55,797)	(45,920)	(40,877)
Income after tax	406,720	374,027	309,847	253,243	192,648
Earnings attributable to outside shareholders	-	-	-	-	-
Earnings attributable to ordinary shareholders	406,720	374,027	309,847	253,243	192,648
Appropriations					
Dividends paid and proposed	(230,734)	(205,097)	(252,525)	(192,278)	(138,440)
Retained income for the year	**175,986**	**168,930**	**57,322**	**60,965**	**54,208**

Five Year Consolidated Balance Sheets

30·06·09

For the year ended 30 June 2009

	30 June 2009 P'000	30 June 2008 P'000	30 June 2007 P'000	30 June 2006 P'000	30 June 2005 P'000
ASSETS					
Cash and short term funds	1,185,914	1,796,013	904,941	570,245	334,887
Derivative financial instruments	22,611	59,514	18,476	-	-
Advances to customers	4,643,241	3,969,496	3,073,209	2,716,404	2,482,422
Investment securities	6,085,772	5,363,202	4,060,061	3,760,394	389,091
Investment in associated company	2,037	2,297	2,421	2,499	2,302
Due from related companies	3,956	2,029	1,151	-	-
Accounts receivable	363,392	181,911	197,447	96,171	59,353
Taxation	-	-	5,217	1,025	320
Property and equipment	115,601	80,737	63,184	39,354	37,601
Goodwill	26,963	26,963	26,963	26,963	26,963
Total assets	**12,449,487**	**11,482,162**	**8,353,070**	**7,213,055**	**3,332,939**
EQUITY AND LIABILITIES					
Liabilities					
Balances due to other banks	13,851	142,310	125,463	142,299	53,950
Deposit and current accounts	10,552,699	9,763,624	6,744,640	5,881,827	2,430,240
Derivative financial instruments	21,388	59,514	18,476	-	-
Long term liabilities	416,612	424,694	430,907	438,851	195,137
Accrued interest payable	70,142	86,594	85,100	60,902	17,302
Due to related companies	175,827	97,587	213,482	48,834	102,789
Taxation	7,494	5,173	308	138	1,131
Deferred taxation	79,071	43,267	34,776	34,532	36,761
Creditors and accruals	191,279	134,781	92,293	94,800	63,682
Total liabilities	11,528,363	10,757,544	7,745,445	6,702,183	2,900,992
Shareholders' equity					
Stated capital	51,088	51,088	51,088	51,088	51,088
Reserves	754,669	583,800	400,151	331,599	270,620
Dividend reserves	115,367	89,730	156,386	128,185	110,239
Total shareholders' funds	921,124	724,618	607,625	510,872	431,947
Total equity and liabilities	**12,449,487**	**11,482,162**	**8,353,070**	**7,213,055**	**3,332,939**

Notice of the Annual General Meeting

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:

1. If you have disposed of all of your shares in First National Bank of Botswana Limited, this notice should be sent to the agent through whom you have disposed of such shares, for onward delivery to the purchaser of those shares.
2. A notice convening an Annual General Meeting of Shareholders of First National Bank of Botswana ("AGM"), to be held at 16h00 on Wednesday 11 November 2009 at Gaborone International Conference Centre (GICC), is attached. The relevant form of proxy is also attached. Shareholders who are unable to attend the AGM should complete the attached 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 9 November 2009. Submission of a form of proxy will not preclude shareholders from attending and voting in person at the AGM, should they so desire.

FNB First National Bank Botswana

How can we help you?

(Registration number 1119)
(Incorporated in the Republic of Botswana)
(FNBB or "the Company")

Notice of 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 11 November 2009, for the purpose of transacting the following business and considering and if deemed fit, passing, with or without modification, the following resolutions:

Notice of the Annual General Meeting (continued)

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 2009.

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

4. Ordinary Resolutions 3,4,5,6 and 7:
   To re-elect the following directors of the Company:
   J K Macaskill
   M T Sekgororoane
   who retire by rotation in terms of the Constitution, being eligible, offer themselves for re-election and
   B M Bonyongo
   B U Madhav
   M W Ward
   whose appointments be ratified by the shareholders as per the Guidelines issued by Bank of Botswana.

5. Ordinary Resolution 8:
   To approve the remuneration of the directors for the year ended 30 June 2009.

6. Ordinary Resolution 9:
   To appoint auditors for the ensuing year and to fix their remuneration.

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 hereto.

In order to be effective, a duly completed form of proxy must be received at the Transfer Secretaries, PricewaterhouseCoopers (Proprietary) Limited, Plot 50371, Fairgrounds Office Park, and P O Box 294, Gaborone by not later that 15h00 on 9 November 2009

By Order of the Board

P D Shah
Chairman of the Board of Directors

L Boakgomo-Ntakhwana
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 8 October 2009.

For use at the Annual General Meeting of Shareholders of the Company to be held at Gaborone International Conference Centre at 16h00 on Wednesday 11 November 2009.

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. Ordinary Resolution 9			

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 (Proprietary) Limited, 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 9 November 2009.

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.

10. 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.