analysis of financial results

FOR THE YEAR ENDED 30 JUNE 2012

FIRSTRAND BANK

Contents

FIRSTRAND BANK

FirstRand Bank Limited (JSE bond code: BIFR1) is a wholly-owned subsidiary of FirstRand Limited (JSE code: FSR), which is listed on the JSE and Namibia Stock Exchange.
Registration number: 1929/001225/06
Certain entities within the FirstRand Group are Authorised Financial Services and Credit Providers
This analysis is available on our website:

www.firstrand.co.za

email questions to: investor.relations@firstrand.co.za

Introduction

This report covers the audited financial results of FirstRand Bank Limited (the Bank or FRB) based on International Financial Reporting Standards (IFRS) for the year ended 30 June 2012.

The Bank is a wholly-owned subsidiary of FirstRand Limited (FirstRand or the Group). The Group consists of a portfolio of leading financial services franchises; these are First National Bank (FNB), the retail and commercial bank, Rand Merchant Bank (RMB), the investment bank, and WesBank, the instalment finance business.

The primary results and accompanying commentary are presented on a normalised basis as the Bank believes this most accurately reflects its economic performance. The normalised results have been derived from the audited IFRS financial results, which have been audited in compliance with Section 29 (1) of the Companies Act.

The normalised results include an income statement, statement of comprehensive income, statement of changes in equity and an abridged statement of financial position. A detailed description of the difference between normalised and IFRS results is provided on page 11. Detailed reconciliations of normalised results to IFRS results are provided on pages 24 and 25. Commentary is based on normalised results, unless indicated otherwise.

Alan Hedding, CA(SA), supervised the preparation of the financial results.

The annual report for FirstRand Bank Limited, which is summarised by this report, will be published on the Group's website, www.firstrand.co.za, on or about 28 September 2012.

Financial highlights

	Year ended 30 June		
	2012	2011	% change
Normalised earnings (R million)	**9 032**	6 595	37
Normalised return on equity (%)	**21.6**	18.8	
Capital adequacy ratio (%)	**14.6**	14.2	
Capital adequacy – Tier 1 (%)	**12.6**	12.4	
Credit loss ratio (%)	**1.14**	0.98	
NPLs (% of average advances)	**3.58**	4.35	
Gross advances (R billion)	**493**	439	12
Cost-to-income ratio (%)	**58.3**	60.3	
Net interest margin (%)	**4.58**	4.37	

FirstRand Bank

Key financial results, ratios and statistics

R million	Year ended 30 June **2012**	2011	% change
Attributable earnings to ordinary equityholders (normalised)	**9 534**	6 746	41
Headline earnings	**9 191**	6 540	41
Normalised earnings	**9 032**	6 595	37
Normalised net asset value	**45 997**	37 642	22
Average normalised net asset value	**41 820**	35 134	19
Normalised return on equity (%)	**21.6**	18.8	
Capital adequacy			
– Capital adequacy ratio (%)	**14.6**	14.2	
– Tier 1 ratio (%)	**12.6**	12.4	

Statement of headline earnings – IFRS

for the year ended 30 June

R million	2012	2011	% change
Profit for the year (refer page 12)	**9 717**	7 986	22
Non-cumulative non-redeemable (NCNR) preference shares	**(183)**	(201)	(9)
Earnings attributable to ordinary equityholders	**9 534**	7 785	22
Adjusted for:	**(343)**	(1 245)	(72)
Gain on disposal of available-for-sale assets	**(445)**	(335)	
Gain on disposal of intergroup subsidiaries/associates*	**–**	(1 072)	
Loss on disposal of subsidiaries	**–**	33	
Loss on the disposal of property and equipment	**75**	47	
Other	**18**	69	
Tax effects of adjustments	**9**	13	
Headline earnings	**9 191**	6 540	41

* *The gain on disposal of subsidiaries was a result of the Group restructuring, which also impacted the Bank. These subsidiaries were retained by the Group.*

FirstRand Bank

Reconciliation from headline earnings to normalised earnings

for the year ended 30 June

R million	2012	2011	% change
Headline earnings	**9 191**	6 540	41
Adjusted for:	**(159)**	55	(>100)
IFRS 2 Share-based payment expense	**81**	55	47
Total return swap (TRS) adjustment	**(240)**	–	
Normalised earnings	**9 032**	6 595	37

Reconciliation of IFRS continuing operations to continuing normalised operations

for the year ended 30 June

R million	2012	2011	% change
Earnings attributable to ordinary equityholders from IFRS continuing operations (refer page 3)	**9 534**	7 785	22
Gain on disposal of intergroup subsidiaries/associates	**–**	(1 072)	(100)
Loss on disposal of subsidiaries	**–**	33	(100)
Attributable earnings from continuing normalised operations (refer page 23)	**9 534**	6 746	41

Overview of results

INTRODUCTION

The legacy of the 2008 financial crisis remains one of significant macroeconomic uncertainty. During the current financial year the global policy makers were faced with a number of crises, including the European sovereign debt and banking sector crisis which, at times, threatened to break up the euro zone. Faced with its own fiscal challenges, the US sovereign rating was downgraded, preceded by heightened volatility in financial markets over the possibility that the US government might default on some of its debt obligations.

This uncertainty combined with high levels of government indebtedness, ongoing stress in the European banking system and households continuing to rebuild balance sheets weighed on economic activity in the major developed economies. This weakness spilled over into the major emerging economies and growth in countries such as China, India and Brazil slowed markedly during the latter part of the financial year.

The South African economy was not immune to the global developments and, although growth picked up in the latter part of 2011, it moderated again at the start of 2012. Slowing export growth and falling business confidence reflected muted global economic activity and supply-side constraints, such as labour action in the mining sector and limited electricity supply, also weighed on macroeconomic performance. This contributed to subdued private sector investment spending.

Consumer demand remained quite resilient throughout the financial year with household spending on durable goods particularly strong. This demand was underpinned by growth in real disposable income and a gradual increase in the uptake of credit by households, particularly unsecured credit. Continued low interest rates provided further support.

OVERVIEW OF RESULTS

Despite these ongoing challenges the Bank produced excellent results for the year to 30 June 2012, achieving normalised earnings of R9 032 million, an increase of 37% on the previous period and producing a normalised return on equity (ROE) of 21.6% (2011: 18.8%). This reflects the strength and resilience of the Bank's operating franchises which have demonstrated outperformance in many segments of the market.

The most significant driver of earnings was the very strong operational performances from FNB, RMB and WesBank, all of which showed excellent topline growth. In the case of FNB this was the result of specific strategies to acquire customers, grow loans and deposits, and drive transactional volumes across all of its platforms, particularly electronic. WesBank delivered excellent new business growth. The RMB franchise performed well especially given the tough trading environment for corporate and investment banking.

The table below shows a breakdown of sources of normalised earnings:

Sources of normalised earnings
for the year ended 30 June

R million	**2012**	**% composition**	2011	% composition	% change
FNB	**5 125**	**57**	4 187	63	22
RMB and GTS	**2 750**	**30**	2 048	31	34
WesBank	**1 533**	**17**	1 031	16	49
Corporate Centre and consolidation adjustments	**(193)**	**(2)**	(470)	(7)	(59)
NCNR preference dividend	**(183)**	**(2)**	(201)	(3)	(9)
Normalised earnings	**9 032**	**100**	6 595	100	37

The Bank's income statement benefited from an increase of 18% in net interest income before impairments (NII). This was driven by good growth in deposits at FNB and in advances at FNB and WesBank. Asset margins materially benefited from strong growth in unsecured lending products which offer better risk-adjusted pricing. Margins also continued to be positively impacted by ongoing repricing strategies in the large retail lending books such as vehicle and asset finance, and residential mortgages.

The 25% increase in non-interest revenue (NIR) was underpinned by strong growth of 11% at FNB and 46% at WesBank. RMB's client activities, particularly advisory and structuring and currency and commodity trading, also contributed.

Certain once-off items have resulted in total expenses increasing 17%. The first relates to accelerated depreciation on small value assets, which impacts both GTS and FNB (primarily SpeedPoint devices). In addition, operating expenses were impacted by higher costs associated with cooperation agreements and incremental increases in IFRS 2 Share-based payment expenses directly linked to the Group's increased share price.

The increase in the bad debt charge from 98 bps to 114 bps was driven mainly by:

- the creation of certain portfolio provisions at the centre, reflecting the Group's view that the benign credit cycle has now bottomed; and
- a specific impairment for unrecovered amounts in FNB's merchant acquiring business (see pages 32 and 33).

Excluding the impact of the specific impairment for the merchant acquiring business, overall credit impairments increased from 98 bps to 99 bps. However, the impairments relating to the non-performing book decreased 25%, which is in line with expectations and reflects further improvement in NPLs in most of the large retail books, particularly FNB HomeLoans and FNB Card.

The Bank's balance sheet continued to show good overall growth in advances. This was driven by robust new business volumes, particularly in the portfolios indicated below. This reflects the Group's strategy to grow its lending books in certain targeted segments.

- Unsecured lending in FNB's mass and consumer segments (excluding Card) R11.4 billion
- Unsecured lending at WesBank R4.3 billion
- Vehicle and asset finance at WesBank R54.3 billion
- RMB's structured lending book R51.8 billion

OVERVIEW OF OPERATING FRANCHISES

FirstRand's vision is to be the African financial services group of choice, creating long-term franchise value and delivering superior and sustainable economic returns to shareholders within acceptable levels of volatility. The Group seeks to achieve this through two parallel growth strategies:

- become a predominant player in all of the financial services profit pools in South Africa, growing in existing markets and those where it is under-represented; and
- grow its franchise in the broader African continent, targeting those countries expected to show above average domestic growth and which are well positioned to benefit from the trade and investment flows between Africa, China and India.

These strategies are executed through its portfolio of operating franchises (namely FNB, RMB and WesBank) on the appropriate platforms (namely FRB, FirstRand Emerging Markets (FREMA) and FirstRand Investment Holdings (FRIHL)), within a framework set by the Group. Below is a brief overview of progress on these strategic objectives and the financial and operational performance of each franchise.

FNB

FNB represents FRB's activities in the retail and commercial segments. It is growing its franchise strongly on the back of innovative products and delivery platforms, particularly focusing on electronic and digital channels. FNB produced an excellent performance for the year, increasing pre-tax profits 23%.

FNB

	Year ended 30 June		
R million	**2012**	2011*	% change
Normalised earnings	**5 125**	4 187	22
Profit before tax	**6 918**	5 633	23
Total assets	**227 451**	210 107	8
Total liabilities	**220 546**	204 277	8
Credit loss ratio (%)	**1.31**	1.22	

* *Prior year restated to exclude GTS.*

FNB has benefited from a very deliberate strategy to grow and retain core transactional accounts. It has driven this through offering customers a compelling value proposition –

innovative products and channels at an acceptable cost to the customer. This proposition has been supported by various reward programmes, such as eBucks, SLOW lounges and fuel, data and airtime rewards. Innovations such as the Banking App, cellphone banking and eWallet have also attracted new customers. This has resulted in a net increase of 1.3 million active accounts in the year under review. In addition, FNB's success in cross-selling to its customers also increased the average products per customer from 2.03 to 2.10. A positive outcome from this growth in customers is the commensurate increase in transactional volumes, particularly on the back of FNB's deliberate objective to drive customers onto its electronic platforms. This resulted in non-interest revenue growth for the year of 11%.

Robust net interest income growth of 20% was underpinned by solid advances growth of 8%, driven mainly by the Consumer, Commercial and Mass segments, margin expansion due to the growth in unsecured lending and the substantial decrease in non-performing loans in FNB HomeLoans.

Card advances grew 11% on the back of proactive customer acquisition. HomeLoans advances increased only 3% reflecting FNB's strategy to grow residential mortgages in the low risk categories. However, new business margins remained healthy. Affordable housing, particularly Smart Bonds, continued to show good growth.

Deposits also grew well (up 19%) driven mainly by the Commercial, Consumer and Wealth segments, in particular notice deposit products.

Excluding the specific impairment mentioned previously in the merchant acquiring business, bad debts showed a marginal decrease of 2%. Bad debts in the unsecured lending books increased, however, this is in line with expectations and is appropriately provided for.

Core cost growth was maintained at 9%, reflecting FNB's focus on ongoing efficiencies and streamlining platforms.

RMB

RMB represents the activities of the Bank in the corporate and investment banking segments. During the year under review the RMB business model was further adjusted in anticipation of impending regulatory changes and the expected macro environment. These changes included:

- the formation of a Global Markets division, merging components of the Fixed Income, Currency and Commodities (FICC) and Equities businesses;
- the termination of outright proprietary trading activities; and
- more capital to be allocated to client and investing activities to enable growth in the corporate and investment banking (CIB) activities.

These changes will ensure that RMB is well positioned for growth and sustainable returns in what continues to be a difficult environment. RMB has become a more client-centric business with a very clear strategy anchored around a defined risk appetite.

RMB and GTS

R million	Year ended 30 June **2012**	2011	% change
Normalised earnings	**2 750**	2 048	34
Profit before tax	**3 718**	2 787	33
Total assets	**273 874**	207 929	32
Total liabilities	**271 722**	206 411	32

Despite the challenging investment and corporate banking markets in the year to June 2012, RMB and Global Transactional Services (GTS) combined pre-tax profits were up 33% year-on-year to R3 718 million.

In terms of client activities, despite muted M&A activity in the domestic market, large cross-border mandates contributed to growth in fee income. Financing margins remained under pressure, but despite this, revenues grew on the back of a 20% increase in the core loan book. Good growth in hedging and structuring revenues was driven by the currency, interest rate and credit structuring areas. This strong momentum in client activity underpinned the good growth in profits of the Investment Banking Division (up 26%) and FICC (up 35%). GTS's operating performance grew pre-tax profits 13% to R491 million, excluding the impact of the special impairment, driven by growth in client transactional activities on the back of higher volumes.

WesBank

WesBank represents the Bank's activities in instalment finance in the retail, commercial and corporate segments. WesBank's point-of-sale dominance through long-standing alliances with leading motor manufacturers and large dealer groups, has allowed it to fully capitalise on the strong replacement cycle that has played out for the past two years in the retail motor segment. In addition, WesBank has undertaken a number of specific strategies to create more diversification and reduce volatility.

Overview of results continued

WesBank

R million	Year ended 30 June 2012	2011	% change
Normalised earnings	**1 533**	1 031	49
Profit before tax	**2 086**	1 403	49
Total assets	**111 037**	97 986	13
Total liabilities	**108 959**	96 073	13
Credit loss ratio (%)	**0.98**	1.31	

WesBank grew its normalised pre-tax profits 49% to R2 086 million. This strong performance was underpinned by appropriate origination strategies and rigid cost management in its core business combined with increasing penetration of new markets.

Net interest income was driven by excellent new business growth of 19%, particularly in motor (up 20%) and unsecured (up 17%). The improving interest margins resulted from long term repricing efforts, in addition to a shift in the mix of underlying advances to a greater proportion of retail secured and unsecured lending, which have better margins than the corporate book. Overall non-performing loans (NPLs) continued to decrease driven mainly by corporate.

Corporate new business grew 15% to R11.8 billion and Full Maintenance Rental (FMR) remains a strategic priority as it represents a complementary activity to the corporate and commercial product suite. Early indications are promising, with the total asset book currently approaching R800 million. The very strong growth of 46% in non-interest revenue was on the back of new business growth with some contribution from FMR revenues.

Core operating cost growth was maintained at 3%, reflecting static headcount and the non-recurrence of certain restructuring costs in the prior year. Overall growth reflects the variable costs attached to increased profit shares and the rising depreciation cost associated with FMR assets.

STRATEGIC ISSUES

Progress on growth strategies outside South Africa

The Group seeks to generate incremental growth outside of its domestic market. It executes on the ground through its operating franchises both within and outside of the Bank. Progress on expansion relating to the FRB platform is detailed below.

A Kenyan presence is important for building an east African corporate and investment banking hub, particularly given the strong trade flows with India. During the year FirstRand Bank officially opened a representative office in Kenya from where RMB will market corporate products and services. As the only African bank with a licence to operate in India, it is ideally placed to act as a conduit for transactions between the east African region and India. RMB is already a significant participant in the region and has a strong pipeline of potential transactions in infrastructure and project finance, resource finance, debt financing, structured trade and commodity finance, and fixed income, currency and commodity activities.

With regard to its Indian operations, FirstRand's original strategy was to mine the trade and investment flows between India and the African continent. Since commencing operations in 2009 it has established a track record in corporate and investment banking activities from a branch in Mumbai that is staffed by a team sourced from RMB combined with local expertise.

FirstRand believes that the strength of this investment and corporate banking franchise now provides an appropriate platform to launch a more comprehensive range of banking products and services to both retail and institutional customers in India. As a result, during the year under review, FNB entered the Indian market through the opening of its first branch in Mumbai.

In line with the way the Group prefers to enter new markets, FNB's entry into the Indian market is a greenfields strategy. This will allow for incremental investment, with reliance to be placed on established, home-grown systems and processes.

The operations of FNB in India are branded FRB and will focus on introducing and growing the innovative products and channels that have underpinned FNB's strong growth in its domestic franchise over the past few years.

During the year FirstRand took the decision to retain its investment in MotoNovo Finance in the UK for the longer term as it is an existing investment, closely aligned to the core business of WesBank and expected to produce above average returns going forward, particularly given the value created through WesBank's ownership. The benefits from the investment made in people, systems, credit scoring and the creation of a much stronger market positioning are expected to be reaped in the future. In addition, as the operations are in a market outside the Group's overall geographic representation, there will be some countercyclical benefits, which could reduce earnings volatility.

Capital management

FirstRand's capital management strategy is aligned to the Group's overall objective to deliver sustainable returns to shareholders within appropriate levels of volatility. The Bank's current philosophy, given the uncertain macro-economic and regulatory environment, is to operate at the higher end of its targeted capital levels to ensure balance sheet resilience. Current targeted levels and ratios are summarised in the table below.

%	FirstRand Bank (FRB)* Actual	FirstRand Bank (FRB)* Target	Regulatory minimum
Capital adequacy ratio	14.6	11.5 – 13.0	9.5**
Tier 1 ratio	12.6	10.5	7.0
Core Tier 1 ratio	11.8	9.0 – 10.5	5.25

** Reflects solo supervision, i.e. FirstRand Bank excluding foreign branches.*
*** The regulatory minimum excludes the bank-specific (Pillar 2b) add-on and capital floor.*

Basel III seeks to enhance the quality of loss absorbing capital. To this end, emphasis is placed on Common Equity Tier 1 as the predominant form of capital, whilst Additional Tier 1 and Tier 2 will receive more limited recognition.

Types of capital and proposed Basel III requirements

Common Equity Tier 1*	7.0%	Minimum; can be higher
Additional Tier 1	1.5%	Limit; higher level not recognised for total capital requirements
Tier 2	2.0%	Limit; higher level not recognised for total capital requirements

** Does not include additional buffers required (e.g. countercyclical, D-SIB or bank-specific add-ons).*

It is the Bank's intention to make use of these regulatory limits to optimise its capital structure. Future capital issuance will be balanced against the utilisation of these regulatory limits and the expected rundown profile of the existing capital instruments. Banks will need to consider how to optimise this mix against the backdrop of more costly instruments and uncertain investor appetite given potential regulatory intervention at different trigger levels and capital market conditions. Should banks be unable to issue these capital instruments they may have to rely on more expensive Core Tier 1, which would negatively impact ROEs.

PROSPECTS

The macro environment will remain challenging during the 2013 financial year. The global economy is likely to register sub-trend growth and will continue to face significant down-side risk. This means economic activity in South Africa will remain under pressure.

GDP growth is currently expected to be 2.5% for the 2012/2013 financial year, and, although interest rates are expected to remain flat for the rest of the year, there is downside risk if economic growth slows further.

Lower levels of real wage increases will negatively impact consumer spending and growth in retail advances is likely to remain subdued, with mortgage lending expected to continue to lag nominal GDP growth. In addition, given the high levels of recent growth in unsecured and short-term advances in the system, this is also likely to moderate. Corporate lending is expected to remain muted as business confidence has not fully recovered. If, however, the proposed government and public sector infrastructure plans are implemented, this may provide some underpin to growth in advances.

Within the context of these challenges, the Bank expects to continue to produce good organic growth. Achieving revenue growth remains a challenge, but the operating franchises have compelling strategies to grow the topline. FNB's focus on acquiring core transactional accounts will continue to drive NIR growth, as will RMB's increasing client activities. Achieving a sustainable ROE and cost-to-income ratio will remain a balancing act between investment and cost management.

BASIS OF PRESENTATION

The Bank prepares its financial results in accordance with:

- the framework concepts and the measurement and recognition requirements of IFRS containing all the information required by IAS 34: Interim Financial Reporting;
- the AC 500 standards issued by the Accounting Practices Board;
- JSE Listing Requirements; and
- the information as required by the Companies Act of South Africa.

The accounting policies applied are consistent with those applied in preparation of previous financial statements. A table reflecting the restatement of prior year numbers and reasons therefore can be found on page 78.

The Bank believes normalised earnings more accurately reflect operational performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies. Details of the nature of these adjustments and reasons therefore can be found on page 11.

The IFRS financial statements have been audited by PricewaterhouseCoopers Inc and Deloitte & Touche from which the normalised earnings have been derived, on which an unmodified opinion has been expressed. This is available at the company's registered office.

Overview of results continued

BOARD CHANGES

Mrs Mary Sina Bomela was appointed to the Board as a non-executive director with effect from 24 September 2011. Mrs Bomela joined the Board as a shareholder representative of Mineworkers Investment Company, replacing Mr Paul Nkuna who resigned from the Board on 31 July 2011, following his decision to retire in 2012.

On 26 April 2012 it was with great regret that the Board was advised of the passing of Mr MH (Thys) Visser following a motor car accident. Thys joined the FirstRand Limited Board in 2009. His widely acknowledged integrity, support and wise contribution to Board and committee deliberations will be greatly missed.

For and on behalf of the Board

LL Dippenaar	*SE Nxasana*
Chairman	*Chief executive officer*

BW Unser
Company secretary

10 September 2012

Description of difference between normalised and IFRS results

The Bank believes normalised results more accurately reflect the economic substance of the Bank's performance. The Bank's results are adjusted to take into account non-operational items and accounting anomalies.

SHARE-BASED PAYMENTS, EMPLOYEE BENEFITS AND TREASURY SHARES: CONSOLIDATION OF STAFF SHARE TRUSTS

IFRS 2 Share-based Payments requires that all share-based payment transactions for goods or services received must be expensed with effect from financial periods commencing on or after 1 January 2005. IAS 19 Employee Benefits requires that an expense be raised if benefits are expected to be paid to employees in return for services rendered in the current period.

In 2005 the Group concluded a BEE transaction. As part of this transaction, rights were granted to the Group's black South African employees and black non-executive directors of FirstRand. These rights are accounted for as expenses in accordance with IFRS 2. FirstRand hedged itself against the price risk of the FirstRand share price inherent in these schemes by buying in the open market the FirstRand shares required to settle these schemes. These shares are held in various share trusts.

The economic cost to the Bank for both the IFRS 2 expense and the employee benefit is the net funding cost paid by the Bank on the funding required to buy these shares.

For purposes of calculating normalised earnings the share trusts are deconsolidated, FirstRand shares held by staff share schemes are treated as issued to parties external to the Bank, and loans to share trusts are recognised as external loans.

ECONOMIC HEDGE AGAINST SHARE-BASED PAYMENT OBLIGATIONS

The Bank entered into a Total Return Swap (TRS) with external parties in order to economically hedge itself against the cost associated with the Bank's share option schemes.

In terms of IAS 39 Financial Instruments: Recognition and Measurement, the TRS is accounted for as a derivative instrument at fair value, with the full fair value change recognised in profit and loss.

In accordance with IFRS 2 the expense resulting from these option schemes is recognised over the vesting period of the schemes. This leads to a mismatch in the recognition of the profit or loss of the hedge and the share-based payment expense.

For purposes of calculating normalised earnings, the Bank eliminates the fair value profit in excess of the IFRS 2 cost or adds back to profit or loss the unwind/loss of the TRS as it pulls to par over the maturity of the hedging instrument for the specific reporting period. This reflects the economic substance of the hedge and associated option costs for the Bank.

ECONOMIC HEDGES

From time to time the Bank enters into economic interest rate hedging transactions, which do not qualify for hedge accounting in terms of IFRS. The Bank reclassifies fair value changes on these hedging instruments from NIR to NII to reflect the economic substance of these hedges.

FAIR VALUE ANNUITY INCOME – LENDING

The Bank accounts for the majority of its wholesale advances book within RMB on a fair value basis in terms of IFRS. As a result, the margin on these advances is reflected as part of NIR.

The Bank reclassifies the margin relating to annuity fair value income earned on the RMB wholesale advances book from NIR to NII to reflect the economic substance of income earned on these assets. The corresponding impairment charge is reallocated from NIR to impairment of advances. Fair value advances are adjusted to reflect the cumulative adjustment.

Income statement – IFRS

for the year ended 30 June

R million	2012	2011	% change
Interest and similar income	**37 644**	34 684	9
Interest expense and similar charges	**(22 428)**	(22 875)	(2)
Net interest income before impairment of advances	**15 216**	11 809	29
Impairment of advances	**(4 885)**	(3 637)	34
Net interest income after impairment of advances	**10 331**	8 172	26
Non-interest income	**27 164**	23 774	14
Income from operations	**37 495**	31 946	17
Operating expenses	**(24 818)**	(21 191)	17
Income before tax	**12 677**	10 755	18
Indirect tax	**(496)**	(503)	(1)
Profit before direct tax	**12 181**	10 252	19
Direct tax	**(2 464)**	(2 266)	9
Profit for the year	**9 717**	7 986	22
Attributable to:			
Ordinary equityholders	**9 534**	7 785	22
NCNR preference shareholders	**183**	201	(9)
Profit for the year	**9 717**	7 986	22

Statement of comprehensive income – IFRS

for the year ended 30 June

R million	2012	2011	% change
Profit for the year	**9 717**	7 986	22
Other comprehensive income			
Cash flow hedges	**(419)**	21	
Available-for-sale financial assets	**388**	(47)	
Exchange differences on translating foreign operations	**177**	(133)	
Other comprehensive income/(loss) for the year before tax	**146**	(159)	(>100)
Income tax relating to components of other comprehensive income	**(17)**	(46)	(63)
Other comprehensive income for the year	**129**	(205)	(>100)
Total comprehensive income for the year	**9 846**	7 781	27
Total comprehensive income attributable to:			
Ordinary equityholders	**9 663**	7 580	27
NCNR preference shareholders	**183**	201	(9)
Total comprehensive income for the year	**9 846**	7 781	27

Statement of financial position – IFRS
as at 30 June

R million	2012	2011*	2010*
ASSETS			
Cash and cash equivalents	**31 557**	29 012	22 745
Derivative financial instruments	**52 392**	36 666	38 944
Commodities	**5 108**	4 388	2 365
Accounts receivable	**3 301**	2 744	2 855
Tax asset	**253**	–	741
Advances	**482 745**	429 134	401 279
Amounts due by holding company and fellow subsidiary companies	**23 307**	19 234	14 443
Investment securities and other investments	**78 809**	83 810	79 979
Investment in subsidiary companies	**–**	–	279
Investments in associates	**243**	116	1 167
Property and equipment	**8 882**	8 480	7 816
Intangible assets	**336**	281	189
Post-employment benefit asset	**2 986**	2 830	2 483
Loans to insurance group	**–**	–	1 101
Non-current assets held for sale	**215**	–	–
Total assets	**690 134**	616 695	576 386
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**4 019**	5 777	7 469
Derivative financial instruments	**53 666**	36 150	35 285
Creditors and accruals	**6 473**	5 395	4 468
Tax liability	**–**	95	–
Deposits	**545 796**	492 896	453 468
Provisions	**234**	132	433
Employee liabilities	**8 480**	6 510	5 014
Other liabilities	**922**	518	295
Amounts due to holding company and fellow subsidiary companies	**13 341**	20 841	21 868
Deferred income tax liability	**769**	1 348	1 702
Tier 2 liabilities	**7 437**	6 391	7 365
Loans from insurance group	**–**	–	3 394
Total liabilities	**641 137**	576 053	540 761
Equity			
Ordinary shares	**4**	4	4
Share premium	**15 304**	11 455	10 965
Reserves	**30 689**	26 183	21 656
Capital and reserves attributable to ordinary equityholders	**45 997**	37 642	32 625
NCNR preference shares	**3 000**	3 000	3 000
Total equity	**48 997**	40 642	35 625
Total equity and liabilities	**690 134**	616 695	576 386

** Refer to reclassification of prior year numbers on page 78.*

Statement of cash flows – IFRS

for the year ended 30 June

R million	2012	2011
Net cash flows from operating activities	**18 422**	14 409
Net cash utilised from operations	**(14 747)**	(5 672)
Tax paid	**(3 941)**	(2 333)
Net cash (outflow)/inflow from operating activities	**(266)**	6 404
Net cash (outflow)/inflow from investing activities	**(2 440)**	132
Net cash inflow/(outflow) from financing activities	**5 227**	(261)
Net increase in cash and cash equivalents	**2 521**	6 275
Cash and cash equivalents at the beginning of the year	**29 012**	22 745
Cash and cash equivalents at the end of the year	**31 533**	29 020
Effect of exchange rate changes on cash and cash equivalents	**24**	(8)
Cash and cash equivalents at the end of the year	**31 557**	29 012
Mandatory reserve balances included above*	**12 395**	11 238

* *Banks are required to deposit a minimum average balance, calculated monthly with the central bank, which is not available for use in the Group's day-to-day operations. The deposit bears no or low interest. Money at short notice constitutes amounts withdrawable in 32 days or less.*

Statement of changes in equity – IFRS

for the year ended 30 June

R million	Ordinary share capital and ordinary equityholders' funds				
	Share capital	Share premium	**Share capital and share premium**	Cash flow hedge reserve	Share-based payment reserve
Balance as at 1 July 2010	4	10 965	**10 969**	(467)	411
Issue of share capital	–	490	**490**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Transfer from/(to) reserves	–	–	**–**	–	(88)
Changes in ownership interest in subsidiaries	–	–	**–**	–	1
Contribution from parent company	–	–	**–**	–	18
Total comprehensive income for the year	–	–	**–**	15	–
Balance as at 30 June 2011	4	11 455	**11 459**	(452)	342
Issue of share capital	–	3 849	**3 849**	–	–
Movement in other reserves	–	–	**–**	–	78
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Total comprehensive income for the year	–	–	**–**	(301)	–
Balance as at 30 June 2012	4	15 304	**15 308**	(753)	420

Available-for-sale reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Reserves attributable to ordinary equity-holders	Non-cumulative non-redeemable preference shares	Total equity
Ordinary share capital and ordinary equityholders' funds						
530	(291)	1 345	20 128	**21 656**	**3 000**	**35 625**
–	–	–	–	**–**	**–**	**490**
–	–	–	(3 072)	**(3 072)**	**–**	**(3 072)**
–	–	–	–	**–**	**(201)**	**(201)**
–	–	–	88	**–**	**–**	**–**
–	–	–	–	**1**	**–**	**1**
–	–	–	–	**18**	**–**	**18**
(87)	(133)	–	7 785	**7 580**	**201**	**7 781**
443	(424)	1 345	24 929	**26 183**	**3 000**	**40 642**
–	–	–	–	**–**	**–**	**3 849**
–	–	–	–	**78**	**–**	**78**
–	–	–	(5 235)	**(5 235)**	**–**	**(5 235)**
–	–	–	–	**–**	**(183)**	**(183)**
253	177	–	9 534	**9 663**	**183**	**9 846**
696	(247)	1 345	29 228	**30 689**	**3 000**	**48 997**

Notes

DETAILED FINANCIAL ANALYSIS

Key financial results, ratios and statistics – normalised

for the year ended 30 June

R million	2012	2011	% change
Earnings performance			
Normalised earnings contribution by franchise	**9 032**	6 595	37
FNB	**5 125**	4 187	22
RMB	**2 610**	1 800	45
GTS	**140**	248	(44)
WesBank	**1 533**	1 031	49
Corporate Centre and consolidation adjustments	**(193)**	(470)	(59)
NCNR preference dividend	**(183)**	(201)	(9)
Attributable earnings (refer page 23)	**9 534**	6 746	41
Headline earnings	**9 191**	6 540	41
Normalised earnings	**9 032**	6 595	37
Normalised net asset value	**45 997**	37 642	22
Tangible normalised net asset value	**45 661**	37 361	22
Average normalised net asset value	**41 820**	35 134	19
Capital adequacy			
Capital adequacy ratio (%)	**14.6**	14.2	
Tier 1 ratio (%)	**12.6**	12.4	
Balance sheet			
Normalised total assets	**690 134**	616 695	12
Loans and advances (net of credit impairment)	**482 745**	429 134	12
Ratios			
Normalised return on equity (%)	**21.6**	18.8	
Return on assets (%)	**1.38**	1.11	
Average loan-to-deposit ratio (%)	**87.8**	87.7	
Diversity ratio (%)	**49.4**	48.0	
Credit impairment charge	**5 291**	4 151	27
NPLs as % of average advances	**3.58**	4.35	
Impairment charge as % of average advances	**1.14**	0.98	
Cost-to-income ratio (%)	**58.3**	60.3	
Effective tax rate (%)	**19.9**	24.4	

Income statement – normalised

for the year ended 30 June

R million	2012	2011	% change
Interest and similar income	**43 896**	41 097	7
Interest expense and similar charges	**(22 428)**	(22 875)	(2)
Net interest income before impairment of advances	**21 468**	18 222	18
Impairment of advances	**(5 291)**	(4 151)	27
Net interest income after impairment of advances	**16 177**	14 071	15
Non-interest revenue	**20 985**	16 836	25
Income from operations	**37 162**	30 907	20
Operating expenses	**(24 737)**	(21 136)	17
Income before tax	**12 425**	9 771	27
Indirect tax	**(496)**	(503)	(1)
Profit before direct tax	**11 929**	9 268	29
Direct tax	**(2 371)**	(2 266)	5
Profit for the year	**9 558**	7 002	37
NCNR preference shareholders	**(183)**	(201)	(9)
Attributable earnings to ordinary equityholders of the Bank	**9 375**	6 801	38
Headline and normalised earnings adjustment	**(343)**	(206)	67
Normalised earnings	**9 032**	6 595	37

Statement of comprehensive income – normalised

for the year ended 30 June

R million	2012	2011	% change
Profit for the year	**9 558**	7 002	37
Other comprehensive income			
Cash flow hedges	**(419)**	21	
Available-for-sale financial assets	**388**	(47)	
Exchange differences on translating foreign operations	**177**	(133)	
Other comprehensive income/(loss) for the year before tax	**146**	(159)	
Income tax relating to components of other comprehensive income	**(17)**	(46)	
Other comprehensive income/(loss) for the year	**129**	(205)	
Total comprehensive income for the year	**9 687**	6 797	43
Total comprehensive income attributable to:			
Ordinary equityholders	**9 504**	6 596	44
NCNR preference shareholders	**183**	201	(9)
Total comprehensive income for the year	**9 687**	6 797	43

Statement of normalised earnings

for the year ended 30 June

R million	2012	2011	% change
IFRS profit from continuing operations (refer page 3)	**9 717**	7 986	22
NCNR preference shares	**(183)**	(201)	(9)
Attributable to ordinary equityholders	**9 534**	7 785	22
Adjusted for:			
Gain on disposal of intergroup associates	**–**	(1 072)	
Loss on disposal of subsidiaries	**–**	33	
Attributable earnings to ordinary shareholders	**9 534**	6 746	41
Adjusted for:	**(343)**	(206)	67
Gain on disposal of available-for-sale assets	**(445)**	(335)	
Loss on the disposal of property and equipment	**75**	47	
Other	**18**	69	
Tax effects of adjustments	**9**	13	
Headline earnings	**9 191**	6 540	41
Adjusted for:	**(159)**	55	(>100)
IFRS 2 Share-based payment expenses	**81**	55	47
TRS adjustment	**(240)**	–	
Normalised earnings	**9 032**	6 595	37

Reconciliation of attributable earnings to normalised income statement

for the year ended 30 June

R million	2012	2011	% change
Attributable earnings per normalised income statement (refer page 21)	**9 375**	6 801	38
Normalised earnings adjustment reallocated to above the line (see above)	**159**	(55)	(>100)
Attributable earnings to ordinary equityholders per normalised reconciliation above	**9 534**	6 746	41

Reconciliation of normalised income statement to IFRS income statement

for the year ended 30 June

R million	June 2012 normalised	IFRS 2 Share-based payment expense	Fair value income-funding cost	Economic hedges	Fair value annuity income (lending)	TRS adjustment	June 2012 IFRS
Net interest income before impairment of advances	**21 468**	–	(3 690)	(520)	(2 042)	–	**15 216**
Impairment of advances	**(5 291)**	–	–	–	406	–	**(4 885)**
Net interest income after impairment of advances	**16 177**	–	(3 690)	(520)	(1 636)	–	**10 331**
Non-interest revenue	**20 985**	–	3 690	520	1 636	333	**27 164**
Income from operations	**37 162**	–	–	–	–	333	**37 495**
Operating expenses	**(24 737)**	(81)	–	–	–	–	**(24 818)**
Income before tax	**12 425**	(81)	–	–	–	333	**12 677**
Indirect tax	**(496)**	–	–	–	–	–	**(496)**
Profit before direct tax	**11 929**	(81)	–	–	–	333	**12 181**
Direct tax	**(2 371)**	–	–	–	–	(93)	**(2 464)**
Profit for the year	**9 558**	(81)	–	–	–	240	**9 717**
Attributable to:							
NCNR preference shareholders	**(183)**	–	–	–	–	–	**(183)**
Ordinary equityholders of the Bank	**9 375**	(81)	–	–	–	240	**9 534**
Headline and normalised earnings adjustment	**(343)**	81	–	–	–	(240)	**(502)**
Normalised earnings	**9 032**	–	–	–	–	–	**9 032**

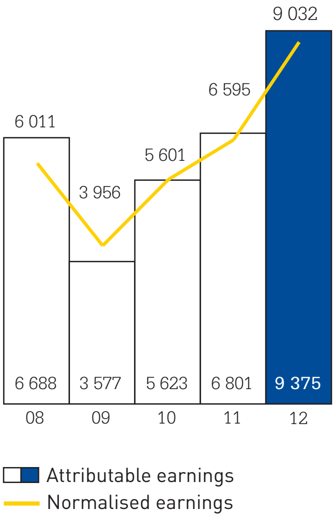
Reconciliation of normalised income statement to IFRS income statement

for the year ended 30 June

R million	June 2011 normalised	IFRS 2 Share-based payment expense	Fair value income-funding cost	Economic hedges	Fair value annuity income (lending)	Profit on restructure	June 2011 IFRS
Continuing operations							
Net interest income before impairment of advances	18 222	–	(3 014)	(616)	(2 783)	–	11 809
Impairment of advances	(4 151)	–	–	–	514	–	(3 637)
Net interest income after impairment of advances	14 071	–	(3 014)	(616)	(2 269)	–	8 172
Non-interest revenue	16 836	–	3 014	616	2 269	1 039	23 774
Income from operations	30 907	–	–	–	–	1 039	31 946
Operating expenses	(21 136)	(55)	–	–	–	–	(21 191)
Income before tax	9 771	(55)	–	–	–	1 039	10 755
Indirect tax	(503)	–	–	–	–	–	(503)
Profit before direct tax	9 268	(55)	–	–	–	1 039	10 252
Direct tax	(2 266)	–	–	–	–	–	(2 266)
Profit for the year	7 002	(55)	–	–	–	1 039	7 986
Attributable to:							
NCNR preference shareholders	(201)	–	–	–	–	–	(201)
Ordinary equityholders of the Bank	6 801	(55)	–	–	–	1 039	7 785
Headline and normalised earnings adjustment	(206)	55	–	–	–	(1 039)	(1 190)
Normalised earnings	6 595	–	–	–	–	–	6 595

Overview of results

Earnings performance (R million)



Note: 2008 and 2009 figures presented on an IFRS basis, figures from 2010 onwards presented on a continuing normalised basis.

These results are characterised by the following themes:

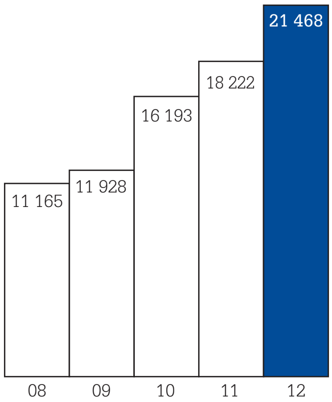
POSITIVES	NEGATIVES
• Robust NII growth, benefiting from: – good growth in core advances of 11%, given constrained economic conditions; – a change in advances mix, with high levels of business written in higher yield asset classes such as unsecured lending and vehicle and asset finance (VAF); – the repricing benefit of high new business levels in VAF and unsecured lending, as well, to a lesser extent, in HomeLoans, albeit at lower incremental levels; and – the benefit of higher capital levels compared to the previous year.	• Negative endowment impact due to the marginally lower average interest rate environment in the current period.
• Continued benefit of lower specific credit impairments in the core operating advances books, although slowing on a rolling six month basis, primarily from the retail and FNB Commercial portfolios, assisted by: – the continued benign interest rate environment; – improved quality of credit origination; – lower inflows into NPLs; and – strong post write-off recoveries.	• Year-on-year increase in overall credit impairments negatively affected by: – a significant increase in portfolio impairments, reflective of both book growth as well the bottoming of the credit cycle; and – unrecovered amounts in FNB's merchant acquiring business resulting in a higher specific impairment charge for the year.
• Strong growth of 16% in fee and commission income.	• Disappointing equity trading results impacted by an adverse trading environment.

POSITIVES	NEGATIVES
• Satisfactory core cost growth containment of 10%, although overall cost growth was 17%.	• Overall cost growth of 17%, negatively impacted by: – higher variable costs associated with income producing activities; – expansion costs; – increased depreciation costs due to a change in estimate as well as an increase in FMR assets during the year; and – higher costs associated with cooperation agreements and joint ventures, directly linked to higher profitability of joint venture arrangements.
• Resilient fair value income, benefiting from: – a good performance from client activities, specifically assisted through: – excellent performances from the hedging and structuring businesses within FICC, assisted by market uncertainty and currency volatility during the financial year; and – a strong performance from RMB's client execution activities, benefiting from increased trade flow and assisted by a weaker and more volatile rand against the dollar. – Significant year-on-year fair value gains on derivative instruments held to hedge the Bank's share-based payment obligations.	

Overview of results continued

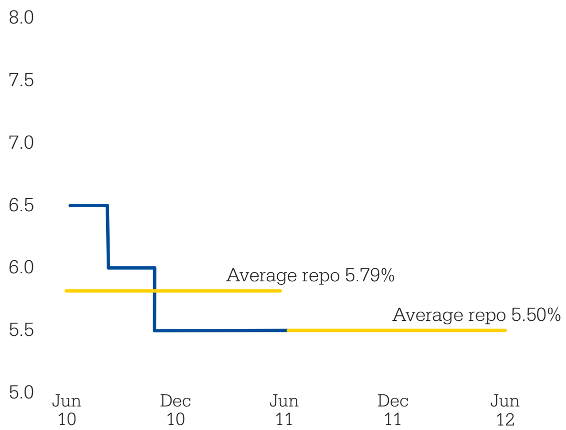
NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – UP 18%

Net interest income (R million)
Compound annual growth rate = 18%



Note: 2008 and 2009 figures presented on an IFRS basis, figures from 2010 onwards presented on a continuing normalised basis.

Repo rate (%)



Margin cascade table

Percentage of average interest-earning banking assets	%
June 2011 normalised margin	**4.37**
Accounting mismatches	0.07
	4.44
Capital and deposit endowment	(0.06)
Advances	0.10
– Changes in balance sheet mix	0.12
– Asset pricing	0.05
– Securitisations	(0.07)
Liabilities	0.11
– Changes in balance sheet mix (deposits)	0.06
– Changes in balance sheet mix (capital)	0.03
– Term funding cost	0.04
– Deposit pricing	(0.02)
Interest rate risk hedges	(0.01)
June 2012 normalised margin	**4.58**

Segmental analysis of net interest income before impairment of advances

R million	2012	2011	% change
FNB	**11 053**	9 196	20
Mass segment	**1 493**	1 137	31
Consumer segment	**5 202**	4 214	23
– HomeLoans	**1 449**	1 127	29
– Card Issuing	**1 098**	1 054	4
– Other Consumer	**2 655**	2 033	31
Wealth segment	**892**	871	2
Commercial segment	**3 638**	3 267	11
FNB Other	**(167)**	(291)	(43)
FNB Africa	**(5)**	(2)	>100
RMB and GTS	**2 722**	2 363	15
RMB	**2 210**	1 843	20
GTS	**512**	520	(2)
WesBank	**5 318**	4 691	13
Corporate Centre	**2 324**	1 922	21
Net interest income – banking activities	**21 417**	18 172	18
Other*	**51**	50	2
Net interest income	**21 468**	18 222	18

* *Other includes consolidation adjustments.*

Margin analysis on gross advances

	2012		2011	
	Average balance R million	**Average margin %**	Average balance R million	Average margin %
Average prime rate (RSA)		**9.00**		9.29
ADVANCES				
Retail – secured	**224 977**	**2.35**	211 785	2.19
Residential mortgages	**156 682**	**1.40**	153 829	1.22
Vehicle asset finance	**68 295**	**4.53**	57 956	4.77
Retail – unsecured	**28 680**	**12.97**	22 578	11.75
Credit card	**11 372**	**8.65**	10 781	8.69
Overdrafts	**2 256**	**6.60**	1 759	6.19
FNB personal loans	**4 773**	**15.53**	2 464	13.88
Mass (Smart and Easy)	**4 755**	**14.73**	3 155	13.51
WesBank loans	**5 524**	**20.75**	4 419	19.01
Corporate	**146 711**	**2.77**	125 808	2.80
FNB commercial mortgages	**9 304**	**1.93**	7 882	1.44
Vehicle asset finance	**21 333**	**3.48**	22 591	3.41
Overdrafts	**16 233**	**4.86**	16 468	4.55
Term loans	**16 869**	**2.63**	13 652	2.65
Investment banking	**66 664**	**2.46**	55 207	2.51
Money market	**16 308**	**1.64**	10 008	1.49
Total advances	**400 368**	**3.26**	360 171	3.00

Advances margins are calculated using total net interest income as a percentage of gross advances before impairments. Average balances are daily averages for the South African operations (FNB and WesBank) and monthly averages for RMB and non-South African operations.

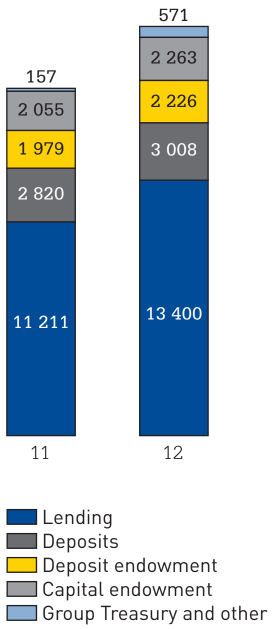
Overview of results continued

Margin analysis on deposits

	2012		2011	
	Average balance R million	**Average margin %**	Average balance R million	Average margin %
Average prime rate (RSA)		**9.00**		9.29
DEPOSITS				
Retail	**95 108**	**2.47**	82 945	2.59
Current and savings	**29 719**	**4.78**	25 418	5.05
Call	**4 141**	**2.32**	4 209	2.33
Money market	**26 095**	**1.57**	23 707	1.70
Term	**35 153**	**1.21**	29 611	1.23
Corporate	**177 768**	**1.62**	155 256	1.71
Current and savings	**63 776**	**3.17**	59 068	3.14
Call	**53 017**	**0.79**	45 379	0.91
Money market	**16 662**	**1.66**	16 233	1.65
Term	**44 313**	**0.36**	34 576	0.33
Total deposits	**272 876**	**1.92**	288 201	2.01

Average balances are daily averages for the South African operations (FNB and WesBank) and monthly averages for RMB and non-South African operations.

Deposit and advances origination drives net interest income (R million)

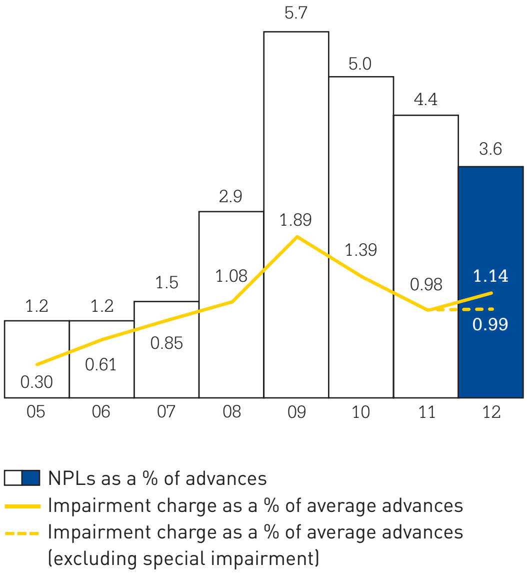


NII and margin analysis commentary

POSITIVES	NEGATIVES
• Change in mix, benefiting from increased levels of higher margin unsecured advances, as well as the continued benefit from high levels of fixed-rate VAF business written.	• Negative endowment impact due to average rates being 29 bps lower year-on-year.
• Repricing benefit of new business reflecting current liquidity costs and credit conditions.	• Ongoing retail and commercial deposit pricing pressure.
• Incremental higher growth in deposits year-on-year in the retail and commercial franchises, reducing reliance on more expensive institutional funding.	• Significant securitisation transactions during the year had a negative impact on overall vehicle asset margins.
• Comparatively lower cost of institutional funding due to a decline in funding spreads.	
• Non-recurrence of prior period mark-to-market losses of R287 million on funding instruments as a result of a decline in funding spreads	

IMPAIRMENT OF ADVANCES – UP 27%

NPLs and impairment history



Credit highlights

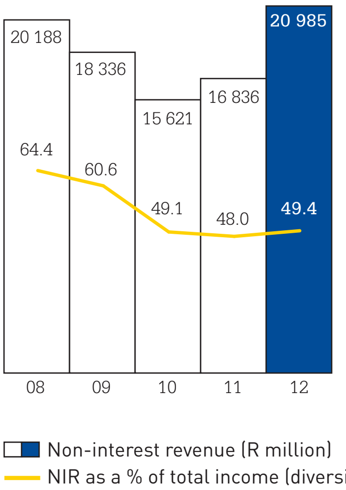
	Year ended 30 June		
R million	**2012**	2011	% change
Total gross advances*	**493 323**	438 596	12
NPLs	**17 667**	19 090	(7)
NPLs as a % of advances	**3.58**	4.35	
Impairment charge – total	**5 291**	4 151	27
– Business as usual	**4 586**	4 151	10
– Special impairment	**705**	–	
Impairment charge as a % of average advances	**1.14**	0.98	
– Business as usual	**0.99**	0.98	
– Special impairment	**0.15**	–	
Total impairments*	**10 578**	9 462	12
– Portfolio impairments	**4 676**	3 231	45
– Specific impairments	**5 902**	6 231	(5)
Implied loss given default (coverage)**	**33.4**	32.6	
Total impairments coverage ratio#	**59.9**	49.6	

Includes cumulative credit fair value adjustments.
** *Amortised cost specific impairments and non-performing book cumulative credit fair value adjustments as a percentage of NPLs.*
# *Total amortised cost impairments and total cumulative credit fair value adjustments as a percentage of NPLs.*

POSITIVES	NEGATIVES
• Improvement in absolute NPL levels across most retail portfolios, specifically in HomeLoans and Card, benefiting from: – continued low interest rates during the year, positively impacting on the ongoing deleveraging of consumers and improved affordability levels; – lower levels of new inflows into NPLs; and – improved collection processes resulting in higher curing rates, specifically in WesBank and HomeLoans.	• Ageing levels of NPLs, specifically in WesBank and HomeLoans, due to protracted workout processes, in part associated with the debt review process.
• Continued improvement in early stage arrears, specifically in WesBank and HomeLoans.	• Ongoing pressure on collateral values, primarily in the residential mortgage market.
• Significant improvement in Commercial NPLs, with lower inflows and improved work-out strategies.	• A significant year-on-year increase in overall portfolio impairments, reflective of both book growth as well as the bottoming out of the credit cycle.
• Significant ongoing benefit from high levels of post write-off recoveries, primarily in Card and WesBank.	• The special impairment relates to the discovery during the year of the deliberate concealment by employees of unrecovered amounts in FNB's merchant acquiring business unit. This is classified as a boundary event and resulted in a higher specific impairment charge for the year.

NON-INTEREST REVENUE – UP 25%

Non-interest revenue and diversity ratio



Note: 2008 and 2009 figures presented on an IFRS basis, figures from 2010 onwards presented on a normalised basis.

Overview of results continued

Non-interest revenue

R million	Notes	2012	2011	% change
Fee and commission income	1	**15 496**	13 401	16
Fair value income	2	**3 746**	2 098	79
Investment income	3	**572**	564	1
Other non-interest revenue		**1 171**	773	51
Total non-interest revenue		**20 985**	16 836	25

Note 1 Fee and commission income – up 16%

R million	2012	2011	% change
Bank commissions and fee income	**14 869**	12 620	18
– Card commissions	**2 184**	1 793	22
– Cash deposit fees	**1 653**	1 451	14
– Commissions on bills, drafts and cheques	**1 132**	1 014	12
– Bank charges	**9 900**	8 362	18
Knowledge-based fees	**844**	784	8
Management fees	**486**	277	75
Insurance income*	**784**	724	8
Other non-bank commissions	**1 051**	1 225	(14)
Gross fee and commission income	**18 034**	15 630	15
Fee and commission expenditure	**(2 538)**	(2 229)	14
Total fee and commission income	**15 496**	13 401	16

* *Upon refinement of insurance income, R279 million in the prior year has been reallocated from insurance income to other non-interest revenue.*

POSITIVES	NEGATIVES
• Growth of 5% in client numbers in FNB, as well as strong transactional volume growth of 10%.	• The continuing migration of clients to cheaper electronic banking channels dampened absolute fee and commission income growth.
• Continuing stronger growth in FNB electronic banking channels, with year-on-year growth of 19% in active cellphone users and 64% in financial and non-financial transaction volumes.	
• Strong non-interest revenue growth of 46% from WesBank on the back of high new business volumes.	
• Good knowledge-based fee income off a high base, benefiting from ongoing high levels of deal flow and mandates – leading to strong advisory and structuring fees in South Africa.	

Note 2 Fair value income – up 79%

R million	2012	2011	% change
Client income	**1 430**	1 357	5
Hedging and structuring	**837**	686	22
Client flow	**593**	671	(12)
Risk and other fair value income	**2 316**	741	>100
Total	**3 746**	2 098	79

POSITIVES	NEGATIVES
• Fair value income from client activities remained resilient due to: – the performances of the hedging and structuring businesses within FICC benefited from market uncertainty and currency volatility during the financial year; and – RMB client execution activities benefited from increased trade flow, assisted by a more volatile and weaker rand against the dollar.	• Disappointing equity trading results, driven in part by: – poor trading results; and – hampered by a muted year-on-year performance of the ALSI.
• Good trading results from the currency and commodity areas, benefiting from the higher levels of volatility and favourable market conditions.	• Lower client refinancing opportunities.
• Significant year-on-year benefit from fair value gains on derivatives held to hedge a component of the share-based payment expenses, driven by the significant increase in the Group's share price during the year. This was, however, offset by an increase in the cost of share-based payments.	

Note 3 Investment income – up 1%

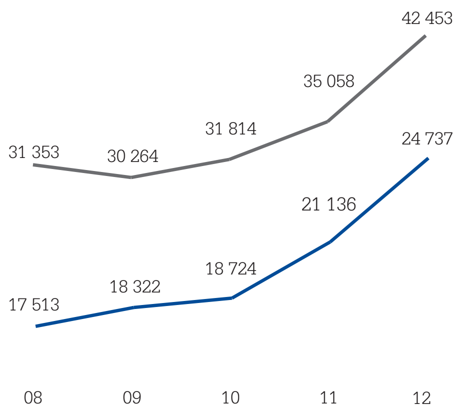
R million	2012	2011	% change
Profit on disposal of available-for-sale assets	**445**	335	33
Gain on disposal of investments of a capital nature excluding investments in subsidiaries	**81**	32	>100
Other investment income	**46**	197	(77)
Total investment income	**572**	564	1

POSITIVES	NEGATIVES
• An investment policy was sold by the Bank to another Group company at fair value. This resulted in a profit of R327 million on the disposal of available-for-sale assets in the current year.	• Non-recurrence of R310 million profit in respect of the disposal of VISA Inc. shares in the comparative period impacted profit on disposal of available-for-sale assets.

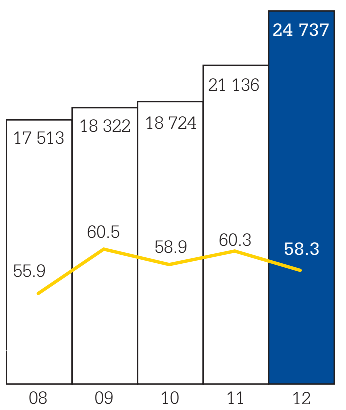
Overview of results continued

OPERATING EXPENSES – UP 17%

Operating jaws (R million)



Operating efficiency (R million)



Note: 2008 and 2009 figures presented on an IFRS basis, figures from 2010 onwards presented on a normalised basis.

The Bank has decided to bring the calculation of its cost-to-income ratio in line with industry practice. Certain fee and commission expenses which are directly attributable to the generation of this income are now set off against that income, instead of being included in operating expenses. A detailed breakdown of the industry practice adjustment is provided on page 79 of the supplementary information section.

Operating expenses

R million	2012	2011	% change
Staff expenditure	**14 643**	12 452	18
– Direct staff expenditure	**8 419**	7 788	8
– Other staff-related expenditure	**6 224**	4 664	33
Depreciation	**1 728**	1 314	32
Amortisation of other intangible assets	**149**	110	35
Advertising and marketing	**817**	709	15
Insurance	**191**	197	(3)
Lease charges	**904**	833	9
Professional fees	**837**	811	3
Audit fees	**150**	101	49
Computer expenses	**804**	590	36
Maintenance	**670**	811	(17)
Telecommunications	**261**	380	(31)
Cooperation agreements and joint ventures	**564**	450	25
Property	**587**	554	6
Business travel	**262**	210	25
Other expenditure	**2 170**	1 614	34
Total operating expenses	**24 737**	21 136	17

STAFF COSTS – UP 18%
• Increased direct staff costs, affected by wage settlements in excess of CPI for the current financial year.
• Other staff-related costs negatively impacted by an increase in variable staff costs in line with the improved performance of the Bank, as well as a significant increase in IFRS 2 related Share-based payment expenses linked to the increase in the FirstRand share price during the year.
OTHER OPERATING EXPENSES
• Significant increase in the depreciation charge in the current year, impacted by: – accelerated depreciation of R245 million on certain assets in the year; and – the growth in the FMR book in WesBank, resulting in a year-on-year increase of R40 million.
• An increase of 25% in costs associated with cooperation and joint venture agreements, driven primarily through excellent performances from WesBank's joint venture partners.
• An increase in expansion costs from a 6% increase in representation points (branches, agencies etc.) in South Africa, and related infrastructure costs.
• Ongoing investment in computer infrastructure to improve and support the growth of the Bank's electronic offerings and underlying systems.

Overview of results continued

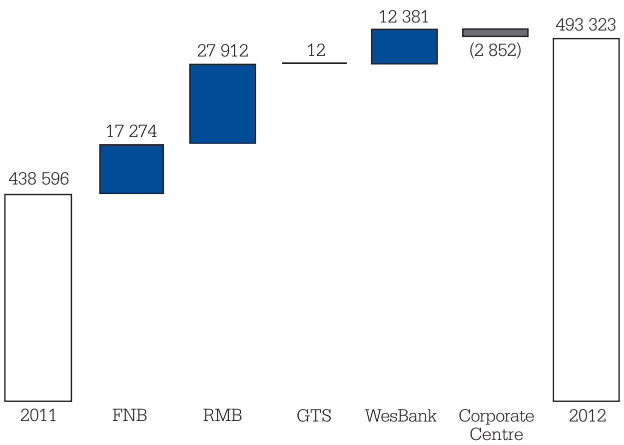
ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – NORMALISED

R million	**2012**	2011	% change
ASSETS			
Derivative and financial instruments	**52 392**	36 666	43
Advances	**482 745**	429 134	12
Investment securities and other investments	**78 809**	83 810	(6)
Other assets	**76 188**	67 085	14
Total assets	**690 134**	616 695	12
EQUITY AND LIABILITIES			
Liabilities			
Deposits	**545 796**	492 896	11
Short trading positions and derivative financial instruments	**57 685**	41 927	38
Other liabilities	**37 656**	41 230	(9)
Total liabilities	**641 137**	576 053	11
Total equity	**48 997**	40 642	21
Total equity and liabilities	**690 134**	616 695	12

ADVANCES – UP 12%

R million	**2012**	2011	% change
Normalised gross advances	**493 323**	438 596	12
Normalised impairment of advances	**(10 578)**	(9 462)	12
Normalised net advances	**482 745**	429 134	12

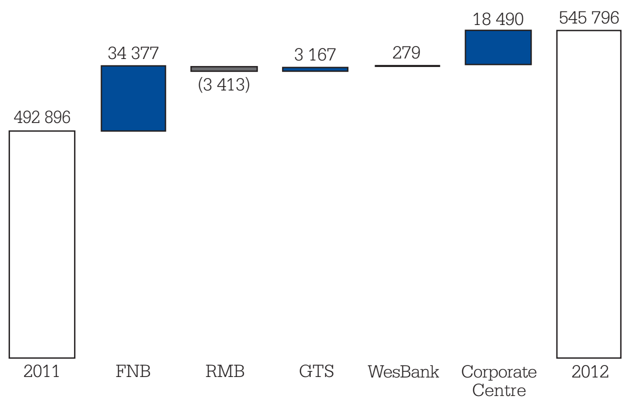
Gross advances by franchise (R million)



POSITIVES	NEGATIVES
• Strong growth of 32% in advances in the Mass segment, in line with strategy, with particularly good growth of 26% in the secured portion of the book. The unsecured portion of the book grew 44%, although annualised growth tapered off to 26% in the second part of the financial year due to tightening of lending criteria.	• Constrained growth of 3% in HomeLoans, indicative of ongoing pressure in the property market.
• The year-on-year growth of 91% in Consumer unsecured lending (excluding Card), was in line with strategy, although growth rates slowed towards the end of the financial year.	
• Growth of 11% in Card after three years of declining or flat advances, which benefited from customer incentive programmes (e.g. fuel rewards, eBucks) as well as customer acquisition.	
• Good growth of 14% in Commercial, driven by owner-occupied commercial property and leveraged finance products and agricultural loans.	
• Good growth of 13% in WesBank's advances, benefiting from: – 21% increase in retail motor advances in the local market, driven by new business growth of 20% on the back of new car sales growth of 18%; – 17% new business growth in personal loans; and – 51% growth in the international lending book (primarily MotoNovo), partly from a strong secondhand market in the UK assisted by the depreciation of the rand against the pound during the year.	
• RMB's core advances book (excluding volatile repo advances) grew 20%, underpinned by growth across the investment banking related lending portfolios and in particular in the real estate and leveraged finance portfolios, with strong increases also coming from the structured trade and commodity finance books.	

DEPOSITS – UP 11%

Gross deposits by franchise (R million)



POSITIVES
• Deposit growth was driven by 19% growth in FNB.
• Growth biased towards shorter-term products given the interest rate environment, with growth of 48% in notice deposits, 17% in current, savings and transmission accounts, 17% in call accounts and 9% in money market accounts in FNB.
• From a segmental perspective, growth driven by Wealth with an increase of 46% and Commercial with 17%.
• Excluding repo deposits, RMB's deposit book grew 10%.

SEGMENTAL REPORT

Segmental reporting

for the year ended 30 June 2012

R million	FNB South Africa	FNB Africa*	Total FNB	RMB Total RMB	RMB GTS	RMB Total CIB
Net interest income before impairment of advances	11 058	(5)	**11 053**	**2 210**	**512**	**2 722**
Impairment of advances	(2 778)	–	**(2 778)**	**(422)**	**(272)**	**(694)**
Net interest income after impairment of advances	8 280	(5)	**8 275**	**1 788**	**240**	**2 028**
Non-interest income	13 009	206	**13 215**	**4 914**	**1 092**	**6 006**
Income from operations	21 289	201	**21 490**	**6 702**	**1 332**	**8 034**
Operating expenses	(13 931)	(257)	**(14 188)**	**(3 118)**	**(1 126)**	**(4 244)**
Income before tax	7 358	(56)	**7 302**	**3 584**	**206**	**3 790**
Indirect tax	(385)	1	**(384)**	**(57)**	**(15)**	**(72)**
Profit before direct tax	6 973	(55)	**6 918**	**3 527**	**191**	**3 718**
Direct tax	(1 846)	–	**(1 846)**	**(933)**	**(51)**	**(984)**
Profit for the year	5 127	(55)	**5 072**	**2 594**	**140**	**2 734**
Attributable to:						
Ordinary equityholders	5 127	(55)	**5 072**	**2 594**	**140**	**2 734**
NCNR preference shareholders	–	–	**–**	**–**	**–**	**–**
Profit for the year	5 127	(55)	**5 072**	**2 594**	**140**	**2 734**
Attributable earnings to ordinary equityholders	5 127	(55)	**5 072**	**2 594**	**140**	**2 734**
Headline earnings adjustments	53	–	**53**	**16**	**–**	**16**
Headline earnings	5 180	(55)	**5 125**	**2 610**	**140**	**2 750**
TRS adjustment	–	–	**–**	**–**	**–**	**–**
IFRS 2 Share-based payment expense	–	–	**–**	**–**	**–**	**–**
Normalised earnings	5 180	(55)	**5 125**	**2 610**	**140**	**2 750**
Cost-to-income ratio (%)	57.9	>100	**58.5**	**43.8**	**70.2**	**48.6**
Diversity ratio (%)	54.1	>100	**54.5**	**69.0**	**68.1**	**68.8**
Total impairment charge (%)	1.31	–	**1.31**	**0.30**	**10.47**	**0.48**
NPLs as a percentage of advances (%)	5.26	–	**5.26**	**1.30**	**0.35**	**1.28**
Assets under management	15 542	–	**15 542**	**–**	**–**	**–**
Assets under advice	19 224	–	**19 224**	**–**	**–**	**–**
Income statement includes:						
Depreciation	(1 307)	–	**(1 307)**	**(67)**	**(42)**	**(109)**
Amortisation	(75)	–	**(75)**	**(30)**	**–**	**(30)**
Other non-cash provisions	(842)	–	**(842)**	**(1 071)**	**(63)**	**(1 134)**
Statement of financial position includes:						
Advances (after ISP – before impairments)	220 615	–	**220 615**	**155 989**	**2 605**	**158 594**
– Normal advances	220 615	–	**220 615**	**155 989**	**2 605**	**158 594**
– Securitised advances	–	–	**–**	**–**	**–**	**–**
NPLs	11 605	–	**11 605**	**2 028**	**9**	**2 037**
Investments in associated companies	–	–	**–**	**243**	**–**	**243**
Total deposits (including non-recourse deposits)	216 186	–	**216 186**	**100 831**	**39 026**	**139 857**
Total assets	227 325	126	**227 451**	**271 067**	**2 807**	**273 874**
Total liabilities	220 364	182	**220 546**	**269 171**	**2 551**	**271 722**

* *FNB Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified Group structure on page 84) and are not reported in the Bank.*

WesBank	Corporate Centre	Consolidation and IFRS adjustments	FRB – normalised	Normalised adjustments	FRB – IFRS
5 318	2 324	51	**21 468**	(6 252)	**15 216**
(1 019)	–	(800)	**(5 291)**	406	**(4 885)**
4 299	2 324	(749)	**16 177**	(5 846)	**10 331**
1 368	2 386	(1 990)	**20 985**	6 179	**27 164**
5 667	4 710	(2 739)	**37 162**	333	**37 495**
(3 376)	(3 320)	391	**(24 737)**	(81)	**(24 818)**
2 291	1 390	(2 348)	**12 425**	252	**12 677**
(205)	167	(2)	**(496)**	–	**(496)**
2 086	1 557	(2 350)	**11 929**	252	**12 181**
(552)	(386)	1 397	**(2 371)**	(93)	**(2 464)**
1 534	1 171	(953)	**9 558**	159	**9 717**
1 534	1 171	(1 136)	**9 375**	159	**9 534**
–	–	183	**183**	–	**183**
1 534	1 171	(953)	**9 558**	159	**9 717**
1 534	1 171	(1 136)	**9 375**	159	**9 534**
(1)	(412)	1	**(343)**	–	**(343)**
1 533	759	(1 135)	**9 032**	159	**9 191**
–	–	–	**–**	(240)	**(240)**
–	–	–	**–**	81	**81**
1 533	759	(1 135)	**9 032**	–	**9 032**
50.5	70.5	20.2	**58.3**	–	**58.6**
20.5	50.7	>100	**49.4**	–	**64.1**
0.98	–	>100	**1.14**	–	**1.05**
3.65	–	–	**3.58**	–	**3.60**
–	–	–	**15 542**	–	**15 542**
–	–	–	**19 224**	–	**19 224**
(210)	(101)	(1)	**(1 728)**	–	**(1 728)**
(42)	(3)	2	**(148)**	–	**(148)**
(3)	(107)	–	**(2 086)**	–	**(2 086)**
110 390	3 421	303	**493 323**	(2 357)	**490 966**
110 390	3 421	303	**493 323**	(2 357)	**490 966**
–	–	–	**–**	–	**–**
4 025	–	–	**17 667**	–	**17 667**
–	–	–	**243**	–	**243**
651	189 653	(551)	**545 796**	–	**545 796**
111 037	78 815	(1 043)	**690 134**	–	**690 134**
108 959	39 805	105	**641 137**	–	**641 137**

Segmental reporting continued
for the year ended 30 June 2011

R million	FNB South Africa	FNB Africa*	Total FNB	RMB Total RMB	RMB GTS	RMB Total CIB
Net interest income before impairment of advances	9 198	(2)	**9 196**	**1 843**	**520**	**2 363**
Impairment of advances	(2 420)	–	**(2 420)**	**(479)**	**(9)**	**(488)**
Net interest income after impairment of advances	6 778	(2)	**6 776**	**1 364**	**511**	**1 875**
Non-interest income	11 682	174	**11 856**	**3 950**	**1 160**	**5 110**
Income from operations	18 460	172	**18 632**	**5 314**	**1 671**	**6 985**
Operating expenses	(12 431)	(219)	**(12 650)**	**(2 905)**	**(1 208)**	**(4 113)**
Income before tax	6 029	(47)	**5 982**	**2 409**	**463**	**2 872**
Indirect tax	(348)	(1)	**(349)**	**(58)**	**(27)**	**(85)**
Profit before direct tax	5 681	(48)	**5 633**	**2 351**	**436**	**2 787**
Direct tax	(1 505)	–	**(1 505)**	**(624)**	**(116)**	**(740)**
Profit for the year	4 176	(48)	**4 128**	**1 727**	**320**	**2 047**
Attributable to:						
Ordinary equityholders	4 176	(48)	**4 128**	**1 727**	**320**	**2 047**
NCNR preference shareholders	–	–	**–**	**–**	**–**	**–**
Profit for the year	4 176	(48)	**4 128**	**1 727**	**320**	**2 047**
Attributable earnings to ordinary equityholders	4 176	(48)	**4 128**	**1 727**	**320**	**2 047**
Headline earnings adjustments	59	–	**59**	**73**	**(72)**	**1**
Headline earnings	4 235	(48)	**4 187**	**1 800**	**248**	**2 048**
IFRS 2 Share-based payment expense	–	–	**–**	**–**	**–**	**–**
Normalised earnings	4 235	(48)	**4 187**	**1 800**	**248**	**2 048**
Cost-to-income ratio (%)	59.5	>100	**60.1**	**50.1**	**71.9**	**55.0**
Diversity ratio (%)	55.9	>100	**56.3**	**68.2**	**69.0**	**68.4**
Total impairment charge (%)	1.22	–	**1.22**	**0.38**	**0.42**	**0.38**
NPLs as a percentage of advances (%)	6.40	–	**6.40**	**1.37**	**0.69**	**1.35**
Assets under management	14 963	–	**14 963**	**–**	**–**	**–**
Assets under advice	13 848	–	**13 848**	**–**	**–**	**–**
Income statement includes:						
Depreciation	(967)	–	**(967)**	**(60)**	**(14)**	**(74)**
Amortisation	(61)	–	**(61)**	**(34)**	**(1)**	**(35)**
Other non-cash provisions	(821)	(12)	**(833)**	**(1 008)**	**(32)**	**(1 040)**
Statement of financial position includes:						
Advances (after ISP – before impairments)	203 341	–	**203 341**	**128 077**	**2 593**	**130 670**
– Normal advances	203 341	–	**203 341**	**128 077**	**2 593**	**130 670**
– Securitised advances	–	–	**–**	**–**	**–**	**–**
NPLs	13 015	–	**13 015**	**1 749**	**18**	**1 767**
Investments in associated companies	–	–	**–**	**115**	**–**	**115**
Total deposits (including non-recourse deposits)	181 809	–	**181 809**	**104 244**	**35 859**	**140 103**
Total assets	210 049	58	**210 107**	**205 497**	**2 432**	**207 929**
Total liabilities	204 171	106	**204 277**	**204 339**	**2 072**	**206 411**

* *FNB Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified Group structure on page 84) and are not reported in the Bank.*

	WesBank	Corporate Centre	Consolidation and IFRS adjustments	FRB – normalised	Normalised adjustments	FRB – IFRS
	4 691	1 922	50	18 222	(6 413)	11 809
	(1 240)	(1)	(2)	(4 151)	514	(3 637)
	3 451	1 921	48	14 071	(5 899)	8 172
	939	891	(1 960)	16 836	6 938	23 774
	4 390	2 812	(1 912)	30 907	1 039	31 946
	(2 822)	(2 109)	558	(21 136)	(55)	(21 191)
	1 568	703	(1 354)	9 771	984	10 755
	(165)	98	(2)	(503)	–	(503)
	1 403	801	(1 356)	9 268	984	10 252
	(372)	(197)	548	(2 266)	–	(2 266)
	1 031	604	(808)	7 002	984	7 986
	1 031	403	(808)	6 801	984	7 785
	–	201	–	201	–	201
	1 031	604	(808)	7 002	98 4	7 986
	1 031	403	(808)	6 801	984	7 785
	–	(235)	(31)	(206)	(1 039)	(1 245)
	1 031	168	(839)	6 595	(55)	6 540
	–	–	–	–	55	55
	1 031	168	(839)	6 595	–	6 595
	50.1	75.0	29.2	60.3	–	59.6
	16.7	31.7	>100	48.0	–	66.8
	1.31	0.02	0.26	0.98	–	0.86
	4.40	–	–	4.35	–	4.37
	–	–	–	14 963	–	14 963
	–	–	–	13 848	–	13 848
	(169)	(103)	(1)	(1 314)	–	(1 314)
	(14)	–	–	(110)	–	(110)
	(122)	(216)	–	(2 211)	–	(2 211)
	98 009	6 572	4	438 596	(1 951)	436 645
	98 009	6 572	4	438 596	(1 951)	436 645
	–	–	–	–	–	–
	4 308	–	–	19 090	–	19 090
	–	1	–	116	–	116
	372	170 805	(193)	492 896	–	492 896
	97 986	101 066	(393)	616 695	–	616 695
	96 073	69 268	24	576 053	–	576 053

Notes

BALANCE SHEET MANAGEMENT

Economic view of the balance sheet

The Group COO and CFO has responsibility for the strategic positioning of the balance sheet, including both the assets and liabilities originated by the individual business units.

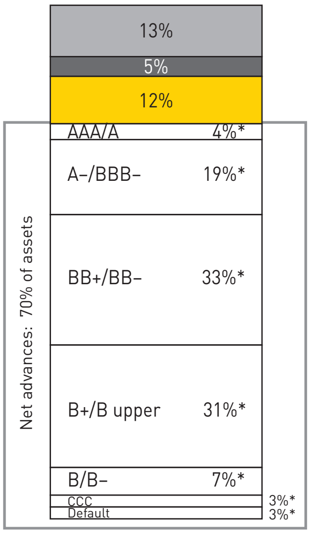
At the core of FirstRand's approach is a belief that the balance sheet and its income statement streams can be both protected and enhanced throughout the cycle to improve sustainability and predictability. This is achieved through the active management of the investment and enterprise value risks which include:

- interest rate risk;
- credit portfolio risk;
- capital risks; and
- strategic funding risks.

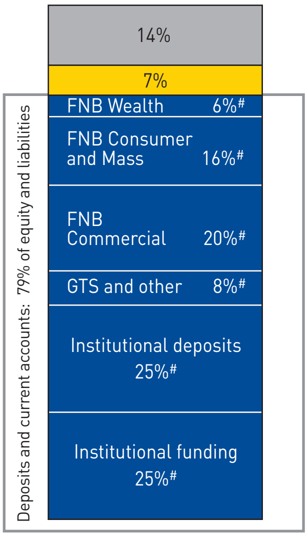
In line with this objective, the Group implements an integrated balance sheet management approach. This requires a detailed understanding of the economic cycle and the interplay between the risks created by the cycle and the levers within the business that can be used to mitigate those risks. Ultimately, the aim is to optimise the natural position of the balance sheet, look for natural hedges, or implement appropriate macro hedges in the current structure and only make the balance sheet available to the origination businesses if the required risk-reward return can be met.

FirstRand's integrated balance sheet management approach is aligned to the objectives of performance management in that it facilitates optimisation of the spread between ROE and cost of equity.

Economic view of the balance sheet as at 30 June 2012 (%)



Assets



Equity and liabilities

- Other assets
- Cash and near cash
- Sovereign securities
- Net advances

- Other liabilities
- Ordinary equity (6.7%) and NCNR preference shares (0.4%)
- Deposits and current accounts

* *of net advances.*
Note: Derivative assets and liabilities have been netted off.

\# *of deposits and current accounts.*

Capital management

The optimal level and composition of capital is determined after taking into account business units' organic growth plans – provided financial targets are met. In addition, targeted capital ratios, future business plans, issuance of additional capital instruments, the need for appropriate buffers in excess of minimum requirements, rating agencies' considerations, investor expectations and proposed regulatory changes are all factors taken into consideration.

The capital planning process ensures that the total capital adequacy and Core Tier 1 ratios remain within the approved ranges or above target levels across economic and business cycles. The Bank is well capitalised for normal and severe scenarios as well as a range of stress events.

The board-approved capital plan is reviewed annually as part of the Group's Internal Capital Adequacy Assessment Process (ICAAP), with the stress testing framework being an extension of the process. ICAAP assists in the attribution of capital in proportion to the risks inherent in the respective businesses with reference to normal economic circumstances and times of potential stress, which may lead to the realisation of risks not previously considered. These processes are refined on an ongoing basis and continue to inform the targeted buffer over the minimum capital requirement.

Regular reviews of economic capital are carried out across the businesses and the Group remains well capitalised in the current environment, with levels of Tier 1 capital exceeding the level of economic capital required. The Bank aims to back all economic risk with Tier 1 capital, which offers the greatest capacity to absorb losses.

Targeted ranges were increased in the prior year in anticipation of the implementation of Basel III, even though the levels for South Africa are not yet finalised. Given the continued uncertainty, the Group follows a conservative approach to capital levels and prefers to maintain capital ratios at the upper end of its targeted capitalisation range. The Bank will revisit the internal target capitalisation levels once the SARB finalises the regulations incorporating Basel III.

Throughout the year under review, FRB, excluding foreign branches, operated comfortably above its targets with a total capital adequacy ratio of 14.6% and Core Tier 1 ratio of 11.8%.

The targeted capital levels as well as the ratios at 30 June 2012 are summarised in the table below.

Capital adequacy position

	FRB*		Regulatory
	Actual	Target	minimum
Capital adequacy ratio (%)	14.6	11.5 – 13.0	9.5**
Tier 1 ratio (%)	12.6	10.5	7.0
Core Tier 1 ratio (%)	11.8	9.0 – 10.5	5.25

* *Reflects solo supervision, i.e. FRB excluding foreign branches.*
** *The regulatory minimum excludes the bank-specific (Pillar 2b) add-on and capital floor.*

Basel III

The final Basel III framework 'A global regulatory framework for resilient banks and banking systems' issued in December 2010, will be phased in from 1 January 2013 with full compliance with capital levels (including buffers) required by 1 January 2019.

The SARB is currently drafting regulations incorporating the Basel III proposals. The second draft was released on the 17 August 2012 for implementation on 1 January 2013. The Basel III impact on the Bank's Core Tier 1 ratio is expected to be minimal. There is, however, a more pronounced negative impact on the total capital adequacy ratio as the current NCNR preference share capital and subordinated debt instruments do not meet the new loss absorbency criteria. Given the transitional period for the implementation of Basel III, the Bank remains focused on optimising its capital base. The Basel III impact on the supply and demand of capital is discussed below.

The Bank continues to participate in the SARB's biannual quantitative impact studies to assess the impact of Basel III on capital adequacy ratios.

The Basel Committee on Banking Supervision (BCBS) introduced a simple, transparent non-risk based leverage ratio that is calibrated to act as a credible supplementary measure to the risk-based capital requirements. The SARB has proposed a minimum Tier 1 capital leverage ratio of 4%, which is higher than the BCBS's requirement of 3%. The Bank's current leverage ratio is well in excess of this requirement and therefore this does not introduce any constraints to the Bank.

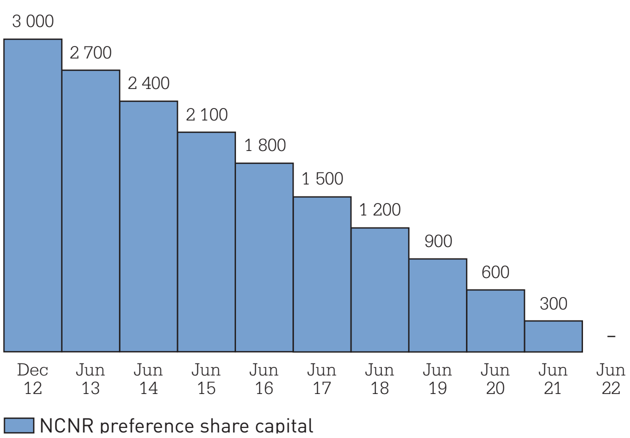
Supply of capital – Tier 1

Tier 1 capitalisation ratios benefited from stronger internal capital generation through earnings. All profits were appropriated at 30 June 2012.

The draft regulations allow for the inclusion of disclosable reserves (i.e. share-based payment and available-for-sale reserves) in the supply of capital. This is offset by additional regulatory deductions for the expected loss over provisions and the grandfathering of the NCNR preference share capital over a ten-year period.

The following graph shows the grandfathering of the Bank's NCNR preference share capital over a ten year period.

NCNR preference share capital (R million)

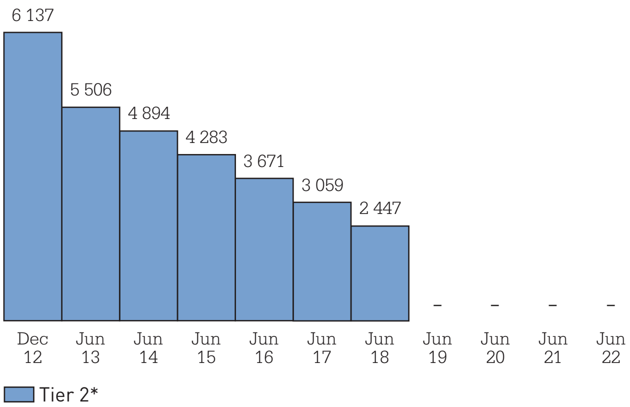


Supply of capital – Tier 2

During the year, FRB issued subordinated debt that meets the Basel III entry criteria (excluding loss absorbency), and these instruments qualify for the grandfathering arrangements under Basel III. The Bank's old-style Tier 2 instruments also do not meet the loss absorbency criteria under Basel III and will be grandfathered.

The following graph shows the runoff profile of the Tier 2 instruments outstanding at 31 December 2012 under Basel III.

Tier 2 (R million)



* *Assumes that all instruments are called on their call dates.*

Demand for capital

RWA movement for the year was driven mainly by the following:

- credit risk – the increase is due to credit risk recalibrations, volume growth and the 6% scalar applied to exposures on the Basel advanced internal rating based (AIRB) approach (Basel 2.5 requirement); and
- market risk – the increase is primarily due to the Basel 2.5 stressed Value-at-Risk (VaR) requirements and incremental risk charge, offset by decreased market risk positions.

Under Basel III, RWA are expected to increase further mainly due to the credit valuation adjustment for counterparty credit risk, as well as the requirement for capital against central clearing parties.

Capital management continued

CAPITAL ADEQUACY

Composition of capital

The following table shows the composition of regulatory capital for FRB.

Composition of qualifying capital and capital ratios of FRB at 30 June

	FRB*			
R million	**2012**	**%**	2011	%
Ordinary shareholders equity as per IFRS**	**45 956**		37 965	
Less: non-qualifying reserves**	**(364)**		(333)	
Cash flow reserve**	**753**		452	
Available-for-sale reserve**	**(695)**		(443)	
Share-based payment reserve**	**(422)**		(342)	
Ordinary shareholders equity qualifying as capital	**45 592**		37 632	
Ordinary share capital and share premium**	**15 308**		11 459	
Reserves	**30 284**		26 173	
Less: total impairments	**(2 526)**		(3 295)	
Excess of expected loss over eligible provisions (50%)	**(400)**		(907)	
First loss credit enhancements in respect of securitisation structures (50%)	**(45)**		(71)	
Qualifying capital in branches	**(1 732)**		(1 732)	
Intangibles	**(332)**		(268)	
Other impairments	**(17)**		(317)	
Total Core Tier 1 capital	**43 066**	**11.8**	34 337	11.4
NCNR preference share capital**	**3 000**		3 000	
Total Tier 1 capital	**46 066**	**12.6**	37 337	12.4
Upper Tier 2 instruments	**1 045**		1 042	
Tier 2 subordinated debt instruments	**6 392**		5 349	
Less: total impairments	**(445)**		(978)	
Excess of expected loss over eligible provisions (50%)	**(400)**		(907)	
First loss credit enhancements in respect of securitisation structures (50%)	**(45)**		(71)	
Total Tier 2 capital	**6 992**	**2.0**	5 413	1.8
Total qualifying capital and reserves	**53 058**	**14.6**	42 750	14.2

* *Reflects solo supervision, i.e. FRB excluding foreign branches.*
** *Audited.*

The table below provides more detail on the Bank's capital instruments at 30 June 2012.

Characteristics of capital instruments

Capital type	Instrument	Nominal (million)	Actual (million)	Rate type	Maturity date**
Core Tier 1	Ordinary share capital and premium*	15 308	15 308		Perpetual
Other Tier 1	NCNR preference share capital*	3 000	3 000	Floating	Perpetual
Upper Tier 2	FRBC21	628	604	Fixed	21 Dec 2018
	FRBC22	440	441	Floating	21 Dec 2018
Lower Tier 2 (Subordinated debt)	FRB03	1 740	1 826	Fixed	15 Sept 2014
	FRB05	2 110	2 041	Fixed	21 Dec 2018
	FRB06	1 000	1 009	Floating	5 Nov 2012
	FRB07	300	301	Floating	6 Dec 2012
	FRB08	100	100	Floating	10 Jun 2016
	FRB09	100	100	Floating	10 Jun 2017
	FRB10	1 000	1 014	Floating	25 Jan 2017

* *Audited.*
** *Represents the call date of the instrument.*

Capital management continued

The table below provides a detailed breakdown of the RWA numbers and capital requirement per current SARB regulations for each risk type of the Bank.

RWA and capital requirement

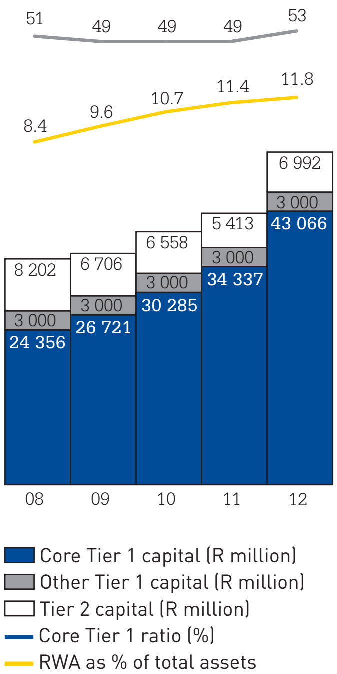
	FirstRand Bank*				
	June 2012				June 2011
	RWA				
R million	**Advanced approach**	**Standardised approach**	**Total**	**Capital requirement#**	RWA
Credit risk					
Corporate, banks and sovereigns	**108 719**	–	**108 719**	**10 328**	92 642
Small and medium enterprises (SMEs)	**34 134**	–	**34 134**	**3 243**	37 584
Residential mortgages	**52 224**	–	**52 224**	**4 961**	42 388
Qualifying revolving retail	**12 564**	–	**12 564**	**1 194**	9 003
Other retail	**55 311**	–	**55 311**	**5 255**	40 481
Securitisation exposure	**9 207**	–	**9 207**	**875**	4 580
Total credit risk	**272 159**	–	**272 159**	**25 856**	226 678
Operational risk**	**54 099**	–	**54 099**	**5 139**	42 659
Market risk	**12 511**	–	**12 511**	**1 188**	7 016
Equity investment risk	**10 391**	–	**10 391**	**987**	10 460
Other assets	–	**15 275**	**15 275**	**1 451**	14 027
Total RWA	**349 160**	**15 275**	**364 435**	**34 621**	300 840
Pillar 1 (8%)				**29 154**	24 068
Pillar 2a (1.5%)				**5 467**	4 513
Total capital requirement				**34 621**	28 581

** Reflects solo supervision, i.e. FirstRand Bank excluding foreign branches.*
*** Exposures subject to the basic indicator approach are included under the standardised approach.*
 # Capital requirement calculated at 9.5% (Pillar 1 of 8% and Pillar 2a of 1.5%) of RWA.

Historical overview of capital adequacy

The graph below provides a historical overview of the capital adequacy for FRB.

Capital adequacy



Funding

FUNDING STRATEGY

FirstRand's objective is to fund its activities in a sustainable, diversified, efficient and flexible manner, underpinned by strong counterparty relationships within prudential limits and requirements. The objective is to maintain natural market share, but also to outperform at the margin, which will provide the Group with a natural liquidity buffer.

Compliance with the Basel III Liquidity Coverage Ratio (LCR) does influence the Group's funding strategy, in particular as it seeks to restore the correct risk-adjusted pricing of deposits.

DIVERSIFICATION

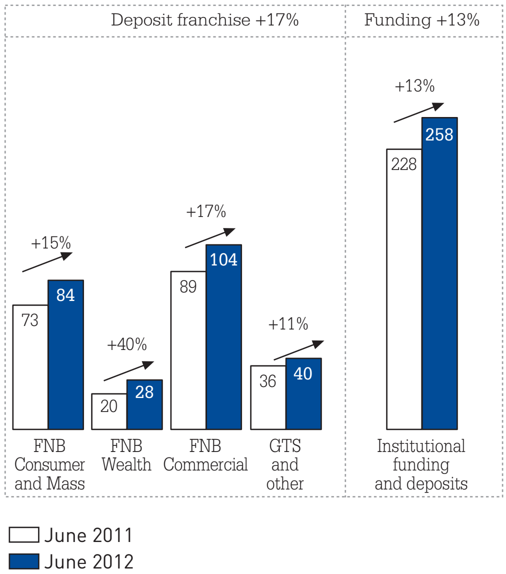
The Group views funding diversification from a number of different perspectives:

- **Segments –** the Group has a strong and stable deposit franchise, which spans the retail, commercial and corporate segments. Institutional funding represents approximately 37% of the Group's total funding down from over 40%. This reliance is actively managed through the holding of appropriate liquidity buffers and continued focus on lengthening the term profile.
- **Country and currency of issue –** the Group has access to a variety of funding and capital markets offshore and locally, including South Africa, Europe, Asia, Australia, Namibia and Botswana in ZAR, USD, GBP, EUR, AUD and BWP.
- **Instrument types and maturity profile –** the Group funds itself with a variety of different funding instruments, including NCDs, fixed and floating rate notes, syndicated loans, development finance facilities, vanilla and structured capital market issuances, and various retail and corporate products.

In these markets, the Group seeks to broaden its investor base as far as possible, while actively pursuing an investor relations strategy.

FirstRand is actively building its deposit franchise through innovative and competitive products and pricing (as illustrated by the following graph), while lengthening the term profile of its wholesale funding.

Bank funding by segment* (R billion)



* *Excluding securities lending, derivatives, repos and short trading positions.*

The banking sector in South Africa is characterised by certain structural features, such as a low discretionary savings rate and a higher degree of contractual savings that are captured by institutions such as pension funds, provident funds and providers of asset management services. Given these structural issues and, as a result of the need to fund the significant growth in risk weighted assets between 2001 and 2007, South African banks overall proportion of institutional funding increased. This is reflected in the table below.

	30 June 2012 (% of funding liabilities)			
SA banks' funding sources	Total	Short-term	Medium-term	Long-term
Institutional	42	24	58	71
Corporate	21	29	11	9
Retail	16	20	17	6
SMEs	5	8	4	1
Government and parastatals	9	13	8	3
Foreign	6	6	2	8
Other	1	–	–	2
Total	**100**	**100**	**100**	**100**

Source: SA banking sector aggregate SARB BA900 returns (30 June 2012), FirstRand research.

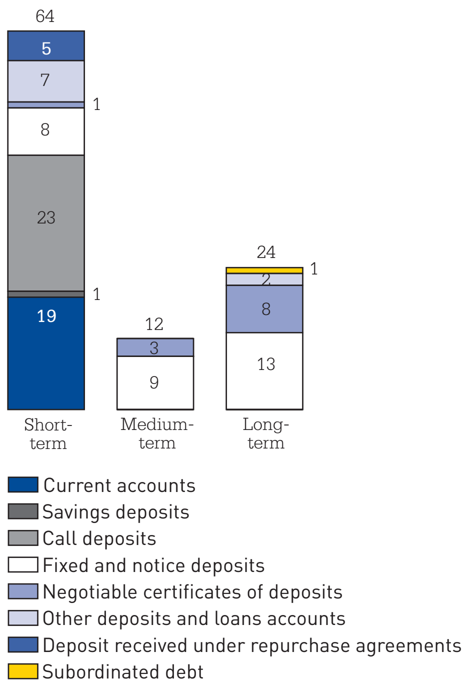
FirstRand Bank generates a larger proportion of its funding from the deposit franchise in comparison to the SA aggregate, but its funding profile also reflects the structural features described above. Emphasis is placed on lengthening the term profile of institutional funding.

	30 June 2012 (% of funding liabilities)			
FirstRand Bank's funding sources	Total	Short-term	Medium-term	Long-term
Institutional	37	22	51	68
Deposit franchise	63	78	49	32
Corporate	22	30	8	9
Retail	17	20	28	6
SMEs	6	8	4	–
Government and parastatals	11	15	8	3
Foreign	5	5	1	7
Other	2	–	–	7
Total	**100**	**100**	**100**	**100**

Funding continued

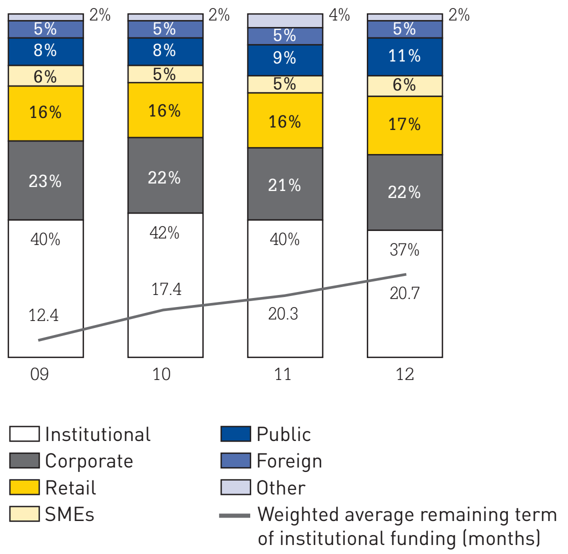
The chart below shows an analysis of the Bank's maturity profile by instrument type. The instruments represent South African banking products.

Funding by product type (%)



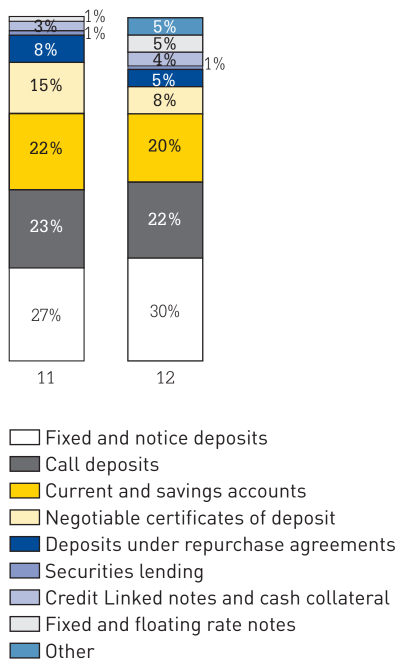
The chart below provides a historical analysis of the Bank's funding sources and reflects the stability of funding sources and the improvement in the deposit franchise.

Funding analysis by source



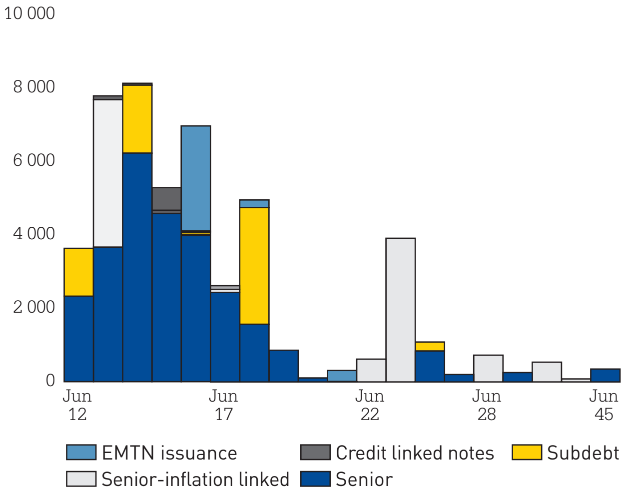
The chart below shows that FRB has well-diversified instruments funding the balance sheet.

Deposits by instrument type (including senior debt)



The maturity profile of all issued capital market instruments is shown below – the Bank does not have concentration risk in any one year.

Capital market instruments (R million)



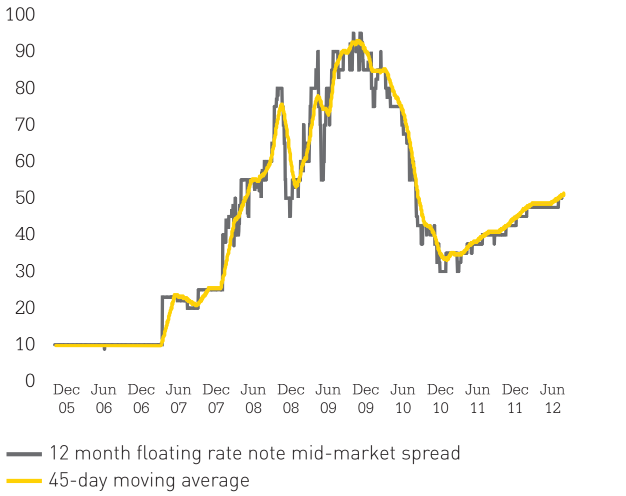
Efficiency

The Group's aim is to fund the balance sheet in the most efficient manner, taking into account the liquidity risk management framework, as well as regulatory and rating agency requirements.

To ensure maximum efficiency and flexibility in accessing funding opportunities, a range of debt programmes have been established. The Group's strategy for domestic vanilla public issuance is to create actively-traded benchmarks, which facilitate secondary market liquidity in both domestic and offshore markets. The value of this strategy is that it assists the Group to identify cost-effective funding opportunities and ensuring a good understanding of the market liquidity dynamics.

An explanation of how the market impacts the Group's funding strategy is illustrated below. In the year under review, short-term liquidity costs, as indicated by the spread paid on 12m NCDs, increased marginally. The SARB's monetary policy rate over the year under review implied negative real rates, yet the supply dynamics for savings and investors' requirements for real returns thus resulted in upward pressure on liquidity premiums. Liquidity premiums have therefore, to some extent, compensated for the lower policy rate.

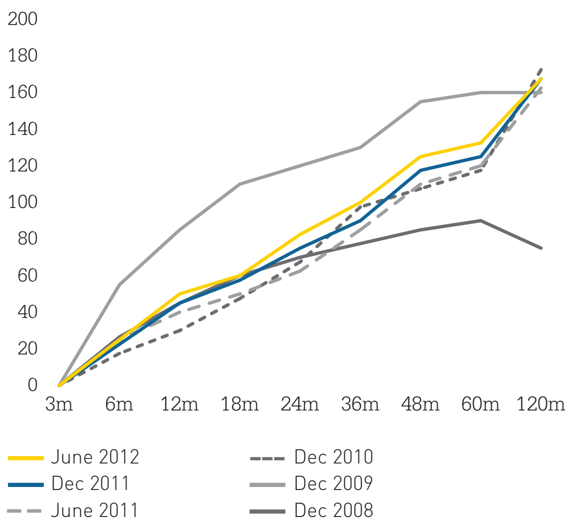
12-month liquidity spread (bps)



Source: Bloomberg (RMBP screen) and Reuters.

Long-term funding spreads have remained elevated, as can be seen from the graph below. On the basis of reduced risk profile, greater capital adequacy and greater visibility, the credit risk component within the funding spreads should be low, thus long-term funding spreads appear to be reflecting a liquidity premium that is still high.

Long-term funding spreads



Source: Bloomberg (RMBP screen) and Reuters.

Funding continued

Flexibility

The Group has a track record of differentiating itself through new and innovative funding mechanisms. It constantly reviews new proposals relating to funding strategies based on forecast balance sheet structures, in order to anticipate and plan for future funding and structural liquidity requirements.

Strong counterparty relationships

The Group places great value on its established strong relationships with investors and is committed to keeping investors fully informed. Therefore an active marketing approach is embedded in the funding strategy. Through forums such as conference calls, domestic and international roadshows and investor presentations, the Group aims to extend its investor base, and keep stakeholders up to date on its financial performance and counterparty status.

BASEL III UPDATE

The Basel III guidelines propose two new liquidity metrics:

- the LCR, effective 1 January 2015, which measures short-term liquidity stress; and
- the Net Stable Funding Ratio (NSFR), effective 1 January 2018, which measures the stability of long-term structural funding.

Due to the structural characteristics of South African banks, significant adjustments are required to both the assets and liabilities to meet the minimum quantitative requirements. As reported previously, a Structural Funding and Liquidity task team was established under the guidance of National Treasury and mandated to assess the impact and subsequently make recommendations to National Treasury on how the banking industry could effectively deal with the proposed regulations.

In May 2012, the SARB released Guidance Note G5/2012 announcing the provision of a committed liquidity facility that will assist banks in meeting the LCR. This facility is capped at 40% of net outflows under the LCR and has a tranched cost for different levels of required facility. The inclusion of the committed liquidity facility falls within the Basel framework and is used to cater for markets with specific structural features. These include:

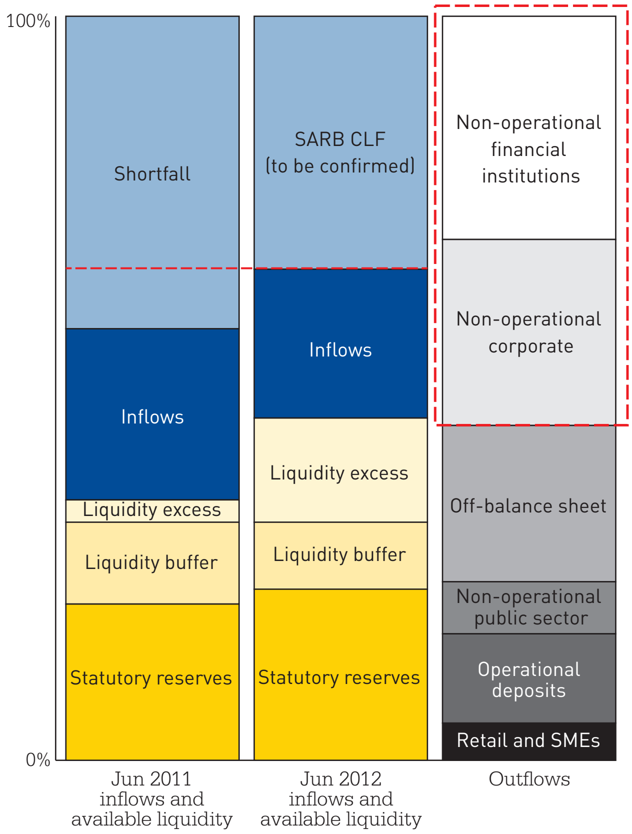
- the low level of government debt securities;
- low sovereign rating ceiling (applicable to many emerging markets);
- low retail savings; and
- a bank deposit-based mortgage financing model.

As such, it does not reflect negatively on the SA banking system.

The BCBS has indicated that further refinement of the LCR may be required and the final SA regulations remain subject to SARB approval. Estimates, given the current proposals, indicate that the cost to the Group will be between R150 million and R250 million per annum.

FirstRand is actively engaged in the efficient implementation of the LCR.

Improved liquidity position and well prepared for LCR



Credit portfolio management

Credit strategy is managed as part of the broader balance sheet management process and is aligned with the Group's view of the trends in the wider economy.

CREDIT HIGHLIGHTS AT A GLANCE

Total loans and advances grew strongly during the financial year. Although corporate activity is still subdued, growth in investment banking and commercial loans to the property and agriculture sectors showed improvement. Retail advances benefited from strong growth in the VAF and unsecured portfolios.

The level of non-performing loans has been trending downwards since the peak in June 2009. Facilitated by the favourable credit environment, incidences of defaults have continued to decline in the retail book. Overall the corporate portfolio experienced a slight decline in NPLs despite an uptick in the investment banking book. Retail NPLs as a percentage of advances continued to decline, however, increases in some unsecured portfolios have materialised, as expected.

The table below summarises key information on advances, NPLs and impairments in the credit portfolio for the year under review.

		Year ended 30 June		
R million	Notes	**2012**	2011	% change
Total gross advances*	1	**493 323**	438 596	12
NPLs	2	**17 667**	19 090	(7)
NPLs as a % of advances		**3.58**	4.35	
Impairment charge	3	**5 291**	4 151	27
– Business as usual		**4 586**	4 151	10
– Special impairment**		**705**	–	
Impairment charge as a % of average advances		**1.14**	0.98	
– Business as usual		**0.99**	0.98	
– Special impairment**		**0.15**	–	
Total impairments*	4	**10 578**	9 462	12
– Portfolio impairments		**4 676**	3 231	45
– Specific impairments		**5 902**	6 231	(5)
Implied loss given default (coverage)***	4	**33.4**	32.6	
Total impairments coverage ratio#	4	**59.9**	49.6	

* *Includes cumulative credit fair value adjustments.*
** *This impairment relates to the discovery during the year of the deliberate concealment by employees of unrecovered amounts in FNB's merchant acquiring business unit. This is classified as a boundary event.*
*** *Amortised cost specific impairments and non-performing book cumulative credit fair value adjustments as a percentage of NPLs.*
# *Total amortised cost impairments and total cumulative credit fair value adjustments as a percentage of NPLs.*

The notes referred to in the table above are detailed on the following pages. Comparatives of certain portfolios have been restated to reflect the current segmentation of the business.

The credit information in this section is presented on a normalised basis. The normalised basis differs from IFRS in that the credit fair value adjustments on fair value advances have been reversed to reflect the advances and impairments as if accounted for on an accrual basis. The adjustments had the following impact:

- advances were adjusted (upwards) by the balance sheet credit fair value adjustments of R2 357 million (June 2011: R1 951 million); and
- the IFRS credit impairments in the income statement were adjusted to include the credit fair value adjustment impact of R406 million (June 2011: R514 million). Under IFRS, these would have been accounted for under non-interest revenue.

Credit portfolio management continued

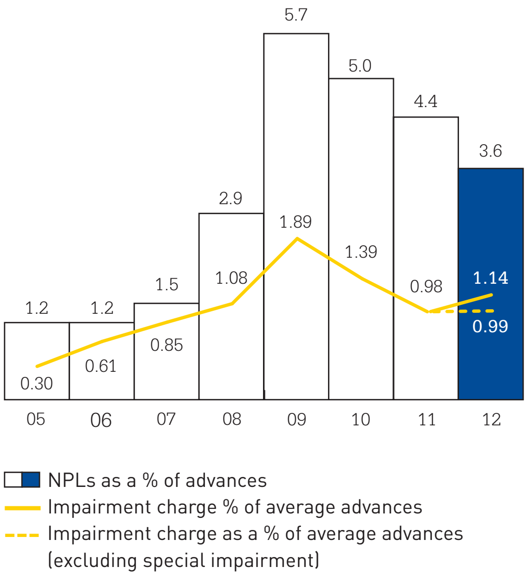
Retail credit portfolios

Vehicle and asset finance book growth was particularly robust increasing 18% year-on-year. Residential mortgages growth was low with a strong focus on low and medium risk counterparties and appropriate loan-to-value ratios. The strong growth recorded in the unsecured lending portfolios was within the defined credit risk appetite. The most pronounced shifts occurred in personal banking where both overdrafts and loans increased substantially from previous low bases.

The Bank's strategies to reduce NPLs continued to yield favourable results. Retail NPLs were 4.86%, down from the 5.83% reported at June 2011. The reduction in NPLs is driven by the slower inflow into NPLs in FNB HomeLoans. Increases in NPLs in most of the unsecured portfolios have been recorded. This is in line with expectations and risk appetite and has been appropriately priced for.

The decreased impairment charge in the retail secured portfolios was supported by the sustained low interest rates, reductions in NPL inflows in FNB HomeLoans and by post write-off recoveries. The retail unsecured portfolios produced increased impairments compared to June 2011 with the exception of FNB Card where the charge was significantly reduced by post write-off recoveries.

Total credit portfolio



Corporate credit portfolios

The RMB core advances book grew 20% due to investment banking related lending. The FNB Commercial portfolio achieved growth of 14% year-on-year. This growth is attributed mainly to the property term loans and agriculture portfolios.

NPLs in the corporate portfolio declined modestly over the past year, reflecting a reduction in NPLs in the FNB Commercial portfolio, however, RMB's NPLs increased. The Corporate NPLs were 2.13% (June 2011: 2.66%). Impairment charges also showed signs of improvement. The charge at June 2012 was 0.45% (June 2011: 0.68%). Significant reductions in impairment charges were experienced in FNB Commercial and WesBank Corporate compared to the previous year.

NOTE 1: ANALYSIS OF ADVANCES

The table below provides the advances of each segment in the Bank.

	Advances			
	As at 30 June			
R million	**2012**	2011	% change	**2012 % composition**
Retail	**265 358**	240 598	10	**54**
Retail – secured	**233 109**	216 340	8	**47**
Residential mortgages	**158 763**	153 132	4	**32**
Vehicle and asset finance	**74 346**	63 208	18	**15**
Retail – unsecured	**32 249**	24 258	33	**7**
Credit card	**11 946**	10 758	11	**3**
Other retail	**20 303**	13 500	50	**4**
Personal banking	**8 780**	4 593	91	**2**
– Overdrafts	**2 450**	1 251	96	**–**
– Loans	**6 330**	3 342	89	**2**
Mass loans	**5 622**	3 906	44	**1**
WesBank loans	**5 901**	5 001	18	**1**
Corporate	**224 383**	191 748	17	**45**
FNB Commercial	**35 646**	31 278	14	**7**
WesBank Corporate	**30 143**	29 800	1	**6**
RMB	**155 989**	128 077	22	**32**
GTS	**2 605**	2 593	–	**–**
Corporate Centre and other	**3 582**	6 250	(43)	**1**
Total advances	**493 323**	438 596	12	**100**
Of which:				
Accrual book	**356 686**	317 593	12	**72**
Fair value book*	**136 637**	121 003	13	**28**

* *Including advances classified as available-for-sale.*

The table below provides an analysis of the impact of assets under agreements to resell on RMB's advances growth.

	As at 30 June		
R million	**2012**	2011	% change
RMB advances	**155 989**	128 077	22
Less: assets under agreements to resell	**(38 482)**	(30 257)	27
RMB advances net of assets under agreements to resell	**117 507**	97 820	20

Credit portfolio management continued

Sector and geographic analysis of advances

	As at 30 June		
R million	**2012**	2011	% change
Gross advances	**495 255**	440 661	12
Less: interest in suspense	**(1 932)**	(2 065)	(6)
Advances net of interest in suspense	**493 323**	438 596	12
Sector analysis			
Agriculture	**15 463**	12 931	20
Banks and financial services	**73 296**	55 615	32
Building and property development	**27 366**	22 278	23
Government, Land Bank and public authorities	**15 351**	14 797	4
Individuals	**263 923**	256 224	3
Manufacturing and commerce	**49 807**	30 764	62
Mining	**14 553**	10 147	43
Transport and communication	**14 014**	11 890	18
Other services	**19 550**	23 950	(18)
Total advances	**493 323**	438 596	12
Geographic analysis			
South Africa	**470 825**	423 045	11
Other Africa	**4 829**	2 934	65
UK	**10 842**	8 784	23
Europe	**2 236**	1 970	14
North America	**66**	140	(53)
South America	**99**	264	(63)
Australasia	**4 426**	1 459	>100
Total advances	**493 323**	438 596	12

NOTE 2: ANALYSIS OF NPLs

The table below provides an analysis of NPLs.

	NPLs				NPLs as a % of advances	
	As at 30 June			2012 %	As at 30 June	
R million	**2012**	2011	% change	composition	**2012**	2011
Retail	**12 889**	14 033	(8)	73	**4.86**	5.83
Retail – secured	**11 399**	12 798	(11)	65	**4.89**	5.92
Residential mortgages	**8 763**	10 293	(15)	50	**5.52**	6.72
Vehicle and asset finance	**2 636**	2 505	5	15	**3.55**	3.96
Retail – unsecured	**1 490**	1 235	21	8	**4.62**	5.09
Credit card	**271**	446	(39)	1	**2.27**	4.15
Other retail	**1 219**	789	54	7	**6.00**	5.84
Personal banking	**272**	131	>100	1	**3.10**	2.85
– Overdrafts	**70**	44	59	–	**2.86**	3.52
– Loans	**202**	87	>100	1	**3.19**	2.60
Mass loans	**634**	316	>100	4	**11.28**	8.09
WesBank loans	**313**	342	(8)	2	**5.30**	6.84
Corporate	**4 778**	5 094	(6)	27	**2.13**	2.66
FNB Commercial	**1 665**	1 866	(11)	9	**4.67**	5.97
WesBank Corporate	**1 076**	1 461	(26)	6	**3.57**	4.90
RMB	**2 028**	1 749	16	12	**1.30**	1.37
GTS	**9**	18	(50)	–	**0.35**	0.69
Corporate Centre and other	**–**	(37)	(100)	–	**–**	(0.59)
Total NPLs	**17 667**	19 090	(7)	100	**3.58**	4.35
Of which:				–		
Accrual book	**15 651**	17 354	(10)	89	**4.39**	5.46
Fair value book	**2 016**	1 736	16	11	**1.48**	1.43

Credit portfolio management continued

Sector and geographical analysis of NPLs

	NPLs			NPLs as a % of advances	
	As at 30 June			As at 30 June	
R million	**2012**	2011	% change	**2012**	2011
Sector analysis					
Agriculture	**562**	442	27	**3.63**	3.42
Banks and financial services	**369**	518	(29)	**0.50**	0.93
Building and property development	**2 299**	1 734	33	**8.40**	7.78
Government, Land Bank and public authorities	**36**	74	(52)	**0.23**	0.50
Individuals	**12 654**	13 703	(8)	**4.79**	5.35
Manufacturing and commerce	**849**	538	58	**1.70**	1.75
Mining	**165**	50	>100	**1.13**	0.49
Transport and communication	**239**	272	(12)	**1.70**	2.29
Other services	**494**	1 759	(72)	**2.53**	7.34
Total NPLs	**17 667**	19 090	(7)	**3.58**	4.35
Geographic analysis					
South Africa	**17 322**	18 792	(8)	**3.68**	4.44
Other Africa	**33**	36	(7)	**0.69**	1.23
UK	**22**	13	71	**0.20**	0.15
South America	**290**	249	16	**>100**	94.32
Total NPLs	**17 667**	19 090	(7)	**3.58**	4.35

Security and recoverable amounts

R million	NPLs 2012	Security held and expected recoveries 2012	Specific impairment* 2012	NPLs 2011	Security held and expected recoveries 2011	Specific impairment* 2011
Retail	**12 889**	**9 012**	**3 877**	14 033	10 092	3 941
Retail – secured	**11 399**	**8 729**	**2 670**	12 798	9 819	2 979
Residential mortgages	**8 763**	**6 994**	**1 769**	10 293	8 303	1 990
Vehicle and asset finance	**2 636**	**1 735**	**901**	2 505	1 516	989
Retail – unsecured	**1 490**	**283**	**1 207**	1 235	273	962
Credit card	**271**	**79**	**192**	446	116	330
Other retail	**1 219**	**204**	**1 015**	789	157	632
Personal banking	**272**	**50**	**222**	131	16	115
– Overdrafts	**70**	**17**	**53**	44	6	38
– Loans	**202**	**33**	**169**	87	10	77
Mass loans	**634**	**78**	**556**	316	54	262
WesBank loans	**313**	**76**	**237**	342	87	255
Corporate	**4 778**	**2 753**	**2 025**	5 094	2 806	2 288
FNB Commercial	**1 665**	**886**	**779**	1 866	971	895
WesBank Corporate	**1 076**	**624**	**452**	1 461	791	670
RMB	**2 028**	**1 243**	**785**	1 749	1 045	704
GTS	**9**	**–**	**9**	18	(1)	19
Corporate Centre and other	**–**	**–**	**–**	(37)	(39)	2
Total	**17 667**	**11 765**	**5 902**	19 090	12 859	6 231

* *Specific impairments include cumulative credit fair value adjustments.*

Credit portfolio management continued

NOTE 3: ANALYSIS OF INCOME STATEMENT CREDIT IMPAIRMENTS

The increase in the bad debt charge from 98 bps to 114 bps was mainly driven by:

- the creation of certain portfolio impairments at the centre, reflecting the Bank's view that the credit cycle has bottomed; and
- a specific impairment for unrecovered amounts in FNB's merchant acquiring business.

Without the impact of the specific impairment for the merchant acquiring business, overall credit impairments remained flat. Increased impairments emanated from the unsecured portfolios, in line with expectations.

Income statement impairments

	Total impairment charge			As a % of average advances	
	As at 30 June			As at 30 June	
R million	**2012**	2011	% change	**2012**	2011
Retail	**2 749**	2 717	1	**1.09**	1.16
Retail – secured	**1 306**	1 849	(29)	**0.58**	0.88
Residential mortgages	**928**	1 203	(23)	**0.60**	0.80
Vehicle and asset finance	**378**	646	(41)	**0.55**	1.06
Retail – unsecured	**1 443**	868	66	**5.11**	3.86
Credit card	**40**	149	(73)	**0.35**	1.39
Other retail	**1 403**	719	95	**8.30**	6.12
Personal banking	**416**	178	>100	**6.22**	4.66
– Overdrafts	**102**	62	65	**5.51**	5.36
– Loans	**314**	116	>100	**6.49**	4.36
Mass loans	**723**	391	85	**15.18**	11.37
WesBank loans	**264**	150	76	**4.84**	3.35
Corporate	**938**	1 265	(26)	**0.45**	0.68
FNB Commercial	**167**	333	(50)	**0.50**	1.12
WesBank Corporate	**377**	444	(15)	**1.26**	1.53
RMB	**422**	479	(12)	**0.30**	0.38
GTS	**(28)**	9	(>100)	**(1.08)**	0.42
Corporate Centre and other*	**899**	169	>100	**0.19**	0.04
Central portfolio impairments	**800**	3	>100	**0.17**	–
Other	**99**	166	(40)	**0.02**	0.04
Business as usual impairment charge*	**4 586**	4 151	10	**0.99**	0.98
Special impairment*	**705**	–	–	**0.15**	–
Total impairment charge	**5 291**	4 151	27	**1.14**	0.98
Of which:					
Portfolio impairment charge	**1 409**	(381)	>100	**0.31**	(0.09)
Specific impairment charge	**3 882**	4 532	(14)	**0.83**	1.07

* *Percentages calculated on total average advances.*

NOTE 4: ANALYSIS OF BALANCE SHEET IMPAIRMENTS AND COVERAGE RATIOS

The Bank constantly monitors market conditions as well as recent and expected recoveries on NPLs to determine its coverage ratios. The NPLs coverage ratio has increased to 33.4% (June 2011: 32.6%).

Implied loss given default and total impairment coverage ratios

	Balance sheet impairments			Coverage ratios (% of NPLs)	
	As at 30 June			As at 30 June	
R million	**2012**	2011	% change	**2012**	2011
Specific impairments*					
Retail	**3 877**	3 941	(2)	**30.1**	28.1
Retail – secured	**2 670**	2 979	(10)	**23.4**	23.3
Residential mortgages	**1 769**	1 990	(11)	**20.2**	19.3
Vehicle and asset finance**	**901**	989	(9)	**34.2**	39.5
Retail – unsecured	**1 207**	962	25	**81.0**	77.9
Credit card	**192**	330	(42)	**70.8**	74.0
Other retail	**1 015**	632	61	**83.3**	80.1
Personal banking	**222**	115	93	**81.6**	87.8
– Overdrafts	**53**	38	39	**75.7**	86.4
– Loans	**169**	77	>100	**83.7**	88.5
Mass loans	**556**	262	>100	**87.7**	82.9
WesBank loans	**237**	255	(7)	**75.7**	74.6
Corporate	**2 025**	2 288	(11)	**42.4**	44.9
FNB Commercial	**779**	895	(13)	**46.8**	48.0
WesBank Corporate	**452**	670	(33)	**42.0**	45.9
RMB	**785**	704	12	**38.7**	40.3
GTS	**9**	19	(53)	**100.0**	>100
Corporate Centre and other	**–**	2		**–**	
Total specific impairments/implied loss given default* **	**5 902**	6 231	(5)	**33.4**	32.6
Portfolio impairments#	**4 676**	3 231	45	**26.5**	17.0
Total impairments/total impairment coverage ratio†	**10 578**	9 462	12	**59.9**	49.6

* *Specific impairments including credit fair value adjustments relating to the non-performing fair value advances.*

** *The decline in coverage ratio in the current year is as a result of a lower coverage ratio which is applied to accounts which have been restructured in terms of the debt review process and where a specific court order has been granted – these accounts are reported in NPLs even though these clients may be fully performing in terms of their revised payment terms. This is in line with the Group's policy to not restructure accounts out of NPLs, i.e. accounts will only be migrated out of NPLs when clients have repaid all arrears in terms of their original credit facility.*

*** *Amortised cost specific impairments and credit fair value adjustments as a percentage of NPLs.*

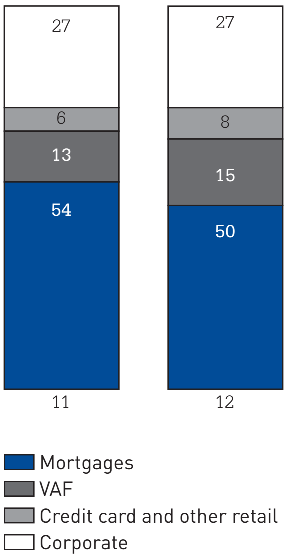
\# *Amortised cost portfolio impairments and credit fair value adjustments relating to the performing book.*

† *Total impairments and credit fair value adjustments as a percentage of the NPLs.*

Credit portfolio management continued

The graph below provides the NPLs distribution across the product categories, showing a decrease in the residential mortgages portfolio since June 2011:

NPLs distribution (%)



RECONCILIATION OF IMPAIRMENTS

The following table provides an analysis of the balance sheet amortised cost impairments and fair value credit adjustments.

	Balance sheet impairments and credit fair value adjustments					
	As at 30 June					
	Amortised cost book		Fair value book		Total book	
R million	**2012**	2011	**2012**	2011	**2012**	2011
Non-performing book	**5 119**	5 527	**783**	704	**5 902**	6 231
Performing book	**3 102**	1 984	**1 574**	1 247	**4 676**	3 231
Total impairments	**8 221**	7 511	**2 357**	1 951	**10 578**	9 462

The following table provides an analysis of the amortised cost specific impairments.

	Balance sheet specific impairments – amortised cost		
	As at 30 June		
R million	**2012**	2011	% change
Opening balance	**5 527**	6 041	(9)
Reclassifications and transfers	**(33)**	(139)	(76)
Acquisitions	**3**	27	(89)
Exchange rate difference	**2**	(1)	>100
Unwinding and discounted present value on NPLs	**(122)**	(200)	(39)
Bad debts written off	**(5 340)**	(5 014)	7
Net new impairments created	**5 082**	4 813	6
Total impairments	**5 119**	5 527	(7)

The following table provides an analysis of the income statement impact of amortised cost impairments and credit fair value adjustments.

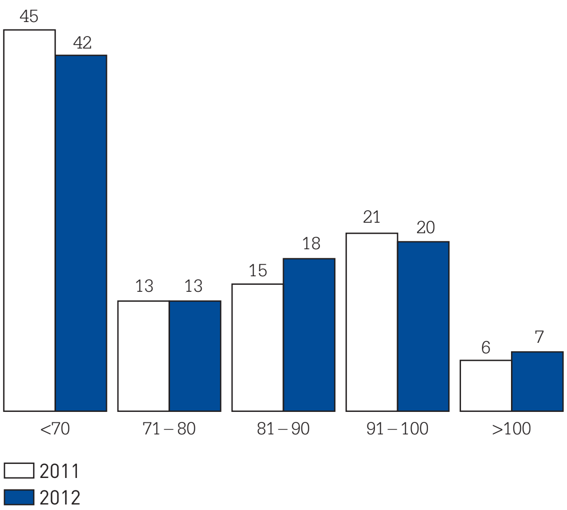
	Income statement impairments		
	Year ended 30 June		% change
R million	**2012**	2011	
Specific impairment charge	**5 082**	4 813	6
Recoveries of bad debts previously written off	**(1 279)**	(1 030)	24
Net specific impairment charge (amortised cost)	**3 803**	3 783	1
Portfolio impairment charge (amortised cost)	**1 082**	(146)	>100
Credit fair value adjustments	**406**	514	(21)
Performing book	**327**	(235)	>100
Non-performing book	**79**	749	(89)
Total impairments	**5 291**	4 151	27

RISK ANALYSES

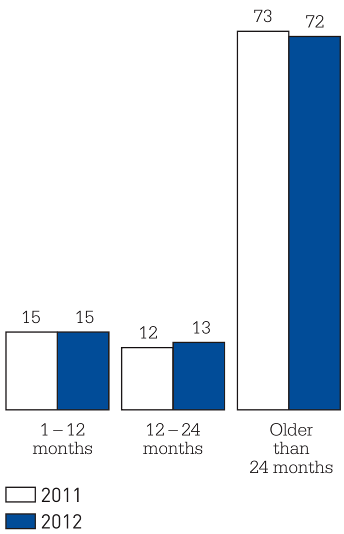
This section provides further information on selected risk analyses of the credit portfolios.

The graphs below provide the balance-to-value distributions and the ageing of the residential mortgages portfolios. The recent focus on the loan-to-value ratios for new business resulted in an improvement in the balance-to-original value although the broader strategy is to place more emphasis on the counterparty creditworthiness as opposed to only on the underlying security.

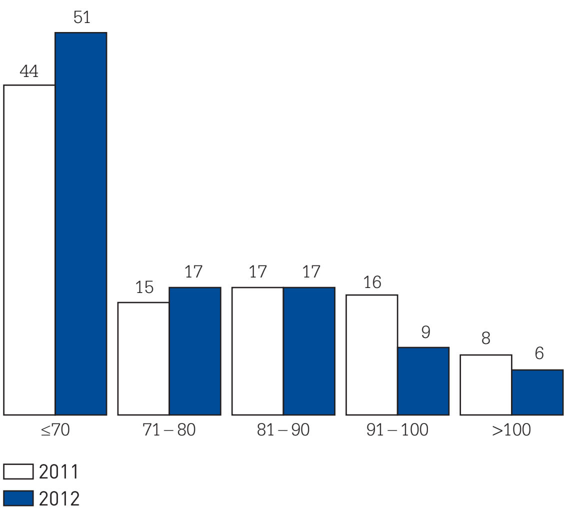
Residential mortgages balance-to-original value (%)



Residential mortgages age distribution (%)



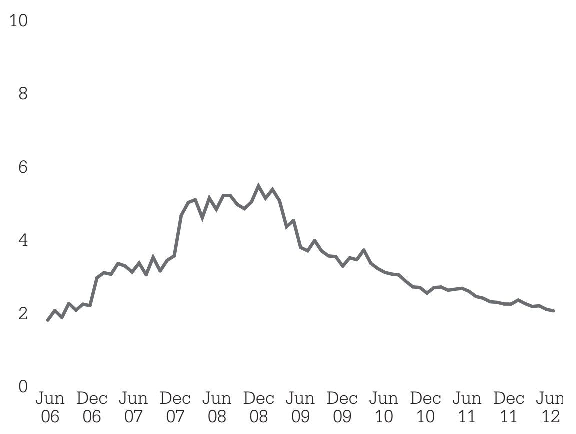
Residential mortgages balance-to-market value (%)



Credit portfolio management continued

The following graph shows the arrears in the FNB HomeLoans portfolio. It includes arrears where more than one full payment is in arrears expressed as a percentage of the total advances balance.

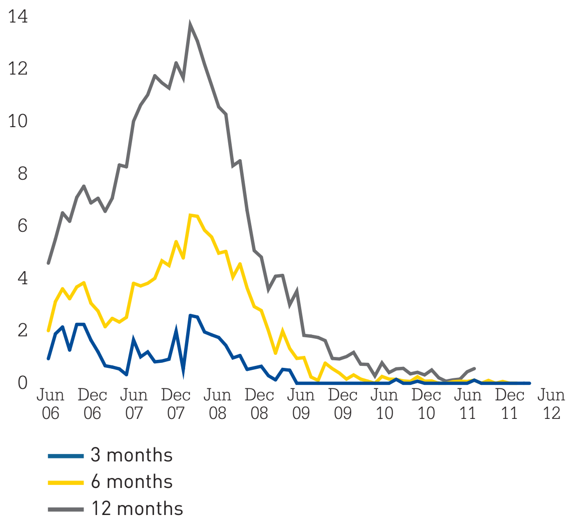
FNB HomeLoans arrears (%)



The following graphs show the vintage analyses for FNB HomeLoans and WesBank retail. Vintage graphs provide the default experience three, six and twelve months after each origination date and reflect the impact of origination strategies and the macroeconomic environment.

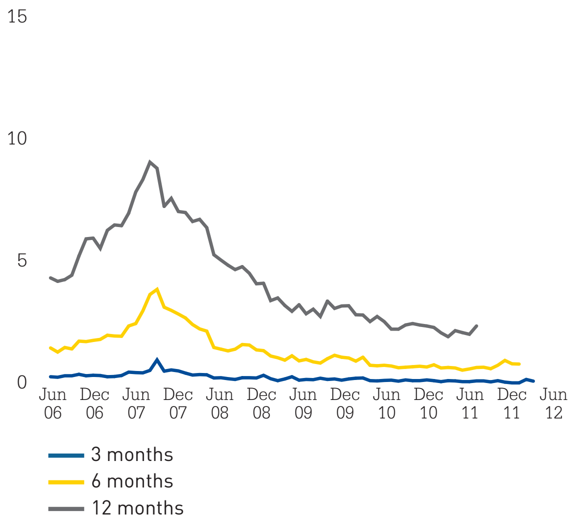
For FNB HomeLoans, the three, six and twelve month cumulative vintage analysis illustrates a marked improvement in the quality of business written since mid-2008 despite further deterioration in macro conditions in the succeeding period. The more recent decreases in the default experience reflect a combination of the credit origination strategies and the improvement in macro conditions.

FNB HomeLoans vintage analysis (%)



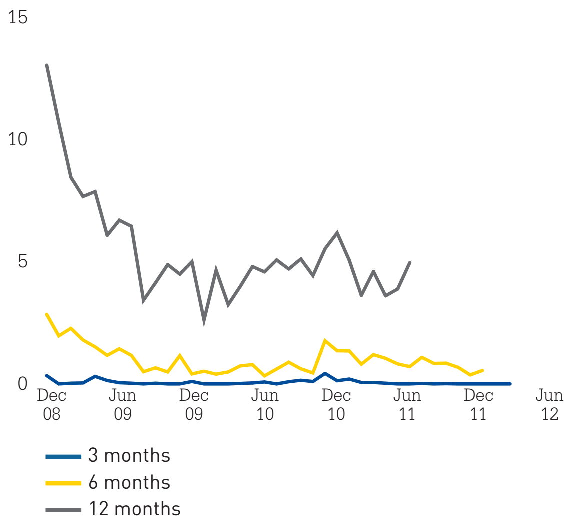
The WesBank retail six and twelve month cumulative vintage analysis continues to show a noticeable improvement in the quality of business written since mid-2007.

WesBank retail vintage analysis (%)

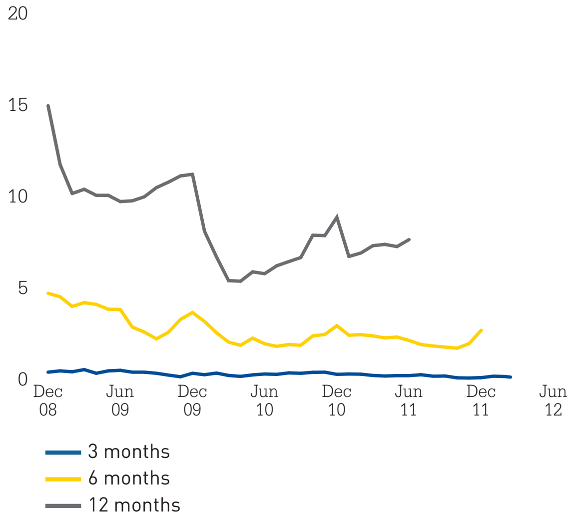


The vintage analyses of FNB and WesBank unsecured portfolios show an uptick in default experience, however, the portfolios remain within risk appetite. Continued actions are undertaken to ensure these portfolios remain within risk appetite.

FNB Card vintage analysis (%)



Unsecured (excluding FNB Card) vintage analysis (%)



The value of the Bank's repossessed property portfolio at 30 June 2012 was R100 million (June 2011: R255 million).

Credit portfolio management continued

SUPPLEMENTARY INFORMATION

Segmental advances, NPLs and impairment analysis

The table below provides an analysis of the advances, NPLs and credit impairment charges for the year under review:

	June 2012				
R million/%	Advances	NPLs	NPLs as a % of advances	Total impairment charge	Impairments as % of average advances
FNB	**220 615**	**11 605**	**5.26**	**2 373**	**1.12**
FNB Retail	**185 111**	**9 940**	**5.37**	**2 107**	**1.18**
Residential mortgages	**158 763**	**8 763**	**5.52**	**928**	**0.60**
– FNB HomeLoans (Consumer segment)	**107 694**	**5 584**	**5.19**	**567**	**0.54**
– Wealth	**40 700**	**2 734**	**6.72**	**296**	**0.73**
– Affordable housing (Mass segment)	**10 369**	**445**	**4.29**	**65**	**0.70**
Credit Card	**11 946**	**271**	**2.27**	**40**	**0.35**
Personal banking	**8 780**	**272**	**3.10**	**416**	**6.22**
– Overdrafts	**2 450**	**70**	**2.86**	**102**	**5.51**
– Loans	**6 330**	**202**	**3.19**	**314**	**6.49**
Mass (secured and unsecured)	**5 622**	**634**	**11.28**	**723**	**15.18**
FNB Commercial	**35 646**	**1 665**	**4.67**	**167**	**0.50**
FNB Other*	**(142)**	**–**	**–**	**99**	**0.02**
WesBank	**110 390**	**4 025**	**3.65**	**1 019**	**0.98**
WesBank asset backed finance	**104 489**	**3 712**	**3.55**	**755**	**0.76**
– WesBank Retail	**74 346**	**2 636**	**3.55**	**378**	**0.55**
– WesBank Corporate	**30 143**	**1 076**	**3.57**	**377**	**1.26**
WesBank loans	**5 901**	**313**	**5.30**	**264**	**4.84**
RMB	**155 989**	**2 028**	**1.30**	**422**	**0.30**
GTS	**2 605**	**9**	**0.35**	**(28)**	**(1.08)**
Corporate Centre*	**3 724**	**–**	**–**	**800**	**0.17**
Total	**493 323**	**17 667**	**3.58**	**4 586**	**0.99**
Special impairments**	**–**	**–**	**–**	**705**	**0.15**
Total	**493 323**	**17 667**	**3.58**	**5 291**	**1.14**

** Refer to Corporate Centre and other on page 68.*
*** Impairments relate to FNB (R405 million) and GTS (R300 million).*

	June 2011				
	Advances	NPLs	NPLs as a % of advances	Total impairment charge	Impairments as % of average advances
	203 341	13 015	6.40	2 420	1.22
	172 389	11 186	6.49	1 921	1.14
	153 132	10 293	6.72	1 203	0.80
	104 071	7 113	6.83	728	0.70
	40 864	2 796	6.84	404	1.03
	8 197	384	4.68	71	0.98
	10 758	446	4.15	149	1.39
	4 593	131	2.85	178	4.66
	1 251	44	3.52	62	5.36
	3 342	87	2.60	116	4.36
	3 906	316	8.09	391	11.37
	31 278	1 866	5.97	333	1.12
	(326)	(37)	11.35	166	0.04
	98 009	4 308	4.40	1 240	1.31
	93 008	3 966	4.26	1 090	1.21
	63 208	2 505	3.96	646	1.06
	29 800	1 461	4.90	444	1.53
	5 001	342	6.84	150	3.35
	128 077	1 749	1.37	479	0.38
	2 593	18	0.69	9	0.42
	6 576	–	–	3	–
	438 596	19 090	4.35	4 151	0.98
	–	–	–	–	–
	438 596	19 090	4.35	4 151	0.98

Notes

SUPPLEMENTARY INFORMATION

Reclassification of prior year numbers

During the financial year the following reclassifications were made to the income statement and statement of financial position:

30 June 2011 R million	Amount as previously reported	Amount as restated	Difference	Explanation
Income statement Non-interest income	26 003	23 774	2 229	Fee and commission expenses that are incremental or directly attributable to the generation of fee and commission income have been reclassified out of various operating expense lines into the fee and commission expense line. In addition, the presentation of fee and commission expenses has been updated by presenting it as part of non-interest income and not as part of operating expenses. This was to align with banking industry practice.
Operating expenses	(23 420)	(21 191)	(2 229)	As per above.
Profit for the year	10 252	10 252	–	No effect on profit for the year.
Statement of financial position Creditors and accruals	6 199	5 395	804	During the current year a comprehensive review of liabilities disclosure was undertaken by the Bank in order to ensure that the presentation is consistent with industry practice and to provide more detailed and useful information in the financial statements. A reclassification was required to bring the comparative numbers in line with the updated presentation.
Deposits	493 406	492 896	510	
Short trading positions	5 777	5 777	–	
Provisions	2 945	132	2 813	
Post-retirement liabilities	2 252	–	2 252	
Employee liabilities	–	6 510	(6 510)	
Other liabilities	–	518	(518)	
Tier 2 liabilities	–	6 391	(6 391)	
Long-term liabilities	7 040	–	7 040	

30 June 2010 R million	Amount as previously reported	Amount as restated	Difference	Explanation
Statement of financial position Creditors and accruals	6 171	4 468	1 703	During the current year a comprehensive review of liabilities disclosure was undertaken by the Bank in order to ensure that the presentation is consistent with industry practice and to provide more detailed and useful information in the financial statements. A reclassification was required to bring the comparative numbers in line with the updated presentation.
Deposits	453 758	453 468	290	
Short trading positions	7 469	7 469	–	
Provisions	2 725	433	2 292	
Post-retirement liabilities	2 105	–	2 105	
Employee liabilities	–	5 014	(5 014)	
Other liabilities	–	295	(295)	
Tier 2 liabilities	–	7 365	(7 365)	
Long-term liabilities	6 284	–	6 284	

Fee and commission expenses reclassified

Categories of fee and commission expenses per franchise

	Year ended 30 June 2012						
R million	**FNB**	**FNB Africa**	**WesBank**	**RMB**	**GTS**	**Corporate Centre**	**Total**
Commissions paid	**187**	**–**	**8**	**2**	**–**	**–**	**197**
Loyalty programmes	**424**	**–**	**1**	**–**	**–**	**–**	**425**
Other – card and cheque book related	**131**	**–**	**–**	**–**	**–**	**–**	**131**
ATM commissions	**23**	**–**	**–**	**–**	**–**	**–**	**23**
Transaction processing fees	**483**	**4**	**22**	**–**	**200**	**–**	**709**
Cash sorting, handling and transporting charges	**525**	**–**	**–**	**–**	**23**	**–**	**548**
Other	**267**	**–**	**–**	**230**	**–**	**8**	**505**
Total fee and commission expenses*	**2 040**	**4**	**31**	**232**	**223**	**8**	**2 538**

	Year ended 30 June 2011						
R million	FNB	FNB Africa	WesBank	RMB	GTS	Corporate Centre	Total
Commissions paid	197	–	54	–	–	–	251
Loyalty programmes	286	–	6	–	–	–	292
Other – card and cheque book related	96	–	–	–	–	–	96
ATM commissions	25	–	–	–	–	–	25
Transaction processing fees	442	–	–	–	145	–	587
Cash sorting, handling and transporting charges	591	–	–	–	13	–	604
Other	139	–	7	226	2	–	374
Total fee and commission expenses*	1 776	–	67	226	160	–	2 229

* *The amounts disclosed represent the total amount of fee and commission expenses reclassified from operating expenses to non-interest revenue. The total consists of expenses previously reported as fee and commission expenses, and expenses that were previously reported in various other operating expense lines.*

Contingencies and commitments

	Continuing and discontinued operations		
	As at 30 June		
R million	**2012**	2011	% change
Contingencies			
Guarantees	**21 446**	24 901	(14)
Acceptances	**293**	300	(2)
Letters of credit	**7 301**	6 063	20
Total contingencies	**29 040**	31 264	(7)
Capital commitments			
Contracted capital commitments	**1 347**	356	>100
Capital expenditure authorised not yet contracted	**1 749**	3 006	(42)
Total capital commitments	**3 096**	3 362	(8)
Other commitments			
Irrevocable commitments	**64 872**	58 438	11
Operating lease and other commitments	**2 452**	12 855	(81)
Total other commitments	**67 324**	71 293	(6)
Total contingencies and commitments	**99 460**	105 919	(6)

Company information

DIRECTORS

LL Dippenaar (Chairman), SE Nxasana (Chief executive officer), VW Bartlett, JJH Bester, MS Bomela, JP Burger (Financial director and chief operating officer), L Crouse, PM Goss, Dr NN Gwagwa, PK Harris, WR Jardine, EG Matenge-Sebesho, AT Nzimande, D Premnarayen (Indian), KB Schoeman, RK Store, BJ van der Ross, Dr JH van Greuning

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Debt Capital Markets
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Corner Fredman Drive and Rivonia Road
Sandton 2196
Telephone: +27 11 282 8118

STOCK EXCHANGES

JSE Limited (JSE)

	Issuer	Bond code	ISIN code
Subordinated debt	FirstRand Bank Limited	FRB03	ZAG000026774
	FirstRand Bank Limited	FRB05	ZAG000031337
	FirstRand Bank Limited	FRB06	ZAG000045758
	FirstRand Bank Limited	FRB07	ZAG000047598
	FirstRand Bank Limited	FRB08	ZAG000047796
	FirstRand Bank Limited	FRB09	ZAG000047804
	FirstRand Bank Limited	FRB10	ZAG000092487
Upper Tier II	FirstRand Bank Limited	FRBC21	ZAG000052283
	FirstRand Bank Limited	FRBC22	ZAG000052390
Senior unsecured	FirstRand Bank Limited	FRBN04	ZAG000041005
	FirstRand Bank Limited	FRBN05	ZAG000042169
	FirstRand Bank Limited	FRBZ01	ZAG000049255
	FirstRand Bank Limited	FRBZ02	ZAG000072711
	FirstRand Bank Limited	FRBZ03	ZAG000080029
	FirstRand Bank Limited	FRJ13	ZAG000079823
	FirstRand Bank Limited	FRJ14	ZAG000069683
	FirstRand Bank Limited	FRJ15	ZAG000094368
	FirstRand Bank Limited	FRJ16	ZAG000073826
	FirstRand Bank Limited	FRJ17	ZAG000094343
	FirstRand Bank Limited	FRJ18	ZAG000084187
	FirstRand Bank Limited	FRS36	ZAG000077397
	FirstRand Bank Limited	FRS37	ZAG000077793
	FirstRand Bank Limited	FRS43	ZAG000078643
	FirstRand Bank Limited	FRS46	ZAG000079807
	FirstRand Bank Limited	FRS49	ZAG000081787
	FirstRand Bank Limited	FRS51	ZAG000086117
	FirstRand Bank Limited	FRS54	ZAG000087032
	FirstRand Bank Limited	FRS55	ZAG000087040
	FirstRand Bank Limited	FRS56	ZAG000087271
	FirstRand Bank Limited	FRS57	ZAG000087313
	FirstRand Bank Limited	FRS59	ZAG000089855
	FirstRand Bank Limited	FRS60	ZAG000090267
	FirstRand Bank Limited	FRS61	ZAG000090523
	FirstRand Bank Limited	FRS62	ZAG000090614
	FirstRand Bank Limited	FRS63	ZAG000091513
	FirstRand Bank Limited	FRS64	ZAG000092529
	FirstRand Bank Limited	FRS65	ZAG000094277
	FirstRand Bank Limited	FRS66	ZAG000094327
	FirstRand Bank Limited	FRS67	ZAG000095720
	FirstRand Bank Limited	FRS69	ZAG000095829
	FirstRand Bank Limited	FRS70	ZAG000095910
	FirstRand Bank Limited	FRS71	ZAG000096009
	FirstRand Bank Limited	FRS72	ZAG000096033
	FirstRand Bank Limited	FRS73	ZAG000096157
	FirstRand Bank Limited	FRS74	ZAG000096223
	FirstRand Bank Limited	FRS75	ZAG000096363

Company information continued

	Issuer	Bond code	ISIN code
Senior unsecured	FirstRand Bank Limited	FRS76	ZAG000096413
	FirstRand Bank Limited	FRX14	ZAG000079815
	FirstRand Bank Limited	FRX15	ZAG000051103
	FirstRand Bank Limited	FRX16	ZAG000084203
	FirstRand Bank Limited	FRX17	ZAG000094376
	FirstRand Bank Limited	FRX18	ZAG000076472
	FirstRand Bank Limited	FRX19	ZAG000073685
	FirstRand Bank Limited	FRX24	ZAG000073693
	FirstRand Bank Limited	FRX31	ZAG000084195
	FirstRand Bank Limited	FRX45	ZAG000076480
Inflation-linked bonds	FirstRand Bank Limited	FRBI04	ZAG000044306
	FirstRand Bank Limited	FRBI07	ZAG000055849
	FirstRand Bank Limited	FRBI22	ZAG000079666
	FirstRand Bank Limited	FRBI23	ZAG000076498
	FirstRand Bank Limited	FRBI28	ZAG000079237
	FirstRand Bank Limited	FRBI33	ZAG000079245
	FirstRand Bank Limited	FRI15	ZAG000051137
Credit-linked notes	FirstRand Bank Limited	FRC08	ZAG000051749
	FirstRand Bank Limited	FRC11	ZAG000054131
	FirstRand Bank Limited	FRC17	ZAG000056011
	FirstRand Bank Limited	FRC29	ZAG000069857
	FirstRand Bank Limited	FRC37	ZAG000076712
	FirstRand Bank Limited	FRC40	ZAG000081027
	FirstRand Bank Limited	FRC41	ZAG000081670
	FirstRand Bank Limited	FRC46	ZAG000082959
	FirstRand Bank Limited	FRC47	ZAG000084310
	FirstRand Bank Limited	FRC55	ZAG000085507
	FirstRand Bank Limited	FRC57	ZAG000086414
	FirstRand Bank Limited	FRC61	ZAG000087347
	FirstRand Bank Limited	FRC66	ZAG000088485
	FirstRand Bank Limited	FRC67	ZAG000088741
	FirstRand Bank Limited	FRC68	ZAG000088758
	FirstRand Bank Limited	FRC69	ZAG000088766
	FirstRand Bank Limited	FRC70	ZAG000088840
	FirstRand Bank Limited	FRC71	ZAG000088923
	FirstRand Bank Limited	FRC72	ZAG000088956
	FirstRand Bank Limited	FRC73	ZAG000089046
	FirstRand Bank Limited	FRC74	ZAG000089178
	FirstRand Bank Limited	FRC75	ZAG000089566
	FirstRand Bank Limited	FRC76	ZAG000089574
	FirstRand Bank Limited	FRC77	ZAG000089608
	FirstRand Bank Limited	FRC78	ZAG000089806
	FirstRand Bank Limited	FRC79	ZAG000089947
	FirstRand Bank Limited	FRC80	ZAG000090077
	FirstRand Bank Limited	FRC81	ZAG000090325
	FirstRand Bank Limited	FRC82	ZAG000090796
	FirstRand Bank Limited	FRC83	ZAG000090952
	FirstRand Bank Limited	FRC84	ZAG000090986
	FirstRand Bank Limited	FRC85	ZAG000091109
	FirstRand Bank Limited	FRC86	ZAG000091182
	FirstRand Bank Limited	FRC87	ZAG000091570
	FirstRand Bank Limited	FRC88	ZAG000091596
	FirstRand Bank Limited	FRC89	ZAG000091604
	FirstRand Bank Limited	FRC90	ZAG000092388

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC91	ZAG000092370
	FirstRand Bank Limited	FRC92	ZAG000092511
	FirstRand Bank Limited	FRC93	ZAG000092545
	FirstRand Bank Limited	FRC94	ZAG000092677
	FirstRand Bank Limited	FRC95	ZAG000092792
	FirstRand Bank Limited	FRC96	ZAG000093204
	FirstRand Bank Limited	FRC97	ZAG000093212
	FirstRand Bank Limited	FRC98	ZAG000093220
	FirstRand Bank Limited	FRC99	ZAG000093501
	FirstRand Bank Limited	FRC101	ZAG000093576
	FirstRand Bank Limited	FRC103	ZAG000093840
	FirstRand Bank Limited	FRC104	ZAG000093857
	FirstRand Bank Limited	FRC105	ZAG000093998
	FirstRand Bank Limited	FRC106	ZAG000093956
	FirstRand Bank Limited	FRC107	ZAG000094574
	FirstRand Bank Limited	FRC108	ZAG000094871
	FirstRand Bank Limited	FRC109	ZAG000094889
	FirstRand Bank Limited	FRC110	ZAG000094954
	FirstRand Bank Limited	FRC112	ZAG000095621
	FirstRand Bank Limited	FRC113	ZAG000095761
	FirstRand Bank Limited	FRC114	ZAG000095837
	FirstRand Bank Limited	FRC115	ZAG000095852
	FirstRand Bank Limited	FRC116	ZAG000095860
	FirstRand Bank Limited	FRC117	ZAG000095928
	FirstRand Bank Limited	FRC118	ZAG000096280
	FirstRand Bank Limited	FRC119	ZAG000096298
	FirstRand Bank Limited	FRC120	ZAG000096306
	FirstRand Bank Limited	FRC121	ZAG000096314
	FirstRand Bank Limited	FRC122	ZAG000096322
	FirstRand Bank Limited	FRC123	ZAG000096272
	FirstRand Bank Limited	FRC124	ZAG000096579
	FirstRand Bank Limited	FRC125	ZAG000096678
Senior unsecured callable bonds	FirstRand Bank Limited	FR002U	ZAG000042748
	FirstRand Bank Limited	FR003U	ZAG000042755

	Issuer	Bond code	ISIN code
Investment security index contracts	Rand Merchant Bank	RMBI01	ZAG000050865
	Rand Merchant Bank	RMBI02	ZAG000052986
	Rand Merchant Bank	RMBI03	ZAG000054032
	Rand Merchant Bank	RMBI04	ZAG000055013
	Rand Merchant Bank	RMBI05	ZAG000055864
	Rand Merchant Bank	RMBI06	ZAG000056722
	Rand Merchant Bank	RMBI07	ZAG000057910
	Rand Merchant Bank	RMBI08	ZAG000072265
Structured notes	FirstRand Bank Limited	OILRMB	ZAG000152732
	FirstRand Bank Limited	COLRMB	ZAE000155222

London Stock Exchange (LSE)

European medium term note (EMTN) programme

	Issuer	ISIN code
Senior unsecured	FirstRand Bank Limited	XS0635404477
	FirstRand Bank Limited	XS0610341967
	FirstRand Bank Limited	XS0595260141

Simplified group structure

FIRSTRAND

Listed holding company (FirstRand Limited, JSE: FSR)

100% FirstRand Bank Limited (JSE bond code: BIFR1)

Banking

- **100%** First National Bank[1]
- **100%** Rand Merchant Bank[1]
- **100%** WesBank[1]
- **100%** FirstRand Bank India[2]
- **100%** FirstRand Bank London[2]
- **100%** FirstRand Bank Dubai[3]
- **100%** FirstRand Bank Shanghai[3]
- **100%** FirstRand Bank Nigeria[3]
- **100%** FirstRand Bank Angola[3]
- **100%** FirstRand Bank Kenya[3]

100% FirstRand EMA Holdings Limited (FREMA)

Africa and emerging markets

- **59%** FNB Namibia
- **70%** FNB Botswana
- **100%** FNB Swaziland
- **90%** FNB Mozambique
- **100%** FNB Zambia
- **100%** FNB Lesotho
- **100%** FNB Tanzania
- **100%** FirstRand International – Mauritius

100% FirstRand Investment Holdings (Pty) Ltd (FRIHL)

Other activities[4, 5]

- **96%** RMB Private Equity Holdings
- **93%** RMB Private Equity
- **100%** RMB Securities
- **40%** Eris Property Group
- **50%** RMB Morgan Stanley
- **100%** FNB International Wealth Management
- **100%** BJM Private Clients
- **100%** Rentworks
- **65%** Direct Axis
- **100%** First Auto (Pty) Ltd
- **100%** FirstRand International – Guernsey (includes RMB Australia Holdings)

Structure shows effective consolidated shareholding.

1. Division.
2. Branch.
3. Representative office.
4. For segmental analysis purposes entities included in FRIHL are reported as part of the results of the managing franchise.
5. The Group's securitisation vehicles and conduits are in FRIHL.

Credit ratings

FIRSTRAND BANK LIMITED

The credit ratings reflect the bank's strong market position as one of the Big Four banks in South Africa (operating through its three major banking franchises) as well as its focused strategy, good core profitability, financial flexibility, robust risk management and sound capitalisation.

Credit ratings assigned by Standard & Poor's (S&P) as at 28 September 2012

	FirstRand Bank Limited	Sovereign rating South Africa
Foreign currency counterparty credit rating		
Long-term	**BBB+**	BBB+
Outlook	**Negative**	Negative
Short-term	**A-2**	A-2
Local currency counterparty credit rating		
Long-term	**BBB+**	A
Outlook	**Negative**	Negative
Short-term	**A-2**	A-1
National scale		
Long-term	**zaAA**	
Short-term	**zaA-1**	

Summary of rating actions:

- On 1 December 2011, S&P affirmed its BBB+ long-term and A-2 short-term counterparty credit ratings on FRB. Its South African national scale ratings were affirmed at zaAA/zaA-1.
- On 27 March 2012, S&P revised the outlook on the long-term sovereign credit ratings for South Africa to negative from stable and affirmed the ratings. Consequently, the outlook on FRB's ratings was also revised from stable to negative in line with the negative outlook on the corresponding sovereign ceiling.

Credit ratings assigned by Moody's Investors Service (Moody's) as at 28 September 2012

	FirstRand Bank Limited	Sovereign rating South Africa
Foreign currency deposit ratings		
Long-term	**A3**	A3
Outlook	**Negative**	Negative
Short-term	**P-2**	
Local currency deposit ratings		
Long-term	**A3**	A3
Outlook	**Stable**	Negative
Short-term	**P-2**	
National scale bank deposit ratings		
Long-term	**Aa2.za**	
Outlook	**Stable**	
Short-term	**P-1.za**	
Bank financial strength rating	**C-**	
Outlook	**Stable**	

Summary of rating actions:

- On 9 November 2011, Moody's changed the outlook on South Africa's A3 local and foreign currency government debt ratings from stable to negative. Consequently, FRB's A3 foreign currency deposit rating was assigned a negative outlook in line with the negative outlook on the corresponding sovereign ceiling.
- On 28 February 2012, FRB's local currency deposit ratings were downgraded to A3/P-2 (stable outlook) from A2/P-1. Moody's downgraded by one notch the senior debt and deposit ratings of five South African banks. The agency indicated that the downgrades reflected the impact of the country's increasingly constrained public finances and Moody's view that authorities would face challenging policy choices if multiple institutions were to need simultaneous financial support. The downgrades were part of Moody's global assessment of the systemic support levels incorporated in banks' deposit and debt ratings, which reflects the growing difficulties governments face in extending systemic support to their banking systems. The rating actions were not driven by a deterioration in the standalone financial strength or the financial performance of the five affected institutions.

Credit ratings assigned by Fitch Ratings (Fitch) as at 28 September 2012

	FirstRand Bank Limited	Sovereign rating South Africa
National rating		
Long-term	**AA(zaf)**	
Outlook	**Stable**	
Short-term	**F1+(zaf)**	
Local currency issuer default rating (IDR)		
Long-term	**BBB+**	A
Outlook	**Negative**	Negative
Foreign currency IDR		
Long-term	**BBB+**	BBB+
Outlook	**Negative**	Negative
Short-term	**F2**	F2
Viability rating	**bbb+**	
Support rating	**2**	
Support rating floor	**BBB-**	

Summary of rating actions:

- On 17 January 2012, Fitch revised the outlook on South African banks to negative from stable, following the revision of the outlook on the South African sovereign BBB+ long-term foreign currency issuer default rating. The rating action, therefore, is not a reflection of any fundamental change in the local banks' credit quality.
- On 19 July 2012, Fitch affirmed its BBB+ (negative outlook) long-term counterparty credit ratings and F2 short-term foreign currency IDR on FRB. The national ratings, viability rating, support rating and support rating floor were also affirmed.

Definitions

Normalised earnings	The Bank believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies. Refer to page 11 for a detailed description of the difference between normalised and IFRS results.
Normalised net asset value	Normalised equity attributable to ordinary equityholders.
Capital adequacy ratio (CAR)	Capital divided by risk weighted assets.
Risk weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets.
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders' equity.
Return on assets (ROA)	Normalised earnings divided by average assets.
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits.
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures.
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year).
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures.
Effective tax rate	Tax per the income statement divided by the income before direct tax per the income statement.
Exposure at default (EAD)	Gross exposure of a facility upon default of a counterparty.
Loss given default (LGD)	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.
Probability of default (PD)	Probability that a counterparty will default within the next year (considering the ability and willingness of the counterparty to repay).