The Directors have pleasure in announcing the audited financial results of the Bank and its subsidiaries for year ended 30 June 2008.

Financial Highlights

- Income before direct taxation up 23% on corresponding period
- Earnings per share up 21% on corresponding period
- Cost to income ratio 38%
- Return on shareholders' funds 56%
- Total assets increased by 37%
- Proposed final dividend per share of 3.5 thebe

FIRST NATIONAL BANK OF BOTSWANA LIMITED
(Incorporated in the Republic of Botswana)

The Directors have pleasure in announcing the audited financial results of First National Bank of Botswana Limited (the Bank) and its subsidiaries for the year ended 30 June 2008.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

- The financial results have been prepared in accordance with International Accounting Standards (IAS) 34, Interim Financial Reporting and the Botswana Companies Act 2003.
- All International Financial Reporting Standards and International Financial Reporting Interpretations Committee interpretations issued and effective at 30 June 2008 have been applied.
- All new accounting pronouncements, effective for the year, have been adopted by the Bank in the current year, but did not have material impact on the Bank, either in the current year or the prior year, therefore no restatements have been made.
- The accounting policies applied and method of computation are consistent with those applied in the annual financial statements for the year ended 30 June 2007.

INDEPENDENT AUDITOR’S REPORT

The financial results have been audited by First National Bank of Botswana Limited’s auditors, Deloitte & Touche. Their unqualified audit opinion is available for inspection at the Bank’s registered office.

CONDENSED CONSOLIDATED INCOME STATEMENT

Interest income and similar income
Interest expense and similar charge
Net interest income before impairment of advances
Impairment losses on loans and advances
Net interest income after impairment of advances
Non-interest revenue
Income from operations
Operating expenses
Depreciation
Other operating expenses
Net income from operations
Share of profit of associate company
Profit before indirect taxation
Indirect taxation
Profit before direct taxation
Direct taxation
Profit for the year

Average number of shares in issue during the year (000)

<table>
<thead>
<tr>
<th></th>
<th>Audited Year ended 30 June 2006</th>
<th>Audited Year ended 30 June 2007</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>P’000</td>
<td>P’000</td>
<td></td>
</tr>
<tr>
<td>Interest income and similar income</td>
<td>1,168,337</td>
<td>1,005,074</td>
<td>16</td>
</tr>
<tr>
<td>Interest expense and similar change</td>
<td>(765,085)</td>
<td>(667,470)</td>
<td>17</td>
</tr>
<tr>
<td>Net interest income before impairment of advances</td>
<td>403,252</td>
<td>337,504</td>
<td>15</td>
</tr>
<tr>
<td>Impairment losses on loans and advances</td>
<td>(23,826)</td>
<td>(22,072)</td>
<td>10</td>
</tr>
<tr>
<td>Net interest income after impairment of advances</td>
<td>379,426</td>
<td>315,432</td>
<td>16</td>
</tr>
<tr>
<td>Non-interest revenue</td>
<td>347,666</td>
<td>243,659</td>
<td>43</td>
</tr>
<tr>
<td>Income from operations</td>
<td>727,114</td>
<td>559,093</td>
<td>28</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(278,148)</td>
<td>(205,062)</td>
<td>36</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(8,087)</td>
<td>(8,151)</td>
<td></td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(271,007)</td>
<td>(189,301)</td>
<td></td>
</tr>
<tr>
<td>Net income from operations</td>
<td>447,366</td>
<td>264,372</td>
<td></td>
</tr>
<tr>
<td>Share of profit of associate company</td>
<td>1,514</td>
<td>1,222</td>
<td></td>
</tr>
<tr>
<td>Profit before indirect taxation</td>
<td>428,850</td>
<td>365,444</td>
<td>23</td>
</tr>
<tr>
<td>Indirect taxation</td>
<td>(5,416)</td>
<td>(4,966)</td>
<td>28</td>
</tr>
<tr>
<td>Profit before direct taxation</td>
<td>423,434</td>
<td>360,478</td>
<td>23</td>
</tr>
<tr>
<td>Direct taxation</td>
<td>(88,839)</td>
<td>(50,819)</td>
<td>35</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>334,595</td>
<td>310,659</td>
<td>21</td>
</tr>
<tr>
<td>Average number of shares in issue during the year (000)</td>
<td>2,563,700</td>
<td>2,563,700</td>
<td></td>
</tr>
</tbody>
</table>

* Earnings per share (thebe) (based on weighted average number of shares outstanding) 14.70 12.18 21
* Diluted earnings per share (thebe) (based on weighted average number of shares in issue) 14.59 12.09 21

RATIOS AND MARKET INFORMATION

Dividend per share (thebe) 8.00 9.85 (19)
Dividend cover (times) 1.8 1.2
* Cost to income ratio (%) 38 35
** Return on equity (%) 56 45
Return on average assets (%) 4 4
Capital adequacy ratio (%) 15.1 15.4
Closing share price (thebe) 240 375 (36)
Dividend yield - ordinary shares (%) 3.3 2.6
Price earnings ratio 16.3 31.0

* Cost to income ratio is based on total non-interest expenditure including indirect taxation (Value Added Tax).
** Return on shareholders' funds includes proposed dividend (dividend reserve).
CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Cash flows from operating activities
Cash generated by operations
Taxation paid
Net increase in assets
Net increase in liabilities
Net cashflows from operating activities
Dividends paid
Long-term loans repaid
Net cashflows to financing activities
Net cash flows to investing activities
Net increase in cash and cash equivalents
Cash and cash equivalents at the beginning of the year
Cash and cash equivalents at the end of the year
Cash and short-term funds at the end of the year
Cash and short-term funds
Investment in Bank of Botswana Certificates

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Balance at the beginning of the year
Dividend proposed
Dividends paid to ordinary shareholders
Movement in share based payments reserve
Increase in other reserves
Earnings attributable to shareholders - net of transfer to dividend reserve
Balance at the end of the year

CONDENSED SEGMENTAL REPORTING

Interest income
Net interest income
Net income from operations
Total Assets
Total liabilities
Earnings per share (thebe)

Commentary

Income statement performance

Net interest income increased by 16% compared to the corresponding period, largely as a result of the growth in the core lending business. Advances increased by 23%. The impact of this growth was not fully felt as the drawdowns took place in the latter part of the year. Margin squeeze was experienced as a result of competition as well as the lower returns received on Bank of Botswana Certificates (BoBGCs), which grew by 20%. The growth in interest expense and similar changes of 17% is reflective of the growth of deposits which were predominantly raised from the wholesale market.

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

Part of the on-going expansion programme is to increase the branch network and to introduce new businesses to service specific customers’ needs, as well as to position staff to offer superior service in the market place through up-skilling. The Bank opened two new branches in Selibe Phikwe and Gaborone, launched Private Clients and Business Banking. This expansion programme, together with the full impact of planned prior year expansion initiatives and continued rise in costs as a result of inflation resulted in a 26% increase in operating expenses during the period. However, this growth in operating expenses is in line with management’s expectations, as it provides access to new revenue streams. Despite the increase in expenses the Bank has maintained its cost to income ratio as lowest in the industry at 38%.

Despite the strain of high interest rates in the economy after two consecutive 0.5% increases respectively in May and June, credit quality has been maintained. Additional focus has been placed on collection processes and the continuously monitoring of non-performing loans. This has maintained the impairment charge at a low and acceptable level of P2 million (0.53% of advances).

Balance Sheet

Total assets have increased by 37% mainly as a result of a 25% increase in advances, 30% increase in BoBGCs, and 98% increase in cash and short-term funds. The growth in advances has been driven by the Retail network, WestBank and Card divisions, which have performed exceptionally well as a result of various initiatives to improve processes and service to customers.

The deposit book grew by 45%, reflecting good growth in all categories of current, savings and time deposit accounts from the branch network, as well as wholesale deposits directly linked to BDBS Holdings. Additionally, the balance reflects a large increase in foreign currency which significantly increased cash and short-term funds.

The Return on Equity, based on average year balances, the (excluding the dividend reserve) increased to 6% from 4.5%. The average return on assets declined marginally to 3.8%, reflective of the substantial asset growth.
The Directors recommend a final dividend of 3.5 thebe per share (2007: 6.1 thebe). Refer to Table 1 below for historical growth of assets and capital.

### TABLE 1

<table>
<thead>
<tr>
<th></th>
<th>2006 (Pm)</th>
<th>2007 (Pm)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL ASSETS (TA)</td>
<td>11,482</td>
<td>8,395</td>
<td>37</td>
</tr>
<tr>
<td>LOANS &amp; ADVANCES</td>
<td>3,968</td>
<td>3,073</td>
<td>29</td>
</tr>
<tr>
<td>RISK WEIGHTED ASSETS (RWA)</td>
<td>4,630</td>
<td>3,400</td>
<td>33</td>
</tr>
<tr>
<td>CAPITAL ADEQUACY RATIO (%)</td>
<td>16.1</td>
<td>15.35</td>
<td>15</td>
</tr>
</tbody>
</table>

The Bank continues to manage its capital in line with the Board approved capital management framework. The purpose of the framework is to create objectives, policies and principles relating to the capital optimisation process of book capital (shareholders funds or accounting capital – Net Asset Value), regulatory capital, and economic capital.

Economic capital is defined as the capital which the Bank must hold, commensurate with its risk profile, under severe stress conditions, to give comfort to third party stakeholders that it will be able to discharge its obligations to third parties in accordance with an indicated degree of certainty even under stress conditions, and would continue to operate as a going concern. Tests have been performed and will continue to be performed on a regular basis to assess if the Bank is appropriately capitalised from an economic risk point of view.

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

The Bank’s capital adequacy ratio, which excludes the dividend reserve, has been maintained at 15.1% at 30 June 2008, and is in line with the bank’s capital management framework and the required ratio by Bank of Botswana of 15%.

As a result of the impact of Basel II, the Bank is currently reviewing its capital management framework.

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

The increase in risk weighted assets has the following impact on dividend distribution, reflected in Table 3.

### TABLE 3

<table>
<thead>
<tr>
<th>Impact on Dividend</th>
<th>Balance Sheet</th>
<th>Capital Required</th>
<th>Profit</th>
<th>Quota Capital</th>
<th>Available Capital</th>
<th>Dividends Recommended by Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>PM of thebe per share</td>
</tr>
</tbody>
</table>

Under the circumstances the directors recommend a final dividend of 3.5 thebe per share (2007: 6.1 thebe) payable to shareholders at 30 June 2008. This dividend reflects an increased cover of 1.8 times (2007: 1.3 times).

While total dividend declined by 18% for the year to 6.0 thebe (2007: 9.8 thebe), dividend cover changed from 1.2 times to 1.8 times. Directors are comfortable that this places the Bank in a sound position for the future.

### Contingencies and commitments

Contingencies grew by 63%, driven mainly by growth in letters of credit.

**Recent events**

There were no material events that occurred subsequent to the balance sheet date that require adjustment to the income statement or balance sheet, or that require disclosure in the annual financial statements.

**Corporate Governance**

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

- Ensuring that an adequate and effective process of corporate governance, including effective risk management, is established and maintained in accordance with recommended best practices;
- Ensuring that internal controls are maintained and material misappropriations are reported; and
- Ensuring that the Bank continues to operate as a going concern.

The Board comprises a majority of independent, non-executive Directors and meets regularly, oversees executive management performance and retains effective control over the Bank. The Board is assisted by committees, which are responsible for different aspects of governance. The main committees are the Directors’ and Governance Committee, Audit, Credit and Remuneration committees.

**Social Responsibility**

The Bank established the FNBB Foundation for the purpose of aiding educational, arts and culture, and social welfare development in Botswana by identifying beneficiaries who are in need and deserving of assistance. The Bank has committed to contributing up to 1% of its profit after tax to the Foundation.

Since the inception of the Foundation in 2001, the Bank has made grants in excess of P12.4 million to the Foundation, and in turn, the Foundation has approved donations and pledges amounting to more than P12.3 million to qualifying beneficiaries. Details of the foundation and criteria for eligibility can be found on the Bank’s website: www.fmbotswana.co.bw.

**Declaration of dividend**

Notice is hereby given that a final dividend of 3.5 thebe per share has been declared for the year ended 30 June 2008. The dividend will be paid on or about 26 September 2008. The dividend will be paid to shareholders registered at the close of business on 12th September 2008. The transfer registers will be closed from 15 September 2008 to 19 September 2008, both dates inclusive.

In terms of the Botswana Income Tax Act (Cap 52:01) as amended, withholding tax at the rate of 15% will be deducted by the company from gross dividends.

If a change of address or dividend instructions is to apply to this dividend, notification should reach the Transfer Secretaries by 19 September 2008.

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**For and on behalf of the Board.**

HCL Hermans
Chairman

DH Zandamela
Chief Executive Officer

GABORONE, 6 August 2008

TRANSFER SECRETARIES
PriceWaterhouseCoopers (Pty) Limited
Plot 60371, Fairground Office Park
P.O Box 294 GABORONE