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.....
report to
society

**a rising tide
lifts all ships**





REPORT TO SOCIETY

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The Group has a portfolio branding strategy and there are a number of leading franchises within the Group.



From Sizwe Nxasana, FirstRand's Chief Executive

At FirstRand discussions around enhancing short-, medium- and long-term value creation often refer to John F Kennedy's famous 1963 quote "a rising tide lifts all ships".

Shared value

This year the idea that good business is good for society was further developed at the World Economic Forum in Davos when Harvard economists Michael Porter and Mark Kramer presented research suggesting that in the post-crisis economy, the success of progressive businesses will be driven by their ability to align profitability with value creation for the communities and economies in which they operate. The idea is aptly named 'Creating Shared Value' or "CSV".

As a financial services organisation we at FirstRand understand the economic significance of our business and recognise the value that it can bring to the communities and economies in which we operate. We also understand both the business case for getting this right and that it is quite simply the right thing to do!





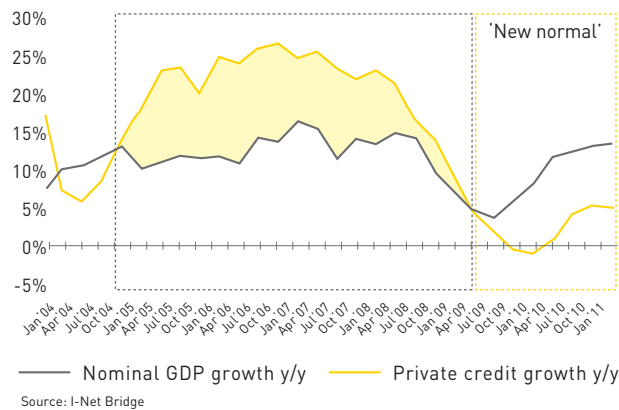
“It is my pleasure to introduce FirstRand’s 2011 Report to Society on a positive note. The pre-financial crisis period was characterised by a systemic increase in consumer borrowing which in the crisis itself led to an increase in bad debts. The gradual unwinding of these excesses followed and has resulted in a ‘new normal’ in the financial services industry as economic growth is expected to be subdued for some time. FirstRand is well positioned to create sustainable value through this cycle.”

+27%
Ordinary dividend per share

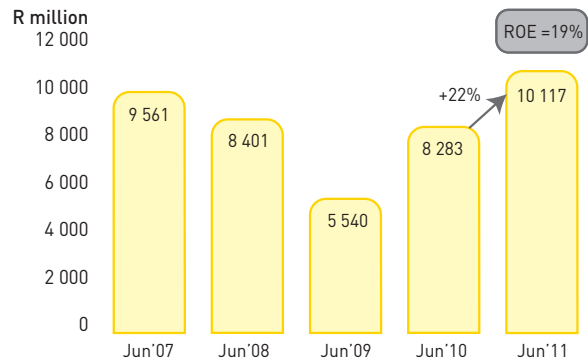
+22%
Diluted normalised earnings per share

+19%
Normalised net asset value per share

Cumulative build-up of leverage



Normalised earnings above 2007 peak and ROE continues to track up



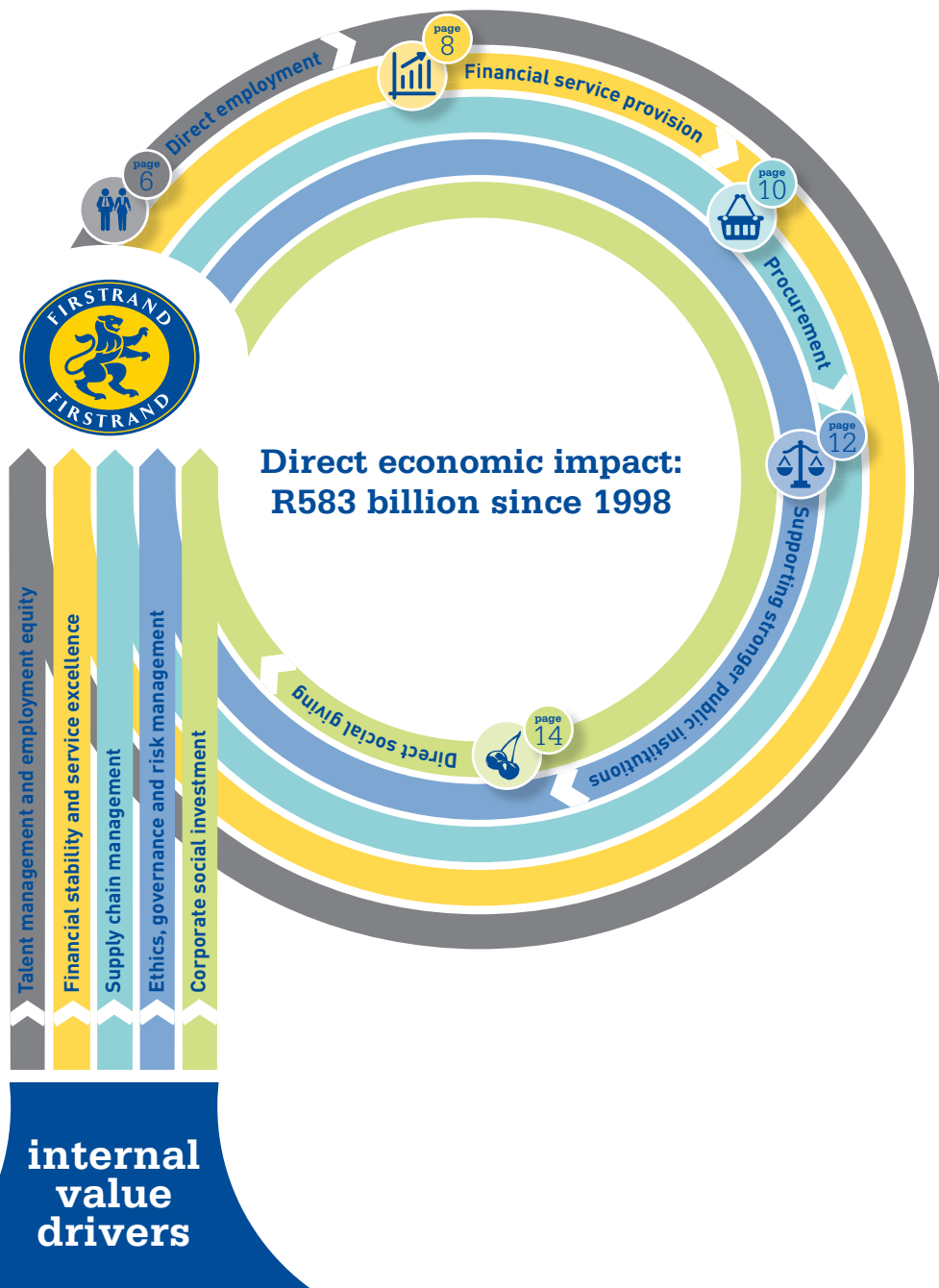
*Excludes contributions from Momentum and OUTSurance (Jun'07 to Jun'11) and Discovery (Jun'07 and Jun'08)



The recently released draft International Integrated Reporting Framework (“IIRF”) describes an organisation’s long-term sustainability as the result of its ability to manage dependencies on a range of capital types. Such capital types may include financial capital, human capital, natural capital and institutional capital – such as intellectual property, governance and risk management processes. In practice, effective management of this capital requires alignment between strategic business objectives, key financial and non-financial value drivers and internal control processes for measuring and managing performance against objectives.

“In addition to this alignment FirstRand’s approach to sustainable value creation is differentiated by a focus on internal value drivers and the unique elements of the Group’s corporate culture and philosophy that inform them.”

The diagram below provides a quick reference guide for FirstRand's economic impacts



Future value

Effective management of ethics performance plays an important role in FirstRand's ability to create and protect value for all stakeholders. To this end we have proactively formalised the governance of ethics performance and are taking steps to continually enhance the effectiveness of enterprise-wide ethics management processes. The FirstRand Code of Ethics is the cornerstone of our Ethics Management Framework and all directors sign a pledge to adhere to this code.

At the Group's last annual results presentation in Johannesburg one of my fellow FirstRand directors commented on the advent of integrated reporting, saying "... it is an interesting time to be running a company." Although I have always thought that any time is an interesting time to be involved in business, the current opportunities to manage financial and non-financial performance in a more integrated way are particularly exciting and inspiring.

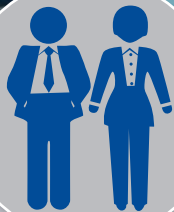
“Since revising our strategy in 2009 our strategic objectives have not altered. FirstRand's vision remains to be the African financial services group of choice, creating long-term value for all stakeholders. I would like to thank all those who are making, have made and will make still, the FirstRand story a reality, and I look forward to the next opportunity to communicate on progress towards our common future.”

Regards,



Sizwe





FirstRand's employees can take comfort in the fact that the Group actively manages direct environmental impacts with carbon emissions decreasing from 9.7 metric tonnes per employee in 2008 to 9.2 metric tonnes in 2011, one tonne below the South African national average.



“At FirstRand every employee has an important role to play in sustaining the positive performance of the Group, with performance management recognising their role in sustaining positive performance into the future.”

During the year, steps were taken to achieve greater alignment between employment equity performance, talent management and skills development. While approximately 70% of the Group’s overall workforce comprises African, Coloured and Indian employees, progress has been slow in achieving a similar demographic at more senior management levels.

This challenge is seen as symptomatic of the global skills shortage and is not viewed as an exclusively South African issue. The Group began implementing a long-term strategy for ensuring that skills development initiatives, career and succession planning are coordinated in a way that will help to develop previously disadvantaged business leaders from within the Group.

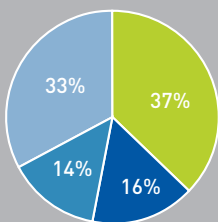
This is part of a drive to ensure that that the Group’s operating divisions have access to suitably qualified and adequate human resources to successfully execute business strategy, with particular focus on ensuring that all key areas are addressed in resourcing the Group’s international expansion efforts.

Skills development forms an important part of achieving this strategic alignment and accordingly the Group has increased skills development expenditure from R216 million in 2010 to R270 million in 2011.

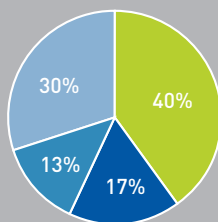
Diversity in the workplace and skills development are key performance areas steadily gaining traction in a slow recruitment environment.

Workforce profile

2010 workforce profile (31288 employees)



2011 workforce profile (30600 employees)

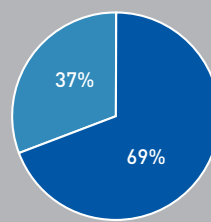


Excludes international operators

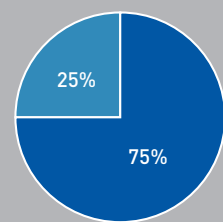
● African ● Indian ● Coloured ● White

Skills development

2010 Skills development spend (R216 mil)



2011 Skills development spend (R270 mil)



● ACI spend ● Other spend



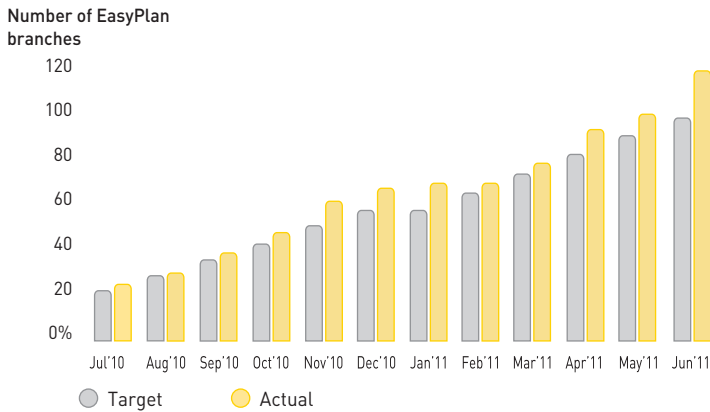
“The success of innovative convenience banking channels in the mainstream market confirms the Group’s strategy to ensure that technology and innovation go hand in hand with socioeconomic development and the creation of economically buoyant customer bases. Such products have also begun forming a more important part of FirstRand’s African expansion programme.”



During the year FNB expanded its South African customer base from 6.8 million customers in 2010 to 7.1 million in 2011 and increased its operating footprint to 5 906 ATMs and 722 branches and agencies, of which 117 are EasyPlan branches designed to meet the needs of the mainstream market.

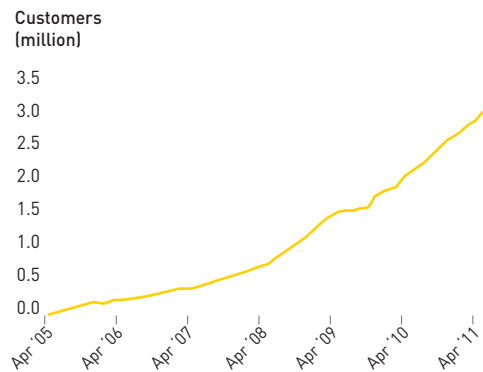
FNB continues to take banking to the people

FNB EasyPlan rollout ahead of schedule



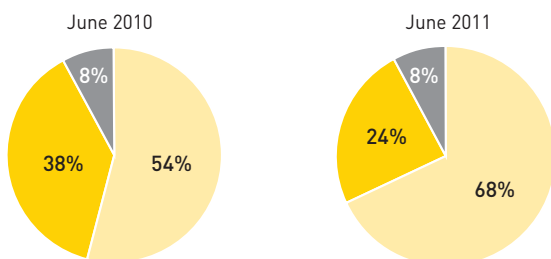
117 EasyPlan branches, over R100 million per month loan payout currently, Investment in presence and staff reflected in cost increases.

Cell phone Banking



Sustainable revenue growth is driven by strong client relationships with client franchises contributing 93% of gross revenue.

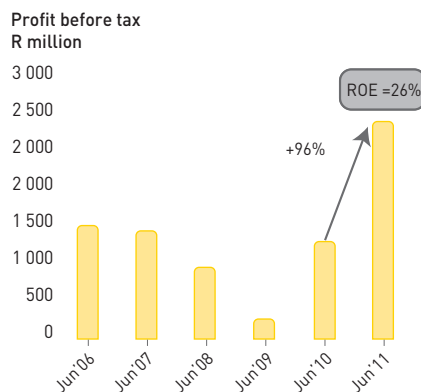
At RMB sustainability of earnings is enhanced through rebalancing its portfolio toward client franchises



Based on gross revenue excluding Legacy

- Client activities
- Investment activities
- Trading activities


WesBank earnings well above 2006 peak and better quality



Characterised by strong new business origination, better margins due to repricing strategies, bad debt unwind continued, excellent cost management, excellent performance from Personal Loans

Of FirstRand's R7 billion discretionary procurement spend R5.1 billion is spent with Broad-Based Black Economic Empowerment suppliers





**efficient,
equitable
procurement practices**

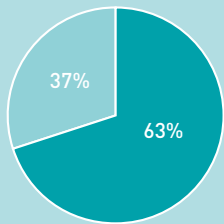
FirstRand recognises B-BBEE procurement practice as an effective way of contributing to economic development and supporting sustainable and ethical business practices within the Group’s supply chain. Beyond these benefits good procurement practices also accompany effective cost management.

The management of supply chain risk is an important part of the Group’s procurement practices and special attention has been paid to the management of IT risk, particularly as it regards concentration risk in the procurement of IT goods and services from small numbers of specialist suppliers.

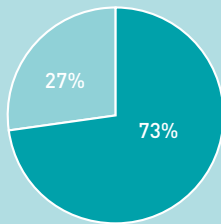
The principal objectives of this project have been to enhance the Group’s B-BBEE procurement spend and leverage efficiencies through economies of scale with improved coordination of procurement activities across the group and a focus on cost, quality and delivery of goods and services.

Developing suppliers with R7 billion procurement spend

2010 procurement spend
(R6.3 billion)



2011 procurement spend
(R7 billion)



- B-BBEE spend
- Other spend



“Effective internal financial and non-financial controls ensure that FirstRand is able to identify and manage all issues impacting short, medium and long-term value creation.”



**ethics,
governance
and risk management**

In overseeing the ethical performance of the Group, FirstRand’s Social and Ethics Committee is guided by four key principles:

1. Balance – balanced consideration of ethical performance in business actions and decision making
2. Transparency – the very purpose of the Ethics committee is to ensure adequate transparency
3. Accountability – the resolutions of the Ethics committee clearly define accountable parties
4. Consistency – clearly defined Social and Ethics committee reporting lines across the Group ensure consistency

FirstRand has accordingly established independently managed anonymous Ethics contact lines for all operations, details of which are publicly available in the company’s annual integrated report.

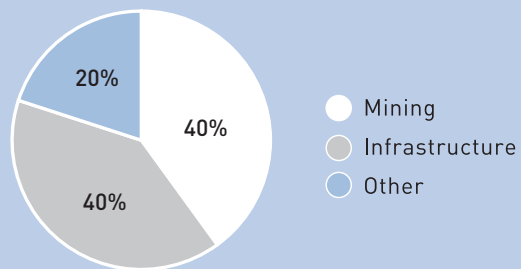
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Equator Principle transactions by geography and sector

FirstRand has formalised processes for managing environmental and social risks in affected transactions. Affected transactions are shown by geography and sector below.



Transaction by sector





“Corporate Social Investment is delivered through the FirstRand Foundation. Today the Foundation is one of the biggest corporate givers in South Africa, which since its creation in 1998 has invested almost R800 million in social development.”



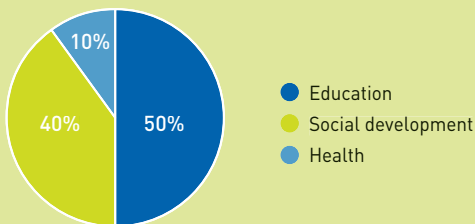
“The FirstRand Foundation is careful to take a realistically optimistic view of South Africa’s challenges and works to increase the opportunities that life presents to people across South Africa, with careful application of social investments on which the return is a reduction in the poverty of choice experienced by too many South Africans.”

The funding available for grants is determined by the financial success of the Group in any given year, since one per cent of after-tax profits are set aside for community investment.”

The Foundation takes a long-term view and manages risk to secure proper social returns on its investments. A programmatic approach to CSI is followed, focusing on giving more substantial and strategic grants towards fewer organisations. In this way the Foundation is able to engage with programmes in a more structured and meaningful way, resulting in the development of high-quality partnerships and a greater impact on the projects it supports.

Education a CSI focus area

2011 CSI (R66 mil)



Benefit distribution

2011 CSI by province (R66 mil)

