

## Chairman's report

This is a bittersweet moment for me. At the end of this year I retire after 22 years as non-executive chairman of the FNB Namibia board. This will be my last contribution to an FNB Namibia Holdings Annual Report.

But what a year it has been to conclude my services to FNB! 2010 will go down in history as a landmark year for the African continent, with South Africa hosting the first FIFA World Cup on African soil.

The hosting has been a tremendous experience for Southern Africa – including Namibia. It has done a fantastic amount for the reputation of the sub-continent and our abilities as Africans. The organisation of the event was nothing but praiseworthy.

Despite the fact that our neighbour to the south has absorbed most of the international focus, credit can, without a doubt, go to FNB Namibia for establishing a sense of excitement around the FIFA tournament in Namibia. FNB Namibia took full ownership of the World Cup locally.

Notwithstanding the euphoria, the year has not been without its challenges. FNB heeded the call from the Bank of Namibia (BoN), and in November 2009 our core banking system was fully localized, an exercise that required a major capital and HR investment. The process involved installation, operation, testing and, finally, implementation – a challenge and ultimately a huge achievement. I salute our project teams in Namibia and South Africa.

Secondly, we had to maintain and improve profitability in the face of a continued worldwide economic recession that began to cast its ominous shadow in the latter half of 2008. However, local fall-out has not been as severe as expected. The exchange control regime in South Africa and Namibia provided much needed stability during the crisis, therefore making the resultant global economic fallout manageable. FNB weathered the storm by applying prudent banking principles, keeping a balance between providing credit and maintaining profitability; between caution and risk.

FNB's growth ensured that our contribution to the



Namibian economy – and tax contribution to government coffers - remained strong. The continuing expansion of the FNB banking footprint and electronic banking channels brought more and more unbanked Namibians into the formal banking fold. The consistent development of our ATM and branch/agency network; the drive to sign up more cellphone banking users by offering the service free of charge; the enhancement of the SME, Agri and Tourism divisions; the added functionality at the Easy Loan division with easy credit access – all these developments bear testament to FNB's commitment to take banking to all corners of the country, and to all market segments – in particular the previously unbanked sections of our population.

As always, the market environment remained fiercely competitive. All industry competitors guarded their market



share jealously, through innovative product development and the continued launch of new services. This, of course, benefits the public. Banks trade with a very important commodity, money. It is a commodity which can make a huge difference to people's lives – especially in terms of offering the poor and un-banked an opportunity to become part of the formal financial sector, thus gaining financial knowledge, freedom and independence.

The interest of the public is also being advanced by enhancements to the National Payment System. During the year the cheque reduction limit from N\$5 million to N\$500 000 per transaction was implemented. This will reduce risks and encourage electronic settlement. The early square-off time for banks will also augment the settlement process.

On the regulatory front, the new Banking Institutions Amendment Bill was approved by the National Assembly during February and was referred to the National Council. The banking industry was not afforded the opportunity to make an input on the amendments. Subsequently, however, the Bankers Association of Namibia was invited to appear before a Parliamentary Committee of the National Council to testify in support of its submission on the Bill. The group CEO also met the Minister of Finance on the issue. The chief concern relates to the discretionary powers given to BoN and/or the Minister of Finance to decide which parts of the Act will or will not apply to foreign branches. The concern is that foreign branches may enjoy preferential treatment in Namibia against existing banking institutions that are not incorporated as foreign branches. Playing fields will not be level if foreign branches are exempted from some provisions of the law as contemplated by the law.

The Bill provides for penalties and spot fines to be imposed by BoN, and appears to limit or remove the jurisdiction of the courts. In effect, it would make BoN both prosecutor and judge. The constitutionality of this provision is indeed highly questionable.

The Governor of BoN has stated that changes will be made to the Payment Systems Act in 2010 that will give BoN more control over charges made by commercial banks. Through the Bankers Association of Namibia, FNB plans to have constructive discussion on the matter. We have begun

to analyse our costs and related procedures in more detail to establish accurately the profitability of various types of transactions.

The Financial Institutions and Markets Bill was referred to Parliamentary Standing Committee on Legislation in early February 2010. It is not on the order paper for the current session of Parliament. The impact of the Bill has been considered by management and the company is gearing towards complying with it when it becomes law.

FNB is known for setting high standards and congratulations to the FNB team for receiving for the fourth consecutive time the award from the Chartered Company Secretaries of South Africa for the best annual report in the category of regionally listed companies outside South Africa. FNB is also the proud recipient of the prestigious Bracken Award as the best bank in Namibia with 144 other country winners at the Banker's 10th Bank of the Year Awards in association with UK Trade and Investment.

In light of the challenges successfully faced, and our pride in the achievements of the past year, I cannot conclude without mentioning the people at FNB. Their spirit is exceptional. They are responsible for making this company great. They are living the FNB slogan: "How can we help you?" The buy-in by all – from clerical workers to the top echelons of management – has been achieved through strong, positive leadership and continued training. FNB Namibia has a great team and a great team leader and will go from strength to strength.

I am looking forward to my time off, but I know that there is much that I will sorely miss. Throughout my tenure as non-executive chairman, I've been privileged to meet and work with tremendous people. I've had experiences that I will always cherish and I'm thankful for the support that I've enjoyed these past 22 years. To Claus Hinrichsen, who will take over from me: may you be as richly blessed during your tenure.



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