2009
CIRCULAR
TO SHAREHOLDERS
for the year ended 30 June 2009

FIRSTRAND

FIRSTRAND

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FIRSTRAND

INTRODUCTION

THIS REPORT COVERS THE AUDITED FINANCIAL RESULTS OF FIRSTRAND LIMITED ("FIRSTRAND" OR "THE GROUP") FOR THE YEAR ENDED 30 JUNE 2009 and deals with the financial and operating performance of its main business units. 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, WesBank, the instalment finance business, OUTsurance, the short term insurer and Momentum, the life insurance business.

FIRSTRAND OPERATES THESE FRANCHISES THROUGH VARIOUS LEGAL ENTITIES. COMPREHENSIVE REPORTS ON THE BANKING AND MOMENTUM GROUPS, BOTH OF WHICH ARE WHOLLY OWNED, ARE INCLUDED IN THIS CIRCULAR AND SHOULD BE READ IN CONJUNCTION WITH THIS REPORT.

FINANCIAL HIGHLIGHTS

Continuing and discontinued operations

	Year ended 30 June		
R million	**2009**	2008	% change
Attributable earnings to ordinary shareholders	**6 501**	11 309	(43)
Headline earnings	**6 939**	9 922	(30)
Normalised earnings (unaudited)	**7 151**	10 583	(32)
Diluted headline earnings per share (cents)	**133.1**	187.8	(29)
Diluted normalised earnings per share (cents) (unaudited)	**126.8**	187.7	(32)
Ordinary dividend per share (cents)	**56.0**	82.5	(32)
Normalised return on equity (%) (unaudited)	**14**	22	
Assets under management or administration	**965 484**	1 022 088	(6)
Normalised net asset value per share (cents) (unaudited)	**938.4**	915.9	2

Continuing operations (pro forma)

Headline earnings	**6 939**	9 737	(29)
Normalised earnings (unaudited)	**7 151**	10 398	(31)
Diluted headline earnings per share (cents)	**133.1**	184.3	(28)
Diluted normalised earnings per share (cents) (unaudited)	**126.8**	184.4	(31)

R million	2009	2008	% change
From continuing and discontinued operations			
Normalised earnings (unaudited)[1]	**7 151**	10 583	(32)
Headline earnings	**6 939**	9 922	(30)
Attributable earnings to ordinary shareholders	**6 501**	11 309	(43)
Normalised net asset value (unaudited)	**52 905**	51 637	2
Normalised return on equity (%) (unaudited)	**14**	22	
Normalised price to book (times) (unaudited)	**1.50**	1.45	
Normalised earnings per share (cents) (unaudited)			
– Basic	**126.8**	187.8	(32)
– Diluted	**126.8**	187.7	(32)
Earnings per share (cents)			
– Basic	**124.9**	218.2	(43)
– Diluted	**124.7**	214.1	(42)
Headline earnings per share (cents)			
– Basic	**133.3**	191.5	(30)
– Diluted	**133.1**	187.8	(29)
Ordinary dividend per share (cents)	**56.0**	82.5	(32)
Dividend in specie per share (cents)	**–**	61.1	(100)
Non cumulative non redeemable preference dividend per share (cents)			
B Class (68% of FNB prime lending rate)	**1 030.3**	908.9	13
B1 Class (68% of FNB prime lending rate)	**1 030.3**	908.9	13
From continuing operations			
Normalised earnings (unaudited)	**7 151**	10 398	(31)
Normalised return on equity (%) (unaudited)	**14**	22	
Normalised earnings per share (cents) (unaudited)			
– Basic	**126.8**	184.5	(31)
– Diluted	**126.8**	184.4	(31)
Capital adequacy (unaudited)			
FirstRand Bank Holdings			
– Capital adequacy ratio	**14.6**	13.8	
– Tier 1 ratio	**12.3**	11.1	
Momentum			
– Capital adequacy cover ratio	**1.8**	1.6	

1 *Refer to page 133 for description of normalised earnings.*

STATEMENT OF HEADLINE EARNINGS FROM CONTINUING AND DISCONTINUED OPERATIONS

for the year ended 30 June

R million	2009	2008	% change
Attributable earnings to ordinary shareholders	**6 501**	11 309	(43)
Adjusted for:	**438**	(1 387)	>100
Profit on disposal of available-for-sale assets	**(2)**	(98)	
Loss/(profit) on sale of shares in subsidiary and associate	**27**	(678)	
Net asset value in excess of purchase price of subsidiary	**–**	(24)	
Profit/(loss) on disposal of property and equipment	**4**	(4)	
Loss on sale of MotorOne Finance advances book	**203**	–	
Loss on sale of Private Label book	**39**	–	
Impairment of intangible assets	**61**	104	
Impairment of goodwill	**120**	33	
VISA listing	**–**	(1 052)	
Other	**10**	29	
Total tax effects of adjustments	**(11)**	257	
Total minority interest of adjustments	**(13)**	46	
Headline earnings	**6 939**	9 922	(30)
Adjusted for:	**212**	661	(68)
Discovery BEE transaction	**–**	5	
IFRS 2 share based payment expense	**(120)**	153	
Treasury shares	**332**	503	
– adjustment for effective shareholding in Discovery	**–**	(17)	
– consolidation of staff share schemes	**437**	517	
– FirstRand shares held by policyholders	**(105)**	3	
Normalised earnings (unaudited)[1]	**7 151**	10 583	(32)
Segmental normalised earnings			
Banking Group	**6 056**	8 814	(31)
Momentum Group	**1 649**	2 004	(18)
Discovery Group (four months)	**–**	185	(100)
FirstRand Limited (company)	**(90)**	(11)	>100
Dividend paid to non cumulative non redeemable preference shareholders	**(464)**	(409)	13
Normalised earnings (unaudited)[1]	**7 151**	10 583	(32)
Segmental headline earnings			
Banking Group	**6 076**	8 701	(30)
Momentum Group	**1 658**	1 979	(16)
Discovery Group	**–**	185	(100)
FirstRand Limited (company)	**1**	(14)	>100
Consolidation of share trusts	**(437)**	(517)	(15)
Dividend paid to non cumulative non redeemable preference shareholders	**(464)**	(409)	13
FirstRand shares held by policyholders	**105**	(3)	>100
Headline earnings	**6 939**	9 922	(30)

1 *Refer to page 133 for description of normalised earnings.*

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R million	2009	2008	% change
Attributable earnings to ordinary shareholders	6 501	10 581	(39)
Adjusted for:	438	(844)	>100
Profit on disposal of available-for-sale assets	(2)	(7)	
Loss/(profit) on sale of shares in subsidiary and associate	27	(108)	
Net asset value in excess of purchase price of subsidiary	–	(24)	
Profit/(loss) on disposal of property and equipment	4	(4)	
Loss on sale of MotorOne Finance advances book	203	–	
Loss on sale of Private Label book	39	–	
Impairment of intangible assets	61	104	
Impairment of goodwill	120	33	
VISA listing	–	(1 052)	
Other	10	29	
Total tax effects of adjustments	(11)	169	
Total minority interest of adjustments	(13)	16	
Headline earnings	6 939	9 737	(29)
Adjusted for:	212	661	(68)
IFRS 2 share based payment expense	(120)	141	
Treasury shares	332	520	
– consolidation of staff share schemes	437	517	
– FirstRand shares held by policyholders	(105)	3	
Normalised earnings (unaudited)[1]	7 151	10 398	(31)
Normalised earnings per share (cents) (unaudited)			
– Basic	126.8	184.5	(31)
– Diluted	126.8	184.4	(31)
Earnings per share (cents)			
– Basic	124.9	204.2	(39)
– Diluted	124.7	200.3	(38)
Headline earnings per share (cents)			
– Basic	133.3	187.9	(29)
– Diluted	133.1	184.3	(28)
Number of shares for calculation of earnings and headline earnings per share (unaudited)			
Weighted average number of shares	5 206 910 888	5 182 541 623	
Diluted weighted average number of shares	5 213 551 371	5 283 679 038	
Number of shares for calculation of normalised earnings per share (unaudited)			
Weighted average number of shares	5 637 895 243	5 636 610 641	
Diluted weighted average number of shares	5 637 895 243	5 638 111 774	
Normalised return on equity (%)	13.7	21.9	
Average normalised net asset value excluding Discovery	52 271	47 449	

1 Refer to page 133 for description of normalised earnings.

OPERATING ENVIRONMENT

The operating environment during the year ended 30 June 2009 was characterised by negative economic growth, continued market illiquidity and further declines in asset values.

Whilst the global economy has begun to stabilise the outlook remains challenging. The Anglo Saxon banks and respective economies are under severe stress and the US consumer is not spending but saving. The unwinding of the massive fiscal and monetary stimulus packages, coupled with the rebuilding of balance sheets, will weigh on global demand for a protracted period. It is expected that the eastern economies will emerge earlier and stronger than the western economies.

The South African economy is still suffering the effects of the cyclically high interest rates of 2006 to 2008, combined with falling commodity prices, a marked slowdown in exports, as well as declining domestic demand. This has resulted in a significant slowdown in GDP. Job losses are increasing and the manufacturing sector is still contracting.

The South African Reserve Bank reduced interest rates by a cumulative 450bps (starting in December 2008). This is positive in the medium to long term as it eventually results in the reduction of bad debts and non performing loans, and improved customer affordability levels. However, given the still high levels of customer indebtedness in the system, in the short term the impact is negative on the margins of the banks' deposits and income on the capital endowment. The benefit of reducing interest rates is therefore only expected to positively impact earnings in late 2009 or early 2010.

House prices are still expected to continue to fall, resulting in lower recovery rates on mortgage security. Wholesale lending portfolios, which have been resilient for a large part of the economic downturn, are now showing signs of stress.

Despite these difficulties the South African Banking Sector has remained stable throughout the period, benefitting from a sound regulatory environment, robust risk and capital management practices and strong operating franchises.

OVERVIEW OF RESULTS

Against this difficult macro background, exacerbated by losses from certain international strategies which have now been terminated, FirstRand's diverse portfolio of banking and insurance businesses produced a disappointing performance. Pro forma normalised earnings decreased 31% to R7.2 billion with a normalised return on equity ("ROE") of 14% compared to 22% in the previous period.

The table below represents the contribution to normalised earnings from the banking and insurance groups:

Unaudited	Year ended 30 June		%
R million	**2009**	2008	change
Banking Group	**6 056**	8 814	(31)
Momentum	**1 649**	2 004	(18)
FirstRand*	**(554)**	(420)	(32)
Pro forma normalised earnings	**7 151**	10 398	(31)

**Including dividend paid to non cumulative non redeemable preference shareholders.*

The Group's corporate and commercial banking franchises which operate in the primary and secondary markets, produced acceptable performances, as did the retail franchises, despite the difficult consumer credit cycle. However the absolute size of retail bad debts, particularly in the residential mortgages portfolio, combined with the losses emanating from the legacy portfolios in the investment bank, significantly impacted overall profitability. The total banking portfolio produced R6.1 billion of normalised earnings, representing a 31% decline on the previous comparative period. Its normalised ROE also declined to 13% (20% in 2008).

The Group had previously indicated that it expected further market price volatility in the legacy offshore portfolios of RMB's SPJ International division ("SPJi"). For the year under review these portfolios incurred mark to market losses and valuation declines of R775 million. The SPJi business has now been closed down completely and dedicated specialist skills have been allocated to work out the portfolios. The remaining illiquid positions, which are predominantly in developed market investment grade credits, international property and an Indian special situations fund, total around USD224 million at current valuations.

RMB's Equity Trading division reported losses of R782 million for the year, largely attributable to the continued de-risking of its international portfolios and the default of Dealstream. The international equities legacy portfolio has been written down to approximately USD18 million.

Declining asset growth and further increases in bad debts, combined with the negative impact of faster than anticipated reducing interest rates on capital and endowment balances, also continued to place pressure on the earnings of the Banking Group.

Impairments remained in line with expectations, with the bad debt ratio at 1.81% of advances (retail 2.66% and wholesale 0.62%). Major components of the bad debt charge are:

Bad debts on a rolling six months basis	**June 2009 annualised R million**	June 2009 R million	December 2008 R million	June 2008 R million	**June 2009 annualised %**	June 2009 %	December 2008 %	June 2008 %
Residential mortgages	**2 380**	1 300	1 080	851	**1.63**	1.76	1.48	1.21
Credit card	**1 355**	750	605	527	**11.18**	12.50	9.76	8.47
Vehicle and asset finance	**2 222**	1 177	1 045	1 059	**2.41**	2.61	2.22	2.18
Retail other	**1 429**	798	631	608	**5.36**	5.79	4.75	4.85
Wholesale	**982**	444	538	277	**0.62**	0.58	0.66	0.34
Total bad debts*	**8 024**	4 331	3 693	3 439	**1.81**	1.99	1.64	1.54

**Total includes Group Support and other*

Wholesale impairments include R219 million relating to the unexpected default of Dealstream, a futures clearing client. In addition the wholesale lending portfolios are now showing signs of stress in certain sectors.

The earnings of the insurance subsidiary Momentum were negatively affected by the significant decline and volatility of the equity markets. However, the operational performance remained robust due to the inherent resilience of Momentum's business model, with continued new business growth in the retail and employee benefits businesses. Solid growth in investment income was generated on shareholders' funds resulting from the capital preservation strategy. Overall normalised earnings declined 18% to R1 649 million, with the return on equity at 23%.

OVERVIEW OF THE OPERATING FRANCHISES

Below is a brief overview of each operating franchise, with a detailed review on pages 34 to 53.

FNB	Year ended 30 June		%
R million	**2009**	2008	change
Normalised earnings	**3 756**	4 654	(19)
Total assets	**206 799**	211 412	(2)
Total liabilities	**197 230**	197 828	(<1)
Bad debt ratio	**2.39**	1.55	
ROE (%)	**26**	33	

FNB's performance was satisfactory, producing a return on equity of 26% despite normalised earnings decreasing 19%. This was achieved against a backdrop of elevated levels of consumer indebtedness, a recessionary operating environment and high levels of local and global economic uncertainty.

FNB's diversified retail portfolio continued to show good growth in non interest revenue and deposits. The Mass segment performed well on the back of increases in revenue generated from transactions and strong growth from loan products. This segment also benefitted from the ongoing success of its cellphone banking products and services.

The large retail lending portfolios, particularly in the Consumer segment, continued to experience increases in arrears and non performing loans and a slowdown in new business. This negative gearing had a substantial impact on revenue growth and profitability, although the arrears in the residential mortgages book (which is the most significant) appear to have reached a plateau and post the year end started to show signs of improvement. Stringent credit origination strategies resulted in better quality of new business written in retail lending books, particularly credit cards and mortgages.

FNB's strong franchises in the Commercial and Corporate segments continued to perform well, although the Commercial segment's deposit margins were negatively impacted by the endowment effect of reducing interest rates in the second half of the financial year.

A focus on cost management resulted in an increase of only 6% in operating expenses.

FNB Africa	Year ended 30 June		%
R million	**2009**	2008	change
Normalised earnings	**514**	499	3
Total assets	**31 640**	29 413	8
Total liabilities	**28 180**	26 160	8
Bad debt ratio	**0.58**	0.72	
ROE (%)	**27**	34	

The global economic crisis, particularly the impact of falling commodity prices, had a strong influence on the economies of Botswana and Namibia. Growth in these markets slowed, resulting in increased unemployment and a reduction of foreign currency flows and trade activity. Monetary policies resulted in declining inflation and interest rates, placing pressure on margins particularly in the second half of the financial year. However, the FNB African subsidiaries continued to produce robust profitability, firstly by focusing on maintaining credit quality through the pro-active management of the credit books, and secondly by growing volumes and non interest revenue.

Normalised earnings increased 3% due to strong results from FNB Botswana and FNB Swaziland with moderate growth in FNB Namibia. Continued investment in FNB Moçambique together with the costs associated with the opening of FNB Zambia, as expected moderated the overall portfolio performance. This investment in growing FNB's African infrastructure will continue over the next few years.

RMB	Year ended 30 June		%
R million	**2009**	2008	change
Normalised earnings	**1 536**	3 008	(49)
Total assets	**275 097**	296 433	(7)
Total liabilities	**272 646**	292 091	(7)
ROE (%)	**12**	25	

RMB's performance for the year was disappointing, reporting normalised earnings 49% lower than the previous year. Whilst RMB's primary market activities, ie client focused advisory, financing and execution, showed good growth, its secondary market activities, ie proprietary trading, and the losses in the international legacy portfolios delivered poor performances.

The Investment Banking division ("IBD") produced good results growing profits before tax 7% despite the challenging base created in the previous year. Corporate activity and lending remained strong and a number of significant deals were concluded. These included three large BEE transactions, advising on the sale of assets by BHP Billiton and the Remgro unbundling.

The Private Equity division reported profits before tax 44% down on its prior year performance. Three large realisations were executed in the first half of the year however, as expected in what is now an investment cycle, no realisations were reported in the second half of the financial year.

The Fixed Income, Currency and Commodities division ("FICC") had a disappointing year reporting profits before tax 46% down on the prior financial year. FICC's performance in the second half of the financial year was adversely impacted by losses in the local fixed income markets. Impairments were also raised and costs incurred on the closure of the Brazilian structured trade business. The client sales, structuring and execution businesses all benefitted from good flows and higher margins.

As outlined previously the SPJi legacy portfolios suffered significant losses and the Equity Trading division also reported further losses incurred on its offshore exposures as the positions continued to be sold down. In addition a loss was incurred on the default of Dealstream. This loss consisted of impairments of R219 million raised against the defaulting broker, as well as mark to market losses of R116 million on the portfolios which were subsequently acquired.

RMB Resources reported a small profit for the year under review.

WesBank	Year ended 30 June		%
R million	**2009**	2008	change
Normalised earnings	**324**	573	(43)
Total assets	**94 472**	108 331	(13)
Total liabilities	**94 363**	108 323	(13)
Bad debt ratio	**2.86**	2.09	
ROE (%)	**7**	12	

WesBank's normalised earnings declined 43%, impacted by significant increases in credit defaults in the local lending business and continued contraction of the advances book. New business was negatively impacted by lower demand in both the retail and corporate sectors. Total new business written was 19% down compared to the prior year with both retail and corporate advances declining.

The worse than anticipated current cycle has been exacerbated by higher security realisation losses, an increasing number of customer abscondences and provisions arising out of insurance cancellations. There has also been a steep increase in provisions in certain asset classes in the commercial and wholesale portfolios, which is indicative of the shift in stress from the consumer to the corporate environment. On a rolling six monthly basis, there has been an improvement in bad debts in WesBank's retail book reflecting improving trends in arrears and better quality recent new business, which is performing well.

WesBank's UK operation, Carlyle Finance, produced a good operational performance but its results continued to be impacted by the current economic downturn in the UK and funding pressures. Carlyle produced a loss before tax of R31 million, representing a small improvement over the prior year.

During the current year, the MotorOne Finance advances book in Australia was disposed of, resulting in a loss of R203 million. There remains a small residual loan portfolio (approximately R110 million), which is being administered and run down on an outsourced basis.

Momentum	Year ended 30 June		%
R million	2009	2008	change
Normalised earnings	1 649	2 004	(18)
Embedded value	16 086	16 039	<1
Return on embedded value ("EV") (%)	3.3	15.2	
ROE (%)	23	30	

Momentum's normalised earnings declined 18%, mainly due to the impact of the significant decline and volatility in equity markets, particularly in the first half of the financial year. Approximately two-thirds of Momentum's earnings base is exposed to investment market returns, where the most significant exposure is to equity markets. Despite the decline in earnings the business produced a return on equity of 23% and Momentum's capitalisation level strengthened to a satisfactory 1.8 times the Capital Adequacy Requirement ("CAR").

Momentum's diversified product and distribution model provided significant resilience and ensured a satisfactory operational performance.

The year was characterised by excellent results from FNB Insurance and solid growth in investment income on shareholders' funds resulting from the capital preservation strategy. New business volumes held up reasonably well in the retail and employee benefits businesses, however, inflows into the asset management operations have reduced.

The satisfactory operational performance in the embedded value exceeded the negative impact of lower equity markets, resulting in a 3.3% return on embedded value.

The relative contribution to the Group's earnings mix and growth rates from types of income (retail, investment and corporate banking and insurance) and business unit is shown in the table below:

	Year ended 30 June				
R million	2009	% contribution	2008	% contribution	% change
Retail banking					
FNB Retail	1 150		2 035		
FNB Africa	514		499		
WesBank	105		218		
	1 769	25	2 752	26	(36)
Corporate banking					
FNB Corporate	602		481		
FNB Commercial	2 004		2 138		
WesBank	219		355		
	2 825	40	2 974	29	(5)
Investment banking					
RMB	1 536	21	3 008	29	(49)
Insurance					
Momentum	1 649	23	2 004	19	(18)
Other					
FirstRand and dividends paid on non cumulative non redeemable preference shares	(554)		(420)		
Corporate Centre	(74)		80		
	(628)	(9)	(340)	(3)	(85)
Normalised earnings	7 151	100	10 398	100	(31)

STRATEGIC ISSUES

Group strategy

Given the earnings volatility that the Group has experienced between 2007 and 2009, FirstRand has refined its overall strategy.

The Group believes that in the "new world" of financial services there is value to be extracted for shareholders from increased integration between the asset origination capabilities of banks and the gathering of funds by life companies and asset managers. The Group's operating model will provide a platform to participate in all the profit pools associated with lending, transactional and savings activities.

Going forward there will be an increased focus on client driven activities rather than proprietary trading or investment activities in both the South African and international operations. In addition the Group's secondary market activities will link to client activities or leverage the existing primary market position. The Group has already exited the offshore activities of the Equity Trading and SPJi divisions. However, it will continue with the offshore investment activities represented by the private equity operation in Australia and RMB Resources, as in both of these businesses there is a long track record of successful asset origination and a demonstrated competitive advantage.

With specific reference to international expansion, emphasis will be on establishing client franchises in markets where the Group believes it has a competitive advantage as opposed to principal trading activities that are outside the Group's core business and markets. This approach will improve quality and sustainability of earnings and create more shareholder value over the long term.

In line with this objective, going forward Africa will be a primary focus of the Group's growth strategy outside of South Africa. In addition, FirstRand will leverage off its position in other markets to provide support to its strategy in Africa. For example, India will in the medium term support the African expansion activities by focusing on the trade corridor between India and Africa. The Group's ability to offer Indian companies expertise in African markets will be its key competitive advantage.

In addition, FirstRand has identified the China-Africa trade corridor as a growth opportunity and post the year end announced a strategic co-operation agreement with China Construction Bank Corporation ("CCB"), the second largest bank globally by market capitalisation. The Group believes that this co-operation represents a meaningful step in FirstRand's strategy to grow more aggressively in the African continent. CCB provides a significant balance sheet to support FirstRand's investment banking franchise, RMB, which has already completed transactions in 39 countries throughout Africa. RMB and CCB are well positioned to participate in the large transactions and investment opportunities expected to emerge in the continent.

From an operational perspective the Group will focus on leveraging off existing operating platforms in Africa such as client bases, balance sheet, infrastructure, systems and products and services. FNB will be the primary platform for banking in Africa, with WesBank and RMB utilising the platform when appropriate. However, there may be jurisdictions where a different operating platform will provide better opportunities, therefore the Group will remain flexible in its approach.

Momentum has built a presence in 11 African countries and will also look for opportunities to collaborate with FNB. There has been some early progress in Namibia where the life insurance subsidiary of FNB's Namibian operation, which is the current market leader in the entry-level segment, has now added Momentum's Myriad life-cover offering to its suite of products.

"Greenfields" remains FirstRand's primary entry approach. However the Group will consider corporate action and the acquisition of appropriate operating platforms in order to accelerate the international expansion strategy.

The Group is currently awaiting regulatory approval for a representative office in Angola, has received conditional approval for a representative office in Nigeria and also plans to commence full banking services in Tanzania in the near future. It is also actively looking at opportunities in other selected East and West African markets.

New management structure

The Group recently announced that Paul Harris, current CEO of FirstRand Limited will retire on 31 December 2009. He will be succeeded by Sizwe Nxasana, the current CEO of the Group's banking operations. The Group also appointed Johan Burger as Chief Operating Officer ("COO") of the Group, a portfolio he takes on in addition to his role as Group CFO.

Paul Harris will continue to serve on the Group's main statutory Boards as a non executive director after his retirement.

Many of the changes the Group plans to implement at both a strategic and operational level include redefining the role of the "centre" of the Group. Whilst the Group believes in the benefits of a federal model as it is particularly important to an entrepreneurial and innovative culture, the centre must ensure alignment of the independent franchises with group strategy and within appropriate risk and performance frameworks.

In addition, the centre will also play a key co-ordination role in terms of leveraging off opportunities between the existing franchises and improve the co-ordination of the Group's international strategy. The need for additional capacity to support the international strategy is currently being assessed and will be appropriately created in key functional areas.

Risk appetite

The Group has refined its risk appetite to align with its operating strategy.

In setting the risk appetite, the Group Executive Committee and the Board have balanced the organisation's overall risk capacity with a bottom up view on the planned risk profile for each business. It is in this process that the Group ultimately seeks to achieve an optimal trade-off between its ability to take on risk and the sustainability of the returns it delivers to its shareholders.

In practice, the Group has increased its targeted capitalisation levels in response to the recent financial crisis and remains comfortably within these higher target ranges. Furthermore, earnings volatility thresholds, under different market conditions, have been refined for the Group's major risk types and a number of changes to business practices were made to ensure that activities remain within the Group's risk appetite. These include:

- the credit origination strategy will ensure that portfolios do not migrate outside the target risk profile;
- proprietary trading activities have been reduced in line with new earnings volatility targets;
- additional liquidity buffers have been accumulated and are managed conservatively in response to the financial crisis; and
- improved risk appetite measures are included in all management reports across the businesses as well as at Board level and significant efforts are aimed at refining risk thresholds and extending management information. The results of ongoing stress testing are reported, compared and discussed in light of the Group's risk appetite targets and limits.

Capital management

Capital management has been aligned to the Group's strategy to target a particular earnings profile that will allow it to generate shareholder returns within appropriate levels of volatility.

The Group's capacity to withstand periods of severe stress characterised by very high levels of unexpected financial and economic volatility, which cannot be mitigated by earnings alone, is key to its management of capital. The Group's objective is to maintain capitalisation ratios appropriate to safeguard its operations and the interests of its stakeholders.

Capital planning efforts ensure that the total capital adequacy and Tier 1 ratios remain within the approved ranges or above target levels across the economic and business cycle. During the global financial crisis the Banking Group met its goal of operating at the upper end of its targeted capitalisation range.

Recent events in the international financial markets have increased the focus of stakeholders on both the level and quality of capital in banks. The Banking Group aims to back all economic risks with Tier 1 capital as it offers the greatest capacity to absorb losses. Currently at least 90% of the Tier 1 ratio is equity capital.

The Banking Group is appropriately capitalised under a range of normal and severe scenarios as well as under a range of stress events. It aims to operate within its risk appetite and the associated limits in terms of earnings volatility and the variability of returns on capital in excess of the weighted average cost of capital.

Momentum's reformulated targeted capital range satisfies the same risk appetite as the previous targeted range and reflects a conservative investment strategy for capital.

The targeted capital levels as well as the current ratios for the Group are summarised in the table below:

	FRBH		Regulatory
Unaudited	Actual	Target	minimum
Capital adequacy ratio (%)	14.57	12.0 – 13.5	9.50*
Tier 1 ratio (%)	12.33	10.00	7.00
FRB			
Capital adequacy ratio (%)	13.11	11.5 – 13.0	9.50*
Tier 1 ratio (%)	10.70	9.50	7.00
Momentum			
Capital adequacy cover ratio	1.8	1.4 – 1.6	

**The regulatory minimum excludes the bank specific (Pillar 2b) add on.*

Liquidity and funding management

Liquidity in international markets remained challenging throughout 2008, as the financial and credit market crisis, which had its origins in the US residential mortgage market in the second half of 2008, spread and gained in intensity.

In anticipation of further market turbulence in the international markets, the Banking Group reduced its international balance sheet asset position, increased liquidity buffers and matched funded the profile to underlying assets. The international balance sheet was surplus funded.

The international market turbulence and ambitious fund raising by state owned enterprises and the South Africa Government, led to an increase in the liquidity premium for term funding. The Banking Group proactively undertook several measures, starting in 2008 and continuing in 2009, to further strengthen and safeguard its liquidity position, increasing liquidity buffers, including adjustment of short term funding targets and increased focus on balance sheet asset reduction. The broad diversity of its funding sources and its contingency planning processes provides the Banking Group with a robust asset/liability profile.

PROSPECTS

The Group believes that the tough operating environment will continue for the remainder of 2009 with a slow improvement from 2010 as lower interest rates and fiscal stimulus begin to have a positive impact.

The South African economy is still facing difficulties. The consumer will remain under pressure in the medium term, despite the recent easing of interest rates, as the excesses created in the previous upward cycle unwind. Further job losses also remain a risk.

These issues mean that transaction volumes and asset growth in the retail segments will stay subdued although bad debts should start to unwind as affordability levels improve. Corporate lending portfolios are still showing signs of stress. Against this background it is expected that FNB and WesBank's earnings will remain under pressure but should gradually recover from current levels.

Further mark to market losses or profits on the legacy portfolios in RMB are dependent on market movements. In addition the level of private equity realisations that took place in the first half of the year to June 2009, is not expected to be repeated in the current financial year.

Whilst Momentum's earnings are geared towards equity markets it has, over time, built an inherently defensive business model. Its diversified product range and distribution model, upper-income market focus, capital efficient liability mix and conservative investment mandate, will continue to provide protection to earnings.

Given the degree of economic recovery envisaged over the next 12 months, FirstRand believes that overall top line growth will remain under pressure. However the Group believes it has responded quickly to the changes in the macro environment and implemented the appropriate adjustments to strategy and new business origination. Cost management is a key focus without compromising on investment for the future.

The balance sheet from both a capital and funding perspective, remains robust and this will allow the Group's operating franchises to take advantage of an improving cycle. FirstRand remains committed to providing real growth and returns to its shareholders.

DIVIDEND POLICY

The Group's dividend policy is set to ensure a sustainable dividend cover based on normalised earnings, after taking into account volatile earnings brought on by fair value accounting. This means that the dividend cover may vary from year to year.

BASIS OF PRESENTATION

FirstRand prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") including IAS 34: Interim Financial Reporting. The accounting policies applied are consistent with those applied in preparation of previous annual financial statements.

The results have been audited by PricewaterhouseCoopers Inc and a copy of their unqualified audit opinion is available at the company's registered office.

The Group believes that 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 133.

A table reflecting the restatement of prior year numbers and reasons can be found on page 134.

DIVIDEND DECLARATION

Ordinary shares

The following ordinary cash dividend was declared in respect of the 2009 and 2008 financial years:

	Year ended 30 June	
Cents per share	**2009**	2008
Interim (declared 9 March 2009)	**34.00**	44.25
Final (declared 14 September 2009)	**22.00**	38.25
Total dividend	**56.00**	82.50

The last day to trade in FirstRand shares on a cum-dividend basis in respect of the final dividend will be Friday 9 October 2009. The first day to trade ex-dividend will be Monday 12 October 2009. The record date will be Friday 16 October 2009 and the payment date Monday 19 October 2009. No dematerialisation or rematerialisation of shares may be done during the period Monday 12 October 2009 and Friday 16 October 2009, both days inclusive.

Preference shares

Dividends on the "B" and "B1" preference shares are calculated at a rate of 68% of the prime lending rate of banks. The following dividends have been declared for payment:

Cents per share	"B" Preference 2009	"B1" Preference 2009
Period 28 August 2008 – 23 February 2009	**518.94**	**518.94**
Period 24 February 2009 – 31 August 2009	**423.09**	**423.09**

AH Arnott
Company secretary

14 September 2009

FIRSTRAND

The listed holding company

100% — FirstRand Bank Holdings Limited

Banking

- 100% → FirstRand Bank Limited
  - First National Bank[1]
  - Rand Merchant Bank[1]
  - WesBank[1]
  - FirstRand Bank India[2]
  - FirstRand Bank London[2]
- 100% → FNB Lesotho
- 59% → FNB Namibia[6]
- 100% → FNB Swaziland
- 70% → FNB Botswana
- 100% → FNB Moçambique
- 100% → FNB Zambia
- 47% → OUTsurance[3]
- 100% → FNB Insurance Brokers
- 100% → FirstRand International
  - – Ireland
  - – Mauritius
  - – Australia
- 100% → eBucks

100% — FirstRand Investment Holdings (Proprietary) Limited

Unregulated activities[4]

- 82% → RMB Private Equity Holdings
- 87% → RMB Private Equity
- 100% → RMB Stockbroking[5]
- 100% → FirstRand International Wealth Management
- 40% → Eris Property Holdings
- 50% → RMB Morgan Stanley
- 65% → Rentworks
- 33% → Tracker

100% — Momentum Group Limited

Insurance & Asset Management

- 100% → Momentum Insurance[1]
  - FNB Insurance[1]
- 85% → Advantage Asset Managers
- 100% → Momentum Medical Scheme Administrators
- 100% → AdviceAtWork
- 100% → RMB Asset Management
- 100% → Momentum Africa
- 50% → Momentum Short Term Insurance
- 35% → Swabou Life

1 Division
2 Branch
3 Effective shareholding in FirstRand Short Term Insurance Holdings Limited
4 For segmental analysis purposes, entities included in FirstRand Investment Holdings are reported as part of Banking Group Supersegment within the respective franchise results
5 Regulated by the JSE
6 Includes 65% of Swabou Life

R million	2009	2008 (restated)	% change
Continuing operations			
Interest and similar income	**60 516**	54 993	10
Interest expense and similar charges	**(34 526)**	(31 830)	8
Net interest income before impairment of advances	**25 990**	23 163	12
Impairment of advances	**(8 024)**	(5 064)	58
Net interest income after impairment of advances	**17 966**	18 099	(1)
Non interest income	**10 649**	22 490	(53)
Net insurance premium income	**6 464**	5 374	20
Net claims and benefits paid	**(5 939)**	(5 530)	7
Decrease/(increase) in value of policyholder liabilities	**6 525**	(701)	>100
Income from operations	**35 665**	39 732	(10)
Operating expenses	**(27 933)**	(26 192)	7
Net income from operations	**7 732**	13 540	(43)
Share of profit from associates and joint ventures	**1 590**	1 662	(4)
Profit before tax	**9 322**	15 202	(39)
Tax	**(1 484)**	(3 037)	(51)
Profit from continuing operations	**7 838**	12 165	(36)
Discontinued operations			
Profit attributable to discontinued operations	**–**	868	(100)
Profit for the year	**7 838**	13 033	(40)
Attributable to:			
Non cumulative non redeemable preference shareholders	**464**	409	13
Ordinary shareholders	**6 501**	11 309	(43)
Equity holders of the Group	**6 965**	11 718	(41)
Minority interest	**873**	1 315	(34)
Profit for the year	**7 838**	13 033	(40)

R million	2009	2008 (restated)
ASSETS		
Cash and short term funds	**57 266**	53 555
Derivative financial instruments	**68 608**	57 106
Advances	**416 488**	446 286
Investment securities and other investments	**209 249**	220 105
Commodities	**1 323**	1 916
Accounts receivable	**11 355**	7 806
Investments in associates and joint ventures	**15 294**	13 303
Property and equipment	**10 220**	8 859
Deferred tax asset	**2 034**	1 456
Intangible assets and deferred acquisition costs	**5 698**	4 497
Investment properties	**2 156**	3 808
Policy loans	**626**	772
Reinsurance assets	**8 143**	550
Tax asset	**883**	833
Non current assets held for sale	**508**	3 092
Total assets	**809 851**	823 944
EQUITY AND LIABILITIES		
Liabilities		
Deposits	**478 083**	488 423
Short trading positions	**25 002**	33 450
Derivative financial instruments	**55 556**	46 595
Creditors and accruals	**18 217**	16 836
Provisions	**2 961**	3 275
Tax liability	**331**	666
Post retirement benefit fund liability	**2 089**	1 980
Deferred tax liability	**3 977**	5 372
Long term liabilities	**12 928**	13 941
Policyholder liabilities under insurance contracts	**40 725**	43 417
Policyholder liabilities under investment contracts	**109 196**	111 344
Liabilities arising from collective investment schemes	**8 114**	7 283
Deferred revenue liability	**322**	296
Liabilities directly associated with non current assets classified as held for sale	**253**	–
Total liabilities	**757 754**	772 878
Equity		
Capital and reserves attributable to equity holders		
Ordinary shares	**52**	52
Share premium	**1 300**	1 036
Reserves attributable to ordinary equity holders	**44 133**	43 082
Capital and reserves attributable to ordinary equity holders	**45 485**	44 170
Non cumulative non redeemable preference shares	**4 519**	4 519
Capital and reserves attributable to equity holders	**50 004**	48 689
Minority interest	**2 093**	2 377
Total equity	**52 097**	51 066
Total equity and liabilities	**809 851**	823 944

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June

R million	2009	2008 (restated)
Cash flows from operating activities		
Cash receipts from customers	86 572	74 049
Cash paid to customers, suppliers and employees	(58 029)	(56 282)
Dividends received	6 743	4 461
Dividends paid	(4 228)	(4 932)
Dividends paid to minority shareholders	(804)	(692)
Net cash flows from operating activities	30 254	16 604
Increase/(decrease) in income earning assets	12 721	(68 569)
(Decrease)/increase in deposits and other liabilities	(29 537)	66 860
Net cash flows from operating funds	(16 816)	(1 709)
Tax paid	(3 677)	(4 715)
Net cash inflow from operating activities	9 761	10 180
Cash flows from investment activities		
Acquisition of property and equipment	(3 038)	(4 056)
Proceeds from the disposal of property and equipment	293	2 329
Acquisition of investment properties	(457)	(1 706)
Proceeds on disposal of investment properties	–	375
Proceeds on disposal of investments	552	182
Acquisition of subsidiaries	(18)	(1 526)
Proceeds on disposal of subsidiary	–	697
Acquisition of associates and joint ventures	(2 799)	(3 623)
Proceeds on disposal of associates and joint ventures	508	1 439
Proceeds on sale of advances books	1 768	–
Acquisition of intangible assets	(1 923)	(678)
Net cash outflow from investment activities	(5 114)	(6 567)
Cash flows from financing activities		
(Repayment of)/proceeds from long term liabilities	(906)	3 129
Net cash (outflow)/inflow from financing activities	(906)	3 129
Net increase in cash and cash equivalents	3 741	6 742
Cash and cash equivalents at the beginning of the year	53 555	46 952
Cash and cash equivalents at the end of the year	57 296	53 694
Cash and cash equivalents acquired*	35	139
Cash and cash equivalents disposed of*	–	(695)
Effect of exchange rate changes on cash and cash equivalents	(65)	417
Cash and cash equivalents at the end of the year	57 266	53 555
**Cash and cash equivalents sold and bought relate to subsidiaries acquired and sold during the year.*		
Mandatory reserve balances included above	11 661	11 177

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. This deposit bears no or low interest. Money at short notice constitutes amounts withdrawable in 32 days or less.

	Ordinary share capital				
R million	Share capital	Share premium	Share capital and share premium	General risk reserve	Cash flow hedge reserve
Balance as at 30 June 2007	**51**	**2 338**	**2 389**	**1 351**	**131**
Issue of share capital	–	–	–	–	–
Conversion of convertible redeemable preference shares	1	–	1	–	–
Share issue expenses	–	–	–	–	–
Currency translation differences	–	–	–	–	–
Movement in revaluation reserves	–	–	–	–	132
Movement in other reserves	–	–	–	–	–
Profit for the year	–	–	–	–	–
Ordinary dividends	–	–	–	–	–
Preference dividends	–	–	–	–	–
Transfer (to)/from reserves	–	–	–	(1 343)	–
Effective change of shareholding in subsidiary	–	(1)	(1)	–	–
Subsidiary sold/unbundled – Discovery	–	(1 201)	(1 201)	–	–
Contribution from parent company	–	–	–	–	–
Non distributable reserves of associates	–	–	–	–	–
Reserves movements transferred to the income statement	–	–	–	–	339
Consolidation of treasury shares	–	(100)	(100)	–	–
Balance as at 30 June 2008	**52**	**1 036**	**1 088**	**8**	**602**
Issue of share capital	**–**	**–**	**–**	**–**	**–**
Currency translation differences	**–**	**–**	**–**	**–**	**–**
Movement in revaluation reserves	**–**	**–**	**–**	**–**	**(607)**
Movement in other reserves	**–**	**–**	**–**	**–**	**–**
Profit for the year	**–**	**–**	**–**	**–**	**–**
Ordinary dividends	**–**	**–**	**–**	**–**	**–**
Preference dividends	**–**	**–**	**–**	**–**	**–**
Effective change of shareholding in subsidiary	**–**	**–**	**–**	**–**	**–**
Contribution from parent company	**–**	**–**	**–**	**–**	**–**
Non distributable reserves of associates	**–**	**–**	**–**	**–**	**–**
Reserves movements transferred to the income statement	**–**	**–**	**–**	**1**	**(287)**
Consolidation of treasury shares	**–**	**264**	**264**	**–**	**–**
Balance as at 30 June 2009	**52**	**1 300**	**1 352**	**9**	**(292)**

and ordinary shareholders' funds

Share based payment reserve	Available-for-sale reserve	Currency translation reserve	Other reserves	Retained earnings	Reserves attributable to equity holders	Non cumulative non redeemable preference shares	Minority interest	Total equity
2 365	1 184	585	(588)	31 612	36 640	4 519	3 672	47 220
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	1
–	–	–	–	–	–	–	–	–
–	–	780	–	–	780	–	56	836
–	737	–	(15)	–	854	–	(60)	794
111	–	–	62	–	173	–	32	205
–	–	–	–	11 309	11 309	409	1 315	13 033
–	–	–	–	(4 523)	(4 523)	–	(692)	(5 215)
–	–	–	–	–	–	(409)	–	(409)
(77)	–	–	–	1 420	–	–	–	–
–	–	–	(48)	(57)	(105)	–	141	35
(151)	(426)	–	385	(2 051)	(2 243)	–	(2 100)	(5 544)
–	–	–	–	–	–	–	12	12
–	–	–	19	–	19	–	1	20
–	(388)	–	–	–	(49)	–	–	(49)
–	–	–	–	227	227	–	–	127
2 248	1 107	1 365	(185)	37 937	43 082	4 519	2 377	51 066
–	–	–	–	–	–	–	13	13
–	–	(615)	–	–	(615)	–	(26)	(641)
–	(66)	–	6	–	(667)	–	29	(638)
(61)	–	–	52	–	(9)	–	(163)	(172)
–	–	–	–	6 501	6 501	464	873	7 838
–	–	–	–	(3 764)	(3 764)	–	(804)	(4 568)
–	–	–	–	–	–	(464)	–	(464)
–	–	–	(34)	–	(34)	–	(207)	(241)
–	–	–	–	–	–	–	1	1
–	–	–	72	–	72	–	1	73
119	(43)	–	–	–	(210)	–	(1)	(211)
–	109	–	(109)	(223)	(223)	–	–	41
2 306	1 107	750	(198)	40 451	44 133	4 519	2 093	52 097

	Banking Group		Momentum Group		Discovery Group	
R million	**2009**	2008	**2009**	2008	**2009**	2008
Net interest income	**17 634**	17 098	**8 560**	6 441	**–**	–
Impairment of advances	**(8 024)**	(5 064)	**–**	–	**–**	–
Net interest income after impairment of advances	**9 610**	12 034	**8 560**	6 441	**–**	–
Non interest income	**19 760**	21 115	**(8 937)**	1 785	**–**	–
Net insurance premium income	**–**	–	**6 555**	5 392	**–**	–
Net claims and benefits paid	**–**	–	**(5 939)**	(5 530)	**–**	–
Decrease/(increase) in value of policyholder liabilities	**–**	–	**6 809**	(638)	**–**	–
Income from operations	**29 370**	33 149	**7 048**	7 450	**–**	–
Operating expenses	**(23 055)**	(21 525)	**(5 311)**	(5 004)	**–**	–
Share of profit of associates and joint ventures	**1 577**	1 690	**22**	20	**–**	–
Profit before tax	**7 892**	13 314	**1 759**	2 466	**–**	–
Tax	**(1 300)**	(2 565)	**(170)**	(470)	**–**	–
Net profit from continuing operations	**6 592**	10 749	**1 589**	1 996	**–**	–
Discontinued operations						
Profit after tax from discontinued operation	**–**	–	**–**	–	**–**	374
Profit for the year	**6 592**	10 749	**1 589**	1 996	**–**	374
Attributable to:						
Non cumulative non redeemable preference shareholders	**309**	273	**52**	45	**–**	–
Equity holders of the Group	**5 393**	9 271	**1 542**	1 957	**–**	234
Minority interests	**890**	1 205	**(5)**	(6)	**–**	140
Attributable earnings to shareholders	**5 702**	9 544	**1 594**	2 002	**–**	234
Headline earnings adjustments	**374**	(843)	**64**	(23)	**–**	(49)
Profit on disposal of available-for-sale assets	**(2)**	(7)	**–**	–	**–**	(91)
Profit on sale of Southern Life Namibia book	**–**	–	**–**	(22)	**–**	–
Loss/(profit) on sale of shares in subsidiary and associate	**27**	(107)	**–**	(1)	**–**	–
Net asset value in excess of purchase price of subsidiary	**–**	(24)	**–**	–	**–**	–
Profit/(loss) on disposal of property and equipment	**4**	(4)	**–**	–	**–**	–
Loss on sale of MotorOne Finance advances book	**203**	–	**–**	–	**–**	–
Loss on sale of Private Label book	**39**	–	**–**	–	**–**	–
Impairment of intangible assets	**–**	104	**61**	–	**–**	–
Impairment of goodwill	**117**	33	**3**	–	**–**	–
VISA deal	**–**	(1 052)	**–**	–	**–**	–
Other	**10**	29	**–**	–	**–**	–
Total tax effects of adjustments	**(11)**	169	**–**	–	**–**	12
Total minority interest of adjustments	**(13)**	16	**–**	–	**–**	30
Headline earnings	**6 076**	8 701	**1 658**	1 979	**–**	185
Normalised earnings adjustments	**(20)**	113	**(9)**	25	**–**	–
Discovery BEE transaction	**–**	–	**–**	–	**–**	5
IFRS 2 share based expense	**(20)**	113	**(9)**	25	**–**	12
Treasury shares	**–**	–	**–**	–	**–**	(17)
– adjustment for effective shareholding in Discovery	**–**	–	**–**	–	**–**	(17)
– consolidation of staff share schemes	**–**	–	**–**	–	**–**	–
– FirstRand shares held by policyholders	**–**	–	**–**	–	**–**	–
Normalised earnings	**6 056**	8 814	**1 649**	2 004	**–**	185

FirstRand		Consolidation of treasury shares		Subtotal		Consolidation		Total	
2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
18	27	**(340)**	(381)	**25 872**	23 185	**118**	(22)	**25 990**	23 163
–	–	**–**	–	**(8 024)**	(5 064)	**–**	–	**(8 024)**	(5 064)
18	27	**(340)**	(381)	**17 848**	18 121	**118**	(22)	**17 966**	18 099
9	43	**11**	(132)	**10 843**	22 811	**(194)**	(321)	**10 649**	22 490
–	–	**–**	–	**6 555**	5 392	**(91)**	(18)	**6 464**	5 374
–	–	**–**	–	**(5 939)**	(5 530)	**–**	–	**(5 939)**	(5 530)
–	–	**–**	–	**6 809**	(638)	**(284)**	(63)	**6 525**	(701)
27	70	**(329)**	(513)	**36 116**	40 156	**(451)**	(424)	**35 665**	39 732
(10)	(67)	**(1)**	(7)	**(28 377)**	(26 603)	**444**	411	**(27 933)**	(26 192)
–	–	**–**	–	**1 599**	1 710	**(9)**	(48)	**1 590**	1 662
17	3	**(330)**	(520)	**9 338**	15 263	**(16)**	(61)	**9 322**	15 202
(16)	(17)	**(2)**	–	**(1 488)**	(3 052)	**4**	15	**(1 484)**	(3 037)
1	(14)	**(332)**	(520)	**7 850**	12 211	**(12)**	(46)	**7 838**	12 165
–	454	**–**	182	**–**	1 010	**–**	(142)	**–**	868
1	440	**(332)**	(338)	**7 850**	13 221	**(12)**	(188)	**7 838**	13 033
464	409	**–**	–	**825**	727	**(361)**	(318)	**464**	409
(463)	31	**(332)**	(338)	**6 140**	11 155	**361**	154	**6 501**	11 309
–	–	**–**	–	**885**	1 339	**(12)**	(24)	**873**	1 315
(463)	31	**(332)**	(338)	**6 501**	11 473	**–**	(164)	**6 501**	11 309
–	(454)	**–**	(182)	**438**	(1 551)	**–**	164	**438**	(1 387)
–	–	**–**	–	**(2)**	(98)	**–**	–	**(2)**	(98)
–	–	**–**	–	**–**	(22)	**–**	22	**–**	-
–	(485)	**–**	(227)	**27**	(820)	**–**	142	**27**	(678)
–	–	**–**	–	**–**	(24)	**–**	–	**–**	(24)
–	–	**–**	–	**4**	(4)	**–**	–	**4**	(4)
–	–	**–**	–	**203**	–	**–**	–	**203**	–
–	–	**–**	–	**39**	–	**–**	–	**39**	–
–	–	**–**	–	**61**	104	**–**	–	**61**	104
–	–	**–**	–	**120**	33	**–**	–	**120**	33
–	–	**–**	–	**–**	(1 052)	**–**	–	**–**	(1 052)
–	–	**–**	–	**10**	29	**–**	–	**10**	29
–	31	**–**	45	**(11)**	257	**–**	–	**(11)**	257
–	–	**–**	–	**(13)**	46	**–**	–	**(13)**	46
(463)	(423)	**(332)**	(520)	**6 939**	9 922	**–**	–	**6 939**	9 922
(91)	3	**332**	520	**212**	661	**–**	–	**212**	661
–	–	**–**	–	**–**	5	**–**	–	**–**	5
(91)	3	**–**	–	**(120)**	153	**–**	–	**(120)**	153
–	–	**332**	520	**332**	503	**–**	–	**332**	503
–	–	**–**	–	**–**	(17)	**–**	–	**–**	(17)
–	–	**437**	517	**437**	517	**–**	–	**437**	517
–	–	**(105)**	3	**(105)**	3	**–**	–	**(105)**	3
(554)	(420)	**–**	–	**7 151**	10 583	**–**	–	**7 151**	10 583

DIVISIONAL BALANCE SHEET
as at 30 June

R million	Banking Group 2009	Banking Group 2008	Momentum Group 2009	Momentum Group 2008
ASSETS				
Cash and short term funds	**25 756**	27 895	**40 967**	31 153
Derivative financial instruments	**60 229**	49 104	**9 455**	10 892
Advances	**420 224**	449 156	**–**	–
Investment securities and other investments	**105 745**	96 995	**107 167**	126 961
Commodities	**1 323**	1 916	**–**	–
Accounts receivable	**5 542**	5 869	**6 385**	2 157
Investments in associates and joint ventures	**7 339**	6 514	**8 078**	6 941
Investment in subsidiary companies	**–**	–	**–**	–
Property and equipment	**9 488**	8 063	**532**	596
Deferred tax asset	**1 063**	631	**969**	825
Intangible assets and deferred acquisition costs	**2 694**	1 470	**3 102**	3 126
Investment properties	**–**	–	**2 156**	3 808
Policy loans	**23**	19	**604**	753
Reinsurance assets	**–**	–	**8 143**	550
Tax asset	**842**	809	**40**	24
Non current assets held for sale	**450**	3 092	**58**	–
Loans to Insurance Group	**6 115**	6 561	**–**	–
Loans to other Group companies	**–**	–	**–**	–
Total assets	**646 833**	658 094	**187 656**	187 786
EQUITY AND LIABILITIES				
Liabilities				
Deposits	**489 746**	496 074	**–**	–
Short trading positions	**23 434**	33 688	**–**	–
Derivative financial instruments	**54 436**	45 653	**1 853**	4 190
Creditors and accruals	**6 680**	7 783	**12 854**	9 033
Provisions	**2 680**	3 023	**326**	246
Tax liability	**243**	205	**71**	434
Post retirement benefit fund liability	**2 042**	1 938	**47**	42
Deferred tax liability	**2 407**	3 532	**1 570**	1 840
Long term liabilities	**7 976**	9 512	**1 623**	1 088
Policyholder liabilities under insurance contracts	**1 655**	1 435	**39 069**	41 982
Policyholder liabilities under investment contracts	**77**	108	**110 227**	111 676
Liabilities arising to third parties	**–**	–	**8 114**	7 283
Deferred revenue liability	**–**	–	**322**	296
Liabilities directly associated with non current assets classified as held for sale	**253**	–	**–**	–
Loans from Insurance Group	**5 776**	5 614	**–**	–
Loans from other Group companies	**–**	–	**3 794**	2 910
Total liabilities	**597 405**	608 565	**179 870**	181 020
Equity				
Capital and reserves attributable to equity holders				
Ordinary shares	**106**	106	**9**	9
Share premium	**7 634**	7 164	**1 032**	1 032
Reserves	**36 371**	36 616	**6 254**	5 229
Capital and reserves attributable to ordinary equity holders	**44 111**	43 886	**7 295**	6 270
Non cumulative non redeemable preference shares	**3 100**	3 100	**500**	500
Cumulative redeemable preference shares	**2**	25	**–**	–
Capital and reserves attributable to equity holders	**47 213**	47 011	**7 795**	6 770
Minority interest	**2 215**	2 518	**(9)**	(4)
Total equity	**49 428**	49 529	**7 786**	6 766
Total equity and liabilities	**646 833**	658 094	**187 656**	187 786

	FirstRand		Consolidation of treasury shares		Subtotal		Consolidation		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008 (restated)
	–	–	–	–	66 723	59 048	(9 457)	(5 493)	57 266	53 555
	–	–	–	–	69 684	59 996	(1 076)	(2 890)	68 608	57 106
	–	–	–	–	420 224	449 156	(3 736)	(2 870)	416 488	446 286
	–	–	(299)	(345)	212 613	223 611	(3 364)	(3 506)	209 249	220 105
	–	–	–	–	1 323	1 916	–	–	1 323	1 916
	16	21	25	9	11 968	8 056	(613)	(250)	11 355	7 806
	–	–	–	–	15 417	13 455	(123)	(152)	15 294	13 303
	19 992	19 547	–	–	19 992	19 547	(19 992)	(19 547)	–	-
	–	–	–	–	10 020	8 659	200	200	10 220	8 859
	3	–	–	–	2 035	1 456	(1)	–	2 034	1 456
	–	–	–	–	5 796	4 596	(98)	(99)	5 698	4 497
	–	–	–	–	2 156	3 808	–	–	2 156	3 808
	–	–	–	–	627	772	(1)	–	626	772
	–	–	–	–	8 143	550	–	–	8 143	550
	–	–	–	–	882	833	1	–	883	833
	–	–	–	–	508	3 092	–	–	508	3 092
	4 018	4 715	–	–	10 133	11 276	(10 133)	(11 276)	–	–
	981	–	2	265	983	265	(983)	(265)	–	–
	25 010	24 283	(272)	(71)	859 227	870 092	(49 376)	(46 148)	809 851	823 944
	–	–	–	–	489 746	496 074	(11 663)	(7 651)	478 083	488 423
	–	–	(124)	(90)	23 310	33 598	1 692	(148)	25 002	33 450
	–	–	–	–	56 289	49 843	(733)	(3 248)	55 556	46 595
	296	78	2	27	19 832	16 921	(1 615)	(85)	18 217	16 836
	4	6	–	–	3 010	3 275	(49)	–	2 961	3 275
	–	26	–	–	314	665	17	1	331	666
	–	–	–	–	2 089	1 980	–	–	2 089	1 980
	–	–	–	–	3 977	5 372	–	–	3 977	5 372
	3 664	3 595	–	–	13 263	14 195	(335)	(254)	12 928	13 941
	–	–	–	–	40 724	43 417	1	–	40 725	43 417
	–	–	–	–	110 304	111 784	(1 108)	(440)	109 196	111 344
	–	–	–	–	8 114	7 283	–	–	8 114	7 283
	–	–	–	–	322	296	–	–	322	296
	–	–	–	–	253	–	–	–	253	–
	24	1	326	4 483	6 126	10 098	(6 126)	(10 098)	–	–
	–	–	5 500	1 532	9 294	4 442	(9 294)	(4 442)	–	–
	3 988	3 706	5 704	5 952	786 967	799 243	(29 213)	(26 365)	757 754	772 878
	56	56	(4)	(4)	167	167	(115)	(115)	52	52
	7 082	7 083	(5 927)	(6 190)	9 821	9 089	(8 521)	(8 053)	1 300	1 036
	9 365	8 919	(45)	171	51 945	50 935	(7 812)	(7 853)	44 133	43 082
	16 503	16 058	(5 976)	(6 023)	61 933	60 191	(16 448)	(16 021)	45 485	44 170
	4 519	4 519	–	–	8 119	8 119	(3 600)	(3 600)	4 519	4 519
	–	–	–	–	2	25	(2)	(25)	–	–
	21 022	20 577	(5 976)	(6 023)	70 054	68 335	(20 050)	(19 646)	50 004	48 689
	–	–	–	–	2 206	2 514	(113)	(137)	2 093	2 377
	21 022	20 577	(5 976)	(6 023)	72 260	70 849	(20 163)	(19 783)	52 097	51 066
	25 010	24 283	(272)	(71)	859 227	870 092	(49 376)	(46 148)	809 851	823 944

R million	2009	% composition	2008	% composition	% change
FNB	**3 756**	**53**	4 654	44	(19)
RMB	**1 536**	**21**	3 008	28	(49)
WesBank	**324**	**5**	573	5	(43)
FNB Africa	**514**	**7**	499	5	3
Momentum	**1 328**	**18**	1 741	17	(24)
Group Support	**247**	**3**	343	3	(28)
Banking Group	**(74)**		80		
Momentum Group	**321**		263		
FirstRand Limited (company)	**(90)**	**(1)**	(11)	–	>100
Dividend payment to non cumulative non redeemable preference shareholders	**(464)**	**(6)**	(409)	(4)	13
Normalised earnings from continuing operations (unaudited)	**7 151**	**100**	10 398	98	(31)
Discovery	**–**	**–**	185	2	(100)
Normalised earnings from continuing and discontinued operations (unaudited)[1]	**7 151**	**100**	10 583	100	(32)

1 *Refer to page 133 for description of normalised earnings.*

FIRSTRAND
Banking Group

INTRODUCTION

THIS REPORT COVERS THE OPERATIONAL AND FINANCIAL RESULTS OF THE BANKING GROUP ("FRBG") which represents the banking activities of FirstRand, and includes FNB, FNB Africa, RMB, WesBank and OUTsurance ("FirstRand Short Term Insurance").

FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2009**	2008	% change
Attributable earnings to shareholders	**5 702**	9 544	(40)
Headline earnings	**6 076**	8 701	(30)
Normalised (before preference dividends)			
Earnings	**6 056**	8 814	(31)
Return on equity %	**13**	20	
Normalised (after preference dividends)			
Earnings	**5 747**	8 541	(33)
Return on equity (%)	**13**	21	

Earnings performance
(R million)

INTRODUCTION

The Banking Group experienced an exceptionally challenging operating environment during the year ended 30 June 2009, characterised by a declining economic outlook, both locally and internationally, continued market illiquidity in many international markets, and a significant decline in asset prices.

Global economic growth has deteriorated rapidly, with most developed economies officially entering a recession and a significant reduction in growth expectations in most emerging and growth economies, including China, India and Brazil.

The rising inflation rate experienced during the 2008 financial year continued into the current financial year, with CPI inflation peaking at 13.7% in August 2008, before moderating to 6.9% in June 2009, slightly above the South African Reserve Bank's target range of 3 – 6%. Domestic interest rates remained high during the first six months of the financial year, but the rapid decline in economic activity as well as faltering domestic demand provided scope for increased rate decreases, giving rise to a cumulative 450bps decrease starting in December 2008. The rapid decline in interest rates resulted in a significant negative endowment effect on interest income in the latter half of the financial year.

The South African economy, together with other emerging market economies, was to some extent initially largely sheltered from the international economic turmoil. However, falling commodity prices, a marked slowdown in exports as well as declining domestic demand contributed to a significant slowdown in GDP, with South Africa officially entering its first recession in 17 years during the second quarter of 2009. Real disposable income reduced 4.5% (seasonally adjusted) in the first quarter of 2009, and the South African economy shed 475 000 jobs during the first six months of 2009.

These factors negatively affected asset growth, and taken with falling equity and house prices, lower customer affordability levels and increasing job losses, put further strain on bad debt levels, especially in the retail lending franchises. The benefit to consumers of the reducing interest rates is expected to impact only in late 2009 or early in 2010 and it is anticipated that economic activity will remain subdued in the short term.

In spite of these factors, the South African Banking Sector has remained resilient throughout the period, benefitting from a sound regulatory environment, strong risk management practices and solid local and African client franchises.

OVERVIEW OF RESULTS

The Banking Group produced disappointing results under difficult conditions. Attributable earnings of R5 702 million (-40%), headline earnings of R6 076 million (-30%) and normalised earnings of R6 056 million (-31%) were achieved during the year under review.

These results were primarily driven by:

- low growth of 3% in net interest income, negatively affected by negative growth in advances and deposits during the year as well as higher funding costs;
- a significant increase of 58% in impairment of advances, primarily due to the lag effect of the higher interest rate environment and the negative impact of job losses within the South African economy;
- a decline of 6% in non interest revenue, with strong fee and commission income growth of 11% offset by a decline in profits from the fair value and investing businesses; and
- an increase in operating expenses of 8%.

Reconciliation of normalised earnings

	Year ended 30 June		%
R million	**2009**	2008	change
Attributable earnings	**5 702**	9 544	(40)
Adjusted for:			
– Loss/(profit) on sale of subsidiaries	**27**	(107)	>100
– VISA listing	**–**	(1 052)	(100)
– Loss on sale of MotorOne Finance advances book	**203**	–	100
– Loss on sale of Private Label book	**39**	–	100
– Impairment losses[1]	**117**	137	(15)
– Transfer from available-for-sale assets[2]	**(2)**	(7)	(71)
– Other[2]	**14**	1	>100
– Minorities	**(13)**	16	(>100)
– Tax effect on adjustments	**(11)**	169	(>100)
Headline earnings	**6 076**	8 701	(30)
Adjusted for:			
– IFRS 2 share based payment expense	**(20)**	113	(>100)
Normalised earnings	**6 056**	8 814	(31)
Preference dividends paid	**(309)**	(273)	13
Normalised earnings attributable to ordinary shareholders	**5 747**	8 541	(33)

1 *Primarily goodwill and intangible assets.*
2 *The prior year number of R131 million was changed to split out R137 million impairment losses and the R7 million transfer from available-for-sale assets.*

Return on equity – normalised

R million	Year ended 30 June 2009	2008	% change
Normalised (before preference dividends)			
Earnings	**6 056**	8 814	(31)
Average equity[1]	**47 112**	43 119	9
Return on equity (%)	**13**	20	
Normalised (after preference dividends)			
Earnings	**5 747**	8 541	(33)
Average equity[2]	**43 999**	40 006	10
Return on equity (%)	**13**	21	

1 Including non cumulative non redeemable preference shares.
2 Excluding non cumulative non redeemable preference shares.

Disclosure of advances and deposits

During the financial year, the Banking Group amended and improved certain business processes in its Corporate and Commercial lending and deposits books. As a direct consequence of these changes, certain advances and deposits subject to legal right of setoff, now qualify for setoff for accounting purposes ("LROS setoff"). These amounts were previously grossed up with effect from the financial year ended 30 June 2007.

Additional information is set out on this page and page 28.

Business unit performance

The results of the major business units in the Banking Group were negatively affected by the current business climate, as reflected in the profit before direct tax numbers below:

R million	Year ended 30 June 2009	2008	% change
FNB	**5 060**	6 345	(20)
FNB Africa	**1 222**	1 156	6
RMB	**2 055**	4 204	(51)
WesBank*	**130**	734	(82)

**Includes loss on sale of MotorOne Finance advances book of R203 million.*

More detailed information on the performance of the business units are set out on pages 34 to 47.

FNB's results were negatively impacted by significantly higher bad debt levels (+64%), especially in the HomeLoans and Card Issuing areas as well as through the negative endowment effect due to the decreasing interest rate environment and the impact of higher levels of non performing loans ("NPLs") which significantly increased interest suspended on these advances.

The bad debt charge was adversely affected by the high interest rate environment and the high levels of customer indebtedness.

The remainder of the FNB businesses performed satisfactorily in a challenging environment. Performance was affected by:

- an increase of 4% in customer numbers;
- growth of 4% in gross advances on a year on year basis, before taking account of LROS setoff. Growth of 22% in the Mass segment, 11% growth in the Commercial segment and 20% growth in the Wealth segment was offset to some extent by a 3% decline in the Consumer segment. The Corporate segment reflected a decline of 43% due to the application of LROS setoff, and if the impact of this is included, FNB's gross advances declined 2% year on year (refer table below):

FNB advances

R million	Year ended 30 June 2009	2008	% change
Net advances	**205 836**	208 456	(1)
Less: Contractual interest suspended	**(1 466)**	(798)	84
Gross advances reported	**204 370**	207 658	(2)
Allowable LROS setoff	**7 400**	–	100
Gross advances before setoff	**211 770**	207 658	2
Gross advances subject to potential LROS setoff[1]	**(15 901)**	(18 518)	(14)
Adjusted gross advances after LROS setoff	**195 869**	189 140	4

1 Includes R7 400 million advances subject to allowable LROS setoff.

- deposit growth of 6% (excluding LROS setoff) with the Consumer Money Market and Fixed Deposits and Commercial segments the main contributors;
- negative interest income growth of 1%, impacted by limited balance sheet growth in advances and deposits, the negative endowment effect on liability balances due to the reducing interest rate environment as well as higher levels of interest suspended on NPLs; and
- non interest income growth of 11% as a result of the increase in client numbers and higher transaction volumes.

FNB Africa performed well given the difficult trading environment, with a performance characterised by:

- an excellent performance from FNB Botswana increasing net income before tax 24% year on year to R654 million, benefiting from robust interest income growth on the back of strong balance sheet growth, a stable margin environment and good non interest revenue growth achieved through higher transaction volumes and increased client numbers;

- a reduction in net income before tax of 3% to R551 million by FNB Namibia, although achieving satisfactory growth from the banking operations. FNB Namibia's banking operations performed well in a difficult trading environment, with results adversely affected by the negative endowment effect as well as higher impairment charges, although it achieved satisfactory fee and commission income growth during the year. Total non interest revenue was negatively affected due to losses incurred on the capital portfolios held in its insurance business; and
- a strong performance from FNB Swaziland, increasing profits 28% to R95 million, benefiting from increased interest income, higher margins, higher non interest revenue due to increased transactional volumes and good credit quality resulting in low levels of credit impairments.

Overall profitability in FNB Africa was negatively affected by the high set up costs associated with opening FNB Zambia during the year.

RMB experienced a very difficult year.

Businesses operating in the primary markets performed well, while the secondary market activities, specifically proprietary trading and investments, performed disappointingly with results negatively affected by the challenging local and international markets.

This resulted in:

- a good performance from the Investment Banking division off a challenging 2008 base, benefiting from continued strong corporate activity and a good pipeline of deal flow with notable BEE and M&A transactions concluded during the year, supplemented by a good performance from the structured, leverage and property finance businesses. Corporate activity started to slow during the second half of the financial year reflecting lower confidence levels, a slowdown in the debt capital markets and the more constrained economic environment;
- continued profitable private equity realisations during the first half of the financial year, although no realisations were achieved in the second half of the year. Year on year equity accounted earnings from underlying investee companies came under pressure, reflecting the slowdown in the underlying economy which negatively impacted the performance of investee companies;

but offset by

- a disappointing performance from the Fixed Income, Currency and Commodities business ("FICC"), especially in the second half of the financial year, with strong sales and structuring income in the client facing businesses offset by counterparty credit related impairments and fixed income losses incurred in the latter half of the financial year;
- further significant losses in the international businesses, in part due to the continuing de-risking of these portfolios; and
- credit and mark to market losses incurred following the collapse of Dealstream in September 2008.

WesBank experienced a difficult year, with its results negatively affected by:

- a significant slowdown in new car sales in excess of 30% during the year under review, primarily affected by continued high interest rates, high levels of consumer indebtedness and an increasing trend in new vehicle price inflation;
- an 8% decrease in gross advances with total new business production in the local operations down 19% year on year after a reduction of 12% in the prior financial year;
- net interest income before impairment of advances was flat year on year, affected by the negative growth in the advances book offset by improvements in written rates;
- significantly higher bad debt levels (+33%), impacted by the high interest rate environment, high levels of consumer indebtedness and increased levels of job losses in the retail environment as well as an increase in wholesale and commercial impairments in comparison to the comparative period;
- a once off loss of R203 million associated with the disposal of WesBank's MotorOne Finance advances book during the year;
- a goodwill impairment charge of approximately R78 million relating to certain of its non lending businesses;

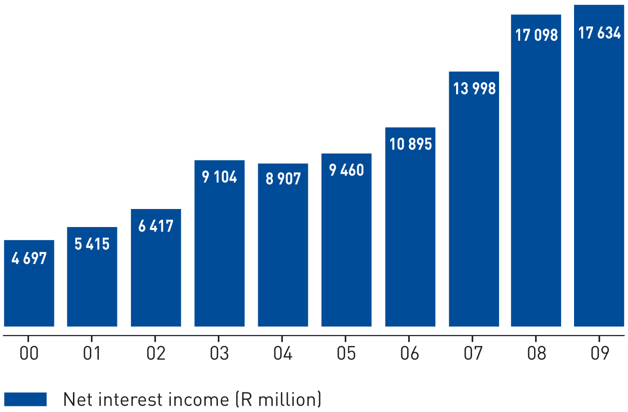
but offset to some extent by

- a 15% increase in non interest income (7% after the inclusion of the loss on the disposal of the MotorOne Finance advances book), benefiting from high levels of income from lending and non lending operations, although absolute growth was negatively impacted by the slowdown in lending activity; and
- low overall cost growth of 3% across the consolidated operations.

FINANCIAL REVIEW

Net interest income ("NII") (before impairment of advances) – up 3%

Net interest income before impairment of advances



Following five interest rate increases during the financial year ended 30 June 2008, the South African Reserve Bank announced a decrease of 50 bps during December 2008, followed by a further 400 bps decrease over the six months to June 2009. The average prime interest rate was marginally higher by 0.12% than the comparative period.

Overall margins on advances deteriorated compared to the comparative period, negatively affected by continuing margin pressure on asset generators such as FNB HomeLoans and WesBank, primarily due to higher funding costs as well as the negative impact of interest suspended on the significantly higher levels of NPLs.

Deposit margins enjoyed a slight endowment benefit from the small increase in average interest rates, but deposit margins fell overall due to the conversion of the Million-a-Month-Account to a 32-Day notice account.

During the year under review, the strategy to continue lengthening the term profile of funding, as well as higher costs of term deposits, resulted in a higher average cost of funding for the Banking Group. This change in funding cost had a negative impact on margins.

A detailed analysis of the Banking Group's product margins is set out on page 93.

Net interest income and interest margins were positively influenced by:

- the volume effect from the growth in deposits and the higher capital base;
- a re-pricing of asset margins to reflect the higher underlying credit risk; and
- the widening of certain asset and liability margins due to the higher interest rate environment.

Negative factors included:

- increased levels of interest suspended due to significantly higher NPLs;
- the increasing cost of longer term funding sources; and
- a decrease in advances balances during the year.

Advances – down 6%

The Banking Group distinguishes between advances originated and managed on an accrual basis ("accrual advances") and those advances which are managed on a fair value basis within RMB's businesses.

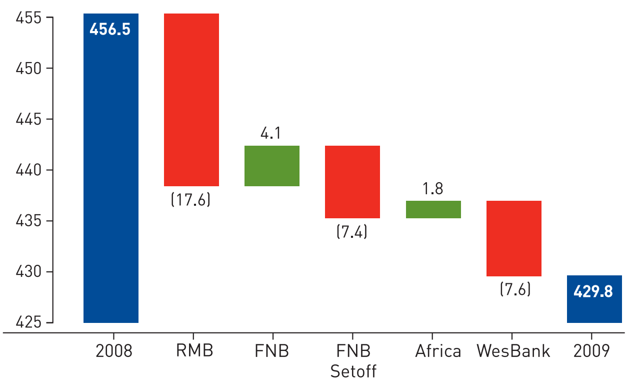
An analysis of the Banking Group's net advances is set out below:

	Year ended 30 June		%
R million	**2009**	2008	change
Advances before interest suspended	**431 711**	457 714	(6)
Less: Contractual interest suspended	**(1 896)**	(1 175)	61
Gross advances reported	**429 815**	456 539	(6)
Less: Impairments	**(9 591)**	(7 383)	30
Net advances	**420 224**	449 156	(6)
Accrual advances	**321 311**	346 599	(7)
Fair value advances	**98 913**	102 557	(4)
Net advances	**420 224**	449 156	(6)

Gross advances

Gross advances

(R billion)



Retail advances decreased 2% during the year under review reflective of:

- a 22% growth in the Mass segment, benefiting from organic growth in the SmartSpend, Smart Housing Plan and SmartBond products;
- 20% growth in the Wealth segment as a result of higher client numbers in the high end of the market;
- a 3% decline in the Consumer segment, affected by negative growth of 2% in HomeLoans, reflective of suppressed market conditions resulting in a 71% decrease in new advances and a 8% decrease in re-advances. This resulted in FNB's new market share decreasing to 15.5% from 16.5% at June 2008; and
- a significant decline of 19% in new business written by WesBank after a reduction of 12% in the 2008 financial year, in part resulting from a reduction in retail new business written of 15% year on year.

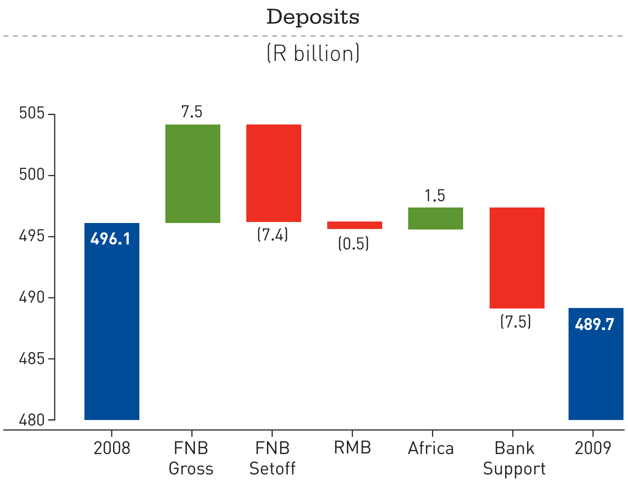
Corporate and Commercial advances decreased 7% (including LROS setoff – refer page 25), affected by:

- strong growth in Commercial Property Finance, Overdrafts and Agricultural advances;
- growth of 16% in Corporate (43% decrease including the impact of LROS setoff), the underlying operational increase in advances driven by higher working capital facility utilisation by clients;
- a significant decrease in lending activity in FICC, reflecting matured Euroloan placings as well as lower demand for cash from clients;
- growth in IBD resulting from continued strong lending activities in the leveraged finance (primarily preference share advances) and property finance areas; and
- pressure on production levels in the corporate and commercial leasing market, with a contraction of 26% in new business flows.

The African subsidiaries increased advances 11%, reflecting:

- advances growth of 14% in Namibia, reflecting higher facility utilisation by clients;
- slower growth of 6% in Botswana, reflecting lower economic growth during the year; and
- modest growth in the other African subsidiaries, affected by lower credit demand given economic conditions.

Deposits – down 1%



An analysis of the year on year growth in deposits is set out in the table below:

R million	Year ended 30 June 2009	2008	% change
Deposits as reported	**489 746**	496 074	(1)
Add: Balances subject to LROS setoff agreements	**7 400**	–	100
Deposits before setoff	**497 146**	496 074	–
Less: Deposits subject to potential LROS setoff[1]	**(15 901)**	(18 518)	(14)
Adjusted deposits	**481 245**	477 556	1

1 Includes R7 400 million deposits subject to allowed LROS setoff.

There is a continued focus by management to optimise the mix of the deposit book, especially due to the higher cost of professional and longer term funding.

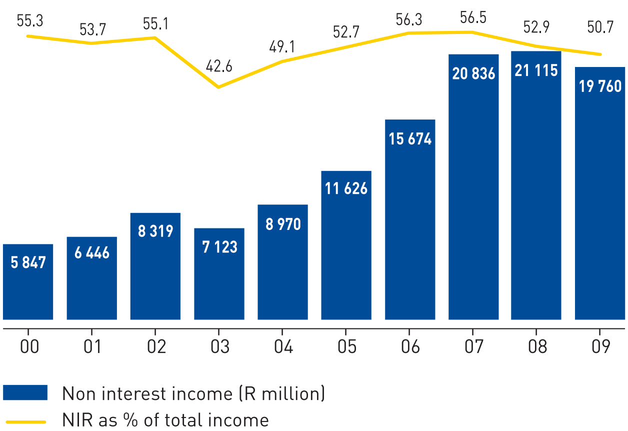
FNB's deposits increased 6% excluding the impact of LROS, with the Consumer Money Market, Commercial and Wealth segments driving the growth. Growth in the consumer environment was driven by improved sales and remained focused on shorter dated products, reflecting the attraction of investment and savings products in the higher interest rate environment in the first half of the financial year.

The growth in the Commercial segment resulted primarily from Money Market deposits, assisted by competitive rates offered to clients as well as the attractive transactional functionality of their products. These increases were offset by a 18% reduction in the Corporate segment, primarily due to the application of LROS setoff during the year. Excluding this accounting impact of LROS setoff, underlying Corporate deposits decreased marginally by 2%.

The Africa subsidiaries increased deposits 6% during the year. Strong growth of 51% in Lesotho, assisted by increased interbank placing and 47% in Swaziland, benefiting from increased market liquidity, offset by slower growth of 2% in Botswana and 6% in Namibia.

Non interest income ("NIR") – down 6%

Non interest income



Fee and commission income – up 11%

The Banking Group experienced satisfactory growth in client numbers, volume and value of spend during the year ended 30 June 2009 in spite of further deteriorating economic conditions.

FNB benefited from a 4% increase in client numbers as well as an absolute increase in both transaction volumes and value:

- the Mass segment's growth of 20% resulted from increased transaction volumes, due to 7% growth in revenue generating transactions, including debit card transactions which grew 22%;
- the Consumer segment showed 8% growth, with absolute growth hampered by the adverse economic conditions negatively impacting on transaction volumes;
- growth of 4% in the Wealth segment, benefiting from a focus on traditional banking services, but offset by negative growth in asset management fees due to the adverse market conditions; and
- the Commercial segment's growth of 13% was driven by increased transaction volumes in Speedpoint, Core Banking Solutions and Electronic banking channels.

WesBank achieved non interest income growth of 15% (7% including the loss on the disposal of the MotorOne Finance advances book). The local lending business continued to benefit from satisfactory insurance income flows as well as a good contribution from WesBank's fleet business. Total growth was negatively affected by declining new business volumes during the year.

Knowledge based fee income remained robust given current economic conditions, although reflecting a decrease of 9% from the high levels experienced in the comparative period. RMB continued to benefit from strong deal flow due to BEE and M&A activity as well as good business flows in the structured, property and leverage finance areas.

Income from fair value assets – down 50%

Overview

RMB's trading businesses experienced a difficult year under review.

Additionally, the interest rate dislocations in the reporting period resulted in significant fair value losses being incurred on portfolios used to economically hedge interest rate risk. The corresponding hedged profits are recorded on the interest line.

As a result, income from fair value assets reflected a reduction to R1 427 million from R2 842 million for the year ended 30 June 2009.

RMB

FICC's performance during the year was disappointing, especially given the strong first half performance. The fee based and client flow businesses benefited from increased volumes, higher margins and increased client demand for hedging solutions due to the underlying volatility in the markets. This was offset by fixed income losses in the second half of the financial year.

The Equity Trading business, as anticipated, reported disappointing losses for the year under review, primarily through the continued de-risking and disposal of its international portfolios. At 30 June 2009, the residual of these portfolios remained at less than 2% of their peak (approximately USD18 million), with further reductions in these assets hampered by their illiquid nature during the second half of the financial year.

In addition, the local Equities Trading business experienced significant losses when Dealstream, a futures clearing client, was placed in default due to its inability to meet margin call obligations during the first half of the financial year. This resulted in RMB taking ownership of Dealstream's futures portfolio of approximately R1 billion. RMB incurred mark to market losses of R116 million after taking over these positions, prior to acquiring significant influence over the activities of these businesses.

The remainder of the SPJi assets (primarily developed market investment grade credits, international property and an Indian special situations fund) were integrated into FICC and IBD to be managed down in an orderly fashion. RMB incurred mark to market losses of R775 million on these assets during the year under review.

Other

The Banking Group makes extensive use of fair value portfolios to reduce or eliminate exposure to interest rate risk. These structures do not however qualify as hedges in terms of current International Financial Reporting Standards. As a consequence, accounting mismatches occur from time to time. In the current period, R423 million of profits have been included in the Banking Group's interest line, while a loss of R513 million has been included in fair value income.

Investment income – down 79%

Private equity – down 37%

Investment income includes realised gains and losses from the Banking Group's private equity portfolios managed by RMB.

The Private Equity businesses performed well during the first half of the financial year, benefiting from three large realisations. However, no realisations were achieved in the second half of the financial year. Pursuant to the disposals in the current period, and in part due to limited new investments made during the year under review, the unrealised profits in the portfolio reduced from R1.96 billion at 30 June 2008 to R1.21 billion at year end. Consistent with prior years, the unrealised profit on the portfolio is not recognised in income.

In determining the unrealised profits of the private equity portfolio, the Group has used a value in use valuation method rather than market value for certain listed private equity counters, as it believes this method to be more appropriate. The difference between the two methods is that the value in use method is R512 million higher.

Other – down >100%

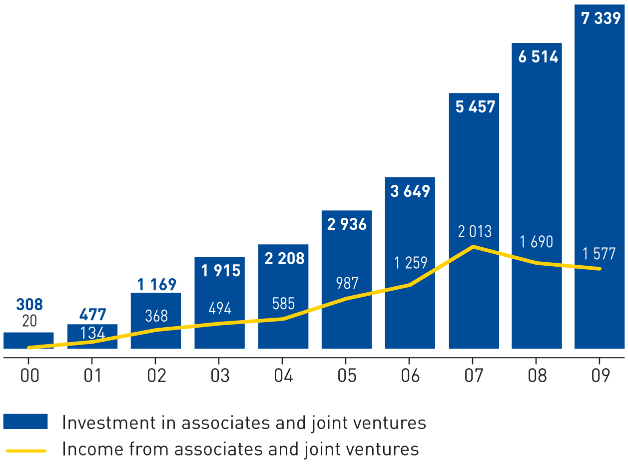
Other investment income was negatively affected primarily by losses of R364 million incurred on assets held on balance sheet to cover long term employee benefits. The assets are invested in long term equity and inflation linked portfolios, which recorded significant mark to market losses during the year.

These losses were to some extent offset by other investment income of R325 million earned during the year.

Equity accounted income – down 7%

Analysis of income from associates and joint ventures

(R million)



On an operational basis, equity accounted income increased 25% year on year. However, the overall equity accounted income was negatively affected by certain impairments raised against associates during the year.

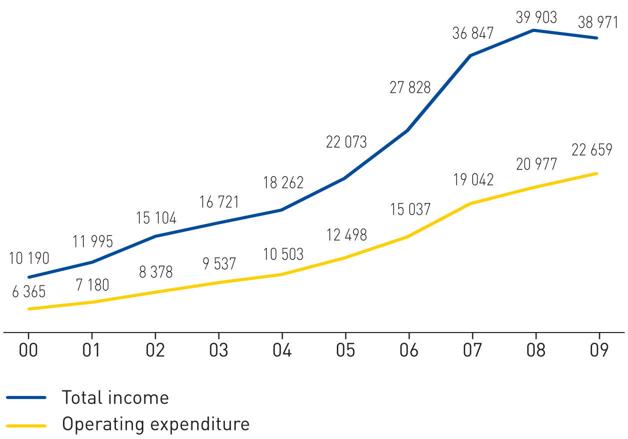
The results were impacted by:

- a good performance from FirstRand Short Term Insurance ("FRSTI"), benefiting from increased client numbers, both in the retail and commercial areas, resulting in strong premium income growth of 18%, satisfactory new business flows on the commercial side and a stable claims ratio. The overall profitability of FRSTI was negatively affected by start up losses incurred by Youi, the direct insurance startup operation in Australia;
- a year on year increase of 14% in normalised operating income from Private Equity associates, in part reflecting the resilience of income in spite of the deteriorating underlying economic fundamentals, although absolute performance reflected a year on year decline of 30%, negatively affected by the impairments that have been raised against certain private equity investments of R530 million; and
- a slight decrease in the performance of WesBank's associates affiliated to its lending activities, reflecting the deteriorating underlying economy and the impact on these entities' operating performance.

Operating expenses – up 8%

Operating "jaws"

(R million)



Growth in operating expenses was contained to 8% year on year.

The absolute increase in operating expenses was affected by:

- direct staff remuneration (salaries and wages) which increased 9%, in part due to higher inflation linked salary increases than the comparative period (+11%) offset by a reduction of approximately 3% in permanent head count during the year as well as a lower use of contractors;
- other staff related costs decreased 29%, in part due to lower variable costs directly related to income, reflecting the lower profitability of the Banking Group, and the significantly lower IFRS 2 share based payment expenses linked to the deterioration in price of the FirstRand share price; and
- depreciation increasing 36% and lease costs by 21%, reflecting increased investment in new premises in comparison to the prior year.

A detailed analysis of operating expenditure is set out on page 98.

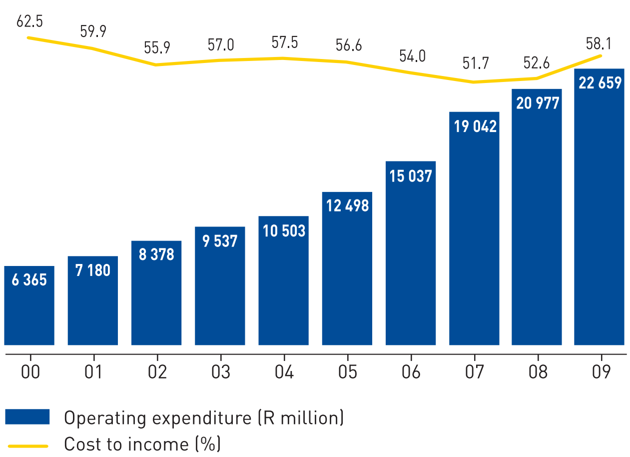
Cost to income ratio

The cost to income ratio deteriorated from 52.6% at 30 June 2008 to 58.1%.

This is primarily due to the pressure on top line income growth experienced during the current financial year. In addition, the ratio was negatively affected by the inclusion of the loss recorded on the sale of the MotorOne Finance advances book in Australia (refer page 33). Excluding the impact of this loss, the cost to income ratio reduces to 57.8%.

The historic trend in the cost to income ratio is shown below:

Operating efficiency



Direct taxation

The effective direct tax charge decreased from 19.3% to 16.9%. This year on year decrease is primarily as a result of the Banking Group benefiting from a high level of STC credits earned relative to the comparative period, as well as from a proportionally greater level of income being subject to Capital Gains Tax.

R million	Year ended 30 June 2009	2008	% change
Gross tax charge	(1 652)	(2 494)	(34)
STC deferred tax credit/(debit)	352	(71)	(>100)
Reported tax	(1 300)	(2 565)	(49)

CREDIT IMPAIRMENT

Credit impairment

The year under review presented a challenging macro economic and credit environment. To date, the credit cycle's impact was largely felt by consumers and smaller corporate entities, with large corporate counterparties remaining resilient.

The Banking Group actively manages its credit portfolio with a specific focus of mitigation of risks emanating from the current macro environment. Through the tightening of certain credit criteria and balance sheet de-risking in response to higher short term risk, the appropriate risk reward relationship is targeted.

The current market conditions have resulted in a decrease in advances, higher NPLs and resultant credit impairment charges. The NPL % increased from 2.9% at June 2008 to 5.6% at June 2009. The credit impairment charges for the year ended June 2009 was 1.81% (30 June 2008: 1.28% before credit insurance).

The table below summarises key information on advances, NPLs and impairments for the year under review:

Credit highlights

	Year ended 30 June		%
R million	**2009**	2008	change
Total advances	**429 815**	456 539	(6)
NPLs	**24 227**	13 104	85
NPLs as % of advances (%)	**5.64**	2.87	96
Impairment charge[1]	**8 024**	5 458	47
Impairment charge as % of average advances (%)	**1.81**	1.28	41
Total impairments[2]	**10 984**	8 522	29
– Portfolio impairments[2]	**3 500**	3 409	3
– Specific impairments[2]	**7 484**	5 113	46
Implied loss given default (coverage)[3]	**30.9**	39.0	(21)
Total impairment coverage ratio[4]	**45.3**	65.0	(30)

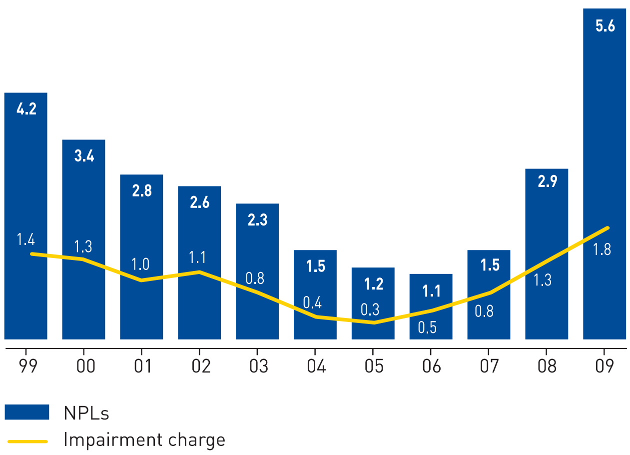
1 Impairment charge before credit insurance. The 2008 charge after credit insurance was R5 064 million (1.19% of average advances).
2 Includes cumulative credit fair value adjustments.
3 Specific impairments and non performing book cumulative credit fair value adjustments as a % of the NPLs.
4 Total impairments and total cumulative credit fair value adjustments as a % of the NPLs.

Specific impairments and cumulative credit fair value adjustments as a percentage of NPLs reduced from 39.0% in June 2008 to 30.9% at 30 June 2009. This reduction is largely due to the increased proportion of secured NPLs. Detail on the product level coverage is provided on page 75.

The graph below shows the history of the Banking Group's credit losses reflected by the impairment charge and NPL percentages:

NPLs and impairment charge as a % of average advances

(%)



Note: impairment charges are reflected before insurance proceeds where applicable.

The table below provides the summarised segmental and product advances, impairment charges and NPLs as a percentage of advances:

	Advances			NPLs as a % of advances		Impairment charge as a % of average advances	
	Year ended 30 June			Year ended 30 June		Year ended 30 June	
R million	2009	2008	% change	2009	2008	2009	2008
Retail	**275 886**	278 545	(1)	**7.65**	4.15	**2.66**	1.84
Residential mortgages	**147 959**	144 476	2	**9.21**	4.11	**1.63**	0.84
Credit Card	**11 726**	12 516	(6)	**12.31**	11.84	**11.18**	8.87
Vehicle and asset finance	**88 536**	95 881	(8)	**4.92**	3.16	**2.41**	1.73
Other Retail	**27 665**	25 672	8	**6.03**	4.28	**5.36**	4.17
Corporate/Wholesale	**148 578**	170 124	(13)	**1.94**	0.89	**0.62**	0.34
FNB Corporate	**8 727**	15 424	(43)	**0.96**	0.91	**0.58**	0.64
FNB Commercial	**26 862**	24 109	11	**6.04**	2.12	**1.53**	0.91
Investment Banking	**112 989**	130 591	(13)	**1.04**	0.66	**0.43**	0.19
Group and other	**5 351**	7 870	(32)	**4.69**	0.60	**(5.20)**	0.81
Total	**429 815**	456 539	(6)	**5.64**	2.87	**1.81**	1.28

Segmental credit highlights

Expectations

The interest rate reductions in recent months are expected to provide support for consumer cash flows, and it is expected that this will contribute to some moderation in retail credit impairments after the first quarter in the next financial year. Concerns remain that some areas in the retail portfolio could take longer to recover due to the impact of job losses and income losses, as well as potential delays in recoveries resulting from debt counselling. The SME market remains vulnerable for higher NPLs and impairment levels in the short term due to expected negative GDP growth. Large corporates are expected to remain resilient, although the risk of default is higher in the current macro economic climate.

Securitisations

During the year under review, the Banking Group did not conclude any further securitisation transactions. All the securitisation transactions have continued to perform in line with expectations as detailed in each of the offering circulars. Further details on the securitisation transactions are provided on page 86.

CHANGES IN DISCLOSURE

The Banking Group did not make any changes in disclosure during the current financial year.

SIGNIFICANT DISPOSALS DURING THE YEAR

Effective 3 November 2008, WesBank disposed of the MotorOne Finance advances book for a cash consideration of R1 719 million. This portfolio formed part of their Australian operations. A loss of R203 million was realised on disposal.

OPERATIONAL RESULTS BY BUSINESS UNITS

R million	2009	2008	% change
FNB	5 060	6 345	(20)
Mass	1 215	1 160	5
Consumer segment	(292)	1 159	(>100)
– HomeLoans	(1 754)	(381)	>100
– Card (Issuing)	(108)	106	(>100)
– Other Consumer	1 570	1 434	9
Wealth segment	298	444	(33)
Commercial segment	2 723	2 908	(6)
Corporate segment	776	676	15
FNB Other and Support	340	(2)	(>100)
RMB	2 055	4 204	(51)
WesBank	130	734	(82)
FNB Africa	1 222	1 156	6
FirstRand Short Term Insurance	440	367	20
Group Support*	(581)	882	(>100)
Less: Divisions disclosed elsewhere	(434)	(374)	16
Income before direct tax	**7 892**	13 314	(41)

**Group Support 2008 includes profit on VISA shares of R1 052 million.*

FNB – SOUTH AFRICA

	Year ended 30 June		
R million	**2009**	2008	% change
Income before indirect tax	**5 317**	6 698	(21)
Indirect tax	**(257)**	(353)	(27)
Income before direct tax	**5 060**	6 345	(20)
Advances	**204 370**	207 658	(1)
Total deposits	**192 550**	192 467	–
Assets under management	**41 927**	48 198	(13)
Cost to income ratio (%)	**57.5**	57.3	
Non performing loans (%)	**8.7**	4.2	

R million	**2009**	2008	% change
Mass	**1 215**	1 160	5
Consumer segment	**(292)**	1 159	(>100)
– HomeLoans	**(1 754)**	(381)	(>100)
– Card (Issuing)	**(108)**	106	(>100)
– Other Consumer	**1 570**	1 434	9
Wealth segment	**298**	444	(33)
Commercial segment	**2 723**	2 908	(6)
Corporate segment	**776**	676	15
FNB Other and Support	**340**	(2)	>100
Total FNB	**5 060**	6 345	(20)

INTRODUCTION

The year under review remained difficult given elevated levels of consumer indebtedness, a recessionary operating environment and high levels of local and global economic uncertainty. FNB's performance was satisfactory, given the challenging economic conditions during the year, and can be ascribed to the following:

- a diversified retail portfolio which continued to show good growth in non interest revenue and deposits;
- whilst the retail lending portfolios experienced continued increases in non performing loans ("NPLs") and bad debts, the arrears in the mortgages book (which is the most significant) appear to have reached a plateau;
- stringent credit strategies resulted in better quality of new business written in retail lending books, particularly credit cards and mortgages;
- strong franchises in the Commercial and Corporate segments continued to deliver profitability, although the Commercial segment's deposit margins were negatively impacted by the endowment effect of reducing interest rates; and
- a relentless focus on cost management resulted in an increase of only 6% in operating expenses.

CHANGES IN STRUCTURE AND SEGMENTATION

The FNB ATM business was transferred from the Mass segment to FNB Other and Support (Branch Banking) with effect from 1 July 2008. The historical results have been restated accordingly.

As previously reported, FNB's segment view is not a "pure" indication of FNB's penetration into each segment as it depends on the categorisation of products into segments, as well as internal service level and revenue arrangements. In addition segmentation refinements, such increasing the segmentation cut off due to market changes is ongoing.

THE YEAR UNDER REVIEW

FNB produced a satisfactory set of results in challenging economic circumstances with profit before tax decreasing 20% from R6 345 million to R5 060 million. The return on equity remained robust at 26%.

Interest income decreased 1%, impacted by the following issues:

- increasing NPLs on which interest is suspended;
- lower balance sheet growth, specifically in retail advances; and
- negative endowment effect of reducing interest rates on deposit margins.

Bad debts increased to 2.39% (2008: 1.55%) of average advances. This increase is in line with expectations, given the significant change in the economic environment and the "lag" between interest rate cuts and the reduction of bad debts. The increase also reflects the reduction in advances growth combined with the result of "set off" in specific instances within the corporate segment (representing a decrease in advances and deposits of approximately R7 billion).

The increase in the bad debt charge was largely driven by residential mortgages at 1.63% (2008: 0.84%) of average advances. FNB HomeLoans represents the largest component of residential mortgages as detailed in the table below.

R million	Advances	Impairment charge	Bad debts to average advances (%)
Affordable Housing	4 563	16	0.38
FNB HomeLoans	110 428	2 287	2.05
Wealth	32 968	77	0.25
Total residential mortgages	**147 959**	**2 380**	**1.63**

Card Issuing's bad debts as a percentage of average advances increased to 11.18% (2008: 8.87%). Card Issuing's bad debt charge incorporates R145 million arising from the decision to write off NPLs after six months (previously 12 months).

Non interest revenue increased 11% on the back of 4% growth in customer numbers to 6.4 million, below inflationary price increases as well as increased transactional volumes.

Operating expenses increased only 6%. This below inflation increase is the result of a 5% decrease in total head count which contained staff cost growth to 6%. This was, however, partly offset by variable costs associated with increased volumes, higher property expenses, ongoing investment in the brand (FIFA sponsorship), together with infrastructure investments and the cost of process improvements. Costs relating to collections activities, insurance, fraud and related losses continued to increase.

Despite good growth in money market accounts (+18%) and total consumer deposits increasing R6 billion (+8%), overall deposits remained at R193 billion. This was due to the impact of allowed set off of LROS gross up and daily volatility on corporate deposits, which resulted in a R8 billion or 18% decrease.

Advances decreased R3 billion or 2% to R204 billion, with the Corporate segment (-R7 billion) and FNB HomeLoans (-R2 billion) the main contributors to the decline, while the Mass, Wealth and Commercial segments delivered double digit increases. Growth in residential mortgages of R3 billion was significantly down compared to the previous financial year.

Assets under management decreased 13% to R42 billion on the back of significantly larger declines in both local and international markets.

SEGMENT PERFORMANCE

Mass (Smart Solutions)

Smart and Mzansi accounts
Microloans (SmartSpend)
Cellphone banking and Prepaid products
Housing finance (SmartBond & Smart Housing Plan)
FNB Life
FNB Connect

This segment focuses on individuals earning less than R81 000 per annum and is principally serviced by FNB Smart branded products and services.

The segment performed well during the year under review with profit before tax increasing 5% from R1 160 million to R1 215 million.

The main driver of this segment's performance was strong growth in interest income, which increased 13%. This was mainly as a result of advances increasing 22% to R8 billion and deposits growing 5% to R8 billion. The advances growth relates to the SmartSpend, Smart Housing Plan and SmartBond products, where new business increased 12%.

Non interest revenue growth was also strong at 20% driven by an overall 7% increase in revenue generating transactions, including debit card transactions (+22%). Strong growth in prepaid airtime (+70%) and revenue from loan products (+50%) also contributed positively. The active account base marginally increased to 3.5 million which contributed to the overall transactional volume growth.

Impairment charges were contained at approximately R402 million (2008: R190 million) despite the economic climate. The bad debt charge at 5.90% (2008: 3.81%) of average advances remains below expectations.

Operating costs increased 17% driven mainly by growth in variable costs relating to increased transactional volumes as well as collection activities and ongoing investment costs, including the launch of FNB Connect. InContact SMS volumes grew 24% to 655 million for the year.

By June 2009 cellphone banking had over 1.5 million registered customers. The use of this channel provides convenience and cost efficiencies to customers and, in conjunction with InContact, is expected to further increase market share of prepaid airtime sales.

FNB Life continued to show good growth, however, given the current economic environment, policy lapse rates have increased. The in-force policies currently total 3 million representing a 15% growth on June 2008, driven by exceptional volumes in funeral policies. This was offset by declines in products that may be viewed as non essential, such as Law-on-Call and Personal Accident where high lapse rates are being experienced.

Consumer segment

Cheque & Transmission products (including overdrafts)
Investments & equity products
Personal loans (including Student loans)
FNB Insurance Brokers
eBucks
HomeLoans (including One Account)
Card Issuing

This segment focuses on providing financial services solutions to customers with incomes ranging from R81 000 to R1 million per annum as well as certain sub segments (youth and teens, students, graduates and seniors).

The segment continued to face extremely challenging trading conditions and recorded a loss before taxation of R292 million. This decline is largely attributable to FNB HomeLoans which recorded a loss of R1 754 million.

The single largest contributor to the loss was the significant increase in bad debts to R4 066 million (2008: R2 410 million) or 3.19% (2008: 1.99%) of average advances as a result of the increase in NPLs to 10.5% (2008: 5.4%) of advances.

Interest income declined 2% to R4 422 million as a result of the increase in interest suspended on NPLs, higher liquidity costs and lower balance sheet growth.

Non interest revenue grew 8%. The lack of growth in transactional volumes reflects the very high levels of customer debt in this segment and that disposable income is under significant pressure.

Advances decreased 3% to R126 billion with a slowdown across all lending categories.

Deposits grew 7% to R55 billion driven by growth in money market accounts (13%) and fixed deposits (7%), offset by lower growth in current account balances.

The increase in operational expenses was contained at 2% as a result of certain efficiency and cost saving initiatives. However, these were to some extent offset by the impact of higher inflation together with costs associated with increased collections activity.

FNB HomeLoans

Several factors, including the previous high average interest rates, high inflation, declining property values, low customer affordability levels and the introduction of the National Credit Act ("NCA") contributed to the residential property market deteriorating further during the year.

FNB HomeLoans reported a loss of R1 754 million for the year. This loss was driven by the significant rise in the bad debt charge to R2 287 million resulting from an increase in NPL balances to over R11 billion and substantial increases in interest suspended. Increased cost of funding also placed pressure on margins. The impact of the recent reductions in interest rates, together with improved collections processes, has started to have a marginal benefit on NPLs, with the month of June 2009 reflecting a slight decrease in net NPLs for the first time.

Advances contracted 2% to R110 billion, which resulted from new sales declining 71% and re-advances declining 8%, and sales are expected to remain under pressure.

FNB HomeLoans' overall new business market share decreased to 15.5% (2008: 16.5%) as a direct result of the deliberate origination strategy to shift new business mix towards lower risk customers. FNB's market share of these lower risk customers increased during the year.

Non interest revenue remained relatively flat as increased pricing and bancassurance profit share were offset by reduced volumes and lower One Account transactional activity.

Operating expenses declined 13% due to the active focus on cost management which included headcount reductions and increased collections efficiency.

Card Issuing

Card Issuing incurred a loss of R108 million (2008: R106 million profit) mainly due to a change in its write off policy. Excluding the impact of this change in policy, Card Issuing generated a profit before tax of R37 million.

The bad debt charge of R1 355 million (2008: R1 084 million) represents 11.18% (2008: 8.87%) of average advances. Excluding the impact of the change in the write off policy, the bad debt charge would have been 9.98% of average advances. NPLs increased to 12.3% (2008: 11.8%) of advances.

Interest income increased 5% to R 1 182 million. Despite the decrease in advances of 6% the margin was higher than in the comparative period as a result of active margin management. Non interest revenue increased 6% on the back of market share increases of spend at point of sale, together with annual pricing adjustments.

Operating expenses increased 6%. The containment of operating expenses below inflation was achieved through a focus on efficiencies and cost containment.

Wealth segment

RMB Private Bank
FNB Private Clients
FNB Trust Services
FirstRand International Wealth Management ("FRIWM")

The wealth segment's profit before tax decreased 33% to R298 million due to slower revenue growth and higher investment cost. Strong annuity income, a sound balance sheet and continued focus on achieving revenue diversification while focusing on efficiencies has continued to support the operating fundamentals of this segment. Profit before tax reduced 29% at RMB Private Bank while FNB Private Clients decreased profits 2%. FNB Trust Services increased profits 7%.

Interest income declined 5% to R721 million, despite the strong growth in advances (20%) and deposits (12%). This decline was due to the negative endowment impact on deposit margins, increased funding costs and interest suspended on NPLs.

Bad debts decreased to 0.25% (2008: 0.36%) of average advances largely due to a mix change in arrears and NPLs towards lower loan to value residential credit facilities. NPLs increased to 6.5% (2008: 2.2%) of advances, primarily as a result of the refinement of the NPL definition.

Non interest revenue grew 4%, positively impacted by the significant focus on banking related income, specifically international banking, but offset by negative growth in asset management fees due to the turmoil in the equity markets. Net new business inflows were positive despite the 13% drop in assets under management.

Operating expenditure increased 17% largely due to higher staff and investment costs.

Commercial segment

SMMEs, Small Business, Business and Mid Corporate
Overdraft and transactional products
Investment products
Term loan financing including Commercial Property Finance
Niches: Agric, BEE funding, Franchises, Tourism and Start-ups

This segment provides financial solutions, including working capital, structured finance, investment products, transactional banking and term loans to mid corporate and business customers.

The segment produced satisfactory results given the challenging economic environment with profit before tax decreasing 6%.

Interest income remained flat due to increasing NPLs requiring interest to be suspended, the impact of higher funding costs, lower balance sheet growth, and in particular, the endowment impact. Bad debts increased to R389 million or 1.53% (2008: 0.91%) of average advances. NPLs increased to 6.0% (2008: 2.1%) of advances mainly due to a significant increase in the NPLs for commercial property finance.

Non interest revenue growth of 13% was mainly attributable to electronic banking (+21%) , core banking solutions (+13%) and Speedpoint (+9%). International banking's non interest revenue growth was subdued at 9% mainly due to a slowdown in import/export activities.

Operating costs increased 12% primarily driven by variable costs associated with increased volumes, but partly offset by a decrease in headcount and a focus on property and asset optimisation.

As a result of the ongoing strategic focus to attract and retain deposits, balances increased 4% to R61 billion. Money market products were the main contributor to the growth due to the higher rates and transactional functionality of these products.

Advances increased 11% to R27 billion driven by positive growth in overdrafts, agricultural loans and commercial property.

Corporate segment

Corporate transactional banking services and associated working capital solutions
Speedpoint (Card acquiring)
Bulk cash
Electronic banking
International banking
Custody services

This segment provides large corporate customers, financial institutions and certain state owned enterprises, as defined in schedule 2 of the PFMA, with transactional banking capabilities as well as assistance in order to optimise cash flow and working capital requirements.

Profit before tax grew 15%, mainly as a result of strong growth in interest income (26%) and contained operating expenditure (+3%).

Bad debts as a percentage of average advances improved to 0.58% (2008: 0.64%) while NPLs as percentage of advances increased slightly to 0.96% (2008: 0.91%). Both ratios need to be seen against the decrease in advances of R7 billion to R9 billion (or 43%). Excluding LROS gross up, advances increased R400 million or 16%, mainly driven by higher utilisation of working capital facilities.

Deposits decreased R8 billion or 18% to R35 billion, however, before LROS setoff, deposits decreased 2% to R30 billion. Margins experienced some erosion in order to attract these deposits, exacerbated further by competitor activity and client pressure.

Non interest revenue was flat mainly due to the downturn of the economic cycle. The electronic channels continued to contribute to growth with volume increases of 13% in FNB Online and 9% in SpeedPoint. This was however offset by below inflation pricing increases and volatile global and equity markets negatively impacting international banking and custody activities. FNB Online developed and implemented new product offerings that increased sales to both existing and new clients and SpeedPoint increased its footprint of point of sale devices 14%.

FNB Other and Support

Included in FNB Other and Support is public sector banking, branch banking, marketing, human resources and support services.

Public Sector Banking

The segment offers transactional banking services and products to the three spheres of Government namely state owned enterprises, universities and public schools. It also provides working capital and other short and long-term finance products.

The public sector market was characterised by increased competitor activity and continued strong cash flows in government entities for a greater part of this period. This resulted in satisfactory growth of deposit balances (+22%).

FNB's focused approach to the public sector market continued to yield positive results in the form of business gained and retained. Profit before tax increased 47% and this was achieved through a focus on customised client offerings backed by service excellence.

Branch Banking (including Self Service Channel)

Branch Banking represents the infrastructure through which FNB services its 6.4 million customers. The table below shows that whilst there was a decrease in its representation points due to the continual rationalisation of branches, FNB continued to grow its ATM network in line with the strategy to enhance client self service capabilities.

	Year ended 30 June		%
	2009	2008	change
Representation points (Branches, agencies, Bank on Wheels, etc)*	**687**	712	(4)
ATMs	**5 311**	4 800	11

**Approximately 24% (2008: 26%) of FNB's points of representation are positioned in designated Financial Sector Charter communities.*

FOCUS FOR THE YEAR AHEAD

FNB will continue to focus on building enduring, rewarding relationships with customers across all segments of our chosen markets. It aims to achieve the objective of sustainable, ROE and profit growth through a combination of innovative, customer orientated financial services solutions and convenient, efficient, value added services.

The following will receive specific attention:

- improvement in customer services levels;
- enhancing customer profitability by increasing share of wallet and increase cross-sell;
- refinement of FNB's collections practices and processes;
- continuation of the efficiency drive and in particular cost management;
- credit origination through own channels; and
- investment in infrastructure and innovation.

FNB believes its close association with the *FIFA 2010 World Cup* will enable it to actively grow the customer base, leverage existing customer relationships and cement the basis for sustainable growth well beyond 2010.

FNB AFRICA

The consolidated results of FNB Africa comprise the subsidiaries FNB Botswana, FNB Namibia, FNB Swaziland, FNB Moçambique, FNB Lesotho and since 1 April 2009, the greenfields start up FNB Zambia as well as the support centre in Johannesburg.

Performance summary

	Year ended 30 June		
R million	**2009**	2008	% change
Income before indirect tax	**1 252**	1 090	15
Indirect tax	**(30)**	(27)	11
Income before tax (before VISA and Swabou profits)	**1 222**	1 063	15
Add: VISA and Swabou profits	**–**	93	
Income before direct tax	**1 222**	1 156	6
Attributable earnings	**516**	533	(3)
Advances	**17 519**	15 755	11
Total deposits	**25 326**	23 867	6
Cost to income ratio (%)	**52.0**	46.9	
Non performing loans (%)	**2.5**	2.5	

Infrastructure

	Year ended 30 June		
	2009	2008	% change
Representation points (branches, agencies)	**91**	82	11
ATMs	**479**	421	14

INTRODUCTION

The global economic crisis, particularly the impact of falling commodity prices, had a strong influence on the economies of Botswana and Namibia. Growth in these markets slowed, resulting in increased unemployment and a reduction of foreign currency flows and trade activity. Government spending came under pressure and current account deficits increased.

Strict monetary policies in all the countries have resulted in declining inflation and interest rates, placing pressure on margins, particularly in the second half of the financial year. However, the FNB businesses continued to produce robust profitability, firstly through focusing on maintaining credit quality through the proactive management of the credit books, and secondly, on increasing volumes and non interest revenue.

COMMENTARY

FNB Africa

Net income before tax increased 6% for the year to R1 222 million due to strong results from FNB Botswana and FNB Swaziland with moderate growth in FNB Namibia. Continued investment in FNB Moçambique together with the start up of FNB Zambia has, as expected, moderated the overall portfolio performance and this investment in growing FNB's African infrastructure will continue over the next few years. Service and electronic delivery will remain a focus in order to increase the customer base and drive up volumes and resultant non interest revenue.

Despite a slower demand for credit in the second half of the year, gross advances increased 11% and deposits increased 6% from the prior year. The focus on credit quality resulted in the overall bad debts charge decreasing 9% whilst the non performing loans, as a percentage of advances remained static at 2.5%.

FNB Botswana

The year under review was characterised by mixed economic conditions. During the first half of the financial year, inflation was at an all time high, as a result of rising fuel and food prices and high interest rates. Despite this, general demand for products and services remained high. However, in October 2008 the first signs of economic stress emerged and the second half of the financial year proved to be far more challenging for business.

Buoyed by demand in the first half of the financial year, net income before tax increased 24% (19% in Pula) to R654 million (P538 million) as a result of good margins (particularly in the first six months) as well as increased transactional volumes. The Rand's weakness against the Pula positively impacted profit growth.

Advances increased 6% (11% in Pula) predominantly on the back of the expanded retail network and deposits grew by 2% (7% in Pula).

In line with the deteriorating economic conditions, the impairment charge increased from 0.5% to 0.9%. This was mainly in the retail market due to job losses in the mining industry. Impairments have recently stabilised mainly due to the bank's focus on credit quality and some benefits from the slowly increasing demand for commodities.

FNB Namibia

As the largest diversified financial services provider of banking, assurance, insurance & portfolio and asset management, FNB Namibia felt the effects of a slowing economy. Despite the tough operating environment, however, normalised headline earnings (excluding the profits on VISA and Swabou profits in the prior-year) increased 7% on the previous year whilst net income before tax decreased 3% to R551 million (this was in part due to the high base created by inclusion of VISA and Swabou profits in the comparative period to June 2008). On the banking side, margin pressure resulted from the declining interest rate cycle. Profitability was also impacted by investment in IT infrastructure and these costs will continue to be felt over the next two years. The decline in world equity markets also had an impact on the capital portfolio of Swabou Life further dampening the Group's profit growth.

Gross advances increased 14% due to increased utilisation of commercial and corporate lines and deposits increased 6% with continued reliance on wholesale funding demonstrating significant fluctuations due to asset managers moving funds to and from South Africa.

FNB Namibia's impairments have been low over the past few years and this trend improved despite the difficult economic conditions, mainly due to the ongoing conservative approach by management in the origination strategies as well as the repayment of some sizable exposures from the public sector and the fishing industry which is showing signs of recovery.

FNB Swaziland

FNB Swaziland performed well despite low asset growth and a lacklustre economic environment. Net income before tax increased 28% to R95 million as a result of good margins, a healthy credit book with low impairments and good transactional volumes.

Gross advances increased 5% given the weak demand for credit and borrowers using excess liquidity to reduce their own debt. Deposits increased 47% as a result of good market liquidity, resulting from increased wholesale deposits emanating from pension fund investment repatriation from South Africa as legislated by Swaziland law.

FNB Moçambique

With the focus on expanding the business, substantial investment was made in the branch network with a corresponding increase in staff. This investment phase is likely to continue over the next few years which will constrain profitability in the short term, but create a sound platform for the future. The branch network doubled during the year and good growth in non interest revenue was driven predominantly by sustained transaction volumes and strong foreign exchange commission.

FNB Lesotho

Gross advances in FNB Lesotho increased (off a low base) as the business is expanding market share. A large portion of FNB Lesotho's deposits are from financial institutions and the customer base is showing significant growth.

FNB Zambia

FNB Zambia commenced operations on 1 April 2009. The business currently has two branches and growing the infrastructure is a priority for the next two years. Significant investment has already been made, including the development of the Hogan core banking system for a multi-currency environment, as well as satellite technology.

NEW INITIATIVES

Opportunities for expansion into East and West Africa are being investigated.

FOCUS FOR THE YEAR AHEAD

The focus for the year ahead is to manage the current franchises within the context of a tough economic climate with specific focus on:

- stringent credit management and risk monitoring across all the subsidiaries, to ensure robust and sustainable lending portfolios;
- continued expansion of products and services utilising the existing South African product houses and operating platforms; and
- on-going investment in infrastructure in Moçambique and Zambia.

RMB

R million	Year ended 30 June 2009	2008	% change
Income before indirect tax	**2 134**	4 265	(50)
Indirect tax	**(79)**	(61)	30
Income before direct tax	**2 055**	4 204	(51)
Total assets	**275 097**	296 433	(7)
Cost to income ratio (%)	**56.6**	42.8	

PERFORMANCE

The divisional results and comparatives are summarised in the table below:

R million	Year ended 30 June 2009	2008*	% change
Private Equity	**1 028**	1 846	(44)
Investment Banking	**2 207**	2 059	7
Fixed Income, Currency and Commodities ("FICC")	**804**	1 483	(46)
Equity Trading	**(782)**	(1 412)	45
Other	**(1 202)**	228	(>100)
	2 055	4 204	(51)

**Restated to reflect international debt and investment portfolio losses under "Other".*

RMB reported profits before tax of R2 055 million for the year to June 2009, 51% lower than the previous year. Throughout the period primary market activities ie. client focussed advisory, financing and execution, showed good growth whilst most secondary market activities ie. proprietary trading delivered disappointing performances in challenging domestic and international markets.

The Investment Banking division ("IBD") produced good results growing profits 7% despite the challenging base created in the previous year. The Private Equity and FICC divisions, however, were down 44% and 46% respectively on the prior year.

The Equity Trading division reported further losses of R782 million, largely attributable to the de-risking of the residual international trading portfolios and the default of Dealstream, a futures clearing client.

The performance of the residual legacy portfolios of the SPJ International business, which has been closed, is reported under "Other" though these positions are being managed down by IBD and FICC. A managed exit from these positions continues but losses of R775 million were reported though losses were lower in the second half.

Notwithstanding ongoing investments in systems and platforms, strong focus on cost management resulted in an increase of only 3% in operating expenses.

PRIVATE EQUITY

The Private Equity division reported a net profit before tax of R1 028 million for the year, 44% down on its prior year performance. Three large realisations, Stocks Building Africa (Pty) Ltd (July), Alstom SA (Pty) Ltd (August) and Idwala Industrial Holdings (Pty) Ltd (December) were executed in the first half of the year contributing to a strong first half result (R1 213 million profit). No realisations were reported in the second half of the financial year and impairments were raised on some investments. Associate earnings declined to R547 million. The unrealised profit in the portfolio decreased to R1 210 million (2008: R1 960 million), largely due to the significant realisations concluded during the first half of the financial year.

INVESTMENT BANKING

The Investment Banking division recorded a net profit before tax of R2 207 million (2008: R2 059 million), a commendable performance in a challenging market. Corporate activity and lending remained strong and a number of significant deals were concluded. These included three large BEE transactions, advising on the sale of assets by BHP Billiton and the Remgro unbundling.

Deal flow during the year covered a wide range of sectors with the strongest contributions coming from the Corporate Finance, Resources, Property Finance, Leveraged Finance and Debt Capital Markets teams. Overall, the client franchise remains strong and a healthy deal pipeline has been maintained. However medium term prospects are dampened in some areas by declining business confidence, the slowdown in debt capital markets and prevailing difficult economic conditions.

FICC

FICC reported a net profit before tax of R804 million, 46% down on the prior financial year (2008: R1 483 million), despite reporting strong first half results. FICC's performance in the latter half of the financial year was adversely impacted by losses in the local fixed income markets. Impairments were also raised and costs incurred on the closure of the Brazilian structured trade business. The client sales, structuring and execution business all benefited from good flows and higher margins.

EQUITY TRADING

The Equity Trading division concluded another difficult year reporting a net loss before tax of R782 million, impacted by two major factors.

Further losses, as anticipated, were incurred on the offshore exposures as the remaining positions were closed out.

In the first six months losses were incurred on the default of Dealstream, a futures clearing client. This resulted in impairments of R219 million being raised against the defaulting broker, as well as mark to market losses of R116 million on the portfolios which were subsequently acquired. Three large positions were not closed out and are being treated as private equity investments with a view to realising value over the longer term and are now being accounted for as associates (refer page 30 for more information). The circumstances leading to the default were found to have been exacerbated by a period of extreme volatility in local markets (post the collapse of Lehman Brothers), inadequate margining, and fraudulent activities on the part of the broker. A full review of the remaining futures clearing clients, margins and positions, particularly in illiquid counters, has been conducted and following a process of increasing the required margins, no further issues were raised.

Following a number of management interventions over the past year the division has been substantially refocused and the remaining core business of local trading, client execution and agency activities was profitable over the year despite volatile local equity markets.

OTHER

As reported for the half year to 31 December 2008, significant losses were incurred on the residual legacy positions of the SPJ International business. Mark to market losses and valuation declines of R775 million were reported on these legacy positions during the year under review as global markets continued to deteriorate, particularly in the latter half of 2008. Losses in the second half were substantially lower than the first half. The remaining illiquid positions, which are predominantly in developed market investment grade credits, international property and an Indian special situations fund, total around USD224 million at current valuations. RMB Resources reported a small profit for the year under review.

The balance of the negative contribution was attributable to Head Office and operational transformation costs.

PROSPECTS

During the year there has been an increased focus on primary market activities. Secondary market activities, particularly in international markets have been scaled back considerably, or in many cases discontinued. Although residual international exposures arising from these discontinued secondary market activities have lead to disappointing losses, the shift in focus to primary market activities in South Africa and Africa will place the core business on a strong footing moving forward.

Strong client relationships, access to client flows and an outstanding reputation for product excellence and innovation are cornerstones of the primary market activities, and RMB was particularly pleased to be rated first in all areas of investment banking – Listings, Mergers & Acquisitions, BEE deals and Structured Finance in the 2009 PricewaterhouseCoopers Banking Peer Survey.

WESBANK

	Year ended 30 June		
R million	**2009**	2008	% change
Income before indirect tax	**438**	863	(49)
Loss on sale MotorOne Finance advances book	**(203)**	–	–
	235	863	(73)
Indirect tax	**(105)**	(129)	19
Income before direct tax	**130**	734	(82)
Advances WesBank Consolidated	**92 274**	99 949	(8)
Cost to income ratio (%) WesBank Consolidated	**52.1**	53.5	
Cost to income ratio (%) WesBank South Africa	**41.9**	41.8	
Non performing loans (%)	**5.0**	3.2	

ENVIRONMENT

The motor industry continues to endure a very tough cycle. Trading conditions during the year have been severe, as local and global markets felt the effects of slowing economic growth, declining retail and corporate expenditure and continued high levels of consumer debt. These pressures, combined with high new vehicle price inflation, have resulted in new vehicle sales declining by over 30% year on year with a similar trend emerging in the Corporate sector. Job losses have also materialised, resulting in additional pressure in the Consumer sector.

The recent interest rate decreases will eventually provide debt servicing relief to consumers, but given the generally high level of indebtedness the de-leveraging process is proving to be more protracted than in previous cycles.

PERFORMANCE

WesBank's overall profitability was negatively impacted by significant increases in credit defaults in the local lending business. The compounding effect of declining demand and pressure on consumer affordability levels resulted in continued contraction of the advances book. Excluding the R203 million loss on the disposal of the MotorOne Finance advances book in Australia (incurred during the first half of the financial year), overall profits compared to the prior year declined 55% to R333 million. In addition, an impairment of goodwill charge of R78 million, relating to local non lending subsidiaries, was recognised in the current year. This charge falls outside of headline earnings.

The table below represents the relative contributions from local and international operations:

Divisional analysis of income before tax

	Year ended 30 June		%
R million	**2009**	2008	change
SA operations	**368**	918	(60)
International operations*	**(238)**	(184)	29
Total	**130**	734	(82)

**International operations include a R203 million loss on sale of the MotorOne Finance advances book.*

SOUTH AFRICAN OPERATIONS

WesBank's local operations produced net income before tax of R368 million, a decline of 60% over the comparative period. Whilst this performance is disappointing, it is not unexpected in a credit cycle that has deteriorated to this extent. The table below reflects the half yearly earnings performances from December 2007 to June 2009 and suggests that the "bottom" of the current cycle has been reached, and improved profitability, albeit gradual, can be expected.

Six month periods	December 2007	June 2008	December 2008	**June 2009**
R million	701	217	153	**215**

The decline in earnings for the current year under review is attributable to the higher provisions evident in both the retail and wholesale portfolios. The bad debt performance on both a 12 month and six month basis is reflected in the table below.

	Year ended 30 June			Six months ended			
	2009	2008	% change	**June 2009**	December 2008	June 2008	December 2007
Bad debts (R million)	**2 567**	1 946	32	**1 336**	1 231	1 234	712
Bad debt %	**2.80**	2.03	38	**2.97**	2.61	2.53	1.53

The charge for bad debts, as a percentage of advances, was 2.80% (R2.57 billion), compared to 2.03% (R1.95 billion) in the comparative period. The worse than anticipated current cycle has been exacerbated by higher security realisation losses and an increasing number of customer abscondences and provisions arising out of insurance cancellations. There has also been a steep increase in commercial and wholesale impairments over the comparative period. Corporate bad debt levels have increased considerably over the period under review (from 0.72% in the six month period ended December 2008 as opposed to 2.43% for the six month period ended June 2009). This is indicative of the shift in stress from the consumer to the corporate environment. On a rolling six monthly basis, there has been an improvement in bad debts in WesBank's retail book reflecting improving trends in arrears and better quality recent new business, which is performing very well.

Non performing loans have increased to 4.99% from 3.2% in the previous year. A major factor contributing to this increase is the sharp rise in the number of customers undergoing the National Credit Act debt review procedure. This review procedure prolongs the collections process and accounts for 0.7% of the total 4.99% non performing loans. The balance of the increase is caused by delayed write offs resulting from extended collections actions, typical in a cycle of this nature.

New business has been negatively impacted by lower demand in both the Retail and Corporate sectors. Total new business written was R36.5 billion, 19% down compared to R45.0 billion in the prior year. Retail new business declined 15% year on year, with corporate new business declining 26%.

Interest margins have remained fairly flat year on year, with the continued pressure on funding and liquidity costs being offset by improvements in written rates.

Within the lending business, non interest income grew 5%. This growth was driven by WesBank's fleet operations and the growth in monthly administration fees, which were only introduced for business originated from June 2007. Operating expenses in the lending business grew 1% year on year. Cost management remains a key focus area, with sustainable cost reductions arising from digitisation and efficiency improvements and an overall 13% reduction in headcount during the year under review. Cost to income and cost to asset ratios remained flat year on year, but more as a result of declining advance levels.

WesBank has, over a number of years, developed a number of non lending businesses that are complementary to its core business, providing related services and products to retail and corporate customers. The key operations include Direct Axis (the marketing arm of personal loans products), Tracker (the vehicle recovery and telematics business), Rentworks (the rentor of IT and other assets), WorldMark (the car care product retailer) and Norman Bissett & Associates (the third party external collections operation). These businesses contributed R52 million to the net income of WesBank for the year under review. This contribution is after impairment to goodwill of R78 million, the bulk of which was raised against Norman Bissett & Associates. The comparative period contribution from the non lending operations was R72 million.

INTERNATIONAL OPERATIONS

WesBank's International operations include the performance of the Carlyle Finance operation in the UK, as well as the residual Australian portfolio.

Whilst Carlyle Finance produced a good operational performance its results were impacted by the current economic downturn in the UK and funding pressures. Carlyle produced a loss before tax of R31 million, representing a small improvement over the prior year.

During the current year, the MotorOne Finance advances book in Australia was disposed of, resulting in a consequent loss of R203 million. There remains a small residual loan portfolio (approximately R110 million), which is being administered and run down on an outsourced basis. In addition the portfolio includes WorldMark, which will in future be managed by RMB's in-country private equity operation, as the investment is no longer seen as core to WesBank.

Given the current global outlook, WesBank has decided to concentrate international expansion activities on asset financing opportunities in African territories in support of existing FirstRand franchises.

SUMMARY

WesBank is a cyclical business, sensitive to the effects of reducing production and increasing arrears, particularly in a sharp economic downturn. This credit cycle has been particularly severe and has had a material impact on profitability. There are however early signs of a revival and profitability is unlikely to deteriorate further, notwithstanding the risks associated with potential job losses and additional corporate distress. The WesBank business model and footprint remains in place, has withstood the worst of economic cycles and is well positioned to benefit from an improvement in trading conditions.

FIRSTRAND SHORT TERM INSURANCE HOLDINGS ("FRSTIH")

	Year ended 30 June		
R million	**2009**	2008	% change
Gross premiums written	**4 242**	3 598	18
Operating income (including investment returns)	**975**	852	14
Headline earnings attributable to ordinary shareholders	**654**	574	14
Expense/cost to income ratio (%)	**19.7**	16.8	
Claims and OUTbonus ratio (%)	**60.5**	62.0	

FRSTIH houses the Banking Group's short term insurance interests, including OUTsurance, Momentum Short Term Insurance ("Momentum STI") and Youi, the startup direct insurance operation in Australia. OUTsurance is the leading direct short term insurance company in South Africa.

The FirstRand Banking Group, through FirstRand Bank Holdings, owns 47% of FRSTIH.

PEFORMANCE

Group

In light of the prevailing economic conditions and the startup losses of Youi, the FRSTIH Group produced satisfactory financial results for the year under review by growing attributable earnings by 10% and headline earnings by 14%.

The South African operations produced excellent results by growing attributable and headline earnings by 19% and 23% respectively. Momentum STI, the Group's joint venture with Momentum Limited, generated its maiden full year profit.

Youi, the Group's start up venture in Australia was launched on 1 August 2008 and produced a loss before tax of R87 million for the financial year. Since launch, Youi has performed in line with expectations.

OUTsurance

OUTsurance managed to grow net earned premium income by 14%. Premium increases were contained below inflation and industry averages resulting in an expansion in market share in both the Personal and Commercial lines businesses.

The claims ratio (including OUTbonus costs) decreased from 61.7% to 60.5% on the back of favourable weather conditions compared to those experienced in the 2008 financial year.

The recessionary conditions contributed to the short term insurance industry experiencing higher claims ratios in the year under review. OUTsurance has, however, continued to maintain its profit margin confirming the competitiveness of its low cost direct business model and scientific rating approach.

Expenses, as a percentage of net earned premium income, increased from 14.1% to 16.1%. Higher marketing costs, infrastructure expansion and additional staff costs incurred to build capacity contributed to the higher expense ratio.

Investment income grew 10%, initially benefitting from the high interest rate environment, but coming under pressure in the latter six months of the financial year in line with rapidly slowing market interest rates. As most of the investible assets are invested in cash and near cash instruments, OUTsurance was not exposed to market volatility associated with the financial turmoil.

During the year under review, OUTsurance successfully launched its long term insurance offering with a credit life product.

FOCUS FOR THE YEAR AHEAD

- Further entrench the Youi brand in the Australian market and manage claims ratios and management costs to levels which will ensure future profitability;
- Develop and launch the fully underwritten life product offering;
- Continued focus on organic growth and operational efficiencies throughout all business units; and
- Further extending the reach of Business OUTsurance by product enhancements and marketing initiatives.

NOTES

momentum

INTRODUCTION

THE MOMENTUM GROUP COMPRISES THE OPERATIONS OF MOMENTUM GROUP LIMITED, its subsidiaries and associates, including Momentum Medical Scheme Administrators ("MMSA"), RMB Asset Management ("RMBAM") and RMB Unit Trusts ("RMBUT"), FirstRand Alternative Investment Management ("FRAIM"), RMB Asset Management International ("RMBAMI"), 85% of Advantage Asset Managers ("Advantage"), AdviceAtWork (previously Lekana Employee Benefit Solutions), 50% of Momentum Short Term Insurance ("MSTI") and 35% of Swabou Life.

FINANCIAL HIGHLIGHTS

R million (unaudited)	Year ended 30 June 2009	 2008	 % change
Normalised earnings	**1 649**	2 004	(18)
Return on equity based on normalised earnings (%)	**23**	30	
Annualised new business	**8 078**	8 405	(4)
Value of new business (restated)	**544**	596	(9)

Normalised earnings (unaudited)

(R million)

SALIENT FEATURES

Momentum's results for the year ended 30 June 2009 were characterised by the following:

- the negative impact of the significant decline and increased volatility in equity markets, particularly in the first half of the financial year;
- despite the tough economic environment, the return on equity remained very satisfactory;
- the strengthening of the level of capitalisation and the protection provided by the conservative capital investment strategy;
- solid growth in investment income on shareholders' funds resulting from the capital preservation strategy;
- excellent results from FNB Insurance;
- new business volumes held up well in the retail and employee benefits businesses, however inflows into the asset management operations have reduced. Overall new business margins remained satisfactory; and
- the solid operational performance reflected in the embedded value exceeded the negative impact of the investment markets, resulting in a positive embedded value profit.

Summarised results

R million (unaudited)	Year ended 30 June 2009	2008	% change
Normalised earnings[1]	**1 649**	2 004	(18)
– Group operating profit	**1 328**	1 741	(24)
– Investment income on shareholders' assets	**321**	263	22
Group headline earnings	**1 658**	1 979	(16)
Return on equity (%)	**22.6**	30.3	
New business volumes	**60 470**	65 338	(7)
– Retail	**33 493**	34 270	(2)
– Employee benefits	**2 591**	2 287	13
– Asset management	**24 386**	28 781	(15)
Value of new business[2]	**544**	596	(9)
New business margins (%)[2,3]	**2.0**	2.1	
Embedded value[2]	**16 086**	16 039	–
Return on embedded value (%)[4]	**3.3**	15.2	
CAR cover (times)[5]	**1.8**	1.6	

1 *Normalised earnings represent Group headline earnings adjusted for the impact of non operational items and accounting anomalies. The details relating to these items are set out in the earnings table on page 51.*
2 *The comparatives are pro forma in line with changes required by the revised Actuarial Guidance Note PGN107.*
3 *Calculated as the value of new business as % of present value of future premiums.*
4 *Represents the embedded value profit as % of opening embedded value.*
5 *The comparative is pro forma in line with the revised CAR formula that became effective during the current year.*

BUSINESS UNIT PERFORMANCE

Momentum's normalised earnings declined 18% to R1 649 million, mainly due to the negative impact of the significant drop in equity markets during the financial year. Despite the decline in earnings, the return on equity of 23% was very pleasing, and Momentum's capitalisation level strengthened to a satisfactory 1.8 times the Capital Adequacy Requirement ("CAR"). It is also pleasing to note that the earnings for the second half of the year represented a 23% increase over the first half earnings.

Group operating profit declined 24% to R1 328 million. As mentioned in the first half results, approximately two-thirds of Momentum's operating profit is exposed to investment market returns, where the most significant exposure is to equity markets. The JSE Allshare Index reduced by 28% during the financial year under review, with a commensurate downward impact on asset based fees. The results from FNB Insurance were particularly pleasing, and although there was some negative impact on persistency arising from pressure on consumers, the business benefited from good continued growth in sales to the mass market client base of FNB. The investment income on shareholders' assets benefited from the Group's capital preservation strategy, which resulted in higher levels of interest-bearing instruments to back the Group's economic capital requirement.

Although annualised new business volumes were 4% lower, recurring premium new business increased 9% whilst lump sum inflows reduced 8%. During the second half of the financial year the impact of the current recession on the real economy became apparent, and new business volumes in the retail discretionary savings and retirement annuity businesses declined. Lapse rates have also increased due to the pressure on disposable income. Sales of individual risk products remained strong. The employee benefits new business continued to show strong growth, with the success of Momentum's umbrella fund pension product continuing, along with improved Group risk new business. Lump sum inflows in the retail business showed mixed results, with strong unit trust and guaranteed annuity sales being countered by lower discretionary endowment sales and a significant decline in offshore linked product sales due to the international economic slowdown.

Momentum is proud to have been awarded the Financial Intermediaries Association ("FIA") award for the Long term Investment Product Supplier of the year, for the third successive year.

New business margins reduced slightly from 2.1% in 2008 to 2.0% in 2009. The satisfactory operational performance in the embedded value exceeded the negative impact of the decline in equity markets, resulting in a positive return on embedded value of 3.3%.

Momentum's previous targeted economic capital range of between 1.7 and 1.9 times CAR was reformulated following the introduction of the FSB's revised CAR methodology. After taking into account the guidance issued by the Actuarial Society of South Africa regarding allowances for credit and operational risks, the targeted economic capital range was reformulated to between 1.4 and 1.6 times CAR. Although the level of 1.8 times CAR (after the final dividend payment) exceeds the upper limit of this range, the Board of Momentum is of the opinion that this buffer is appropriate in the current market conditions.

DETAILED COMMENTARY ON RESULTS

The following table reflects the main components of Group earnings:

Reconciliation of earnings

R million	Year ended 30 June 2009	2008	% change
Earnings attributable to equityholders	1 594	2 002	(20)
Adjusted for:			
Profit on sale of Southern Life Namibia book	–	(22)	100
Impairment of intangible assets	61	–	–
Impairment of goodwill	3	–	–
Profit on sale of subsidiary	–	(1)	100
Headline earnings	1 658	1 979	(16)
Adjusted for:			
IFRS 2 share based payment (release)/charge	(9)	25	>(100)
Normalised earnings (unaudited)	1 649	2 004	(18)

The main contributors to the normalised earnings are set out in the following table:

Normalised earnings

R million (unaudited)	Year ended 30 June 2009	2008	% change
Group operating profit[1]	1 328	1 741	(24)
Momentum	994	1 459	(32)
FNB Insurance	334	282	18
Investment income on shareholders' assets	321	263	22
Normalised earnings	1 649	2 004	(18)

1 *Previously the results of RMBAM were disclosed separately, however as from 1 July 2008 RMBAM is included with Momentum's other investment businesses under a single investment cluster.*

Group operating profit

Group operating profit declined 24% to R1 328 million, mainly as a result of lower asset based fees. The drop in asset values due to equity market weakness was the main contributor to the decline in fees. In addition, the net outflow of funds in the asset management operations also contributed to declining fee levels, although good progress is being made in reducing expenses in these businesses. Underwriting profits in the individual life business continued to make a positive contribution to earnings, along with good claims experience in the FNB Insurance business. The overall lapse experience deteriorated, however this related mainly to the discretionary savings business which was impacted more severely by the economic slowdown. Employee benefits underwriting margins remained under pressure from increased claims volumes, which appear to be linked to the impact of deteriorating economic conditions on employer groups.

The following table summarises the new business generated by the Momentum insurance operations:

New business

R million (unaudited)	Year ended 30 June 2009	2008	% change
Recurring premiums	2 257	2 079	9
– Retail	1 239	1 308	(5)
– Employee benefits	517	406	27
– FNB Insurance	501	365	37
Lump sums	58 213	63 259	(8)
– Retail[1]	31 753	32 597	(3)
– Employee benefits[2]	2 074	1 881	10
– Asset management[2]	24 386	28 781	(15)
Total new business inflows	60 470	65 338	(7)
Annualised new business inflows[3]	8 078	8 405	(4)

1 *The new business generated by RMBUT, which was previously disclosed as part of asset management new business, is now included in retail lump sum inflows. New business sourced from Momentum Group's Linked Investment Service Provider has been excluded from the comparative unit trust inflows, as these flows are already included in the local linked product inflows. The new business inflow for 30 June 2008 has therefore been reduced by R2 840 million.*

2 *The new business generated by Advantage, which was previously included in employee benefits lump sums, is now included in asset management lump sums.*

3 *Represents new recurring premium inflows plus 10% of lump sum inflows.*

Overall recurring premium sales increased 9%, which is pleasing given the current economic climate. The decline in retail recurring premium sales is mainly due to the impact of increased pressure on consumers, and the changes in commission regulations on savings and retirement products from 1 January 2009. The demand for individual risk products remained strong. New business in the employee benefits business continued its strong growth, with both the umbrella fund and Group risk products expanding their market presence. The penetration of the FNB Insurance business into the mass market client base of FNB has improved markedly during the year.

Retail lump sum sales showed a marginal decline of 3%, with the solid increases in unit trust and local linked product sales respectively, being countered by lower sales of annuity, endowment savings and offshore linked products.

Momentum's agency distribution initiative continued to increase its contribution to overall annualised new business inflows to 21%, compared with 18% in 2008. In addition, FNB brokers currently contribute 15% of annualised new business inflows, compared with 14% in 2008.

Momentum's healthcare business administered a total of 553 200 lives at 30 June 2009. This represents an increase of 16% compared to 30 June 2008, and includes 98 900 lives administered as part of a new restricted scheme take-on at 1 January 2009. The Momentum Health open scheme membership, which is included in the overall lives under administration, totalled 178 400 at 30 June 2009.

Inflows into the asset management operations showed a reduction of 15%. The focus for most of the year was on the communication with and retention of existing clients through this time of market uncertainty. The net outflow of funds in this business was mainly due to the withdrawal of a total of R30 billion by two significant clients in the second half of the financial year, as referred to in the half year results commentary.

Investment income on shareholders' assets

The investment income earned on shareholders' assets increased 22% to R321 million. The investment mandate for these assets has remained unchanged during the year under review, with the economic capital being backed by a mix of cash and near-cash investments as well as the Group's investment in subsidiary operations at net asset value. The main reason for the healthy increase in investment income is a higher level of capital following the decision not to pay an interim dividend to FirstRand, and marginally higher average interest rates.

Marketing and administration expenses

Total normalised marketing and administration expenses (excluding impairment charges and once-off costs) increased 8% to R3 billion. Included in these once-off costs are the system integration expenses in the employee benefits and health businesses, and the additional expenses associated with the take-on of a new restricted medical scheme administration contract. The expense efficiencies associated with the system integration and other expense savings initiatives will start emerging during the new financial year.

CAPITAL MANAGEMENT

During the current year the FSB requirements for the calculation of CAR were changed to include an allowance for credit and operational risk. This had the effect of increasing the pro forma CAR at 30 June 2008 from R2 825 million to R3 775 million. Momentum's CAR increased from the pro forma R3 775 million at 30 June 2008 to R3 843 million at 30 June 2009. The statutory surplus increased from R6 114 million at 30 June 2008 to R7 108 million at 30 June 2009, resulting in a CAR cover of 1.8 times at 30 June 2009, compared with a pro forma CAR cover of 1.6 times at 30 June 2008. In the light of the improved capital position, the Board of Momentum has decided to resume the payments of dividends and has recommended the payment of a final dividend of R338 million to FirstRand, which will result in a post dividend CAR cover of 1.8 times.

RESULTS OF THE EMBEDDED VALUE CALCULATION

The embedded value of Momentum increased slightly from R16.0 billion at 30 June 2008 to R16.1 billion at 30 June 2009. A satisfactory operational performance exceeded the negative impact of equity market weakness, resulting in a marginal growth in embedded value. The analysis of the main components of the embedded value is reflected in the following table:

Embedded value

R million (unaudited)	At 30 June 2009	Pro forma at 30 June[1] 2008	Originally disclosed 2008
Ordinary shareholders' net worth	**8 564**	7 701	7 701
Net value of in-force insurance business	**7 522**	8 338	8 307
• Present value of future profits	**9 243**	9 931	9 271
• Cost of capital at risk	**(1 721)**	(1 593)	(964)
Embedded value attributable to ordinary shareholders	**16 086**	16 039	16 008

1 *The company embedded value at 30 June 2008 has been restated to take account of the impact on the opening embedded value of the new guidance note PGN107. The new guidance note applies to Momentum's current financial year.*

The following table reflects a breakdown of the movement in embedded value for the year:

Embedded value movement

R million (unaudited)	Year ended 30 June 2009
Embedded value at 1 July 2008 (restated)	16 039
Embedded value profit	523
– Factors related to operational performance[1]	2 045
– Factors related to market conditions[2]	(1 522)
Dividends paid	(476)
Embedded value at 30 June 2009	**16 086**

1 *Includes the value of new business, the expected return on in-force business and operating experience variations.*
2 *Includes the investment return on the adjusted net worth, investment variations and economic assumption changes.*

The return on embedded value amounts to 3.3% on the opening embedded value (after adjusting for the impact of the changes introduced by PGN107). The pleasing contribution from the operational performance (including positive operating experience variances) more than compensated for the negative impact of weaker equity markets and the decline in the directors' valuation of strategic subsidiaries, resulting in an embedded value profit of R523 million. Further details regarding the components of the embedded value profit are set out in the embedded value report included in the supplementary information to this results announcement.

The embedded value of new business decreased 9% to R544 million, after adjusting the comparative value of new business to take account of the impact of PGN107 on a like-with-like basis. The new business margin of 2.0% decreased slightly from the margin of 2.1% for the prior year.

GROUP ASSETS UNDER MANAGEMENT OR ADMINISTRATION

The Momentum Group managed or administered total assets of R301.4 billion at 30 June 2009 compared with R347.7 billion at 30 June 2008. The decline in assets was due to the exposure to the weaker equity markets, together with a net outflow of asset management funds. The following table provides an analysis of the assets managed or administered:

Assets under management or administration

	Year ended 30 June		
R billion (unaudited)	2009	2008	% change
On balance sheet assets	187.7	187.8	–
Segregated third party funds	73.0	117.5	(38)
Collective investment scheme assets managed	21.4	22.1	(3)
Assets under management	282.1	327.4	(14)
Linked product assets under administration[1]	19.3	20.3	(5)
Total assets under management or administration	**301.4**	347.7	(13)

1 *Excludes business written by Momentum Group's Linked Investment Service Provider on the life company's balance sheet, as these assets are reflected under on balance sheet assets above. Total linked product assets under administration amounted to R50 billion (June 2008: R49 billion).*

Net flow of funds

The overall net outflow of funds increased from R10 billion in 2008 to R34 billion in 2009. Retail and employee benefits net inflows remained positive at R3.8 billion and R1.8 billion respectively, mainly as a result of strong lump sum inflows, especially in unit trust products. These positive inflows are particularly pleasing given the current economic conditions. The increase in the asset management net outflows is mainly due to two large client withdrawals.

NOTES

FIRSTRAND CAPITAL
(UNAUDITED)

CAPITAL MANAGEMENT

The Group seeks to establish and manage a portfolio of businesses and risks that will deliver sustainable returns to its shareholders. In doing so, the Group targets a particular earnings profile that will allow it to generate these returns within appropriate levels of volatility.

Sustainability also refers to the business' capacity to withstand periods of severe stress characterised by very high levels of unexpected financial and economic volatility, which cannot be mitigated by earnings alone. The Group therefore maintains capitalisation ratios appropriate to safeguard its operations and the interests of its stakeholders. In this respect, the overall capital management objective is to maintain sound capital ratios and a strong credit rating to ensure confidence in the solvency of the bank and the insurer during calm and turbulent periods in the economy and the financial markets.

The optimal level and composition of capital is determined after taking into account business units' organic growth plans – provided financial targets are met – as well as expectations of investors, targeted capital ratios, future business plans, plans for the issuance of additional capital instruments, the need for appropriate buffers in excess of minimum requirements and considerations of rating agencies.

The bank's capital planning efforts ensure that the total capital adequacy and Tier 1 ratios remain within the approved ranges or above target levels across the economic and business cycle. In light of the volatility and distress evident in financial markets internationally, FRBH is pleased to have successfully managed to meet its goal of operating at the upper end of its targeted capitalisation range during times of financial and economic stress. The actual Tier 1 ratio for FRBH is 12.33%. Similarly, FRB excluding subsidiaries and branches is operating above its Tier 1 target of 9.5%, at 10.70%.

Momentum's reformulated targeted capital range of 1.4 – 1.6 times CAR (based on the revised capital adequacy requirement formulae), satisfies the same risk appetite as the previous targeted range. The target also takes cognisance of Momentum's conservative investment strategy for capital, as well as the business' capital efficient liability mix. Momentum's current capitalisation level of 1.8 times CAR is sufficiently strong to allow for the resumption of the payment of a final ordinary dividend in October 2009 and still maintain the capitalisation level above the upper end of the targeted range.

Dividends

The total capital plan includes a dividend policy, which is set in order to ensure sustainable dividend cover based on sustainable normalised earnings, after taking into account volatile earnings brought on by fair value accounting, anticipated earnings yield on capital employed, organic growth requirements and a safety margin for unexpected fluctuations in business plans. In the prevailing uncertain environment the Group would prefer to maintain capital ratios at the upper end of the band.

BANKING GROUP

The Banking Group includes both regulated and unregulated entities. FRBH is the regulated entity and includes all regulated bank subsidiaries and other entities.

FIRSTRAND BANK HOLDINGS

Strategic overview

Allocating resources, including capital and risk capacity effectively in terms of the Banking Group's risk appetite and in a manner that maximises value for shareholders is a core competence and a key focus area for the bank and, as such, sound capital management practices form an important component of its overall business strategy.

The efficacy of the Banking Group's capital allocation decisions and the efficiency of its capital structure are important determinants of its ability to generate returns for shareholders. The bank seeks to hold limited excesses above the capital required to support its short term growth plans (including appropriate buffers).

The targeted capital ratios for both FRBH and FRB were increased in June 2008 and these new levels have been achieved. FRBH targets a Tier 1 ratio of 10%, up from 9.25%, and well above the regulatory minimum of 7%. The actual Tier 1 ratio for FRBH was 12.33%. Similarly, FRB is operating above its Tier 1 target of 9.5%, at 10.70%. The Banking Group is pleased to have successfully managed to meet its goal of operating at the upper end of its targeted capitalisation range during times of financial and economic stress.

The targeted capital levels as well as the current ratios are summarised in the table below:

	FRBH		FRB[2]		
	Actual	Target	Actual	Target	Regulatory minimum
Capital adequacy ratio (%)	14.57	12.0 – 13.5	13.11	11.5 – 13.0	9.50[1]
Tier 1 ratio (%)	12.33	10.00	10.70	9.50	7.00

**Ratios above exclude unappropriated profits of R704 million and R858 million for FRB and FRBH, respectively.*

1 The regulatory minimum excludes the bank specific (Pillar 2b) add on.
2 Reflects solo supervision, ie FRB excluding branches, subsidiaries and associates.

The Board approved capital plan for FRBH is reviewed as part of the Banking Group's Internal Capital Adequacy Assessment Process ("ICAAP"). It incorporates the expected capital utilisation, capital needs, planned issuance of capital instruments, appropriation of profits and dividend payments, desired level of capital (inclusive of buffer), international expansion and general contingency planning for dealing with divergences, unexpected events and stress scenarios. As part of the ICAAP, the bank also assesses the potential impact of various stress scenarios on the level of earnings and risk weighted assets ("RWA"). These analyses are an extension of its stress testing framework.

The bank is appropriately capitalised under a range of normal and severe scenarios as well as under a range of stress events. It aims to operate within its risk appetite and the associated limits in terms of earnings volatility and the variability of returns on capital in excess of the weighted average cost of capital.

The year under review

Recent events in the international financial markets have increased the focus of stakeholders on both the level and quality of capital in banks. As indicated above, FRBH has strengthened its capital adequacy ratios significantly, with a Tier 1 ratio of 12.33% and a total capital adequacy ratio of 14.57%. This compares to 11.13% and 13.75% in 2008 respectively. The core Tier 1 ratio was strengthened to 11.38% in June 2009 (2008: 10.30%) despite pressure on profitability during the year under review. The overall increase in the Tier 1 ratio is largely a function of the conversion of convertible debt instruments to ordinary shares as well as the reduction of the total RWA.

Supply of capital – Tier 1

The Banking Group aims to back all economic risks with Tier 1 capital as it offers the greatest capacity to absorb losses. Consequently, required Tier 1 capitalisation levels are used as the primary driver of performance measurement across the various businesses. Tier 1 capitalisation ratios were primarily affected by lower levels of profitability over the year under review, the payment of dividends (albeit in line with the decline in earnings), as well as the required regulatory adjustment reflecting the excess of expected losses over provisions raised for the bank. Further increases in the regulatory impairment for FRB were driven by the capital injections into the London and India branches.

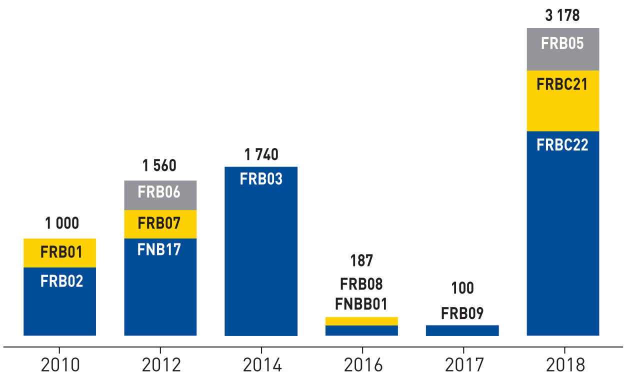
Supply of capital – Tier 2

During the year under review, the FRBH Board took a decision to exercise an option to convert the FRB1999 debentures to ordinary shares. This constituted an early exercise of the conversion option, which had an original maturity date of June 2009 (Board decision date: 17 November 2008). The conversion resulted in an increase of the Tier 1 ratio with a corresponding decline in the Tier 2 ratio.

The current pricing of subordinated bond instruments, the limited ability of such instruments to absorb losses, and the bank's reduced risk appetite, make the issuance of these instruments unattractive at present. Accordingly, no new Tier 2 instruments were issued during the year under review. The Banking Group has not experienced any disruptions in the domestic debt markets and it will continue to consider subordinated debt instruments as part of its long term funding strategy, with the aim of maintaining Tier 2 capitalisation levels and therefore issuances within the range set out above, while not exposing the bank to excessive roll over risk. It is the intention of the bank to redeem all instruments on call date. The following graph provides an overview of the maturity profile of the instruments currently outstanding:

Tier 2 maturity profile

(R million)



Demand for capital

With the introduction of Basel II, capital requirements expressed as a percentage of RWA have become more risk sensitive and thus more cyclical than under the previous regime. This cyclicality is to a large extent driven by external factors that affect the bank's risk measures across various portfolios and thus drive its capital requirements.

While credit RWAs for FRB have continued to increase as a result of a deteriorating economic environment, the overall RWA position for FRB and FRBH has improved. This was driven by a number of initiatives implemented over the year under review. These savings have led to a marked decline in the level of overall RWA which lifted the Tier 1 and total capital adequacy ratios during the year.

The overall decline in RWAs took place mainly in the second half of the year and was predominantly driven by the following factors:

- Credit risk – Lower economic activity and credit de-risking;
- Operational risk – The Advanced Measurement Approach ("AMA") was implemented and applied for all domestic operations from March 2009 onwards; and
- Equity investment and market risk – The Banking Group continued to de-risk its balance sheet domestically and internationally.

The following table shows the composition of regulatory capital (financial resources) for FRBH and FRB at 30 June 2009, while the subsequent tables provide a breakdown of risk weighted assets and the approaches used to calculate them.

	FRBH		FRB*	
R million	**2009**	2008	**2009**	2008*
Tier 1				
Ordinary share capital and share premium	**5 672**	5 236	**10 821**	7 567
Minority interest	**1 517**	1 771	**–**	–
Non redeemable non cumulative preference shares	**3 100**	3 100	**3 000**	3 000
Reserves	**32 626**	33 748	**17 682**	17 363
Less: Total impairments	**(2 303)**	(2 289)	**(1 782)**	(574)
Excess of expected loss over eligible provisions (50%)	**(325)**	(379)	**(325)**	(379)
First loss credit enhancements in respect of securitisation structures (50%)	**(260)**	(283)	**–**	–
Qualifying capital in branches	**–**	–	**(1 297)**	–
Goodwill and other impairments	**(1 718)**	(1 627)	**(160)**	(195)
Total Tier 1 capital	**40 612**	41 566	**29 721**	27 356
Tier 2				
Upper Tier 2 instruments	**1 068**	1 188	**1 068**	1 068
Tier 2 subordinated debt instruments	**6 642**	9 004	**5 872**	7 513
Other reserves	**193**	286	**–**	–
Less: Total impairments	**(493)**	(662)	**(234)**	(379)
Excess of expected loss over eligible provisions (50%)	**(325)**	(379)	**(325)**	(379)
First loss credit enhancement in respect of securitisation structures (50%)	**(260)**	(283)	**–**	–
Other impairments	**92**	–	**91**	–
Total Tier 2 capital	**7 410**	9 816	**6 706**	8 202
Total qualifying capital and reserves	**48 022**	51 382	**36 427**	35 558

Risk weighted assets by risk type

	FRBH		FRB*	
R million	**2009**	2008	**2009**	2008
Credit risk	**241 447**	256 567	**205 472**	200 424
Operational risk	**47 125**	56 472	**35 000**	44 352
Market risk	**13 246**	17 710	**7 809**	10 369
Equity investment risk	**13 649**	25 653	**17 469**	21 042
Other risk	**14 037**	17 182	**12 071**	13 467
Total risk weighted assets	**329 504**	373 584	**277 821**	289 654

**Reflects solo supervision, ie FRB excluding branches, subsidiaries and associates.*

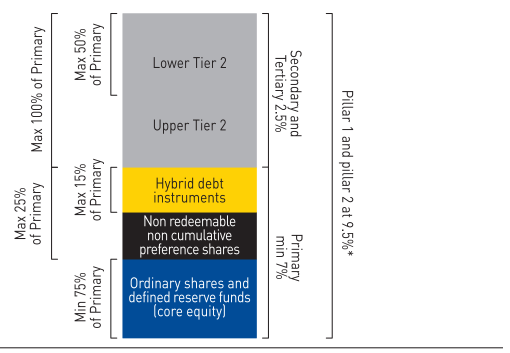
Risk weighted assets for each risk type are calculated as follows:

Risk type	FRB	Other regulated entities (FRBH)
Credit risk	Advanced Internal Ratings Based approach ("AIRB")	Standardised approach
Operational risk*	AMA	Domestic operations: AMA Offshore operations: Standardised approach
Market risk	Internal model approach	Standardised approach

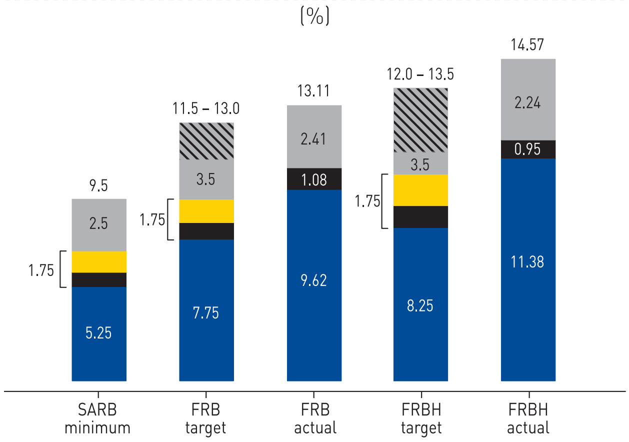
**Approval for the application of the AMA was given by the SARB from 1 January 2009. Due to the quarterly regulatory submission cycle, RWA figures only reflect this change in approach from March onwards. Prior to March 2009, RWA were calculated on the standardised approach.*

The graphs below depict the current capital adequacy position:

Minimum capital adequacy

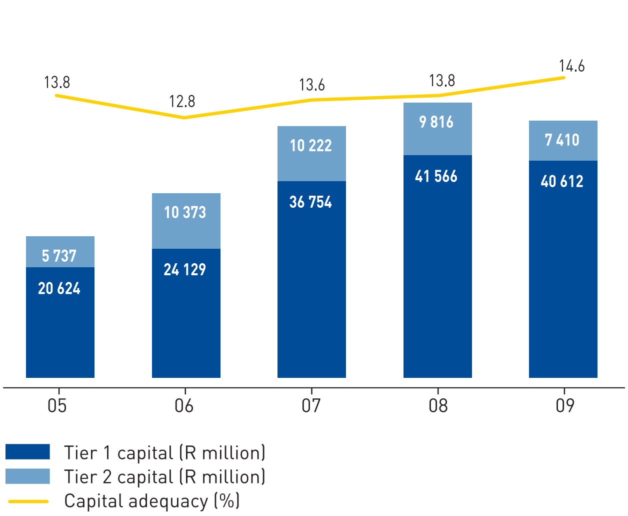


Capital adequacy

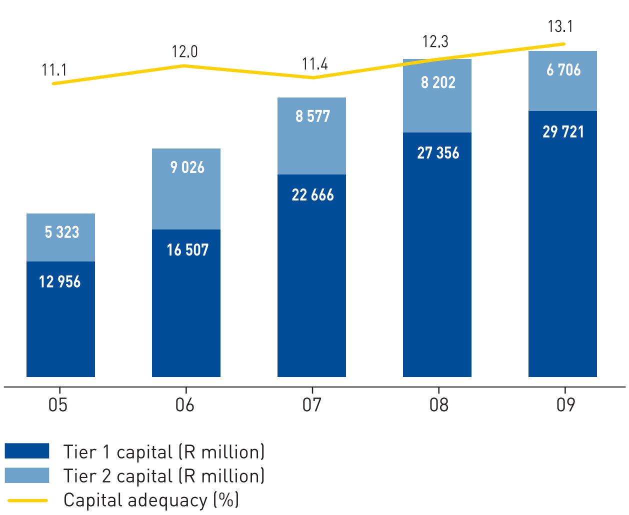


The graphs below indicate the regulatory capital position of FRBH and FRB:

FRBH



FRB



**Information for comparative years – prior to Basel II implementation on 1 January 2008 – is on a Basel I basis.*

The capital adequacy position of FRBH and its subsidiaries at 30 June is set out below:

	2009		2008	
R million	Risk weighted assets	Total capital adequacy %	Risk weighted assets	Total capital adequacy %
Basel II				
FirstRand Bank Holdings Limited*	329 504	14 .57	373 584	13.75
FirstRand Bank Limited (South Africa)	277 821	13.11	289 654	12.28
FirstRand Bank UK (London Branch)	3 144	21.35	–	–
FirstRand India	126	157.15	–	–
FirstRand (Ireland) PLC	8 355	18.15	18 625	16.97
RMB Australia Holdings Limited	4 611	19.53	7 917	15.71
Basel I**				
FNB (Botswana) Limited	6 031	19.05	5 468	15.28
FNB (Lesotho) Limited	214	19.08	–	–
FNB (Moçambique) S.A.	466	17.43	454	15.12
FNB (Namibia) Limited	8 789	20.31	7 518	20.73
FNB (Swaziland) Limited	1 026	24.69	888	21.04
FNB (Zambia) Limited	48	168.00	–	–

**Note: FRBH successfully implemented Basel II at the beginning of January 2008. The registered banks in FRBH must comply with the SARB regulations and those of their home regulators, with primary focus placed on Tier 1 capital and total capital adequacy ratios.*
***Entities operating under Basel II are subject to a minimum capital requirement of 9.5% (excluding the Pillar 2b add on). The FNB Africa subsidiaries currently report under Basel I. These entities also report under Basel II and are included on this basis for the consolidated position of FRBH.*

Economic capital

In addition to the regulatory capital requirements discussed in the previous section, the bank also calculates its economic capital requirements on the basis of a number of internally developed models. It defines economic capital as the level of capital it must hold, commensurate to its risk profile under severe stress conditions to give comfort to a range of stakeholders that it will be able to satisfy all its obligations to third parties with a desired degree of certainty, and that it would continue to operate as a going concern.

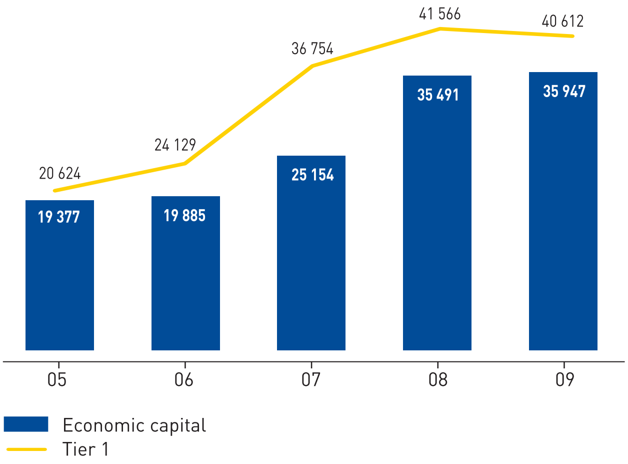
Regular reviews of the economic capital position are carried out across the businesses and the Banking Group remains well capitalised in the current environment, with levels of Tier 1 capital exceeding the level of economic capital required. As indicated in the preceding section, the bank aims to back all economic risks with Tier 1 capital. Furthermore, it uses the allocation of capital as a steering tool and as one expression of risk capacity used for performance measurement purposes. To this end, and considering the need for achieving an adequate return on all capital held by the bank, capital is allocated to business units as the maximum of the following, including a buffer, namely:

- regulatory capital;
- economic capital; and
- net asset value (shareholder funds).

The ICAAP assists in the attribution of capital in proportion to the risks inherent in the respective business units with reference to both normal economic circumstances and times of potential stress, which may lead to the realisation of risks not previously considered. This process is also supported by the Banking Group's stress testing and scenario analysis framework described previously.

The allocation methodology for economic capital is broadly based on the approaches set out as part of the AIRB component of Basel II, with the exception of credit risk, which is considered at a product level. A number of assumptions are necessarily made in the attribution and allocation methodologies. These are reviewed periodically and any changes will have a direct impact on business unit level measures, such as economic profit or net income after capital charges ("NIACC"). The economic capital framework incorporates aspects of the portfolio's composition in its calibration and reflects the effects of risk concentrations (eg large exposures and industry concentrations) and diversification benefits. The graph below provides an overview of the evolution of economic capital requirements and Tier 1 capital (available financial resources).

Economic capital
(R million)



Return on equity and economic profit

The Banking Group achieved a return on equity ("ROE") of 13% compared to 21% for the prior period.

Total shareholders' equity and reserves (excluding minority interests) per the Banking Group's balance sheet totalled R47 213 million as at 30 June 2009 (2008: R47 011 million). The average ordinary shareholders' equity and reserves for the year amounted to R43 999 million (2008: R40 006 million).

Segmental ROE

For the purposes of segmental ROE reporting, ordinary shareholders' funds have been attributed to segments based on actual ordinary shareholders' funds utilised by divisions and separate legal entities.

The allocation of the legal entities' ordinary shareholders' funds across segments involves the use of assumptions, interpretations and techniques that are regularly reviewed and updated as deemed necessary. Banks that disclose information on similar allocations and related return measures may use different assumptions, interpretations and techniques.

The table below provide a summary of the ROE numbers for the main segments based on normalised earnings for the year ended June:

R million	2009 Normalised earnings*	2009 ROE %	2008 ROE %
FNB	3 737	26	33
FNB Africa	514	27	34
RMB	1 514	12	25
WesBank	315	7	12
Group Support	(333)	–	–
Total	5 747	13	21

**Normalised earnings include the net income on capital earned by the respective divisions less Group Support Centre costs and the cost of preference shares.*

Economic profit

As indicated previously, the bank considers the identification and management of risk a core competence and it has therefore aligned its performance measures with risk considerations where appropriate. The use of economic profit or NIACC has been embedded across the businesses and management culture.

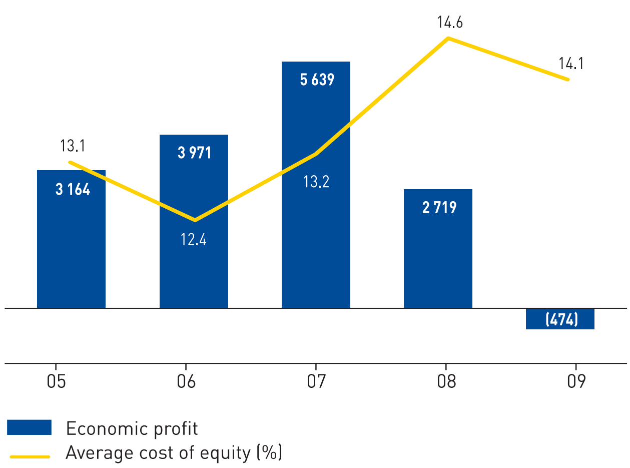
As a function of the normalised earnings and capital utilised in the businesses, economic profit provides a clear indication of the economic value added by a transaction or business unit. Due to the deteriorating economic environment, economic value creation has been negatively affected during the year under review. The following table and chart provide an overview of the relevant calculation and the creation of economic profit over time.

R million	Year ended June 2009	2008
Normalised earnings	**6 056**	8 814
Preference dividends	**(309)**	(273)
Normalised earnings attributable to ordinary shareholders	**5 747**	8 541
Charge for capital*	**(6 221)**	(5 822)
Net economic (loss)/profit	**(474)**	2 719
Average ordinary shareholders' equity	**43 999**	40 006
Return on average ordinary shareholders' equity (%)	**13.1**	21.3

**The capital charge is based on an average cost of equity of 14.1% (2008:14.6%).*

Economic profit = normalised earnings – (average cost of equity x average ordinary shareholders' equity and reserves)

Economic profit
(R million)



MOMENTUM

Investment mandate for the shareholders' portfolio

Momentum supports its regulatory Capital Adequacy Requirement ("CAR") with cash or near-cash assets, while the balance of the shareholders' assets is invested in a combination of strategic investments and interest-bearing assets.

RMB Asset Management manages the discretionary cash, held by the shareholders' portfolio, according to a conservative investment mandate.

Capital position

Momentum previously targeted an economic capitalisation level range of 1.7 – 1.9 times CAR. During 2008, the Actuarial Society of South Africa ("ASSA") issued revised professional guidance for the calculation of the regulatory minimum capital adequacy requirement. The revised CAR formulae, which now explicitly allow for credit and operational risks, applied to Momentum for the first time during the 2009 financial year. ASSA has also revised the professional guidance for the quantification of the capital required in respect of minimum investment return guarantees. In the past, Momentum allowed for these risks in its targeted economic capitalisation level.

Given that the revised CAR formulae now explicitly allows for operational and credit risks, Momentum has had to reformulate its targeted economic capitalisation level. Under the new CAR formulae, the reformulated targeted economic capitalisation level range reduced to 1.4 – 1.6 times CAR. This targeted capitalisation level satisfies the same risk appetite as the previous targeted range.

Momentum's pro forma capital position at 30 June 2008 (based on the revised CAR formulae), was 1.6 times CAR. At 31 December 2008, Momentum published a CAR cover level of 1.4 times CAR. This capital level was at the lower end of the reformulated targeted range.

Over the six months from 30 June 2008 to 31 December 2008, the global financial crisis resulted in local equity markets reducing by almost 30%, long term interest rates reduced by 3% and equity volatility increased to near all time highs. The combination of these events in effect represented a capital-stress scenario (ie an event in the tail of the distribution), and it was therefore expected that such an event would result in Momentum's capital position being close to the lower end of its targeted range. The robustness of Momentum's capital structure and the efficiency of its capital management were reinforced by the global financial crisis.

At 30 June 2009, Momentum's CAR cover amounted to 1.8 times CAR. The improvement in CAR cover is due to the larger proportional increase in excess assets compared to the increase in CAR over the year.

The increase in CAR was mainly due to an increase in the capital required in respect of minimum investment return guarantees. The increase in the excess assets resulted from the positive contribution of Momentum's attributable earnings, as well as the dividend holiday that Momentum enjoyed during the March 2009 dividend cycle.

The capital position at 30 June 2009 is above the upper end of the reformulated targeted range, which allows Momentum to pay a final ordinary dividend of R338 million to FirstRand Limited in October 2009. This dividend represents a dividend cover of 2.5 times based on 50% of the normalised earnings for the year ended 30 June 2009.

Following the payment of the proposed dividend, Momentum's capital level will remain at 1.8 times CAR. Momentum's Board deems it prudent to maintain a buffer above the upper end of the range in recognition of the prevailing uncertain market conditions.

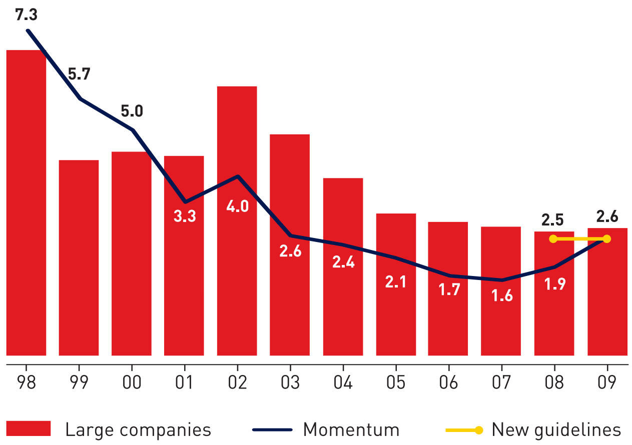
At 30 June 2009, Momentum's CAR was covered 1.8 times by the excess of assets over liabilities on the statutory valuation basis.

	2009	2008	
R million		Pro forma (unaudited)	Published
Statutory excess over liabilities	**7 108**	6 114	6 114
CAR	**3 843**	3 775	2 825
CAR cover rate (times)	**1.8**	1.6	2.2

Capital efficiency

The graph below illustrates the improvement in Momentum's capital efficiency over the past number of years, as well as the impact of the revised CAR formulae at 30 June 2009. The capital efficiency is measured by expressing CAR as a percentage of Momentum's total policyholder liabilities. Not all the results of the large companies at 30 June 2009 were available at the time of writing. For those companies for which the results were not yet available, the ratio at 31 December 2008 was used.

Improvements in Momentum's capital efficiency (unaudited)



The comparison in the graph illustrates that, historically, Momentum's insurance business tended to be less capital intensive than the average large South African insurance companies.

The reduction in the CAR (as a percentage of liabilities), from 1998 to 2007 mainly resulted from a more capital efficient liability mix, as well as the positive impact of good investment performance. The increase in the ratio in 2008 (from 1.6% in 2007 to 1.9% in 2008), was due to a reduction in policyholder bonus stabilisation accounts (given the relatively low growth in equity markets over this period), as well as the increased capital requirement for minimum benefits under certain products, in line with regulations that followed the Statement of Intent.

The introduction of the revised CAR formulae at 31 December 2008 has increased the absolute level of CAR, which will increase the ratio of CAR as a percentage of liabilities going forward. It is therefore not relevant to compare the ratio at 30 June 2009 with the historical ratios.

At 30 June 2009, the CAR as a percentage of liabilities amounted to 2.6%. The pro forma ratio at 30 June 2008 (based on the revised CAR formulae), of 2.5%, is also shown in the graph. The slight increase in the ratio over the 12 months to 30 June 2009 was mainly due to the reduction in the bonus stabilisation accounts, given the weak equity market performance over the year under review, as well as the increase in the capital held in respect of minimum investment guarantees.

Composition of regulatory capital

The Financial Services Board ("FSB") has not formally limited the extent to which South African life insurance companies can incur debt on their balance sheets. In line with FirstRand's guidance, Momentum believes that it is appropriate to operate on a debt to total regulatory capital ratio of below 30%. The table below analyses the sources of total qualifying regulatory capital utilised by Momentum as at 30 June 2009:

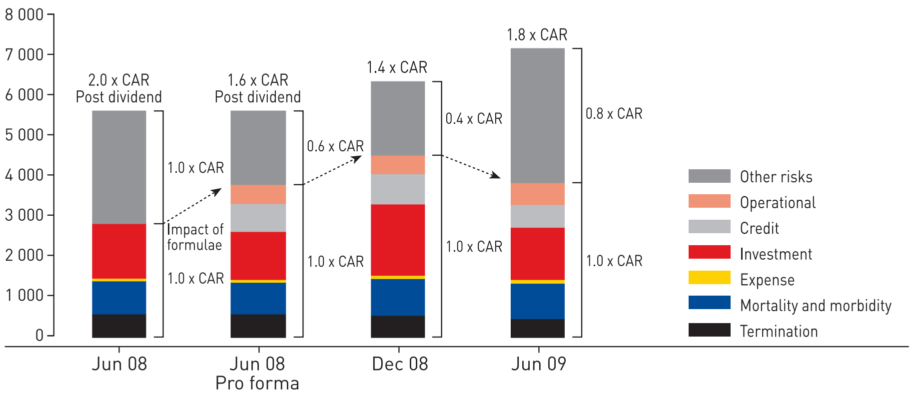
Regulatory capital

	2009		2008	
(R million)		%	Post dividend	%
Tier 1	6 102	86	4 577	82
– Core Tier 1 (equity capital)	5 642	79	4 077	73
– Non redeemable preference shares	460	7	500	9
Subordinated qualifying bond[1]	1 006	14	1 036	18
Qualifying statutory capital	7 108	100	5 613	100

1 *This debt level is within the limit of 30%.*

Composition of economic capital

The chart below sets out how the main risks contribute to Momentum's total economic capital requirement (unaudited):



The position at 30 June 2008 represents the contribution of the main risks to Momentum's total economic capital requirement after the payment of the October 2008 dividend, based on the old CAR formulae.

The 30 June 2008 pro forma numbers are based on the 30 June 2008 post dividend position, but restating CAR based on the revised CAR formulae. The increase in the absolute value of CAR is evident from the graph. Applying the revised CAR formulae, Momentum's CAR cover at 30 June 2008 would have amounted to 1.6 times CAR (as opposed to 2.0 times CAR under the previous CAR formulae).

At 30 June 2009, Momentum's CAR cover amounted to 1.8 times, which represents a significant improvement over the 1.4 times CAR that was published on 31 December 2008. The decrease in the absolute amount of CAR, from 31 December 2008 to 30 June 2009, is evident from the graph and is mainly the result of the decrease in the capital required in respect of minimum investment return guarantees, as well as Momentum's ongoing capital management initiatives.

Return on equity

The active management of Momentum's capital plays an important role in achieving the targeted return on capital set by FirstRand Limited. The ROE for the year ended 30 June 2009 amounted to 22.6% (based on normalised earnings), compared to 30.3% in the comparative year. The decrease in the ROE is mainly due to the impact of adverse market conditions during the year under review.

CREDIT RATINGS AS AT 14 SEPTEMBER 2009

FirstRand Bank Limited and FirstRand Bank Holdings Limited

The credit ratings for FRB and FRBH reflect the bank's strong market position as one of the Big 4 banks in South Africa (operating through 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

	FirstRand Bank Limited	FirstRand Bank Holdings Limited
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+	BBB
Outlook	Negative	Negative
Short term	A-2	A-2

Summary of rating actions:

- On 6 November 2008, Standard & Poor's Ratings Services ("S&P") revised its outlook on the local currency long term counterparty ratings on FRB, and its outlook on the local and foreign currency long term ratings on FRBH to stable from positive. S&P said the outlook revisions reflected the more challenging operating environment, which led to increased asset quality pressure, constraining profitability, which, in turn, constrained near-term upward rating potential.
- On 12 November 2008, S&P revised its outlook on FRB and FRBH to negative from stable following a similar rating action on the South African sovereign the day before. S&P indicated that the outlook revision followed the rating action on the sovereign and reflected the increasing short term macro economic challenges, including pressure on credit, market, and currency risks in South Africa.

Credit ratings assigned by Moody's Investor Service

	FirstRand Bank Limited
Foreign currency deposit ratings	
Long term	A3
Outlook	Negative
Short term	P-2
Local currency deposit ratings	
Long term	A1
Outlook	Negative
Short term	P-1
National scale bank deposit ratings	
Long term issuer default rating	Aa1.za
Outlook	Negative
Short term issuer default rating	P-1.za
Bank Financial Strength Rating	C
Outlook	Negative

Summary of rating actions:

- On 9 December 2008, Moody's Investors Service ("Moodys") changed the outlook on the C Bank Financial Strength Rating ("BFSR") and the A1 long term local currency deposit ratings of FRB to stable from positive. Moody's commented that given the challenging market conditions, the likelihood of an upgrade in these ratings was low over the foreseeable future.
- On 23 July 2009, Moody's changed the outlook on FRB's C BFSR and the A1 global local currency deposit rating to negative from stable, citing the deteriorating macro economic environment and the resultant challenges for the SA banking sector. The Aa1.za national scale rating and the local currency and national scale debt ratings (relating to the domestic medium term note programme) were unchanged but the outlook on these ratings was also changed to negative. Moody's upgraded the foreign currency deposit ratings of FRB to A3/P-2 from Baa1/P-2 following Moody's upgrade of South Africa's foreign currency deposit ceiling to A3/P-2. For FRB's European Medium Term Note programme ("EMTN"), the rating for senior unsecured debt was raised to A1 (negative outlook) from A2; and to A2 (negative outlook) for subordinated notes following the upgrade of the country's foreign currency debt ceiling to A1.

Credit ratings assigned by Fitch Ratings

	FirstRand Bank Limited	FirstRand Bank Holdings Limited
National		
Long term rating	AA(zaf)	AA-(zaf)
Outlook	Negative	Negative
Short term rating	F1+(zaf)	F1+(zaf)
Local currency		
Long term issuer default rating	BBB+	n/a
Outlook	Negative	n/a
Foreign currency		
Long term issuer default rating	BBB+	BBB
Outlook	Negative	Negative
Short term issuer default rating	F2	F3
Individual rating	C	C
Support rating	2	5
Support rating floor	BBB-	No floor

Summary of rating actions:

- On 19 September 2008, Fitch Ratings ("Fitch") downgraded the ratings on FRB and FRBH by one notch to BBB+ and BBB, respectively. The downgrade reflected the deteriorating macro economic environment and worsening credit conditions in South Africa and the resultant negative impact on profitability of higher impairment charges on the back of increased NPLs. Fitch also cited the equity trading losses incurred by the Investment Banking division during the financial year ended 30 June 2008.
- On 8 December 2008, Fitch revised the outlook for FRB and FRBH to negative from stable. The outlook revisions followed a trading statement issued by FirstRand, outlining the negative earnings impact of the ongoing deterioration in South Africa's macro economic environment and worsening credit conditions which had led to higher impairment charges and impacted profitability. Fitch indicated that it expected the operating environment to continue to weaken and noted that performance had also been affected by additional once-off losses.
- On 23 March 2009, Fitch affirmed the Issuer Default Ratings ("IDRs") of FRB and FRBH, however, the agency downgraded the individual ratings to C from B/C. Fitch also revised the outlook on the national long term ratings of FRB and FRBH to negative from stable. The agency indicated that the rating actions it had taken on several South African banks were a result of higher impairment charges and weakening asset quality indicators caused by the economic downturn, which it expected to continue to adversely affect banks' overall performance and financial position.

Momentum Group Limited

Momentum's credit ratings reflect its well established and strong business position in South Africa in its chosen target market, the strength and diversity of its distribution network, and its strong affiliation with FRB.

Credit ratings assigned by Fitch Ratings

	Momentum Group Limited
National insurer financial strength IFS rating	AA+(zaf)
Outlook	Negative
National long term rating	AA(zaf)
Outlook	Negative

Summary of rating actions:

- On 31 March 2009, Fitch affirmed Momentum's national Insurer Financial Strength ("IFS") and national long term ratings at AA+(zaf) and AA(zaf) respectively. The credit rating of Momentum's subordinated debt was also affirmed at AA-(zaf). The outlooks for the IFS and national long term ratings were, however, revised to negative from stable (consistent with the change in outlooks of Momentum's peers that are also rated by the agency). The agency cited concern over potential deterioration in Momentum's capitalisation and further weakening in earnings due to volatility in equity markets and challenging consumer conditions for the rating action.

CREDIT PORTFOLIO MANAGEMENT

INTRODUCTION

The credit strategy of the Banking Group is managed as part of the broader balance sheet management process which includes capital management, funding and liquidity management as well as asset and liability management. The balance sheet management strategy is aligned with the Banking Group's view of the macro trends in the wider economy and banking sector.

The Banking Group continues to lend across all sectors and products, but with a specific focus of mitigating risks emanating from the current macro environment. We have carefully tightened our credit criteria over the past year in response to higher short term risk, and in the current climate of lower credit demand and lower application quality this has resulted in lower lending volumes.

The main areas of focus have been home loans and corporates with careful assessment of customer affordability as well as company cash flows stress testing.

The section below provides detail on the advances, non performing loans, credit impairments and coverage ratios for the retail and corporate segments followed by detailed supplementary information.

Credit highlights at a glance

The table below summarises the key information on advances, non performing loans and impairments in the credit portfolio for the year under review:

		Year ended 30 June		
R million	Note	**2009**	2008	% change
Total advances	1	**429 815**	456 539	(6)
Non performing loans (NPLs)	2	**24 227**	13 104	85
NPLs as % of advances (%)		**5.64**	2.87	96
Impairment charge[a]	3	**8 024**	5 458	47
Impairment charge as % of average advances (%)[a]		**1.81**	1.28	41
Total impairments[b]	4	**10 984**	8 522	29
– Portfolio impairments[b]		**3 500**	3 409	3
– Specific impairments[b]		**7 484**	5 113	46
Implied loss given default (coverage)[c]	4	**30.9**	39.0	(21)
Total impairments coverage ratio[d]		**45.3**	65.0	(30)

a Impairment charge before credit insurance. The 2008 charge after credit insurance was R5 064million (1.19% of average advances).
b Includes cumulative credit fair value adjustments.
c Specific impairments and non performing book cumulative credit fair value adjustments as % of the NPLs.
d Total impairments and total cumulative credit fair value adjustments as % of the NPLs.

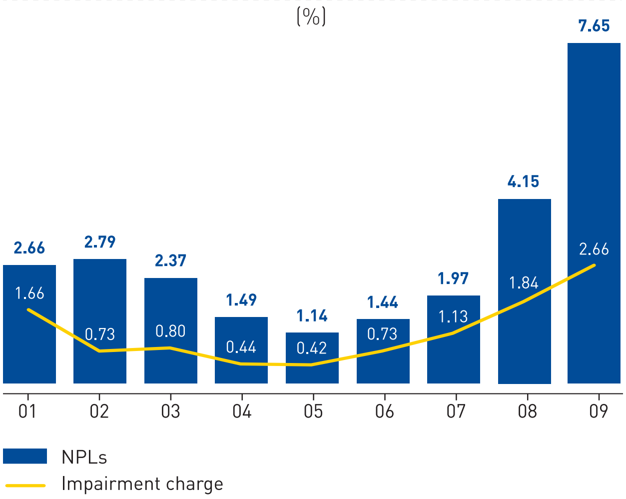
The notes referred to in the table above, are detailed on the pages to follow.

Retail credit portfolios

The retail environment remained challenging during the year under review. At the financial year end, the interest rate reductions did not yet result in meaningful decreases on arrears and non performing loan levels. The impact is expected to materialise in the next financial year. The increase in non performing loans are mostly relating to residential mortgages which represents 57% of total non performing loans.

The graph below shows the impairment charge and non performing loans history for the retail portfolios:

Retail

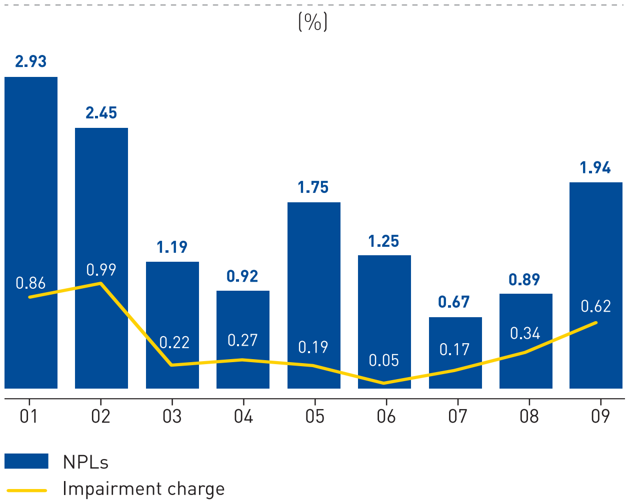


Corporate/Wholesale credit portfolios

The Corporate/Wholesale environment remained resilient except for stress in some commercial portfolios, notably small businesses which are highly correlated with the retail market. The wholesale impairment charge also includes R219 million relating to the Dealstream default. Recent increases in the non performing loans and impairment charge mostly relate to the FNB Commercial portfolio.

The graph below shows the impairment charge and non performing loans history for the Corporate/Wholesale (including commercial) portfolios:

Corporate



Expectations

The Banking Group's current credit strategy remains aligned to the macro economic view of lower economic growth and lower interest rates in the short term. The view is that the current industry trend of moderation in both the demand and supply of credit relative to recent years is expected to continue in the short term, in line with the reduced economic activity, but will start to pick up towards the second half of the new financial year.

There are a number of areas in the market which currently offer an appropriate risk return. For this reason, the Banking Group has selectively targeted areas for more active lending.

The interest rate reductions in recent months is expected to provide support for consumer cash flows, and it is expected that this will contribute to an improvement in retail credit impairments in the second half of the next financial year. These improvements could be slowed somewhat by the impact of debt counselling, further job losses and the time that it will take to repair the consumer's balance sheets. The SME market remains vulnerable in the short term due to the GDP levels and the risk of large corporate defaults remains at higher levels. The Banking Group however continues to lend across all products and segments in these areas, but with appropriate risk and concentration mitigations.

NOTE 1. ANALYSIS OF ADVANCES

The table below provides the advances of each segment in the Banking Group:

R million	Year ended 30 June 2009	2008	% change
Retail	**275 886**	278 545	(1)
Residential mortgages	**147 959**	144 476	2
Credit card	**11 726**	12 516	(6)
Vehicle and asset finance	**88 536**	95 881	(8)
Other retail	**27 665**	25 672	8
Corporate/Wholesale	**148 578**	170 124	(13)
FNB Corporate	**8 727**	15 424	(43)
FNB Commercial	**26 862**	24 109	11
Investment Banking	**112 989**	130 591	(13)
Group and other	**5 351**	7 870	(32)
Total	**429 815**	456 539	(6)
Of which:			
Accrual book	**330 902**	353 982	(7)
Fair value book	**98 913**	102 557	(4)

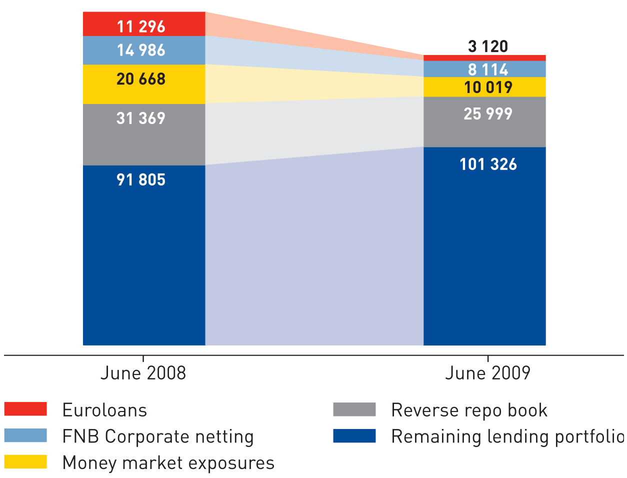
Advances decreased 6% during the year under review. The decrease in advances is due to lower supply and demand for credit as a result of reduced corporate activity, a reduction in property and vehicle financing activity, and general lower quality of customer applications.

In addition to the above factors that impacted the entire industry, the Banking Group embarked on specific balance sheet de-risking actions. These actions are described in the section and graph below:

- The foreign currency loans to international activities of corporations (Euroloans) granted from the Dublin balance sheet was not renewed when they were repaid (R8.1 billion reduction in advances);
- The reduction of the reverse repo book in response to lower market liquidity resulted in a further R5.4 billion reduction in advances;
- A reduction of money market exposures to corporate counterparties (R10.6 billion); and
- The application of the netting agreements mentioned above (amounting to R6.9 billion in FNB Corporate), further contributed to the decrease in advances.

Corporate/Wholesale balance sheet de-risking

(R million)



The Banking Group is looking to selectively target areas for more active lending where the appropriate risk return is represented. This includes the following:

- an assessment and careful identification of inherently more defensive industries in the large corporate arena where the Banking Group can lend more actively; and
- a combination of measures in FNB HomeLoans. This includes the refocusing of business origination to lower risk customers, improved granular pricing and adjustment to the loan-to-value criteria based on customer specific circumstances. FNB HomeLoans will also target more origination through the branches to obtain better customers. The re-contracting of arrangements with mortgage originators will also ensure a better alignment of interest with these parties.

The table below provides a sectoral and geographical analysis of advances. The market environment and balance sheet de-risking described above resulted in a reduction in the advances in most sectors but especially in the banks and financial services sector. From a geographical point of view, the balance sheet de-risking impacted the South African, UK, Ireland and European balance sheet.

	Year ended 30 June		
R million	**2009**	2008	% change
Gross advances	**431 711**	457 714	(6)
Less: Interest in suspense ("ISP")	**(1 896)**	(1 175)	61
Advances net of ISP	**429 815**	456 539	(6)
Advances – Sector analysis			
Agriculture	**11 877**	8 983	32
Banks and financial services	**42 535**	64 287	(34)
Building and property development	**18 425**	15 105	22
Government, LandBank & Public Authorities	**20 825**	20 500	2
Individuals	**248 806**	251 006	(1)
Manufacturing and commerce	**35 917**	46 702	(23)
Mining	**9 457**	12 827	(26)
Transport and communication	**13 096**	11 056	18
Other services	**28 877**	26 073	11
Total advances	**429 815**	456 539	(6)
Advances – Geographic analysis			
South Africa	**393 803**	411 890	(4)
Other Africa	**20 965**	18 847	11
UK	**10 381**	14 594	(29)
Ireland	**381**	1 764	(78)
Europe	**2 204**	5 701	(61)
North America	**320**	454	(30)
South America	**445**	1 512	(71)
Australasia	**1 158**	1 419	(18)
Other	**158**	358	(56)
Total advances	**429 815**	456 539	(6)

NOTE 2. ANALYSIS OF NON PERFORMING LOANS

The year under review remained challenging. The interest rate reductions did not result in meaningful decreases of retail arrears and non performing loan levels. Non performing loans as a percentage of advances increased from 2.9% at June 2008 to 5.6% at June 2009.

Non performing loans (as a percentage of advances)

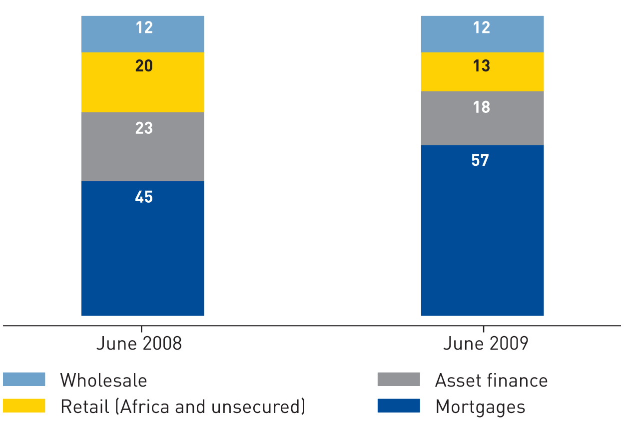
	Year ended 30 June			Year ended 30 June	
	Non performing loans			NPLs as a percentage of advances	
R million	**2009**	2008	% change	**2009**	2008
Retail	**21 092**	11 548	83	**7.65**	4.15
Residential mortgages	**13 625**	5 933	>100	**9.21**	4.11
Credit card	**1 444**	1 482	(3)	**12.31**	11.84
Vehicle and asset finance	**4 355**	3 033	44	**4.92**	3.16
Other retail	**1 668**	1 100	52	**6.03**	4.28
Corporate/Wholesale	**2 884**	1 509	91	**1.94**	0.89
FNB Corporate	**84**	140	(40)	**0.96**	0.91
FNB Commercial	**1 623**	512	>100	**6.04**	2.12
Investment Banking	**1 177**	857	37	**1.04**	0.66
Group and other	**251**	47	>100	**4.69**	0.60
Total	**24 227**	13 104	85	**5.64**	2.87
Of which:					
Accrual book	**23 398**	12 686	84	**7.07**	3.58
Fair value book	**829**	418	98	**0.84**	0.41

The high level of NPLs and credit impairments are largely due to the Retail credit portfolios, however, increases in default levels in FNB Commercial's small business portfolios have been noted. The Investment Banking impairments are largely due to the Australian property portfolio and the Dealstream default in RMB.

The graph below provides the NPL distribution across the products showing an increase in the secured (especially residential mortgages) portfolios:

NPL distribution

(%)



The table below provides a sectoral and geographical analysis of non performing loans. Mortgages constitute the majority of the non performing loans. The non performing loans in Australasia relate to mezzanine property finance exposures and those in South America to commodity finance/trade finance transactions which were impacted by market dislocations.

Non performing loans

	NPL		NPL as a % of advances	
	Year ended 30 June		Year ended 30 June	
R million	**2009**	2008	**2009**	2008
Sector analysis				
Agriculture	**413**	104	**3.48**	1.16
Banks and financial services	**406**	60	**0.95**	0.09
Building and property development	**1 034**	451	**5.61**	2.99
Government, LandBank & Public Authorities	**75**	278	**0.36**	1.36
Individuals	**19 178**	10 834	**7.71**	4.32
Manufacturing and commerce	**1 063**	549	**2.96**	1.18
Mining	**133**	30	**1.41**	0.23
Transport and communication	**243**	156	**1.86**	1.41
Other services	**1 682**	642	**5.82**	2.46
Total non performing loans	**24 227**	13 104	**5.64**	2.87
Geographic analysis				
South Africa	**22 934**	12 187	**5.82**	2.96
Other Africa	**513**	423	**2.45**	2.24
UK	**37**	52	**0.36**	0.36
Europe	**100**	78	**4.54**	1.37
South America	**300**	–	**67.42**	–
Australasia	**343**	364	**29.65**	25.79
Total non performing loans	**24 227**	13 104	**5.64**	2.87

Security and recoverable amounts

	Year ended 30 June							
	2009				2008			
R million	**NPL**	**Security and re-coverable amounts**	**Residual risk**	**Specific impair-ments[1]**	NPL	Security and re-coverable amounts	Residual risk	Specific impair-ments[1]
Retail	**21 092**	**14 893**	**6 199**	**6 199**	11 548	7 362	4 186	4 186
Residential mortgages	**13 625**	**11 074**	**2 551**	**2 551**	5 933	4 753	1 180	1 180
Credit card	**1 444**	**403**	**1 041**	**1 041**	1 482	422	1 060	1 060
Vehicle and asset finance	**4 355**	**2 965**	**1 390**	**1 390**	3 033	1 856	1 177	1 177
Other retail	**1 668**	**451**	**1 217**	**1 217**	1 100	331	769	769
Corporate/Wholesale	**2 884**	**1 801**	**1 083**	**1 083**	1 509	732	777	777
FNB Corporate	**84**	**15**	**69**	**69**	140	19	121	121
FNB Commercial	**1 623**	**1 095**	**528**	**528**	512	221	291	291
Investment Banking	**1 177**	**691**	**486**	**486**	857	492	365	365
Group and other	**251**	**49**	**202**	**202**	47	(103)	150	150
Total	**24 227**	**16 743**	**7 484**	**7 484**	13 104	7 991	5 113	5 113

1 *Includes cumulative credit fair value adjustments.*

NOTE 3. ANALYSIS OF INCOME STATEMENT CREDIT IMPAIRMENTS

The credit impairments increased from 1.28% in June 2008 to 1.81% in June 2009. The table below provides an analysis of the impairment charges in the income statement:

Income statement impairments

	Year ended 30 June				
	Impairment charge			Impairment charge as a % of average advances	
R million	**2009**	2008	% change	**2009**	2008
Retail	**7 386**	4 865	52	**2.66**	1.84
Residential mortgages	**2 380**	1 122	>100	**1.63**	0.84
Credit card	**1 355**	1 084	25	**11.18**	8.87
Vehicle and asset finance	**2 222**	1 643	35	**2.41**	1.73
Other retail	**1 429**	1 016	41	**5.36**	4.17
Corporate/Wholesale	**982**	513	91	**0.62**	0.34
FNB Corporate	**70**	91	(23)	**0.58**	0.64
FNB Commercial	**389**	201	94	**1.53**	0.91
Investment Banking	**523**	221	>100	**0.43**	0.19
Group and other	**(344)**	80	(>100)	**(5.20)**	0.81
Total[1]	**8 024**	5 458	47	**1.81**	1.28
Of which:					
Portfolio impairment charge	**(4)**	794	(>100)	**–**	0.19
Specific impairment charge	**8 028**	4 664	72	**1.81**	1.09

1 *The 30 June 2008 impairment charges are shown gross of credit insurance. The impairment charge after recognition of credit insurance was R5 064 million (1.19% of average advances). The insurance benefit was previously recognised in the Group and other category.*

As noted during the interim results (31 December 2008), the reduction in portfolio impairments were primarily due to the release of some of the NCA and interest overlay portfolio impairments. The recognition of these NCA related impacts has now been incorporated into the underlying impairments of non performing loans under the NCA process. This impacted the Group and other category above.

NOTE 4. ANALYSIS OF BALANCE SHEET IMPAIRMENTS AND COVERAGE RATIOS

The table below provides the balance sheet impairments and coverage ratios:

Implied LGD and total impairment coverage ratios

	Year ended 30 June			Year ended 30 June	
	Balance sheet impairments			As a percentage of NPL	
R million	**2009**	2008	% change	**2009**	2008
Specific impairments[1]					
Retail	**6 199**	4 186	48	**29.39**	36.25
Residential mortgages	**2 551**	1 180	>100	**18.72**	19.89
Credit card	**1 041**	1 060	(2)	**72.09**	71.52
Vehicle and asset finance	**1 390**	1 177	18	**31.92**	38.81
Other retail	**1 217**	769	58	**72.96**	69.91
Corporate/Wholesale	**1 083**	777	39	**37.55**	51.49
FNB Corporate	**69**	121	(43)	**82.14**	86.43
FNB Commercial	**528**	291	81	**32.53**	56.84
Investment Banking	**486**	365	33	**41.29**	42.59
Group and other	**202**	150	35	**80.48**	319.15
Total specific impairments/implied loss given default[1]	**7 484**	5 113	46	**30.89**	39.02
Portfolio impairments[2]	**3 500**	3 409	3		
Total impairments/total impairment coverage ratio	**10 984**	8 522	29	**45.34**	65.03

1 Non performing loan specific impairments and cumulative credit fair value adjustments as a % of NPLs.
2 Portfolio impairments and credit fair value adjustments on the performing book.

The Banking Group regularly reviews the coverage ratios to ascertain market conditions as well as recent and expected recoveries on non performing loans. The Group believes the NPL coverage ratio of 30.9% (June 2008: 39.0%) to be adequate, the reduction largely caused by the higher proportion of secured non performing loans in the overall NPL composition. (Refer note 2 above.)

Reconciliation of impairment charges

Balance sheet impairments

R million	Year ended 30 June 2009 Total	Retail	Corporate	Group & other	Year ended 30 June 2008 Total	Retail	Corporate	Group & other
Specific impairment – Opening balance	4 918	4 186	582	150	2 749	2 165	449	135
Reclassifications and transfers	27	89	22	(84)	129	129	–	–
Acquisitions	–	–	–	–	49	48	–	1
Exchange rate difference	(45)	(26)	(19)	–	45	21	24	–
Unwinding of discounted present value on non performing loans	(413)	(388)	(32)	7	(209)	(111)	(36)	(62)
Bad debts written off	(5 839)	(5 112)	(634)	(93)	(2 864)	(2 706)	(191)	33
Net new impairments created	8 558	7 450	886	222	5 019	4 640	336	43
Specific impairments – Closing balance	7 206	6 199	805	202	4 918	4 186	582	150
Portfolio impairments	2 385	1 935	546	(96)	2 465	1 673	451	341
Total impairments	9 591	8 134	1 351	106	7 383	5 859	1 033	491

Income statement impairment charge

R million	Year ended 30 June 2009 Total	Retail	Corporate	Group & other	Year ended 30 June 2008 Total	Retail	Corporate	Group & other
Net new impairments created	8 558	7 450	886	222	5 019	4 640	336	43
Recoveries of bad debts	(530)	(350)	(24)	(156)	(749)	(376)	40	(413)
Specific impairment net of recoveries	8 028	7 100	862	66	4 270	4 264	376	(370)
Portfolio impairment charge	(4)	286	120	(410)	794	601	137	56
Impairment charge after insurance benefit	8 024	7 386	982	(344)	5 064	4 865	513	(314)
Credit insurance benefit	–	–	–	–	394	–	–	394
Income statement charge before insurance benefit	8 024	7 386	982	(344)	5 458	4 865	513	80

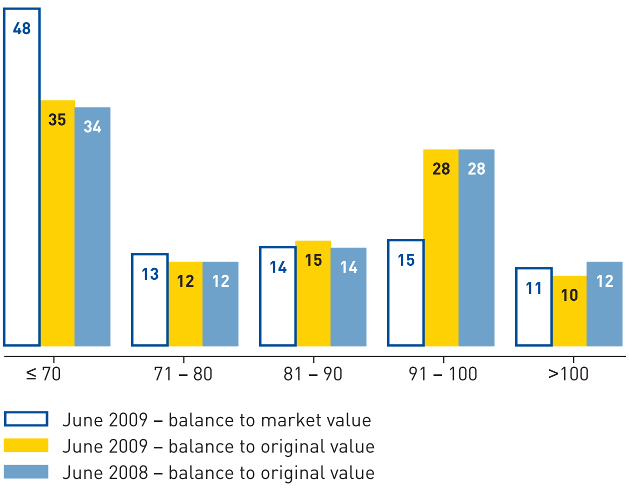
RISK ANALYSIS

This section provides further information on selected risk analysis that impacts the credit portfolios.

The graphs below provide the balance to value distribution for the residential mortgages over time as well as the ageing of the residential mortgages portfolios. The recent focus on the loan-to-value ratios for new business has resulted in a slight improvement in the balance to original value. The balance to market value shows a significant proportion of the book in the lower risk category of below 70%.

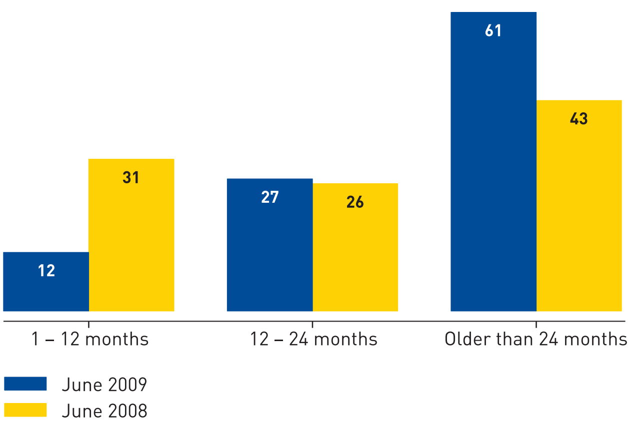
Residential mortgages balance to value – original value and market value

(%)



Residential mortgages age distribution

(%)

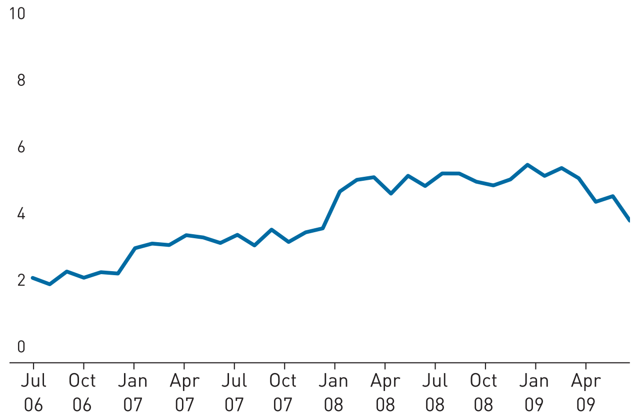


The improvement in the residential mortgages age distribution is a direct result of the reduction in new loans written during the financial 2009 year due to the credit and pricing policies followed.

The following graph provides 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

(%)

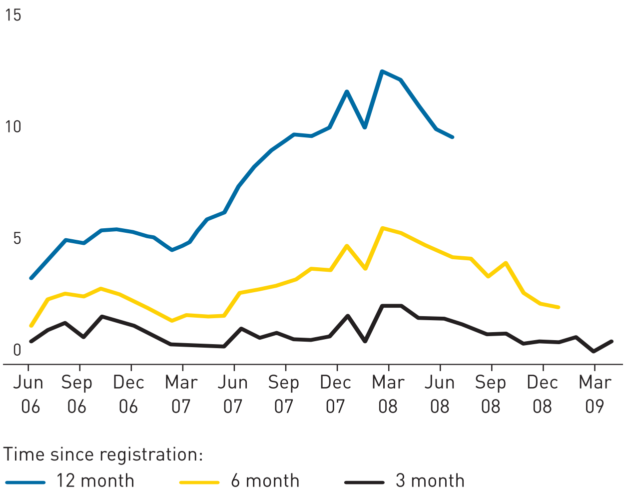


FNB HomeLoans arrears are showing a decreasing trend in the recent months. Similar trends are also observed in the WesBank and Credit Card portfolios.

The following graphs provide the vintage analysis for FNB HomeLoans and WesBank Retail respectively. Vintage graphs provide the default experience three, six and 12 months after each origination date. It indicates the impact of credit tightening and the market environment.

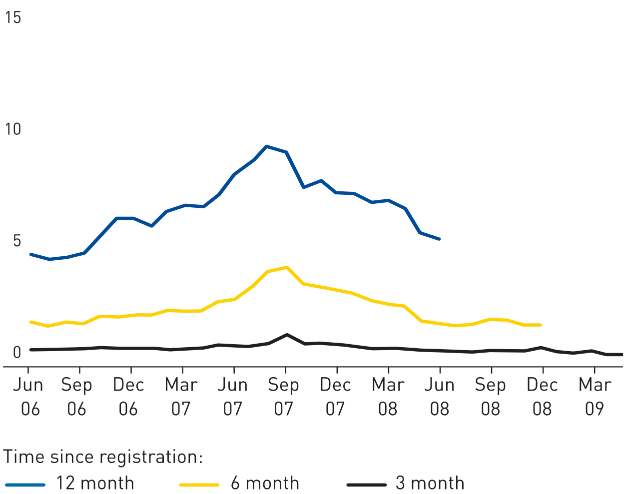
For FNB HomeLoans, the three, six and 12 month cumulative vintage analysis shows a marked improvement in the quality of business written since mid 2008 notwithstanding further deterioration in the market. The more recent decreases in the default experience are a combination of the credit tightening and the market conditions.

FNB HomeLoans vintage analysis
(%)



The WesBank Retail six and twelve month cumulative vintage analysis continues to show a marked improvement in the quality of business written since mid 2007 as well as reflecting the lower interest rate environment experienced lately.

WesBank Retail vintage analysis
(%)



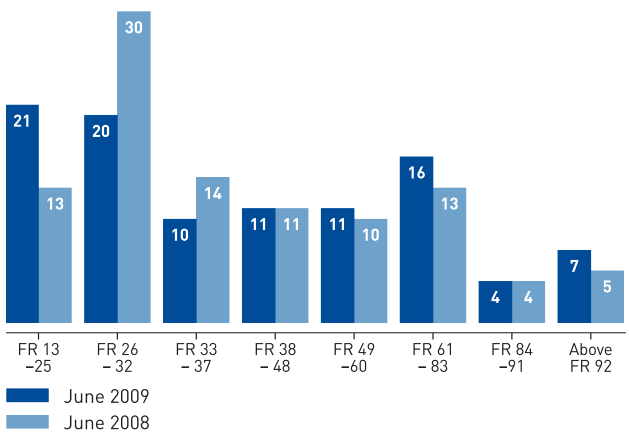
In the asset finance business, repossession and stock holding levels have come off their peaks of 12 months ago. The reducing trend (although gradual) is likely to continue into the future if the economic environment eases.

As a result of the ongoing pressure on collateral values (especially mortgages), as well as to prevent undue pressure on the resales market, the Banking Group applies a multi-strategy approach in terms of mortgage recoveries. This includes the application of special arrangements to customers for a 12 month period to allow them to restructure their finances, a quick sell process to assist in the selling of houses in order to support customer de-gearing, and also a process to relook at the properties in possession strategy relative to other strategies.

The Group's South African repossessed properties amounted to R178 million at 30 June 2009 (R40 million at 30 June 2008) being 670 properties (214 at 30 June 2008).

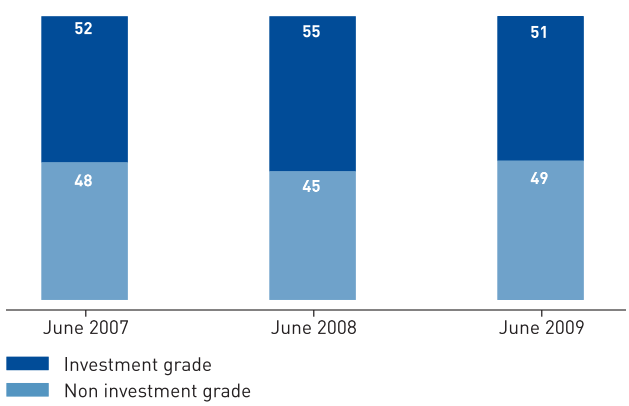
The graph below provides the rating distribution of the retail advances portfolio:

Retail advances
(%)



The graph below provides the Corporate and Investment Banking portfolio investment grade as a percentage of total exposure*:

Corporate exposure –
investment grade and non investment grade
(%)



**The above graph provides the data of the Corporate and Investment Banking exposures on an exposure at default basis for FirstRand Bank.*

SUPPLEMENTARY INFORMATION

Reconciliation of advances

The sector analysis and geographical analysis of advances provided in note 1 above provides the information net of interest in suspense. The table below provides the same data gross of interest in suspense, which was the disclosure practice used in prior periods:

Gross advances – Sector and geographic analysis

	Year ended 30 June		
R million	2009	2008	% change
Advances – Sector analysis			
Agriculture	11 904	9 000	32
Banks and financial services	42 549	64 292	(34)
Building and property development	18 539	15 246	22
Government, LandBank & Public Authorities	20 828	20 503	2
Individuals	250 335	251 867	(1)
Manufacturing and commerce	36 007	46 799	(23)
Mining	9 459	12 829	(26)
Transport and communication	13 107	11 061	18
Other services	28 983	26 117	11
Total gross advances	431 711	457 714	(6)
Advances – Geographic analysis			
South Africa	395 540	412 855	(4)
Other Africa	21 074	18 937	11
UK	10 381	14 594	(29)
Ireland	381	1 764	(78)
Europe	2 204	5 701	(61)
North America	320	454	(30)
South America	445	1 512	(71)
Australasia	1 208	1 539	(22)
Other	158	358	(56)
Total gross advances	431 711	457 714	(6)

Advances - product analysis

Advances per product – Advances net of interest in suspense

R million	Year ended 30 June 2009 Total	Retail	Corporate	Group & other	Year ended 30 June 2008 Total	Retail	Corporate	Group & other
Overdrafts and managed accounts	36 093	5 390	27 576	3 127	49 627	4 802	39 245	5 580
Loans to banks and other financial institutions	4 317	–	4 317	–	13 130	–	12 155	975
Card loans	12 901	12 856	45	–	13 970	13 832	138	–
Instalment sales	62 411	62 504	–	(93)	65 006	65 136	–	(130)
Lease payments receivable	21 958	21 958	–	–	24 522	24 522	–	–
Property finance	165 598	155 038	10 955	(395)	160 726	150 905	10 357	(536)
Personal loans	10 466	10 466	–	–	15 864	9 952	5 912	–
Term loans	8 703	472	8 347	(116)	2 827	414	2 413	–
Preference share agreements	22 276	90	20 905	1 281	18 172	166	16 723	1 283
Investment banking corporate and structured products	47 314	–	47 314	–	40 449	–	40 449	–
Repayable in foreign currency	3 312	192	3 120	–	11 703	398	11 296	9
Other advances	8 467	6 920	–	1 547	9 174	8 418	67	689
Assets under agreement to resell	25 999	–	25 999	–	31 369	–	31 369	–
Total	**429 815**	**275 886**	**148 578**	**5 351**	456 539	278 545	170 124	7 870

Advances per product – Advances gross of interest in suspense

	Year ended 30 June 2009				Year ended 30 June 2008			
R million	**Total**	**Retail**	**Corporate**	**Group & other**	Total	Retail	Corporate	Group & other
Overdrafts and managed accounts	**36 292**	**5 496**	**27 669**	**3 127**	49 758	4 869	39 309	5 580
Loans to banks and other financial institutions	**4 317**	**–**	**4 317**	**–**	13 130	–	12 155	975
Card loans	**12 961**	**12 916**	**45**	**–**	14 124	13 986	138	–
Instalment sales	**62 600**	**62 693**	**–**	**(93)**	65 122	65 252	–	(130)
Lease payments receivable	**22 030**	**22 030**	**–**	**–**	24 576	24 576	–	–
Property finance	**166 763**	**156 072**	**11 075**	**(384)**	161 349	151 389	10 496	(536)
Personal loans	**10 622**	**10 622**	**–**	**–**	15 946	10 008	5 938	–
Term loans	**8 752**	**472**	**8 396**	**(116)**	2 827	414	2 413	–
Preference share agreements	**22 276**	**90**	**20 905**	**1 281**	18 171	165	16 723	1 283
Investment banking corporate and structured products	**47 315**	**–**	**47 315**	**–**	40 457	–	40 457	–
Repayable in foreign currency	**3 312**	**192**	**3 120**	**–**	11 703	398	11 296	9
Other advances	**8 472**	**6 926**	**–**	**1 546**	9 181	8 426	66	689
Assets under agreement to resell	**25 999**	**–**	**25 999**	**–**	31 370	–	31 370	–
Gross advances	**431 711**	**277 509**	**148 841**	**5 361**	457 714	279 483	170 361	7 870
***Less:* Interest in suspense**	**1 896**	**1 623**	**263**	**10**	1 175	938	237	–
Advances net of ISP	**429 815**	**275 886**	**148 578**	**5 351**	456 539	278 545	170 124	7 870

Segmental advances, NPL and impairment analysis

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

	For the year ended June 2009			
R million	Advances	Non performing loans	NPL as a % of advances	Total impairment charge
FNB	204 370	17 769	8.69	4 920
FNB Retail	166 093	16 062	9.67	4 545
Residential mortgages	147 959	13 625	9.21	2 380
– FNB HomeLoans (Consumer segment)	110 428	11 278	10.21	2 287
– Wealth	32 968	2 130	6.46	77
– Affordable Housing (Mass segment)	4 563	217	4.76	16
Credit card	11 726	1 444	12.31	1 355
Personal banking	3 476	445	12.80	424
Mass (Secured and unsecured)	2 932	548	18.69	386
FNB Commercial	26 862	1 623	6.04	389
FNB Corporate Banking	8 727	84	0.96	70
FNB Other	2 688	–	–	(84)
WesBank	92 274	4 600	4.99	2 745
WesBank asset backed finance	88 536	4 355	4.92	2 222
– WesBank Retail	51 601	2 906	5.63	1 539
– WesBank Business and Corporate	32 690	1 273	3.89	505
– WesBank International	4 245	176	4.15	178
WesBank loans	3 738	245	6.55	523
RMB	112 989	1 177	1.04	523
FNB Africa	17 519	430	2.45	96
Group Support	2 663	251	9.43	(260)
Total	429 815	24 227	5.64	8 024

Impairments as % of average advances	For the year ended June 2008 Advances	Non performing loans	NPL as a % of advances	Total impairment charge	Impairments as % of average advances
2.39	207 658	8 630	4.16	3 004	1.55
2.76	162 841	7 978	4.90	2 688	1.78
1.63	144 476	5 933	4.11	1 122	0.84
2.05	113 092	5 185	4.58	1 014	0.96
0.25	27 528	601	2.18	88	0.36
0.38	3 856	147	3.81	20	0.68
11.18	12 516	1 482	11.84	1 084	8.87
12.01	3 582	271	7.57	312	8.58
14.85	2 267	292	12.88	170	8.30
1.53	24 109	512	2.12	201	0.91
0.58	15 424	140	0.91	91	0.64
(2.11)	5 284	–	–	24	0.36
2.86	99 949	3 181	3.18	2 072	2.09
2.41	95 881	3 033	3.16	1 643	1.73
2.77	59 654	2 246	3.77	1 342	2.24
1.57	31 573	735	2.33	175	0.59
4.00	4 654	52	1.12	126	2.28
13.40	4 068	148	3.64	429	10.57
0.43	130 591	857	0.66	221	0.19
0.58	15 755	389	2.47	105	0.72
(9.91)	2 586	47	1.82	56	1.75
1.81	456 539	13 104	2.87	5 458	1.28

NOTES

FirstRand Banking Group

SECURITISATIONS AND CONDUITS

SECURITISATIONS AND CONDUITS

FirstRand Banking Group uses securitisation transactions as a tool to achieve a combination of some or all of the following results:

- enhanced liquidity position through the diversification of funding sources;
- matching of cash flow profile of assets and liabilities;
- reduction of balance sheet credit risk;
- reduction of capital requirements; and
- management of credit concentration risk.

From an accounting perspective, traditional securitisations are treated as sales transactions. At inception, the assets are sold by FirstRand Bank to the special purpose vehicle at carrying value and no gains or losses are recognised. The securitisation entities are consolidated into FirstRand Bank Holdings Limited. For the synthetic securitisations, the credit derivative is recognised at fair value, with any fair value adjustments reported in profit or loss.

1. Traditional and synthetic securitisations

All the assets in the securitisations discussed below were originated by FirstRand Bank. The table below shows the traditional and synthetic securitisations currently in place:

Transaction	Asset type	Year initiated	Expected close	Rating agency	Assets securitised	Assets outstanding		Notes outstanding		Retained exposure	
R million						**2009**	2008	**2009**	2008	**2009**	2008
Traditional securitisations					16 784	**6 206**	9 447	**7 261**	10 851	**351**	374
Nitro 1	Retail: Auto loans	2006	2009	Moody's	2 000	**181**	534	**245**	712	**5**	15
Nitro 2	Retail: Auto loans	2006	2010	Moody's	5 000	**847**	1 897	**1 216**	2 484	**24**	49
Nitro 3	Retail: Auto loans	2007	2011	Moody's and Fitch	5 000	**1 688**	3 088	**2 095**	3 566	**73**	125
Ikhaya 1	Retail mortgages	2007	2011	Fitch	1 900	**1 439**	1 608	**1 592**	1 749	**93**	52
Ikhaya 2	Retail mortgages	2007	2012	Fitch	2 884	**2 051**	2 320	**2 113**	2 340	**156**	133
Synthetic securitisations					22 000	**22 000**	22 000	**22 000**	22 000	**19 182**	19 274
Procul	Retail: Auto loans	2002	2010	Fitch	2 000	**2 000**	2 000	**2 000**	2 000	**1 009**	1 015
Fresco II	Corporate receivables	2007	2013	Fitch	20 000	**20 000**	20 000	**20 000**	20 000	**18 173**	18 259
Total					**38 784**	**28 206**	**31 447**	**29 261**	**32 851**	**19 533**	**19 648**

The table below shows the rating distribution of the retained exposures:

R million	AAA(zaf)	AA(zaf)	A+(zaf)	A(zaf)	BBB-(zaf)	BB+(zaf)	BB(zaf)	Not rated	**Total**
Traditional									
2009	56	1	–	–	–	–	–	294	**351**
2008	55	1	–	–	–	–	–	318	**374**
Synthetic									
2009	18 083	189	52	4	–	29	2	823	**19 182**
2008	18 060	186	52	4	29	50	67	826	**19 274**

It should be noted that while national scale ratings have been used in the above information, global scale equivalent ratings are used for internal risk management purposes.

In each of the securitisations mentioned above, the Bank played the role of originator, investor, servicer and swap counterparty. All the transactions continue to perform in line with expectations.

2. Conduit Programs and Fixed Income Funds

FirstRand Bank's conduit programs are debt capital market vehicles which provide investment grade corporate South Africa with an alternative funding source to traditional bank funding. They also provide institutional investors with highly rated short term alternative investments. All the assets originated for the conduit programs are subject to the rigours of the credit criteria and approval process that applies to any other corporate on balance sheet exposure.

The fixed income fund is a call loan bond fund which offers overnight borrowers and lenders an alternative to the traditional overnight bank products on a matched basis.

The table below shows the programs currently in place:

Transaction	Underlying assets	Year initiated	Rating agency	Program size	Non recourse investments		Credit enhancement provided	
R million					**2009**	2008	**2009**	2008
Conduits								
iNdwa	Corporate and Structured Finance term loans	2003	Fitch	15 000	**7 287**	9 329	**–**	–
iVuzi	Corporate and Structured Finance term loans	2007	Fitch	15 000	**5 017**	4 362	**679**	680
Total				30 000	**12 304**	13 691	**679**	680
Fixed Income fund								
iNkotha	Overnight Corporate loans	2006	Fitch	10 000	**3 623**	4 327	**–**	–
Total				10 000	**3 623**	4 327	**–**	–

The table below show the rating distributions of the underlying assets in both the conduit programmes and the call loan bond fund:

R million	F1+(zaf)	AAA(zaf)	AA+(zaf)	AA(zaf)	AA-(zaf)	A+(zaf)	A(zaf)	A-(zaf)	Total
Conduits									
2009	–	1 552	341	2 076	4 640	2 259	1 020	416	12 304
2008	1 247	2 053	1 647	914	4 605	2 260	822	143	13 691
Fixed Income Fund									
2009	–	1 209	–	–	1 107	–	1 002	305	3 623
2008	–	1 015	–	–	1 561	681	767	303	4 327

All the above programs continue to perform in line with expectations.

3. Liquidity facilities[1]

The table below show the liquidity facilities issued by the Banking Group:

Transaction	Transaction type	Exposure 2009 (R million)	Exposure 2008 (R million)
Own transactions		**9 540**	13 682
iNdwa	Conduit	**5 653**	9 126
iVuzi	Conduit	**3 887**	4 556
Third party transactions	Securitisations	**2 160**	1 616
Total		**11 700**	15 298

1 *It is important to note that from an accounting perspective, upon consolidation, the underlying assets in the off balance sheet entities are reconsolidated back onto the Banking Group's balance sheet.*

All the liquidity facilities in the transactions above will rank senior in the priority of payments in the event of a drawdown. Economic capital is allocated to the liquidity facility extended to iNdwa and iVuzi as if the underlying assets are on balance sheet to reflect the risk that these assets may come on balance sheet in a stress scenario.

FIRSTRAND
Banking Group

APPENDIX 1

Abridged Financials for the year ended 30 June 2009

R million	Notes	2009	2008
Interest and similar income		**52 098**	49 018
Interest expenses and similar charges		**(34 464)**	(31 920)
Net interest income before impairment of advances	1	**17 634**	17 098
Impairment losses on loans and advances	Pg 74	**(8 024)**	(5 064)
Net interest income after impairment of advances		**9 610**	12 034
Non interest income	2	**19 760**	21 115
– net fees and commissions		**15 298**	13 722
– fair value income		**1 427**	2 842
– gains less losses from investment securities		**588**	2 765
– other non interest income		**2 447**	1 786
Income from operations		**29 370**	33 149
Operating expenses	3	**(22 659)**	(20 977)
Net income from operations		**6 711**	12 172
Share of profit from associates and joint ventures	4	**1 577**	1 690
Income before tax		**8 288**	13 862
Indirect tax		**(396)**	(548)
Profit before tax		**7 892**	13 314
Direct tax		**(1 300)**	(2 565)
Profit for the year		**6 592**	10 749
Attributable to:			
Minorities		**890**	1 205
Shareholders		**5 702**	9 544
Preference dividends paid		**309**	273
Ordinary shareholders		**5 393**	9 271

R million	Notes	2009	2008
ASSETS			
Cash and short term funds		25 756	27 895
Derivative financial instruments		60 229	49 104
– qualifying for hedge accounting		376	1 053
– held for trading		59 853	48 051
Advances	Pg 27	420 224	449 156
– loans and receivables		320 689	345 618
– held to maturity		163	308
– available-for-sale		459	673
– fair value through profit and loss		98 913	102 557
Investment securities and other investments		105 745	96 995
Financial securities held for trading		38 676	43 653
Investment securities		67 069	53 342
– held to maturity		616	235
– available-for-sale		32 461	18 893
– fair value through profit and loss		17 746	14 944
– fair value through profit and loss non recourse investments		16 246	19 270
Commodities		1 323	1 916
Accounts receivable		5 542	5 869
Investments in associates and joint ventures		7 339	6 514
Property and equipment		9 488	8 063
Deferred tax asset		1 063	631
Intangible assets and deferred acquisition costs		2 694	1 470
Policy loans on insurance contracts		23	19
Tax asset		842	809
Non current assets and disposal groups held for sale		450	3 092
Loans to Insurance Group		6 115	6 561
Total assets		646 833	658 094
EQUITY AND LIABILITIES			
Liabilities			
Deposits		489 746	496 074
– deposits and current accounts		473 500	476 804
– fair value through profit or loss non recourse deposits		16 246	19 270
Short trading positions		23 434	33 688
Derivative financial instruments		54 436	45 653
– qualifying for hedge accounting		838	521
– held for trading		53 598	45 132
Creditors and accruals		6 680	7 783
Provisions		2 680	3 023
Tax liability		243	205
Post retirement benefit fund liability		2 042	1 938
Deferred tax liability		2 407	3 532
Long term liabilities		7 976	9 512
Policyholder liabilities under insurance contracts		1 655	1 435
Policyholder liabilities under investment contracts		77	108
Liabilities directly associated with non current assets and disposal groups held for sale		253	–
Loans from Insurance Group		5 776	5 614
Total liabilities		597 405	608 565
Equity			
Capital and reserves attributable to equity holders			
Ordinary shares		106	106
Ordinary share premium		7 634	7 164
Reserves attributable to equity holders		36 371	36 616
Total ordinary shareholders' funds		44 111	43 886
Non cumulative non redeemable preference shares		3 100	3 100
Cumulative redeemable preference shares		2	25
Capital and reserves attributable to the Group's equity holders		47 213	47 011
Minority interest		2 215	2 518
Total equity	5	49 428	49 529
Total equity and liabilities		646 833	658 094

A detailed segment report is set out in note 6.

NOTE 1: NET INTEREST INCOME AND MARGIN ANALYSIS

1.1 Net interest income before impairment of advances

R million	Notes	2009	2008	% change
FNB		**10 359**	10 429	(1)
Mass		**1 241**	1 098	13
Consumer segment		**4 422**	4 513	(2)
– HomeLoans	1.2	**1 003**	1 274	(21)
– Card Issuing		**1 182**	1 129	5
– Other Consumer		**2 237**	2 110	6
Wealth segment		**721**	756	(5)
Commercial segment		**3 594**	3 586	–
Corporate segment		**528**	420	26
FNB Other		**(147)**	56	(>100)
RMB		**362**	389	(7)
WesBank		**3 717**	3 747	(1)
FNB Africa		**1 564**	1 324	18
Group Support[1]		**1 632**	1 209	35
Net interest income		**17 634**	17 098	3

1 *Including interest relating to fair value portfolios of R423 million.*

1.2 HomeLoans net interest income

R million	2009	2008	% change
HomeLoans gross interest income	**1 688**	1 617	4
HomeLoans interest in suspense	**(685)**	(343)	100
HomeLoans net interest income	**1 003**	1 274	(21)

1.3 Margin analysis

	2009		2008	
R million	Average balance	% margin	Average balance	% margin
Average prime rate [RSA]		**14.32**		14.20
Advances				
Property finance	**152 312**	**0.99**	138 199	1.52
Vehicle asset finance	**74 356**	**3.38**	72 511	3.62
Card	**12 679**	**7.37**	12 744	7.38
Overdrafts and short term loans[1]	**20 978**	**4.33**	19 338	4.26
Unsecured term loans[1]	**17 654**	**8.04**	17 914	7.31
Total advances	**277 979**	**2.62**	260 706	3.01
Deposit				
Current and savings	**84 815**	**5.37**	78 101	5.33
Call	**27 107**	**1.96**	25 757	1.90
Money market	**26 146**	**1.82**	19 612	1.69
Term	**40 266**	**0.99**	34 098	1.43
Total deposits	**178 334**	**3.34**	157 568	3.47
Africa				
Africa Advances	**16 385**	**3.29**	14 433	4.11
Africa Deposits[2]	**24 846**	**3.33**	20 856	2.53

Notes:
The advances margins are calculated using total net interest as a percentage of gross advances before impairments.
Average advances are daily average gross advances for the year ended 30 June.
Advances and Deposits of the Southern African divisions of FNB and WesBank are included in the analysis.
Balances in Cash Management accounts have been set off, even where legal right of setoff ("LROS") cannot be applied, as they earn no margin.

1 Balances in Overdrafts and short term loans have been reclassified as term loans since the prior year.
2 Africa Deposits invested in Bank of Botswana Certificates, previously excluded from this table, have been included.

NOTE 2: NON INTEREST INCOME

R million	Notes	2009	2008	% change
Fee and commission income	2.1	**15 298**	13 722	11
Fair value income	2.2	**1 427**	2 842	(50)
Investment income	2.3	**588**	2 765	(79)
Other income[1]		**2 447**	1 786	37
– Consolidated private equity income		**1 127**	270	>100
– Other		**1 320**	1 516	(13)
Total non interest income		**19 760**	21 115	(6)

1 Includes loss on sale of Worldmark of R203 million.

2.1 Fee and commission income

R million	2009	2008	% change
Bank commissions and fee income	**11 230**	10 123	11
Card commissions	**1 596**	1 401	14
Cash deposit fees	**1 360**	1 139	19
Commissions on bills, drafts and cheques	**669**	577	16
Bank charges	**7 605**	7 006	9
Knowledge based fees	**772**	846	(9)
Management fees	**731**	1 059	(31)
Insurance income	**1 334**	1 068	25
Other non bank commissions	**1 231**	626	97
Total fee and commission income[1]	**15 298**	13 722	11

1 *Included in fee and commission income is the following:*

R million	2009	2008	% change
Commitment fees	**193**	218	(11)
Acceptances, guarantees and indemnities	**190**	167	14

2.2 Fair value income

R million	2009	2008	% change
Annuity	**3 342**	3 527	(5)
Risk income	**(1 154)**	(742)	56
Other	**(761)**	57	(>100)
Total fair value income	**1 427**	2 842	(50)

2.3 Investment income

R million	2009	2008	% change
Investment activities			
Income from private equity activities	**1 487**	2 370	(37)
– Profit on realisation of private equity investments	**553**	1 054	(48)
– Profit on realisation of other investment banking assets	**–**	97	(100)
– Dividends received	**99**	21	>100
– Private equity associates	**835**	1 198	(30)
Income from operational investment activities	**742**	492	51
– WesBank associates	**151**	159	(5)
– FirstRand International associates	**6**	(269)	(>100)
– FirstRand Short Term Insurance	**440**	367	20
– Listed associates	**(38)**	77	(>100)
– Other operational associates	**183**	158	16
(Loss)/income from investments	**(64)**	1 593	(>100)
– Profit on disposal of available-for-sale assets	**2**	7	(71)
– Excess of acquirer's interest in the net fair value over cost	**–**	24	(100)
– VISA listing	**–**	1 052	(100)
– (Loss)/profit on assets held against employee liabilities	**(364)**	282	(>100)
– Other international investment portfolios	**(27)**	(19)	42
– Other investment income	**325**	247	32
Total investment income	**2 165**	4 455	(51)
Less: Income from associates	**(1 577)**	(1 690)	(7)
Total	**588**	2 765	(79)

NOTE 3: OPERATING EXPENSES

R million	2009	2008	% change
Staff expenditure	11 241	10 976	2
– Direct staff expenditure	9 889	9 078	9
– Other staff related expenditure	1 352	1 898	(29)
Depreciation	1 310	961	36
Amortisation of other intangible assets	124	125	(1)
Advertising and marketing	902	893	1
Insurance	420	302	39
Lease charges	1 050	866	21
Professional fees	952	840	13
HomeLoans third party origination costs	26	52	(50)
Audit fees	123	104	18
Computer expenses	846	846	–
Conveyance of cash	278	214	30
Maintenance	779	676	15
Telecommunications	540	512	5
eBucks customer rewards	213	232	(8)
Cooperation agreements and joint ventures	49	114	(57)
Other expenditure	3 806	3 264	17
Total	**22 659**	20 977	8

R million	2009	2008	% change
Operating expenses as above	22 659	20 977	8
New subsidiaries	(729)	(99)	>100
Restated operating expenses	**21 930**	20 878	5

NOTE 4: SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES

R million	2009	2008	% change
Private equity associates	**835**	1 198	(30)
– Private equity associates	**1 365**	1 198	14
– Less impairments	**(530)**	–	100
WesBank associates	**151**	159	(5)
– Toyota Financial Services	**81**	81	–
– Tracker Investment Holdings (Pty) Ltd	**95**	77	23
– Other	**(25)**	1	(>100)
FirstRand International associates and joint ventures	**6**	(269)	(>100)
FirstRand Short Term Insurance	**440**	367	20
Listed associates	**(38)**	77	(>100)
Other operational associates	**183**	158	16
– ERIS Property Group (Pty) Ltd	**37**	16	>100
– Morgan Stanley (Pty) Ltd	**78**	42	86
– Other	**68**	100	(32)
Total	**1 577**	1 690	(7)

NOTE 5: STATEMENT OF CHANGES IN EQUITY

R million	Share capital	Share premium	Share capital and share premium	General risk reserve	Cash flow hedge reserve	Share based payment reserve
Balance as at 30 June 2007	106	3 802	3 908	1 351	131	435
Issue of share capital	–	3 362	3 362	–	–	–
Currency translation differences	–	–	–	–	–	–
Movement in revaluation reserves	–	–	–	–	132	–
Movement in other reserves	–	–	–	–	–	–
Profit for the year	–	–	–	–	–	–
Ordinary dividends	–	–	–	–	–	–
Preference dividends	–	–	–	–	–	–
Transfer (to)/from reserves	–	–	–	(1 343)	–	–
Effective change of shareholding in subsidiary	–	–	–	–	–	–
Contribution from parent company	–	–	–	–	–	–
Reserves of associates	–	–	–	–	–	–
Reserve transferred from/(to) the income statement	–	–	–	–	346	32
Balance as at 30 June 2008	**106**	**7 164**	**7 270**	**8**	**609**	**467**
Issue of share capital	–	**470**	**470**	**–**	**–**	**–**
Redemption of preference shares	**–**	**–**	**–**	**–**	**–**	**–**
Currency translation differences	–	**–**	**–**	**–**	**–**	**–**
Movement in revaluation reserves	–	**–**	**–**	**–**	**(607)**	**–**
Movement in other reserves	–	**–**	**–**	**–**	**–**	**–**
Profit for the year	–	**–**	**–**	**–**	**–**	**–**
Ordinary dividends	–	**–**	**–**	**–**	**–**	**–**
Preference dividends	–	**–**	**–**	**–**	**–**	**–**
Transfer (to)/from reserves	–	**–**	**–**	**–**	**–**	**(62)**
Effective change of shareholding in subsidiary	–	**–**	**–**	**–**	**–**	**–**
Contribution from parent company	–	**–**	**–**	**–**	**–**	**–**
Reserves of associates	–	**–**	**–**	**–**	**–**	**–**
Reserve transferred (to)/from the income statement	–	**–**	**–**	**–**	**(287)**	**97**
Balance as at 30 June 2009	**106**	**7 634**	**7 740**	**8**	**(285)**	**502**

Available-for-sale reserve	Currency translation reserve	Other reserves	Retained income	Reserves attributable to ordinary equity holders	Non cumulative redeemable preference shares	Non cumulative non redeemable preference shares	Total preference shareholders' funds	Minority interest	Total equity
326	597	462	28 916	32 218	–	3 100	3 100	1 655	40 881
–	–	–	–	–	–	–	–	–	3 362
–	706	–	–	706	–	–	–	61	767
530	–	(15)	–	647	–	–	–	(60)	587
–	–	188	–	188	–	–	–	19	207
–	–	–	9 544	9 544	–	–	–	1 205	10 749
–	–	–	(6 429)	(6 429)	–	–	–	(638)	(7 067)
–	–	–	(273)	(273)	–	–	–	–	(273)
–	–	(64)	1407	–	–	–	–	–	–
–	–	–	–	–	25	–	25	271	296
–	–	–	–	–	–	–	–	4	4
–	–	21	–	21	–	–	–	1	22
(384)	–	–	–	(6)	–	–	–	–	(6)
472	1 303	592	33 165	36 616	25	3 100	3 125	2 518	49 529
–	–	–	–	–	2	–	2	13	485
–	–	–	–	–	(25)	–	(25)	–	(25)
–	(608)	–	–	(608)	–	–	–	(26)	(634)
(32)	–	1	–	(638)	–	–	–	25	(613)
–	–	(7)	–	(7)	–	–	–	(160)	(167)
–	–	–	5 702	5 702	–	–	–	890	6 592
–	–	–	(4 185)	(4 185)	–	–	–	(839)	(5 024)
–	–	–	(309)	(309)	–	–	–	–	(309)
–	–	61	1	–	–	–	–	–	–
–	–	(35)	–	(35)	–	–	–	(208)	(243)
–	–	–	–	–	–	–	–	–	–
–	–	72	–	72	–	–	–	1	73
(47)	–	–	–	(237)	–	–	–	1	(236)
393	695	684	34 374	36 371	2	3 100	3 102	2 215	49 428

NOTE 6: SEGMENT REPORT

Primary segments (business)

2009						FNB	
Segment Information		Consumer segment					
R million	Mass	Home-Loans	Card Issuing	Other consumer	**Consumer segment**	Wealth	Commercial
Net interest income before impairment of advances	1 241	1 003	1 182	2 237	**4 422**	721	3 594
Impairment of advances	(402)	(2 287)	(1 355)	(424)	**(4 066)**	(77)	(389)
Net interest income after impairment of advances	839	(1 284)	(173)	1 813	**356**	644	3 205
Non interest income	3 260	240	1 446	2 490	**4 176**	731	3 205
Net income from operations	4 099	(1 044)	1 273	4 303	**4 532**	1 375	6 410
Operating expenses	(2 852)	(723)	(1 374)	(2 656)	**(4 753)**	(1 065)	(3 669)
Income from operations	1 247	(1 767)	(101)	1 647	**(221)**	310	2 741
Share of income from associates	–	33	–	–	**33**	–	–
FirstRand Short Term Insurance	–	–	–	–	**–**	–	–
Other	–	33	–	–	**33**	–	–
Income before tax	1 247	(1 734)	(101)	1 647	**(188)**	310	2 741
Indirect tax	(32)	(20)	(7)	(77)	**(104)**	(12)	(18)
Income before direct tax	1 215	(1 754)	(108)	1 570	**(292)**	298	2 723
Direct tax	(322)	465	29	(417)	**77**	(79)	(721)
Income after tax	893	(1 289)	(79)	1 153	**(215)**	219	2 002
Attributable to:							
Equity holders of FirstRand Banking Group	893	(1 289)	(79)	1 153	**(215)**	219	2 002
Minority interests	–	–	–	–	**–**	–	–
	893	(1 289)	(79)	1 153	**(215)**	219	2 002
Equity holders of FirstRand Banking Group	893	(1 289)	(79)	1 153	**(215)**	219	2 002
Other	–	–	–	(10)	**(10)**	–	2
Loss/(profit) on sale of property and equipment	–	–	–	2	**2**	–	–
Loss on sale of subsidiaries	–	–	–	–	**–**	–	–
Plus: Impairments of goodwill	–	–	–	–	**–**	–	–
Plus: Impairments of losses	–	–	–	–	**–**	–	–
Plus: Impairments reversed	–	–	–	–	**–**	–	–
Loss on sale of MotorOne Finance advances book	–	–	–	–	**–**	–	–
Loss on sale of Private Label book	–	–	–	–	**–**	–	–
Profit on sale of available-for-sale assets	–	–	–	–	**–**	–	–
Minority interest on adjustments	–	–	–	–	**–**	–	–
Tax effect on adjustments	–	–	–	–	**–**	–	–
Headline earnings	893	(1 289)	(79)	1 145	**(223)**	219	2 004
Impact of IFRS 2 share based payment	1	–	–	2	**2**	–	–
Normalised earnings	894	(1 289)	(79)	1 147	**(221)**	219	2 004

The segmental analysis is based on the management accounts of the respective segments.

**All consolidation adjustments have been recorded in the Group Support.*

Corporate	FNB Other and support	**Total FNB**	FNB Africa	RMB	WesBank	Group Support*	**Sub total**	Divisions disclosed elsewhere	**Total**
528	(147)	**10 359**	1 564	362	3 717	1 632	**17 634**	–	**17 634**
(70)	84	**(4 920)**	(96)	(523)	(2 745)	260	**(8 024)**	–	**(8 024)**
458	(63)	**5 439**	1 468	(161)	972	1 892	**9 610**	–	**9 610**
1 401	891	**13 664**	1 241	4 765	2 588	(2 064)	**20 194**	(434)	**19 760**
1 859	828	**19 103**	2 709	4 604	3 560	(172)	**29 804**	(434)	**29 370**
(1 068)	(431)	**(13 838)**	(1 460)	(3 464)	(3 476)	(421)	**(22 659)**	–	**(22 659)**
791	397	**5 265**	1 249	1 140	84	(593)	**7 145**	(434)	**6 711**
–	19	**52**	3	994	151	377	**1 577**	–	**1 577**
–	–	**–**	–	–	–	440	**440**	–	**440**
–	19	**52**	3	994	151	(63)	**1 137**	–	**1 137**
791	416	**5 317**	1 252	2 134	235	(216)	**8 722**	(434)	**8 288**
(15)	(76)	**(257)**	(30)	(79)	(105)	75	**(396)**	–	**(396)**
776	340	**5 060**	1 222	2 055	130	(141)	**8 326**	(434)	**7 892**
(206)	(90)	**(1 341)**	(396)	(545)	(35)	895	**(1 422)**	122	**(1 300)**
570	250	**3 719**	826	1 510	95	754	**6 904**	(312)	**6 592**
570	250	**3 719**	516	1 510	45	224	**6 014**	(312)	**5 702**
–	–	**–**	310	–	50	530	**890**	–	**890**
570	250	**3 719**	826	1 510	95	754	**6 904**	(312)	**6 592**
570	250	**3 719**	516	1 510	45	224	**6 014**	(312)	**5 702**
–	–	**(8)**	–	–	–	18	**10**	–	**10**
5	(1)	**6**	–	–	(1)	(1)	**4**	–	**4**
–	–	**–**	–	–	–	27	**27**	–	**27**
–	–	**–**	–	39	68	–	**107**	–	**107**
–	14	**14**	–	2	10	–	**26**	–	**26**
–	(2)	**(2)**	–	(15)	–	1	**(16)**	–	**(16)**
–	–	**–**	–	–	203	–	**203**	–	**203**
39	–	**39**	–	–	–	–	**39**	–	**39**
–	–	**–**	(2)	–	–	–	**(2)**	–	**(2)**
–	–	**–**	–	–	–	(13)	**(13)**	–	**(13)**
(12)	(3)	**(15)**	–	–	(1)	5	**(11)**	–	**(11)**
602	258	**3 753**	514	1 536	324	261	**6 388**	(312)	**6 076**
–	–	**3**	–	–	–	(23)	**(20)**	–	**(20)**
602	258	**3 756**	514	1 536	324	238	**6 368**	(312)	**6 056**

NOTE 6: SEGMENT REPORT continued

Primary segments (business)

2009						FNB	
Segment Information		Consumer segment					
R million	Mass	Home-Loans	Card Issuing	Other consumer	**Consumer segment**	Wealth	Commercial
Cost to income (%)	63.4	56.7	52.3	56.2	**55.1**	73.3	54.0
Diversity ratio (%)	72.4	18.8	55.0	52.7	**48.4**	50.3	47.1
Total impairment charge (%)	5.90	2.05	11.18	12.01	**3.19**	0.25	1.53
NPLs as a percentage of advances (%)	10.21	10.21	12.31	12.80	**10.48**	6.46	6.04
Assets under management	–	–	–	–	**–**	41 927	–
Income statement includes							
Depreciation	(9)	(11)	(2)	(159)	**(172)**	(31)	(12)
Amortisation	–	–	–	(12)	**(12)**	(7)	(9)
Impairment charges	–	–	–	–	**–**	–	–
Other non cash provisions	(21)	(9)	(7)	(113)	**(129)**	(108)	(82)
Balance sheet includes							
Advances (after ISP – before impairments)	7 495	110 428	11 726	3 476	**125 630**	32 968	26 862
– Normal advances	7 495	106 939	11 726	3 476	**122 141**	32 968	26 862
Advances net of LROS	7 495	106 939	11 726	3 476	**122 141**	32 968	26 756
LROS advances not set off	–	–	–	–	**–**	–	106
– Securitised advances	–	3 489	–	–	**3 489**	–	–
Non performing loans	765	11 278	1 444	445	**13 167**	2 130	1 623
– Accrual advances	765	11 278	1 444	445	**13 167**	2 130	1 623
– Fair value advances	–	–	–	–	**–**	–	–
Investment in associated companies	–	25	–	38	**63**	–	–
Total deposits (incl non recourse deposits)	8 075	38	1 091	53 716	**54 845**	17 153	60 843
– Deposits net of LROS	8 075	38	1 091	53 716	**54 845**	17 153	60 737
– LROS deposits not set off	–	–	–	–	**–**	–	106
Total assets	7 182	107 657	10 477	3 698	**121 832**	33 135	26 295
Total liabilities	8 338	94	1 161	55 082	**56 337**	17 487	61 031
Capital expenditure	5	1	1	217	**219**	107	43

The segmental analysis is based on the management accounts of the respective segments.

**All consolidation adjustments have been recorded in the Group Support.*

Corporate	FNB Other and support	Total FNB	FNB Africa	RMB	WesBank	Group Support*	Sub total	Divisions disclosed elsewhere	Total
55.4	56.5	**57.5**	52.0	56.6	53.8	(766.0)	**57.5**	–	**58.1**
72.6	116.8	**56.8**	44.2	77.8	40.1	>100	**51.2**	100.0	**50.7**
0.58	(2.11)	**2.39**	0.58	0.43	2.86	(9.91)	**1.81**	–	**1.81**
0.96	–	**8.69**	2.45	1.04	4.99	9.43	**5.64**	–	**5.64**
–	–	**41 927**	1 280	–	–	–	**43 207**	–	**43 207**
(85)	(546)	**(855)**	(43)	(157)	(178)	(77)	**(1 310)**	–	**(1 310)**
(5)	(17)	**(50)**	(12)	(33)	(27)	(2)	**(124)**	–	**(124)**
–	(14)	**(14)**	–	(26)	(79)	2	**(117)**	–	**(117)**
(92)	(220)	**(652)**	(91)	(715)	(104)	(379)	**(1 941)**	–	**(1 941)**
8 727	2 688	**204 370**	17 519	112 989	92 274	2 663	**429 815**	–	**429 815**
8 727	2 688	**200 881**	17 519	112 989	89 563	2 663	**423 615**	–	**423 615**
3 233	(213)	**192 380**	17 519	112 989	89 563	2 663	**415 114**	–	**415 114**
5 494	2 901	**8 501**	–	–	–	–	**8 501**	–	**8 501**
–	–	**3 489**	–	–	2 711	–	**6 200**	–	**6 200**
84	–	**17 769**	430	1 177	4 600	251	**24 227**	–	**24 227**
84	–	**17 769**	430	348	4 600	251	**23 398**	–	**23 398**
–	–	**–**	–	829	–	–	**829**		**829**
–	71	**134**	23	5 279	968	935	**7 339**	–	**7 339**
35 360	16 274	**192 550**	25 326	113 895	546	157 429	**489 746**	–	**489 746**
29 866	13 373	**184 049**	25 326	113 895	546	157 429	**481 245**	–	**481 245**
5 494	2 901	**8 501**	–	–	–	–	**8 501**	–	**8 501**
10 099	8 256	**206 799**	31 640	275 097	94 472	38 825	**646 833**	–	**646 833**
36 511	17 526	**197 230**	28 180	272 646	94 363	4 986	**597 405**	–	**597 405**
82	1 143	**1 599**	229	1 553	377	339	**4 097**	–	**4 097**

NOTE 6: SEGMENT REPORT continued

Primary segments (business)

2008						FNB	
Segment Information		Consumer segment					
R million	Mass	Home-Loans	Card Issuing	Other consumer	**Consumer segment**	Wealth	Commercial
Net interest income before impairment of advances	1 098	1 274	1 129	2 110	4 513	756	3 586
Impairment of advances	(190)	(1 014)	(1 084)	(312)	(2 410)	(88)	(201)
Net interest income after impairment of advances	908	260	45	1 798	2 103	668	3 385
Non interest income	2 706	242	1 366	2 260	3 868	705	2 824
Net income from operations	3 614	502	1 411	4 058	5 971	1 373	6 209
Operating expenses	(2 428)	(830)	(1 295)	(2 549)	(4 674)	(914)	(3 281)
Income from operations	1 186	(328)	116	1 509	1 297	459	2 928
Share of income from associates	–	(7)	–	7	–	–	–
FirstRand Short Term Insurance	–	–	–	–	–	–	–
Other	–	(7)	–	7	–	–	–
Income before tax	1 186	(335)	116	1 516	1 297	459	2 928
Indirect tax	(26)	(46)	(10)	(82)	(138)	(15)	(20)
Income before direct tax	1 160	(381)	106	1 434	1 159	444	2 908
Direct tax	(307)	101	(28)	(380)	(307)	(118)	(770)
Income after tax	853	(280)	78	1 054	852	326	2 138
Attributable to:							
Equity holders of FirstRand Banking Group	853	(280)	78	1 054	852	326	2 138
Minority interests	–	–	–	–	–	–	–
	853	(280)	78	1 054	852	326	2 138
Equity holders of FirstRand Banking Group	853	(280)	78	1 054	852	326	2 138
Other	–	–	–	–	–	–	–
Profit/(loss) on sale of property and equipment	–	–	–	–	–	–	–
Excess of acquiror's interest in the net fair value over cost	(24)	–	–	–	–	–	–
Profit on sale of subsidiaries	–	–	–	7	7	–	–
VISA deal	–	–	–	–	–	–	–
Plus: Impairments goodwill	–	–	–	–	–	–	–
Plus: Impairments losses	–	–	–	5	5	–	–
Plus: Impairments reversed	–	–	–	–	–	–	–
Loss on sale of available-for-sale assets	–	–	–	–	–	–	–
Minority interest on adjustments	–	–	–	–	–	–	–
Tax effect on adjustments	–	–	–	–	–	–	–
Headline earnings	829	(280)	78	1 066	864	326	2 138
Impact of IFRS 2 share based payments	1	–	–	2	2	1	–
Normalised earnings	830	(280)	78	1 068	866	327	2 138

The segmental analysis is based on the management accounts of the respective segments.

**All consolidation adjustments have been recorded in the Group Support.*

	Corporate	FNB Other and support	Total FNB	FNB Africa	RMB	WesBank	Group Support*	Sub total	Divisions disclosed elsewhere	Total
	420	56	10 429	1 324	389	3 747	1 209	17 098	–	17 098
	(91)	(24)	(3 004)	(105)	(221)	(2 072)	338	(5 064)	–	(5 064)
	329	32	7 425	1 219	168	1 675	1 547	12 034	–	12 034
	1 398	765	12 266	1 095	6 358	2 406	(636)	21 489	(374)	21 115
	1 727	797	19 691	2 314	6 526	4 081	911	33 523	(374)	33 149
	(1 035)	(686)	(13 018)	(1 138)	(3 353)	(3 377)	(91)	(20 977)	–	(20 977)
	692	111	6 673	1 176	3 173	704	820	12 546	(374)	12 172
	–	25	25	7	1 092	159	407	1 690	–	1 690
	–	–	–	–	–	–	367	367	–	367
	–	25	25	7	1 092	159	40	1 323	–	1 323
	692	136	6 698	1 183	4 265	863	1 227	14 236	(374)	13 862
	(16)	(138)	(353)	(27)	(61)	(129)	22	(548)	–	(548)
	676	(2)	6 345	1 156	4 204	734	1 249	13 688	(374)	13 314
	(179)	–	(1 681)	(297)	(1 114)	(195)	617	(2 670)	105	(2 565)
	497	(2)	4 664	859	3 090	539	1 866	11 018	(269)	10 749
	497	(2)	4 664	533	3 090	478	1 048	9 813	(269)	9 544
	–	–	–	326	–	61	818	1 205	–	1 205
	497	(2)	4 664	859	3 090	539	1 866	11 018	(269)	10 749
	497	(2)	4 664	533	3 090	478	1 048	9 813	(269)	9 544
	(17)	–	(17)	–	–	–	46	29	–	29
	(3)	–	(3)	–	–	–	(1)	(4)	–	(4)
	–	–	(24)	–	–	–	–	(24)	–	(24)
	–	–	7	–	(118)	–	4	(107)	–	(107)
	–	–	–	(58)	–	–	(994)	(1 052)	–	(1 052)
	–	–	–	–	33	33	(33)	33	–	33
	4	14	23	–	2	72	12	109	–	109
	–	–	–	–	–	–	(5)	(5)	–	(5)
	–	–	–	–	–	–	(7)	(7)	–	(7)
	–	–	–	16	–	–	–	16	–	16
	–	–	–	8	1	(10)	170	169	–	169
	481	12	4 650	499	3 008	573	240	8 970	(269)	8 701
	–	–	4	–	–	–	109	113	–	113
	481	12	4 654	499	3 008	573	349	9 083	(269)	8 814

NOTE 6: SEGMENT REPORT continued

Primary segments (business)

2008						FNB	
Segment Information		Consumer segment					
R million	Mass	Home-Loans	Card Issuing	Other consumer	**Consumer segment**	Wealth	Commercial
Cost to Income (%)	63.8	55.0	51.9	58.2	55.8	62.6	51.2
Diversity ratio (%)	71.1	16.0	54.7	51.6	46.2	48.3	44.1
Total impairment charge (%)	3.81	0.96	8.87	8.58	1.99	0.36	0.91
NPL's as a percentage of advances (%)	7.17	4.58	11.84	7.57	5.37	2.18	2.12
Assets under management	–	–	–	–	–	48 198	–
Income statement includes							
Depreciation	(6)	(6)	(1)	(150)	(157)	(23)	(10)
Amortisation	–	–	–	(15)	(15)	(4)	(6)
Impairment charges	–	–	–	(5)	(5)	–	–
Other non cash provisions	(27)	(18)	(11)	(138)	(167)	(114)	(104)
Balance sheet includes							
Advances (after ISP – before impairments)	6 123	113 092	12 516	3 582	129 190	27 528	24 109
– Normal advances	6 123	109 164	12 516	3 582	125 262	27 528	24 109
Advances net of LROS	6 123	109 164	12 516	3 582	125 262	27 528	23 796
LROS advances not set off	–	–	–	–	–	–	313
– Securitised advances	–	3 928	–	–	3 928	–	–
Non performing loans	439	5 185	1 482	271	6 938	601	512
– Accrual advances	439	5 185	1 482	271	6 938	601	512
– Fair value advances	–	–	–	–	–	–	–
Investment in associated companies	–	(7)	–	37	30	–	–
Total deposits (incl non recourse deposits)	7 720	103	1 252	49 872	51 227	15 347	58 357
– Deposits net of LROS	7 720	103	1 252	49 872	51 227	15 347	58 044
– LROS deposits not set off	–	–	–	–	–	–	313
Total assets	5 835	111 901	11 234	3 991	127 126	27 689	23 748
Total liabilities	7 956	191	1 301	51 355	52 847	15 531	58 557
Capital expenditure	11	1	310	71	382	55	47

The segmental analysis is based on the management accounts of the respective segments.

**All consolidation adjustments have been recorded in the Group Support.*

Corporate	FNB Other and support	Total FNB	FNB Africa	RMB	WesBank	Group Support*	Sub total	Divisions disclosed elsewhere	Total
56.9	81.1	57.3	46.9	42.8	53.5	9.3	52.1	–	52.6
76.9	90.4	54.0	45.1	81.1	38.1	(64.9)	53.4	100.0	52.9
0.64	0.36	1.55	0.72	0.19	2.09	(10.53)	1.19	–	1.19
0.91	–	4.16	2.47	0.66	3.18	1.82	2.87	–	2.87
–	–	48 198	862	–	–	–	49 060	–	49 060
(78)	(393)	(667)	(33)	(60)	(143)	(58)	(961)	–	(961)
(2)	(1)	(28)	(19)	(31)	(44)	(3)	(125)	–	(125)
(4)	(14)	(23)	–	–	(104)	(10)	(137)	–	(137)
(109)	(246)	(767)	(123)	(1 096)	(122)	96	(2 012)	–	(2 012)
15 424	5 284	207 658	15 755	130 591	99 949	2 586	456 539	–	456 539
15 424	5 284	203 730	15 755	130 591	94 430	2 586	447 092	–	447 092
2 792	(289)	185 212	15 755	130 591	94 430	2 586	428 574	–	428 574
12 632	5 573	18 518	–	–	–	–	18 518	–	18 518
–	–	3 928	–	–	5 519	–	9 447	–	9 447
140	–	8 630	389	857	3 181	47	13 104	–	13 104
140	–	8 630	389	439	3 181	47	12 686	–	12 686
–	–	–	–	418	–	–	418	–	418
–	63	93	8	4 920	858	635	6 514	–	6 514
43 229	16 587	192 467	23 867	114 409	555	164 776	496 074	–	496 074
30 597	11 014	173 949	23 867	114 409	555	164 776	477 556	–	477 556
12 632	5 573	18 518	–	–	–	–	18 518	–	18 518
16 868	10 146	211 412	29 413	296 433	108 331	12 505	658 094	–	658 094
45 016	17 921	197 828	26 160	292 091	108 323	(15 837)	608 565	–	608 565
115	1 061	1 671	71	78	122	2 168	4 110	–	4 110

momentum

APPENDIX 2

Abridged Financials for the year ended 30 June 2009

INCOME STATEMENT

for the year ended 30 June

R million	2009	2008	% change
Insurance premium revenue	7 249	5 971	21
Insurance premium ceded to reinsurers	(694)	(579)	20
Net insurance premium revenue	6 555	5 392	22
Fee income	2 771	2 862	(3)
Investment income	12 262	9 499	29
Net realised gains on assets	7	28	(75)
Net fair value losses on assets at fair value through profit or loss	(16 731)	(4 240)	>100
Net income	4 864	13 541	(64)
Insurance benefits	(6 599)	(6 073)	9
Insurance benefits recovered from reinsurers	660	543	22
Transfer from policyholder liabilities under insurance contracts	2 870	3 255	(12)
Net insurance benefits and claims	(3 069)	(2 275)	35
Fair value adjustment to policyholder liabilities under investment contracts	3 939	(3 893)	>100
Fair value adjustment to financial liabilities	1 820	258	>100
Expenses for the acquisition of insurance and investment contracts	(1 557)	(1 509)	3
Expenses for marketing and administration	(3 399)	(2 843)	20
Expenses	(2 266)	(10 262)	(78)
Results of operating activities	2 598	3 279	(21)
Finance costs	(852)	(834)	2
Share of income from associate companies	22	20	10
Profit before tax	1 768	2 465	(28)
Taxation[1]	(179)	(469)	(62)
Profit for the year	1 589	1 996	(20)
Profit for the year attributable to:			
– Equityholders of the Group	1 594	2 002	(20)
– Minority shareholders' interest	(5)	(6)	(17)
	1 589	1 996	(20)

1 *The reduction in the tax charge is mainly due to the reversal of a significant portion of the deferred Capital Gains Tax liability as a result of the reduction in fair value of investment assets backing policyholder liabilities during the year ended 30 June 2009.*

R million	2009	2008
ASSETS		
Cash and cash equivalents	4 014	4 919
Derivative financial instruments	9 455	10 892
Loans and receivables (including insurance receivables)	43 338	28 391
Investment securities		
– held-for-trading	11	15
– loans and receivables	21	–
– held-to-maturity	56	460
– available-for-sale	2 766	3 100
– designated fair value through profit or loss	104 313	123 386
Investments in associates		
– designated fair value through profit or loss	7 914	6 666
– at equity accounted value	164	275
Property and equipment	105	157
Owner occupied buildings	427	439
Deferred tax asset	969	825
Intangible assets	2 866	2 829
Goodwill	236	297
Investment properties	2 156	3 808
Policy loans	604	753
Reinsurance assets	8 143	550
Current income tax asset	40	24
Non current assets held for sale	58	–
Total assets	187 656	187 786
LIABILITIES AND EQUITY		
LIABILITIES		
Accounts payable (including insurance payables)	12 810	8 989
Derivative financial instruments	1 853	4 190
Provisions	207	108
Current income tax liabilities	71	434
Employee benefits liabilities	166	180
Deferred tax liability	1 570	1 840
Interest bearing borrowings	–	242
Other financial liabilities at fair value through profit or loss	5 461	3 801
Policyholder liabilities under insurance contracts	39 069	41 982
Policyholder liabilities under investment contracts		
– with discretionary participation features	13 264	14 494
– without discretionary participation features	96 963	97 182
Liabilities arising to third parties as a result of consolidating unit trusts	8 114	7 282
Deferred revenue liability	322	296
Total liabilities	179 870	181 020
EQUITY		
Share capital and share premium	1 541	1 541
Non-distributable reserves	648	708
Distributable reserves	5 606	4 521
Shareholders' funds	7 795	6 770
Minority interest	(9)	(4)
Total equity	7 786	6 766
Total liabilities and equity	187 656	187 786

NEW BUSINESS INFLOWS

R million (unaudited)	2009	2008	% change
Recurring premiums	2 257	2 079	9
Retail	1 239	1 308	(5)
Risk	587	520	13
Retirement annuities	274	286	(4)
Discretionary savings	378	502	(25)
Employee benefits	517	406	27
FNB Insurance	501	365	37
Lump sums	58 213	63 259	(8)
Retail	31 753	32 597	(3)
Guaranteed annuities	810	634	28
Living annuities	2 823	3 248	(13)
Endowments	1 311	2 844	(54)
Linked products – local	7 950	7 462	7
Linked products – offshore	1 256	2 614	(52)
Institutional policies	–	38	(100)
Unit trusts	17 603	15 757	12
Employee benefits	2 074	1 881	10
Asset management	24 386	28 781	(15)
On balance sheet	12 196	13 780	(11)
Off balance sheet	12 190	15 001	(19)
Total new business inflows	60 470	65 338	(7)
Retail	33 493	34 270	(2)
Employee benefits	2 591	2 287	13
Asset management	24 386	28 781	(15)
Annualised new business inflows[1]	8 078	8 405	(4)
Retail	4 915	4 933	–
Employee benefits	724	594	22
Asset management	2 439	2 878	(15)

1 *Represents new recurring premiums plus 10% of lump sum inflows.*

NET FLOW OF FUNDS

Funds received from clients (A)

R million (unaudited)	2009	2008	% change
Retail	**38 684**	39 054	(1)
Employee benefits	**5 016**	4 263	18
Asset management	**24 386**	28 781	(15)
Total	**68 086**	72 098	(6)

Payments to clients (B)

R million (unaudited)	2009	2008	% change
Retail	**34 909**	34 197	2
Employee benefits	**3 170**	2 764	15
Asset management	**64 037**	44 826	43
Total	**102 116**	81 787	25

Net flow of funds (A – B)

R million (unaudited)	2009	2008	% change
Retail	**3 775**	4 857	(22)
Employee benefits	**1 846**	1 499	23
Asset management	**(39 651)**	(16 045)	>(100)
Total	**(34 030)**	(9 689)	>(100)

DIRECTORS' VALUES OF STRATEGIC SUBSIDIARY INVESTMENTS

	Directors' values at 30 June			
R million	**2009**	2008	% change	Valuation method
RMB Asset Management[1]	**1 891**	2 437	(22)	A
Momentum International MultiManagers (including 85% of Advantage)	**244**	359	(32)	B
Momentum Medical Scheme Administrators[2]	**444**	442	–	C
Momentum Africa (including Swabou Life)	**223**	239	(7)	B
FirstRand Alternative Investment Management	**56**	53	6	D
Momentum Short Term Insurance	**40**	29	38	D
Directors' values of strategic subsidiary investments	**2 898**	3 559	(19)	

Valuation methods:

A – Price/earnings multiple using sustainable forward earnings

B – Discounted cash flow valuation

C – Value per principal member

D – Net asset value

1 *RMB Asset Management's institutional business was valued using a PE multiple of 8 (2008: 8 PE) and sustainable forward earnings of R139 million, whilst the retail business of RMB Unit Trusts was valued using a PE multiple of 9 (2008: 9 PE) and sustainable forward earnings of R86 million.*

2 *Momentum Medical Scheme Administrators was valued using an amount of R1 700 per principal member (2008: R2 000).*

EMBEDDED VALUE OF MOMENTUM GROUP LIMITED

The embedded value of Momentum Group Limited ("Momentum") and the value of new business are set out in this section.

Definition of embedded value

The embedded value has been determined as the total of the embedded values of the covered business and non-covered business. It excludes any value attributable to future new business.

The embedded value of the non-covered business includes the directors' values for the investment management, health administration, short term insurance and African operations of the company.

The embedded value of the covered business relates to all the long term insurance and related administration operations of the company. This includes linked and market related business, reversionary and smoothed bonus business, annuities and non-participating business written by the company and its life insurance subsidiaries.

The embedded value of covered business consists of:

- the adjusted net worth attributed to the covered business
- plus the present value of in-force covered business
- less the opportunity cost of required capital

The adjusted net worth is the excess of assets over liabilities on the statutory valuation method, but where deductions for inadmissible assets and impairments are added back.

The present value of in-force covered business represents the discounted value of the projected stream of future after tax earnings in respect of covered business in force at the calculation date.

The opportunity cost of required capital reflects the extent to which the expected long term after tax investment return on the assets backing the required capital is less than the return required by shareholders, as reflected in the risk discount rate. The required capital is set as 1.5 times the statutory capital adequacy requirement ("CAR") which is the midpoint of Momentum's targeted capital range of 1.4 to 1.6 times CAR. Momentum's targeted capital range is the internally assessed level of capital required to cover statutory CAR over the next five years with a 95% level of confidence.

The Actuarial Society of South Africa revised Professional Guidance Note 107 (version 4) ("PGN 107") that provides best practice for the calculation of embedded values for reporting dates of 31 December 2008 and later. The key differences in the way the embedded value should be calculated compared to the previous guidance are:

- A distinction should be made between covered and non-covered business.
- The risk discount rate should be reviewed at each reporting date, making specific allowance for the inherent risks associated with shareholder cash flows valued in the embedded value.
- The economic basis should be actively reviewed and set consistent with observable market data.
- The opportunity cost of capital should be based on the internally assessed level of capital required to support the covered business as opposed to the statutory level of capital that was used in the past.

The embedded value as at 30 June 2008 has been restated to reflect the required changes.

Embedded value results

The embedded value attributable to ordinary shareholders as at 30 June 2009 compares as follows with the embedded value as at 30 June 2008 and the restated value at the same date. The embedded value is also split to show the relative contribution of the covered and non-covered business.

R million	30 June 2009	30 June 2008 (restated)[1]	30 June 2008
Embedded value of covered business	**13 188**	12 480	12 449
Adjusted net worth of covered business[2]	**5 666**	4 142	4 142
Present value of in-force covered business[3]	**9 243**	9 931	9 271
Cost of required capital[4]	**(1 721)**	(1 593)	(964)
Embedded value of non-covered business	**2 898**	3 559	3 559
Embedded value attributable to ordinary shareholders[5]	**16 086**	16 039	16 008
% Change	**0.3**		3.6
% Return on embedded value per annum[6]	**3.3**		15.2

1 *The 30 June 2008 embedded value has been restated on principles consistent with those set out under the revised PGN107.*
2 *The total value of the ordinary shareholders' net worth of R8 564 million (30 June 2008: R7 701 million) consists of the directors' value of non-covered business of R2 898 million (30 June 2008: R3 559 million) and the adjusted net worth of covered business of R5 666 million (30 June 2008: R4 142 million).*
3 *The present value of in-force covered business of R9 243 million as at 30 June 2009 includes an amount of R219 million in respect of linked business written off balance sheet (30 June 2008 restated: R220 million).*
4 *The required capital amounted to R5 765 million (30 June 2008 restated: R5 089 million) and is supported by the statutory surplus of R7 108 million (30 June 2008 restated: R6 114 million).*
5 *The embedded value excludes the value attributable to preference shareholders.*
6 *The return on embedded value is the increase in embedded value, excluding the impact of dividends paid to ordinary shareholders of R476 million (2008: R1 800 million), expressed as a percentage of the restated embedded value at 30 June 2008.*

Value of new business

The value of new business is a measure of the value added to Momentum as a result of writing new business. The value of new business is calculated as the present value (at point of sale) of the projected stream of future after tax earnings generated by new business sold during the year, discounted at the risk discount rate. The value of new business is net of acquisition expenses and is also appropriately reduced by the cost of required capital for new business.

Value of new business

R million	Year ended 30 June 2009	2008 (restated)[1]	2008
Value of new business (before cost of required capital)	**637**	687	640
Cost of required capital	**(93)**	(91)	(50)
Value of new business[2] (net of cost of required capital)	**544**	596	590
Present value of premiums[3,4]	**27 864**	28 577	28 222
Margin %	**2.0**	2.1	2.1

1 The 30 June 2008 value of new business has been restated on principles consistent with those set out under the revised PGN107.

2 The value of new business shown above excludes RMB Asset Management's future investment management fees on Wealth new business. If this is included, the value of new business would increase from R544 million to R626 million (30 June 2008 restated: R639 million). Momentum's overall new business margin would then increase to 2.2% (30 June 2008 restated: 2.2%).

3 The present value of premiums is calculated on the same assumptions as that used to calculate the value of new business. It includes new single premiums, once off premium increases as well as the present value of expected future premiums on new recurring premium business, discounted at the risk discount rate.

4 The present value of premiums is shown gross of reinsurance premiums. The present value of premiums net of reinsurance premiums for the year end 30 June 2009 is R27 037 million with a corresponding margin of 2.0% (30 June 2008 restated: R27 620 million with a corresponding margin of 2.2%).

Value of new business for different lines of business

The value of new business (after cost of required capital), present value of premiums and margins of new business written during the year ended 30 June 2009 compare as follows with the new business written during the previous reporting period for different lines of business:

R million	Year ended 30 June 2009	2008 (restated)	% change
Wealth and Retail[1]			
Value of new business[2]	**267**	388	(31.2)
Present value of premiums	**21 415**	23 734	(9.8)
Margin %[3]	**1.2**	1.6	
Employee benefits[4]			
Value of new business	**86**	54	59.3
Present value of premiums	**5 497**	3 994	37.6
Margin %	**1.6**	1.4	
FNB Insurance[1]			
Value of new business	**191**	154	24.0
Present value of premiums	**952**	849	12.1
Margin %	**20.1**	18.1	

1 New business within Wealth, Retail and FNB Insurance has been defined as all new contracts issued during the reporting period for which contractual obligations have been recognised in the financial statements as well as once off premium increases on existing contracts not previously expected in the present value of in-force covered business.

2 The Wealth and Retail value of new business of R267 million includes an amount of negative R24 million in respect of new linked business written off balance sheet (30 June 2008 restated: R30 million).

3 The value of new business shown above excludes RMB Asset Management's future investment management fees on Wealth new business. If this is included, the value of new business would increase from R267 million to R349 million (30 June 2008 restated: R431 million). The Wealth and Retail new business margin would then increase to 1.7% (30 June 2008 restated: 1.8%).

4 For Employee benefits, business from new schemes as well as new benefits and significant increases in members on existing schemes are included in the definition of new business.

Reconciliation of new business inflows

The following table provides a reconciliation of the total new business as reported in the review of Momentum's results, to the new business inflows used in the calculation of the value of new business:

R million	Annualised recurring premiums	Single premium inflows
Total new business inflows as reported	**2 257**	**58 213**
Wealth and Retail	1 239	31 753
Employee benefits	517	2 074
FNB Insurance	501	–
Asset Management	–	24 386
Inflows not included in value of new business	**–**	**(42 374)**
Wealth and Retail		
• Policy alterations and other retail items	–	(44)
• Linked products – local	–	(184)
• Unit trusts	–	(17 603)
• Linked products – offshore	–	(82)
Employee benefits[1]	–	(75)
Asset Management		
• On balance sheet	–	(12 196)
• Off balance sheet	–	(12 190)
Term extensions on maturing policies[2]	**9**	**706**
New business inflows included in value of new business	**2 266**	**16 545**
Consisting of:		
Wealth and Retail	1 248	14 546
Employee benefits	517	1 999
FNB Insurance	501	–

1 *For Employee benefits business, increases in business from new schemes or new benefits on existing schemes are excluded from value of new business to the extent that these do not represent a significant increase in the original scheme size.*

2 *Only client-initiated term extensions (R9 million recurring premiums and R706 million single premiums) were included in the value of new business calculation (30 June 2008: R9 million recurring premiums and R885 million single premiums). Automatic term extensions (R1 685 million single premiums) were excluded from the calculation (30 June 2008: R2 330 million single premiums).*

Composition of ordinary shareholders' net worth

The ordinary shareholders' net worth consists of the directors' value of the non-covered business and the adjusted net worth of covered business.

The embedded value of the non-covered business based on the directors' values at 30 June 2009 was as follows:

R million	30 June 2009	30 June 2008 (restated)
RMB Asset Management (including collective investment scheme subsidiaries)	1 891	2 437
FirstRand Alternative Investment Management	56	53
Momentum International Multi-Managers (including Advantage) (85%)	244	360
Momentum Medical Scheme Administrators	444	442
Momentum Africa (including Swabou)	223	239
Momentum Short Term Insurance	40	28
Embedded value of non-covered business	**2 898**	3 559

The composition of the adjusted net worth of covered business at 30 June 2009 is shown below:

R million	30 June 2009	30 June 2008 (restated)
Shareholders' portfolio investments	**7 357**	5 785
Share trust loan	**245**	372
Preference shares	**1 681**	1 688
Cash and near cash	**4 341**	3 281
Properties	**434**	–
Subsidiaries included in covered business[1]	**656**	444
Unsecured subordinated debt	**(1 006)**	(1 079)
Fair value of debt	**(926)**	(849)
Accrued interest and interest rate swap	**(80)**	(230)
Adjustment to move from published to statutory valuation method for calculating liabilities	**(225)**	(129)
Attributable to preference shareholders[2]	**(460)**	(435)
Adjusted net worth of covered business	**5 666**	4 142

1 *Subsidiaries including Momentum Administration Services and the life insurance subsidiaries (Momentum Ability and FirstLife) are included at net asset value.*
2 *The value of R460 million (30 June 2008: R435 million) attributable to preference shareholders reflects the market value of the preference share issue of R500 million.*

Reconciliation of ordinary shareholders' net worth for embedded value purposes to statutory surplus

R million	30 June 2009	30 June 2008 (restated)
Ordinary shareholders' net worth	**8 564**	7 701
Impairment of subsidiaries' and associates' values for statutory purposes	**(2 397)**	(2 807)
Other impairments and inadmissible assets	**(127)**	(64)
Fair value of preference shares allowed as statutory capital	**460**	435
Fair value of subordinated debt allowed as statutory capital	**926**	849
Excess of fair value of owner occupied properties above book value[1]	**(318)**	–
Statutory surplus	**7 108**	6 114

1 *The fair value of owner occupied properties above book value equals R369 million. This value has been reduced to R318 million for deferred Capital Gains Tax for purposes of the embedded value.*

Reconciliation of ordinary shareholders' net worth for embedded value purposes to total shareholders' funds in the financial statements

R million	30 June 2009	30 June 2008 (restated)
Ordinary shareholders' net worth for embedded value purposes	**8 564**	7 701
Difference between statutory and published valuation methods	**225**	129
Difference in investment contract liabilities	**(2 251)**	(2 108)
Difference in insurance contract liabilities	**1 189**	962
Deferred acquisition costs and deferred revenue liabilities	**1 374**	1 325
Deferred tax on the items above	**(87)**	(50)
Intangible asset relating to Sage	**686**	704
Adjustment in respect of Swabou embedded value[1]	**(61)**	(40)
Value of preference shares issued	**460**	435
Excess of fair value of owner occupied properties above book value	**(318)**	–
Total shareholders' funds (net of minority shareholders' interest) in financial statements	**9 556**	8 929

1 *The adjustment in respect of Momentum's share of Swabou Life reflects the difference between the directors' value of R184 million (included in ordinary shareholders' net worth) and the equity accounted value of R123 million included in the total shareholders' funds.*

Analysis of embedded value earnings

Embedded value earnings represent the change in embedded value, adjusted for any capital raised and ordinary dividends paid. The embedded value earnings attributable to ordinary shareholders for the year ended 30 June 2009 are set out below:

R million	Ordinary shareholders' net worth	Present value of in-force covered business	Cost of required capital	Embedded value
Embedded value as at 30 June 2009	**8 564**	**9 243**	**(1 721)**	**16 086**
Less new capital raised	–	–	–	–
Add back dividends paid	476	–	–	476
Less: Embedded value as at 30 June 2008 (restated)	7 701	9 931	(1 593)	16 039
Embedded value earnings for the period	**1 339**	**(688)**	**(128)**	**523**

The embedded value of covered and non-covered business has changed as follows over the reporting period:

R million	Ordinary shareholders' net worth	Present value of in-force covered business	Cost of required capital	Embedded value
Embedded value of covered business at 30 June 2008 (restated)	**4 142**	**9 931**	**(1 593)**	**12 480**
Embedded value earnings from covered business	1 773	(688)	(128)	957
Capital transferred from non-covered business	227	–	–	227
Ordinary dividends paid	(476)	–	–	(476)
Embedded value of covered business at 30 June 2009	**5 666**	**9 243**	**(1 721)**	**13 188**
Embedded value of non-covered business at 30 June 2008	**3 559**	**–**	**–**	**3 559**
Embedded value earnings from non-covered business	(434)	–	–	(434)
Capital transferred to covered business	(227)	–	–	(227)
Embedded value of non-covered business at 30 June 2009	**2 898**	**–**	**–**	**2 898**

The components of the embedded value earnings can be analysed as follows:

R million		Ordinary shareholders' net worth	Present value of in-force covered business	Cost of required capital	Embedded value
Embedded value earnings from covered business		**1 773**	**(688)**	**(128)**	**957**
Factors relating to operations		1 237	841	(33)	2 045
Value of new business	a	(893)	1 530	(93)	544
Expected return	b	–	1 367	(205)	1 162
Release from cost of required capital	c	–	–	268	268
Expected profit transfer to adjusted net worth	d	1 833	(1 833)	–	–
Operating experience variances	e	353	(200)	–	153
Operating assumptions and model changes	f	(56)	(23)	(3)	(82)
Factors relating to market conditions		536	(1 529)	(95)	(1 088)
Investment return on adjusted net worth	g	628	–	–	628
Investment variations	h	(92)	(1 645)	(45)	(1 782)
Economic assumption changes	i	–	116	(50)	66
Embedded value earnings from non-covered business		**(434)**	**–**	**–**	**(434)**
Embedded value earnings for the period		**1 339**	**(688)**	**(128)**	**523**

The embedded value earnings attributable to ordinary shareholders of R523 million represents a return of positive 3.3% on the restated embedded value of R16 039 million at 30 June 2008 compared to a return on embedded value of 15.2% for the year to 30 June 2008.

The items in the table above can be explained as follows:

a. The value of new business is an estimate of the economic value of the new business written during the year, determined at point of sale. The negative contribution to the adjusted net worth represents the new business strain on the statutory valuation method, which allows for the elimination of negative liabilities on whole life contracts.

b. The expected return is determined by applying the risk discount rate applicable at 30 June 2008 to the present value of in-force covered business at the start of the reporting period, and adding the expected return on new business, which is determined by applying the current risk discount rate to the value of new business from the point of sale to 30 June 2009.

c. The release from the cost of required capital represents the difference between the risk discount rate and the expected after tax investment return on the assets backing the required capital over the year.

d. The expected profit transfer from the present value of in-force covered business to the adjusted net worth is calculated on the statutory valuation method.

e. The operating experience variances represent the impact of differences between the actual experience and the assumptions used in the embedded value calculations. The operating experience variances of R153 million include the following:

Source of variation	R million
Mortality and morbidity experience on individual business	168
Early terminations, premium cessations and other policy alterations on individual business	(305)
Working capital portfolio profits	35
FNB Insurance	154
Employee benefits	(38)
Maintenance expenses	(46)
Secondary Tax on Companies expected but not paid	66
Tax	104
Other items	15
Total	**153**

f. The impact of the experience assumption changes of negative R82 million consists of the following:

Operating assumption and model changes	R million
Mortality (including AIDS) and morbidity	77
Maintenance expenses	(128)
Early policy terminations	(153)
Extension of the projection period for credit life business (FNB Insurance)	82
Employee benefits	(24)
Change in STC rate	124
Modelling and miscellaneous changes	(60)
Total	**(82)**

g. Investment returns on adjusted net worth of covered business of R628 million comprise the following:

	Year ended	
R million	**30 June 2009**	30 June 2008 (restated)
Investment income (excluding dividends from strategic subsidiaries)	**429**	305
Capital appreciation (excluding revaluation of strategic subsidiaries)	**(42)**	142
Preference share dividends paid and the change in fair value of the preference shares issued	**(77)**	6
Change in fair value of properties	**318**	–
Total	**628**	453

h. The investment variance of negative R1 782 million represents the impact of the lower than assumed investment returns on current and expected future earnings from in-force covered business.

i. The economic assumption changes of R66 million include the effect of the reduction in the assumed rate of investment return, expense inflation rate and risk discount rate in respect of local and offshore business.

Assumptions

The embedded value calculations comply with PGN107. The same best-estimate assumptions were used for the embedded value calculations and the statutory valuation.

The value of new business has been calculated using the revised assumptions as at 30 June 2009. Exceptions relate to contracts where premium rates were set according to investment yields at the point of sale (for example annuity and guaranteed endowment contracts) for which the investment yields at the point of sale were used for the value of new business.

The main assumptions used in the embedded value calculations are described below:

Economic assumptions

Following the revision of PGN107, the approach to the calculation of equity and property risk premiums and the risk discount rate was changed.

Equity and property risk premiums were calculated using both historical relationships between different asset classes and management's view of future risk premiums.

The risk discount rate has been determined based on the weighted average cost of capital of the company. This has taken into account the sources of capital used to fund the covered business – ie shareholder equity, subordinate debt finance and preference shares issued. The required return on equity has been derived through application of the capital asset pricing model where the parameters of this model were derived from analysis of historical market data. The cost of preference share and debt financing has been based on the current financing cost.

The economic basis at 30 June 2009 as well as the restated and original basis at 30 June 2008 are shown below:

Percentages	**30 June 2009**	30 June 2008 (restated)	30 June 2008
Risk discount rate	**11.6**	12.9	13.5
Investment returns (before tax)	**11.4**	13.0	12.0
Implied differential	**0.2**	(0.1)	1.5
Expense inflation rate	**7.2**	9.5	9.5
Implied real return	**4.2**	3.5	2.5

The investment return assumption of 11.4% per annum was derived from the yields on South African Government bonds at 30 June 2009 taking into account the expected outstanding term of the in-force policy book.

A notional long term asset distribution was used to calculate a weighted expected investment return by adding the following premiums/(discounts) to the risk-free yield of 9.28% per annum.

Percentages	30 June 2009	30 June 2008 (restated)	30 June 2008
Equities	**3.5**	3.5	2.0
Properties	**1.0**	1.0	1.0
Government stocks	**0.0**	0.0	0.0
Other fixed interest stocks	**0.5**	0.5	0.5
Cash	**(1.0)**	(1.0)	(2.0)

The future expense inflation assumption of 7.20% per annum was determined as the difference between the yields on conventional and inflation-linked Government bonds, plus an addition of 0.75% per annum to make allowance for the expected gradual shrinking of Momentum's existing book.

For offshore business there was a reduction in the investment return, expense and inflation rate assumptions, relative to the previous financial year.

In the calculation of the cost of required capital, it was assumed that the required capital will be backed by surplus assets consisting of two thirds cash or near-cash instruments and one third preference shares.

Mortality, morbidity and claim termination

The assumptions regarding future mortality, morbidity and claim termination rates are based on the results of recent internal experience investigations. The mortality assumptions allow for an expected deterioration in mortality as a result of AIDS in line with Professional Guidance Note 105 (July 2007), as well as expected improvements in mortality at older ages in respect of annuities in payment.

Mortality rates (excluding AIDS) have been reduced for individual life products. Morbidity rates in respect of future claims were left unchanged from 30 June 2008.

Termination rates for Group income disability claims in payment were increased by 5% in response to consistently observing more terminations than expected.

Expenses

The maintenance expense assumptions are based on the budgeted maintenance expenses for the financial year to 30 June 2010, are differentiated by main product group, and are sufficient to support the existing business on a going concern basis.

It was assumed that, for Employee benefits investment business, the expense-to-income ratio will improve by 37% over six years as a result of restructuring of the business and improved efficiencies.

Premium growth take-up rates

The present value of in-force covered business includes the expected value of future premium increases resulting from voluntary premium growth arrangements on in-force insurance business, by using an expected take-up rate based on the results of recent experience investigations. The value of new business includes the expected value of future premium increases resulting from premium growth arrangements.

Termination rates

The policy and premium discontinuation rates were strengthened taking recent past experience into account.

Bonus rates

Bonus rates for smoothed bonus and reversionary bonus products have been projected based on the affordable rates given the underlying investment return assumptions.

Reserving bases

It was assumed that the current bases of calculating the policyholder liabilities would continue unchanged in future.

Policy and premium discontinuation bases

It was assumed that the current policy and premium discontinuation bases and practices would be maintained in future.

Financial options and guarantees

Some of Momentum's savings products guarantee investors a minimum return on maturity, death or surrender. The liability for these guarantees is calculated in accordance with Professional Guidance Note 110 issued by the Actuarial Society of South Africa. The minimum return guarantees have been valued using Barry and Hibbert's risk-neutral market consistent asset model.

Tax

Allowance was made for future income tax based on the four-fund tax dispensation, and for Capital Gains Tax at face value in the policyholders' portfolios. No allowance was made for Capital Gains Tax on the shareholders' strategic subsidiary investments, as these are not held with the intention of ultimate disposal. The fair value of owner occupied properties above book value have been reduced for deferred Capital Gains Tax for purposes of the embedded value.

The cost of required capital was based on projected after tax returns on the assets backing the required capital.

Allowance was made for Secondary Tax on Companies ("STC") on future dividends ultimately payable to shareholders at a rate of 4.0% (30 June 2008: 5.6%) of net expected future earnings. The STC assumption is based on the expected future cash dividends expected future STC credits arising from dividends received. This allowance does not anticipate any changes in STC and the projections allow for STC over the entire projection term. The impact on the embedded value of allowing for STC is equal to negative R385 million (June 2008 restated: negative R589 million).

Sensitivities

This section illustrates the effect of different assumptions on the embedded value of covered in-force and new business respectively.

For each sensitivity illustrated, all other assumptions have been left unchanged, except for the sensitivity to a 1% reduction in investment returns, where it was assumed that the inflation rate and the risk discount rate would also reduce by 1%.

For the investment return sensitivity, the value of assets supporting products with guaranteed investment returns have also been adjusted according to the sensitivity. The net impact of the change in the liability and the asset values is captured within the present value of future profits.

In the calculation of the new business sensitivity to a reduction in investment returns, it was assumed that new business premium rates for products with guaranteed investment returns (annuities and guaranteed endowments) would be adjusted. This assumption is in line with the current practice of weekly review of new business premium rates.

Allowance was made for compensating management actions. It was assumed that bonus rates would be reduced consistent with the reduction in investment returns. In the case of Employee benefits risk business, it was assumed that the improvement in mortality experience would be countered by a corresponding decrease in premiums after a delay of one year.

The risk discount rate appropriate to an investor depends on the investor's own requirements, tax position and perception of the risks associated with the realisation of the future insurance earnings of Momentum. The sensitivities to changes in the risk discount rate are included in the tables below:

Sensitivity of the value of in-force covered business

R million	Present value of in-force business	Cost of required capital	Value of in-force business	Change from base %
Base value	9 243	(1 721)	7 522	
Risk discount rate increases from 11.6% to 12.6%	8 778	(1 951)	6 827	(9.2%)
Risk discount rate decreases from 11.6% to 10.6%	9 761	(1 462)	8 299	10.3%
Renewal expenses decrease by 10%	9 638	(1 721)	7 917	5.3%
Expense inflation decreases from 7.2% to 6.2%	9 363	(1 721)	7 642	1.6%
Policy discontinuance rates decrease by 10%	9 477	(1 801)	7 676	2.0%
5% reduction in mortality and morbidity rates (excluding the impact from annuity business)	9 757	(1 721)	8 036	6.8%
5% reduction in mortality rates (impact from annuity business only)	9 089	(1 721)	7 368	(2.0%)
Premium growth take-up reduces by 10%	9 111	(1 721)	7 390	(1.8%)
Investment returns reduce from 11.4% to 10.4%	9 158	(1 822)	7 336	(2.5%)
Equity values decrease by 10%	8 776	(1 757)	7 019	(6.7%)
Equity risk premium increases by 1%	9 434	(1 721)	7 713	2.5%

Sensitivity of the value of business

R million	Present value of new business	Cost of required capital	Value of new business	Change from base %
Base value	637	(93)	544	
Risk discount rate increases from 11.6% to 12.6%	564	(105)	459	(15.6)
Risk discount rate decreases from 11.6% to 10.6%	723	(80)	643	18.2
Renewal expenses decrease by 10%	687	(93)	594	9.2
Expense inflation decreases from 7.2% to 6.2%	657	(93)	564	3.7
Policy discontinuance rates decrease by 10%	744	(99)	645	18.6
5% reduction in mortality and morbidity rates (excluding the impact from annuity business)	740	(93)	647	18.9
5% reduction in mortality rates (impact from annuity business only)	631	(93)	538	(1.1)
Premium growth take-up reduces by 10%	614	(93)	521	(4.2)
Investment returns reduce from 11.4% to 10.4%	693	(96)	597	9.7
Equity risk premium increases by 1%	645	(93)	552	1.5
New business acquisition expenses decrease by 10%	686	(93)	593	9.0
New business volumes decrease by 20%	402	(74)	328	(39.7)

Review by the independent actuaries

Deloitte & Touche reviewed the methodology and the assumptions underlying the calculation of the embedded value and the value of new business. They are satisfied that, based on the information supplied to them by Momentum, the methodology and assumptions are appropriate for the purpose of the embedded value disclosure, that these have been determined in accordance with generally accepted actuarial principles and in accordance with PGN107, that the approach has been applied consistently across the different business units and that the methodology and assumptions have been applied consistently over the year.

NOTES

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APPENDIX 3

Supplementary information for the year ended 30 June 2009

R million	2009	2008	% change
Return on equity			
Average normalised net asset value	**52 271**	49 130	6
Normalised earnings	**7 151**	10 583	(32)
Normalised return on equity (%)	**13.7**	21.5	
Banking Group (%)	**12.9**	21.3	
Momentum Group (%)	**22.6**	30.3	
Price to book			
Market capitalisation (number of shares in issue times 30 June closing share price)	**79 269**	74 983	6
Normalised net asset value (refer below)	**52 905**	51 637	2
Normalised price to book (times)	**1.50**	1.45	
Capital adequacy			
Capital adequacy ratio: FirstRand Bank Holdings Group (Regulatory requirement: 9.5%)*	**14.6**	13.8	
CAR cover: Momentum Group (Regulatory requirement: 1.0 x)	**1.8**	1.6	
Core leverage ratio			
Core equity (%)	**75.2**	73.7	
Non cumulative non redeemable preference shares (%)	**6.4**	6.4	
Debt instruments (%)	**18.4**	19.9	
	100.0	100.0	

**Excludes the bank specific (pillar 2b) add on.*

R million	2009	2008	% change
Sources and application of capital			
Sources of consolidated capital at FirstRand			
Ordinary shareholders' equity and reserves	**50 004**	48 689	3
Less: Non cumulative non redeemable preference shares	**(4 519)**	(4 519)	–
Total ordinary shareholders' equity	**45 485**	44 170	3
***Plus:* Treasury shares**	**5 976**	6 023	(1)
***Plus:* Excess cost of investment of net asset value at date of merger (Section 84 of Companies Act) High Court approval**	**1 444**	1 444	–
Normalised ordinary shareholders' equity (normalised net asset value)	**52 905**	51 637	2
Non cumulative non redeemable preference shares	**4 519**	4 519	–
Debt capital instruments	**12 928**	13 941	(7)
Total capital sourced	**70 352**	70 097	<1
Banking Group	**55 187**	56 498	(2)
Ordinary shareholders' equity	**44 111**	43 886	1
Non cumulative non redeemable preference shares	**3 100**	3 100	–
Debt capital instruments	**7 976**	9 512	(16)
Momentum Group	**9 418**	7 858	20
Ordinary shareholders' equity	**7 295**	6 270	16
Non cumulative non redeemable preference shares	**500**	500	–
Debt capital instruments	**1 623**	1 088	49
Unregulated entities	**5 747**	5 741	<1
Ordinary shareholders' equity	**1 499**	1 481	1
Non cumulative non redeemable preference shares	**919**	919	–
Debt capital instruments	**3 329**	3 341	<1
Total capital applied	**70 352**	70 097	<1

ASSETS UNDER MANAGEMENT OR ADMINISTRATION
for the year ended 30 June

R million	2009	2008 (restated)	% change
	Continuing and discontinued operations		
Banking Group[1]	**646 833**	658 094	(2)
Momentum Group[1]	**187 656**	187 786	–
FirstRand company and consolidation[2]	**(24 638)**	(21 936)	12
Total on balance sheet assets	**809 851**	823 944	(2)
Off balance sheet assets managed or administered on behalf of clients	**155 633**	198 144	(21)
Total assets under management or administration	**965 484**	1 022 088	(6)

1 Assets are disclosed before elimination of intergroup balances. Refer note 2.
2 All consolidation entries have been included.

CONTINGENCIES AND COMMITMENTS

R million	2009	2008	% change
Guarantees	**19 085**	19 713	(3)
Acceptances	**279**	1 992	(86)
Letters of credit	**5 576**	4 843	15
Total contingencies	**24 940**	26 548	(6)
Capital commitments			
Contracted capital commitments	**1 700**	687	>100
Capital expenditure authorised not yet contracted	**1 101**	626	76
Total capital commitments	**2 801**	1 313	>100
Other commitments			
Irrevocable commitments	**58 204**	63 483	(8)
Underwriting commitments	**2**	226	(99)
Operating lease and other commitments	**6 025**	9 817	(39)
Total capital commitments	**64 231**	73 526	(13)
Total contingencies and commitments	**91 972**	101 387	(9)

R million	2009	2008
Shares in issue		
Opening balance 1 July	**5 637 830 218**	5 635 715 676
Movements		
Outperformance conversion December 2008/November 2007	**111 471**	1 302 100
Outperformance conversion May 2008	**–**	812 442
Number of shares in issue	**5 637 941 689**	5 637 830 218
Less: Treasury shares	**(424 341 687)**	(456 949 451)
Staff schemes	**(217 817 733)**	(244 971 470)
BEE staff trusts	**(171 401 072)**	(171 401 072)
Shares held by policyholders	**(35 122 882)**	(40 576 909)
Number of shares in issue (after treasury shares)	**5 213 600 002**	5 180 880 767
Weighted average number of shares		
Actual number of shares in issue as at 1 July	**5 637 830 218**	5 635 715 676
Adjustment: Outperformance conversion weighting	**65 025**	894 965
Weighted average number of shares before treasury shares	**5 637 895 243**	5 636 610 641
Less: Treasury shares	**(430 984 355)**	(454 646 397)
Staff schemes	**(225 295 065)**	(252 261 709)
BEE staff trusts	**(171 401 072)**	(171 401 072)
Shares held by policyholders	**(34 288 218)**	(30 983 616)
Weighted average number of shares in issue	**5 206 910 888**	5 181 964 244
Dilution impact:		
Outperformance	**–**	1 501 133
Staff schemes	**5 455 868**	71 285 985
BEE staff trusts	**1 184 615**	28 350 297
Diluted weighted average number of shares in issue	**5 213 551 371**	5 283 101 659
Number of shares for normalised earnings per share calculation		
Actual weighted average and diluted weighted average number of shares for calculation of normalised earnings and diluted earnings per share		
Shares in issue at 1 July	**5 637 830 218**	5 635 715 676
Adjustment: Outperformance conversion weighting	**65 025**	894 965
Weighted average number of shares in issue for normalised earnings calculation	**5 637 895 243**	5 636 610 641
Dilution impact: Outperformance	**–**	1 501 133
Diluted weighted average number of shares in issue for diluted normalised earnings calculation	**5 637 895 243**	5 638 111 774

The Group believes normalised earnings more accurately reflect operational performance. Headline earnings are adjusted to take into account non operational and accounting anomalies.

These unaudited adjustments are consistent with those reported at 30 June 2008.

Share based payments and treasury shares: Consolidation of staff share schemes

IFRS 2 – Share based payments requires that all share based payments transactions for goods or services received must be expensed with effect from financial periods commencing on or after 1 January 2005. FirstRand hedges itself against the price risk of the FirstRand share price in the various staff shares schemes. The staff schemes purchase FirstRand shares in the open market to ensure the company is not exposed to the increase in the FirstRand share price. Consequently, the cost to FirstRand is the funding costs of the purchases of FirstRand's shares by the staff share trusts. These trusts are consolidated and FirstRand shares held by the staff share schemes are treated as treasury shares. For purposes of calculating the normalised earnings, the consolidation entries are reversed and the Group shares held by the staff share schemes are treated as issued to parties external to the Group.

The normalised adjustments:

- adds back the IFRS 2 charge; and
- adds back the treasury shares to equity.

Treasury shares: FirstRand shares held by policyholders

FirstRand shares held by Momentum Group are invested for the risk and reward of its policyholders, not its shareholders, and consequently the Group's shareholders are not exposed to the fair value changes on these shares. In terms of IAS 32, FirstRand Limited shares held by Momentum Group on behalf of policyholders are deemed to be treasury shares for accounting purposes. The corresponding movement in the policyholder liabilities is, however, not eliminated, resulting in a mismatch in the overall equity and income statement of the Group.

Increases in the fair value of Group shares and dividends declared on these shares increases the liability to policyholders. The increase in the liability to policyholders is accounted for in the income statement. The increase in assets held to match the liability position is eliminated. For purposes of calculating the normalised earnings, the adjustments described above are reversed and the Group shares held on behalf of policyholders are treated as issued to parties external to the Group.

During the financial year the following balance sheet and income statement reclassifications were made:

	Amount as previously reported	Amount as restated	Difference	Explanation
30 June 2008				
Income Statement				
Interest and similar income	55 009	54 993	(16)	Consolidation of funds previously fair valued.
Non interest income	22 471	22 490	19	Refer above.
Operating expenses	(26 189)	(26 192)	(3)	Refer above.
Profit for the year	13 033	13 033	–	Restatements had no impact on profit for the year.
Balance Sheet				
Assets				
Cash and short term funds	48 486	53 555	5 069	Consolidation of funds previously fair valued.
Derivative financial instruments	64 314	57 106	(7 208)	Offset criteria in IAS 32 has been met.
Investment securities and other investments	214 353	220 105	5 752	Offset criteria in IAS 32 has not been met.
Accounts receivable	8 093	7 806	(287)	Consolidation of funds previously fair valued.
Policy loans on insurance contracts	212	772	560	Offset criteria in IAS 32 has not been met.
Liabilities				
Derivative financial instruments	51 595	46 595	(5 000)	Offset criteria in IAS 32 has been met.
Creditors and accruals	13 051	16 836	3 785	Net adjustment relating to offset criteria not being met and consolidation of certain funds previously fair valued.
Policyholder liabilities under investment contracts	110 784	111 344	560	Offset criteria in IAS 32 have not been met.
Liabilities arising from collective investment schemes	2 742	7 283	4 541	Consolidation of funds previously fair valued.
Total equity	51 066	51 066	–	Restatements had no impact on the net asset value.
Cash flow statement				
As a consequence of the above restatements, the cash flow statement has been accordingly restated.				

FirstRand's strategy of owning two insurance companies, Discovery and Momentum, has been consistently monitored by the Boards of FirstRand, Discovery and Momentum. This strategy produced significant growth and created shareholder value as both businesses were able to balance growth in market share with increasing levels of competition.

However, with Discovery's launch of an investment business and Momentum's ambition in the healthcare sector, a decision was taken to sell 21 569 301 Discovery shares and to unbundle the balance of 316 357 337 Discovery shares. Management and shareholders approved the transaction on 7 November 2007 in South Africa. From this date onwards FirstRand no longer had any investment in Discovery.

An analysis of the results of the discontinued operations is as follows:

R million	Four months ended 7 November 2007
Income Statement	
Interest and similar income	52
Interest expense and similar charges	(7)
Net interest income before impairment of advances	45
Impairment losses on loans and advances	–
Net interest income after impairments of advances	45
Non interest income	1 182
Net insurance premium income	865
Net claims and benefits paid	(342)
Increase in value of policyholder liabilities	257
Income from operations	2 007
Operating expenditure	(1 397)
Net income from operations	610
Share of profit of associates and joint ventures	(57)
Profit before tax of discontinued operation	553
Tax expense	(179)
Profit after tax of discontinued operation	374
Cash flow information:	
Cash flow from operating activities	524
Cash flow from investing activities	(420)
Cash flow from financing activities	(224)
Total cash flows	(120)

R million	As at 7 November 2007
Balance sheet	
Total assets	9 062
Total liabilities	3 431
A reconciliation of the profit on disposal of Discovery:	
Proceeds on disposal	1 184
Net asset value of Discovery at date of disposal and unbundling of Discovery	(605)
Goodwill realised	(9)
Profit before tax on unbundling and sale of Discovery	570
Tax	(76)
Net profit from disposal/unbundling of Discovery	494
Profit after tax of discontinued operation	374
Profit after tax from discontinued operation	868

Set out below is additional information pertaining to Section 1 of Circular 8/2007 – sector specific rules in calculating headline earnings:

Issue 1 – Re-measurement relating to private equity activities (associates and joint ventures, excluding any private equity investments carried at fair value in terms of IAS 39) regarded as operating or trading activities

	Year ended 30 June		
R million	**2009**	2008	% change
Aggregate cost of portfolio	**3 030**	2 699	12
Aggregate carrying value	**4 699**	4 334	8
Aggregate fair value	**6 119**	6 510	(6)
Equity accounted income[1]	**935**	929	1
Private equity associates	**547**	1 198	
Other private equity and venture capital related activities	**388**	(269)	
Profit on realisations[2]	**489**	753	(35)
Aggregate other income earned[1]	**135**	127	6

1 Pre tax.
2. Post tax and minorities.

Issue 2 – Capital appreciation on investment products

	Year ended 30 June		
R million	**2009**	2008	% change
Carrying value of investment properties	**2 156**	3 808	(43)
Fair value of investment properties	**2 156**	3 808	(43)
Capital appreciation after tax	**85**	86	<(1)

DIRECTORS

LL Dippenaar (Chairman), PK Harris (Chief executive officer), SE Nxasana (Chief executive officer designate), VW Bartlett, JP Burger (Chief operating officer/Chief financial officer), DJA Craig (British), L Crouse, PM Goss, Dr NN Gwagwa, G Moloi, AP Nkuna, AT Nzimande, D Premnarayen (Indian), KB Schoeman, KC Shubane, RK Store, BJ van der Ross, Dr JH van Greuning, Dr F van Zyl Slabbert, MH Visser.

SECRETARY AND REGISTERED OFFICE

AH Arnott, BCom, CA(SA)
4th Floor, 4 Merchant Place
1 Fredman Drive, Sandton, 2196

Postal address
PO Box 786273, Sandton, 2146
Telephone: +27 11 282 1808
Telefax: +27 11 282 8088
Web address: www.firstrand.co.za

SPONSOR

(In terms of JSE requirements)
Rand Merchant Bank (a division of FirstRand Bank Limited)

Corporate Finance
1 Merchant Place
Cnr Fredman Drive and Rivonia Road
Sandton, 2196
Telephone: +27 11 282 1847
Telefax: +27 11 282 8215

TRANSFER SECRETARIES – SOUTH AFRICA

Computershare Investor Services (Pty) Limited
70 Marshall Street, Johannesburg, 2001

Postal address
PO Box 61051, Marshalltown, 2107
Telephone: +27 11 370 5000
Telefax: +27 11 688 5221

TRANSFER SECRETARIES – NAMIBIA

Transfer Secretaries (Pty) Limited
Shop No 12, Kaiserkrone Centre
Post Street Mall, Windhoek

Postal address
PO Box 2401, Windhoek, Namibia
Telephone: +264 612 27647
Telefax: +264 612 48531

STOCK EXCHANGES

JSE Limited ("JSE")

Ordinary shares	*Share code*	*ISIN code*
FirstRand Limited	FSR	ZAE 000066304
Non cumulative non redeemable preference shares		
"B"	FSRP	ZAE 000060141
"B1"	FSP	ZAE 000070900

Namibian Securities Exchange ("NSE")

Ordinary shares	*Share code*	*ISIN code*
FirstRand Limited	FSR	ZAE 000066304
FNB Namibia Holdings Limited	FNB	NA 0003475176

Botswana Securities Exchange of South Africa ("BSE")

Ordinary shares	*Share code*	*ISIN code*
FNB Botswana Holdings Limited	FNBB	BW000000066

Bond Exchange of South Africa ("BESA")

Subordinated debt

Issuer	*Bond code*	*ISIN code*
FirstRand Bank Limited	FRB01	ZAG000021585
FirstRand Bank Limited	FRB02	ZAG000021593
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
Momentum Group Limited	MGL01	ZAG000029935

Upper Tier II

Issuer	*Bond code*	*ISIN code*
FirstRand Bank Limited	FRBC21	ZAG000052283
FirstRand Bank Limited	FRBC22	ZAG000052390

Senior unsecured

Issuer	*Bond code*	*ISIN code*
FirstRand Bank Limited	FRBN01	ZAG000021601
FirstRand Bank Limited	FRBN04	ZAG000041005
FirstRand Bank Limited	FRBN05	ZAG000042169
FirstRand Bank Limited	FRBZ01	ZAG000049255
FirstRand Bank Limited	FRS08	ZAG000057324
FirstRand Bank Limited	FRS09	ZAG000057332
FirstRand Bank Limited	FRS10	ZAG000057340
FirstRand Bank Limited	FRS11	ZAG000057357
FirstRand Bank Limited	FRS12	ZAG000057365
FirstRand Bank Limited	FRS14	ZAG000058942

Senior unsecured continued

Issuer	*Bond code*	*ISIN code*
FirstRand Bank Limited	FRS15	ZAG000058959
FirstRand Bank Limited	FRS16	ZAG000058967
FirstRand Bank Limited	FRS17	ZAG000058975
FirstRand Bank Limited	FRS18	ZAG000058991
FirstRand Bank Limited	FRS20	ZAG000067943
FirstRand Bank Limited	FRS21	ZAG000067950
FirstRand Bank Limited	FRS22	ZAG000067968
FirstRand Bank Limited	FRS23	ZAG000067976
FirstRand Bank Limited	FRS24	ZAG000067984
FirstRand Bank Limited	FRS25	ZAG000067992
FirstRand Bank Limited	FRS26	ZAG000068008
FirstRand Bank Limited	FRS27	ZAG000068016
FirstRand Bank Limited	FRS28	ZAG000068024
FirstRand Bank Limited	FRS29	ZAG000068032
FirstRand Bank Limited	FRJ11	ZAG000051111
FirstRand Bank Limited	FRX11	ZAG000051095
FirstRand Bank Limited	FRX15	ZAG000051103

Inflation-linked bonds

FirstRand Bank Limited	FRBI01	ZAG000025156
FirstRand Bank Limited	FRBI02	ZAG000025768
FirstRand Bank Limited	FRBI03	ZAG000033473
FirstRand Bank Limited	FRBI04	ZAG000044306
FirstRand Bank Limited	FRBI05	ZAG000050626
FirstRand Bank Limited	FRBI07	ZAG000055849
FirstRand Bank Limited	FRI11	ZAG000051129
FirstRand Bank Limited	FRI15	ZAG000051137

Credit-linked notes

FirstRand Bank Limited	FRC01	ZAG000049800
FirstRand Bank Limited	FRC04	ZAG000057563
FirstRand Bank Limited	FRC05	ZAG000050873
FirstRand Bank Limited	FRC06	ZAG000051178
FirstRand Bank Limited	FRC07	ZAG000051244
FirstRand Bank Limited	FRC08	ZAG000051749
FirstRand Bank Limited	FRC09	ZAG000054347
FirstRand Bank Limited	FRC10	ZAG000054149
FirstRand Bank Limited	FRC11	ZAG000054131
FirstRand Bank Limited	FRC13	ZAG000055526
FirstRand Bank Limited	FRC15	ZAG000055708
FirstRand Bank Limited	FRC16	ZAG000055914
FirstRand Bank Limited	FRC17	ZAG000056011
FirstRand Bank Limited	FRC18	ZAG000056631
FirstRand Bank Limited	FRC19	ZAG000057472
FirstRand Bank Limited	FRC22	ZAG000062290
FirstRand Bank Limited	FRC26	ZAG000065277
FirstRand Bank Limited	FRC27	ZAG000065335

Index-linked 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

London stock exchange ("LSE")

European Medium Term Note (EMTN) programme

FirstRand Bank Limited	EMTN	XS0306783621

NOTES

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