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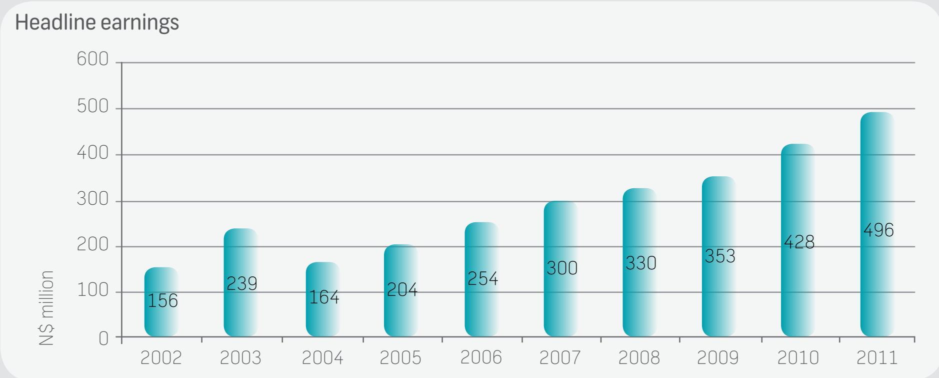
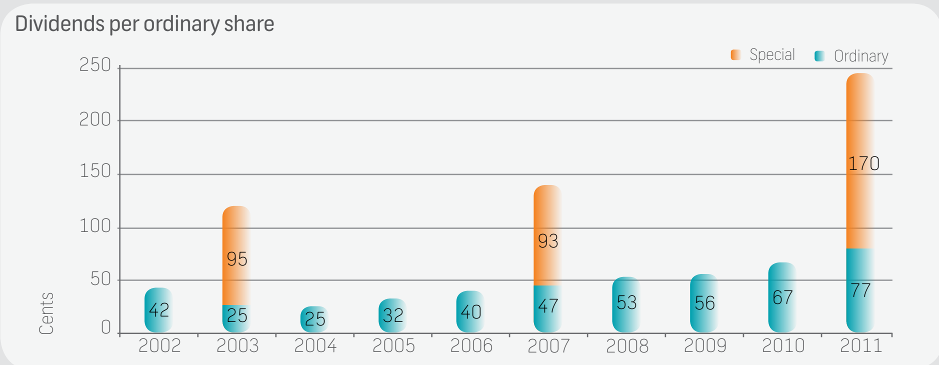
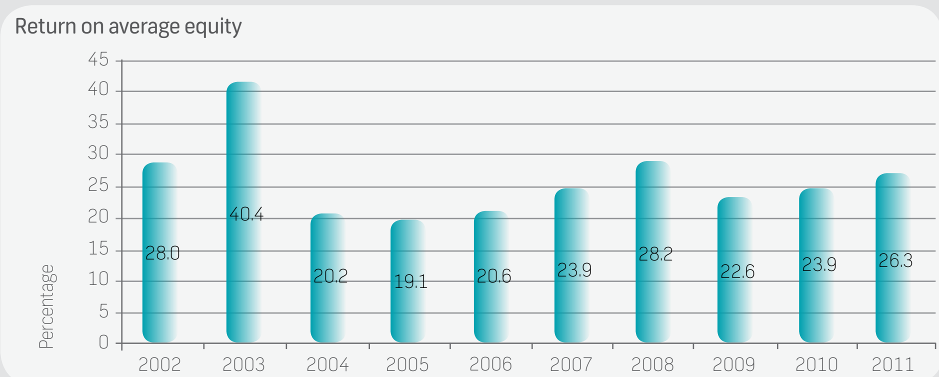
Features of the group results

for the year ending 30 June







	2011	2010
Share performance		
Earnings per share (cents)	191.8	166.1
Diluted earnings per share (cents)	191.8	166.1
Headline and diluted headline earnings per share (cents)	191.6	165.7
Ordinary dividend per ordinary share declared in year (cents)	77.0	67.0
Total dividend per ordinary share declared in year, including special (cents)	247.0	67.0
Closing share price (cents) - ordinary	1 236	1 156
Market capitalisation (millions)	3 307	3 093
Number of shares in issue (millions) - ordinary*	258.8	258.5
Weighted number of shares in issue (millions) - ordinary*	258.7	258.5
Dividend cover (times) - excluding special dividend	2.4	2.4
Net asset value per share (cents)	703.2	755.1
Dividend yield (%) - ordinary dividend	6.2	5.8
Earnings yield (%) - ordinary shares	15.5	14.4
Price to book ratio	1.8	1.6
Price: Earnings ratio - ordinary shares	6.4	7.0
** after consolidation of share trusts*		
Selected ratios		
Return on average shareholders' equity (%)	26.3	23.9
Return on average assets (%)	3.0	2.9
Cost to income ratio (%)	48.8	48.9
Capital adequacy		
Capital adequacy of FNB	16.6%	20.4%
Capital adequacy requirement (CAR) of Momentum Life (times)	3.0	4.3
Solvency margin of OUTsurance (%)	35.1	35.1

Financial statistics from continuing and discontinued operations

Board of directors

Claus Jürgen Hinrichsen
Independent
Non-executive Chairman

Date of birth: 9 May 1943
Appointed: March 2009
BA, LLB (Wits), BA Honours (UNISA),
Admitted Legal Practitioner
Directorships: Candida (Pty) Ltd, Tovsorel Investments (Pty) Ltd, Bismark (Pty) Ltd, Ausspannplaza Investments No.4 (Pty) Ltd
Trusteeships: Goreangab Trust, Namibia Legal Practitioners Trust, FNB Foundation

Jabulani Richard Khethe
Non-executive Director

Date of birth: 26 March1963
Appointed: July 2007
BCom (Banking) - University of Pretoria; MBA - BOND University
Directorships: FNB Namibia Holdings Ltd, First National Bank of Botswana Ltd, FNB Mozambique SA

John Kienzley Macaskill
Non-executive Director

Date of birth: 07 March 1950
Appointed: March 2003
BCom (BEM) - University of Pretoria; CAIB / AEP – UNISA
Directorships: FNB Namibia Holdings Limited, First National Bank of Namibia Limited, First National Bank of Botswana Limited, First National Bank Holdings (Botswana) Limited, FNB Mozambique SA, First National Bank Zambia Limited, FirstRand Bank Representative Office (Nigeria) Limited

Petrus Tukondjeni Nevonga
Independent
Non-executive Director

Date of birth: 26 October 1968
Appointed: May 2003
BTech (Business Administration) - Polytechnic of Namibia; Diploma in Human Resources Management - Polytechnic of Namibia
Directorships: FNB Namibia Holdings Ltd, Namibia Grape Company (Pty) Ltd, Effort Investment Holdings (Pty) Ltd, Endombo Enterprises (Pty) Ltd, Kuleni Fund Administrators (Pty) Ltd, Tulongeni Fishing (Pty) Ltd and Sovereign Capital (Pty) Ltd
Trusteeship: Government Institutions Pension Fund

Inge Ingenesia Zaamwani-Kamwi
Independent
Non-executive Director

Date of birth: 11 November 1958
Appointed: January 2000
LLB (Hons) - London; LLM – Dundee
Directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, Namdeb Diamond Corporation (Pty) Ltd (CEO), Namgem Diamond Manufacturing (Pty) Ltd, Diamond Board of Namibia, Fishcor Ltd, Zantang Investments (Pty) Ltd, UNAM Council, Junior Achievement Namibia, Namibia Chamber of Commerce & Industry, National Planning Commission, Tungeni Africa Investments (Pty) Ltd, Extract Resources Ltd, and MCA Namibia
Trusteeships: XNET Trust Fund and FNB Share Incentive Trust

Christiaan Lilongeni Ranga Haikali

Independent Non-executive Director

Date of birth: 25 October 1968
Appointed: November 2005
BBA (Entrepreneurship) UNAM
Directorships:FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, Prosperity Health, Africa Personnel Services, Namibia Stevedoring Services, HANU Investments cc, Preferred Management Services, NSWE (Pty) Ltd, APS International (Pty) Ltd, Chappa "Al Investments (Pty) Ltd, Petronam Investments (Pty) Ltd, Namibia Liquid Fuel, Oryx Investments (Pty) Ltd, Mertens Mining and Trading (Pty) Ltd, Duiker Investments 175 (Pty) Ltd, Tumba Holdings (Pty) Ltd, Surecast Mining and Construction (Pty Ltd, Vision Africa (Pty) Ltd, Tulongeni Strategic Investments (Pty) Ltd, Namibia Jetlink (Pty) Ltd, Ekango Retail Solutions (Pty) Ltd and Safland Property (Pty) Ltd
Trusteeships: Tulongeni Family Trust and Frontier Property Fund

Vekuii Reinhard Rukoro

Chief Executive Officer

Date of birth: 11 November 1954
Appointed: March 2006
LLM (International Law); Utter Barrister's Degree; LLB (Hons); enrolled as advocate of the High Court of Namibia in 1992
Directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, OUTsurance Insurance Company of Namibia Ltd, Momentum Life Assurance Company Ltd, RMB Asset Management (Namibia) (Pty) Ltd, Swabou Investments (Pty) Ltd and Namibian Employers' Federation
Trusteeships: Khomas Education & Training Fund (Ministry of Education, Khomas Region), FNB Foundation and Board of Governors of the Fidelity Fund of the Law Society of Namibia

Mwahafar Ndakolute Ndilula

Independent Non-executive Director

Date of birth: 19 February 1950
Appointed: November 2005
MPA / DDA - Liverpool University
Directorships: FNB Namibia Holdings Ltd, OUTsurance Insurance Company of Namibia Ltd (Chair), Momentum Life Assurance Company Ltd, Sovereign Asset Management (Pty) Ltd, Sovereign Investments (Pty) Ltd, Sovereign Capital (Pty) Ltd, Sovereign Properties (Pty) Ltd and Temako Green Energy (Pty) Ltd

Stuart Hilton Moir

Independent Non-executive Director

Date of birth: 23 June 1948
Appointed: November 2005
PMD - Harvard University; CAIB (SA); B.Comm; CIS
Directorships: FNB Namibia Holdings Ltd, First National Bank of Namibia Ltd, Momentum Life Assurance Company Ltd (Chair), FNB Insurance Brokers (Namibia) Pty Ltd, Stimulus Investments Ltd and FNB Namibia Unit Trust Ltd (Chair)
Trusteeships: Nampro Trust and FNB BEE Trust

Group executive committee

Adv Vekuii Rukoro

Chief Executive Officer: FNB Namibia Holdings Group

Date of birth: 11 November 1954
LLB (Hons); LLM, Utter Barrister's, Advocate of the High Court of Namibia

Conville Britz

Head: Risk Management

Date of birth: 01 February1972
B.Compt (Hons), CTA, CA

Dixon Norval

Head: Strategic Marketing & Communications

Date of birth: 1 July 1959
BA Hons, MA, MBA

Kobus Louw

Head: Corporate & Commercial

Date of birth: 7 December 1962
CAIB (SA), B.Econ, MBA

Michelle Van Wyk

Group Treasurer

Date of birth: 30 January 1976
B. Acc, B.Acc (Hons), CA, ACT, ACI

Rowan Yeomans

Head: Internal Audit

Date of birth: 21 January 1955
GIA (SA), Diploma Bank Credit Management

Stephen van Rhyn

Head: Information Technology

Date of birth: 19 June 1969
Post Graduate Diploma IT

Erwin Tjipuka
Group Chief Financial Officer

Date of birth: 14 July 1975
B. Comm, PGDA, CA, MBA

Ester Kali
Head: Retail Banking

Date of birth: 28 August 1967
CAIB(SA), MBA, LDP

Etienne Brits
Chief Executive Officer: Momentum Namibia
Chief Executive Officer: OUTsurance Namibia

Date of birth: 30 June 1963
Diploma: HR Management

Ian Leyenaar
Chief Executive Officer: First National Bank of Namibia Limited

Date of birth: 11 December 1956
B.Comp, LIB (SA), AEP

Sylvia Müller
Head: Credit

Date of birth: 16 November 1968
B Comm, PDA, CA

Andreas Mwoombola
Head: Human Resources

Date of birth: 3 February 1961
MBA, MSc in HRM

Yamillah Katjirua
Group Company Secretary and Compliance Officer

Date of birth: 1 October 1974
BJURIS, LLB, Certificate in Compliance SMDP

Brian Katjaerua
Group Legal Advisor

Date of birth: 13 April 1975
BJURIS, LLB, LLM, LLM, FA'ARB, Legal Practitioner of the High Court of Namibia

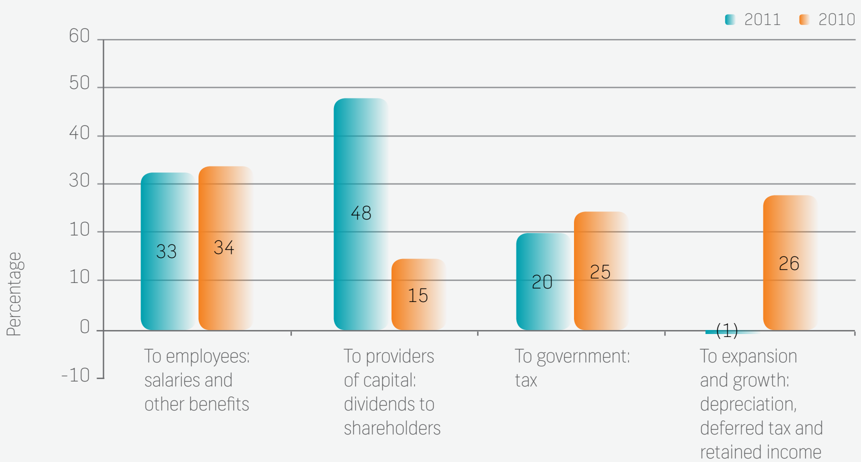
Group value added statement
for the year ended 30 June

Value added is the wealth the group has been able to create by providing clients with a quality, value-added service.

N$ million	2011		2010	
Value added by continuing operations				
Income earned by providing financial services	1 415		1 387	
Cost of services	(563)		(643)	
Value added by financial services	852		744	
Non operating and other income and expenditure	344		207	
Value added by continuing operations	1 196		951	
Value added by discontinued operations	103		77	
Value added by continuing and discontinued operations	1 299		1 028	
Value allocated				
To employees: Salaries and other benefits	423	33%	348	34%
To providers of capital: Dividends to shareholders	626	48%	153	15%
To government: Tax	263	20%	253	25%
To expansion and growth: Depreciation, deferred tax and retained income	(13)	-1%	274	26%
	1 299	100%	1 028	100%

Note: 2010 information has been restated due to the classification of Momentum Namibia as a discontinued operation. See note 42 of the Annual Financial Statements.

Group value added statement



Economic review

The global economy avoided the risk of a double dip over the period under review. Economic activity has expanded after the slowdown and is starting to proceed along a more self-sustained path. However, the growth momentum faced headwinds in the form of the credit default risk emanating in the Euro-periphery, and inflationary pressures in emerging economies such as China due in part to a sudden upsurge in commodity prices.

These risks, though well managed, put pressure on the medium-term growth outlook for the global economy. Furthermore, it is clear that regional differences on cyclical positions will persist.

Global recovery under pressure

Economic recovery in advanced economies in 2011 was negatively affected by natural disasters, the need for fiscal consolidation and continued private sector balance sheet repair which dampened growth. As a result the speed of recovery from the global crisis has remained subdued in the US. In Japan, the severe tsunami led to a contraction in output and introduced supply shocks to the global trading system. Other leading economies such as the UK experienced sluggish growth with heightened inflationary pressures.

In key emerging and developing economies the risk of overheating as a result of the commodity price cycle and the fiscal accommodation necessitated by the global crisis heightened inflationary pressures, particularly in Asia. Some central banks were forced to hike rates. Crucially, efforts to restrain growth by raising interest rates has started in earnest in countries like Australia and China, which may have a dampening effect on global growth.

Therefore global economic activity will slow down in 2011 and we believe it will remain unbalanced amid elevated downside risk. International Monetary Fund (IMF) projections in June 2011, the latest available, were that the global economy would grow by 4.3% this year after growing by 5.1% the previous year. The IMF also projects lower growth for the US – 2.5% against 2.9% the previous year – and about 2% for the Euro area after the dismal 1.6% of the previous year.

Emerging and developing economies are expected to experience more robust growth of 6.6% in 2011, with relative buoyancy into 2012. Sub-Saharan Africa is projected to grow by 5.5%. However, the IMF expects world trade volumes to slow to a growth rate of 8.2% after reaching 12.4% the previous year. The latest Purchasing Managers' Index (PMI) for global economic activity shows that major vulnerabilities remain even though the index recovered slightly in May 2011 after a marked deceleration the previous month.

Namibian economy pulling through

There is no official preliminary data on Namibia's 2010 growth as yet. However, data on livestock sales and mineral output suggest fairly strong growth after a contraction of 0.7% in 2009. FNB's assessment is that growth was above 3% – in line with trend growth for 2010.

Economic review continued

As anticipated, mining was central to the 2010 recovery, and will most likely continue to be. Diamond mining output increased by roughly 57% to 1.47 million carats which had a positive effect on value added. However, there is scope to ramp up production to pre-crisis levels of above 2 million carats over the next couple of years which is positive for medium-term growth. The expectation is that diamond production will most likely remain flat this year and accelerate from 2012. Uranium production rose by 6.5% to 5876 tonnes year on year and zinc production rose by more than 7% compared to less than 2% growth in 2009. The global commodity price surge is indeed positive for growth, which we forecast to come in at about 4%.

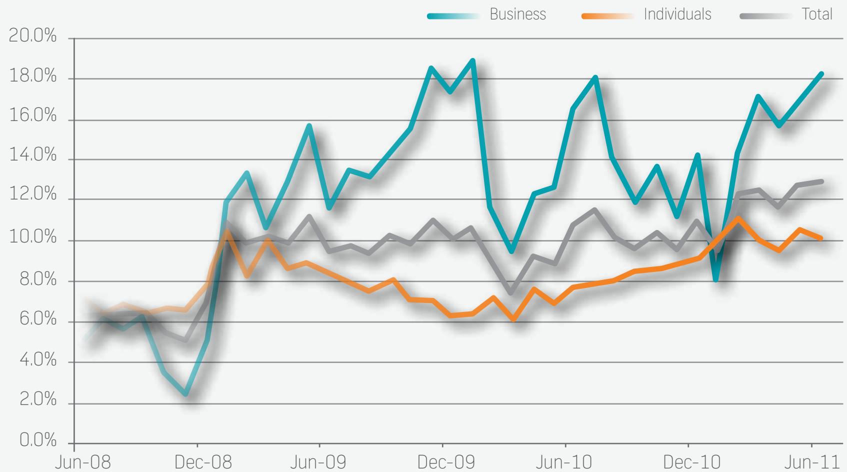
The outlook for this year and next is bullish, specifically in the light of the surprising pro-cyclical fiscal push arising from the new Medium Term Expenditure Framework (MTEF). Government has budgeted to spend 30% more in the new financial year – from N$28.8 billion to N$37.7 billion. We estimate that pure operational spend (excluding transfers) could go up by 20%. We are not that confident that government will spend the total allocation. But even if there is a spending lag, government could add 10% to GDP. Accordingly, FNB's 2011 growth forecast is 4.1%. Increased spending on transfers (for instance, for war veterans) would have a positive knock-on effect on household disposable income.

The response to benign interest rates and single digit inflation is finally taking hold and indicates an improvement in domestic demand. The latest Bank of Namibia (BoN) data show that private sector credit extension surged to 12.9% year on year in June 2011 after 9.3% in January and is the highest it has been since December 2007. The game changer is clearly the recovery in household credit demand. It increased by 10% year on year in June 2011 after a relatively lacklustre performance since March 2008. It suggests that the adjustment in this sector is finally here, albeit slow. Borrowing for asset-backed finance is accelerating and instalment finance has been growing since November 2010 at an annual average rate of 11.9%. New vehicles have shown an annual average growth rate of 16% over the same period.

Non-financial sector business credit extension continues to grow faster than household credit. Year on year growth came in at 18% in June 2011 after dipping to 8% in January. As was the case in 2010, most of the growth is in mortgages, which comprise the second most important business credit category after overdrafts. Business mortgage credit grew at an annualised rate of 33.6% in June 2011. Increased borrowing by business suggests new capacity, which augers well for future growth.

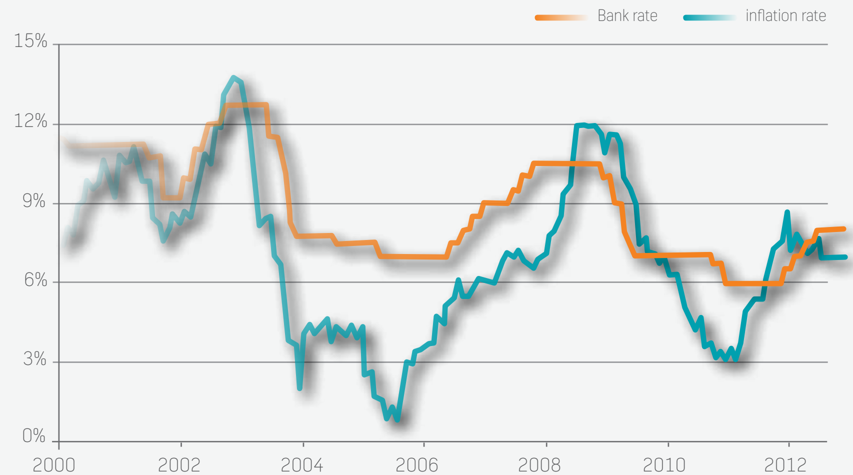
Namibia private sector credit extension

Source: Bank of Namibia



Namibia bank rate and inflation

Source: CBS Namibia, Bank of Namibia, FNB Namiba



Inflation pressure emerging

We expect inflation to accelerate in 2011 and 2012 because of the global commodity price cycle and upside risk. After averaging 4.5% in 2010, it increased to 5.2% year on year in May 2011 and we expect the trend to continue upwards to 5.7% given the likely inflationary effect of government spend as well as spillover effects from global fuel prices. But we still see inflation remaining in single digits for most of 2011 and perhaps 2012. Our forecast for next year is about 7%.

As expected, BoN left the repo rate unchanged at its June 2011 meeting. BoN has concerns about the global growth outlook despite some domestic recovery. FNB's view is that local vulnerabilities will continue to inform monetary policy and we may only see increased interest rates in December 2011 or even later. Rates should then go up by at least 50 basis points to help stem secondary inflation pressure and dampen inflation expectations. This rate increase window should help bring consumers back to the spending fold.

Economic outlook

Consensus is that there are many downside risks to the global growth outlook. The current Euro debt crisis remains a key risk for Namibia beyond 2011. Our growth projection is 5.1% for 2012. However, we share the IMF's relatively bullish outlook for emerging economies (including Namibia): 5% growth is feasible, particularly because of government spending and private sector credit extension trends which suggest that businesses are starting to invest ahead of the curve. The IMF expects global GDP to grow by 4.5% in 2012 which should provide some export momentum for Namibia. Furthermore, the Targeted Intervention Programme for Employment and Economic Growth (TIPEEG) may have a positive effect by increasing disposable income for contract workers.

We are bullish on vehicle sales into 2012 and expect a more pronounced recovery as the year progresses. The latest FNB Housing index shows that median residential property prices started to recover towards the first quarter. The supply of erven is a binding constraint in some local residential markets but indications are that these are being addressed, which should bring greater stability to the local housing market.

Daniel Motinga
Group economist

Chairman's report

It was an honour for me to step into the shoes of long-serving chairman Dieter Voigts in November 2010. I can assure you they are indeed very big shoes to fill, and it will be a challenge for me to grow into them. Challenges are there to be met and I plan to succeed in carrying out the duties and obligations bestowed upon me. Fortunately I have had the benefit of Dieter's exemplary guidance while I served as a non-executive board member under his chairmanship.

Market environment

The Namibian market, while indirectly impacted by the global economy, remained fairly stable. However, the financial services industry in Namibia, as in the rest of the world, is facing ever increasing pressure from consumers and non-traditional competitors. At FNB we chose to treat these trends as opportunities and to adapt the way we do business to accommodate external realities.

There is increasing pressure on us to extend financial inclusion by offering more appropriate and affordable propositions to marginalised Namibians. The only effective way to do this is through electronic services that are more affordable, easy to use and safe. These new offerings require increased financial literacy from both existing and potential customers. To this end, FNB has begun a variety of initiatives.

The group has continued to cater for niche markets with the establishment of Private Clients and a specialised unit focusing on corporate investment banking. We believe that the introduction of these units will fill a gap in the market and broaden our client base.

Strategic initiatives

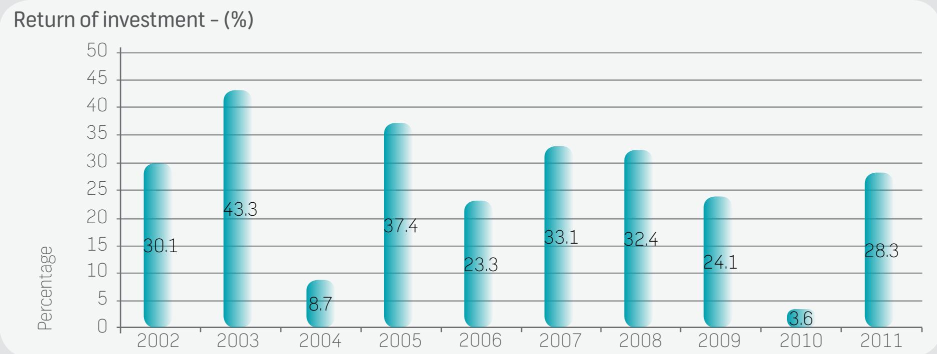
This report marks the end of FNB's L2Pin3 Strategy - moving from the leading to the preferred financial services group in Namibia in three years. This strategy guided the board and management to achieve the sterling results evidenced in this annual report. Looking back, the strategic plan chartered our path through the global economic turmoil and ensured that we were not distracted by the many uncontrollable factors we had to contend with in the past three years.

In preparation for the next three years, the strategic direction of the group was revisited by the senior management team, which prepared a plan that the board accepted. During the next period we will continue to focus on our people, our customers and efficiencies while adding a focus on key stakeholder relationships as a new strategic imperative. Our aim is to move from the preferred to the most valued financial services partner in Namibia (P2VPin3) over the next three years.

Group structure changes

The group announced its intention to sell its 51% stake in Momentum Namibia, including its 100% owned subsidiary RMB Asset Management Namibia (Pty) Ltd.

The board has also approved the purchase of 60% of the shares of FNB Insurance Brokers, thus enabling the group to own this brokerage 100%, effective 01 July 2011 and subsequently to take over management control thereof.



Dividend

It is with pride that I announce a final dividend for the year ended 30 June 2011 of 41 cents per ordinary share. Taking into account the dividend of 36 cents paid in April 2011 as well as the special dividend of N$1.70 paid in May 2011, ordinary shareholders will receive a total dividend for the year of N$2.47 per ordinary share. Indeed, a healthy return on investment.

Regulatory environment

Changes in the regulatory landscape continue. Bankers Association of Namibia (BAN) members met the October 2010 deadline to reduce the prime-repo spread by another 50 basis points as required by Bank of Namibia. Through BAN the commercial banks held numerous discussions with the Bank of Namibia to ensure that a sound and viable client base could be maintained while complying with the regulator's requests to extend products and services to the poorest.

Another milestone achieved between Bank of Namibia and BAN was the successful implementation of the early square-off in the Namibia Inter-bank Settlement System (NISS). The previous closure times were deemed to introduce operational and settlement risk to both parties. The early square-off is intended to align the opening and closing of the NISS settlement schedule with the business hours and treasury operations of commercial banks. Such projects allow banks to improve liquidity and reduce payment systems risk.

The past year saw the gazetting of the amended Banking Institutions Act and Payment System Management Act. Bank of Namibia also began to implement consolidated supervision with the first trial returns submitted for the FNB Namibia Holdings Group at 31 March 2011. The initiative on financial inclusion allowed the group to illustrate its commitment and innovation in bringing much needed services to a broad spectrum of Namibians.

Appreciation

In November 2010 we bade farewell to board chairman Dieter Voigts, who performed his duties with dignity and at all times achieved consensus in decision-making. At the same time Peter Böttger, chairman of the audit and risk committees, also retired. Peter was the first chairman of the audit committee, a position he served well until his retirement. Peter was instrumental in consolidating the sound risk and governance practices at FNB. I wish both these gentlemen a well-deserved retirement full of health and happiness.

To my fellow board members and the senior management staff, I express my gratitude for your understanding and patience in supporting me as a new chairman. I am privileged to be able to rely on your expertise and experience. I appreciate your constructive contribution in meetings which are flavoured with lively yet orderly discussions.

Lastly, I welcome two new banking group board members, Ms. Jenny Comalie and Mr. Colin Giddy. There is no doubt that these two newcomers will make an important contribution to the efficient running of board affairs, judged not only by their impressive track records but also by the personal impact they make elsewhere.

A team like this can only enhance the prevailing good FNB spirit.

Claus Hinrichsen
Chairman

Abridged sustainability report

FNB considers sustainability as an essential element of doing business and is making progress on integrating sustainable business practices at all levels in the business. We believe the existence of our business and its continued success depends on this approach. Central to success are our relationships we have with all our stakeholders. Our stakeholders are represented by our people, customers, suppliers, the communities, the natural environment, our regulators and related authorities, and our shareholders.

Our employees

Skills shortage in Namibia and in specific the financial services industry remains a key challenge, which necessitates our business to continuously maintain a dedicated focus on employee development and the retention of key staff. The group acknowledges the need for skills development and provided various opportunities and interventions aimed at skills development. Informal initiatives focus on succession and talent management initiatives which are complemented by coaching and mentoring programmes. The group also made available formal development programmes through institutions of higher learning, i.e. MBA, leadership and management development programmes.

The table below depicts the formal development programmes for 2011 financial year:

Name of programme	Number of staff	Value (N$'000)
Care and Growth Leadership & Management Programme	38	179
New Managers Development Programme	5	54
Management Development Programme	18	394
Senior Management Development Programme	10	332
MBA	2	157
Internal Employee Bursary Students	4	80
External Bursary Students	7	220

The group has incentive programmes, such as the trip to Victoria Falls earlier this year, which provided a memorable experience for a group of well deserving employees. We also provide various wellness services through our employee wellness programme to ensure that our employees maintain optimal physical, emotional and social wellbeing. The wellness programme provides benefits to its employees amongst others, unlimited telephonic counseling, Internet-based counseling, face to face counseling, legal advice and financial counseling services to mention but a few.

In line with the requirements of the Affirmative Action Act, the group through its AA Committee ensures that the employment equity plan is developed and implemented. The group has been achieving its goals and has succeeded in creating a workforce that is diverse in all aspects.

Our customers

FNB focuses on delivering financial services to meet our customers' needs and achieve sustainable growth. We are intent on providing banking services to the approximately 600 000 economically active Namibians and engage with customers ranging from entry-level consumers, corporates and public sector clients. A full range of products and services are available, inclusive of transactional, savings, investment and risk needs.

We continue to promote the use of cost-effective electronic channels, including Cellphone Banking. We were again able to keep our pricing increases in line with the consumer price index and continue to inform our customers about the most cost effective banking solutions by means of the most comprehensive pricing guide in Namibia.

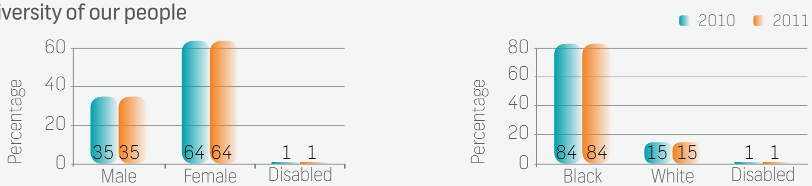
Refer to the chief executive officer's report for additional information.

Our environment

Reducing energy costs and carbon emissions require the quantification of energy usage and identifying energy saving opportunities. Reducing the use of paper and becoming more energy efficient continue to pose challenges to our operations. We continue to promote the reduction of paper usage by improved branch printing protocols and by ongoing campaigns and pricing structures to convince customers to opt for electronic statements

We will continue refining our emission reduction and energy saving strategy and other wastage reduction initiatives. We are in the process of implementing the recommendations of the energy audit that was performed on our head office building. This involves converting the existing light fittings and to install energy saving bulbs and ballasts.

Diversity of our people



We foresee a 22% saving on our energy consumption and if this realizes the intervention will be rolled out to the rest of our branches and business units all over the country.

Our operations

Improving efficiencies and reducing operational costs remains a key focus for the FNB group. In order to drive this, an Efficiency Committee has been established in 2008 already. This committee meets quarterly and aims at improving a minimum of 30 processes per quarter.

One of initiatives that led to major efficiency gains last year is the FNB Staff innovations campaign that is aimed at ensuring that FNB benefits from the innovative minds of its people.

Our suppliers

FNB, as one of Namibia's largest corporate groups and largest consumer of services, is in full support of the requirements of the new Financial Services Charter. Through our procurement policies we support Government's drive to grow local companies and to achieve a more balanced society.

In the 2010/2011 financial year we made use of 177 suppliers against which orders were placed of which only 5 are non-Namibian suppliers. New suppliers are sourced on a regular basis via tender invitations and requests for quotes. More than 96% of our procurement spend (excluding FirstRand group support services) are with local suppliers, while the sourcing of products and services are done primarily in the local market.

SME's have been invited to complete the supplier registration forms and were added to the FNB supplier database. BEE accreditation is required for tenders and this has a definite impact on the final score when evaluating and awarding tenders and contracts.

Transformation

FNB has committed to the Financial Sector Charter Strategy, Namibia Working Group on Financial Literacy and the consumer education forum initiatives driven through the private sector. FNB Namibia has adopted a transformation agenda that incorporates the following:

- Transfer of ownership as per the BEE Scheme, being Black Non-Executive Directors and Staff Share Trust and BEE Consortia;
- Advancement of and alleviation of specified needs of designated staff through the Staff Assistance Trust;
- Preferential procurement requirements for all our procurement expenses within the Procurement Policy;
- Meeting of Employment Equity targets set by our Board and agreed with the Employment Equity Commission on a regular basis;
- Corporate Social Investment initiatives through the FNB Foundation;
- SME financing through the SME Business Unit in First National Bank of Namibia Ltd; and
- Providing banking to the unbanked and under-banked through innovative products.

Approximately 5% of equity in FNB Namibia Holdings was earmarked for BEE/Transformation. One percent was dedicated to acquisition by the Black Non-Executive Directors and staff.

The FNB Namibia Holdings Board through the Directors Affairs and Governance Committee has adopted as one of the principles for board nomination the need for the board to be reflective of Namibian society in respect of race and gender. Currently the board compromises 9 members of which 6 are black and one is female. Fifty six percent of board members are Namibian.

Namibians make up 80% of senior management, while 53% are black and 27% female.

Our awards

We believe that our first responsibility is to look after the needs of all our stakeholders. To this end, it is always gratifying to receive acknowledgement for what we do.

FNB was awarded the prestigious Bracken Award as the best bank in Namibia with 144 other country winners for the third time at the Banker's 10th Bank of the Year Awards in association with UK Trade and Investment. Our home loans valuation methodology was also acknowledged through a PMR award for the most work done in the sector to stimulate economic growth and development in Namibia.

FNB Namibia was also rated as the top bank in Namibia by the independent African Business magazine that annually rates Africa's top 100 banks. This achievement was based on the level of Tier 1 capital.

Our priorities will continue on adding value to all our stakeholders, rather than focus on awards. However, we believe that as a top achiever, it is good to use external important rewards as a benchmark of success.

Our communities

FNB's corporate social responsibility programme is spearheaded by the FNB Foundation. The FNB Foundation is funded by 1% of the annual post tax profits of the group. Please refer to our corporate social responsibility report, which follows this report, for detailed information of initiatives supported.

Corporate social responsibility report

It was with pleasure and a sense of awe that I took over as chairperson of the FNB Foundation in March 2010. I was following in the footsteps of the founding chairperson, the late Mrs Jutta Rohwer, who was renowned for her contribution to social development, both through the foundation and her own charitable activities. I hope I can build on her legacy.

Namibia has achieved a great deal over the past 21 years, but we all know that it still faces many challenges. Many live in poverty, including thousands of children, and there are educational disadvantages to be overcome. There is no human dignity in poverty or in situations of violence within families and communities. We all have a responsibility to address these issues.

His Excellency President Pohamba and our founding father, President Nujoma, have called on numerous occasions for public-private partnerships in education, health and other sectors. FNB has heeded this call and has been and will continue to work with numerous organisations to make it happen. This type of cooperation is what Namibia needs.

FNB Namibia has a lot to contribute to community development and empowerment at different levels of society and in different parts of the country. The FNB Foundation quietly supports schools, community, cultural and other projects, empowering Namibians in development. FNB's staff members volunteer in local projects around the country.

I welcome two new trustees, former Deputy Minister of Education and Member of Parliament, Clara Bohitile, and FNB's group chairman, Claus Hinrichsen. They join long serving trustees Prince Shimmi, Vekuii Rukoro, FNB's group chief executive officer, and Dixon Norval, FNB's head of strategic marketing and communications. Regrettably, we bid Dieter Voigts goodbye when he retired as FNB's chairman and from the foundation.

During the year the FNB Foundation looked in-depth into the development of corporate social responsibility programmes in Namibia, and its own direction. It reaffirmed its commitment to contributing to social transformation and social justice, to building stable and empowered communities, and to enhancing skills. It understands that small projects can benefit communities, as well as the big ones that tend to get more publicity.

I would like to highlight two organisations with which the FNB Foundation has established new partnerships this year.

Lifeline/Childline

Statistics show that more than 40% of our population is under 15, but only half of them have basic material needs – a blanket, two sets of clothes and a pair of shoes. Furthermore, many children and young people experience violence even within the family. A growing number are infected with HIV/Aids. Others have lost one or both parents and are either in the care of over-stretched relatives or have to fend for themselves.

Lifeline/Childline has a proven record of supporting vulnerable individuals and families. They are leaders in child protection in Namibia. The FNB Foundation is pleased to support them in protecting the most vulnerable.

Katutura Football for Hope Centre

This is an initiative with FIFA. It offers services and programmes in the areas of public health, education and football for youth with and without intellectual disabilities. It celebrates FNB's vital role in giving Namibians the opportunity to share in Africa's first soccer world cup, hosted in neighbouring South Africa.

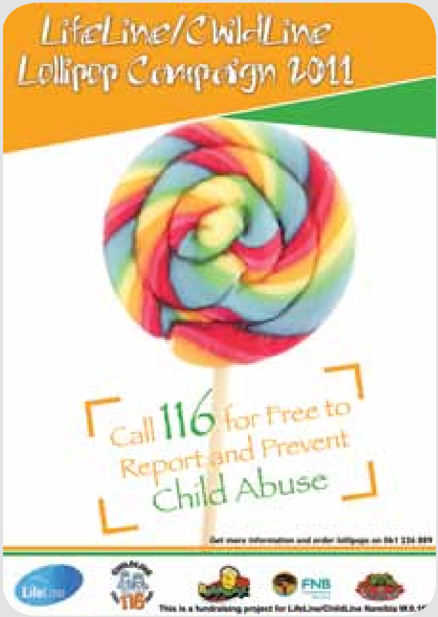
As the main sponsor, FNB Namibia will work closely with government ministries like Youth, National Services, Sport and Culture; Works and Transport and other bodies such as the National Planning Commission, Special Olympics International, community groups and service providers.

Overview of major projects for 2010/2011

ETSIP: The FNB Foundation heeded the call of the Ministry of Education to support its Education and Training Sector Improvement Program (ETSIP) and contributed a total of N$1.25 million. Namibian school principals have to manage schools with limited resources trying to ensure quality education. They must establish patterns of conduct where children and young people are feeling the effect of societal strain and discipline is becoming a major problem. The University of Namibia (UNAM) and University of Johannesburg (UJ) joined forces to liaise on the crucial topic of school management and leadership. The FNB Foundation and other corporate foundations sponsored ETSIP's Advanced Certificate in School Management which enabled 98 school principals from five regions to participate.

SMEs Compete: focuses on training, development and mentoring of small and medium enterprises. It has worked closely with the FNB SME Division over five years to assist entrepreneurs to turn their business ideas into viable ventures. This project was expanded to areas with a high concentration of SME activities such as the northern regions (including Oshakati, Ondangwa, Ongwediva, Outapi, Ohangwena), Katima Mulilo and more recently Lüderitz, Rundu and Keetmanshoop.

The African Leadership Institute (ALI): The FNB Foundation has contributed N$1.2 million towards this project. It has offered value-based life-changing leadership training to more than 500 leaders from government, churches and the private sector in Namibia. Between April 2009 and June 2010, 46 inspectors of education from all 13 regions participated as part of the FNB Inspectors' Academy. A further 17 inspectors are currently in training. The Foundation funded a second programme for heads of departments of the top 50 schools to



work with principals already trained. The hope is that this will create leadership teams in these schools and develop a next generation of principals.

The Arts Association Heritage Trust (AAHT): It was founded in 2006 to safeguard and promote the unique collection of artworks collected by the Arts Association of Namibia since 1947. These 1,438 artworks form the single most comprehensive and oldest collection in the country. It features ethnic works, early landscapes by Europeans and graphics by contemporary artists. The FNB foundation has contributed to a collection of works by John Muafangejo. The AAHT's vision is to preserve all the works for future generations.

The National Youth Council: It has changed the strategy of the Youth Expo and incorporated it to form part of the National Youth Week that took place from 27 to 30 April 2011, in Rundu, Kavango Region. The Youth Expo assembles young entrepreneurs to showcase their work and create a market for their products. The FNB Foundation has been the anchor sponsor for four years.

Child Development Foundation: A non-government, non-political, faith-based organisation, it gives HIV/Aids orphans and disadvantaged children an opportunity to shape their future by

Corporate social responsibility report continued

providing schooling for them. The FNB Foundation supported the visit of the Drakensberg Boys choir from South Africa to perform in Windhoek in March 2011, generating income for the Shalom School, which educates, feeds and cares for these needy Namibian children.

Special Olympics: A global organisation that provides year-round training and competition in Olympic-type sports for children and adults with disabilities. Preparation camps were held as a prelude to the 2011 Special Olympics World Summer Games in Greece in June. The FNB Foundation has been the main sponsor for the past seven years.

Spirit of Giving: A campaign in December each year, by FNB employees, to help various charities and individuals over the festive season. Contributions in 2010/11 included Christmas food to 30 families through the Helpende Hande charity organisation and food, clothes, blankets and toys to charities throughout the regions.

Aflatoun: An internationally acclaimed schools' programme, managed and coordinated by Junior Achievement (JA) Namibia. The FNB Foundation contributes N$200 000 a year. The programme trains teachers to educate young children in social skills and banking, including personal finances. It encourages a savings culture. The foundation and FNB are partnering Aflatoun in Namibia's north central regions. An estimated 100 000 to 150 000 children will benefit during the four years of FNB funding.

San Development Programme: A back-to-school awareness campaign run by the Office of the Prime Minister to encourage children from San communities to attend school and to make the environment conducive for studying. FNB Foundation has committed to support this project for the next three years.

Polytechnic Cultural Festival: The foundation contributed N$60 000. It has been the main sponsor for the last seven years. We try to support it in wider areas, like celebrating cultural heritages.

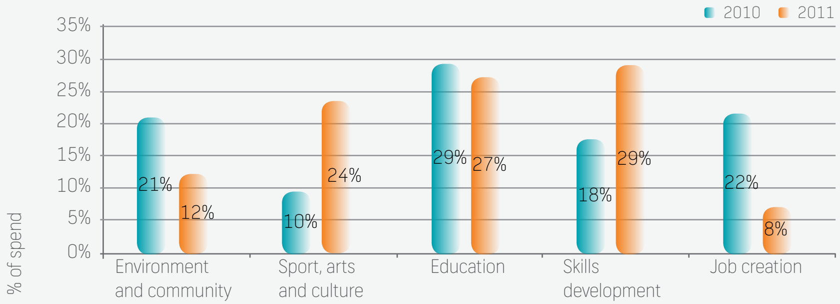
The Namibia Tennis Association: An annual commitment of N$204 000 is used mainly to give less privileged youth access to tennis development in Windhoek and the North. The foundation approved an additional funding of N$40 000 during 2010 to bring a similar facility to the coast.

Legendary Dress Making Competition: This has grown into an annual event celebrating the development of Namibia's traditional fashion design, with an emphasis on dresses in the Herero tradition. Each year a different theme is chosen. Many designers have been able to develop styles and businesses through the competition. In 2010, five of the winning dresses were displayed at a fashion show in Berlin, eliciting great interest.

Jan Mohr Senior Secondary School staged a production of King Lear for schools in the Khomas Region. This Shakespearean play was prescribed for NSSC Grade 12 English in 2010. Jan Mohr learners and teachers adapted it. Grade 12 learners from the Khomas Region were invited to the performances and a DVD was distributed to schools in other regions.

Jane Katjavivi
Chairperson of the FNB Foundation

Summary of the foundation's disbursements



Chief executive officer's report

The June 2011 year-end marks the conclusion of the final year of the group's strategic theme titled "L2Pin3". This strategy has seen the group emerge from being the "Leading Financial Services Group" to the "Preferred Financial Services Group" in Namibia within three years.

It is gratifying to report that independent surveys confirm that the FNB brand remains the most recognised financial services brand in Namibia. A high level of brand visibility was essential while we followed a rigorous strategy to improve brand equity. This involved an integrated marketing investment plan which focussed on initiatives to engage customers, opinion leaders and the public.

FNB chose to use sport as a platform. We have partnered with six Namibia Premier League soccer clubs and two Premier League rugby teams. We believe that supporting sports clubs has opened doors for a wide range of FNB business units and continues to improve brand equity. Two other valuable sport brand properties owned by FNB are the FNB Classic Clashes, involving 42 schools countrywide competing in soccer, rugby and netball; and the FNB Desert Dash, one of the longest single-leg endurance mountain bike races in the world.

During the year the group has delivered well on all aspects of its three strategic imperatives, namely people, customers and efficiencies. The end result is reflected in the sterling financial performance as reported by the Chief Financial Officer.

My report focuses on our three strategic pillars. They have contributed to our current accomplishments and have created a sustainable foundation for long-term success. The three pillars are our people, customers and efficiencies.

People pillar

Our people are the most important internal drivers of success. That is why we focus on building enduring and rewarding relationships with staff to develop maximum potential while supporting our strategic aims. Our objective is to be the "employer of choice". We try to ensure that we have the correct profile of people on board and facilitate development and retention of quality staff. Our leadership philosophy is focused on achieving mutual rewards and long-term sustainability.

Chief executive officer’s report continued

The People Pillar Survey (PPS), conducted annually in March, keeps us in touch with how our people perceive management and the organisation. This “voice of our people” indicates where we need to focus and perhaps change to ensure FNB is the employer of choice. Our 2011 results showed an increase from 66% to 71% in employee engagement over the previous year. Overall satisfaction with FNB as a place of work has improved significantly, largely as a result of initiatives implemented by business units across the group. These ranged from improving benefits to, most importantly, communication.

The PPS results are heart-warming and indicate that our employees believe strongly in the goals and objectives of FNB Namibia, and that the group is in a stronger competitive position than last year. Morale has risen and employees see enough opportunity for growth and personal development. Although we are satisfied with the PPS results, the outcomes will be used to enhance the performance management system, as well as address employee perceptions. A 360º assessment has been introduced to help management identify areas requiring improvement.

Scarcity of skills continues to be a challenge. Because skills and talent give us a competitive advantage, we have implemented a talent management framework, which includes skills transfer and succession planning.

Customer pillar

FNB is especially aware that our customers are our reason for existence. Their demands are continually evolving. They demand more sophisticated and technically advanced products and services. The customer pillar ensures that we focus on ensuring that the FNB experience exceeds customer expectations.

We use a Buzz Barometer survey to measure customer satisfaction and to ensure we are doing what they want. The 2010 survey scores indicated that staff should continue to offer professional advice at all times. The loyalty (net promoter) score has more than doubled since 2008. The survey is complemented by a Voice of the Customer survey every two years.

A group service champion was appointed in the past year – yet another demonstration of our commitment to creating a memorable customer experience. The service champion focuses on co-ordinating service efforts across the business units.

We continually invest in new outlets. Our retail footprint was expanded with the opening of the Old Power Station outlet. For the convenience of business clients, the Northern Industrial agency was upgraded to a full branch and the Prosperita branch, opened late last year, put down roots.

Product development remains a priority. We realise that it is in the national interest to encourage a savings culture as well as contribute to an efficient funding strategy. The following new savings products were introduced last year: Bank Your Change, FNB Senior Fixed Deposits, FNB Effective Rate Fixed Deposit.

Innovative products help us to answer Government's call to improve access to banking for all Namibians. CardWise Zero and BankWise Zero were new accounts launched in the past year to close a gap in the market. These accounts have no fixed monthly fees - each transaction attracts a basic charge, making it affordable for entry level users who do not necessarily have a fixed monthly income or use their bank accounts regularly.

Another way to extend financial inclusion is by making financing available to the broader market is through our Easy loans. Loans ranging from N$1 000 to N$25 000 are available. A major advantage in the year under review was the approval of the government deduction code which allows deduction of repayments directly from government employee salaries, which in turn makes it easier for them to get access to finance.

FNB's SME lending policy has provided start-up and expansion capital to over 700 SME's with total loan value in excess of N$125 million. By following a well managed lending and SME

Chief executive officer's report continued

support approach, FNB has experienced an SME business success rate of more than 90%. Thanks to an agreement with the French Development Agency it will guarantee 50% of loans advanced by FNB to Namibian SMEs. Nearly N$100 million is available under this agreement.

We continue to invest in cost effective electronic delivery channels to meet rapidly growing demand. In the past year 23 new ATMs were installed countrywide, while we have continued to seek a solution to replace the aging mini ATMs.

Cellphone banking remains the most convenient and cost effective way of transacting. The number of active cell phone bankers increased by 172% this year. The platform will be further enhanced to allow for once-off payments, just as are made on-line. FNB is the first bank to offer Cellphone banking on both the Namibian networks.

Customers are becoming ever more aware of the efficiency and speed of on-line banking and on-line banking clients increased by 22% over the past 12 months. For clients required to make tax payments, FNB was the first Namibian bank to process electronic fund transfers directly to Inland Revenue.

FNB is committed to offering a secure electronic environment. Our innovative solutions include the unique in-contact messaging service and the one-time pin number. In addition, awareness campaigns keep our customers more vigilant on phishing and spyware. New ATMs also feature the latest anti-fraud technology. But the threat remains.

Agri and Tourism niche products continue to offer clients financing options that accommodate seasonal fluctuations. In 2011 a campaign was launched to synergise the successes of these complementary market opportunities, thus servicing the guest farming and trophy hunting segment on agricultural land. A mobile forex service for tourists was piloted this year with positive results indicating growth potential.

FNB Namibia Private Clients, introduced to fill a gap in our wealth offering, was launched in the year. This is another new niche offering designed to deliver highly innovative financial structuring and wealth management services to discerning clients. It is targeted at entrepreneurs, business professionals and other higher-earning individuals.

Housing in Namibia remains in short supply. FNB Home Loans offers housing loans across the full market spectrum. During the year it successfully launched a renewable energy loan scheme in consultation with the United Nations Development Programme and Ministry of Mines and Energy. It continues to provide construction and management training for building contractors in the SME sector and launched a "Basics for Building" booklet to guide entrepreneurs.

Home Loans relies heavily on the support of estate agents for a significant percentage of new business. To strengthen the relationship we introduced the "Realtors Millionaire Club" competition. FNB is the only bank to have taken such an initiative.

The PMR Silver Arrow was awarded to our property valuators department for "Institutions doing most in their sector to stimulate economic growth and development in the country" for the third year in a row.

During the year WesBank encouraged new hire-purchase business by running a lucky draw competition with a cash payment as prize. This boosted retail business in a slow market and enabled it to remain the market leader in the retail segment. It also ran a scheme with Pupkewitz dealerships for June whereby clients received a preferential interest rate or an extended financing term.

WesBank has strengthened its corporate team to pursue this segment with greater vigour in 2012. As part of this initiative it teamed up with the corporate business unit at the Mining Expo in May. Positive opportunities were identified and are being engaged.

Corporate and Commercial Division is adding value to customers' businesses through initiatives which include custody, trade and property finance and investment banking. In the new year we expect an increase in corporate activity with the launch of the newly created Investment Banking Division (IBD) which will work closely with Rand Merchant Bank.

Strong collaboration between Treasury and the FICC (Fixed Income, Currencies and Commodities) division of RMB saw innovative client solutions and operational efficiencies. This will continue to add value in future. We presented economic updates during the year at which our group economist and the currency strategist from RMB opened debate on the status and expectations of the local and South African economies, as well as matters of global impact. Furthermore, we are undertaking client training in specific Treasury products. This gave our clients a better understanding of some of the more sophisticated products and this is building trust and strengthening customer relationships.

Our International Business Centre (IBC), responsible for trade business and EXCON compliance, has experienced increased activity, especially in the foreign direct investment market. We foresee that this will have a positive result on the forex trading business. Our Custodial Service reported an increase in assets under management of 11% year on year.

Momentum Namibia has achieved new business growth of 21%. This was largely due to synergies developed between the life company and the bank; and to the exceptional growth in Myriad division sales, which exceeded expectations. Our In-house agency division also showed excellent growth of 16% in individual new business premiums.

Funds@Work, our Umbrella Pension Fund product, was launched in August 2010 and has shown remarkable growth. It has the potential to become one of the leading value propositions in the pension fund industry. We believe it offers a much needed alternative to high-end quality products in Namibia.

RMB Asset Management has increased its assets under management significantly to more than N$5 billion for the year. The pension fund market remains largely saturated with limited flow of new funds, but regulations in the pipeline will provide challenges and opportunities. A new range of pooled and unitised products has been introduced for retirement funds and has started to build a track record.

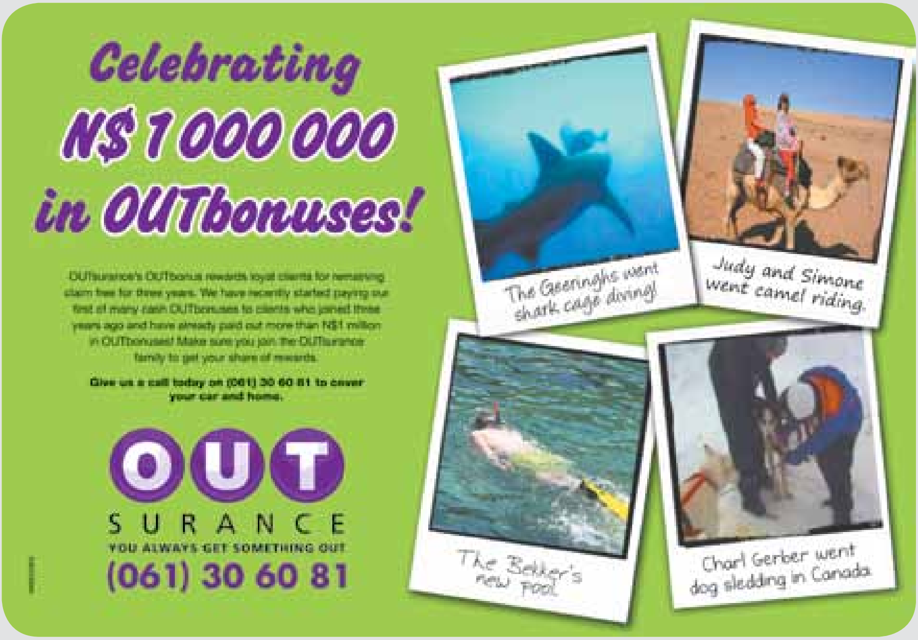
FNB Unit Trusts has established a second Money Market Fund to cater specifically for institutional investors.

OUTsurance remains the only direct insurance underwriter and offers unique and cost effective short-term insurance. Its distinctive feature is the OUTbonus, where clients are rewarded for three claim-free years. The first OUTbonus payment this year was well received by clients. Its emergency assistance is part of the value-added benefits available to clients.

Efficiency pillar

FNB has taken a strategic approach to cost management. As a result, our cost to income ratio has been maintained at 48% despite a squeeze in margins. Contributing to efficiencies is the innovation campaign, run annually. It aims to embed a culture of continuous growth and improvement in the organisation and to reward innovations.

Chief executive officer's report continued



An efficient branch network remains a crucial factor in servicing retail and institutional customers. As such it is key to group strategy. In the year under review we focused on making the existing structure and processes more efficient. But we have made headway in preparing for new systems that will reduce the time it takes to open customers' accounts, and create a new front-end telling system. We expect that this development will not only improve customer experience but reduce staff workload. Re-engineering some business processes has yielded significant success.

One high-impact initiative was to establish a Customer Contact Centre during the year – a one-stop support centre through which customer queries are routed. An on-line monitoring system tracks progress and ensures no long delays. Voice recording created a high service standard and security checks ensure client confidentiality.

Reducing unnecessary time in branch queues has been an age-old challenge. It led us to investigate a new queue management system which was piloted at the Rehoboth branch and will now be tested in our Windhoek outlets. If successful, it will be rolled out to some bigger branches in the new financial year. Meanwhile, we are encouraging customers to avoid branches and make use of more efficient electronic channels.

It is satisfying to report that our on-going efforts on the risk side of the business - including training, simplifying processes and empowering people - have resulted in reduced operational losses.

OUTsurance's effective claims management process continued to yield positive results as reflected in an improved loss ratio.

Efficiency has also been achieved through prudent balance sheet management. Supported by liquidity and interest rate policies, it has yielded positive results for the bank, despite further compression of margins in a low interest rate environment and pressures on the endowment portfolio. The second decrease in the prime lending rate of 50bps in November 2010 (not related to a decrease in the central bank's repo rate) contributed to further margin pressure but the ALM division managed to offset this with minimal impact on net interest income.

It is not only a consistent and sound lending policy but also the efficiencies of our centralised credit collections team and early delinquency detection processes that have paid off as reflected in the release on impairments.

Efficient use of capital is imperative to investors. With this in mind, a revised capital management framework was adopted during the year. As a result, excess capital was returned to shareholders via a special dividend in May. Consequently the return on equity has improved.

Elsewhere in this annual report you will be informed on our compliance and risk management which form an integral component of our efficiency pillar.

Looking ahead

The challenge for executive management was to continue thinking out of the box, and to come up with a new strategy for the next three-year strategy cycle to ensure sustained profitability. We managed to do just that. The board has been presented with a new strategic theme called "P2VPin3", which means moving from being a preferred to a valued partner in three years.

It will call for even more innovative strategies and tactics. Innovation is one of FNB's values and it is part of our DNA. The team is ready for the challenge.

As mentioned in the chairman's report, a fourth pillar has been added to our strategic framework. Partnerships were identified as fundamental in creating a sustainable business model due to the synergies they bring, together with the existing people, efficiencies and customer pillars.

Key partnerships include relationships with government, our main shareholder, board members and the general public.

The 2012 financial year will no doubt again be very challenging in terms of competition and through enhanced regulatory policy interventions - ranging from measures to give effect to financial inclusion to regulations governing ownership of banking institutions.

We trust that pragmatism and mutual interest will be the overriding factors in seeking workable solutions on policy and regulatory issues.

Our strategy is ready to confront any eventuality and to deliver on the expectations of our stakeholders. 2012 is the year to be with FNB Namibia.

Appreciation

The excellent financial results and operational performance would not have been possible without the conducive business environment created by the Namibian authorities - a privilege FNB does not take for granted. I wish to express my profound thanks to the Namibian Government, the various line ministries, municipalities and other organs. Our regulators, the Bank of Namibia and NAMFISA, have done a great job in carrying out their overseeing responsibilities.

We thank our shareholders and the board that represents their interests for having entrusted us with their enormous assets, and allowed us to operate within the owner-manager ethos of the FirstRand Group. Your trust and support is greatly appreciated.

A special word of appreciation goes to Messrs Dieter Voigts and Peter Böttger, respectively retired chairman of the FNB Namibia Holdings Board and retired chairman of the FNB Namibia Holdings Audit Committee. Both these gentlemen retired in November 2010 after serving the company for more than 20 years. We wish them a happy and healthy long life with their families.

Finally, a big thank you to the executive management team and the rest of the FNB team whose efforts, dedication and loyalty shaped the group's performance.

Adv. Vekuii Rukoro
Group Chief Executive Officer

Chief financial officer's report

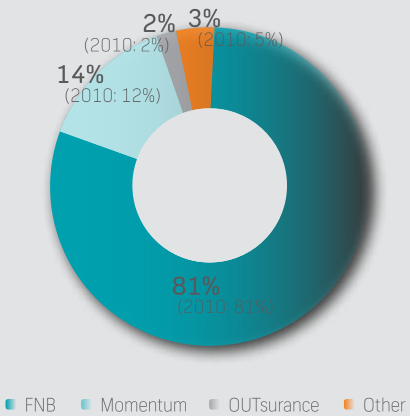
The results reported for the year ending 30 June 2011 bear testimony to the successful execution of the group's strategic plan, details of which were communicated in the CEO's report. The strategic plan created a solid operating platform that enabled the group to remain focused on the core business and deliver very pleasing results in a challenging year.

Headline earnings for the year ended 30 June 2011 increased by 16% to N$496 million (2010: N$428 million) and profit by 17% to N$539 million (2010: N$459 million). Earnings per share increased 15% to 191.8 cents (2010: 166.1 cents).

Return on average equity improved to 26% (2010: 24%), the enhancement partially attributable to the reduction in capital following the payment of the special dividend in May 2011. Pleasingly, the group's cost income ratio remained steady at 49%.

The group comprises three main operating entities: First National Bank of Namibia Limited ("FNB"), OUTsurance Insurance Company of Namibia Limited ("OUTsurance") and Momentum Life Assurance Namibia Ltd ("Momentum"). Momentum acquired 100% of RMB Asset Management Namibia during the year. In view of the group's decision to sell Momentum with effect from 1 July 2011, Momentum's results have therefore been reclassified as a discontinued operation for the 2011 financial results.

The chart below illustrates the contribution by each segment to profit for the year. The "other segment reflects other group companies and group accounting consolidations.



FNB's profit for the year increased by 17% to N$434 million (2010: N$370 million). This was a commendable performance taking into consideration a moderate growth in advances. The good growth in active accounts and increased transaction volumes in retail banking, as well recoveries of previously impaired loans were the main contributing factors.

OUTsurance's performance once again exceeded expectations as a result of increased sales, lower loss ratios and operational efficiencies. Profit for the year increased by 50% to N$12 million (30 June 2010: N$8 million).

Momentum's profit for the year amounted to N$75 million, an increase of 34% over the corresponding period last year (N$56 million). This is mainly due to a 33% increase in profits from insurance activities. New business annual premium income increased by 22% over the past year, mainly as a result of excellent sales from the Myriad product range, the tied agency division and FundsAtWork umbrella pension fund.

Statement of comprehensive income

Interest income

Net interest income before impairments grew by 11% to N$839 million (2010: N$758 million), matching growth in average advances.

This was a notable achievement against the background of FNB's compliance with Bank of Namibia's requirement to reduce the margin between prime and the bank rate by 50 basis points twice – October 2009 and again in October 2010. In addition, interest rates reaching the lowest levels ever in an independent Namibia contributed to a negative endowment effect. This put pressure on margins. Some relief was obtained from the release of interest previously suspended. However, it was FNB's effective interest rate management process that led to margins being preserved.

The significant components of the banking groups interest income are illustrated in the chart below.

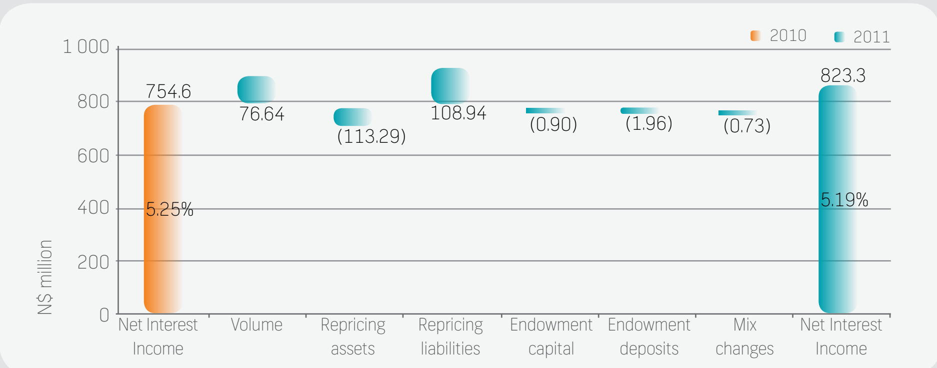
Impairment losses

The net impairment release of N$12 million for the year against a N$13 million charge in 2010 was achieved by a major recovery of a previously impaired loan. In addition, the prevailing lower interest rates together with the benefits of the centralised credit collections team and effective early delinquency detection and a consistent and sound lending policy paid off.

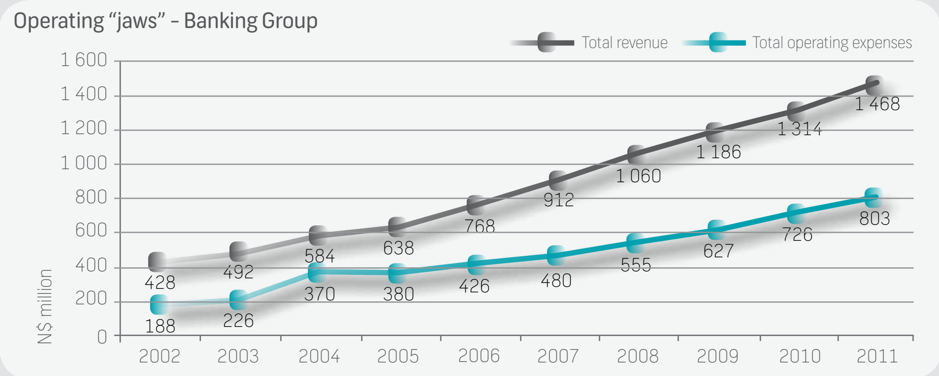
During the year no portfolio impairment was made compared to a release of N$5 million in 2010. The behavioral rating model used to calculate the portfolio provision is based on past experience. The decrease in the portfolio provision is therefore in tandem with the decrease in the number of actual defaults experienced.

The components of the movement in impairments, expressed as a percentage of average advances, are summarised in the table below.

	2011		2010	
	N$m	% of average advances	N$m	% of average advances
Specific impairment (reversal)/recognition	(17.4)	-0.1%	10.9	0.1%
PV of securities on non-performing loans	5.0		7.2	
	(12.4)	-0.1%	18.1	0.1%
Portfolio impairment			(5.1)	
Total impairment (reversal)/charge	(12.4)	-0.1%	13.0	0.1%



Chief financial officer's report continued



Non interest income

Non interest revenue increased by 14% to N$653 million. Banking fee and commission income grew by 16%, due to good growth in number of active accounts and transaction volumes, as well as an annual inflationary price increase. Clients are becoming more aware of the benefits of using more cost and time efficient electronic delivery channels and this has been a moderating effect on income growth. The number of customers making use of Electronic Pricing Option ("EPO"), which is capped at N$98 per month, increased by 53%.

Fair value income ended the year N$11 million below prior year. Foreign exchange income was marred by the Rand's strength, less volatility in currencies and lower volumes.

Net insurance premium income and net claims and benefits paid

OUTsurance's premium income increased by an above average 28% which continues to reflect the increased market penetration, although not as high as the 45% growth reported in 2010 which recorded the high take-off of the personal lines products. Net claims and benefits have slowed down to 8% as a result of the improved loss ratio.

Momentum's results are not reflected here has as they have been reclassified as a discontinued operation.

Operating expenses

Non interest expenditure increased by 14% to N$817 million, which has been impacted by staff costs which benefited from the pension fund contribution holiday the previous year. Other factors contributing to the increase include IT related costs associated with maintaining the localised core banking system together with expansion and the continued investment in technology to improve efficiencies.

The low inflation did assist in limiting increases in operating costs, although a strict focus on cost control is embedded in the day to day operations as well as the procurement process.

The chart above show a pleasing trend in the operating jaws of the banking group.

Tax

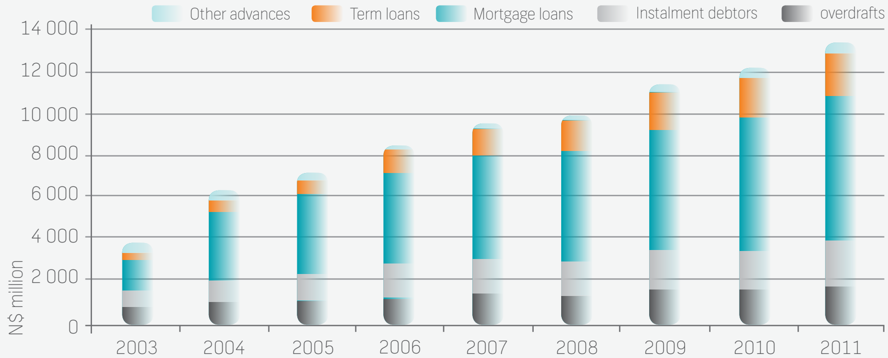
The group's effective tax rate increased to 34% from 33% in the prior year because of a decrease in non-taxable income in the current year.

Statement of financial position

The pending sale of Momentum has resulted in assets and liabilities attributable to Momentum being classified as held for sale and have been separately disclosed on the statement of financial position for the current year only. This results in certain categories of the statement of financial position relating to Momentum not being directly comparable with the prior year disclosure.

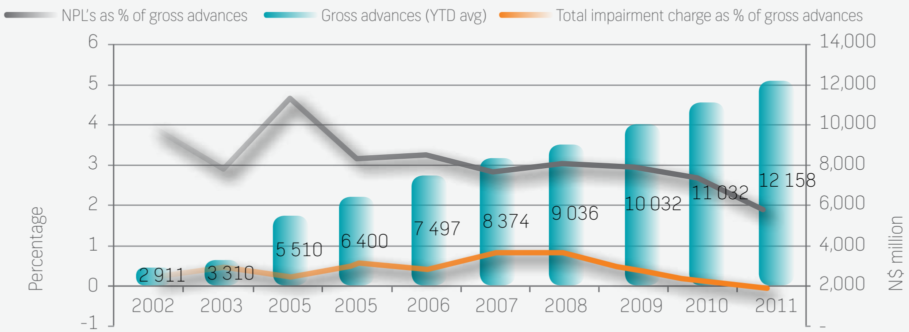
FNB's total assets showed moderate growth of 8%. Average year to date gross advances grew by 10%, mainly driven by home loans which grew at 11%. FNB remains the market leader in home loans. The chart on the following page illustrates FNB's consistent growth in advances.

Advances composition



Non performing loans have decreased in all categories of advances. The improved credit quality across all portfolios is a result of the combination of the group's sound lending policy, early warning system and lower interest rate environment. This very low level of non performing loans is not expected to be maintained as the interest rate cycle turns upwards and advances growth gains momentum. The year-to-date ratio for non performing loans to average gross advances continued to improve, reducing to 1.9% (2010: 2.7%). Non performing loans reduced by 24% to N$212 million (2010: N$280 million). The improving trend over the long term is illustrated below:

Gross advances vs. NPL's & impairment



Average deposits increased by 10% to N$12 billion. Year on year balances indicate less surplus liquidity than in the prior year. Efforts to increase retail funding are meeting with success and the percentage of retail funding to total funding has increased in the past year.

Investment securities reflect a decrease of N$41 million due to the exclusion of Momentum in the current year. The banking group increased investment securities by N$85 million (6%), mainly to meet regulatory liquid asset requirements.

Dividend

The group has maintained the 2.4 times dividend cover on profit attributable to ordinary shareholders. This results in a total distribution for the year of 77 cents, up by 15%. In addition a special dividend of N$1.70 per share was declared and paid during the year.

Chief financial officer's report continued

Capital management

Banking operations

Introduction and objectives

The optimum level and composition of capital in the group is determined after taking into account the business organic growth plans – provided financial targets are met – as well as expectations of investors, targeted capital ratios, future business plans, dividend policy, plans for issuance of additional capital instruments, the need for an appropriate buffer in excess of minimum requirements as well any proposed regulatory changes.

It is our objective to maintain a strong capital base to support the growth of businesses and to exceed regulatory capital requirements at all times. A strong capital base serves as a foundation for growth and cushions against unexpected losses. We aim to be capitalised at the higher of economic capital or regulatory capital including a buffer.

Our capital management process is articulated in the group's capital management framework which is re-assessed and approved annually. The framework mandates us to manage our capital in a consistent and aligned manner to ensure shareholder value is maximised at all times.

The capital management process is also incorporated in the bank's Internal Capital Adequacy Assessment Process (ICAAP), which also covers stress testing and other scenarios used in determining the capital buffer over the regulatory minimum. The ICAAP document is approved annually by the Board of Directors, and submitted to the Bank of Namibia as part of the supervisory and review process. The ICAAP and stress tests are under frequent review and refinement and continue to inform the targeted buffer decision.

The board also approves the range of core assumptions and stress scenarios used in the ICAAP. These stress scenarios are severe, but plausible, and also allows for a summary of the necessary management action that will enable the bank to operate without disruption. Undoubtedly, stress testing allows us to formulate our response, including risk mitigation actions, in advance of conditions starting to exhibit the stress scenarios identified. The actual market stresses which occurred throughout the world's financial system in recent years have been used to inform our capital planning process and allow for a refinement of stress scenarios used.

Capital adequacy and planning

Supply of capital

The group's capital planning process ensures that the total capital adequacy and Tier 1 ratios remain within approved ranges or above target levels across economic and business cycles. The bank is appropriately capitalised under range of normal and severe scenarios as well as under range of stress events. The group aims to back all economic risk with Tier 1 capital as it offers the greatest capacity to absorb losses.

As mentioned earlier, the targeted level of capital takes into account any regulatory changes. In preparation for the transition to Basel II, the bank took the decision to target a higher regulatory ratio to ensure no business disruption during this transition period. Given the successful adoption of Basel II during the previous year, which was followed by a year of stable regulatory ratios, we took the decision to lower the targeted level of capital to 14%. The targeted level of 14% was informed by the stress testing exercise done as part of the ICAAP, with a Tier 1 level set at 12%. These targeted levels are well in excess of the regulatory minimums of 10% and 7% for Total Capital and Tier 1, respectively.

Forecasts and stress testing completed for the bank showed we would be operating well in excess of the targeted ratios for Total Capital and Tier 1, and consequently, the board declared a special dividend of N$379 million. Following the special dividend payout, the bank continued to report a solid total capital ratio of 16.6%, with a Tier 1 ratio of 12.6% – considered to be well above international averages and well ahead of the bank's internal target that takes into account stress and volatility.

Demand for capital

The Bank of Namibia ("BoN") requires banking institutions to hold a minimum amount of capital equal to, or more than, 10% of the calculated risk weighted assets in terms of the standardise approach of Basel II. The increase in risk weighted assets during the year is mainly attributable to the increase in credit risk due to increase in advances as well as increase in operational risk due to growth in gross income.

Regulatory developments

The regulation and supervision of financial institutions continues to undergo significant changes in response to the global financial crisis. In December 2010, the Basel Committee issued the final requirements commonly referred to as Basel III, with Basel 2.5 already included in the draft regulations of a number of jurisdictions. Basel III places greater emphasis on liquidity and leverage ratios of banks and also raise the quality and transparency of the capital base. As a subsidiary of a South African banking group, we are preparing for the transition to Basel 2.5 in January 2012. Whilst Basel 2.5 is not expected to impact the bank, we are mindful of Basel III proposals that will take effect at a holding entity level. We continue to work with our holding entity on the impact of such regulatory changes, but believe that our strong risk management culture will be augmented by such initiatives allowing us to put measures in place in anticipation of such requirements in Namibia and South Africa.

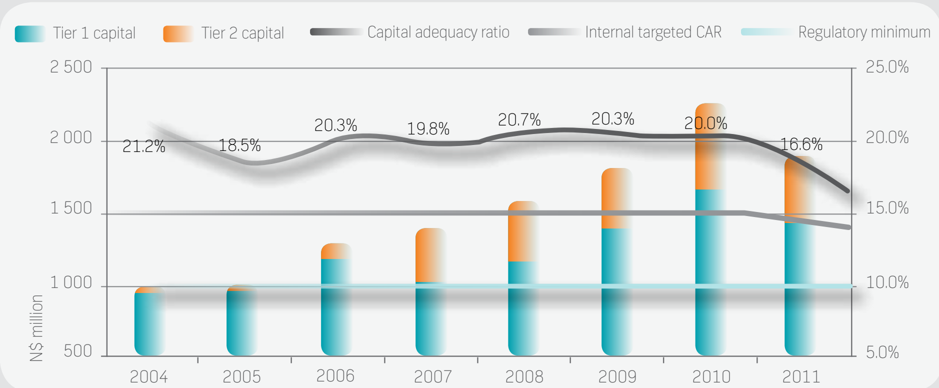
Bank of Namibia is also in the process of introducing the consolidated supervision approach which we embrace. We believe this regulatory approach will not only complement our internal capital management framework but also enhance optimum capital mix within the group between different capital components.

Meanwhile, FNB calculates capital at a banking group level using the Basel II framework as set out by Bank of Namibia. Basel II is structured around three pillars and the Determination (BID-5) gave effect to Basel II rules and implementation thereof.

The following graph depicts the 8 years growth in capital components and capital adequacy:

Capital adequacy of FNB

	2011 N$m	2010 N$m
Risk weighted assets		
Credit risk	9 539	8 474
Market risk	14	25
Operational risk	1 677	1 411
Total risk weighted assets	11 230	9 910
Regulatory capital		
Share capital and share premium	1 143	1 143
Retained profits	481	756
Capital impairment: intangible assets	(211)	(241)
Total tier 1	1 413	1 658
Eligible subordinated debt	260	260
General risk reserve, including portfolio impairment	119	106
Current audited board approved profits	72	
Total tier 2	451	366
Total tier 1 and tier 2 capital	1 864	2 024
Capital adequacy ratios		
Tier 1	12.6%	16.7%
Tier 2	4.0%	3.7%
Total	16.6%	20.4%
Tier 1 leverage ratio	8.9%	9.5%



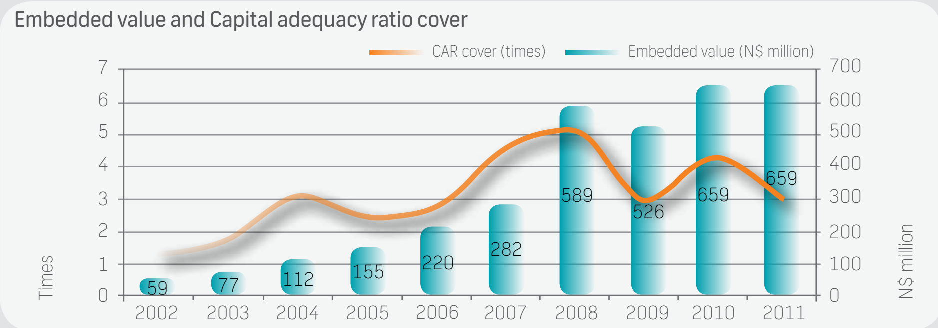
Insurance operations

Momentum's policy is to invest capital required for the capital adequacy requirement (CAR) in cash or near cash instruments. The objective is to ensure a sufficient excess of assets over liabilities to guard against severely negative conditions in future. In terms of Momentum's capital management framework, a buffer of 1.9 times above that minimum is maintained.

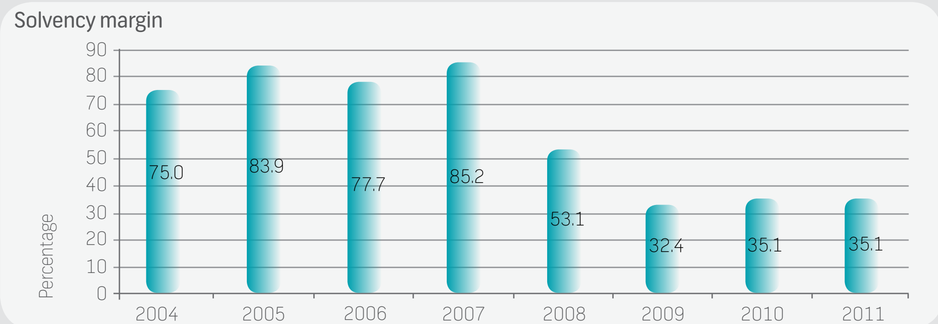
The CAR of Momentum is N$93.1 million (30 June 2010: N$81.0 million). Free reserves cover the capital adequacy requirement 3.0 times (30 June 2010: 4.3 times). Momentum declared a dividend of N$150 million during the year (2010: Nil) as free reserves exceeded the targeted capitalisation of one 1.9 times CAR.

The embedded value remained at N$659.1 million (2010: N$659 million) due to the dividend payment. The value of in-force increased by 15% to N$416.1 million (30 June 2010: N$363.0 million) and the value of new business was N$77.8 million (30 June 2010: N$75.9 million).

Chief financial officer's report continued



OUTsurance's capital adequacy is measured by the solvency margin that is the free reserve ratio of shareholders' funds expressed as a percentage of net premium income. The company targeted solvency margin range is between 25% and 50%, while the regulatory minimum is 15%. The solvency margin at 30 June 2011 was 35% (2010: 35%), a sound and healthy position. OUTsurance declared a dividend of N$5 million during the year (2010: N$5 million).



Conclusion

While the group is aware that some external risks remain, we are generally upbeat about growth potential in Namibian which will lead to an increase in economic activity. Our strong capital base and funding structure ensure that we are well-positioned to support an anticipated increased demand for credit. Our sound credit risk management processes will be maintained, although a more realistic impairment provision is expected as the business cycle normalises.

Driving our strategy over the next three years will be our continued focus on niche markets, with a renewed emphasis on corporate and investment banking. This will add critical mass to our business. At the same time we are heeding governments call for banking inclusion to the unbanked population where innovative electronic products will be an essential enabler.

Our strong focus on cost management and efficiencies will be maintained through the processes embedded in our efficiency pillar - part of our strategic framework.

The objective remains to create sustainable value for all stakeholders.

Erwin Tjipuka
Chief Financial Officer

Ten year review

N$ million	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Statement of financial position										
Advances	12 464	11 227	10 486	9 142	8 726	7 862	6 709	5 827	3 555	2 932
Total assets	17 164	15 937	14 100	13 402	10 674	9 631	8 233	7 200	4 732	4 072
Deposit and current accounts	13 306	12 046	10 601	9 676	7 817	7 812	6 706	5 884	3 950	3 271
Capital and reserves attributable to the group's ordinary equity holders	1 820	1 952	1 640	1 483	1 240	1 302	1 175	1 038	598	594
Non-controlling interest	166	199	122	144						
Total equity	1 986	2 151	1 762	1 627	1 240	1 302	1 175	1 038	598	594
Statement of comprehensive income										
Net interest income before impairment of advances	839	758	743	729	611	483	423	398	309	270
Impairment reversal / (recognition) losses on advances	12	(13)	(38)	(72)	(68)	(29)	(23)	(23)	(12)	(5)
Non interest income	653	574	433	403	380	344	281	218	184	158
Net insurance premium income	72	56	185	160	120	108	89	78		
Net claims and benefits paid	(41)	(38)	(125)	(117)	(44)	(42)	(30)	(27)		
Operating expenses	(817)	(719)	(694)	(618)	(521)	(454)	(400)	(380)	(226)	(188)
Profit for the year from continuing operations	464	403	334	344	254	222	195	151	241	156
Profit attributable to discontinued operations	75	56	33	65	50	35	21	14		
Profit for the year	539	459	367	409	304	257	216	165	241	156
Headline earnings	496	428	353	330	300	254	204	164	239	156
Other information										
Earnings per ordinary share (cents)	191.8	166.1	136.1	145.2	114.7	96.7	81.6	63.7	120.4	78.2
Headline earnings per share (cents)	191.6	165.7	135.6	124.6	113.5	95.0	78.7	63.4	119.6	78.2
Return on assets (earnings on average assets) (%)	3.0	2.9	2.6	3.2	3.0	2.9	2.7	2.8	5.5	4.2
Return on equity (earnings on average equity) (%)	26.3	23.9	22.6	28.2	23.9	20.6	19.1	20.2	40.4	28.0
Cost to income ratio (%)	48.8	48.9	50.5	48.1	48.0	49.0	49.8	52.2	45.9	44.0
Impairment reversal / (recognition) vs. average advances (%)	(0.1)	0.1	0.4	0.8	0.8	0.4	0.4	0.5	0.4	0.2
Market capitalisation	3 307	3 093	3 158	2 665	2 119	1 873	1 606	1 200	900	790
Price to Book	1.8	1.6	1.9	1.8	1.7	1.4	1.4	1.2	1.5	1.3
Dividend information:										
Dividends per share - ordinary dividend declared (cents) *	77.0	67.0	56.0	53.0	47.0	40.0	32.0	25.0	25.0	42.0
Dividend per share - special dividend (cents)	170.0				93.0				95.0	
Dividend yield - ordinary dividend (%)	6.2	5.8	4.7	5.3	5.9	5.7	5.3	5.4	5.6	10.6
Dividend cover (times) based on ordinary dividends	2.4	2.4	2.4	2.4	0.8	2.4	2.5	2.5	1.0	1.9
Earnings yield (%)	15.5	14.4	11.5	14.6	14.5	13.8	13.6	13.9	27.0	19.8
Closing share price - ordinary (cents)	1 236	1 156	1 180	996	792	700	600	460	446	395
Price / Earnings ratio	6.4	7.0	8.7	6.9	6.9	7.2	7.4	7.2	3.7	5.1
Number of staff	1 808	1 791	1 664	1 601	1 463	1 433	1 406	1 363	1 059	1 078

** based on current year profits*

Note : 2010 Statement of comprehensive income information has been restated due to the classification of Momentum Namibia as a discountinued operation. See note 42 of the Annual Financial Statements.

Glossary of terms

Amortised cost:

The amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Bank rate

The interest rate at which the Bank of Namibia lends to banks.

Basel II

The capital adequacy framework issued by the Bank for International Settlements aimed at aligning banks' capital requirements with relevant risk profile and risk practices.

BEE:

An abbreviation for black economic empowerment which is a formal initiative aimed at addressing the past exclusion of previously disadvantaged persons from the formal economy.

Capital adequacy requirement (CAR):

This is the minimum amount of capital required to be held, as determined by the Authorities.

CAR cover:

The CAR cover refers to the multiple by which an insurer's free assets exceeds its CAR, expressed as a ratio of free assets to CAR.

Cost to income ratio (%):

Operating expenditure, excluding insurance risk related payments, and indirect taxes, divided by total income excluding unrealised gains and losses on the insurance investment portfolio.

Critical mass:

Operating expenditure as a percentage of total assets.

Derivatives:

Products on which value derives largely from the price, price fluctuations and price expectations of an underlying instrument. Derivatives include swaps, options and futures.

Embedded value (EV):

Embedded value equals the net asset value of the company, plus the present value of the projected stream of future after-tax profits on in-force insurance contracts, less the cost of capital at risk.

Endowment effect:

The endowment effect refers to a change in interest margin which occurs when market interest rates change and the assets and liabilities re-price in different ways. In both the up and down interest rate cycles, assets re-price more than liabilities, therefore margins compress in a downward cycle and opens in an upward cycle.

Fair value:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial soundness valuation:

Methodology intended to provide a prudently realistic picture of the overall financial position of a long-term insurer, allowing explicitly for actual premiums that will be received and future experience that may be expected in respect of interest rates, expenses, mortality, morbidity and other relevant factors.

General risk reserve:

The prescribed minimum provisions by Bank of Namibia on performing advances and allocations to this reserve is made from after tax distributable reserves.

Headline earnings:

Earnings attributable to ordinary shareholders from trading operations, excluding goodwill gain or losses, capital profits and losses and recycled profits or losses on available-for-sale financial instruments. Headline earnings do not measure sustainable earnings.

Hedge:

A risk management technique used to insulate financial results from market, interest or foreign currency exchange risk arising from normal banking operations. The elimination or reduction of such exposure is accomplished by establishing offsetting positions. For example, assets denominated in foreign currencies can be offset by liabilities in the same currencies or through use of foreign exchange hedging instruments such as options or foreign exchange contracts.

IAS:

International Accounting Standards

IFRS:

International Financial Reporting Standards, as adopted by the International Accounting Standards Board (IASB),and interpretations issued by the International Reporting Interpretations Committee (IFRIC) of the IASB.

Impairment of advances:

Advances are impaired (provided for) where the present value of the future cash flows on advances is less than the current carrying value in the records.

Interest in suspense:

Contractual interest suspended on non-performing loans.

Interest margin on average advances (%):

Net interest income (before deducting the impairment on doubtful advances) divided by gross average advances.

Interest margin on average total assets (%):

Net interest income (before deducting the impairment on doubtful advances) divided by average total assets.

Irrevocable facilities:

Commitments to extend credit where the group does not have the right to terminate the facilities by written notice. Commitments generally have expiry dates. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Loss given default (LGD):

The economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default.

Market capitalisation:

The group's closing share price multiplied by the number of shares in issue.

Mark-to-market:

Valuation at an appropriate market price, set at arms length between informed, knowledgeable parties, with unrealised profit and losses reflected in income or equity depending on the classification of the instrument.

Non performing loan (NPL):

A loan on which the recovery of the contractual interest and capital is doubtful.

Notional value:

The principal amount stated in a contract on which future payments will be made or benefits be received.

Off market loans:

Loans granted to staff members at lower than market related rates.

Organic growth:

Non-acquisition growth.

Portfolio impairments:

Impairments to a specific portfolio within the performing lending book, exposed to similar risks.

Present value (PV):

The present value of future cash flow discounted at a specific discounting rate.

Return on average equity (ROE) (%):

Earnings attributable to ordinary shareholders divided by average ordinary shareholders' funds.

Probability of default (PD):

The probability that a counterparty will default within the next year and considers the likelihood of the counterparty to repay.

Return on average total assets (ROA) (%):

Earnings attributable to ordinary shareholders divided by average total assets.

Share based payments:

Transfers of a company's equity instruments by its shareholders to parties that have supplied goods or services to the company (including employees).

Shareholder value:

The underlying principle used by management in making business decisions which ensures that returns exceed the cost of capital for shareholders.

SME:

Small and medium enterprise

Strike price:

The price at which employees, allocated share options, can buy their shares from the share incentive trust.

TIPEEG:

Targeted Intervention Programme for Employment and Growth which is a government initiative to expedite implementation of government programmes and projects to address unemployment and support strategic high growth sectors in Namibia.

Unintimated claims:

Claims relating to incidents occurred before year-end and only reported to the insurance company after year-end.

ANNUAL FINANCIAL STATEMENTS

Contents

Directors' responsibility statement

To the members of FNB Namibia Holdings Limited

These consolidated annual financial statements are the responsibility of the company's directors. We also acknowledge responsibility for establishing accounting procedures that provide for the maintenance of documentation sufficient to support the consolidated annual financial statements. These consolidated annual financial statements present fairly the financial position, results of operations and cash flows of the group and company in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act of Namibia and have been prepared on bases consistent with those of the prior year, except where specifically disclosed in the consolidated annual financial statements. The consolidated annual financial statements incorporate full and responsible disclosure in line with the group's philosophy on corporate governance and as required by the Namibian Stock Exchange. The directors have reviewed the appropriateness of the accounting policies, and concluded that estimates and judgements are prudent. The directors report that the group's internal controls are designed to provide reasonable assurance as to the integrity and reliability of the financial statements, to adequately safeguard, verify and maintain accountability of assets and to prevent and detect fraudulent financial reporting. Such controls are based on established written policies and procedures. They are implemented by trained, skilled personnel with an appropriate segregation of duties and are monitored throughout the group.

The board members and employees are required to maintain the highest ethical standards and the group's business practices are required to be conducted in a manner that is above reproach. The board has adopted and is committed to the principles in the King III report on Corporate Governance. The board is responsible for internal controls. The controls throughout the group are directed towards risk areas. These areas are identified by operational management, confirmed by group management and tested by the internal auditors. All controls relating to these critical risk areas are closely monitored and subject to audit.

Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these internal financial controls occurred during the year.

The directors have reviewed the group's budget for the year to 30 June 2012. On the basis of this review and in the light of the current financial position, the directors have no reason to believe that FNB Namibia Holdings Limited and its subsidiaries will not be a going concern for the foreseeable future. The going concern basis has therefore been adopted in preparing the financial statements.

The group's external auditors, Deloitte & Touche, have audited the financial statements and their report appears on page 41. The consolidated annual financial statements of the group and company, which appear on pages 36 to 163 have been approved by the board of directors and are signed on its behalf by:

CJ Hinrichsen
Chairman
Windhoek
17 August 2011

Adv VR Rukoro
Chief Executive Officer
Windhoek
17 August 2011

Report of the audit committee to shareholders

The audit committee comprises of a majority of independent non-executive directors and it meets no less than four times a year. The chairperson of the audit committee is an independent non-executive director and not the chairperson of the board.

The primary function of the audit committee is to assist the board in fulfilling its responsibilities by monitoring decisions and processes designed to ensure that the group's financial and computer system provide reliable, accurate and up-to-date information to support the current financial position and that the published consolidated annual financial statements represent a fair reflection of its financial position. It also ensures that appropriate accounting policies, control and compliance procedures are on place. The head of internal audit and the external auditors attend its meetings and have unrestricted access to the chairman of the committee.

In carrying out its responsibilities the committee has full authority to investigate all matters that fall within its terms of reference. Accordingly, the committee may:

- Obtain independent professional advice in the satisfaction of its duties at the cost of the group; and
- Have such direct access to the resources of the group as it may reasonably require including the external and internal auditors.

The primary objectives of the committee are:

1. To assist the board of directors in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied in a day-to-day management of the business;
2. To review accounting principles, policies and practices adopted in preparation of public financial information;
3. To review with external auditors the scope and results of their audit, as well as the review and approval of audit fee's and nomination of auditors for appointment by shareholders;
4. To provide a forum for communication between the board of directors, management and the internal and external auditors; and
5. To introduce such measures as in the committee's opinion may serve to enhance the credibility and objectivity of the consolidated annual financial statements and affairs of the group.

The committee has met its objectives, has found no material weaknesses in controls, and is satisfied with the level of disclosure to it and to the stakeholders.

S H Moir
Chairman
Windhoek
16 August 2011

Statement of actuarial values of Momentum Life Assurance Namibia Limited

	2011 N$'000	2010 N$'000
A brief summary of the financial position as at this date is as follows:		
Policyholders' fund	1 014 243	958 361
Other liabilities	43 280	29 605
Capital adequacy requirement	102 320	81 028
Free assets	172 488	267 379
Total funds (at actuarial value)	1 332 331	1 336 373
The above split may also be represented by the following items:		
Financial soundness liabilities	1 057 523	987 966
Free reserves for published financials	274 808	348 407
Total funds (at actuarial value)	1 332 331	1 336 373

The movement in the Free Reserves is a decrease of N$73 599 000 (2010: N$62 048 000 increase).

Certification

I have conducted an actuarial valuation of Momentum Life Assurance Namibia Limited according to generally accepted actuarial standards as at 30 June 2011, and certify that the Company was financially sound at that date.

I am satisfied that the statement of actuarial values of assets and liabilities, read together with the financial statements, fairly presents the financial position of the Company.

Jacques Malan
Fellow of the Institute of Actuaries
Valuator
18 August 2011

Independent auditor's report
To the members of FNB Namibia Holdings Limited

We have audited the group annual financial statements and the annual financial statements of FNB Namibia Holdings Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2011, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 42 to 163.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Namibian Companies Act, and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of FNB Namibia Holdings Limited as at 30 June 2011, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act in Namibia.

Deloitte & Touche

Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (Namibia)
ICAN practice number: 9407

Per J Kock
Partner
PO Box 47, Windhoek, Namibia
6 September 2011

Regional executives:
GG Gelink (Chief Executive), A Swiegers (Chief Operating Officer), GM Pinnock

Resident partners:
VJ Mungunda (Managing Partner), RH McDonald, J Kock, H de Bruin, J Cronje

Directors' report

Nature of business

FNB Namibia Holdings Limited is the holding company of the FNB Namibia group of companies. Its main investments remain unchanged from the prior year, except for the sale of RMB Asset Management (Namibia) (Pty) Ltd to Momentum Life Assurance Namibia Limited. The shareholdings are:

First National Bank of Namibia Limited: a registered bank offering a full range of banking services	100%
Momentum Life Assurance Namibia Limited: a life assurance company	51%
OUTsurance Insurance Company Limited: a short-term insurance company	51%
Talas Properties (Windhoek) (Propriety) Limited: a property-owning company	100%
First National Asset Management and Trust Company of Namibia (Proprietary) Limited: a registered trust company involved in the administration of deceased estates	100%
FNB Namibia Unit Trusts Limited: a unit trusts management company	100%

Share capital

The company's authorised share capital remained unchanged at N$ 5 million.

The company's authorised share capital at year-end consists of 990 000 000 (2010: 990 000 000) ordinary shares of 0,5 cents each and 10 000 000 (2010: 10 000 000) cumulative convertible redeemable preference shares of 0,5 cents each.

The issued ordinary share capital remained unchanged at 267 593 250 ordinary shares and 2 cumulative convertible redeemable preference shares.

At the annual general meeting to be held on 24 November 2011, members will be asked to consider an ordinary resolution placing the number of un-issued ordinary and preference shares, exclusive of the number of shares reserved for purposes of the share incentive scheme as at that date, under the control of the directors as is currently the case, until the next annual general meeting.

Share analysis – ordinary shares

Based on information disclosed by the Namibian Stock Exchange and investigations conducted on behalf of the company, the following shareholders have a beneficial interest of 5% or more in the issued ordinary shares of the company:

FirstRand EMA Holdings Limited	58.4% (2010: 59.4%)
Government Institutions Pension Fund	14.7% (2010: 14.4%)

A detailed analysis of shareholders is set out on page 184.

Share analysis – preference shares

RMB-SI Investments (Proprietary) Limited	100% (2010: 100%)

FNB Share Incentive Scheme (the trust)

No new shares were allocated during the year by the company to the trust (2010: nil). Staff exercised options on 1 294 000 (2010: 107 102) shares during the year. The total number of shares held by the trust at 30 June 2011 amounts to 8 304 597 (2010: 8 591 565). Also refer to notes 8.2 and 32 of the annual financial statements.

Dividends

The following dividends were declared in respect of the current and previous financial years:

N$'000	2011	2010
Ordinary dividends		
Final dividend of 41 cents (2010: 36 cents)	109 713	96 334
Interim dividend of 36 cents (2010: 31 cents)	96 334	82 954
Total distribution for the 12 months of 77 cents per ordinary share (2010: 67 cents per ordinary share)	206 047	179 288
Special dividends		
A special dividend of 170 cents per ordinary share	454 909	

Directors interest in FNB Namibia Holdings Limited

Details of the directors' holdings in the issued ordinary shares of FNB Namibia Holdings Limited are reflected in note 6.3 to the annual financial statements.

Interest of directors

At no time during the financial year were any contracts of significance entered into relative to the group's business in which a director had an interest.

Group results

The financial statements on pages 66 to 163 set out fully the financial position, results of operations and cash flows of the company and the group. Your attention is also drawn to the chairman's report, the chief executive officer's report and the chief financial officer's report on the financial results on pages 19 to 32.

Directorate

At the group's annual general meeting held on 24 November 2010, directors H-D Voigts and H W P Böttger retired as independent directors. Mr. S H Moir, who retired by rotation in accordance with the provisions of the company's articles of association, made himself available for re-election and was duly re-elected.

Mr. C J Hinrichsen was appointed as Chairman on 24 November 2010 following the retirement of Mr. H-D Voigts.

The composition of the board of FNB Namibia Holdings Limited at 30 June 2011 and to the date of this report is as follows:

C J Hinrichsen # (Chairman)
C L R Haikali
J R Khethe*
J K Macaskill *
S H Moir *
M N Ndilula
P T Nevonga
Adv VR Rukoro (Chief Executive Officer)
I I Zaamwani-Kamwi (Ms)

German * South African

All directors appointed since the last annual general meeting have to be confirmed at the next annual general meeting.

Directors' emoluments

Directors' emoluments are disclosed in note 6.1 to the annual financial statements.

Management by third parties

No part of the business of the company or of its subsidiary companies has been managed by a third party or by a company in which a director had a direct or indirect interest during this financial year.

Insurance

Comprehensive cover in respect of the bankers' bond, computer crime and professional indemnity risk is in place.

Property and equipment

There was no material change in the nature of property and equipment or in the policy regarding its use during the year.

Holding company

The holding company of FNB Namibia Holdings Limited is FirstRand EMA Holdings Limited and its ultimate holding company is FirstRand Limited, both of which are incorporated in the Republic of South Africa.

Subsidiaries

Interest in and aggregate profits of subsidiaries are set out in note 36.6 to the annual financial statements.

Company secretary and registered offices

Y Katjirua
Registered office:
209 Independence Avenue, Windhoek
Postal address:
P O Box 195, Windhoek, Namibia

Events subsequent to the reporting date

Momentum Life Assurance Namibia Limited

In July 2011 the FNB Namibia Holdings' board agreed in principle to sell FNB Namibia's 51% interest in Momentum Life Assurance Namibia Limited to a Namibian entity that forms part of the MMI Holdings Limited ("MMI") stable. The terms of this transaction must still be finalised but the intention is to prepare the sale agreement so that the transaction will come into effect from 1 July 2011. The transaction is still subject to MMI's Namibian operation approving the terms of the transaction as well the necessary regulatory approvals. The parties hope to conclude the transaction by the end of November 2011.

FNB Insurance Brokers Namibia (Pty) Ltd

FNB Namibia has also reached an agreement to acquire the remaining 60% interest in FNB Insurance Brokers Namibia (Pty) Ltd, increasing the group's holding in the company from 40% to 100% with effect from 1 July 2011.