



Chairman's report

Introduction

This was a landmark year for FNB Namibia Holdings Ltd ("the Group") and especially First National Bank. We can report that, in the year of our Centenary celebrations, we have achieved two major objectives in an intensely competitive environment: we have grown the Group successfully yet again and, we believe, we have gone several steps further in meeting the needs of our key stakeholders - our customers, shareholders and staff.

Inevitably, amidst the celebrations, we have found ourselves looking both backward and forward. We are proud to remember the opening of our first purpose built branch a hundred years ago in Lüderitz. This was pioneer territory and we were a pioneer bank. Together we have grown, sharing great moments - the diamond booms, the political travails, the development of a sophisticated economy, the exhilaration of independence. We have been an integral part of a process that turned a frontier economy into a vibrant enterprise.

But we do not intend to rest on our laurels. Our task is not merely to share Namibia's growth. It is to contribute significantly to it. This has required us to once again take stock of where we are as a financial institution, and where we want to go. Our centenary year has been a year of reflection and planning too. Continued growth requires new strategies and fresh initiatives. A policy that rests on "more of the same" will not meet future needs of the country or the Group.

In the months to come Namibians will see the result of our efforts: better services, innovative policies, large strides towards bringing the convenience and opportunities of banking to more Namibians.

Our centenary celebrations took centre stage among all the activities of the Group for almost the entire second half of 2007. They started on a high note with the launch by the Minister of Presidential Affairs, Dr. Albert Kawana, on behalf of His Excellency, Hifikepunye Pohamba, President of the Republic of Namibia and concluded with the annual FNB Cup and the Match of the Century - a soccer contest involving politicians and captains of industry. Between these events, many activities and projects were rolled out, drawing in staff and customers and all designed to focus attention on the growth and success of the Group.

I would like to take this opportunity to thank our loyal customers for their patronage over the past 100 years, and to express my gratitude to the Government of the Republic of Namibia for the confidence bestowed upon us as a trusted business partner. Namibians all over the country shared our milestone moment, thereby honouring our past, and embracing our future. As the first financial institution to reach this extraordinary landmark of 100 years of banking excellence, we look forward to sharing a bright future with all Namibians.

Market environment

The Group continued to operate in a challenging business environment for the period under review. The bank rate has been increased by 100 basis points since July 2007, with inflation edging towards 10% in June 2008, putting a damper on consumer demand. On a positive note, the Bank of Namibia has not adjusted interested rates since October 2007, providing some relief.

However, the combined effect of the higher interest rates plus fuel and food inflation is that customers' appetite for borrowing has declined significantly since the beginning of the current interest cycle in June 2006. Bank of Namibia data shows that the growth rate of private sector credit extension is slowing. Slow growth in private sector credit demand is likely to translate into slow consumer demand, thus putting a damper on the growth outlook over the medium term.

Strategic initiatives

In refining our strategic direction, we assembled the senior managers of the Group to apply out-of-the-box thinking to securing sustainable business growth and to developing initiatives that will ensure synergy across the Group. Business units now have a clear indication of what is expected of each of them for the Group to meet its targets.

Our life assurance business saw some existing strategies implemented. Momentum bought into Swabou Life, which resulted in abnormal profits of some N\$35 million, and the old Southern Life (Momentum) book has been fully transferred to Swabou Life. New strategies are being refined to optimise this investment and the opportunities it will bring in the new financial year.

Business synergies between OUTsurance and Swabou Insurance proved to be successful, resulting in higher than expected profits since the launch this year.

The Bank of Namibia made it compulsory to localise the core banking systems of all banks operating in Namibia. FNB was no exception. While this project has material cost implications and must be managed cautiously to avoid risk, it opens up great opportunities that will improve efficiencies over time.

Regulatory environment

As in the past, we have maintained excellent working relationships with our Regulators. These include the Bank of Namibia, the Namibia Financial Institutions Supervisory Authority, the Ministry of Finance and the



South African Reserve Bank. Our relationship with the Namibian Stock Exchange has also grown from strength to strength.

During the past year considerable work has gone into helping to shape the country's Financial Intelligence legislation, and the Financial Intelligence Act was gazetted during July 2007. In our last report we conveyed that money laundering was criminalised in Namibia through the Prevention of Organised Crime Act of 2004, and although the Act was gazetted in 2004, it has yet to come into operation. This has implications for the Financial Intelligence Act, and the implementation of this Act is now delayed.

Extensive changes are planned for the industries that are regulated by the Namibia Financial Institutions Authority. We are committed to ensuring that our regulatory environment supports the fruitful conduct of business in our industries, and that legislation is relevant.

We have also helped Namibia's banking industry prepare for the challenges that Basel II poses. The implementation date of 1 January 2010 is awaited.

Work on the Financial Services Charter continues and the final sign-off on this initiative is expected soon. The Group supports the Charter's objectives and, with the exception of ownership requirements, already complies with the draft Charter in all material aspects.

Financial overview

The Group has performed exceptionally well during this financial year, recording profit after tax attributed to ordinary shareholders of N\$384 million, up from N\$303 million of last year. The increase of 27% is significant, keeping in mind the extent to which the Namibian economy slowed down throughout the past year. Total assets grew by 25% to N\$13.4 billion (2007: N\$10.7 billion).

Dividend

It is with pride that I announce a final dividend for the year ending 30 June 2008 of 28 cents per ordinary share. With the dividend of 25 cents declared in February 2008, ordinary shareholders will receive a total dividend payment for the year of 53 cents per ordinary share.

Appreciation

I wish to commend the Government most sincerely for its commitment to maintaining political stability and a peaceful environment in which to do business. This commitment gives the Group great peace of mind. It encourages continued investment and injects impetus into the economy in all sectors, enabling Namibia to remain on course to achieve its Vision 2030.

In conclusion, I extend my sincere appreciation and profound thanks to my colleagues on the Holdings Board, as well as all levels of management and, very importantly, employees who implement the strategic objectives set and approved by the Board. You have done us proud by your sterling financial performance while upholding our corporate culture.



Dieter Voigts
Chairman

