



Chairman's Report



Introduction

The year under review has been another very positive one for FNB Namibia Holdings Ltd ("the Group"). Commitment to success by management and staff has ensured healthy growth.

Last year I welcomed Advocate Vekuii Rukoro (Group) and Leonard Haynes (Bank) as new CEOs. This year I wish to acknowledge their role in consolidating and growing the business. By adding exciting new financial solutions for clients to our existing armoury, they have delivered sustainable profits.

The Group celebrates its centenary this year, conscious of its slogan – "honouring our past, embracing our future" – and keenly aware of the contribution made by you, our shareholders and customers. May the next 100 years be as successful.

Market environment

The Group operated in a stable but challenging environment in the 2007 financial year. The economy, with a 2.9% GDP growth, did not match the expectations raised in 2006.

As a member of the Common Monetary Area ("CMA"), Namibia's local interest rate follows closely that of South Africa. Midway through the year, inflation broke the upper level of the target range of 6% in both countries, prompting monetary authorities to hike the bank rate by 200 basis

points from August 2006. The inflation rise exacerbated by ever-increasing oil prices, putting pressure on input prices and posing a great challenge.

In addition the domestic market experienced a shortage of liquid financial instruments as the Ministry of Finance issued fewer treasury bills and government stock.

Namibia's high unemployment rate of 36% has a major impact on the size of the bankable population in a country of some 2-million people, creating stiff competition among the four banks.

Strategic initiatives

The Group's Black Economic Empowerment (BEE) initiative is working well, as demonstrated by the real value added to the company by our BEE partners. This initiative will see South African-based FirstRand ownership reduce from 60% to 55%, with 45% of the FNB Group's shares placed in the hands of Namibians. The first tranche has vested to our BEE partners during the year.

We are pleased to report that the agreement with OUTsurance will result in a completely new insurance value proposition in the Namibian market, while the engagement of Momentum with Swabou Life will give us access to a new range of products.

The Small and Medium Enterprise (SME) strategic plan is well on its way. The Business Unit, established in 2005 to cope with SME's unique challenges, helps prospective entrepreneurs to address their financial needs and supports them as they grow. By setting them up for success, we are helping to build the empires of tomorrow.

Regulatory environment

We have maintained and deepened our excellent relationships with the Bank of Namibia, the Namibia Financial Institutions Supervisory Authority, the Namibian Stock Exchange, the Ministry of Finance and the South African Reserve Bank.

A determination issued under the Banking Institutions Act of 1998 has helped combat terrorist financing and

money laundering in Namibia. But international developments have made new legislation necessary to fight the scourge. Even though Namibia criminalised money laundering (through the Prevention of Organised Crime Act of 2004), national machinery to implement it was lacking. A new Financial Intelligence Bill will establish a Financial Intelligence Centre and an Anti-Money Laundering Advisory Council. The Bill has been approved by the National Assembly and the National Council, and is expected to become operational from June 2008. This legislation places an obligation on institutions like banks to monitor client transactions for suspicious activity and record retention. To a large extent, we already do that and we do not expect that it will impose too many additional duties on us.

The banking industry worldwide has moved to implement Basel II (a more advanced capital framework), and Namibia is no exception. Indications are that we will be expected to commit to a parallel run of the standardised approach under Basel II as well as the current framework from 1 July 2009, with full implementation set for 1 January 2010. We have already begun to expose our business to the implications of this new accord.

The Group has been working with other banks and financial services companies to craft a Financial Services Charter, set to become operational from January 2008. It will guide the transformation and Namibianisation of the industry. The Group embraces this initiative.

Great strides have been made in the past year to provide for new or adapted committees to achieve the highest possible standards of corporate governance. These include the audit committee, the remuneration committee and the directors' affairs committee, about to become active. FNB Namibia strives continuously to enhance corporate governance by creating or refining committees and its functions.

Financial overview

The Group maintained good earnings growth, delivering after-tax earnings attributable to ordinary shareholders of

N\$303.2 million, up from N\$255.6 million in the prior year. This increase of 19% is significant considering the slow-down in the Namibian economy. Total assets grew by 11% to N\$10.7 billion (2006: N\$9.6 billion).

Dividend

I am pleased to announce a final dividend for the year ended 30 June 2007 of 26 cents per ordinary share. This, together with the interim dividend of 21 cents declared in February 2007, maintains a dividend cover of 2.4 times. With the special dividend of 93 cents declared in February 2007 to repay shareholders' surplus capital, ordinary shareholders receive a total dividend payment for the year of N\$1.40 - in total, N\$70 million more than the profit for the year.

Appreciation

I would like to extend my sincere appreciation to Government for maintaining a stable social, political and economic environment and trust that this will remain so.

My appreciation also goes to the Group's board members, management and staff for their dedication, commitment and hard work.

I thank Dr Theunie Lategan, who has been appointed CEO of FirstRand India, for his guidance; and welcome Jabu Khethe to the board of FNB Namibia Holdings and congratulate him on his appointment as CEO of FNB Africa.

A special word of thanks goes to our majority shareholder, FirstRand, for the trust bestowed on us and its ever-ready assistance.

Dieter Voigts
Chairman



1915 National Bank of South Africa opens four new branches.



1915 Alexander Graham Bell makes a historic phone call, the first transcontinental conversation between New York and San Francisco.



1916 The intensity of World War I trench warfare meant that about 10% of the fighting soldiers were killed, compared to 5% killed during the Boer War and 4.5% killed during World War II.



1917 King Mandume Ndemufayo is killed at his homestead by a large South African armed force. He became leader of the powerful Kwanyama Kingdom when he was still a teenage boy and only ruled for 6 years.



1926 Amalgamation of National Bank and Barclays finalised and becomes known as Barclays Bank (Dominion Colonial and Overseas).