



## Success through service

### To our stakeholders

I am delighted to report that, despite a year characterised by significant changes, the FNB Namibia Group ('the Group') succeeded in ending 2006 with yet another sterling performance.

#### Introduction

This was an extraordinary year that saw a change in the executive management as well as the board of the Group. On behalf of the board, management and staff, I would like to welcome Advocate Vekuii Rukoro as the new Group CEO. His appointment followed the death of Lazarus Ipangelwa in a tragic accident in September 2005. We also welcome a seasoned banker in Leonard Haynes as CEO for First National Bank of Namibia Limited ('FNB Bank').

The accelerated conclusion of the preference shares issued to Swabou shareholders lead to a restructuring of various boards to reflect the new balance in shareholding.

Despite these changes, planned and forced, the Group remained stable and focussed on offering financial solutions to the markets in which it operates, and continued to deliver sustainable profits.

#### Market environment

Namibia continued to be politically stable, creating an enabling atmosphere for our business.

The recent favourable Fitch credit rating will serve to further enhance the country as an investment destination. In addition, the Government reaffirmed its stand against corruption by establishing an Anti-Corruption Commission that is already in action.

However, the environment is extremely competitive. Four commercial banks, at least a dozen life assurance companies, five major short-term insurers and more than ten asset management companies serve a population of less than two million. A relatively high unemployment rate makes competition even more fierce. Non-conventional banking institutions focus on tailor-made solutions in profitable niche markets, without having to cater for the volume-based mass market.

#### Strategic initiatives

Consistent with the owner-manager philosophy, the Group allocated share options to eligible staff members to create a sense of ownership and commitment. Allocations were also made to black staff members and black non-executive directors as part of the BEE transaction.

# Chairman's Report

During the year, the Group acquired the remaining equity stake in FirstMet Namibia Unit Trusts Limited and renamed the company FNB Namibia Unit Trusts Limited, thus expanding the financial services the Group can offer to customers.

The Momentum transaction is in its final stages. Shareholders have given their approval and all other aspects are in place for Swabou Life to take over this book early in the new financial year. Court approval is awaited.

## Regulatory environment

The FNB Namibia Group continues to operate in a highly regulated environment. This makes it necessary to maintain good working relationships with the Bank of Namibia, the Namibia Financial Institutions Supervisory Authority ('NAMFISA'), the Namibian Stock Exchange ('NSX'), the Ministry of Finance as well as the South African Reserve Bank. The cooperation and guidance of these authorities throughout the year is continuously appreciated.

We have noted the concern Government and the public have expressed over bank charges and pricing in the banking industry. It has always been the Group's intention to provide affordable and quality financial products and services to our customers. In this regard the FNB Bank has introduced CardWise, specifically to cater for the needs of the lower-income market segment. IT-driven solutions have also been pioneered which make banking transactions significantly more affordable to all our customers.

## Financial overview

FNB Namibia Holdings Limited continues to be the company with the highest market capitalisation (excluding dual-listed companies) of N\$1.9 billion on the NSX.

The Group improved its earnings attributable to ordinary shareholders by 21%, mostly through organic growth. The total asset base of the Group is N\$9.6 billion and its ability to operate efficiently is evident in the reduced cost to income ratio of 46.7%.

## Dividend

I am pleased to announce a final dividend for the year ended 30 June 2006 of 23 cents per ordinary share. This, together with the interim dividend declared in February 2006 of 17 cents per ordinary share, results in a dividend cover of 2.4 times and maintains the sound capital base of the Group.

## Gratitude

A special word of thanks goes to our major shareholder, FirstRand Bank Holdings Limited, for providing resources as and when needed. In particular, we appreciate the efficient manner in which John Macaskill took over as Acting CEO at short notice after the untimely death of the late Lazarus Ipangelwa.

To all my colleagues at FNB Namibia and directors of the various boards, I thank you for your counsel. I thank the outgoing directors, Steve Katjjuanjo and EB Niewoudt, for their valuable contribution and I welcome our BEE partners, Ranga Haikali and Mwahafar Ndilula, as well as Dr Theunie Lategan, Stuart Moir and Advocate Vekuii Rukoro to the board of FNB Namibia Holdings Limited. I am confident they will make a positive contribution to the growth of the Group.

**Dieter Voigts**  
Chairman