

Corporate Governance

Governance Philosophy

Good corporate governance is an integral part of the business philosophy of FNB Namibia Holdings Limited ('the Company'). The values espoused govern the way in which the Company and its subsidiaries ('the Group') interface with all stakeholders. These values include the importance of being a good corporate citizen, integrity and the desire to be a world-class Group.

Group directors endorse the Code of Corporate Practices and Conduct (the 'King Code 2002') contained in the King Report on Corporate Governance (the 'King Report 2002'). They are satisfied that the Group has complied in all material respects with the provisions and spirit of the code.

Where practical, Corporate Governance is standardised across the Group to ensure that the high standards that the Group has set itself are implemented and monitored consistently in all its operations.

The Group believes that the implementation of its strategies is best managed at subsidiary and divisional level. While the non-executive directors acknowledge the need for their independence, they recognise the importance of good communication and close co-operation with executive directors. Teamwork between directors is an essential part of the Group's philosophy.

The Group actively distributes information to shareholders through the Stock Exchange News Service ('SENS'), the print media and its website. Following the publication of its financial results it engages with investors and analysts both locally and internationally to present the results and answer questions in respect of them.

Shareholders are encouraged to attend the annual general meeting.

The Board of Directors and its Committees

Composition

The Company has a unitary board. Its chairman is non-executive and independent. The roles of the chairman and chief executive officer are separate. This ensures a balance of authority and precludes any one director from exercising unfettered decision-making powers.

Following the successful completion of the Group's black economic empowerment transaction, two new directors were appointed to the board.

These directors were nominated by the consortiums they represent namely, Chappa'AI Investments 42 (Proprietary) Limited and Sovereign Capital (Proprietary) Limited. Their appointments were subject to the Group's standard procedures for appointing new directors, and their continued membership must be ratified by shareholders at the forthcoming annual general meeting. In terms of the BEE transaction, the consortiums referred to above have no automatic right to appoint directors.

At 30 June 2006 the board of the Company comprised ten directors – one executive director and nine non-executive directors. Of the non-executive directors, seven are independent.

The boards of major subsidiaries are similarly constituted with an appropriate mix of skills, experience and diversity.

Appointment of directors

Clear policies and detailed procedures for board appointments are in place. Such appointments are formal and a matter for the board as a whole. The board takes cognisance of its needs in terms of different skills, experience, diversity, size and demographics.

All non-executive directors are subject to retirement by rotation and re-election by shareholders periodically in accordance with the Articles of Association. A staggered rotation ensures continuity of experience and knowledge. A brief curricula vita of each director is included on pages 6 and 7. The reappointment of non-executive directors is not automatic and is subject to performance and eligibility. The board does not believe it should limit the number of terms an individual may serve. Long-serving directors provide valuable insight into the operations and future of the Company based on their experience of the Group's history, policies and objectives.

The board believes that 70 is an appropriate retirement age for directors. Directors generally will not be nominated for re-election after their 70th birthday.

Board proceedings

The board holds regular meetings, at least once a quarter.

Directors have full and unrestricted access to management and all Group information and properties. They are entitled to seek independent professional advice at the Group's expense in pursuit of their duties. Directors may meet management without the attendance of executive directors.

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Board and subcommittee membership and attendance

30 June 2006		FNB Namibia Holdings Limited	Group Audit Committee	Remuneration Committee
Total meetings		6	4	5
H-D Voigts	Non-executive	5***	2**	2
Adv. VR Rukoro (Appointed - 1 March 2006)	Executive	1	1**	2**
LS Ipangelwa (Deceased - 7 September 2005)	Executive	1		
JK Macaskill* (Acting CEO – 7 September 2005 to 28 February 2006)	Non-executive	6	3	5
HWP Böttger	Non-executive	6	4***	
II Zaamwani	Non-executive	2	2	4***
PT Nevonga	Non-executive	5		
SV Katjuuanjo (Resigned - 8 December 2005)	Non-executive	2	2	1
SH Moir* (Appointed - 24 November 2005)	Non-executive	4	2	1
CLR Haikali (Appointed - 24 November 2005)	Non-executive	4		2
M Ndiula (Appointed - 24 November 2005)	Non-executive	4		
Dr T Lategan* (Appointed - 24 November 2005)	Non-executive	3		

* South African ** Invitee *** Chair

Role and function of the board

The directors have a duty to ensure that the principles outlined in the King Code 2002 are observed. The board is required to balance conformance with governance constraints with performance in an entrepreneurial way. The directors have a fiduciary duty to act in good faith, with due diligence and care and in the best interests of the Company and all stakeholders. They are the guardians of the values and ethics of the Company and its subsidiaries. All directors subscribe to the code of ethics that forms part of the board charter.

The Board's fundamental responsibility is to improve the economic prosperity of the Group over which it has full and effective control. In terms of its charter, the board is responsible for appointing the Chief Executive Officer, adopting corporate strategy, major plans of action, policies and procedures as well as the monitoring of operational performance. This includes identifying risks which impact on the Group's sustainability, and monitoring risk management and internal controls, corporate governance, business plans, key performance indicators, including non-financial criteria, and annual budgets. It oversees major capital expenditures, acquisitions, disposals and any other matters that are defined as material.

The board is also responsible for managing successful and productive relationships with all stakeholders. Directors are empowered to delegate through the boards of the major subsidiaries, an executive committee and board committees. A

number of the Company's directors are also directors of the major subsidiaries. Board committees are structured to ensure that they include representatives from similar subsidiary board committees. This ensures that there is a common understanding of the challenges facing the Group, how they are managed and the decisions taken. Reports from board committees are reviewed at main board meetings.

Subsidiary boards and board committees

The Company has three major subsidiaries. These are:

- First National Bank of Namibia Limited;
- Swabou Life Assurance Company Limited; and
- Swabou Insurance Company Limited.

These subsidiary boards are subject to oversight by regulatory authorities including the Bank of Namibia, South African Reserve Bank and the Namibia Financial Institutions Supervisory Authority.

Board committees assist the directors in the discharge of their duties and responsibilities. At Company level, in addition to the Executive Committee ('Exco'), committees exist to deal with Remuneration, Audit and Credit Risk. These committees have formal terms of reference and report to the board. With the exception of Exco they are chaired by independent non-executive directors and have a majority of independent non-executive directors. Independent professional advice may be obtained at the Group's expense in support of their duties.

All committees have complied with their terms of reference and met their responsibilities during the year.

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Executive committee ('Exco')

The Group's Exco is required to implement strategies approved by the Board and manage the affairs of the Group. Meetings are held bi-monthly.

Exco is chaired by the Group Chief Executive Officer. Membership was restructured during the year, and now includes the Chief Executive Officer of First National Bank of Namibia Limited, the Group Chief Financial Officer, who is also Chief Financial Officer for the Bank, and other key members of senior management.

Exco has the following sub-committees:

- Asset and Liability Management Committee ('ALCO');
- Procurement; and
- Investment.

Remuneration committee

The committee consists of non-executive directors with the Group's Chief Executive Officer in an ex-officio capacity.

Its primary objective is to develop the reward strategy for the Group. It is responsible for:

- evaluating the performance of executive directors;
- recommending remuneration packages for executive directors and senior management including, but not limited to, basic salary, benefits in kind, performance based incentives, pension and other benefits;
- recommending policy relating to the Group's bonus and share incentive schemes;
- recommending the basis for non-executive directors' fees; and
- reviewing annual salary increases.

Non-executive directors' fees are based on market comparisons.

Share dealings

In terms of the Group's 'closed period' policy, directors, officers, participants in the share incentive scheme and staff who may have access to price-sensitive information are precluded from dealing in the Company's shares for about two and a half months before the release of interim and final results. Additional closed periods may be invoked by the board. Details of directors' dealings in the Company's shares are disclosed to the board and published on SENS. Details of trades in the Company's shares by staff who may have access to price sensitive information are disclosed to the Group Remuneration Committee.

Employment Equity

The Group has an affirmative action policy to achieve employment equity in the workplace and enhance business competitiveness. Developing all employees is critical to the success of the programme and emphasis is placed on training, monitoring and promotion of existing staff.

The Group has received its Affirmative Action Compliance Certificate from the Employment Equity Commission annually since inception.

Audit committee

The Group's audit committee reviews the findings and reports of the subsidiary companies and addresses matters of a Group nature. The Group audit committee has adopted terms of reference dealing with membership, structure, authority and duties. The Group's audit committee has complied with its terms of reference. The responsibility of the Group audit committee is to:

- ensure the integrity, reliability and accuracy of accounting and financial reporting systems;
- ensure that appropriate systems are in place to identify and monitor risk, controls and compliance with the law and codes of conduct;
- evaluate the adequacy and effectiveness of internal audit, risk and compliance;
- maintain transparent and appropriate relationships with the external auditors; and
- review the scope, quality and cost of the statutory audit and the independence and objectivity of the auditors.

The committee consists of non-executive directors. The Group Chief Executive Officer, the Group Chief Financial Officer and the Head of Internal Audit attend ex-officio. The external auditors attend all meetings.

Bank of Namibia

The Bank of Namibia performs an annual on-site inspection on the operations of First National Bank of Namibia Limited ('the Bank') and its subsidiaries (the 'Banking Group'). The purpose of the examination is to establish, among others, to what extent an adequate and effective process of corporate governance has been established and maintained within the Banking Group. The report of the inspection is tabled at the board meeting of the Bank for review. The last report of 2005, did not reveal any issues that are considered material to put the Banking Group or its stakeholders at risk. The board fully supports the Bank of Namibia.

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Compliance with the Namibian Stock Exchange ('NSX') listings requirements

The Board of Directors is satisfied that the NSX listing requirements have been complied with.

Compliance with the Namibia Financial Supervisory Authority Act, 2001 ('NAMFISA')

Swabou Life Assurance Company Limited and Swabou Insurance Limited, being wholly owned subsidiaries of the FNB Namibia Holdings Ltd group, are registered insurers and are required to comply with legislation. The Group is committed to a continuous process of liaising with NAMFISA to benefit from its guidance in the implementation of its requirements.

NAMFISA also regulates FNB Namibia Unit Trusts Limited, which became a wholly owned subsidiary of FNB Namibia Holdings on 1 January 2006, as well RMB Asset Management Namibia, a 50% associate of FNB Namibia Holdings Ltd.

Financial statements

The directors are responsible for monitoring and approving the financial statements to ensure that they fairly present the Group's affairs and the profit or loss at the end of the financial year. The independent auditors are responsible to audit these financial statements.

The financial statements in this report have been prepared by management in accordance with International Financial Reporting Standards and in the manner required by the Namibian Companies' Act and NSX. They are based on appropriate accounting policies that have been consistently applied, except as indicated, and which are supported by reasonable and prudent judgements and estimates.

Code of ethics

The Group's code of ethics commits it to the highest standard of integrity, behaviour and ethics in dealing with all stakeholders. On being appointed, all staff are required to familiarise themselves with the code and are expected to adhere to it because it is regarded as a strategic business imperative and a source of competitive advantage.

Management succession planning

The Group benefits from an extensive pool of people with diverse experience and competence at senior

management level. A formal succession planning exercise has been undertaken across the Group and a formal succession plan is being finalised. The board is confident that it should be possible to identify suitable short-term and long-term replacements from within the Group should the need arise.

Corporate social investment

The Group continues to contribute 1% of after-tax profits to the FNB Foundation, the vehicle used to oversee its Corporate Social Investment activities.

The work of the Foundation is overseen by a board of trustees who guide management and ensure compliance with legislation, implementation and monitoring of risk management protocols related to the approval and payment of grants and measurement of the impact of the Foundation's work.

Company secretary

Mr B Katjaerua was appointed company secretary on 14 August 2006, after the resignation of the previous company secretary on 30 June 2006. He is suitably qualified and empowered and has access to the Group's secretarial resources. The Company secretary provides support and guidance to the board in matters relating to governance and ethical practices across the Group. He assists the board as a whole and directors individually with detailed guidance on how to discharge their responsibilities in the best interest of the Company.

Auditor independence

The Group financial statements have been audited by the independent auditors, Deloitte & Touche. The Group believes that the auditors have observed the highest level of business and professional ethics. It has no reason to believe that they have not at all times acted with unimpaired independence. Details of non-audit services provided by the external auditors are disclosed in the financial statements, together with fees paid in respect thereof.