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# analysis of financial results

for the six months ended 31 December 2011

FIRSTRAND

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FirstRand Group

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FIRSTRAND

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Certain entities within the FirstRand Group are Authorised Financial Services and Credit Providers
This analysis is available on our website:

**www.firstrand.co.za**

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

## INTRODUCTION

This report covers the unaudited financial results of FirstRand Limited (FirstRand or the Group) based on International Financial Reporting Standards (IFRS) for the six months ended 31 December 2011, as well as the normalised results of the Group, 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, and WesBank, the instalment finance business.

The primary results and accompanying commentary are presented on a continuing normalised basis as the Group believes this most accurately reflects its economic performance. The continuing normalised operations specifically exclude the profit on unbundling of Momentum, the earnings contribution of Momentum, the profit on disposal of OUTsurance, as well as the earnings contribution of OUTsurance for the comparative periods. A detailed description of the normalised results is provided on pages 12 and 13.

The continuing normalised results include an income statement, statement of comprehensive income, statement of changes in equity and a statement of financial position. A detailed description of the difference between normalised and IFRS results is provided on pages 12 and 13. Detailed reconciliations of normalised results to IFRS results are provided on pages 30 to 35. Commentary is based on the continuing normalised results, unless indicated otherwise.

## Financial highlights

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| **Normalised earnings** | **2011** | 2010 | % change | 2011 |
| – Normalised (R million) | **5 771** | 4 572 | +26 | 10 117 |
| – Diluted normalised earnings per share (cents) | **102.4** | 81.1 | +26 | 179.4 |
| **Net asset value per share (cents)** | **2011** | 2010 | % change | 2011 |
| – Normalised per share | **1 053.0** | 924.4 | +14 | 1 044.0 |
| **Dividend per ordinary share (cents)** | **2011** | 2010 | % change | 2011 |
| – Continuing operations | **44.0** | 35.0 | +26 | 81.0 |
| **Return on equity %** | **2011** | 2010 | | 2011 |
| – Normalised | **19.5** | 18.0 | | 18.7 |

# Key financial results, ratios and statistics

| R million | Six months ended 31 December 2011 | 2010 | % change | Year ended 30 June 2011 |
|---|---|---|---|---|
| **From continuing and discontinued operations** | | | | |
| Attributable earnings to ordinary equityholders | **6 067** | 12 070 | (50) | 20 065 |
| Headline earnings | **5 639** | 5 043 | 12 | 9 856 |
| Normalised earnings | **5 771** | 5 260 | 10 | 10 805 |
| Normalised net asset value | **59 369** | 52 115 | 14 | 58 858 |
| Normalised net asset value per share (cents) | **1 053.0** | 924.4 | 14 | 1 044.0 |
| Average normalised net asset value | **59 114** | 54 812 | 8 | 58 183 |
| Normalised earnings per share (cents) | | | | |
| – Basic | **102.4** | 93.3 | 10 | 191.6 |
| – Diluted | **102.4** | 93.3 | 10 | 191.6 |
| Normalised return on equity (%) | **19.5** | 19.2 | | 18.6 |
| Ordinary dividend per share (cents) | **44.0** | 35.0 | 26 | 81.0 |
| Dividend cover based on normalised earnings | **2.3** | 2.7 | | 2.4 |
| Special dividend per share (cents) | **–** | – | n/a | 70.0 |
| Non-cumulative non-redeemable (NCNR) preference dividend per share– declared (cents) | | | | |
| – B Class (68% of FNB prime lending rate) | **305.2** | 355.0 | (14) | 668.5 |
| **Continuing normalised** | | | | |
| Attributable earnings to ordinary equityholders | **5 597** | 4 604 | 22 | 9 889 |
| Headline earnings | **5 639** | 4 445 | 27 | 9 258 |
| Normalised earnings | **5 771** | 4 572 | 26 | 10 117 |
| Normalised net asset value | **59 369** | 52 115 | 14 | 58 858 |
| Normalised net asset value per share (cents) | **1 053.0** | 924.4 | 14 | 1 044.0 |
| Average normalised net asset value | **59 114** | 50 749 | 16 | 54 120 |
| Normalised earnings per share (cents) | | | | |
| – Basic | **102.4** | 81.1 | 26 | 179.4 |
| – Diluted | **102.4** | 81.1 | 26 | 179.4 |
| Normalised return on equity (%) | **19.5** | 18.0 | | 18.7 |
| Ordinary dividend per share (cents) | **44.0** | 35.0 | 26 | 81.0 |
| Dividend cover | **2.3** | 2.3 | | 2.2 |
| Special dividend per share (cents) | **–** | – | n/a | 70.0 |
| **Capital adequacy** | | | | |
| FirstRand | | | | |
| – Capital adequacy ratio | **15.4** | 15.3 | | 16.5 |
| – Tier 1 ratio | **14.0** | 13.6 | | 15.0 |
| **Market performance** | | | | |
| Market capitalisation | **116 931** | 109 996 | 6 | 111 913 |
| Price earnings ratio based on normalised earnings (times) | **10.1** | 12.0 | | 11.1 |
| Price-to-book ratio (times) | **2.0** | 2.1 | | 1.9 |

## Statement of headline earnings from continuing and discontinued operations – IFRS

| R million | Six months ended 31 December 2011 | Six months ended 31 December 2010 | % change | Year ended 30 June 2011 |
|---|---|---|---|---|
| ***Continuing operations*** | | | | |
| Profit from continuing operations (refer page 14) | 6 590 | 5 308 | 24 | 14 244 |
| Non-controlling interest | (386) | (364) | 6 | (1 164) |
| NCNR preference shares | (137) | (160) | (14) | (301) |
| **Attributable earnings to ordinary equityholders** | 6 067 | 4 784 | 27 | 12 779 |
| Adjusted for: | (428) | (159) | >100 | (3 341) |
| Loss/(gain) on disposal of investment securities and other investments | 2 | – | | (12) |
| Gain on disposal of available-for-sale assets | (36) | (179) | | (341) |
| Gain on disposal of associates | (463) | – | | (2 792) |
| Gain on disposal of subsidiaries | (17) | (3) | | (571) |
| Loss/(gain) on the disposal of property and equipment | 24 | 2 | | (9) |
| Impairment of goodwill | 18 | 24 | | 96 |
| Impairment of assets in terms of IAS 36 | 15 | 7 | | 37 |
| Gain from a bargain purchase | – | – | | (9) |
| Other | (1) | 2 | | – |
| Tax effects of adjustments | 23 | (12) | | 16 |
| Non-controlling interest adjustments | 7 | – | | 244 |
| **Headline earnings from continuing operations** | 5 639 | 4 625 | 22 | 9 438 |
| ***Discontinued operations*** | | | | |
| Profit from discontinued operations | – | 7 283 | (100) | 7 283 |
| Non-controlling interests | – | 3 | (100) | 3 |
| **Attributable earnings to ordinary shareholders** | – | 7 286 | (100) | 7 286 |
| Adjusted for: | – | (6 868) | (100) | (6 868) |
| Profit on dividend in specie | – | (6 868) | | (6 868) |
| **Headline earnings from discontinued operations** | – | 418 | (100) | 418 |
| **Headline earnings from continuing and discontinued operations** | 5 639 | 5 043 | 12 | 9 856 |

# Reconciliation from headline earnings to normalised earnings from continuing and discontinued operations

| R million | Six months ended 31 December 2011 | Six months ended 31 December 2010* | % change | Year ended 30 June 2011* |
|---|---|---|---|---|
| **Headline earnings from continuing operations** | **5 639** | 4 625 | 22 | 9 438 |
| Adjusted for: | **132** | 127 | 4 | 859 |
| IFRS 2 Share-based payment expense | **29** | (45) | (>100) | (20) |
| Treasury shares | **103** | 172 | (40) | 418 |
| – Consolidation of share trusts | **94** | 141 | | 210 |
| – FirstRand shares held by policyholders | **9** | 31 | | 208 |
| Private equity subsidiary realisations | **–** | – | – | 461 |
| **Normalised earnings from continuing operations** | **5 771** | 4 752 | 21 | 10 297 |
| **Headline earnings from discontinued operations** | **–** | 418 | (100) | 418 |
| Adjusted for: | **–** | 90 | (100) | 90 |
| – FirstRand shares held by policyholders | **–** | 90 | | 90 |
| **Normalised earnings from continuing and discontinued operations** | **5 771** | 5 260 | 10 | 10 805 |

* *December 2010 and June 2011 figures includes six months of OUTsurance income amounting to R180 million in earnings from continuing operations, which is excluded from normalised earnings – refer below for reconciliation.*

# Reconciliation of IFRS continuing operations to normalised continuing operations

| R million | Six months ended 31 December 2011 | Six months ended 31 December 2010 | % change | Year ended 30 June 2011 |
|---|---|---|---|---|
| Earnings attributable to ordinary equityholders (refer page 3) | **6 067** | 4 784 | 27 | 12 779 |
| OUTsurance equity-accounted income | **–** | (180) | (100) | (180) |
| Profit on sale of OUTsurance | **–** | – | n/a | (2 710) |
| Profit on disposal of WesBank investments | **(470)** | – | n/a | – |
| Attributable earnings from continuing normalised operations (refer page 25) | **5 597** | 4 604 | 22 | 9 889 |
| | | | | |
| Headline earnings from IFRS continuing operations (per above) | **5 639** | 4 625 | 22 | 9 438 |
| OUTsurance equity-accounted income | **–** | (180) | (100) | (180) |
| Headline earnings from continuing normalised operations | **5 639** | 4 445 | 27 | 9 258 |
| | | | | |
| Normalised earnings from IFRS continuing operations (per above) | **5 771** | 4 752 | 21 | 10 297 |
| OUTsurance equity-accounted income | **–** | (180) | (100) | (180) |
| Normalised earnings from continuing normalised operations | **5 771** | 4 572 | 26 | 10 117 |

# Overview of results

## Introduction

The fragile global economic recovery that began in 2009 has been impacted by a number of headwinds and risks in the six months to December 2011. The global business cycle was negatively affected by a few unprecedented events, such as the downgrade of the USA's credit rating and the crisis in the Eurozone. Business and consumer sentiment and risk appetite were further depressed by increased concern that China would experience a significant slowdown in growth.

The global economy continued to register positive, if slower, growth rates over the period, however, the outlook remains uncertain. Developed markets continue to experience muted growth and have limited policy space to support further expansion. Although lower inflation and the easing of monetary policy should support growth in emerging economies, some of these countries continue to face structural risks associated with their growth models.

Against this backdrop, growth rates in South Africa also moderated. Local factors further amplified the effect of the global slowdown as significant industrial action in the third quarter of 2011 depressed manufacturing and mining output. Households continued to drive the expansion supported by real income growth, while capital investment and overall corporate activity remained subdued, albeit with pockets of moderate growth. Credit extension recorded single digit growth, which was below increases in nominal GDP. The risks to growth and stable core inflation over the period resulted in the SARB maintaining a monetary policy stance designed to stimulate economic activity.

Africa's economic recovery is continuing and, excluding South Africa, GDP in sub-Saharan Africa is expected to grow between 5% and 6% for the current financial year, making it one of the developing regions with the highest growth prospects.

## Overview of results

Despite this challenging background, FirstRand produced excellent results for the six months to 31 December 2011, achieving normalised earnings of R5.8 billion, an increase of 26% on the comparative period, and producing a normalised return on equity (ROE) of 19.5% (2010: 18.0%).

With regards to the Group's overall performance, the unwind of bad debts continued to impact positively on the results of the retail franchises of FNB and WesBank. However, on a rolling six-month basis, the impairment charge benefit was flat. The increase in earnings was delivered through very strong operational performances from FNB and WesBank, driven by loan and customer deposit growth, new customer acquisition, expanding lending margins and robust transactional volumes.

RMB (including Global Transactional Services (GTS), previously FNB's Corporate Transactional Banking activities), experienced a 14% decline in profit before tax which the Group considers a very creditable performance given the tough trading environment and the high base created in recent years.

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

### SOURCES OF NORMALISED EARNINGS

| | Six months ended 31 December | | | | | Year ended 30 June | |
|---|---|---|---|---|---|---|---|
| R million | **2011** | **% composition** | 2010 | % composition | % change | 2011 | % composition |
| Total FNB | **3 364** | **58** | 2 658 | 58 | 27 | 5 327 | 53 |
| FNB South Africa | **3 072** | **53** | 2 342 | 51 | 31 | 4 787 | 47 |
| FNB Africa | **292** | **5** | 316 | 7 | (8) | 540 | 6 |
| RMB and GTS | **1 457** | **25** | 1 679 | 37 | (13) | 3 839 | 38 |
| WesBank | **1 193** | **21** | 750 | 16 | 59 | 1 862 | 18 |
| Corporate Centre and consolidation adjustments | **(351)** | **(6)** | (365) | (8) | (4) | (708) | (7) |
| FirstRand Limited (company) | **245** | **4** | 10 | – | >100 | 98 | 1 |
| NCNR preference dividend | **(137)** | **(2)** | (160) | (3) | (14) | (301) | (3) |
| **Normalised earnings from continuing normalised operations** | **5 771** | **100** | 4 572 | 100 | 26 | 10 117 | 100 |

The Group's income statement benefited from an excellent increase of 22% in net interest income (NII). This was driven by good growth in advances at FNB, WesBank and RMB. In addition, the Group's asset margins expanded due to the change in mix with a larger contribution from vehicle and asset finance (VAF) and unsecured lending. Margins also continued to be positively impacted by ongoing re-pricing strategies in the large retail lending books such as vehicle and asset finance and residential mortgages.

NII growth included the benefit from the non-recurrence of a mark-to-market loss on funding instruments incurred in the comparative period. Excluding this impact, NII increased 17% year-on-year.

Total non-interest revenue (NIR) was marginally down on the comparative period as a result of RMB's subdued performance. However, fee and commission income at FNB and WesBank was stronger than expected, increasing 17% on the comparative period and driven by ongoing new customer acquisition and strong transactional volumes (particularly through the electronic channels) at FNB and fees generated on higher new business volumes at WesBank.

As a result of the continued focus on cost containment, total Group operating expenses increased only 9%, which is in line with targets. Core operational costs increased only 6%. The cost-to-income ratio improved marginally to 54.7% (2010: 54.8%).

The Group's balance sheet continued to show reasonable overall growth in advances reflecting robust new business volumes. The following portfolios showed particularly good growth as a result of the Group's strategy to grow its lending books in certain targeted segments.

| R billion | New business |
|---|---|
| Unsecured lending in FNB's Mass and Consumer segments (excluding Card) | **6.1** |
| Unsecured lending at WesBank | **2.0** |
| VAF at WesBank | **24.1** |
| RMB's structured lending book | **23.7** |

Despite the growth in unsecured lending, this is still coming off a very low base and total unsecured loans (excluding Card) across all of the retail portfolios represent a small portion (3%) of total advances.

## Overview of operating franchises

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

- become a predominant South African player focusing on both existing markets and those markets where the business is currently under-represented; and
- further grow the existing African franchise, targeting those markets expected to produce above average domestic growth and are strongly positioned to benefit from the trade and investment flows between Africa and Asia, particularly China and India.

These strategies are executed through the Group's operating franchises, within a strategic framework set by the Group. During the year these franchises continued to make good progress against this strategic intent and below is a brief overview of each, with a detailed review on pages 62 to 76.

### FNB

FNB's strategy is to grow its domestic franchise in market segments where it is currently under-represented and target selective African countries and India for investment. It enters these markets focusing on innovative products and delivery channels, especially favouring electronic platforms.

| FNB South Africa | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | **2011** | 2010* | % change | 2011* |
| Normalised earnings | **3 072** | 2 342 | 31 | 4 787 |
| Profit before tax | **4 137** | 3 178 | 30 | 6 529 |
| Total assets | **228 124** | 209 333 | 9 | 220 525 |
| Total liabilities | **223 600** | 205 828 | 9 | 213 833 |
| Credit impairment charge (%) | **1.01** | 1.28 | | 1.21 |
| ROE (%) | **37.7** | 34.0 | | 34.9 |

* *Prior year restated to exclude GTS.*

FNB South Africa produced a strong performance for the year, growing pre-tax profits 30% and producing a normalised ROE of 38%.

The strong growth in NIR of 14% reflects FNB's strategy to grow customers (+5%) and transactional volumes (+10%), which has been achieved through FNB's relentless introduction of innovative products and channels to market. The growth in transactional volumes also reflects the ongoing migration by customers to less expensive electronic channels as a direct result of FNB's strategy to encourage customers (particularly through pricing) to use these cheaper channels. NIR also benefited from good market share gains and growth in revenue from alternative sources, such as prepaid commissions and insurance.

NII increased robustly as a result of strong deposit balance growth slightly offset by reduced endowment margins, some advances growth with particularly good growth in unsecured lending, which resulted in margin expansion and lower suspended interest on NPLs. Advances growth was muted in HomeLoans (flat) and Card (6%).

FNB's costs for the period grew at only 10% despite ongoing investment in the business, such as the rollout of the EasyPlan infrastructure, innovative mobile platforms and customer acquisition strategies. There remains a firm focus on cost reduction in those business units that are experiencing pressure on revenues, however, investment will continue in areas of the business where growth opportunities exist.

Impairments continued to improve, which is largely attributable to the ongoing recovery in HomeLoans, and the decrease in NPLs and arrears and ongoing post write-off recoveries in Card Issuing.

FNB continued to execute on certain growth strategies and other operational initiatives during the period under review. For example, the Mass segment sustained its rollout of EasyPlan, which represents an appropriate low-cost banking offering to this segment. In both the Mass and Consumer segments, FNB has focused on unsecured lending products where it is coming off a historically low base. Innovative products and reward programmes have driven good growth in customers and transactional volumes in the Consumer segment.

| **FNB Africa** | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | **2011** | 2010 | % change | 2011 |
| Normalised earnings | **292** | 316 | (8) | 540 |
| Profit before tax | **763** | 740 | 3 | 1 350 |
| Total assets | **39 930** | 33 705 | 18 | 35 439 |
| Total liabilities | **35 317** | 29 448 | 20 | 31 493 |
| Credit impairment charge (%) | **0.30** | 0.18 | | 0.30 |
| ROE (%)* | **21.7** | 24.6 | | 21.4 |

* *ROE based on statutory view.*

Overall, the African subsidiaries performed well despite significant investment activity across the portfolio. Both NII and NIR showed good growth, however, operating expenses increased 23%, resulting in an overall increase in pre-tax profits for the portfolio of 3%. The normalised ROE of 22% remains above the Group's target despite the investment in new territories.

## RMB

RMB's ongoing strategic imperatives remain anchored around strengthening the client franchise both locally and on the African continent with trading and investing activities being scaled appropriately. RMB's risk appetite framework remains central to ensuring that its portfolio continues to reflect the appropriate mix of client, trading and investing activities in order to preserve and enhance the quality of earnings.

| **RMB and GTS** | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | **2011** | 2010 | % change | 2011 |
| Normalised earnings | **1 457** | 1 679 | (13) | 3 839 |
| Profit before tax | **1 980** | 2 297 | (14) | 5 367 |
| Total assets | **307 708** | 291 960 | 5 | 267 127 |
| Total liabilities | **301 512** | 288 214 | 5 | 260 810 |
| ROE (%) | **18.1** | 25.1 | | 28.5 |

For the first time, RMB's results include a contribution from GTS. GTS has now been fully aligned with RMB's existing activities (though it remains FNB branded) as part of FirstRand's strategy to create a full suite of integrated Corporate and Investment Banking (CIB) products and services for large corporates.

RMB's pre-tax profits reduced 15% to R1 782 million for the six months to December 2011, a very creditable performance given the significant base created in previous periods and the current tough macro environment for investment banks. The decline is largely attributable to disappointing performances in the Resources and Equities businesses, where downward pressures on key sectors impacted profitability.

Investment Banking continued to grow despite an already high base, and Fixed Income, Currency and Commodities (FICC) produced a robust performance showing particularly good growth in structured trading activities. The Private Equity portfolio generated sustained earnings from the underlying investments, and profits benefited from lower impairments. New investments contributed to overall portfolio growth. Equities experienced significant pressure in trading activities and positions have been reduced during the period. The RMB Resources portfolios were negatively impacted by the softening in commodity and resource equity markets resulting in losses.

GTS produced net income of R198 million, 5% higher than the comparative period and achieved in an environment characterised by margin compression, which drove financing revenue lower. The contribution from client fee revenue grew strongly during the period on the back of higher volumes, although pricing remains extremely competitive in this segment. Investment in the operating platform continued during the period, placing pressure on costs.

RMB made good progress at growing its African franchise with a focus on building investment banking and trading activities in jurisdictions where FNB currently operates, as well as capturing trade and investment flows into Africa from key Asian markets, such as India and China. A number of transactions in key sectors such as resources, commodities, energy and property were concluded in Africa. FICC's Africa business produced excellent results with good growth achieved across the Africa portfolio and a particularly strong performance from Botswana.

## WesBank

WesBank continues to focus on its core strategy of partnering with key industry players through representation at the point of sale and is targeting domestic segments where it remains under-represented, such as fleet management and full maintenance rentals (FMR), as well as with larger corporate asset finance customers and the public sector.

| **WesBank** | Six months ended 31 December | | % | Year ended 30 June |
|---|---|---|---|---|
| R million | **2011** | 2010 | change | 2011 |
| Normalised earnings | **1 193** | 750 | 59 | 1 862 |
| Profit before tax* | **1 688** | 1 069 | 58 | 2 548 |
| Total assets | **112 396** | 99 265 | 13 | 104 117 |
| Total liabilities | **109 682** | 97 461 | 13 | 101 171 |
| Credit impairment charge (%) | **1.07** | 1.63 | | 1.33 |
| ROE (%) | **29.8** | 21.5 | | 26.3 |

* *Excluding profits on disposal of investments.*

WesBank's pre-tax profits increased 58% over the prior year, and 14% over the six months ended June 2011, to R1 688 million. This strong performance resulted from the continuation of the retail and corporate credit unwind; strong new business origination across all portfolios; improved interest margins resulting from repricing and growth in the unsecured lending portfolio (Personal Loans).

Bad debts in the local lending business decreased 27% and NPLs decreased from 5.1% to 3.7% (June 2011 4.3%).

Advances grew R15.4 billion (16%) as a consequence of the excellent new business volumes driven by the buoyant vehicle market, improved consumer affordability, the natural replacement cycle and improved consumer and business confidence. Origination growth has not been at the expense of price or change in risk appetite.

NIR increased 19%, benefiting from the higher new business volumes, growing advance volumes and growth in the FMR income.

Cost management remains an important contributor to WesBank's results. Whilst total cost growth for the period was 22%, this is largely related to increased new business volumes. Core operating costs in the local lending operations increased only 8% over the prior year.

MotoNovo (previously branded Carlyle Finance), the UK operation, contributed a 44% increase in profits and the business continues to produce excellent origination volumes, margins, risk profile and cost management in a very tough cycle in the UK market. 20% of the growth in profit is a direct result of the devaluation of the Rand against the Pound.

Specific growth strategies continue to be pursued in the large corporate sector and in FMR. The large corporate sector reflected year-on-year growth in new business of 29%, while the FMR business grew number of units under management 58% off a moderate base.

The relative contribution to the Group's normalised earnings mix and growth rates from types of income (retail, investment and corporate banking) and business units (based on continuing operations) is shown in the table below.

| | Six months ended 31 December | | | | | Year ended 30 June | |
|---|---|---|---|---|---|---|---|
| R million | 2011 | % contribution | 2010 | % contribution | % change | 2011 | % contribution |
| **Retail banking** | | | | | | | |
| FNB Retail | 2 043 | | 1 515 | | | 3 141 | |
| FNB Africa | 292 | | 316 | | | 540 | |
| WesBank | 958 | | 640 | | | 1 590 | |
| | 3 293 | 57 | 2 471 | 54 | 33 | 5 271 | 52 |
| **Corporate banking** | | | | | | | |
| GTS | 146 | | 120 | | | 272 | |
| FNB Commercial | 1 029 | | 827 | | | 1 646 | |
| WesBank | 235 | | 110 | | | 272 | |
| | 1 410 | 24 | 1 057 | 23 | 33 | 2 190 | 22 |
| **Investment banking** | | | | | | | |
| RMB | 1 311 | 23 | 1 559 | 34 | (16) | 3 567 | 35 |
| **Other** | | | | | | | |
| FirstRand and dividends paid on NCNR preference shares | 108 | | (150) | | | (203) | |
| Corporate Centre and consolidation adjustments | (351) | | (365) | | | (708) | |
| | (243) | (4) | (515) | (11) | (53) | (911) | (9) |
| **Normalised earnings from continuing operations** | 5 771 | 100 | 4 572 | 100 | 26 | 10 117 | 100 |

## Strategic issues

### PROGRESS ON DOMESTIC AND AFRICAN EXPANSION STRATEGIES

Given the Group's size in its domestic market significant focus remains on growing its franchises across all the available profit pools in financial services within South Africa.

Many of these strategies are gaining traction. For example, FNB's EasyPlan strategy in the Mass segment is on track in that it is both protecting and growing its well-established franchise in that segment. Through positioning its low-cost network in the appropriate work and transport nodes, delivering a strong transactional banking platform that includes cellphone banking, eWallet and ATMs/ADTs, FNB has been successful in retaining existing customers and capturing new customers from its competition. FNB is also actively growing its lending books both in the unsecured space and in affordable housing in the Mass segment. Unsecured advances total R5 billion and the affordable housing book totals R9.5 billion.

As part of the Group's overall strategy to grow CIB revenues, following a change in its business model to service the large corporate segment, closer alignment of GTS with RMB has now been completed. This structural adjustment follows the creation of a Client Coverage team, and is already resulting in growth in share of the corporate market. A strong transactional banking platform is critical to servicing these customers particularly across the FICC and GTS service offerings. Investment is continuing in both systems and skills and the Group believes that leveraging off the strength of the RMB franchise will create a strong CIB presence in the short to medium term.

At WesBank, specific growth strategies in the large corporate sector, are delivering new business growth and long-term prospects remain good. WesBank believes there are additional incremental growth opportunities in the medium corporate environment and specific strategies are being put in place in that sector.

The Group also seeks to generate incremental growth outside of its domestic market. It executes "on the ground" through its operating franchises, and enters each market depending on the opportunities presented.

FNB continues to invest in the new territories of Mozambique, Zambia and Tanzania to ultimately build strong retail and commercial banking franchises over the medium term. To this end, it seeks to leverage its South African developed products and solutions into the continent. FNB continues to assess opportunities in identified priority countries such as Nigeria and Ghana. FNB is also exploring some niche growth opportunities in India, leveraging off the existing Group platform.

RMB recently established a Kenyan representative office, created RMB Namibia and started operations in Tanzania, leveraging off the FNB platform. The India branch continues to benefit from an increased focus on the Africa/India corridor and the broader Asian corridor strategy continues to develop. Deals such as the Gold One transaction, which represents the largest investment by Chinese investors in the African gold sector, is testament to RMB's ability to deliver investment banking solutions to clients in the China/Africa corridor.

WesBank is focusing on growing asset-based finance operations within the existing African footprint of the Group, through the global product services model. Several opportunities for growth exist in these operations, which are expected to gain traction over the medium term.

## CAPITAL

FirstRand's capital management strategy is aligned to the Group's overall objective to deliver sustainable returns to shareholders within appropriate levels of volatility.

The Group's current philosophy, given the uncertain macro environment, is to operate at the higher end of its targeted capital levels to ensure balance sheet resilience. Current targeted levels and ratios are summarised in the table below.

| | FirstRand | | Regulatory minimum |
|---|---|---|---|
| % | Actual | Target | |
| Capital adequacy ratio | 15.4 | 12.0 – 13.5 | 9.5# |
| Tier 1 ratio | 14.0 | 11.0 | 7.0 |
| Core Tier 1 ratio | 12.9 | 9.5 – 11.0 | 5.25 |

| | FirstRand Bank (FRB)* | | Regulatory minimum |
|---|---|---|---|
| % | Actual | Target | |
| Capital adequacy ratio | 14.7 | 11.5 – 13.0 | 9.5# |
| Tier 1 ratio | 13.0 | 10.5 | 7.0 |
| Core Tier 1 ratio | 12.0 | 9.0 – 10.5 | 5.25 |

* *Reflects solo supervision, i.e. FirstRand Bank excluding branches and subsidiaries.*

# *The regulatory minimum excludes the bank-specific (Pillar 2b) add-on and capital floor.*

The Group does not seek to hold excess capital for acquisitions, however, it has previously indicated to shareholders that it is holding a "buffer" for investments in certain growth opportunities already identified in its domestic market and in certain African jurisdictions.

However, given the current economic conditions in South Africa and the subdued credit appetite amongst consumers and corporates, the Group's operating franchises continue to generate good returns at a time when there is limited opportunity to grow risk-weighted assets. The Group therefore continues to review the appropriate level of payout to shareholders on a sustainable basis.

With regards to the impact of Basel 2.5 and 3, the Group's level of Core Tier 1 capital is sufficient as it has held buffers in anticipation of these changes. These buffers will now be allocated to the operating franchises as part of the capital allocation and performance management processes. This will result in some adjustment to the franchise return profiles, however, the Group return profile should not change.

Each franchise is undertaking detailed assessments of actions that will be taken to optimise returns given their new allocations.

## Prospects

The Group expects the domestic economic conditions to remain subdued for the remainder of the current financial year.

Growth in retail advances is likely to remain at current levels with mortgage lending expected to lag nominal GDP growth as levels of consumer indebtedness remain high, and house prices are expected to reflect negative real growth in the short term. In mitigation, the stabilisation of the economy at modest growth rates and an ongoing low interest environment will result in reasonable growth in unsecured, short-term advances.

Given that excess capacity remains in the corporate sector, with limited expansionary opportunities, combined with very strong balance sheets across the segment, corporate lending is also expected to remain slow.

FirstRand expects its domestic franchises to continue to produce good organic growth driven by specific strategies in those markets and/or segments that are showing above average growth, where the Group is under-represented or the ROE is very attractive. However, achieving revenue growth is likely to remain a challenge and, therefore, achieving a sustainable ROE and cost-to-income ratio continues to be a balancing act between investment and cost management.

GDP growth in sub-Saharan Africa is expected to further strengthen in 2012 and all of the Group's franchises will continue to capitalise on growth opportunities in those countries identified as priorities for expansion. FNB will expand the African and Indian operating footprint supported by its South African platform and RMB will mine the trade and investment flows between Asia and Africa, leveraging off the existing FNB platforms and its own operation in India.

The quality of the Group's operating franchises and their respective strategies domestically and in the rest of Africa should underpin FirstRand's ability to provide shareholders with sustainable returns.

## Board changes

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

## Dividend strategy

Fair value accounting continues to impact earnings volatility, particularly in the investment bank. The Group does not wish to expose the dividend to this volatility and therefore will focus on a sustainable growth rate, in line with normalised earnings. This means that dividend cover may vary from year to year.

## Basis of presentation

FirstRand prepares its consolidated interim financial results in accordance with:

- IFRS including IAS 34 Interim Financial Reporting;
- the AC 500 standards issued by the Accounting Practices Board;
- JSE Listing requirements; and
- the information as required by the Companies Act of South Africa.

The accounting policies applied are consistent with those applied in preparation of previous financial statements.

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

The Group believes normalised earnings more accurately reflect operational performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies. Details of the nature of these adjustments and reasons therefore can be found on pages 12 and 13.

## Cash dividend declarations

### ORDINARY SHARES

The following ordinary cash dividend was declared in respect of the six month period ended 31 December 2011.

| | Six months ended 31 December | |
|---|---|---|
| Cents per share | **2011** | 2010 |
| Interim (declared 28 February 2012) | **44.00** | 35.00 |

* *The last day to trade in FirstRand shares on a cum-dividend basis in respect of the interim dividend will be Thursday, 15 March 2012, and the first day to trade ex-dividend will be Friday, 16 March 2012. The record date will be Friday, 23 March 2012, and the payment date Monday, 26 March 2012. No dematerialisation or rematerialisation of shares may be done during the period Friday, 16 March 2012, to Friday, 23 March 2012, both days inclusive.*

### PREFERENCE SHARES

Dividends on the "B" preference shares are calculated at a rate of 68% of the prime lending rate of FirstRand Bank.

The following dividends have been declared and paid.

| | "B" preference shares | |
|---|---|---|
| Cents per share | **2011** | 2010 |
| Period | | |
| 30 August 2011 – 27 February 2012 | **305.2** | |
| 31 August 2010 – 28 February 2011 | | 313.6 |

**BW Unser**
Company secretary

28 February 2012

# Description of difference between normalised and IFRS results – continuing operations

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

## Tracker and Ronald Sewell's

The Group previously owned 36.11% of Tracker (Pty) Limited (Tracker). Effective 3 October 2011, the Group disposed of an effective 15.76% of its shareholding to a consortium of investors. The Group equity accounted for Tracker at its original shareholding up to the effective transaction date, and equity accounted its portion of the earnings of Tracker at the remaining shareholding of 20.35% with effect from 1 October 2011 to 31 December 2011.

In addition, WesBank disposed of its subsidiary, Ronald Sewell's, effective August 2011.

For the continuing results the profit on sale of the 15.76% shareholding in Tracker and the profit on disposal of Ronald Sewell's have been excluded from normalised earnings and from the headline earnings adjustment in terms of Circular 03/2009.

## Share-based payments, employee benefits and treasury shares: consolidation of staff share trust

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

In 2005 the Group concluded its BEE transaction; a part of this transaction was that rights were granted to the Group's black South African employees and black non-executive directors of FirstRand. These rights are accounted for as IFRS 2 expenses. FirstRand hedged itself against the price risk of the FirstRand share price in these schemes by buying the shares in the open market in various share trusts. SIC 12 Consolidation – Special Purpose Entities requires that these staff schemes be consolidated by the Group. FirstRand shares held by the staff share schemes are therefore treated as treasury shares.

Due to the unbundling of Momentum Group Limited these share trusts received MMI Holdings Limited shares as a dividend in specie. The rights holder received a FirstRand as well as a MMI share. The receipt of MMI shares led to the recognition of an employee benefit liability in terms of IAS 19 Employee Benefits. FirstRand hedged itself against the price risk of MMI shares by retaining the MMI shares received as a dividend in specie.

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

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

## Treasury shares: FirstRand shares held for policyholders and client trading activities

FirstRand shares may be acquired by the Group in specific instances. The Group would invest in FirstRand shares to offset its exposure as a result of a client trading position. Depending on the nature of the client trading position and the resulting risks, FirstRand shares may be held long or sold short by the Group. The Group may invest in FirstRand shares on behalf of its policyholders in terms of policies that offer a linked return.

In terms of IAS 32 Financial Instruments: Presentation, FirstRand Limited shares held by the Group are deemed to be treasury shares for accounting purposes. For the statement of financial position the cost price of FirstRand shares held long is deducted from equity and the consideration received from selling FirstRand shares short is added back to equity. In the income statement all gains and losses on FirstRand shares are reversed.

Changes in the fair value of Group shares and dividends declared on these shares affect the fair value of client trading positions and the liability to policyholders reflected in the statement of financial position, unless the client trading position is itself an equity instrument. The change in the client trading position or liability to policyholders is recognised in the income statement. However, because of the rules relating to treasury shares, the corresponding change in assets held to match the client trading or policyholder liability position are reversed or eliminated. This results in a mismatch in the overall equity and income statement of the Group.

For purposes of calculating normalised earnings, the adjustments described above are reversed and the Group shares held for client trading positions or on behalf of policyholders are treated as issued to parties external to the Group.

Where the client trading position is itself an equity instrument, then neither the gains or losses on the client trading position nor the Group shares held to hedge the client trading position are reflected in the income statement or in the fair value on the statement of financial position. For purposes of calculating normalised earnings, adjustments are made to reflect the client trading positions and Group shares to hedge the position as if the client trading position and hedge were in respect of a share other than a treasury share.

## Economic hedges

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

## Fair value annuity income – lending

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

The Group has reclassified the margin relating to the annuity fair value income earned on the RMB wholesale advances book from NIR to NII to reflect the economic substance of the income earned on these assets.

The corresponding impairment charge is reallocated from NIR to the impairment charge. Fair value advances are adjusted to reflect the cumulative adjustment.

## Consolidated private equity subsidiaries

The Group reflects the operating costs of consolidated private equity subsidiaries net against the income earned as part of NIR, as this more accurately reflects the underlying economic substance of the Group's relationship with these entities.

## Private equity subsidiaries realisations

In terms of Circular 03/2009 profits and losses on the sale of subsidiaries are excluded from headline earnings.

The Circular includes specific industry rules. Rule 1 allows entities to include in headline earnings profits or losses on the sale of private equity investments that are associates or joint ventures, which form part of trading or operating activities. However, this exclusion does not apply to profits and losses on the sale of private equity investments that are subsidiaries. The Group includes the profit on the sale of private equity subsidiaries in normalised headline earnings to reflect the nature of these investments.

# Consolidated income statement – IFRS

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | 2011 | 2010 | % change | 2011 |
| ***Continuing operations*** | | | | |
| Interest and similar income | **20 278** | 19 133 | 6 | 38 187 |
| Interest expense and similar charges | **(9 748)** | (10 754) | (9) | (20 818) |
| Net interest income before impairment of advances | **10 530** | 8 379 | 26 | 17 369 |
| Impairment of advances | **(1 824)** | (2 084) | (12) | (3 778) |
| Net interest income after impairment of advances | **8 706** | 6 295 | 38 | 13 591 |
| Non-interest income | **13 431** | 13 250 | 1 | 29 565 |
| Income from operations | **22 137** | 19 545 | 13 | 43 156 |
| Operating expenses | **(13 371)** | (12 278) | 9 | (24 584) |
| Net income from operations | **8 766** | 7 267 | 21 | 18 572 |
| Share of profit from associates and joint ventures | **401** | 506 | (21) | 868 |
| Income before tax | **9 167** | 7 773 | 18 | 19 440 |
| Indirect tax | **(385)** | (385) | – | (614) |
| Profit before direct tax | **8 782** | 7 388 | 19 | 18 826 |
| Direct tax | **(2 192)** | (2 080) | 5 | (4 582) |
| Profit from continuing operations | **6 590** | 5 308 | 24 | 14 244 |
| ***Discontinued operations*** | | | | |
| Profit attributable to discontinued operations | **–** | 415 | (100) | 415 |
| Profit after tax on disposal/unbundling of discontinued operations | **–** | 6 868 | (100) | 6 868 |
| **Profit for the period** | **6 590** | 12 591 | (48) | 21 527 |
| **Attributable to:** | | | | |
| NCNR preference shareholders | **137** | 160 | (14) | 301 |
| Ordinary equityholders | **6 067** | 12 070 | (50) | 20 065 |
| Equityholders of the Group | **6 204** | 12 230 | (49) | 20 366 |
| Non-controlling interests | **386** | 361 | 7 | 1 161 |
| **Profit for the period** | **6 590** | 12 591 | (48) | 21 527 |
| **Earnings per share (cents)** | | | | |
| – Basic | **111.1** | 227.0 | (51) | 372.7 |
| – Diluted | **109.2** | 223.2 | (51) | 365.3 |
| **Headline earnings per share (cents)** | | | | |
| – Basic | **103.3** | 94.8 | 9 | 183.1 |
| – Diluted | **101.5** | 93.3 | 9 | 179.4 |
| **Earnings per share (cents) – IFRS continuing** | | | | |
| – Basic | **111.1** | 89.4 | 24 | 236.6 |
| – Diluted | **109.2** | 87.9 | 24 | 231.9 |
| **Headline earnings per share (cents) – IFRS continuing** | | | | |
| – Basic | **103.3** | 86.4 | 20 | 174.7 |
| – Diluted | **101.5** | 85.0 | 19 | 171.3 |
| **Earnings per share (cents) – discontinued** | | | | |
| – Basic | **–** | 137.6 | (100) | 136.1 |
| – Diluted | **–** | 135.3 | (100) | 133.4 |
| **Headline earnings per share (cents) – discontinued** | | | | |
| – Basic | **–** | 8.4 | (100) | 8.4 |
| – Diluted | **–** | 8.3 | (100) | 8.1 |

# Consolidated statement of comprehensive income – IFRS

| R million | Six months ended 31 December 2011 | Six months ended 31 December 2010 | % change | Year ended 30 June 2011 |
|---|---|---|---|---|
| **Profit for the period** | **6 590** | 12 591 | (48) | 21 527 |
| **Other comprehensive income** | | | | |
| Cash flow hedges | **(275)** | (132) | >100 | 21 |
| Available-for-sale financial assets | **274** | 387 | (29) | (41) |
| Exchange differences on translating foreign operations | **634** | (419) | (>100) | (266) |
| Share of other comprehensive income of associates after tax and non-controlling interests | **(15)** | (5) | >100 | 35 |
| **Other comprehensive income for the period before tax** | **618** | (169) | (>100) | (251) |
| Income tax relating to components of other comprehensive income | **(10)** | (43) | (77) | (44) |
| **Other comprehensive income for the period** | **608** | (212) | (>100) | (295) |
| **Total comprehensive income for the period** | **7 198** | 12 379 | (42) | 21 232 |
| **Total comprehensive income attributable to:** | | | | |
| Ordinary equityholders | **6 648** | 11 950 | (44) | 19 837 |
| NCNR preference shares | **137** | 160 | (14) | 301 |
| Equityholders of the Group | **6 785** | 12 110 | (44) | 20 138 |
| Non-controlling interests | **413** | 269 | 54 | 1 094 |
| **Total comprehensive income for the period** | **7 198** | 12 379 | (42) | 21 232 |

# Consolidated statement of financial position – IFRS

| | As at 31 December | | As at 30 June |
|---|---|---|---|
| R million | **2011** | 2010 | 2011 |
| **ASSETS** | | | |
| Cash and cash equivalents | **38 545** | 31 511 | 34 240 |
| Derivative financial instruments | **57 721** | 51 052 | 37 206 |
| Advances | **498 258** | 453 290 | 464 593 |
| Investment securities and other investments | **126 237** | 127 884 | 124 756 |
| Commodities | **5 880** | 4 164 | 4 388 |
| Accounts receivable | **7 894** | 5 598 | 7 289 |
| Investments in associates and joint ventures | **6 663** | 5 819 | 6 029 |
| Property and equipment | **11 949** | 10 409 | 10 542 |
| Deferred tax asset | **470** | 451 | 560 |
| Post-retirement benefit asset | **3** | – | 2 |
| Intangible assets | **1 647** | 1 510 | 1 691 |
| Investment properties | **203** | 161 | 203 |
| Policy loans on insurance contracts | **–** | 26 | – |
| Reinsurance assets | **855** | 527 | 484 |
| Tax asset | **163** | 798 | 139 |
| Non-current assets held for sale | **5 173** | 2 609 | 5 805 |
| **Total assets** | **761 661** | 695 809 | 697 927 |
| **EQUITY AND LIABILITIES** | | | |
| **Liabilities** | | | |
| Deposits and current accounts | **595 200** | 543 713 | 553 657 |
| Short trading positions | **11 944** | 15 801 | 12 413 |
| Derivative financial instruments | **58 329** | 50 027 | 36 361 |
| Creditors and accruals | **12 152** | 10 193 | 9 930 |
| Provisions | **2 965** | 3 254 | 3 621 |
| Tax liability | **409** | 319 | 288 |
| Post-retirement liabilities | **2 346** | 2 202 | 2 292 |
| Deferred tax liability | **2 226** | 2 474 | 2 223 |
| Long-term liabilities | **5 048** | 7 489 | 6 690 |
| Policyholder liabilities under insurance contracts | **1 373** | 2 007 | 1 047 |
| Policyholder liabilities under investment contracts | **90** | 163 | 94 |
| Liabilities directly associated with non-current assets classified as held for sale | **4 480** | 419 | 5 092 |
| **Total liabilities** | **696 562** | 638 061 | 633 708 |
| **Equity** | | | |
| Ordinary shares | **55** | 54 | 53 |
| Share premium | **5 167** | 5 194 | 4 945 |
| Reserves | **52 284** | 45 112 | 51 633 |
| Capital and reserves attributable to ordinary equityholders | **57 506** | 50 360 | 56 631 |
| NCNR preference shares | **4 519** | 4 519 | 4 519 |
| **Capital and reserves attributable to equityholders of the Group** | **62 025** | 54 879 | 61 150 |
| **Non-controlling interests** | **3 074** | 2 869 | 3 069 |
| **Total equity** | **65 099** | 57 748 | 64 219 |
| **Total equity and liabilities** | **761 661** | 695 809 | 697 927 |

# Consolidated statement of cash flows – IFRS

| R million | Six months ended 31 December 2011 | Six months ended 31 December 2010 | Year ended 30 June 2011 |
|---|---|---|---|
| **Net cash flows from operating activities continuing operations** | **6 124** | 6 217 | 16 923 |
| Net cash generated/(utilised) from operations | **2 320** | (1 397) | (803) |
| Tax paid | **(2 307)** | (1 344) | (3 965) |
| Net cash inflow from operating activities continuing operations | **6 137** | 3 476 | 12 155 |
| Net cash (outflow)/inflow from investing activities from continuing operations | **(2 364)** | (341) | 1 777 |
| Net cash inflow/(outflow) from financing activities from continuing operations | **313** | 1 390 | (6 725) |
| **Net increase in cash and cash equivalents from continuing and discontinued operations** | **4 086** | 4 525 | 7 207 |
| Cash and cash equivalents at the beginning of the period | **34 240** | 27 067 | 27 067 |
| **Cash and cash equivalents at the end of the period** | **38 326** | 31 592 | 34 274 |
| Cash and cash equivalents acquired* | **–** | – | 200 |
| Cash and cash equivalents disposed of* | **–** | – | (83) |
| Effect of exchange rate changes on cash and cash equivalents | **219** | (81) | (151) |
| **Cash and cash equivalents at the end of the period** | **38 545** | 31 511 | 34 240 |
| **Mandatory reserve balances included above**** | **13 443** | 10 981 | 12 173 |

** Cash and cash equivalents sold and bought relate to cash balances held by subsidiaries acquired and sold during the year.*

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

# Consolidated statement of changes in equity – IFRS

for the six months ended 31 December

| R million | Share capital | Share premium | Share capital and share premium | General risk reserve | Cash flow hedge reserve | Share-based payment reserve |
|---|---|---|---|---|---|---|
| | Ordinary share capital and ordinary equityholders' funds | | | | | |
| **Balance as at 1 July 2010** | 52 | 1 491 | **1 543** | 12 | (466) | 2 487 |
| Movement in other reserves | – | – | **–** | – | – | 352 |
| Ordinary dividends | – | – | **–** | – | – | – |
| Preference dividends | – | – | **–** | – | – | – |
| Transfer (to)/from reserves | – | – | **–** | – | – | (47) |
| Changes in ownership interest in subsidiaries | – | – | **–** | – | – | – |
| Consolidation of treasury shares | 2 | 3 703 | **3 705** | – | – | – |
| Total comprehensive income for the period | – | – | **–** | – | (95) | – |
| Dividend in specie: unbundling of Momentum | – | – | **–** | – | – | (89) |
| **Balance as at 31 December 2010** | 54 | 5 194 | **5 248** | 12 | (561) | 2 703 |
| **Balance as at 1 July 2011** | 53 | 4 945 | **4 998** | 13 | (451) | 2 739 |
| Movement in other reserves | – | – | **–** | – | – | 315 |
| Ordinary dividends | – | – | **–** | – | – | – |
| Preference dividends | – | – | **–** | – | – | – |
| Transfer (to)/from reserves | – | – | **–** | 14 | – | – |
| Changes in ownership interest in subsidiaries | – | – | **–** | – | – | – |
| Consolidation of treasury shares | 2 | 222 | **224** | – | – | – |
| Total comprehensive income for the period | – | – | **–** | – | (198) | – |
| **Balance as at 31 December 2011** | 55 | 5 167 | **5 222** | 27 | (649) | 3 054 |

| | Ordinary share capital and ordinary equityholders' funds | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Available-for-sale reserve | Currency translation reserve | Other reserves | Retained earnings | **Reserves attributable to ordinary equity holders** | **Non-cumulative non-redeemable preference shares** | **Non-controlling interests** | **Total equity** |
| | 969 | 698 | (617) | 46 806 | **49 889** | **4 519** | **3 012** | **58 963** |
| | – | – | (12) | 79 | **419** | **–** | **(101)** | **318** |
| | – | – | – | (2 287) | **(2 287)** | **–** | **(339)** | **(2 626)** |
| | – | – | – | – | **–** | **(160)** | **–** | **(160)** |
| | – | – | – | 47 | **–** | **–** | **–** | **–** |
| | – | – | 7 | (32) | **(25)** | **–** | **31** | **6** |
| | – | – | – | 513 | **513** | **–** | **–** | **4 218** |
| | 307 | (332) | – | 12 070 | **11 950** | **160** | **269** | **12 379** |
| | (664) | (18) | 583 | (15 159) | **(15 347)** | **–** | **(3)** | **(15 350)** |
| | 612 | 348 | (39) | 42 037 | **45 112** | **4 519** | **2 869** | **57 748** |
| | 225 | 474 | 13 | 48 620 | **51 633** | **4 519** | **3 069** | **64 219** |
| | – | – | (142) | 166 | **339** | **–** | **(31)** | **308** |
| | – | – | – | (6 341) | **(6 341)** | **–** | **(369)** | **(6 710)** |
| | – | – | – | – | **–** | **(137)** | **–** | **(137)** |
| | – | – | – | (14) | **–** | **–** | **–** | **–** |
| | – | – | – | (35) | **(35)** | **–** | **(8)** | **(43)** |
| | – | – | – | 40 | **40** | **–** | **–** | **264** |
| | 187 | 606 | (14) | 6 067 | **6 648** | **137** | **413** | **7 198** |
| | 412 | 1 080 | (143) | 48 503 | **52 284** | **4 519** | **3 074** | **65 099** |

# Notes

# Detailed financial analysis

The analysis of the financial results reflected below is based on the normalised earnings from continuing operations of the Group. A detailed reconciliation between the IFRS and normalised results is set out on pages 30 to 35.

## Key financial results, ratios and statistics – continuing normalised

| R million | Six months ended 31 December 2011 | Six months ended 31 December 2010 | % change | Year ended 30 June 2011 |
|---|---|---|---|---|
| **Earnings performance** | | | | |
| Normalised earnings contribution by franchise | **5 771** | 4 572 | 26 | 10 117 |
| FNB – South Africa | **3 072** | 2 342 | 31 | 4 787 |
| FNB – Africa | **292** | 316 | (8) | 540 |
| RMB | **1 311** | 1 559 | (16) | 3 567 |
| GTS | **146** | 120 | 22 | 272 |
| WesBank | **1 193** | 750 | 59 | 1 862 |
| Corporate Centre and consolidation adjustments | **(351)** | (365) | (4) | (708) |
| FirstRand Limited (company) | **245** | 10 | >100 | 98 |
| NCNR preference dividend | **(137)** | (160) | (14) | (301) |
| Attributable earnings (refer page 25) | **5 597** | 4 604 | 22 | 9 889 |
| Headline earnings | **5 639** | 4 445 | 27 | 9 258 |
| Normalised earnings | **5 771** | 4 572 | 26 | 10 117 |
| Normalised net asset value | **59 369** | 52 115 | 14 | 58 858 |
| Normalised net asset value per share (cents) | **1 053.0** | 924.4 | 14 | 1 044.0 |
| Tangible normalised net asset value | **57 722** | 50 605 | 14 | 57 167 |
| Tangible normalised net asset value per share (cents) | **1 023.8** | 897.6 | 14 | 1 014.0 |
| Average normalised net asset value | **59 114** | 50 749 | 16 | 54 120 |
| Market capitalisation | **116 931** | 109 996 | 6 | 111 913 |
| Normalised earnings per share (cents) | | | | |
| – Basic | **102.4** | 81.1 | 26 | 179.4 |
| – Diluted | **102.4** | 81.1 | 26 | 179.4 |
| Earnings per share (cents) | | | | |
| – Basic | **102.5** | 86.0 | 19 | 183.1 |
| – Diluted | **100.7** | 84.6 | 19 | 179.5 |
| Headline earnings per share (cents) | | | | |
| – Basic | **103.3** | 83.0 | 24 | 171.4 |
| – Diluted | **101.5** | 81.7 | 24 | 168.0 |
| Ordinary dividend per share (cents) | **44.0** | 35.0 | 26 | 81.0 |
| Special dividend per share (cents) | **–** | – | n/a | 70.0 |
| NCNR preference dividend per share – declared (cents) | | | | |
| – B Class (68% of FNB prime lending rate) | **305.2** | 355.0 | (14) | 668.5 |
| **Capital adequacy** | | | | |
| FirstRand | | | | |
| – Capital adequacy ratio | **15.4** | 15.3 | | 16.5 |
| – Tier 1 ratio | **14.0** | 13.6 | | 15.0 |
| **Balance sheet** | | | | |
| Total assets | **763 514** | 697 484 | 9 | 700 146 |
| Loans and advances (net of credit impairment) | **498 258** | 453 290 | 10 | 464 593 |
| **Ratios** | | | | |
| Normalised return on equity (%) | **19.5** | 18.0 | | 18.7 |
| Price-to-book ratio (times) | **2.0** | 2.1 | | 1.9 |
| Price earnings ratio | **10.1** | 12.0 | | 11.1 |
| Dividend cover | **2.3** | 2.3 | | 2.2 |
| Average loan-to-deposit ratio | **82.6** | 83.6 | | 84.4 |
| Diversity ratio | **49.9** | 55.3 | | 54.4 |
| Credit impairment charge | **1 961** | 2 277 | (14) | 4 292 |
| NPLs as % of average advances | **3.61** | 4.56 | | 4.17 |
| Impairment charge as % of average advances | **0.80** | 1.00 | | 0.93 |
| Cost-to-income ratio | **54.7** | 54.8 | | 53.1 |
| Effective tax rate | **25.7** | 27.2 | | 27.4 |
| Number of employees | **35 526** | 34 200 | 4 | 34 612 |

# Consolidated income statement – continuing normalised

| R million | Six months ended 31 December 2011 | Six months ended 31 December 2010 | % change | Year ended 30 June 2011 |
|---|---|---|---|---|
| Interest and similar income | 21 569 | 20 525 | 5 | 41 319 |
| Interest expense and similar charges | (9 664) | (10 754) | (10) | (20 818) |
| **Net interest income before impairment of advances** | 11 905 | 9 771 | 22 | 20 501 |
| Impairment of advances | (1 961) | (2 277) | (14) | (4 292) |
| **Net interest income after impairment of advances** | 9 944 | 7 494 | 33 | 16 209 |
| Non-interest income | 11 455 | 11 863 | (3) | 23 844 |
| **Income from operations** | 21 399 | 19 357 | 11 | 40 053 |
| Operating expenses | (12 995) | (11 963) | 9 | (23 840) |
| **Net income from operations** | 8 404 | 7 394 | 14 | 16 213 |
| Share of profit from associates and joint ventures | 401 | 214 | 87 | 576 |
| **Income before tax** | 8 805 | 7 608 | 16 | 16 789 |
| Indirect tax | (385) | (385) | – | (612) |
| **Profit before direct tax** | 8 420 | 7 223 | 17 | 16 177 |
| Direct tax | (2 168) | (1 968) | 10 | (4 425) |
| **Profit for the period** | 6 252 | 5 255 | 19 | 11 752 |
| Non-controlling interests | (386) | (364) | 6 | (1 164) |
| NCNR preference shareholders | (137) | (160) | (14) | (301) |
| **Attributable earnings to ordinary equityholders of the Group** | 5 729 | 4 731 | 21 | 10 287 |
| Headline and normalised earnings adjustment | 42 | (159) | (>100) | (170) |
| **Normalised earnings** | 5 771 | 4 572 | 26 | 10 117 |

Detailed financial analysis

# Consolidated statement of comprehensive income – continuing normalised

| R million | Six months ended 31 December 2011 | Six months ended 31 December 2010 | Year ended 30 June 2011 |
|---|---|---|---|
| **Profit for the period** | **6 252** | 5 255 | 11 752 |
| **Other comprehensive income** | | | |
| Cash flow hedges | **(275)** | (132) | 21 |
| Available-for-sale financial assets | **271** | 159 | (70) |
| Exchange differences on translating foreign operations | **634** | (419) | (249) |
| Share of other comprehensive income of associates after tax and non-controlling interests | **(15)** | (5) | 35 |
| **Other comprehensive income for the period before tax** | **615** | (397) | (263) |
| Income tax relating to components of other comprehensive income | **(10)** | (43) | (44) |
| **Other comprehensive income for the period** | **605** | (440) | (307) |
| **Total comprehensive income for the period** | **6 857** | 4 815 | 11 445 |
| **Total comprehensive income attributable to:** | | | |
| NCNR preference shareholders | **137** | 160 | 301 |
| Ordinary equityholders | **6 307** | 4 386 | 10 050 |
| Equityholders of the Group | **6 444** | 4 546 | 10 351 |
| Non-controlling interests | **413** | 269 | 1 094 |
| **Total comprehensive income for the period** | **6 857** | 4 815 | 11 445 |

## Statement of normalised earnings from continuing normalised operations

| R million | Six months ended 31 December 2011 | Six months ended 31 December 2010 | % change | Year ended 30 June 2011 |
|---|---|---|---|---|
| IFRS profit from continuing operations (refer page 3) | **6 590** | 5 308 | 24 | 14 244 |
| Non-controlling interests | **(386)** | (364) | 6 | (1 164) |
| NCNR preference shares | **(137)** | (160) | (14) | (301) |
| Attributable to ordinary equityholders | **6 067** | 4 784 | 27 | 12 779 |
| Adjusted for: | | | | |
| OUTsurance profit on disposal | **–** | – | | (2 710) |
| Profit on disposal of WesBank investments | **(470)** | – | | – |
| OUTsurance equity-accounted income (after tax) | **–** | (180) | | (180) |
| **Attributable earnings to ordinary shareholders** | **5 597** | 4 604 | 22 | 9 889 |
| Adjusted for: | **42** | (159) | (>100) | (631) |
| Loss/(gain) on disposal of investment securities and other investments | **2** | – | | (12) |
| Gain on disposal of available-for-sale assets | **(36)** | (179) | | (341) |
| Gain on disposal of associates or joint ventures | **–** | – | | (37) |
| Gain on disposal of subsidiaries | **(10)** | (3) | | (571) |
| Loss/(gain) on the disposal of property and equipment | **24** | 2 | | (9) |
| Impairment of goodwill | **18** | 24 | | 96 |
| Impairment of assets in terms of IAS 36 | **15** | 7 | | 37 |
| Gain from a bargain purchase | **–** | – | | (9) |
| Other | **(1)** | 2 | | – |
| Tax effects of adjustments | **23** | (12) | | (29) |
| Non-controlling interests adjustment | **7** | – | | 244 |
| **Headline earnings** | **5 639** | 4 445 | 27 | 9 258 |
| Adjusted for: | **132** | 127 | 4 | 859 |
| IFRS 2 Share-based payment expense | **29** | (45) | (>100) | (20) |
| Treasury shares | **103** | 172 | (40) | 418 |
| – Consolidation of share trust | **94** | 141 | | 210 |
| – FirstRand shares held by policyholders | **9** | 31 | | 208 |
| Private equity subsidiary realisations | **–** | – | | 461 |
| **Normalised earnings** | **5 771** | 4 572 | 26 | 10 117 |

## Reconciliation of attributable earnings to normalised income statement

| R million | Six months ended 31 December 2011 | Six months ended 31 December 2010 | % change | Year ended 30 June 2011 |
|---|---|---|---|---|
| Attributable earnings per normalised income statement (refer page 23) | **5 729** | 4 731 | 21 | 10 287 |
| Normalised earnings adjustment reallocated to above the line (see above) | **(132)** | (127) | 4 | (859) |
| Private equity realisations excluded from headline earnings adjustment (see above) | **–** | – | – | 461 |
| **Attributable earnings to ordinary equityholders per normalised reconciliation above** | **5 597** | 4 604 | 22 | 9 889 |

# Reconciliation of IFRS continuing operations to continuing normalised operations

| R million | Six months ended 31 December 2011 | Six months ended 31 December 2010 | % change | Year ended 30 June 2011 |
|---|---|---|---|---|
| Earnings attributable to ordinary equityholders from IFRS continuing (refer page 3) | **6 067** | 4 784 | 27 | 12 779 |
| OUTsurance equity-accounted income for the period | **–** | (180) | (100) | (180) |
| Profit on sale of OUTsurance | **–** | – | n/a | (2 710) |
| Profit on disposal of WesBank investments | **(470)** | – | n/a | – |
| Attributable earnings from continuing normalised operations | **5 597** | 4 604 | 22 | 9 889 |
| | | | | |
| Headline earnings from IFRS continuing operations (refer page 3) | **5 639** | 4 625 | 22 | 9 438 |
| OUTsurance equity-accounted income for the period | **–** | (180) | (100) | (180) |
| Headline earnings from continuing normalised operations | **5 639** | 4 445 | 27 | 9 258 |
| | | | | |
| Normalised earnings from IFRS continuing operations (refer page 4) | **5 771** | 4 752 | 21 | 10 297 |
| OUTsurance equity-accounted income for the period | **–** | (180) | (100) | (180) |
| **Normalised earnings from continuing normalised operations** | **5 771** | 4 572 | 26 | 10 117 |

# Consolidated statement of financial position – continuing normalised

| | As at 31 December | | As at 30 June |
|---|---|---|---|
| R million | 2011 | 2010 | 2011 |
| **ASSETS** | | | |
| Cash and cash equivalents | **38 545** | 31 511 | 34 240 |
| Derivative financial instruments | **57 721** | 51 052 | 37 206 |
| Advances | **498 258** | 453 290 | 464 593 |
| Investment securities and other investments | **126 001** | 127 707 | 124 777 |
| Commodities | **5 880** | 4 164 | 4 388 |
| Accounts receivable | **7 842** | 5 569 | 7 235 |
| Investments in associates and joint ventures | **6 663** | 5 819 | 6 029 |
| Loans to share trusts | **2 141** | 1 881 | 2 252 |
| Property and equipment | **11 949** | 10 409 | 10 542 |
| Deferred tax asset | **470** | 451 | 560 |
| Post-retirement benefit asset | **3** | – | 2 |
| Intangible assets | **1 647** | 1 510 | 1 691 |
| Investment properties | **203** | 161 | 203 |
| Policy loans on insurance contracts | **–** | 26 | – |
| Reinsurance assets | **855** | 527 | 484 |
| Tax asset | **163** | 798 | 139 |
| Non-current assets held for sale | **5 173** | 2 609 | 5 805 |
| **Total assets** | **763 514** | 697 484 | 700 146 |
| **EQUITY AND LIABILITIES** | | | |
| **Liabilities** | | | |
| Deposits and current accounts | **595 200** | 543 713 | 553 657 |
| Short trading positions | **11 944** | 15 797 | 12 413 |
| Derivative financial instruments | **58 329** | 50 027 | 36 361 |
| Creditors and accruals | **11 307** | 10 187 | 9 924 |
| Provisions | **2 965** | 3 254 | 3 621 |
| Tax liability | **407** | 249 | 286 |
| Post-retirement liabilities | **2 346** | 2 202 | 2 292 |
| Deferred tax liability | **2 226** | 2 474 | 2 223 |
| Long-term liabilities | **5 885** | 7 489 | 6 690 |
| Policyholder liabilities under insurance contracts | **1 373** | 2 007 | 1 047 |
| Policyholder liabilities under investment contracts | **90** | 163 | 94 |
| Liabilities directly associated with non-current assets classified as held for sale | **4 480** | 419 | 5 092 |
| **Total liabilities** | **696 552** | 637 981 | 633 700 |
| **Equity** | | | |
| Ordinary shares | **56** | 56 | 56 |
| Share premium | **7 083** | 7 083 | 7 083 |
| Reserves | **52 230** | 44 976 | 51 719 |
| Capital and reserves attributable to ordinary equityholders | **59 369** | 52 115 | 58 858 |
| NCNR preference shareholders | **4 519** | 4 519 | 4 519 |
| Capital and reserves attributable to equityholders of the Group | **63 888** | 56 634 | 63 377 |
| Non-controlling interests | **3 074** | 2 869 | 3 069 |
| **Total equity** | **66 962** | 59 503 | 66 446 |
| **Total equity and liabilities** | **763 514** | 697 484 | 700 146 |

# Consolidated statement of changes in equity – continuing normalised

for the six months ended 31 December

| | Ordinary share capital and ordinary equityholders' funds | | | | | |
|---|---|---|---|---|---|---|
| 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 1 July 2010** | 56 | 7 083 | **7 139** | 12 | (466) | 2 413 |
| Movement in other reserves | – | – | **–** | – | – | 352 |
| Ordinary dividends | – | – | **–** | – | – | – |
| Preference dividends | – | – | **–** | – | – | – |
| Transfer (from)/to reserves | – | – | **–** | – | – | (47) |
| Changes in ownership interest in subsidiaries | – | – | **–** | – | – | – |
| Consolidation of treasury shares | – | – | **–** | – | – | – |
| Total comprehensive income for the period | – | – | **–** | – | (95) | – |
| **Balance as at 31 December 2010** | 56 | 7 083 | **7 139** | 12 | (561) | 2 718 |
| **Balance as at 1 July 2011** | 56 | 7 083 | **7 139** | 13 | (451) | 2 739 |
| Movement in other reserves | – | – | **–** | – | – | 286 |
| Ordinary dividends | – | – | **–** | – | – | – |
| Preference dividends | – | – | **–** | – | – | – |
| Transfer from/(to) reserves | – | – | **–** | 14 | – | – |
| Changes in ownership interest in subsidiaries | – | – | **–** | – | – | – |
| Consolidation of treasury shares | – | – | **–** | – | – | – |
| Total comprehensive income for the period | – | – | **–** | – | (198) | – |
| **Balance as at 31 December 2011** | 56 | 7 083 | **7 139** | 27 | (649) | 3 025 |

| | Ordinary share capital and ordinary equityholders' funds | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Available-for-sale reserve | Currency translation reserve | Other reserves | Retained earnings | Reserves attributable to ordinary equity holders | Non-cumulative non-redeemable preference shares | Non-controlling interests | Total equity |
| | 308 | 663 | 120 | 39 193 | 42 243 | 4 519 | 3 177 | 57 078 |
| | – | – | (12) | 457 | 797 | – | (269) | 528 |
| | – | – | – | (2 425) | (2 425) | – | (339) | (2 764) |
| | – | – | – | – | – | (160) | – | (160) |
| | – | – | – | 47 | – | – | – | – |
| | – | – | 7 | (32) | (25) | – | 31 | 6 |
| | – | – | – | – | – | – | – | – |
| | 79 | (332) | – | 4 734 | 4 386 | 160 | 269 | 4 815 |
| | 387 | 331 | 115 | 41 974 | 44 976 | 4 519 | 2 869 | 59 503 |
| | 199 | 474 | 167 | 48 578 | 51 719 | 4 519 | 3 069 | 66 446 |
| | – | – | (142) | 636 | 780 | – | (31) | 749 |
| | – | – | – | (6 541) | (6 541) | – | (369) | (6 910) |
| | – | – | – | – | – | (137) | – | (137) |
| | – | – | – | (14) | – | – | – | – |
| | – | – | – | (35) | (35) | – | (8) | (43) |
| | – | – | – | – | – | – | – | – |
| | 184 | 606 | (14) | 5 729 | 6 307 | 137 | 413 | 6 857 |
| | 383 | 1 080 | 11 | 48 353 | 52 230 | 4 519 | 3 074 | 66 962 |

# Reconciliation of continuing normalised consolidated income statement to IFRS income statement

for the six months ended 31 December

| R million | December 2011 normalised | IFRS 2 Share-based payment expense | Private equity expenses | Treasury shares |
|---|---|---|---|---|
| **Net interest income before impairment of advances** | 11 905 | – | – | (84) |
| Impairment of advances | (1 961) | – | – | – |
| **Net interest income after impairment of advances** | 9 944 | – | – | (84) |
| Non-interest income | 11 455 | – | 345 | 7 |
| **Income from operations** | 21 399 | – | 345 | (77) |
| Operating expenses | (12 995) | (29) | (345) | (2) |
| **Net income from operations** | 8 404 | (29) | – | (79) |
| Share of profit from associates and joint ventures | 401 | – | – | – |
| **Income before tax** | 8 805 | (29) | – | (79) |
| Indirect tax | (385) | – | – | – |
| **Profit before direct tax** | 8 420 | (29) | – | (79) |
| Direct tax | (2 168) | – | – | (24) |
| **Profit for the year** | 6 252 | (29) | – | (103) |
| **Attributable to:** | | | | |
| Non-controlling interests | (386) | – | – | – |
| NCNR preference shareholders | (137) | – | – | – |
| **Ordinary equityholders of the Group** | 5 729 | (29) | – | (103) |
| Headline and normalised earnings adjustment | 42 | 29 | – | 103 |
| **Normalised earnings** | 5 771 | – | – | – |

Detailed financial analysis

| | Economic hedges | Fair value annuity income (lending) | Profit on disposal of WesBank investments | December 2011 IFRS |
|---|---|---|---|---|
| | (80) | (1 211) | – | 10 530 |
| | – | 137 | – | (1 824) |
| | (80) | (1 074) | – | 8 706 |
| | 80 | 1 074 | 470 | 13 431 |
| | – | – | 470 | 22 137 |
| | – | – | – | (13 371) |
| | – | – | 470 | 8 766 |
| | – | – | – | 401 |
| | – | – | 470 | 9 167 |
| | – | – | – | (385) |
| | – | – | 470 | 8 782 |
| | – | – | – | (2 192) |
| | – | – | 470 | 6 590 |
| | – | – | – | (386) |
| | – | – | – | (137) |
| | – | – | 470 | 6 067 |
| | – | – | (470) | (296) |
| | – | – | – | 5 771 |

# Reconciliation of continuing normalised consolidated income statement to IFRS income statement

for the six months ended 31 December

| R million | December 2010 normalised | IFRS 2 Share-based payment expense | Private equity expenses | Treasury shares |
|---|---|---|---|---|
| ***Continuing operations*** | | | | |
| **Net interest income before impairment of advances** | 9 771 | – | – | (138) |
| Impairment of advances | (2 277) | – | – | – |
| **Net interest income after impairment of advances** | 7 494 | – | – | (138) |
| Non-interest income | 11 863 | – | 360 | (34) |
| **Income from operations** | 19 357 | – | 360 | (172) |
| Operating expenses | (11 963) | 45 | (360) | – |
| **Net income from operations** | 7 394 | 45 | – | (172) |
| Share of profit from associates and joint ventures | 214 | – | – | – |
| **Income before tax** | 7 608 | 45 | – | (172) |
| Indirect tax | (385) | – | – | – |
| **Profit before direct tax** | 7 223 | 45 | – | (172) |
| Direct tax | (1 968) | – | – | – |
| **Profit from continuing operations** | 5 255 | 45 | – | (172) |
| ***Discontinued operations*** | | | | |
| Profit attributable to discontinued operations | – | – | – | (90) |
| Profit after tax on disposal/unbundling of discontinued operations | – | – | – | – |
| **Profit for the period** | 5 255 | 45 | – | (262) |
| **Attributable to:** | | | | |
| Non-controlling interests | (364) | – | – | – |
| NCNR preference shareholders | (160) | – | – | – |
| **Ordinary equityholders of the Group** | 4 731 | 45 | – | (262) |
| Headline and normalised earnings adjustment | (159) | (45) | – | 262 |
| **Normalised earnings** | 4 572 | – | – | – |

| Economic hedges | Fair value annuity income (lending) | Elimination of Momentum contribution to FirstRand | Elimination of OUTsurance results for the six months ended 31 December 2010 | December 2010 IFRS |
|---|---|---|---|---|
| (136) | (1 118) | – | – | 8 379 |
| – | 193 | – | – | (2 084) |
| (136) | (925) | – | – | 6 295 |
| 136 | 925 | – | – | 13 250 |
| – | – | – | – | 19 545 |
| | | – | – | (12 278) |
| – | – | – | – | 7 267 |
| – | – | – | 292 | 506 |
| – | – | – | 292 | 7 773 |
| – | – | – | – | (385) |
| – | – | – | 292 | 7 388 |
| – | – | – | (112) | (2 080) |
| – | – | – | 180 | 5 308 |
| – | – | 505 | – | 415 |
| – | – | 6 868 | – | 6 868 |
| – | – | 7 373 | 180 | 12 591 |
| – | – | 3 | – | (361) |
| – | – | – | – | (160) |
| – | – | 7 376 | 180 | 12 070 |
| – | – | (6 868) | – | (6 810) |
| – | – | 508 | 180 | 5 260 |

# Reconciliation of continuing normalised consolidated statement of financial position to IFRS

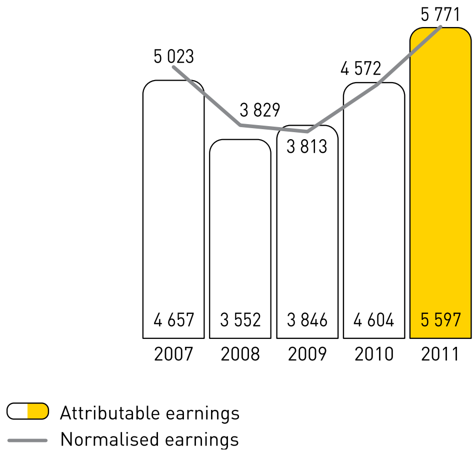
as at 31 December

| R million | December 2011 normalised | Treasury shares | December 2011 IFRS |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 38 545 | – | 38 545 |
| Derivative financial instruments | 57 721 | – | 57 721 |
| Advances | 498 258 | – | 498 258 |
| Investment securities and other investments | 126 001 | 236 | 126 237 |
| Commodities | 5 880 | – | 5 880 |
| Accounts receivable | 7 842 | 52 | 7 894 |
| Investments in associates and joint ventures | 6 663 | – | 6 663 |
| Loans to share trusts | 2 141 | (2 141) | – |
| Property and equipment | 11 949 | – | 11 949 |
| Deferred tax asset | 470 | – | 470 |
| Post-retirement benefit asset | 3 | – | 3 |
| Intangible assets and deferred acquisition costs | 1 647 | – | 1 647 |
| Investment properties | 203 | – | 203 |
| Policy loans on insurance contracts | – | – | – |
| Reinsurance assets | 855 | – | 855 |
| Tax asset | 163 | – | 163 |
| Non-current assets held for sale | 5 173 | – | 5 173 |
| **Total assets** | 763 514 | (1 853) | 761 661 |
| **EQUITY AND LIABILITIES** | | | |
| **Liabilities** | | | |
| Deposits | 595 200 | – | 595 200 |
| Short trading positions | 11 944 | – | 11 944 |
| Derivative financial instruments | 58 329 | – | 58 329 |
| Creditors and accruals | 11 307 | 845 | 12 152 |
| Provisions | 2 965 | – | 2 965 |
| Tax liability | 407 | 2 | 409 |
| Post-retirement liabilities | 2 346 | – | 2 346 |
| Deferred tax liability | 2 226 | – | 2 226 |
| Long-term liabilities | 5 885 | (837) | 5 048 |
| Policyholder liabilities under insurance contracts | 1 373 | – | 1 373 |
| Policyholder liabilities under investment contracts | 90 | – | 90 |
| Liabilities directly associated with non-current assets classified as held for sale | 4 480 | | 4 480 |
| **Total liabilities** | 696 552 | 10 | 696 562 |
| **Equity** | | | |
| Ordinary shares | 56 | (1) | 55 |
| Share premium | 7 083 | (1 916) | 5 167 |
| Reserves | 52 230 | 54 | 52 284 |
| **Capital and reserves attributable to ordinary equityholders** | 59 369 | (1 863) | 57 506 |
| NCNR preference shares | 4 519 | – | 4 519 |
| **Capital and reserves attributable to equityholders of the Group** | 63 888 | (1 863) | 62 025 |
| **Non-controlling interests** | 3 074 | – | 3 074 |
| **Total equity** | 66 962 | (1 863) | 65 099 |
| **Total equity and liabilities** | 763 514 | (1 853) | 761 661 |

| | December 2010 normalised | Treasury shares | December 2010 IFRS |
|---|---|---|---|
| | 31 511 | – | 31 511 |
| | 51 052 | – | 51 052 |
| | 453 290 | – | 453 290 |
| | 127 707 | 177 | 127 884 |
| | 4 164 | – | 4 164 |
| | 5 569 | 29 | 5 598 |
| | 5 819 | – | 5 819 |
| | 1 881 | (1 881) | – |
| | 10 409 | – | 10 409 |
| | 451 | – | 451 |
| | – | – | – |
| | 1 510 | – | 1 510 |
| | 161 | – | 161 |
| | 26 | – | 26 |
| | 527 | – | 527 |
| | 798 | – | 798 |
| | 2 609 | – | 2 609 |
| | 697 484 | (1 675) | 695 809 |
| | 543 713 | – | 543 713 |
| | 15 797 | 4 | 15 801 |
| | 50 027 | – | 50 027 |
| | 10 187 | 6 | 10 193 |
| | 3 254 | – | 3 254 |
| | 249 | 70 | 319 |
| | 2 202 | – | 2 202 |
| | 2 474 | – | 2 474 |
| | 7 489 | – | 7 489 |
| | 2 007 | – | 2 007 |
| | 163 | – | 163 |
| | 419 | – | 419 |
| | 637 981 | 80 | 638 061 |
| | 56 | (2) | 54 |
| | 7 083 | (1 889) | 5 194 |
| | 44 976 | 136 | 45 112 |
| | 52 115 | (1 755) | 50 360 |
| | 4 519 | – | 4 519 |
| | 56 634 | (1 755) | 54 879 |
| | 2 869 | – | 2 869 |
| | 59 503 | (1 755) | 57 748 |
| | 697 484 | (1 675) | 695 809 |

# Overview of results

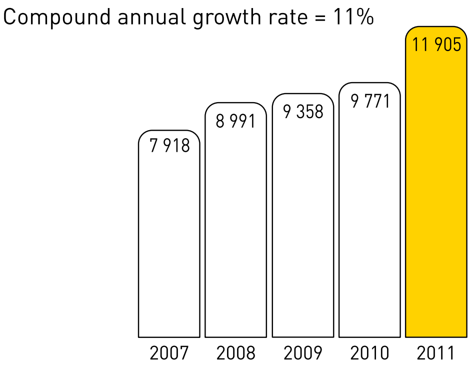
Earnings performance (R million)

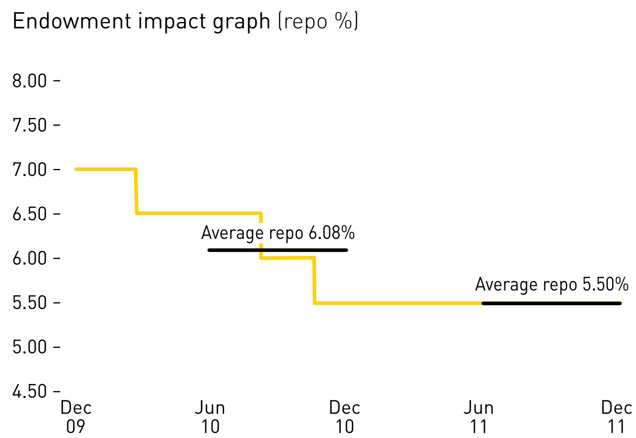



These results are characterised by the following themes:

| Positives | Negatives |
|---|---|
| • Robust growth in NII, benefiting from:<br>– change in advances mix, with strong advances growth in higher yielding asset classes;<br>– ongoing repricing benefit, albeit at lower levels than the prior year;<br>– the continued unwind of ISP; and<br>– satisfactory advances growth of 10% given constrained economic environment. | • Negative endowment impact on capital and deposits, due to average interest rates being 58 bps lower than the comparative period. |
| • Further reduction in impairment of advances, primarily in the retail advances and FNB Commercial books, assisted by the continued low interest rate environment, improved quality of credit origination and ongoing strong post write-off recoveries. | • Adverse equity trading conditions had a negative impact on trading results. |
| • Robust growth of 17% in fee and commission income. | • Disappointing investment income performance, affected by significantly lower equity markets and commodity prices, and the resultant negative impact on the RMB Resources and ELI portfolios. |
| • Resilient fair value income from client flow activities. | |
| • A significant improvement in income from associates, benefiting from strong operational performances and the non-recurrence of significant impairments against private equity associates. | |
| • Good containment of core operating costs to 6%, with overall cost growth contained to 9%, although overall cost growth was negatively affected by higher variable costs related to income-producing activities as well as expansion costs. | |

## Net interest income (before impairment of advances) – up 22%




*Note: 2007 and 2008 have been presented on an IFRS-continuing basis, 2009 onwards is presented on a continuing normalised basis.*

## Margin cascade table

| Based on average interest-earning banking assets | % |
|---|---|
| **December 2010 normalised** | 4.29 |
| Accounting mismatches | 0.17 |
| | 4.46 |
| Change in balance sheet mix | 0.24 |
| Advances | 0.12 |
| – Advances pricing | 0.06 |
| – Term funding cost | 0.06 |
| Deposits | (0.09) |
| – Deposits pricing | (0.04) |
| – Deposit endowment | (0.05) |
| Capital endowment | (0.05) |
| Interest rate risk hedges | (0.04) |
| **December 2011 normalised** | 4.64 |

## Net interest income before impairment of advances – segmental

| R million | Six months ended 31 December 2011 | Six months ended 31 December 2010 | % change | Year ended 30 June 2011 |
|---|---|---|---|---|
| **FNB** | **6 142** | 5 428 | 13 | 11 097 |
| Mass segment | **709** | 540 | 31 | 1 145 |
| Consumer segment | **2 393** | 2 106 | 14 | 4 279 |
| – HomeLoans | **663** | 616 | 8 | 1 188 |
| – Card Issuing | **520** | 509 | 2 | 1 054 |
| – Other Consumer | **1 210** | 981 | 23 | 2 037 |
| Wealth segment | **426** | 436 | (2) | 875 |
| Commercial segment | **1 596** | 1 473 | 8 | 2 974 |
| FNB Other | **(4)** | (40) | (90) | 3 |
| FNB Africa | **1 022** | 913 | 12 | 1 821 |
| **RMB and GTS** | **1 422** | 1 199 | 19 | 2 512 |
| RMB | **1 174** | 934 | 26 | 1 980 |
| GTS | **248** | 265 | (6) | 532 |
| **WesBank** | **2 849** | 2 268 | 26 | 4 868 |
| **Corporate Centre** | **1 380** | 943 | 46 | 2 235 |
| **Net interest income – banking activities** | **11 793** | 9 838 | 20 | 20 712 |
| **Other*** | **112** | (67) | (>100) | (211) |
| **Net interest income** | **11 905** | 9 771 | 22 | 20 501 |

* *Other includes the FirstRand company and consolidation adjustments.*

## Margin analysis on gross advances

| | Six months ended 31 December | | | |
|---|---|---|---|---|
| | **2011** | | 2010 | |
| | **Average balance R million** | **Average margin %** | Average balance R million | Average margin % |
| **Average prime rate (RSA)** | | **9.00** | | 9.58 |
| **Advances** | | | | |
| **Retail – secured** | **223 794** | **2.34** | 211 283 | 2.12 |
| Residential mortgages | **156 142** | **1.29** | 153 234 | 1.22 |
| Vehicle asset finance | **67 652** | **4.76** | 57 999 | 4.51 |
| **Retail – unsecured** | **26 128** | **12.92** | 21 088 | 11.60 |
| Credit card | **11 049** | **8.44** | 10 735 | 8.38 |
| Overdrafts | **1 925** | **6.93** | 1 495 | 8.97 |
| FNB personal loans | **3 953** | **15.12** | 2 075 | 12.91 |
| Mass (Smart and Easy) | **4 329** | **15.20** | 2 940 | 12.65 |
| WesBank loans | **4 872** | **21.60** | 3 843 | 20.14 |
| **Corporate** | **167 653** | **2.60** | 151 740 | 2.67 |
| FNB commercial mortgages | **8 964** | **1.81** | 7 692 | 1.19 |
| Vehicle asset finance | **21 530** | **2.94** | 22 519 | 2.76 |
| Overdrafts | **15 697** | **4.33** | 16 201 | 4.10 |
| Term loans | **16 833** | **4.26** | 13 233 | 5.21 |
| Investment banking | **90 804** | **2.16** | 81 172 | 2.28 |
| Money market | **13 825** | **1.47** | 10 923 | 1.20 |
| **FNB Africa** | **24 009** | **4.89** | 20 423 | 4.55 |
| **Total advances** | **441 584** | **3.20** | 404 484 | 2.95 |

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

## Margin analysis on deposits

| | Six months ended 31 December | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | Average balance R million | Average margin % | Average balance R million | Average margin % |
| **Average prime rate (RSA)** | | 9.00 | | 9.58 |
| **Deposits** | | | | |
| **Retail** | 91 666 | 2.51 | 81 580 | 2.67 |
| Current and savings | 28 815 | 4.80 | 24 898 | 5.29 |
| Call | 4 158 | 2.36 | 4 218 | 2.37 |
| Money market | 25 369 | 1.61 | 23 563 | 1.73 |
| Term | 33 324 | 1.24 | 28 901 | 1.22 |
| **Corporate** | 168 108 | 1.68 | 143 387 | 1.85 |
| Current and savings | 63 276 | 3.20 | 58 607 | 3.23 |
| Call | 50 310 | 0.81 | 39 616 | 1.01 |
| Money market | 16 608 | 1.65 | 16 217 | 1.65 |
| Term | 37 914 | 0.32 | 28 947 | 0.33 |
| **FNB Africa** | 31 235 | 2.02 | 27 590 | 2.23 |
| **Total deposits** | 291 009 | 1.98 | 252 557 | 2.16 |

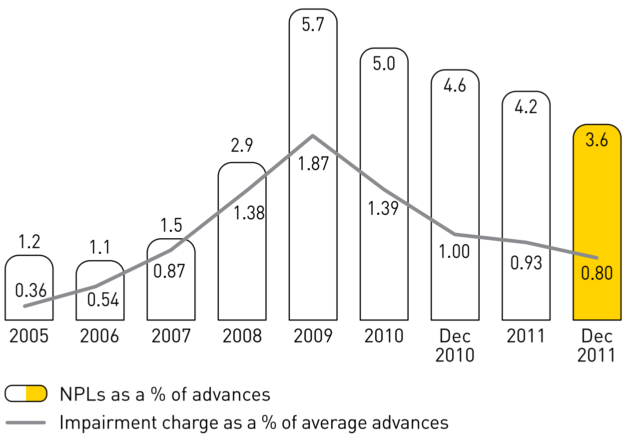
*Average balances are daily averages for the South African operations (FNB and WesBank) and monthly averages for RMB and non-South African operations.*

## NII and margin analysis commentary

| Positives | Negatives |
|---|---|
| • Repricing benefit of new business to reflect current liquidity costs and credit market conditions. | • Negative endowment impact due to average interest rates being 58 bps lower year-on-year. |
| • Change in mix to a higher component of fixed rate business, primarily in vehicle asset finance, as well as a greater proportion of higher margin unsecured lending. | • Continued pressure on retail/commercial deposit pricing. |
| • Volume benefit of higher levels of capital in the reporting period. | |
| • Continued benefit of unwind of ISP associated with the improved credit environment. | |
| • Benefit of growth in deposit franchise exceeding advances growth, reducing reliance on institutional funding. | |
| • Non-recurrence of prior period mark-to-market losses of R440 million on funding instruments as a result of the decline in the funding spread. | |
| • Reduced cost of institutional funding due to decline in funding spreads. | |

## Impairment of advances – down 14%

NPLs and impairment history




### Credit highlights

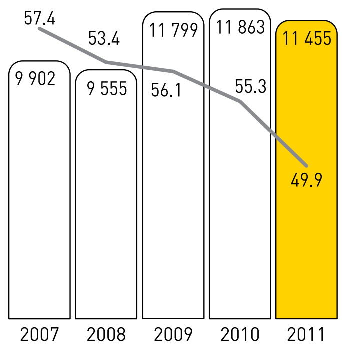
| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | **2011** | 2010 | % change | 2011 |
| Total gross advances | **508 253** | 463 134 | 10 | 474 566 |
| NPLs | **18 366** | 21 117 | (13) | 19 790 |
| NPLs as a % of advances | **3.61** | 4.56 | | 4.17 |
| Impairment charge | **1 961** | 2 277 | (14) | 4 292 |
| Impairment charge as a % of average advances | **0.80** | 1.00 | | 0.93 |
| Total impairments* | **9 995** | 9 844 | 2 | 9 973 |
| – Portfolio impairments* | **3 779** | 3 117 | 21 | 3 457 |
| – Specific impairments* | **6 216** | 6 727 | (8) | 6 516 |
| Implied loss given default (coverage)** | **33.85** | 31.86 | | 32.93 |
| Total impairments coverage ratio# | **54.42** | 46.62 | | 50.39 |

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

| Positives | Negatives |
|---|---|
| • Further improvement across most retail portfolios, specifically in FNB HomeLoans, FNB Card and WesBank, resulting from low interest rates and improved debt affordability levels. | • Ageing and elevated levels of NPLs due to protracted workout processes, especially in the secured portfolios. |
| • Continued improvement in early stage arrears, specifically in WesBank and FNB HomeLoans. | • Ongoing pressure on collateral values, especially in the residential mortgage market. |
| • Benefit from a reduction in the rate of new NPLs in Commercial and improved work-out strategies. | |
| • Significant benefit from robust collection processes resulting in strong post write-off recoveries. | |

## Non-interest revenue – down 3%

Non-interest revenue




*2007 and 2008 have been presented on an IFRS-continuing basis, 2009 is presented on a continuing normalised basis excluding the fee and commission expense restatement and 2010 onwards is presented on a continuing normalised basis including the fee and commission expense restatement.*

*The diversity ratio includes income from associates, consistent with the rest of the document.*

### NON-INTEREST REVENUE

| R million | Notes | Six months ended 31 December 2011 | Six months ended 31 December 2010 | % change | Year ended 30 June 2011 |
|---|---|---|---|---|---|
| Fee and commission income | 1 | **9 800** | 8 372 | 17 | 17 482 |
| Fair value revenue | 2 | **1 150** | 1 427 | (19) | 2 844 |
| Investment income | 3 | **(14)** | 1 251 | (>100) | 2 192 |
| Other non-interest revenue | | **519** | 813 | (36) | 1 326 |
| – Consolidated private equity income | | **112** | 181 | (38) | 261 |
| – Other | | **407** | 632 | (36) | 1 065 |
| **Total non-interest revenue** | | **11 455** | 11 863 | (3) | 23 844 |

### Note 1 Fee and commission income – up 17%

| R million | Six months ended 31 December 2011 | Six months ended 31 December 2010 | % change | Year ended 30 June 2011 |
|---|---|---|---|---|
| **Bank commissions and fee income** | **8 015** | 6 802 | 18 | 13 957 |
| Card commissions | **1 201** | 996 | 21 | 2 001 |
| Cash deposit fees | **957** | 826 | 16 | 1 599 |
| Commissions on bills, drafts and cheques | **595** | 523 | 14 | 1 052 |
| Bank charges | **5 262** | 4 457 | 18 | 9 305 |
| Knowledge-based fees | **424** | 349 | 21 | 817 |
| Management fees | **382** | 498 | (23) | 765 |
| Insurance income | **1 402** | 1 051 | 33 | 2 650 |
| Other non-bank commissions | **842** | 818 | 3 | 1 610 |
| Gross fee and commission income | **11 065** | 9 518 | 16 | 19 799 |
| Fee and commission expenditure | **(1 265)** | (1 146) | 10 | (2 317) |
| **Total fee and commission income** | **9 800** | 8 372 | 17 | 17 482 |

| Positives | Negatives |
|---|---|
| • Strong growth of 5% in client numbers in FNB, augmented by robust growth of 10% in transaction volumes. | • Overall growth dampened by continuing strategy to actively migrate clients to cheaper electronic channels. |
| • Continuing excellent growth in FNB electronic transaction channels, with year-on-year growth of 55% in cell phone banking transaction volumes. | |
| • Good non-interest revenue growth from WesBank, benefiting from high new business volumes. | |
| • Continuing strong knowledge-based fee income, benefiting from good advisory and structuring fees on the back of strong deal flow in SA and the rest of Africa. | |
| • Excellent growth of 33% in insurance income, assisted by a 10% growth of in-force policies in FNB Life as well as good growth in other embedded insurance products in both FNB and WesBank. | |

## Note 2 Fair value income – down 19%

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | **2011** | 2010 | % change | 2011 |
| Client income | **653** | 935 | (30) | 2 073 |
| Hedging and structuring | **78** | 500 | (84) | 1 106 |
| Client flow | **575** | 435 | 32 | 967 |
| Risk income | **240** | 468 | (49) | 964 |
| Equities | **(89)** | 227 | (>100) | 600 |
| Commodities | **154** | 6 | >100 | 48 |
| Interest rates | **(39)** | 212 | (>100) | 270 |
| Credit | **–** | (7) | (100) | – |
| Forex | **214** | 30 | >100 | 46 |
| Other | **257** | 24 | >100 | (193) |
| **Total** | **1 150** | 1 427 | (19) | 2 844 |

| Positives | Negatives |
|---|---|
| • Strong results from client flow activities, assisted by new deal opportunities within RMB, as well as higher levels of client activity and agency business flows. | • Disappointing equity trading results, in part negatively affected by the flat year-on-year performance in the ALSI, as well as adverse trading conditions and uncertainty in the Eurozone. |
| • Good trading results within the currency and commodity areas assisted by beneficial market conditions. | • Limited client refinancing opportunities in the current period. |
| • Significant year-on-year benefit from fair value gains on certain derivative positions held to hedge share-based payment exposures. | |

## Note 3 Investment income – down >100%

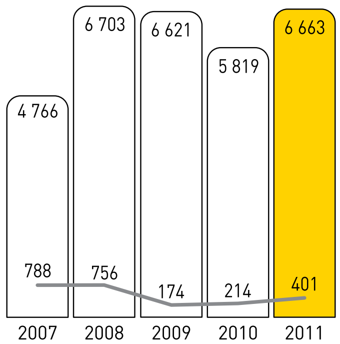
| R million | Six months ended 31 December 2011 | Six months ended 31 December 2010 | % change | Year ended 30 June 2011 |
|---|---|---|---|---|
| **Private equity realisations and dividends received** | **15** | 12 | 25 | 666 |
| – Profit on realisation of private equity investments | **3** | 5 | (40) | 607 |
| – Dividends received | **3** | 7 | (57) | 5 |
| – Investment property income | **9** | – | n/a | 54 |
| **Other income from investments** | **(29)** | 1 239 | (>100) | 1 526 |
| – Profit on disposal of available-for-sale assets | **36** | 179 | (80) | 341 |
| – Profit on assets held against employee liabilities | **70** | 290 | (76) | 339 |
| – RMB Resources | **(217)** | 542 | (>100) | 449 |
| – Other investment income | **82** | 228 | (64) | 397 |
| **Total investment income** | **(14)** | 1 251 | (>100) | 2 192 |

**Negatives**

- Significant reduction in profits from the ELI asset portfolio directly linked to a weaker performance of local and international equity markets in the six-month period to December 2011 compared to the prior period.
- Disappointing performance from the international resources portfolio, negatively affected by weaker international equity markets and commodity prices resulting in losses during the period.

## Share of income from associates and joint ventures – up 87%

Analysis of income from associates and joint ventures (R million)




| R million | Six months ended 31 December 2011 | Six months ended 31 December 2010 | % change | Year ended 30 June 2011 |
|---|---|---|---|---|
| **Private equity associates** | **152** | 6 | >100 | 63 |
| – Operational performance | **204** | 157 | 30 | 356 |
| – Impairments | **(52)** | (151) | (66) | (293) |
| **WesBank associates** | **147** | 143 | 3 | 318 |
| – Toyota Financial Services (Pty) Ltd | **90** | 69 | 30 | 132 |
| – Tracker Investment Holdings (Pty) Ltd | **31** | 58 | (47) | 140 |
| – Other | **26** | 16 | 63 | 46 |
| **Other operational associates** | **102** | 65 | 57 | 195 |
| – Eris Property Group (Pty) Ltd | **15** | 8 | 88 | 30 |
| – RMB Morgan Stanley (Pty) Ltd | **39** | 29 | 34 | 70 |
| – Other | **48** | 28 | 71 | 95 |
| **Total share of profits from associates and joint ventures** | **401** | 214 | 87 | 576 |

**Positives**

- Strong operational performance from WesBank associates, benefiting from an improved trading environment.
- A good result from the RMB private equity associates, reflective of solid underlying operational performance as well as the non-recurrence of impairments raised in the comparative period.

## Total income from private equity activities

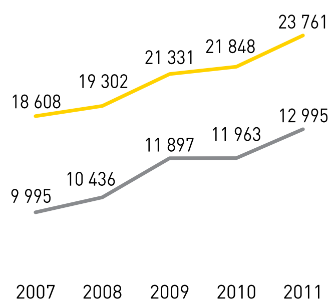
RMB earns private equity related income primarily from its Private Equity division. However, other divisions within RMB also engage or hold private equity related investments (as defined in Circular 03/2009 dealing with Headline Earnings and issued by the South African Institute of Chartered Accountants), which are not reported as part of the Private Equity division's results. The underlying nature of the various private equity related income streams are reflected below.

| R million | Six months ended 31 December 2011 | Six months ended 31 December 2010 | % change | Year ended 30 June 2011 |
|---|---|---|---|---|
| **RMB Private Equity division** | **274** | 207 | 32 | 1 166 |
| Income from associates | **147** | 14 | >100 | 239 |
| – Equity-accounted income* | **199** | 222 | (10) | 441 |
| – Impairments* | **(52)** | (208) | (75) | (202) |
| Realisations and dividends** | **6** | 12 | (50) | 612 |
| Investment property income** | **9** | – | n/a | 54 |
| Consolidated private equity income# | **112** | 181 | (38) | 261 |
| **Legacy** | **3** | (8) | (>100) | (98) |
| Income from associates | **5** | (8) | (>100) | (176) |
| – Equity-accounted income* | **5** | (65) | (>100) | (85) |
| – Impairments* | **–** | 57 | (100) | (91) |
| Other investment income** | **(2)** | – | n/a | 78 |
| **Other business units** | **56** | 19 | >100 | 70 |
| Income from associates | **56** | 19 | >100 | 70 |
| – Equity-accounted income* | **63** | 19 | >100 | 75 |
| – Impairments* | **(7)** | – | n/a | (5) |
| **Private equity activities** | **333** | 218 | 53 | 1 138 |

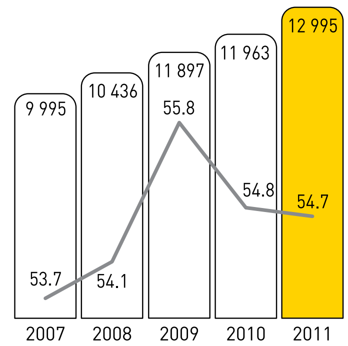
* *Refer to analysis of income from associates and joint ventures on page 45.*
** *Refer to investment income analysis on page 44.*
# *Refer to non-interest revenue analysis on page 42.*

## Operating expenses – up 9%

Operating "jaws" (R million)




Operating efficiency




*2007 and 2008 have been presented on an IFRS-continuing basis, 2009 is presented on a continuing normalised basis excluding the fee and commission expense restatements and 2010 onwards is presented on a continuing normalised basis including the fee and commission expense restatement.*

| R million | Six months ended 31 December 2011 | Six months ended 31 December 2010 | % change | Year ended 30 June 2011 |
|---|---|---|---|---|
| Staff expenditure | **7 517** | 7 051 | 7 | 13 896 |
| – Direct staff expenditure | **4 890** | 4 537 | 8 | 9 153 |
| – Other staff-related expenditure | **2 627** | 2 514 | 4 | 4 743 |
| Depreciation | **916** | 753 | 22 | 1 564 |
| Amortisation of other intangible assets | **109** | 98 | 11 | 172 |
| Advertising and marketing | **503** | 404 | 25 | 924 |
| Insurance | **171** | 194 | (12) | 368 |
| Lease charges | **477** | 440 | 8 | 939 |
| Professional fees | **493** | 405 | 22 | 964 |
| Audit fees | **87** | 68 | 28 | 145 |
| Computer expenses | **435** | 359 | 22 | 718 |
| Maintenance | **360** | 450 | (20) | 919 |
| Telecommunications | **173** | 221 | (22) | 456 |
| Cooperation agreements and joint ventures | **378** | 271 | 39 | 682 |
| Other expenditure | **1 376** | 1 249 | 10 | 2 093 |
| **Total operating expenses** | **12 995** | 11 963 | 9 | 23 840 |

| Staff costs – up 7% |
|---|
| • Increased direct staff costs, negatively affected by wage settlements in excess of CPI. |
| • Other staff-related costs negatively affected by an increase in IFRS 2 Share-based payment expenses of 23%, primarily resulting from the increase in the FirstRand share price year-on-year, offset to some extent by lower variable staff costs. |
| **Other operating expenses** |
| • A significant increase in costs associated with cooperation agreements and joint ventures, driven primarily by increased profitability of various WesBank joint venture arrangements. |
| • An increase in excess of 100% in expansion costs, reflective of a 9% increase in representation points in South Africa and 8% in the African subsidiaries as well as related infrastructure costs and ongoing investment into other African expansion initiatives. |
| • Significant increase in depreciation costs in part associated with the growth of the FMR business in WesBank. |

## Direct taxation – up 10%

Impacted by:

- year-on-year profit growth in the Group;
- increased STC charge through the utilisation of historical credits in anticipation of the introduction of dividend tax with effect from 1 April 2012; and
- change in income mix with lower relative component of non-standard rate taxable income to total taxable income.

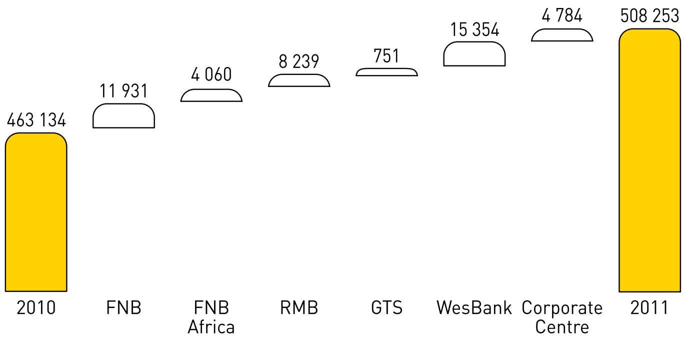
## Abridged consolidated statement of financial position – normalised

| R million | As at 31 December 2011 | As at 31 December 2010 | % change | As at 30 June 2011 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Derivative financial instruments | **57 721** | 51 052 | 13 | 37 206 |
| Advances | **498 258** | 453 290 | 10 | 464 593 |
| Investment securities and other investments | **126 001** | 127 707 | (1) | 124 777 |
| Other assets | **81 534** | 65 435 | 25 | 73 570 |
| **Total assets** | **763 514** | 697 484 | 9 | 700 146 |
| **EQUITY AND LIABILITIES** | | | | |
| **Liabilities** | | | | |
| Deposits | **595 200** | 543 713 | 9 | 553 657 |
| Short trading positions and derivative financial instruments | **11 944** | 15 797 | (24) | 12 413 |
| Other liabilities | **89 408** | 78 471 | 14 | 67 630 |
| **Total equity** | **66 962** | 59 503 | 13 | 66 446 |
| **Total equity and liabilities** | **763 514** | 697 484 | 9 | 700 146 |

## Advances – up 10%

| R million | As at 31 December 2011 | As at 31 December 2010 | % change | As at 30 June 2011 |
|---|---|---|---|---|
| Normalised gross advances | **508 253** | 463 134 | 10 | 474 566 |
| Normalised impairment of advances | **(9 995)** | (9 844) | 2 | (9 973) |
| Normalised net advances | **498 258** | 453 290 | 10 | 464 593 |

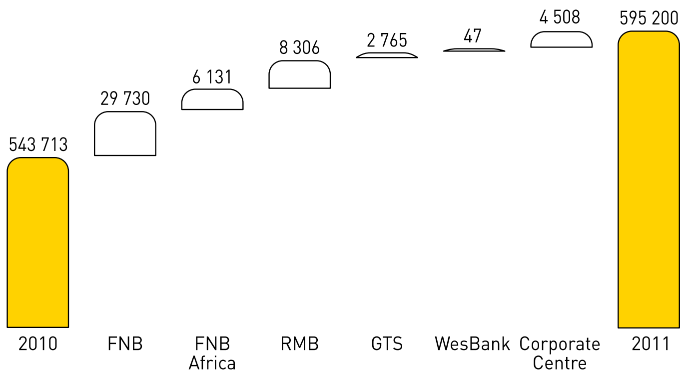
Gross advances by franchise (R million)




| Positives | Negatives |
|---|---|
| • Robust asset growth of 38% in the Mass market, in line with strategy, assisted by increased sales in excess of 100% in the unsecured lending book. | • Muted growth of 3% in the Consumer market, reflecting ongoing affordability pressure in this segment, resulting in flat advances levels in HomeLoans and muted growth of 6% in Card advances. |
| • Growth of 86% in unsecured lending (excluding Card) in the Consumer segment, in line with strategy. | |
| • Satisfactory growth of 11% in Commercial, benefiting from 14% growth in agricultural loans and growth of 13% in owner-occupied commercial property finance and leveraged finance products. | |
| • Strong growth of 19% from the FNB Africa subsidiaries, buoyed by:<br>– 32% growth in FNB Botswana, driven primarily by increased personal loans and higher property finance advances; and<br>– satisfactory growth of 9% in FNB Namibia, driven by increased mortgages and agricultural loans. | |
| • Growth of 16% in WesBank's gross advances, resulting from:<br>– retail new motor business in the local market increasing 23%;<br>– corporate new business growing 13%, benefiting from specific growth initiatives; and<br>– personal loans new business growth of 26%. | |
| • Robust growth of 16% in RMB's core advances book, largely as a result of investment banking related-lending focused in the leveraged finance and real estate portfolios, as well as an increase in structured trade and commodity finance-related advances. | |

## Deposits – up 9%

Deposits by franchise (R million)




| Positives |
|---|
| • Deposit growth driven by FNB and FNB Africa, reflecting 17% and 23% growth respectively. |
| • Growth focused on shorter-term products given the interest rate environment, with growth of 13% in current, savings and transmission accounts and 32% in notice deposits within FNB South Africa. |

# Notes

# Segmental report and overview of operating franchises

# Segmental reporting

for the six months ended 31 December 2011

| R million | FNB | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Consumer segment | | | | | | | | | |
| | Mass | HomeLoans | Card Issuing | Other consumer | Consumer segment | Wealth | Commercial | FNB Other and support | FNB South Africa | FNB Africa | Total FNB |
| **Net interest income before impairment of advances** | 709 | 663 | 520 | 1 210 | 2 393 | 426 | 1 596 | (4) | 5 120 | 1 022 | 6 142 |
| Impairment of advances | (305) | (261) | (28) | (157) | (446) | (150) | (134) | (22) | (1 057) | (36) | (1 093) |
| **Net interest income after impairment of advances** | 404 | 402 | 492 | 1 053 | 1 947 | 276 | 1 462 | (26) | 4 063 | 986 | 5 049 |
| Non-interest income | 2 046 | 167 | 618 | 1 907 | 2 692 | 456 | 2 051 | (96) | 7 149 | 794 | 7 943 |
| **Income from operations** | 2 450 | 569 | 1 110 | 2 960 | 4 639 | 732 | 3 513 | (122) | 11 212 | 1 780 | 12 992 |
| Operating expenses | (1 533) | (345) | (537) | (1 661) | (2 543) | (646) | (2 118) | (43) | (6 883) | (997) | (7 880) |
| **Net income from operations** | 917 | 224 | 573 | 1 299 | 2 096 | 86 | 1 395 | (165) | 4 329 | 783 | 5 112 |
| Share of profit from associates and joint ventures | – | – | – | (14) | (14) | 4 | – | 15 | 5 | 1 | 6 |
| **Income before tax** | 917 | 224 | 573 | 1 285 | 2 082 | 90 | 1 395 | (150) | 4 334 | 784 | 5 118 |
| Indirect tax | (23) | (12) | (22) | (43) | (77) | (6) | (15) | (76) | (197) | (21) | (218) |
| **Profit before direct tax** | 894 | 212 | 551 | 1 242 | 2 005 | 84 | 1 380 | (226) | 4 137 | 763 | 4 900 |
| Direct tax | (237) | (56) | (146) | (329) | (531) | (22) | (366) | 61 | (1 095) | (231) | (1 326) |
| **Profit for the period from continuing operations** | 657 | 156 | 405 | 913 | 1 474 | 62 | 1 014 | (165) | 3 042 | 532 | 3 574 |
| Profit attributable to discontinued operations | – | – | – | – | – | – | – | – | – | – | – |
| **Profit for the period** | 657 | 156 | 405 | 913 | 1 474 | 62 | 1 014 | (165) | 3 042 | 532 | 3 574 |
| **Profit attributable to:** | | | | | | | | | | | |
| Ordinary equityholders | 657 | 156 | 405 | 914 | 1 475 | 62 | 1 014 | (165) | 3 043 | 316 | 3 359 |
| NCNR preference shareholders | – | – | – | – | – | – | – | – | – | – | – |
| Non-controlling interests | – | – | – | (1) | (1) | – | – | – | (1) | 216 | 215 |
| | 657 | 156 | 405 | 913 | 1 474 | 62 | 1 014 | (165) | 3 042 | 532 | 3 574 |
| **Attributable earnings to ordinary shareholders** | 657 | 156 | 405 | 914 | 1 475 | 62 | 1 014 | (165) | 3 043 | 316 | 3 359 |
| Headline earnings adjustments | – | – | (1) | 11 | 10 | (4) | 15 | 8 | 29 | (24) | 5 |
| **Headline earnings** | 657 | 156 | 404 | 925 | 1 485 | 58 | 1 029 | (157) | 3 072 | 292 | 3 364 |
| IFRS 2 Share-based payment expense | – | – | – | – | – | – | – | – | – | – | – |
| Treasury shares | – | – | – | – | – | – | – | – | – | – | – |
| **Normalised earnings** | 657 | 156 | 404 | 925 | 1 485 | 58 | 1 029 | (157) | 3 072 | 292 | 3 364 |

| | RMB | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | RMB | RMB Africa | Total RMB | GTS | Total CIB | WesBank | Corporate Centre | Consolidation and IFRS adjustments | FirstRand | FirstRand Group normalised | Normalised adjustments | FirstRand Group – IFRS |
| | 1 178 | (4) | 1 174 | 248 | 1 422 | 2 849 | 1 380 | 53 | 59 | 11 905 | (1 375) | 10 530 |
| | (153) | – | (153) | (4) | (157) | (572) | 12 | (151) | – | (1 961) | 137 | (1 824) |
| | 1 025 | (4) | 1 021 | 244 | 1 265 | 2 277 | 1 392 | (98) | 59 | 9 944 | (1 238) | 8 706 |
| | 2 140 | 169 | 2 309 | 597 | 2 906 | 1 344 | 609 | (1 380) | 33 | 11 455 | 1 976 | 13 431 |
| | 3 165 | 165 | 3 330 | 841 | 4 171 | 3 621 | 2 001 | (1 478) | 92 | 21 399 | 738 | 22 137 |
| | (1 677) | (67) | (1 744) | (634) | (2 378) | (1 980) | (1 391) | 453 | 181 | (12 995) | (376) | (13 371) |
| | 1 488 | 98 | 1 586 | 207 | 1 793 | 1 641 | 610 | (1 025) | 273 | 8 404 | 362 | 8 766 |
| | 237 | – | 237 | – | 237 | 147 | – | 11 | – | 401 | – | 401 |
| | 1 725 | 98 | 1 823 | 207 | 2 030 | 1 788 | 610 | (1 014) | 273 | 8 805 | 362 | 9 167 |
| | (40) | (1) | (41) | (9) | (50) | (100) | (15) | (1) | (1) | (385) | – | (385) |
| | 1 685 | 97 | 1 782 | 198 | 1 980 | 1 688 | 595 | (1 015) | 272 | 8 420 | 362 | 8 782 |
| | (447) | (26) | (473) | (52) | (525) | (449) | (150) | 309 | (27) | (2 168) | (24) | (2 192) |
| | 1 238 | 71 | 1 309 | 146 | 1 455 | 1 239 | 445 | (706) | 245 | 6 252 | 338 | 6 590 |
| | – | – | – | – | – | – | – | – | – | – | – | – |
| | 1 238 | 71 | 1 309 | 146 | 1 455 | 1 239 | 445 | (706) | 245 | 6 252 | 338 | 6 590 |
| | 1 238 | 50 | 1 288 | 146 | 1 434 | 1 192 | 445 | (809) | 108 | 5 729 | 338 | 6 067 |
| | – | – | – | – | – | – | – | – | 137 | 137 | – | 137 |
| | – | 21 | 21 | – | 21 | 47 | – | 103 | – | 386 | – | 386 |
| | 1 238 | 71 | 1 309 | 146 | 1 455 | 1 239 | 445 | (706) | 245 | 6 252 | 338 | 6 590 |
| | 1 238 | 50 | 1 288 | 146 | 1 434 | 1 192 | 445 | (809) | 108 | 5 729 | 338 | 6 067 |
| | 23 | – | 23 | – | 23 | 1 | 145 | (132) | – | 42 | (470) | (428) |
| | 1 261 | 50 | 1 311 | 146 | 1 457 | 1 193 | 590 | (941) | 108 | 5 771 | (132) | 5 639 |
| | – | – | – | – | – | – | – | – | – | – | 29 | 29 |
| | – | – | – | – | – | – | – | – | – | – | 103 | 103 |
| | 1 261 | 50 | 1 311 | 146 | 1 457 | 1 193 | 590 | (941) | 108 | 5 771 | – | 5 771 |

# Segmental reporting *continued*

for the six months ended 31 December 2011

| | FNB | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Consumer segment | | | | | | | | | |
| R million | Mass | HomeLoans | Card Issuing | Other consumer | Consumer segment | Wealth | Commercial | FNB Other and support | FNB South Africa | FNB Africa | Total FNB |
| Cost-to-income (%) | **55.6** | 41.6 | 47.2 | 53.5 | **50.1** | 72.9 | 58.1 | (50.6) | **56.1** | 54.9 | **55.9** |
| Diversity ratio (%) | **74.3** | 20.1 | 54.3 | 61.0 | **52.8** | 51.9 | 56.2 | 95.3 | **58.3** | 43.8 | **56.4** |
| Total impairment charge (%) | **4.59** | 0.49 | 0.51 | 5.77 | **0.72** | 0.74 | 0.85 | 26.91 | **1.01** | 0.30 | **0.94** |
| NPLs as a percentage of advances (%) | **5.75** | 5.85 | 2.71 | 2.84 | **5.42** | 6.80 | 5.15 | (11.05) | **5.65** | 1.52 | **5.21** |
| Assets under administration | **–** | – | – | – | **–** | 113 858 | – | – | **94 972** | 1 783 | **96 755** |
| **Consolidated income statement includes:** | | | | | | | | | | | |
| Depreciation | **(14)** | (3) | (2) | (90) | **(95)** | (18) | (51) | (386) | **(564)** | (51) | **(615)** |
| Amortisation | **–** | – | – | (2) | **(2)** | (8) | (1) | (18) | **(29)** | (15) | **(44)** |
| Impairment charges | **–** | – | – | – | **–** | – | – | – | **–** | – | **–** |
| Other non-cash provisions | **(17)** | (10) | (9) | (107) | **(126)** | (24) | (56) | (169) | **(392)** | (64) | **(456)** |
| **Statement of financial position includes:** | | | | | | | | | | | |
| Advances (after ISP – before impairments) | **14 463** | 106 944 | 11 038 | 6 296 | **124 278** | 40 226 | 31 919 | 172 | **211 058** | 25 121 | **236 179** |
| – Normal advances | **14 463** | 105 446 | 11 038 | 6 296 | **122 780** | 40 226 | 31 919 | 172 | **209 560** | 25 121 | **234 681** |
| – Securitised advances | **–** | 1 498 | – | – | **1 498** | – | – | – | **1 498** | – | **1 498** |
| NPLs | **831** | 6 257 | 299 | 179 | **6 735** | 2 734 | 1 643 | (19) | **11 924** | 382 | **12 306** |
| Investment in associated companies | **–** | – | – | – | **–** | 12 | – | 169 | **181** | 8 | **189** |
| Total deposits (including non-recourse deposits) | **9 479** | 121 | 1 248 | 68 922 | **70 291** | 24 878 | 80 899 | 19 938 | **205 485** | 32 838 | **238 323** |
| Total assets | **14 996** | 105 563 | 10 625 | 7 462 | **123 650** | 45 837 | 32 192 | 11 449 | **228 124** | 39 930 | **268 054** |
| Total liabilities | **13 937** | 105 340 | 10 074 | 6 169 | **121 583** | 45 744 | 30 807 | 11 529 | **223 600** | 35 317 | **258 917** |
| Capital expenditure | **21** | 7 | 2 | 82 | **91** | 14 | 28 | 563 | **717** | 172 | **889** |

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

| RMB | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| RMB | RMB Africa | Total RMB | GTS | Total CIB | WesBank | Corporate Centre | Consolidation and IFRS adjustments | FirstRand | FirstRand Group normalised | Normalised adjustments | FirstRand Group – IFRS |
| 47.2 | 40.6 | 46.9 | 75.0 | 52.1 | 45.6 | 69.9 | 34.4 | (>100) | 54.7 | – | 54.9 |
| 66.9 | 102.4 | 68.4 | 70.7 | 68.8 | 34.4 | 30.6 | 104.0 | 35.9 | 49.9 | – | 56.8 |
| 0.22 | – | 0.22 | 0.26 | 0.22 | 1.07 | (0.26) | >100 | – | 0.80 | (0.05) | 0.75 |
| 1.32 | – | 1.32 | 0.42 | 1.30 | 3.72 | (0.22) | – | – | 3.61 | 0.02 | 3.63 |
| – | – | – | – | – | – | – | – | – | 96 755 | – | 96 755 |
| (126) | – | (126) | 9 | (117) | (133) | (55) | 4 | – | (916) | – | (916) |
| (37) | – | (37) | – | (37) | (25) | (1) | (2) | – | (109) | – | (109) |
| (8) | – | (8) | – | (8) | – | (1) | (13) | – | (22) | – | (22) |
| (410) | – | (410) | – | (410) | (137) | (116) | (41) | (8) | (1 168) | – | (1 168) |
| 147 494 | 41 | 147 535 | 3 600 | 151 135 | 110 713 | 9 866 | 360 | – | 508 253 | (2 088) | 506 165 |
| 147 494 | 41 | 147 535 | 3 600 | 151 135 | 107 505 | 9 866 | 360 | – | 503 547 | (2 088) | 501 459 |
| – | – | – | – | – | 3 208 | – | – | – | 4 706 | – | 4 706 |
| 1 945 | – | 1 945 | 15 | 1 960 | 4 122 | (22) | – | – | 18 366 | – | 18 366 |
| 5 887 | – | 5 887 | – | 5 887 | 608 | 2 | (23) | – | 6 663 | – | 6 663 |
| 131 117 | 358 | 131 475 | 38 183 | 169 658 | 257 | 182 564 | 4 398 | – | 595 200 | – | 595 200 |
| 303 142 | 843 | 303 985 | 3 723 | 307 708 | 112 396 | 130 059 | (111 769) | 57 066 | 763 514 | (1 853) | 761 661 |
| 297 342 | 768 | 298 110 | 3 402 | 301 512 | 109 682 | 77 475 | (51 936) | 902 | 696 552 | 10 | 696 562 |
| 976 | 1 | 977 | 11 | 988 | 351 | 32 | 760 | – | 3 020 | – | 3 020 |

# Segmental reporting *continued*

for the six months ended 31 December 2010

| | FNB | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Consumer segment | | | | | | | | | |
| R million | Mass | HomeLoans | Card Issuing | Other consumer | Consumer segment | Wealth | Commercial | FNB Other and support | FNB South Africa | FNB Africa | Total FNB |
| ***Continuing operations*** | | | | | | | | | | | |
| **Net interest income before impairment of advances** | **540** | 616 | 509 | 981 | **2 106** | 436 | 1 473 | (40) | **4 515** | 913 | **5 428** |
| Impairment of advances | **(233)** | (535) | (132) | (56) | **(723)** | (73) | (206) | (38) | **(1 273)** | (18) | **(1 291)** |
| **Net interest income after impairment of advances** | **307** | 81 | 377 | 925 | **1 383** | 363 | 1 267 | (78) | **3 242** | 895 | **4 137** |
| Non-interest income | **1 854** | 123 | 598 | 1 598 | **2 319** | 349 | 1 830 | (55) | **6 297** | 668 | **6 965** |
| **Income from operations** | **2 161** | 204 | 975 | 2 523 | **3 702** | 712 | 3 097 | (133) | **9 539** | 1 563 | **11 102** |
| Operating expenses | **(1 482)** | (336) | (507) | (1 479) | **(2 322)** | (543) | (1 961) | 46 | **(6 262)** | (811) | **(7 073)** |
| **Net income from operations** | **679** | (132) | 468 | 1 044 | **1 380** | 169 | 1 136 | (87) | **3 277** | 752 | **4 029** |
| Share of profit from associates and joint ventures | **–** | 54 | – | 6 | **60** | 3 | – | 6 | **69** | 3 | **72** |
| **Income before tax** | **679** | (78) | 468 | 1 050 | **1 440** | 172 | 1 136 | (81) | **3 346** | 755 | **4 101** |
| Indirect tax | **(15)** | (11) | (10) | (31) | **(52)** | (7) | (11) | (83) | **(168)** | (15) | **(183)** |
| **Profit before direct tax** | **664** | (89) | 458 | 1 019 | **1 388** | 165 | 1 125 | (164) | **3 178** | 740 | **3 918** |
| Direct tax | **(176)** | 24 | (121) | (271) | **(368)** | (44) | (298) | 44 | **(842)** | (217) | **(1 059)** |
| **Profit for the period from continuing operations** | **488** | (65) | 337 | 748 | **1 020** | 121 | 827 | (120) | **2 336** | 523 | **2 859** |
| Profit attributable to discontinued operations | **–** | – | – | – | **–** | – | – | – | **–** | – | **–** |
| **Profit for the period** | **488** | (65) | 337 | 748 | **1 020** | 121 | 827 | (120) | **2 336** | 523 | **2 859** |
| **Profit attributable to:** | | | | | | | | | | | |
| Ordinary equityholders | **488** | (65) | 337 | 748 | **1 020** | 121 | 827 | (120) | **2 336** | 312 | **2 648** |
| NCNR preference shareholders | **–** | – | – | – | **–** | – | – | – | **–** | – | **–** |
| Non-controlling interests | **–** | – | – | – | **–** | – | – | – | **–** | 211 | **211** |
| | **488** | (65) | 337 | 748 | **1 020** | 121 | 827 | (120) | **2 336** | 523 | **2 859** |
| **Attributable earnings to ordinary shareholders** | **488** | (65) | 337 | 748 | **1 020** | 121 | 827 | (120) | **2 336** | 312 | **2 648** |
| Headline earnings adjustments | **–** | – | – | – | **–** | 5 | – | 1 | **6** | – | **6** |
| **Headline earnings** | **488** | (65) | 337 | 748 | **1 020** | 126 | 827 | (119) | **2 342** | 312 | **2 654** |
| IFRS 2 Share-based payment expense | **–** | – | – | – | **–** | – | – | – | **–** | 4 | **4** |
| Treasury shares | **–** | – | – | – | **–** | – | – | – | **–** | – | **–** |
| **Normalised earnings** | **488** | (65) | 337 | 748 | **1 020** | 126 | 827 | (119) | **2 342** | 316 | **2 658** |

*A consolidation adjustment has been reflected in WesBank's NIR and operating expenses in line with June 2011 and December 2011 disclosure. This amounted to R206 million.*

| RMB | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| RMB | RMB Africa | Total RMB | GTS | Total CIB | WesBank* | Corporate Centre | Consolidation and IFRS adjustments | FirstRand | FirstRand Group normalised continuing | Momentum | FirstRand Group normalised | Normalised adjustments | FirstRand Group – IFRS |
| 934 | – | 934 | 265 | 1 199 | 2 268 | 943 | (72) | 5 | 9 771 | – | 9 771 | (1 392) | 8 379 |
| (200) | – | (200) | (22) | (222) | (768) | 4 | – | – | (2 277) | – | (2 277) | 193 | (2 084) |
| 734 | – | 734 | 243 | 977 | 1 500 | 947 | (72) | 5 | 7 494 | – | 7 494 | (1 199) | 6 295 |
| 2 959 | 98 | 3 057 | 513 | 3 570 | 1 133 | 742 | (566) | 19 | 11 863 | – | 11 863 | 1 387 | 13 250 |
| 3 693 | 98 | 3 791 | 756 | 4 547 | 2 633 | 1 689 | (638) | 24 | 19 357 | – | 19 357 | 188 | 19 545 |
| (1 649) | (58) | (1 707) | (554) | (2 261) | (1 622) | (1 160) | 165 | (12) | (11 963) | – | (11 963) | (315) | (12 278) |
| 2 044 | 40 | 2 084 | 202 | 2 286 | 1 011 | 529 | (473) | 12 | 7 394 | – | 7 394 | (127) | 7 267 |
| 55 | – | 55 | – | 55 | 143 | (54) | (2) | – | 214 | – | 214 | 292 | 506 |
| 2 099 | 40 | 2 139 | 202 | 2 341 | 1 154 | 475 | (475) | 12 | 7 608 | – | 7 608 | 165 | 7 773 |
| (31) | – | (31) | (13) | (44) | (85) | (16) | (57) | – | (385) | – | (385) | – | (385) |
| 2 068 | 40 | 2 108 | 189 | 2 297 | 1 069 | 459 | (532) | 12 | 7 223 | – | 7 223 | 165 | 7 388 |
| (548) | (11) | (559) | (50) | (609) | (284) | (78) | 64 | (2) | (1 968) | – | (1 968) | (112) | (2 080) |
| 1 520 | 29 | 1 549 | 139 | 1 688 | 785 | 381 | (468) | 10 | 5 255 | – | 5 255 | 53 | 5 308 |
| – | – | – | – | – | – | – | – | – | – | 505 | 505 | 6 778 | 7 283 |
| 1 520 | 29 | 1 549 | 139 | 1 688 | 785 | 381 | (468) | 10 | 5 255 | 505 | 5 760 | 6 831 | 12 591 |
| 1 520 | 29 | 1 549 | 139 | 1 688 | 751 | 379 | (585) | (150) | 4 731 | 508 | 5 239 | 6 831 | 12 070 |
| – | – | – | – | – | – | – | – | 160 | 160 | – | 160 | – | 160 |
| – | – | – | – | – | 34 | 2 | 117 | – | 364 | (3) | 361 | – | 361 |
| 1 520 | 29 | 1 549 | 139 | 1 688 | 785 | 381 | (468) | 10 | 5 255 | 505 | 5 760 | 6 831 | 12 591 |
| 1 520 | 29 | 1 549 | 139 | 1 688 | 751 | 379 | (585) | (150) | 4 731 | 508 | 5 239 | 6 831 | 12 070 |
| 10 | – | 10 | (19) | (9) | (1) | (158) | 3 | – | (159) | – | (159) | (6 868) | (7 027) |
| 1 530 | 29 | 1 559 | 120 | 1 679 | 750 | 221 | (582) | (150) | 4 572 | 508 | 5 080 | (37) | 5 043 |
| – | – | – | – | – | – | – | (4) | – | – | – | – | (45) | (45) |
| – | – | – | – | – | – | – | – | – | – | – | – | 262 | 262 |
| 1 530 | 29 | 1 559 | 120 | 1 679 | 750 | 221 | (586) | (150) | 4 572 | 508 | 5 080 | 180 | 5 260 |

# Segmental reporting *continued*

for the six months ended 31 December 2010

| R million | FNB | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Mass | Consumer segment | | | | Wealth | Commercial | FNB Other and support | FNB South Africa | FNB Africa | Total FNB |
| | | HomeLoans | Card Issuing | Other consumer | Consumer segment | | | | | | |
| Cost-to-income (%) | **61.9** | 42.4 | 45.8 | 57.2 | **51.8** | 68.9 | 59.4 | 51.7 | **57.5** | 51.2 | **56.7** |
| Diversity ratio (%) | **77.4** | 22.3 | 54.0 | 62.1 | **53.0** | 44.7 | 55.4 | 55.1 | **58.5** | 42.4 | **56.5** |
| Total impairment charge (%) | **4.73** | 0.99 | 2.50 | 3.48 | **1.19** | 0.38 | 1.45 | >100 | **1.28** | 0.18 | **1.18** |
| NPLs as a percentage of advances (%) | **6.78** | 7.55 | 4.46 | 3.87 | **7.18** | 7.45 | 6.72 | (>100) | **7.12** | 1.74 | **6.60** |
| Assets under administration | **–** | – | – | – | **–** | 47 022 | – | – | **47 022** | 1 437 | **48 459** |
| **Consolidated income statement includes:** | | | | | | | | | | | |
| Depreciation | **(8)** | (7) | (2) | (84) | **(93)** | (16) | (40) | (322) | **(479)** | (38) | **(517)** |
| Amortisation | **–** | – | – | (5) | **(5)** | (4) | (2) | (34) | **(45)** | (12) | **(57)** |
| Impairment charges | **–** | – | – | – | **–** | – | – | – | **–** | – | **–** |
| Other non-cash provisions | **(13)** | (8) | (6) | (70) | **(84)** | (55) | (40) | (177) | **(369)** | (53) | **(422)** |
| **Statement of financial position includes:** | | | | | | | | | | | |
| Advances (after ISP – before impairments) | **10 471** | 107 074 | 10 447 | 3 387 | **120 908** | 39 023 | 28 692 | 33 | **199 127** | 21 061 | **220 188** |
| – Normal advances | **10 471** | 104 132 | 10 447 | 3 387 | **117 966** | 39 023 | 28 692 | 33 | **196 185** | 21 061 | **217 246** |
| – Securitised advances | **–** | 2 942 | – | – | **2 942** | – | – | – | **2 942** | – | **2 942** |
| NPLs | **710** | 8 081 | 466 | 131 | **8 678** | 2 909 | 1 927 | (56) | **14 168** | 366 | **14 534** |
| Investment in associated companies | **–** | 147 | – | 47 | **194** | 5 | – | 133 | **332** | 28 | **360** |
| Total deposits (including non-recourse deposits) | **8 730** | 109 | 1 173 | 60 425 | **61 707** | 17 528 | 71 928 | 15 862 | **175 755** | 26 707 | **202 462** |
| Total assets | **10 650** | 106 331 | 9 894 | 4 372 | **120 597** | 39 896 | 28 650 | 9 540 | **209 333** | 33 705 | **243 038** |
| Total liabilities | **10 002** | 106 339 | 9 443 | 3 204 | **118 986** | 39 748 | 27 566 | 9 526 | **205 828** | 29 448 | **235 276** |
| Capital expenditure | **76** | 2 | 2 | 169 | **173** | 28 | 53 | 714 | **1 044** | 79 | **1 123** |

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

| RMB | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| RMB | RMB Africa | Total RMB | GTS | Total CIB | WesBank | Corporate Centre | Consolidation and IFRS adjustments | FirstRand | FirstRand Group normalisd continuing | Momentum | FirstRand Group normalised | Normalised adjustments | FirstRand Group – IFRS |
| 41.8 | 59.2 | 42.2 | 71.2 | 46.9 | 45.8 | 71.1 | 25.8 | 50.0 | 54.8 | – | 54.8 | – | 55.5 |
| 76.3 | 100.0 | 76.9 | 65.9 | 75.1 | 36.0 | 42.2 | 88.8 | 79.2 | 55.3 | – | 55.3 | – | 62.1 |
| 0.29 | – | 0.29 | 1.94 | 0.32 | 1.63 | (0.21) | – | – | 1.00 | – | 1.00 | (0.08) | 0.92 |
| 1.21 | – | 1.21 | 0.18 | 1.19 | 5.12 | 0.02 | – | – | 4.56 | – | 4.56 | 0.02 | 4.58 |
| – | – | – | – | – | – | – | – | | 48 459 | – | 48 459 | – | 48 459 |
| (82) | – | (82) | (5) | (87) | (98) | (51) | – | – | (753) | – | (753) | – | (753) |
| (28) | – | (28) | – | (28) | (11) | – | (2) | – | (98) | – | (98) | – | (98) |
| (7) | – | (7) | – | (7) | – | – | (29) | – | (36) | – | (36) | – | (36) |
| (682) | – | (682) | – | (682) | (96) | (117) | (115) | – | (1 432) | – | (1 432) | – | (1 432) |
| 139 295 | 1 | 139 296 | 2 849 | 142 145 | 95 359 | 5 677 | (235) | – | 463 134 | – | 463 134 | (1 631) | 461 503 |
| 139 295 | 1 | 139 296 | 2 849 | 142 145 | 95 359 | 5 677 | (235) | – | 460 192 | – | 460 192 | (1 631) | 458 561 |
| – | – | – | – | – | – | – | – | – | 2 942 | – | 2 942 | – | 2 942 |
| 1 690 | – | 1 690 | 5 | 1 695 | 4 887 | 1 | – | – | 21 117 | – | 21 117 | – | 21 117 |
| 4 419 | – | 4 419 | – | 4 419 | 1 232 | 1 136 | (1 328) | – | 5 819 | – | 5 819 | – | 5 819 |
| 123 146 | 23 | 123 169 | 35 418 | 158 587 | 210 | 176 020 | 6 434 | – | 543 713 | – | 543 713 | | 543 713 |
| 288 558 | 245 | 288 803 | 3 157 | 291 960 | 99 265 | 115 994 | (103 727) | 50 954 | 697 484 | – | 697 484 | (1 675) | 695 809 |
| 285 346 | 185 | 285 531 | 2 683 | 288 214 | 97 461 | 72 755 | (59 058) | 3 333 | 637 981 | – | 637 981 | 80 | 638 061 |
| 75 | – | 75 | 6 | 81 | 344 | 53 | 436 | – | 2 037 | – | 2 037 | – | 2 037 |

# FNB – South Africa and Africa

## Market dynamics

The macroeconomic environment, both locally and globally, continues to be challenging, volatile and uncertain, despite sustained low interest rates. Consumers and businesses still remain cautious, given these uncertainties. High levels of indebtedness, particularly in the middle market, subdued residential property prices and ongoing economic pressures resulted in South African private credit extension growth remaining muted.

Sub-Saharan Africa's economic recovery is continuing and, excluding South Africa, is one of the developing regions with the highest growth prospects. However, global food and fuel price increases, rising inflation (amplified by drought affecting parts of the region) and any reduction in global demand, could undermine these growth prospects.

## Progress on strategy

FNB's strategy is to grow its domestic franchise in market segments where it is currently under-represented and target selective African countries which offer opportunities for growth. FNB enters new markets focusing on innovative products and delivery channels, especially favouring self service and electronic platforms.

Domestically, FNB identified certain growth opportunities within the Mass and Wealth segments some time ago and continues to successfully execute on a number of these as well as other operational initiatives.

As previously reported, FNB has been successful in growing its franchise in the Mass market and now has over four million customers in this segment. It achieved this through delivering innovative and low cost transactional banking services. Despite recent growth, however, it remains relatively underweight in lending to these customers. To address this gap, FNB continues with the rollout of its EasyPlan strategy which represents a low cost banking offering to Mass segment customers. The EasyPlan branches are well positioned in Mass market activity hubs, are open longer than the traditional branches and are supported by low cost channels for lending, insurance, savings and transactional products and services and have ADTs to satisfy customer cash transactional needs.

Effective January 2011, FNB acquired 100% of BJM's highly regarded private client and stockbroking business which has been integrated with the existing businesses that comprise the Wealth segment. This now provides customers with a more holistic offering which should underpin growth in FNB's wealth strategy over the medium term.

FNB's culture of innovation and ongoing technological developments, created opportunities to acquire new customers across all segments with particular success in the Consumer segment.

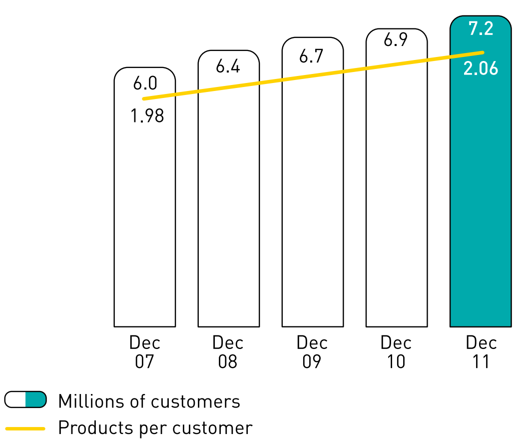
In terms of its growth strategy in Africa, FNB continues to expand its operating platforms in Zambia and Mozambique and leverage its South African-developed products and solutions into the continent. Tanzania commenced operations in July 2011 and aims to build a strong retail and commercial banking franchise over the medium term. Alongside other FirstRand franchises, FNB continues to assess opportunities in identified priority countries such as Nigeria and Ghana, and FNB is actively developing its business model and strategy for its operations in India.

## Key performance indicators

### GROWTH IN CUSTOMERS AND CROSS SELL FOR FNB SOUTH AFRICA

FNB's strategy to focus on customer relationships, supported by appropriate product and channel innovation as well as targeted pricing strategies, continues to produce positive results, as evidenced below with the 5% growth in customer numbers year-on-year. Cross sell continues to show an improving trend.

Growth in customers and cross sell for FNB South Africa

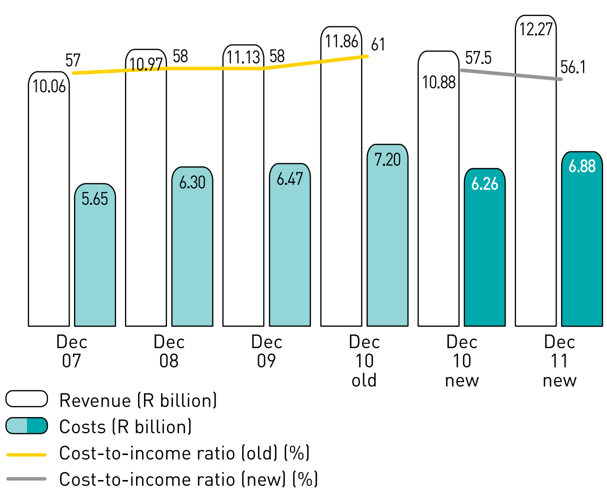


## REVENUE AND COST-TO-INCOME RATIO

FNB has appropriately aligned to other industry players and in line with IFRS, changed the accounting for fee and commission expenses thereby impacting the cost-to-income ratio. This alignment results in fee and commission-related expenses such as cash cost, commissions and other directly related volume based costs being offset against NIR and thus not reflected in expenses. The December 2010 and June 2011 information has been restated to reflect this change.

FNB's total revenue showed a robust increase during the period on the back of good growth in both NII and NIR. This was despite pressure on NII resulting from low balance sheet growth and some negative endowment impact on deposit margins. The cost-to-income ratio improvement reflects the fact that revenues increased faster than costs, however, customer acquisition costs, combined with the investments in growth strategies resulted in overall operating expenses increasing marginally above nominal GDP. FNB continues to believe that the ongoing investment initiatives being implemented will support profitability and ROE in the medium term.

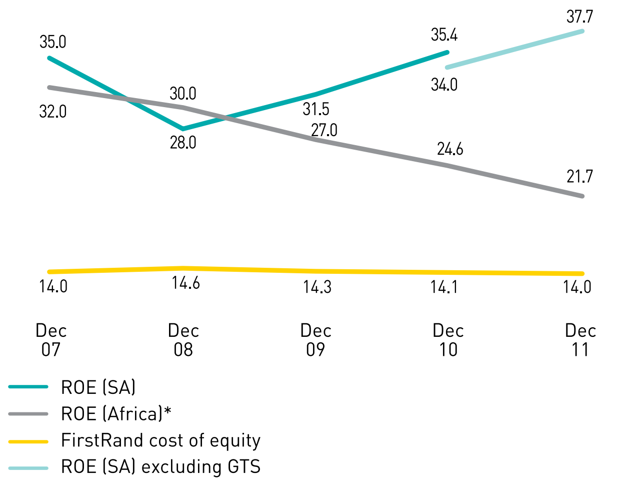
Revenue and cost-to-income ratio




*Revenue, costs and the cost-to-income ratio shown above have been restated to exclude GTS. December 2010 figures were adjusted for the amended treatment of fee and commission expenses.*

## ROE – SOUTH AFRICA AND AFRICA

ROE – South Africa and Africa (%)




* *FNB Africa ROEs for December 2010 onwards restated for change in methodology.*

ROE is a key performance management ratio for FirstRand and FNB's ROE remains well above the Group's cost of equity. The ongoing improvement in the South African ROE in the period to December 2011 is largely driven by improved profitability, capital impact of lower advances growth together with efficient capital management.

The declining ROE for FNB Africa is due to ongoing investment in new jurisdictions, despite improved performances from Botswana, Namibia and Swaziland.

## Financial highlights

| | FNB – South Africa | | | FNB – Africa | | |
|---|---|---|---|---|---|---|
| | Six months ended 31 December | | | Six months ended 31 December | | |
| R million | 2011 | 2010* | % change | 2011 | 2010 | % change |
| Net interest income | **5 120** | 4 515 | 13 | **1 022** | 913 | 12 |
| Non-interest revenue | **7 149** | 6 297 | 14 | **794** | 668 | 19 |
| Operating expenses | **(6 883)** | (6 262) | 10 | **(997)** | (811) | 23 |
| Income before indirect tax | **4 334** | 3 346 | 30 | **784** | 755 | 4 |
| Indirect tax | **(197)** | (168) | 17 | **(21)** | (15) | 40 |
| **Income before direct tax** | **4 137** | 3 178 | 30 | **763** | 740 | 3 |
| Normalised earnings | **3 072** | 2 342 | 31 | **292** | 316 | (8) |
| Advances | **211 058** | 199 127 | 6 | **25 121** | 21 061 | 19 |
| Total deposits | **205 485** | 175 755 | 17 | **32 838** | 26 707 | 23 |
| Cost-to-income ratio (%) | **56.1** | 57.5 | | **54.9** | 51.2 | |
| NPLs (%) | **5.7** | 7.1 | | **1.5** | 1.7 | |
| Credit loss ratio (%) | **1.01** | 1.28 | | **0.3** | 0.2 | |
| ROE (%) | **37.7** | 34.0 | | **21.7** | 24.6 | |

* *Prior year restated to exclude GTS.*

## Representation points

The rollout of FNB EasyPlan branches has resulted in an overall increase in branch representation points despite a reduction in full-service traditional branches. This reflects FNB's strategy to ensure optimisation of the overall network. The ATM footprint and point of sale (POS) devices growth reflects the electronic channel migration strategy. Expansion and investment in infrastructure on the rest of the continent resulted in strong growth in representation points and full-service ATMs (14%) in FNB Africa, however the number of mini-ATMs reduced, resulting in the overall decrease of 1% shown below.

| | FNB – South Africa | | | FNB – Africa | | |
|---|---|---|---|---|---|---|
| | Six months ended 31 December | | | Six months ended 31 December | | |
| | 2011 | 2010 | % change | 2011 | 2010 | % change |
| Representation points (branches, agencies, EasyPlan) | **760** | 678 | 12 | **106** | 98 | 8 |
| ATMs | **6 073** | 5 706 | 6 | **552** | 557 | (1) |

## Operational highlights

- FNB Online Banking was rated first in the 2011 PwC survey on Banking in South Africa.
- In July 2011 FNB Connect launched the first, and to date, only Smartphone banking app in South Africa.
- eWallet received a certificate of commendation at the "Financial World Innovation Awards" in the category "Innovation in the delivery of financial product – Multichannel and Mobile Banking".
- EasyPlan branch representation increased to 151 points of presence (June 2011: 117) across all provinces.
- FNB Public Sector Banking has fully rolled out banking to the entire PRASA (Passenger Rail Association of South Africa) Group and all PRASA business units will be on board by March 2012.
- FNB Wealth (RMB Private Bank and FNB Private Clients) ranked first as the best private banking service provider in South Africa and Africa in the 2011 Euromoney Private Banking 2011 Survey.
- FNB Namibia was selected as the best bank in Namibia and received the Bracken Award from the Banker Magazine in association with the UK Trade and Investment. It is the fourth time FNB Namibia received this award.
- FNB Botswana increased ATMs from 92 to 123 and now has the largest ATM footprint in Botswana.
- FNB Zambia was voted second "Best customer service award" of the year 2011 for financial services.
- FNB Swaziland was awarded "Best Bank in Swaziland" in 2011 (for the second consecutive year) by The Banker magazine (London).

## Performance commentary – FNB South Africa

FNB South Africa produced a strong performance for the period, growing pre-tax profits 30%. This was underpinned by a 17% decline in bad debts largely emanating from HomeLoans and Card, and a 14% increase in NIR. FNB's costs for the period grew at only 10% despite ongoing investment in the business, such as the rollout of the EasyPlan infrastructure, innovative mobile platforms and customer acquisition strategies. FNB does not take a "one size fits all" view in relation to costs, particularly given the diversity of its business and expects to continue with this strategy. There remains a firm focus on cost reduction in those business units that are experiencing pressure on revenues, however, cost growth will continue in areas of the business where growth opportunities exist.

Overall impairments from residential mortgages continued to decline as detailed below. This was despite the higher charge in Wealth which was expected given the lag effect of deteriorating credit quality in this segment, and the downward pressure on property recovery rates.

| R million | Advances | Impairment charge | Impairments to average advances % |
|---|---|---|---|
| Affordable Housing | 9 510 | 27 | 0.61 |
| HomeLoans | 106 944 | 261 | 0.49 |
| Wealth | 40 226 | 150 | 0.74 |
| **Residential mortgages – Dec 2011** | **156 680** | **438** | **0.56** |
| Residential mortgages – Dec 2010 | 153 403 | 640 | 0.84 |
| Residential mortgages – Dec 2009 | 149 469 | 869 | 1.17 |

NII increased robustly as a result of strong deposit balance growth slightly offset by reduced endowment margins, some advances growth which was particularly strong in unsecured lending, which in turn resulted in margin expansion, and lower suspended interest on NPLs. The excellent growth in NIR includes the annual inflationary price increase but was driven mainly by customer acquisition and good growth (10%) in transactional volumes. Migration by customers to less expensive electronic channels continued which means that NIR per customer will continue to remain under pressure until the change in channel mix has fully run its course. NIR also benefited from good market share gains and growth in revenue from alternative sources such as prepaid commissions and insurance.

Mortgage advances growth remained muted due to continued deleveraging by consumers who remain overindebted despite continued low interest rates. HomeLoans (flat) and Card (6%) advances growth indicates that the credit market is still experiencing a slow recovery specifically in the Consumer segment or middle market. Growth in unsecured loans reflects the success of FNB's strategy to target areas of under-representation.

Deposits increased 17% and was achieved through a proactive strategy in a low yield market where customers preferred to improve cash holding positions and reduce risk related to investment markets. Current, savings and transmission accounts as well as notice deposits showed good growth of 13% and 32% respectively on the back of transactional market share gains and the success of the 7 Day Notice and Flexi Fixed deposit products.

## SEGMENT PERFORMANCE

| Income before direct tax R million | FNB – South Africa Six months ended 31 December 2011 | 2010 | % change |
|---|---|---|---|
| Mass | **894** | 664 | 35 |
| Consumer | **2 005** | 1 388 | 44 |
| – HomeLoans | **212** | (89) | >100 |
| – Card Issuing | **551** | 458 | 20 |
| – Other Consumer | **1 242** | 1 019 | 22 |
| Wealth | **84** | 165 | (49) |
| Commercial | **1 380** | 1 125 | 23 |
| FNB Other and support | **(226)** | (164) | (38) |
| **FNB – South Africa** | **4 137** | 3 178 | 30 |
| FNB Africa | **763** | 740 | 3 |
| **Total FNB** | **4 900** | 3 918 | 25 |

As previously reported, FNB's segment view is not a "pure" indication of FNB's penetration into each segment as it depends on the product segment categorisation as well as internal service level and revenue arrangements. Further, continuous segment refinement occurs. The December 2010 results reflect minor restatements in order to ensure performance comparability. The largest restatement relates to GTS which is reported as part of RMB and not FNB.

## MASS (SMART SOLUTIONS)

| R million | Six months ended 31 December 2011 | 2010 | % change |
|---|---|---|---|
| NII | **709** | 540 | 31 |
| NIR | **2 046** | 1 854 | 10 |
| Operating expenses | **(1 533)** | (1 482) | 3 |
| **Income before direct tax** | **894** | 664 | 35 |
| Impairments as % of advances | **4.6** | 4.7 | |
| NPLs (%) | **5.8** | 6.8 | |
| Advances | **14 463** | 10 471 | 38 |
| Deposits | **9 479** | 8 730 | 9 |

*Smart and Mzansi accounts*
*Microloans (SmartSpend)*
*Cellphone banking and Prepaid products*
*Housing Finance (SmartBond & Smart Housing Plan)*
*FNB Life*
*FNB EasyPlan*

This segment focuses on individuals earning less than R100 000 per annum and is principally serviced by FNB Smart branded products and services.

The Mass segment's performance reflects strong growth in NII due to increased advances, particularly in the unsecured space where new business is written at higher margins, partly offset by some margin squeeze on the endowment products. As a result of the focus to grow unsecured lending, sales increased more than 100% despite increased competition, with total unsecured advances now near R5 billion. The segment's impairment charge increased 31%, however, this is within risk appetite and remains below expectations.

Excellent ongoing growth in fees on new loans, prepaid airtime turnover as well as bancassurance revenue also contributed positively to the performance. FNB Life continued to perform well despite policy lapse rates remaining high, with in-force policies increasing 10% to 4.6 million driven mainly by funeral policies.

Operating costs include the investment in future growth strategies, such as EasyPlan, and benefited from customers moving to cheaper electronic channels.

## CONSUMER

| R million | Six months ended 31 December 2011 | 2010 | % change |
|---|---|---|---|
| NII | **2 393** | 2 106 | 14 |
| NIR | **2 692** | 2 319 | 16 |
| Operating expenses | **(2 543)** | (2 322) | 10 |
| **Income before direct tax** | **2 005** | 1 388 | 44 |
| – HomeLoans | **212** | (89) | >100 |
| – Card Issuing | **551** | 458 | 20 |
| – Other Consumer | **1 242** | 1 019 | 22 |
| Impairments as % of advances | **0.7** | 1.2 | |
| NPLs (%) | **5.4** | 7.2 | |
| Advances | **124 278** | 120 908 | 3 |
| Deposits | **70 291** | 61 707 | 14 |

*HomeLoans (including One Account)*
*Card Issuing*
*Cheque and transmission products (including overdrafts)*
*Investments and equity products*
*Personal loans (including student loans)*
*FNB Insurance Brokers*
*eBucks*
*Retail Forex*

This segment focuses on providing banking and insurance solutions to customers with income ranging from R100 000 to R1.1 million per annum as well as certain subsegments (youth and teens, students, graduates and seniors).

The improvement in the segment's performance is largely attributable to the ongoing recovery in HomeLoans, strong post write-off recoveries in Card Issuing as well as strong growth in transactional revenues on the back of excellent customer acquisition.

The largest positive impact on profits is the significant reduction in bad debts as a result of the decrease in NPLs and arrears and ongoing post write-off recoveries in Card Issuing. However, consumers in this segment remain under pressure and factors such as potential interest rate increases and the health of the housing market (especially related to distressed debt and unemployment) could negatively impact improvements in the short term.

NII increased on the back of improved lending margins due to the strong growth in unsecured advances (particularly in Personal Loans). It was also supported by growth in deposits, in particular the Flexi Fixed and 7 Day Notice products, albeit at lower margins due to competitive forces coupled with some endowment impact. Overall advances balances grew only 3% mainly due to the muted growth in HomeLoans which were flat year-on-year.

The NIR increase of 16% was driven by very strong activity in the transactional business on the back of customer growth.

Operating costs increased 10% largely relating to customer acquisition costs, collection costs and advertising.

## FNB HomeLoans

The ongoing turnaround in HomeLoans is still attributed to improved collection processes and better quality new business supported by several macroeconomic factors, including low interest rates, inflation and higher disposable income.

Advances remained flat on the back of improved sales, despite write-offs and capital repayments continuing to exceed the new business written. New business market share dropped marginally from 20% to 19% but focus remains on low risk customers.

HomeLoans benefited from slightly improved margins as the in-force book runs down and is replaced with higher margin new business assisted by lower interest suspended on NPLs and some NIR growth. Costs are up R8 million (2%) year-on-year due mainly to decreases in holding costs of properties in possession, which now amount to only R13 million, offset by increases in staff costs specifically related to collections.

## Card Issuing

Card Issuing delivered a strong performance despite muted customer growth and a static advances book. Growth can mostly be attributed to the continuing decline in NPLs and arrear balances as a result of improved collection strategies. Post write-off recoveries made a significant positive contribution to earnings. Card turnover remained robust at 15% higher than the comparative period and can be attributed to the success of leading market customer loyalty initiatives and value-adds.

## Other Consumer

The businesses combined under Other Consumer performed well driven by customer acquisition resulting in above inflation NIR growth. Good balance sheet growth was achieved in both deposits and advances, particularly personal loans and overdrafts, with advances totalling just over R6 billion.

## WEALTH

| R million | Six months ended 31 December 2011 | 2010 | % change |
|---|---|---|---|
| NII | **426** | 436 | (2) |
| NIR | **456** | 349 | 31 |
| Operating expenses | **(646)** | (543) | 19 |
| **Income before direct tax** | **84** | 165 | (49) |
| Impairments as % of advances | **0.7** | 0.4 | |
| NPLs (%) | **6.8** | 7.5 | |
| Advances | **40 226** | 39 023 | 3 |
| Deposits | **24 878** | 17 528 | 42 |
| Assets under administration (AUA)* | **94 972** | 47 022 | >100 |

* *Includes assets under management, advice and execution.*

*RMB Private Bank*
*FNB Private Clients*
*FNB Trust Services*
*Islamic Finance*
*Ashburton and FNB International Trustees*
*BJM*

This segment focuses on providing private banking and investment solutions to customers earning an income above R1.1 million per annum as well as certain trust, fiduciary and offshore investment services to all qualifying retail customers. The segment results for this period include BJM which was acquired in the comparative year. This strategic acquisition added a number of additional service offerings for clients including stockbroking. A number of synergies through cross sell and leveraging are expected to result from the acquisition.

This segment's profitability was negatively impacted by increased bad debts. This resulted in higher impairments as well as higher interest suspended on NPLs. Significant deposit margin compression on the back of a competitive market and increased costs also impacted profitability.

Advances increased slightly due to ongoing new client acquisition offset to some extent by large repayments experienced as customers deleveraged. The volume of credit extension has slowed as the property market outlook remains muted and customers focus on balance sheet health.

Deposits recorded excellent growth attributable mainly to Money Market Maximiser and Cash Enhancer products.

NIR showed strong growth due to increases in traditional banking activities. The increase in operating expenditure resulted from the integration of BJM.

AUA increased by more than 100% (50% after adjusting for the BJM acquisition), although a large portion of this business is being invested in cash-type solutions which attract lower margins.

## COMMERCIAL

| R million | Six months ended 31 December | | % change |
|---|---|---|---|
| | 2011 | 2010 | |
| NII | **1 596** | 1 473 | 8 |
| NIR | **2 051** | 1 830 | 12 |
| Operating expenses | **(2 118)** | (1 961) | 8 |
| **Income before direct tax** | **1 380** | 1 125 | 23 |
| Impairments as % of advances | **0.9** | 1.5 | |
| NPLs (%) | **5.2** | 6.7 | |
| Advances | **31 919** | 28 692 | 11 |
| Deposits | **80 899** | 71 928 | 12 |

*Small Business, Business and Medium Corporate transactional and overdraft products*
*Investment products*
*SMMEs*
*Commercial property finance*
*Debtor finance*
*FNB Leveraged finance, BEE funding, Niches*
*Merchant Services (SpeedPoint)*

The Commercial segment is the provider of financial solutions, including working capital solutions, structured finance, investment products, transactional banking and term loans to Mid Corporate, Business and Small Business subsegments.

Growth in NII was achieved on the back of increasing deposit and advances balances. There was some endowment impact which negatively influenced deposit margins, however, bad debts declined 35% from the prior year as a result of the workout strategy implemented around residential and development finance.

The growth in NIR reflects increases in volumes in the transactional banking, merchant services and online banking environments as well as a 3% increase in the active customer base. Cash deposit fees are still increasing as a result of customers utilising the ongoing deployment of ADTs.

Advances increased as a result of good growth in Agric overdraft and term loans, commercial property finance and leverage finance products. The marginal increase in overdraft balances was mitigated by strong growth in cash flows into current accounts.

Deposits continue to grow despite interest rate cuts. This is driven by growth in current account balances as businesses remain cautious about investment spending. Term deposit balances increased as a result of the launch of the 7 Day Notice deposit product and Flexi Fixed deposits where growth exceeded expectations.

The main drivers of the operating cost increase are volume-related transactional costs and an increase in depreciation of POS devices as a result of significant investments in this area.

## FNB OTHER AND SUPPORT

Included in FNB Other and Support is Public Sector, Banking Channels, Brand Management and Support.

### Public Sector Banking

The segment provides transactional banking and investment services and products to the three spheres of government namely, national, provincial and local government. Other clients include some state-owned enterprises, universities and public schools. It also offers working capital and other short- and long-term finance products.

Due to focus on strategic pricing, customised solutions and a strong sales drive, the business achieved good growth in deposit balances.

## Performance commentary – FNB Africa

The results of FNB Africa comprise the subsidiaries, FNB Botswana, FNB Namibia, FNB Swaziland, FNB Mozambique, FNB Lesotho, FNB Zambia and FNB Tanzania as well as the support centre in Johannesburg. The performance of the RMB-managed operations in the subsidiaries is reported under RMB. However, in order to reflect a consolidated view of the portfolio, the RMB related profits are also included in the table below for information purposes.

| R million | Six months ended 31 December 2011 | 2010 | % change |
|---|---|---|---|
| **Income before direct tax** | | | |
| Botswana | **308** | 318 | (3) |
| *Botswana (BWP)* | ***287*** | *301* | *(5)* |
| Namibia | **422** | 402 | 5 |
| Swaziland | **69** | 67 | 3 |
| Other | **(72)** | (47) | (53) |
| Visa profit | **36** | – | n/a |
| **FNB Africa** | **763** | 740 | 3 |
| **RMB FICC** | **97** | 40 | >100 |
| **Total FNB Africa** | **860** | 780 | 10 |
| Advances | **25 121** | 21 061 | 19 |
| Deposits | **32 838** | 26 707 | 23 |
| NPLs (%) | **1.5** | 1.7 | |
| Credit loss ratio (%) | **0.3** | 0.2 | |

The African subsidiaries performed well despite significant investment activity across the portfolio which resulted in increased operating expenses. The profit before tax includes a profit recognised on Visa shares received by FNB Botswana and FNB Namibia. Good balance sheet growth and transactional flows contributed to the performance, however, increased statutory requirements in Botswana and reduced asset margins in FNB Namibia as result of mandatory prime rate spread reduction, impacted the overall portfolio.

FNB continued to invest significantly in Zambia and Mozambique in the period under review as well as in starting operations in Tanzania. The African investment phase will continue over the medium term while improved service and electronic delivery will remain a focus in order to increase the customer base and drive up volumes and resultant NIR.

## FNB BOTSWANA

The economic outlook for Botswana is positive, backed by the rebound in diamond exports and positive government policies. FNB Botswana specifically focused on growing its share of the retail market where margins are higher and the property market where the risks are lower.

FNB Botswana profits (excluding the profit on Visa shares of R27 million) declined for the period due to continued investment in the business. NII benefited from a specific focus on growing retail advances where FNB has historically been under-represented. Margins were negatively impacted by the Bank of Botswana increasing the reserving requirement from 6.5% to 10% in mid-2011. The impairment charge increased in line with the overall retail origination strategy and in line with expectations. Advances increased 32% particularly in the personal loans and property segments, and deposit balances increased 21% as a result of healthy growth in retail deposits.

## FNB NAMIBIA

The Namibian economy continues to experience good economic growth emanating from demand for commodities.

FNB Namibia's profit before tax increased 5% to R422 million (excluding the profit on Visa shares) and was largely attributed to a healthy credit book and good transactional volumes. Pressure was, however, experienced on margins following Bank of Namibia rate decreases. NII was also impacted by the payment of a special dividend in May 2011 of N$455 million, however, this enhanced ROE.

Gross advances growth of 9% originated primarily from mortgages, overdrafts and agricultural loans while surplus liquidity in the market contributed to the 27% increase in deposits.

## FNB SWAZILAND

Whilst concerns remain regarding Swaziland economic conditions, FNB Swaziland remains well capitalised. The potential impact of liquidity issues is continually monitored.

FNB Swaziland's net profit before tax for the period increased marginally mainly as a result of increased non-interest income and favourable impairments. The low year-on-year performance can be attributed to limited balance sheet growth in a challenging economic climate. Advances grew 6% and deposits decreased 20%.

## FNB MOZAMBIQUE

Increased investment in expanding FNB Mozambique in the medium term placed pressure on short to medium term profitability but it will position the business on a strong platform for future growth.

The expanded network has already resulted in good growth in advances, account numbers and resultant transactional volumes which positively impacted revenue.

## FNB LESOTHO

FNB Lesotho showed an increase in profitability due to good growth in NIR (31%) and NII (27%). This was offset by a significant increase in operational expenses of 38% as a result of ATM footprint and expansion costs.

## FNB ZAMBIA

The Zambian government is targeting GDP growth of 7% for 2012, making Zambia one of the fastest growing economies in the world. The main drivers of this growth are the agricultural, manufacturing, construction and mining sectors.

Growing its operating infrastructure remains a priority for FNB Zambia and there are currently six branches in operation. Focus remains on product development and increasing the footprint.

### FNB TANZANIA

Tanzania's economy is forecast to grow 7.2% in 2012, provided its drought situation improves and the widespread power outages that the country has been experiencing reduce.

FNB Tanzania opened its doors to the public on 27 July 2011 and offers full-service banking . Significant investment will continue in the short to medium term with the primary focus on establishing infrastructure and footprint.

## Looking forward

Growth in the South African mortgage advances is expected to lag nominal GDP growth as levels of consumer indebtedness remain high, and house prices are expected to reflect negative real growth in the short term. In mitigation, the stabilisation of the economy at modest growth rates and an ongoing low interest environment will result in reasonable growth in unsecured, short-term advances.

FNB expects its strong domestic franchise to continue to produce good organic growth as it actively pursues strategies in those markets showing above average growth, where FNB is under-represented or the ROE is very attractive. However, achieving revenue growth is likely to remain a challenge and therefore achieving sustainable ROE and cost-to-income ratio will remain a balancing act between investment and cost management.

Significant revenue is now derived from electronic channels and it is anticipated that customer migration will continue. This will place short- to medium-term pressure on both revenue (lower unit pricing on electronic transactions), and cost (leveraging fixed infrastructure). The ongoing focus on credit quality, the acquisition of new customers, cost management and the rollout of innovative products and channels that meet customer needs should, however, ensure sustainable returns.

FNB will continue to expand its operating footprint in Africa and India, supported by the South African platform; FNB Mozambique, FNB Zambia and the new FNB Tanzania will focus on consolidating existing platforms and the expansion of new branches, products and services. Other expansionary opportunities in Africa are being investigated on an ongoing basis.

# RMB



For the first time RMB's operational review and financial performance encompasses GTS, previously FNB's Corporate Transactional Banking activities. GTS has now been fully aligned with RMB's existing activities (though it remains FNB branded) as part of FirstRand's strategy to create a full suite of integrated CIB products and services for large corporates.

## Market dynamics

The global markets remain challenging with debt and default concerns in Europe and the US constraining growth. This scenario, coupled with evolving regulatory oversight and capital frameworks, has resulted in many international banks focusing on aggressive cost-management strategies to right-size their businesses. RMB's domestic environment is not immune to these economic and capital headwinds seen offshore, with higher regulatory capital charges filtering in during the period. In addition, corporate activity in South Africa has slowed as corporates remain cautious, while there is still some excess capacity in the system. Credit demand is showing some positive signs of recovery and transaction volumes in the flow businesses are benefiting from higher market volumes.

## Progress on strategy

RMB's risk-appetite framework is central to its strategy of retaining an appropriate balance between client, investing and trading activities to maintain the quality of earnings. RMB's strategy continues to focus on preserving and enhancing its strong domestic franchise, while expanding its footprint and reach into Africa and the Asian corridors.

The closer alignment of GTS with RMB, together with the benefits of the Client Coverage team, is already contributing to RMB's strategy to grow its share of the corporate market, particularly across the FICC division and GTS service offerings. Significant investment in IT platforms and skills is currently taking place, which is expected to result in a strongly positioned CIB platform in the medium to long term.

The African expansion strategy is gaining momentum and in the period under review RMB established a Kenyan representative office, launched RMB Namibia and started operations in Tanzania. These initiatives supplemented excellent growth across the African operations. The India branch is benefiting from an increased focus on the Africa/India corridor, in particular the expansion of FICC's activities in the gold market. The broader Asian corridor strategy continues to develop and RMB was instrumental in bringing new investors into the South African equity market through the Gold One transaction. The deal represents the largest investment by Chinese investors in the African gold sector and endorses RMB's ability to deliver investment banking solutions to clients in the China/Africa corridor.

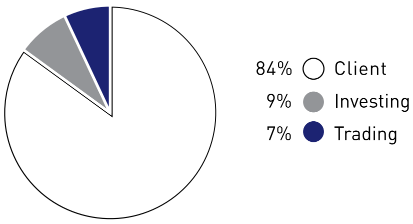
## Key performance indicators

In line with its risk appetite framework, RMB targets a long-term business mix of 60% from client and 40% from proprietary activities (25% investing and 15% trading), with capital allocated on a similar basis. The framework continues to be a useful strategic tool in maintaining an appropriate balance of activities, whilst allowing for the appropriate trade-offs between risk, growth and sustainability. This has been particularly useful when evaluating expansionary strategies.

Growth was seen in client financing activities supported by strong client revenues in the FICC and Equities businesses. Results from proprietary activities were negatively impacted by a poor trading performance in Equities and unrealised mark-to-market losses in the RMB Resources investing portfolio.

The graph below shows the current earnings mix for RMB. GTS is not currently included in this analysis and will be formally incorporated into the existing risk-appetite framework over the next year.

RMB gross revenue mix*




* *Mix excludes the legacy portfolios and GTS.*

## Financial highlights

| | RMB | | | GTS | | |
|---|---|---|---|---|---|---|
| | Six months ended 31 December | | | Six months ended 31 December | | |
| R million | 2011 | 2010* | % change | 2011 | 2010** | % change |
| Income before indirect tax | **1 823** | 2 139 | (15) | **207** | 202 | 2 |
| Indirect tax | **(41)** | (31) | 32 | **(9)** | (13) | (31) |
| **Income before direct tax** | **1 782** | 2 108 | (15) | **198** | 189 | 5 |
| Total assets | **303 985** | 288 803 | 5 | **3 723** | 3 157 | 18 |
| Cost-to-income ratio (%) | **46.9** | 42.2 | | **75.0** | 71.2 | |
| ROE (%) | **17.5** | 25.2 | | **26.0** | 23.8 | |
| NPLs (%) | **1.32** | 1.21 | | **0.42** | 0.18 | |
| Credit loss ratio (%) | **0.22** | 0.29 | | **0.26** | 1.94 | |

The divisional results are summarised in the table below.

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | 2011 | 2010 | % change | 2011 |
| Private Equity | **213** | 132 | 61 | 865 |
| Investment Banking | **1 279** | 1 262 | 1 | 2 727 |
| FICC | **583** | 523 | 11 | 1 013 |
| Equities | **56** | 235 | (76) | 338 |
| Other RMB | **(349)** | (44) | (>100) | (43) |
| **Total RMB*** | **1 782** | 2 108 | (15) | 4 900 |
| **GTS**** | **198** | 189 | 5 | 467 |
| **Total CIB activities** | **1 980** | 2 297 | (14) | 5 367 |

* *Income before direct tax restated for commercial foreign exchange and money market customer dealing business transferred from FICC to FNB Commercial of R34 million (June 2011: R59 million).*

** *Income before direct tax restated from R229 million (June 2011: R520 million) due to the migration of businesses between GTS and FNB.*

## Operational highlights

Within South Africa, RMB has solidified its market-leading position across many investment banking disciplines. FICC was recognised as a leader in the interest rate markets and ranked first by Risk Magazine in their South Africa rankings. In the 2011 Spire Awards, FICC won best bond house, best inflation house and best research house, as well as a spread of awards across all key disciplines.

On the Investment Banking front, key advisory mandates for Gold One, Remgro and Sishen Iron Ore were captured during the period. RMB maintained its position at the top of *mergermarket* M&A league tables in addition to being named The Most Innovative Investment Bank from Africa by The Banker publication.

## Performance commentary

RMB's profits reduced 15% to R1 782 million for the six months to December 2011, an acceptable performance given the significant base created in previous periods and the current tough macro environment for investment banks. The decline is largely attributable to disappointing performances in the RMB Resources and Equities businesses, where downward pressures on key sectors impacted profitability. Investment Banking, FICC and Private Equity all showed improved performances on the prior period with FICC in particular benefiting from prevailing market conditions.

GTS earnings were 5% higher at R198 million in the current period, a strong performance given the significant cost of investment in the technology platform.

### INVESTMENT BANKING

Investment Banking once again grew off an already high base with profits up marginally to R1 279 million, driven by continued growth in financing activities, advisory and structuring revenue. The balance sheet has continued to grow and RMB has maintained its pre-eminent position in advisory, debt and equity capital markets. The African and Asian corridor strategy is delivering opportunities with the offices in Nigeria, Namibia and Kenya all gaining mandates in the period. The Gold One advisory mandate was a direct result of RMB's corridor strategy.

### FICC

FICC reported profits of R583 million, 11% higher than in the prior comparative period despite pressures on domestic deposit margins. Client flow and structuring businesses performed strongly as sustained currency volatility and renewed client activity were experienced, while foreign exchange trading revenues were buoyed by market conditions. Excellent growth was seen in structured trading activities resulting in balance sheet growth and revenue gains.

FICC's Africa business produced exceptional results with profits increasing to R97 million compared to R40 million in the comparative period. Good growth was achieved across the Africa portfolio with a particularly strong performance from Botswana.

### PRIVATE EQUITY

Private Equity reported a net profit of R213 million before tax, a 61% improvement on the comparative period. The portfolio continues to experience sustained associate earnings from the underlying investments and profits benefited from lower impairments while new investments in Denny Mushrooms and Tracker contributed to overall portfolio growth. There were no material realisations during the period. The portfolio's unrealised value remained significant at R1.2 billion at 31 December 2011.

### EQUITIES

Equities continued to experience a positive contribution from client agency and structuring activities during the period. Results for trading and investment activities were disappointing, making no contribution during the first six months, in part as a result of a process to actively reposition and derisk portfolios in anticipation of the new trading book capital regime under Basel 2.5. Overall, the division was profitable, but net profits decreased 76% to R56 million.

### OTHER RMB

Other RMB includes RMB Resources, legacy portfolios and central costs. The RMB Resources portfolios were impacted by the softening in commodity and resource equity markets resulting in mark-to-market losses of R203 million while no material realisations took place during the period. Legacy losses were negligible and the portfolio size has reduced.

### GTS

GTS produced net income of R198 million, 5% higher than the comparative period in an environment characterised by margin compression, which drove financing revenue lower. The contribution from client fee revenue grew marginally during the period on the back of higher volumes, although pricing remains highly competitive in this segment. Investment in the operating platform continued during the period, placing pressure on costs.

## Looking forward

RMB expects the remainder of the financial year to be challenging with regards to its operating environment. However, the underlying strength of the franchise, combined with the various strategies it is currently executing across its portfolios, means it will continue to deliver an acceptable performance albeit off a high base. Key areas of strategic focus remain on:

- opportunities in Africa and the Asian corridor;
- reinvestment and further alignment of GTS and RMB activities to create an integrated client and product offering across CIB activities; and
- broadening the client base to target opportunities for growth in investment banking services.

# WesBank

## Market dynamics

During the 2011 calendar year the vehicle market continued to show good growth, albeit at a slower rate than the prior year. Within the South African motor industry, new vehicle sales increased 16% compared to the prior year, with passenger vehicle sales growing 17%. Although demand for retail credit remains strong, credit worthiness is mixed, particularly with regards to affordability. New business levels in the light, medium and heavy commercial vehicle sectors have also increased and this trend is expected to continue for the remainder of the financial year.

Regardless of increased demand in the corporate and commercial segments, WesBank is exercising caution, both from an origination and ongoing risk management perspective. Overall the outlook remains positive, although uncertainty surrounding macro-economic factors remains.

## Progress on strategy

WesBank has a core strategy of partnering with key retail, commercial and corporate industry players through representation at the point of sale. This strategy continues to deliver strong origination volumes of an excellent credit quality. WesBank's long-standing personal loan product, marketed through Direct Axis, is also delivering strong volumes without compromising the risk profile of the underlying advances book.

Specific growth strategies continue to be pursued in the large corporate sector and in FMRs. The large corporate sector reflected year-on-year growth in new business of 29%, while the FMR business saw growth in number of units under management of 58% off a moderate base. This was achieved despite lead times proving longer than originally anticipated and long-term prospects remain good. Growth in the public sector fell well short of expectations as a consequence of long lead times on tenders and a lack of credit appetite from a number of state-owned entities and municipalities. There are additional incremental growth opportunities in the medium corporate environment and specific strategies are being put in place in that sector.

WesBank continues to focus on growing asset-based finance operations within the existing African footprint of the Group through the global product services model. Several opportunities for growth exist in these operations which are expected to gain traction over the medium term.

As part of its investment strategy WesBank has, over several years, invested in certain non-lending activities. During the period under review, the decision was taken that WesBank's shareholding in Tracker and Ronald Sewell's were non-core to its investment strategy and were subsequently disposed of, generating pre-tax profits on sale of R534 million and R6 million respectively. These profits are excluded from the normalised earnings disclosure.

## Key performance indicators

WesBank considers key performance indicators to be return on equity, cost-to-income ratio, market share and the expertise indicator (service levels index).

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| % | 2011 | 2010 | 2009 | 2011 |
| ROE | **29.8** | 21.5 | 13.6 | 26.3 |

Given the highly cyclical nature of its business, WesBank targets a through-the-cycle ROE of 20-25% and therefore continues to focus on reducing cyclical volatility through better risk profile management and revenue diversification. The above return is based on normalised earnings.

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| % | 2011 | 2010 | 2009 | 2011 |
| Cost-to-income ratio | **45.6** | 45.8 | 52.5 | 45.9 |

The cost-to-income ratio reflects a stable and improving trend, driven by margin expansion, NIR growth and corresponding good cost management. Profit share payments, directly related to the profitability of various business units, have increased materially, and exclusive of these payments, the cost-to-income ratio improved from 43.2% to 42.6%.

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| % | 2011 | 2010 | 2009 | 2011 |
| Net promotor score | **68.0** | 69.2 | 58.2 | 65.7 |

The net promoter score is based on customer responses and the rating index is a universally used benchmark. WesBank's scores are considered high against recognised international benchmarks.

## Financial highlights

| R million | Six months ended 31 December 2011 | Six months ended 31 December 2010 | % change | Year ended 30 June 2011 |
|---|---|---|---|---|
| Income before indirect tax | **1 788** | 1 154 | 55 | 2 714 |
| Indirect tax | **(100)** | (85) | 18 | (166) |
| **Normalised income before tax** | **1 688** | 1 069 | 58 | 2 548 |
| Profit on sale of investments | **540** | – | n/a | – |
| **Total income before tax** | **2 228** | 1 069 | >100 | 2 548 |
| Advances | **110 713** | 95 359 | 16 | 102 125 |
| Cost-to-income ratio (%) | **45.6** | 45.8 | | 45.9 |
| NPLs (%) | **3.72** | 5.12 | | 4.28 |

Normalised pre-tax profits increased 58% over the prior year and 14% over the six months ended 30 June 2011, to R1 688 million. This performance was due to the following factors:

- continuation of the retail and corporate credit unwind;
- strong new business origination across all portfolios;
- improved interest margins;
- excellent personal loans performance;
- sustained cost management; and
- good performance from MotoNovo (previously Carlyle Finance) in the UK.

WesBank profits are generated from various activities as highlighted in the table below (the profits on the sale of Tracker and Ronald Sewell's are excluded). Retail secured lending activities comprise 57% of total earnings (prior year 45%), unsecured lending activities 28% (prior year 35%), with the balance of corporate and commercial lending and non-lending activities. The expectation is for a higher contribution from the corporate and commercial lending sector going forward.

| **Profit before tax** R million | Six months ended 31 December 2011 | Six months ended 30 June 2011 | Six months ended 31 December 2010 | Year-on-year % change |
|---|---|---|---|---|
| Retail secured lending activities | **959** | 845 | 484 | 98 |
| – South African operations | **819** | 721 | 387 | >100 |
| – UK operations | **140** | 124 | 97 | 45 |
| Corporate/commercial secured lending activities | **202** | 113 | 124 | 63 |
| Unsecured lending activities | **470** | 454 | 377 | 25 |
| Non-lending activities | **57** | 67 | 84 | (32) |
| WesBank consolidated profit before tax | **1 688** | 1 479 | 1 069 | 58 |

## Operational highlights

New business growth was encouraging across all portfolios driven by the buoyant vehicle market, improved consumer affordability, the natural replacement cycle and improved consumer and business confidence. Locally retail new business increased 24%, comprised of motor growth of 23% and personal loans growth of 26%. Corporate/commercial origination increased 13%. Origination growth has not been at the expense of price and remains within risk appetite.

WesBank has also improved the customer experience through enhanced processes at the front end, through electronic data capture and contracting, evidenced in the improving net promoter score.

MotoNovo (previously Carlyle Finance), the UK operation, contributed increased profits of R140 million compared with R97 million in the prior year, reflecting growth of 44%. 20% of this growth is a direct result of the devaluation of the Rand against the Pound. The business continues to produce excellent origination volumes, margins, risk profile and cost management in a very tough cycle in the UK market.

## Performance commentary

WesBank's overall profitability was positively impacted by better interest margins and an improved credit environment.

Bad debts in the local lending business decreased 27% from R722 million to R525 million, or from 1.61% to 1.08% of advances. These trends are not expected to continue to improve at such rates and are likely to stabilise towards the end of the financial year.

NPLs decreased from 5.1% to 3.7% (June 2011 4.3%). This was due to the lower inflows of arrear accounts and of accounts into debt review, as well as good resolution on existing debt review accounts. NPLs remain, however, at historically high levels as the proportion of accounts under debt review continues to increase. A high percentage of these customers are adhering to revised payment arrangements.

Advances grew R15.4 billion (16%) as a consequence of the excellent new business volumes. This growth is likely to continue, but at a slower rate through the remainder of 2012.

NIR increased 19%, attributable to the higher new business volumes, growing advance volumes and growth in the FMR income.

Cost management remains an important contributor to WesBank's results. Headcount declined 2% year-on-year and over 30% through the last three-year cycle, however, further reductions in staff complement are not likely to be material. Total cost growth for the period was 22%. This growth in cost is largely related to increased volumes and improved performance. Core operating costs in the local lending operations increased 8% over the prior year.

## Looking forward

The remainder of the financial year presents positive prospects, although over the longer term, new business volume growth will slow and bad debts will increase, albeit within an acceptable through-the-cycle range. In the current financial year, these factors are not likely to impact on WesBank's results, and all businesses in the portfolio are expected to make meaningful contributions. WesBank continues to originate business under a very strict risk regime, which should reduce the level of volatility in earnings evidenced in previous cycles. It is also likely that the corporate and commercial contributions will comprise a more meaningful proportion of earnings in the years ahead, thus providing greater diversity and resilience. There do, however, remain a number of macroeconomic uncertainties and risks, which could impact on this positive outlook.

# Balance sheet management

# Balance sheet management

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

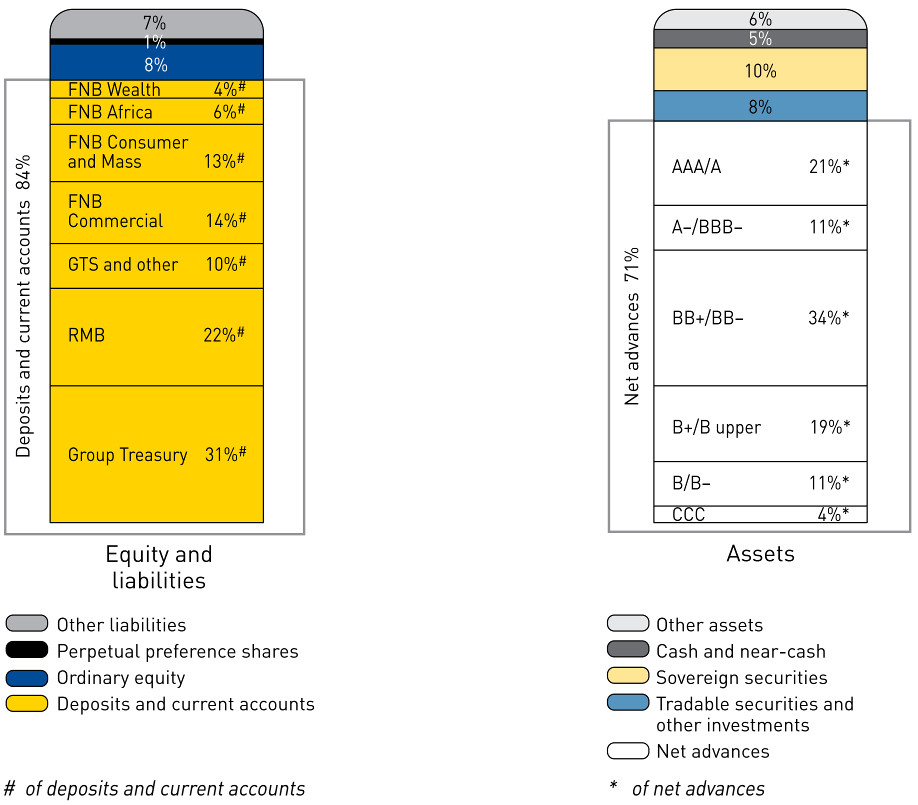
At the core of FirstRand's approach is a belief that the balance sheet and its income statement streams can be both protected and enhanced throughout the cycle to improve sustainability and predictability, by actively managing the investment and enterprise value risks, which include:

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

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

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

Economic view of the balance sheet at 31 December 2011 (%)



# Capital management

The Group seeks to establish and manage a portfolio of businesses and associated risks that will deliver sustainable returns to its shareholders by targeting a particular earnings profile that will generate returns within appropriate levels of volatility.

Sustainability also refers to the 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. Capitalisation ratios appropriate to safeguarding operations and the interests of stakeholders are therefore maintained. 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 and quality of capital in the Group 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. In addition, targeted capital ratios, future business plans, issuance of additional capital instruments, the need for appropriate buffers in excess of minimum requirements, rating agencies' considerations, investor expectations and proposed regulatory changes are all factors taken into consideration.

Allocating resources, including capital and risk capacity effectively in terms of the risk appetite targets and in a manner that maximises value for shareholders is a core competence and a key focus area. Sound capital management practices, therefore, form an important component of overall business strategy. Moreover, performance measurement is aligned with the allocation of risk and continually enhanced to drive the desired behaviour.

The effectiveness of capital allocation decisions and the efficiency of its capital structure are important determinants of the ability to generate returns for shareholders. The Group seeks to hold limited excesses above the capital required to support its medium-term growth plans (including appropriate buffers for stresses and volatility) and future regulatory changes.

The total capital plan includes a dividend policy, which is set in order to ensure sustainable dividend cover based on sustainable normalised earnings. The plan also takes 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.

## The period under review

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

The board-approved capital plan is reviewed annually as part of the Group's Internal Capital Adequacy Assessment Process (ICAAP), with the stress testing framework being an extension of the process. These processes are under continuous review and refinement and continue to inform the targeted buffer.

The Group currently finds itself in an environment of significant regulatory uncertainty. Although many of the Basel III changes have been finalised these proposals are yet to be outlined in the domestic regulations. Targeted ranges were increased in the prior year in anticipation of the implementation of Basel III, even though the levels for South Africa are not yet finalised. For this reason the Group follows a conservative approach to capital levels and prefers to maintain capital ratios at the upper end of its targeted capitalisation range.

Over the period FirstRand operated above its targeted capitalisation range, reporting a total capital adequacy of 15.4% and a solid Core Tier 1 ratio of 12.9% at 31 December 2011. The Core Tier 1 ratio for FirstRand decreased due to the payment of the special dividend. Similarly FirstRand Bank (FRB), excluding subsidiaries and branches, operated comfortably above its targets with a total capital adequacy of 14.7% and Core Tier 1 ratio of 12.0%.

The targeted capital levels as well as the ratios at 31 December 2011 are summarised in the table below.

### Capital adequacy position

| | FirstRand | | FRB* | | Regulatory minimum |
|---|---|---|---|---|---|
| | Actual | Target | Actual | Target | |
| Capital adequacy ratio (%) | 15.4 | 12.0 –13.5 | 14.7 | 11.5 – 13.0 | 9.5# |
| Tier 1 ratio (%) | 14.0 | 11.0 | 13.0 | 10.5 | 7.0 |
| Core Tier 1 ratio (%) | 12.9 | 9.5 – 11.0 | 12.0 | 9.0 – 10.5 | 5.25 |

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

## REGULATORY DEVELOPMENTS

### Enhancements to the Basel II framework (Basel 2.5)

The SARB issued the final set of regulations covering the revised market risk and securitisation proposals as per Basel 2.5, as well as introducing a 6% scalar for credit risk. These regulations came into effect on 1 January 2012 and currently do not make provision for the proposed Basel III framework discussed below.

It is estimated that the change to market risk will increase risk weighted assets (RWA) by R6.2 billion, whilst the 6% scalar will add another R15.2 billion to RWA. This will reduce the Group's Core Tier 1 ratio reported at the end of December 2011 by 63 bps, however, the Group will remain above the targeted capitalisation range.

### Basel III

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

Quantitative impact studies are currently being completed bi-annually to assess the impact of the Basel III rules. The Group continues to be involved in this impact study and current calculations show a decline in the Core Tier 1 ratio. However, both FirstRand and FRB will remain above the current regulatory minimum and internal minimum requirements. The targeted levels may be further revisited once the Basel III proposals are incorporated into the SARB regulations. The Group expects a first draft of the Bank regulations incorporating Basel III by the end of March 2012.

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

The SARB issued a guidance note on 8 February 2012 clarifying its Basel III treatment of disclosed reserves and the phasing out arrangement of existing Other Tier 1 and Tier 2 instruments that no longer qualify as regulatory capital. In terms of the guidance note issued, the following treatment will be applied:

- disclosed reserves (including the share-based payment reserve, available-for-sale and foreign currency translation reserve) will be included in Core Tier 1 capital from 1 January 2013. This adds approximately R4.5 billion or 100 bps, to the Group's Core Tier 1 capital if applied to the December regulatory balance sheet;
- any capital instruments no longer qualifying as additional Tier 1 and Tier 2 under Basel III will be phased out from 1 January 2013 over a ten year period.

This guidance note is in line with the Basel III framework. Optimising the impact of Basel III continues to be an area of focus for the Group.

## SUPPLY OF CAPITAL – TIER 1

The Group aims to back all economic risks with Tier 1 capital, which 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 benefited from stronger internal capital generation through earnings, offset by the special dividend paid in October 2011.

## SUPPLY OF CAPITAL – TIER 2

The Group continues to investigate ways of optimising its capital base given the recent guidance note issued by the SARB.

For example, on 1 December 2011, FNB Botswana called its subordinated debt and replaced it with subordinated debt that meets the Basel III entry criteria.

## DEMAND FOR CAPITAL

Capital requirements expressed as a percentage of RWA remain risk sensitive and cyclical under Basel II. This cyclicality particularly for credit is less evident at this point in the cycle. RWA movement for the Group was driven mainly by the following:

- equity investment risk – effective 1 July 2011, the SARB requested that all equity investment risk exposures be risk weighted under the simple risk-weighted method (previously risk weighted under the standardised approach). This is only applicable to the non-bank entities and has increased the RWA movement for the Group;
- credit and market risk – the increase in credit RWA was mainly due to credit risk recalibrations and volume growth, and was partly offset by decreased market risk positions in FRB.

CAPITAL ADEQUACY

## Composition of capital

The following tables show the composition of regulatory capital for FirstRand and FRB.

### Composition of qualifying capital and capital ratios

| | FirstRand | | |
|---|---|---|---|
| R million | December 2011 | December 2010 | June 2011 |
| Ordinary shareholders equity as per IFRS | 57 506 | 50 360 | 56 631 |
| Less: non-qualifying reserves | (3 577) | (3 075) | (2 954) |
| Cash flow reserve | 649 | 561 | 451 |
| Available-for-sale reserve | (412) | (612) | (225) |
| Share-based payment reserve | (3 054) | (2 703) | (2 739) |
| Foreign currency translation reserve | (1 080) | (348) | (474) |
| Other reserves | 320 | 27 | 33 |
| Ordinary shareholders equity qualifying as capital | 53 929 | 47 285 | 53 677 |
| Ordinary share capital and share premium | 5 222 | 5 248 | 4 998 |
| Reserves | 48 707 | 42 037 | 48 679 |
| Non-controlling interests | 3 074 | 2 869 | 3 069 |
| Less: total impairments | (3 492) | (3 118) | (3 521) |
| Excess of expected loss over eligible provisions (50%) | (844) | (542) | (907) |
| First loss credit enhancements in respect of securitisation structures (50%) | (284) | (78) | (247) |
| Goodwill and intangibles | (1 650) | (1 510) | (1 691) |
| Other impairments | (714) | (988) | (676) |
| **Total Core Tier 1 capital** | 53 511 | 47 036 | 53 225 |
| NCNR preference shares | 4 519 | 4 519 | 4 519 |
| **Total Tier 1 capital** | 58 030 | 51 555 | 57 744 |
| Upper Tier 2 instruments | 1 044 | 1 068 | 1 042 |
| Tier 2 subordinated debt instruments | 5 784 | 5 692 | 5 712 |
| Other reserves | 208 | 199 | 202 |
| Less: total impairments | (1 128) | (620) | (1 154) |
| Excess of expected loss over eligible provisions (50%) | (844) | (542) | (907) |
| First loss credit enhancements in respect of securitisation structures (50%) | (284) | (78) | (247) |
| **Total Tier 2 capital** | 5 908 | 6 339 | 5 802 |
| **Total qualifying capital and reserves** | 63 938 | 57 894 | 63 546 |

## Composition of qualifying capital and capital ratios

| | FRB* | | |
|---|---|---|---|
| R million | December 2011 | December 2010 | June 2011 |
| Ordinary shareholders equity as per IFRS | **42 187** | 36 303 | 37 965 |
| Less: non-qualifying reserves | **(1 406)** | (1 690) | (333) |
| Cash flow reserve | **649** | 561 | 452 |
| Available-for-sale reserve | **(518)** | (619) | (443) |
| Share-based payment reserve | **(369)** | (355) | (342) |
| Unappropriated profits | **(1 168)** | (1 277) | – |
| Ordinary shareholders equity qualifying as capital | **40 781** | 34 613 | 37 632 |
| Ordinary share capital and share premium | **14 608** | 11 308 | 11 459 |
| Reserves | **26 173** | 23 305 | 26 173 |
| Less: total impairments | **(2 859)** | (2 823) | (3 295) |
| Excess of expected loss over eligible provisions (50%) | **(844)** | (542) | (907) |
| First loss credit enhancements in respect of securitisation structures (50%) | **(45)** | (71) | (71) |
| Qualifying capital in branches | **(1 732)** | (1 732) | (1 732) |
| Intangibles | **(224)** | (189) | (268) |
| Other impairments | **(14)** | (289) | (317) |
| **Total Core Tier 1 capital** | **37 922** | 31 790 | 34 337 |
| NCNR preference shares | **3 000** | 3 000 | 3 000 |
| **Total Tier 1 capital** | **40 922** | 34 790 | 37 337 |
| Upper Tier 2 instruments | **1 044** | 1 068 | 1 042 |
| Tier 2 subordinated debt instruments | **5 364** | 4 975 | 5 349 |
| Less: total impairments | **(889)** | (613) | (978) |
| Excess of expected loss over eligible provisions (50%) | **(844)** | (542) | (907) |
| First loss credit enhancements in respect of securitisation structures (50%) | **(45)** | (71) | (71) |
| **Total Tier 2 capital** | **5 519** | 5 430 | 5 413 |
| **Total qualifying capital and reserves** | **46 441** | 40 220 | 42 750 |

* *Reflects solo supervision, i.e FRB excluding branches and subsidiaries.*

The table below provides more detail on the Group's capital instruments at 31 December 2011.

## Characteristics of capital instruments

| Capital type | Instrument | Nominal R million | Actual R million | Rate type | Maturity date* |
|---|---|---|---|---|---|
| Other Tier 1 | NCNR preference share capital | 4 519 | 4 519 | Floating | Perpetual |
| Upper Tier 2 | FRBC21 | 628 | 603 | Fixed | 21 Dec 2018 |
| | FRBC22 | 440 | 441 | Floating | 22 Dec 2018 |
| Lower Tier 2 (subordinated debt) | FRB03 | 1 740 | 1 815 | Fixed | 15 Sept 2014 |
| | FRB05 | 2 110 | 2 037 | Fixed | 21 Dec 2018 |
| | FRB06 | 1 000 | 1 004 | Floating | 5 Nov 2012 |
| | FRB07 | 300 | 304 | Floating | 6 Dec 2012 |
| | FRB08 | 100 | 102 | Floating | 10 Jun 2016 |
| | FRB09 | 100 | 102 | Floating | 10 Jun 2017 |
| | FNBB002 | 122 | 133 | Floating | 1 Dec 2016 |
| | FNBB003 | 27 | 27 | Fixed | 1 Dec 2016 |
| | FNB17 | 260 | 268 | Fixed | 29 Mar 2012 |

* *Represents the call date of the instrument.*

The table below provides a detailed breakdown of the RWA numbers and capital requirement per Basel II approach for each risk type of FirstRand.

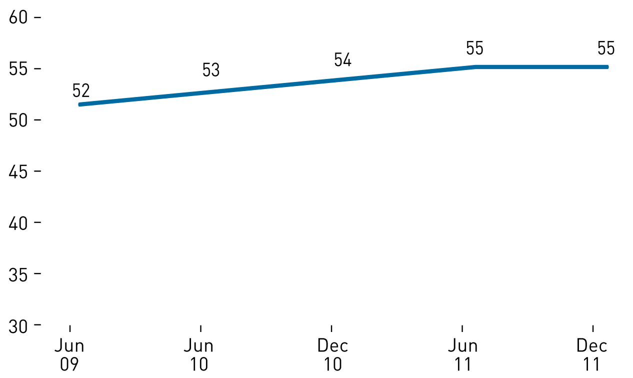
## RWA and capital requirement per Basel II approach

| | December 2011 | | | | December 2010 | June 2011 |
|---|---|---|---|---|---|---|
| | RWA† | | | | | |
| R million | Advanced approach | Standardised approach | Total | Capital requirement# | RWA† | |
| Credit risk | | | | | | |
| Corporate, banks and sovereigns | 96 663 | 8 205 | 104 868 | 9 962 | 85 581 | 92 642 |
| Small and medium enterprises (SME) | 39 648 | 9 786 | 49 434 | 4 696 | 41 095 | 37 584 |
| Residential mortgages | 43 464 | 3 701 | 47 165 | 4 481 | 44 747 | 42 388 |
| Qualifying revolving retail | 9 611 | – | 9 611 | 913 | 9 123 | 9 003 |
| Other retail | 45 186 | 8 628 | 53 814 | 5 112 | 31 962 | 40 481 |
| Securitisation exposure | 8 673 | 340 | 9 013 | 856 | 5 404 | 4 580 |
| Other | – | 8 443 | 8 443 | 802 | 36 797 | 31 911 |
| **Total credit risk** | 243 245 | 39 103 | 282 348 | 26 822 | 254 709 | 258 589 |
| Operational risk* | 51 626 | 12 119 | 63 745 | 6 056 | 63 163 | 63 649 |
| Market risk | 5 125 | 7 496 | 12 621 | 1 199 | 14 216 | 17 311 |
| Equity investment risk** | 30 236 | – | 30 236 | 2 872 | 27 087 | 20 605 |
| Other assets | – | 26 171 | 26 171 | 2 486 | 19 315 | 25 036 |
| **Total RWA** | 330 232 | 84 889 | 415 121 | 39 435 | 378 490 | 385 190 |

* *Exposures subject to basic indicator approach included under the standardised approach.*
** *Effective 1 July 2011, all exposures are subject to the simple risk weighted method (previously non-bank entities were on the standardised approach)*
# *Capital requirement calculated at 9.5% (Pillar 1 of 8% and Pillar 2a of 1.5%) of RWA.*
† *All risk types, except other assets are subject to the advanced approach in FRB.*

FirstRand's RWA % of total assets is shown in the graph below.

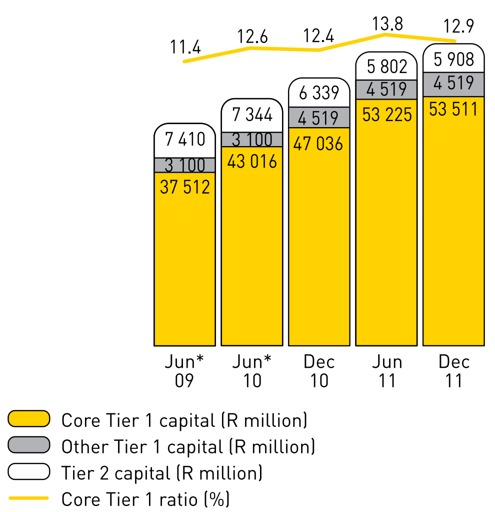
RWA % of total assets



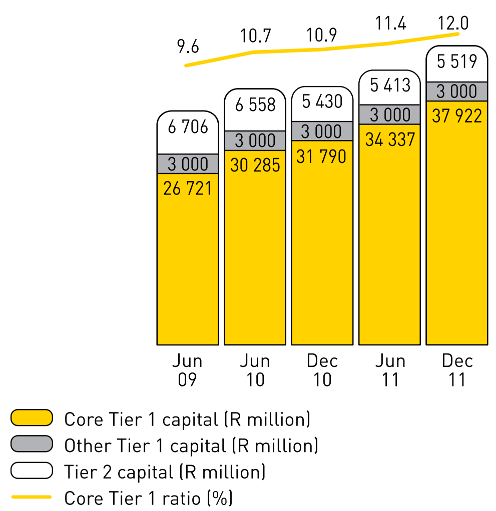

## Historical overview of capital adequacy

The graphs below provide a historical overview of the capital adequacy for FirstRand and FRB.

FirstRand regulatory capital position




FRB regulatory capital position




* *Comparative info prior to July 2010 relates to the previously regulated entity FirstRand Bank Holdings Limited.*

## Capital adequacy position for FirstRand and its subsidiaries

The registered banks in FirstRand 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. Based on the outcome of detailed stress testing, each entity targets a capital level in excess of the regulatory minimum. Appropriate controls and processes are in place to ensure that each entity is adequately capitalised to meet local regulatory requirements. Capital generated by subsidiaries in excess of targeted levels is returned to FirstRand, usually in the form of dividends. During the period under review, no significant restrictions were experienced on the repayment of such dividends or capital to the Group.

The capital adequacy position of FirstRand and its subsidiaries is set out below.

## RWA and capital adequacy position for FirstRand and its subsidiaries

| | 31 December 2011 | | 31 December 2010 | 30 June 2011 |
|---|---|---|---|---|
| | RWA R million | Total capital adequacy % | Total capital adequacy % | Total capital adequacy % |
| **Basel II** | | | | |
| Bank controlling company | 415 121 | 15.4 | 15.3 | 16.5 |
| FirstRand Bank South Africa | 315 751 | 14.7 | 13.7 | 14.2 |
| FirstRand Bank London | 6 893 | 11.7 | 11.6 | 12.5 |
| FirstRand Bank India | 1 667 | 33.9 | 69.3 | 43.0 |
| FirstRand Ireland# | | | 47.5 | 24.9 |
| RMB Australia | 8 722 | 15.1 | 25.1 | 24.0 |
| FNB Namibia* | 12 159 | 16.7 | 19.4 | 16.6 |
| **Basel I*** | | | | |
| FNB Botswana | 9 077 | 18.0 | 17.4 | 15.7 |
| FNB Lesotho | 285 | 19.5 | 22.5 | 20.0 |
| FNB Mozambique | 1 117 | 10.7 | 10.6 | 16.6 |
| FNB Swaziland | 1 449 | 28.8 | 21.1 | 24.2 |
| FNB Zambia | 720 | 14.6 | 27.7 | 33.0 |
| FNB Tanzania† | 86 | 107.2 | | |

* *Ratios based on local rules.*
\# *In the process of liquidation.*
† *Opened offices in July 2011.*

## PERFORMANCE MEASUREMENT

To ensure that the Group delivers sustainable returns to its shareholders, the performance of each business unit is evaluated using both ROE and net income after capital charge (NIACC). These measures are steered by the allocation of risk capacity and aligned to the new regulatory requirements.

## ECONOMIC CAPITAL

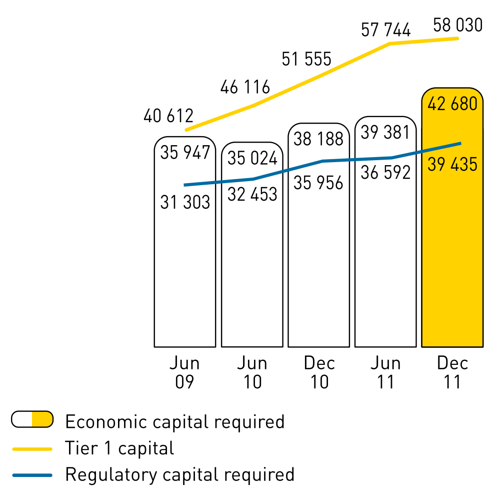
In addition to the regulatory capital requirements disclosed in the previous section, economic capital requirements are also calculated based on internally developed models. Economic capital is defined as the level of capital held that is commensurate with the Group's risk profile under severe stress conditions. This provides comfort to a range of stakeholders that the Group will be able to satisfy all its obligations to third parties with a desired degree of certainty and will continue to operate as a going concern.

Regular reviews of the economic capital position are carried out across the businesses and the Group remains well capitalised in the current environment, with levels of Tier 1 capital exceeding the level of economic capital required. The Group aims to back all economic risks with Tier 1 capital. Furthermore, it uses the allocation of capital based on risk capacity as a steering tool and for performance measurement of business units.

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 stress testing and scenario analysis framework described previously.

The graph below provides an overview of the evolution of economic and regulatory capital requirements as well as Tier 1 capital for the Group:

Economic and regulatory capital (R million)



## NORMALISED RETURN ON EQUITY

The Group achieved a normalised ROE of 19.5% compared to 18.0% for the comparative period.

The Group's total normalised ordinary shareholders' equity and reserves (excluding non-controlling interests) totalled R59 369 million as at 31 December 2011 (2010: R52 115 million). The average normalised ordinary shareholders' equity and reserves as at 31 December 2011 amounted to R59 114 million (2010: R50 749 million). Ordinary shareholders equity comprise share capital and premium, distributable and non-distributable reserves.

## SEGMENTAL ROE

The Group considers the identification and management of risk a core competence and it has therefore aligned its performance measures with risk considerations.

Performance measurement of the business units has been aligned with the new regulatory changes. Each business unit is measured based on the risk introduced, both from an economic and regulatory perspective. Average allocated equity has been adjusted for the Basel 2.5 changes (effective 1 January 2012) as well as regulatory capital impairments.

The table below provides a summary of the ROE percentages for the main franchises.

| | December 2011 | | Dec 2010 | June 2011 |
|---|---|---|---|---|
| R million | Normalised earnings* | ROE % | ROE % | ROE % |
| FNB SA | **3 080** | **37.7** | 34.0 | 34.9 |
| FNB Africa† | **292** | **21.7** | 24.6 | 21.4 |
| RMB# | **1 292** | **17.5** | 25.2 | 28.7 |
| GTS | **145** | **26.0** | 23.8 | 25.8 |
| WesBank | **1 175** | **29.8** | 21.5 | 26.3 |
| Corporate Centre | **(213)** | | | |
| **Total** | **5 771** | **19.5** | 18.0 | 18.7 |

* *Includes the return on capital earned by the respective franchises, Corporate Centre costs and cost of preference shares.*
\# *Includes Africa.*
† *Reflects the statutory view.*

## ECONOMIC PROFIT

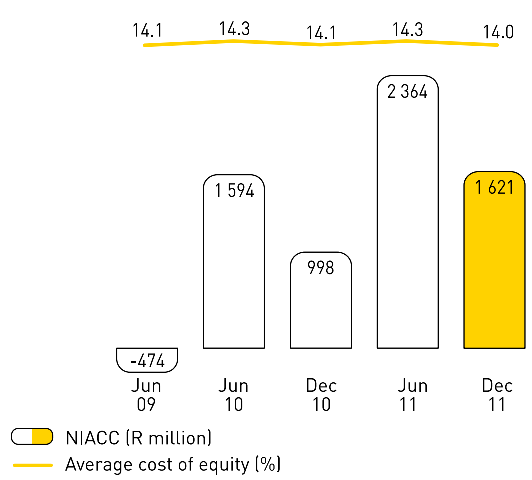
The Group's performance measures are aligned with risk considerations.

The use of economic profit or NIACC is 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 business unit. Positive internal capital generation through earnings and a lower cost of equity produced economic value for shareholders during the period under review. The following table and chart provide an overview of the relevant calculation and the creation of economic profit over time for FirstRand on a normalised basis.

| | Six months ended 31 December | | Year ended 30 June |
|---|---|---|---|
| R million | **2011** | 2010 | 2011 |
| Normalised earnings attributable to ordinary shareholders | **5 771** | 4 572 | 10 117 |
| Charge for capital* | **(4 150)** | (3 574) | (7 753) |
| Net economic profit** | **1 621** | 998 | 2 364 |
| Average ordinary shareholders' equity and reserves | **59 114** | 50 749 | 54 120 |
| Return on average ordinary shareholders' equity and reserves (%) | **19.5** | 18.0 | 18.7 |
| Average cost of equity | **14.0** | 14.1 | 14.3 |

* *Capital charge based on average cost of capital.*
** *Economic profit = normalised earnings – (average cost of equity x average normalised ordinary shareholders equity and reserves).*

Evolution of economic profit and cost of equity



# Funding and liquidity

## Introduction

### STRUCTURAL CHARACTERISTICS IMPACTING THE FUNDING PROFILE OF SOUTH AFRICAN BANKS

The banking sector in South Africa is characterised by certain structural features, such as a low discretionary savings rate and a higher degree of contractual savings that are captured by institutions such as pension funds, provident funds and providers of asset management services. A portion of these contractual savings translate into institutional funding for banks which has higher liquidity risk than retail deposits.

Given these structural issues and as a result of the significant growth in risk weighted assets between 2001 and 2007, South African banks overall proportion of institutional funding increased. This is reflected in the table below.

| | 31 December 2011 (% of funding liabilities) | | | |
|---|---|---|---|---|
| SA banks' funding sources | **Total** | Short-term | Medium-term | Long-term |
| Institutional | **42** | 26 | 55 | 71 |
| Corporate | **21** | 30 | 10 | 9 |
| Retail | **16** | 20 | 16 | 6 |
| SME | **5** | 7 | 3 | 1 |
| Public sector | **9** | 12 | 9 | 2 |
| Foreign | **6** | 5 | 5 | 10 |
| Other | **1** | 0 | 2 | 1 |
| **Total** | **100** | 100 | 100 | 100 |

*Source: SA banking sector aggregate SARB BA900 returns (31 December 2011), FirstRand research.*

This in turn means that short-term, expensive institutional deposits are utilised to fund longer-dated assets such as mortgages. Liquidity risk in the South African banking system is therefore structurally higher than in most other markets.

However, this risk is to some extent mitigated by the following factors:

- the "closed Rand" system, whereby all Rand transactions (whether physical or derivative) have to be cleared and settled in South Africa through registered bank and clearing institutions domiciled in South Africa. FirstRand Bank (FRB) is one of the major clearing/settlement banks;
- the institutional funding base is fairly stable as it is, in effect, recycled contractual retail savings;
- the country has a prudential exchange control framework in place; and
- South African banks have a low dependence on foreign currency funding (i.e. low roll-over risk).

These factors contributed to South Africa's resilience during the recent global financial crisis.

### CHANGING REGULATORY ENVIRONMENT (BASEL III)

The global banking sector is experiencing increased political and regulatory pressures, and some of these pressures will materialise in South Africa. In December 2010, the BCBS published two documents proposing fundamental reforms to the regulatory capital and liquidity framework (referred to as Basel III).

The Basel III guidelines, published in December, propose two new liquidity metrics: The Liquidity Coverage Ratio (LCR), effective 1 January 2015, which measures short-term liquidity stress and the Net Stable Funding Ratio (NSFR), effective 1 January 2018, which measures the stability of long-term structural funding.

The BCBS has put processes in place to ensure the rigorous and consistent global implementation of the Basel III Framework. The standards will be phased in gradually so that the banking sector can move to the higher liquidity standards while supporting lending to the economy.

Both the LCR and the NSFR will be subject to an observation period and will include a review clause to address any unintended consequences.

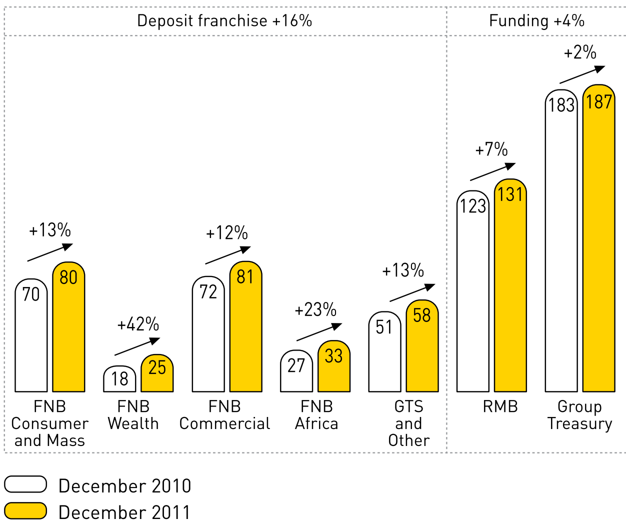
Currently FirstRand and most of the South African banking industry do not meet the minimum quantitative requirements. This is due to the structural funding issues described previously. These issues have been recognised by the South African regulators, banking industry and National Treasury. In response, and under the guidance of National Treasury, a Structural Funding and Liquidity task team has been established and mandated to assess the impact and subsequently make recommendations to the National Treasury on how the banking industry effectively deals with the proposed regulations.

## Funding strategy

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

FirstRand is actively building its deposit franchise using innovative/competitive products and pricing and lengthening its wholesale funding as illustrated by the following graph.

Group funding by segment (R billion)




### DIVERSIFICATION

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

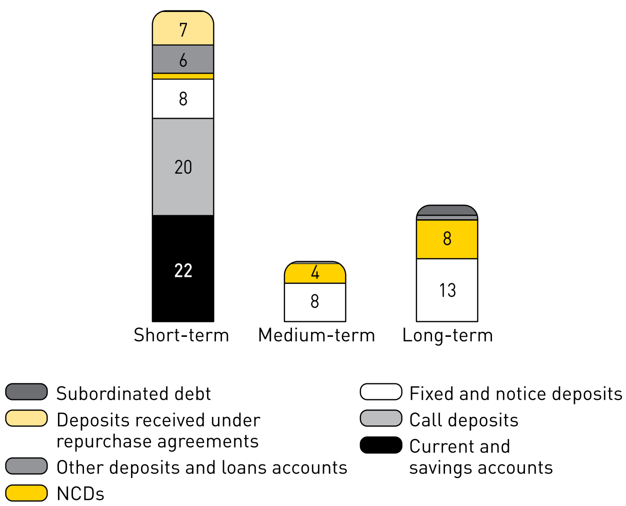
- **Segments** – the Group has a strong and stable deposit franchise, which spans the retail, commercial and corporate segments. Institutional funding represents approximately 40% of the Group's total funding and this reliance represents a risk concentration that is actively managed through the holding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

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

An analysis of the Group's funding base is provided in the following tables/charts.

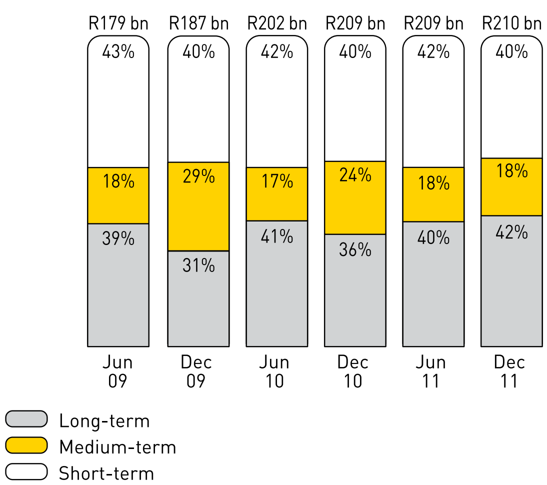
The chart below shows an analysis of the Bank's maturity profile by instrument type. The instruments represent South African banking products.

FRB's funding by product type (%)



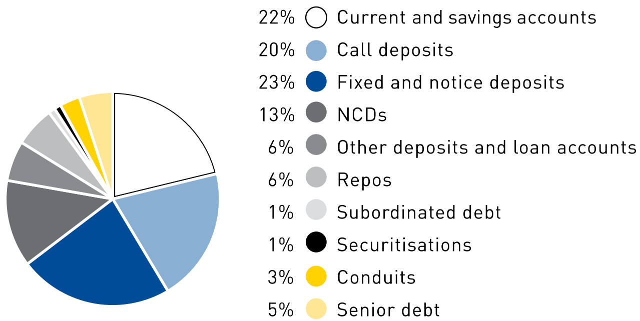

A historical analysis of the average maturity of FRB's institutional funding base is provided in the chart below, and it shows that FRB has reduced its reliance on short-term funding over time.

Term profile of FRB's institutional funding base



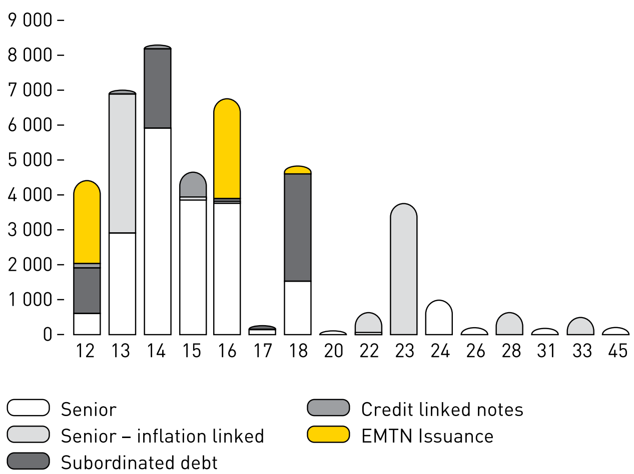
The chart below shows that FRB has well-diversified instruments funding the balance sheet.

Instrument type (including senior debt and securitisation)



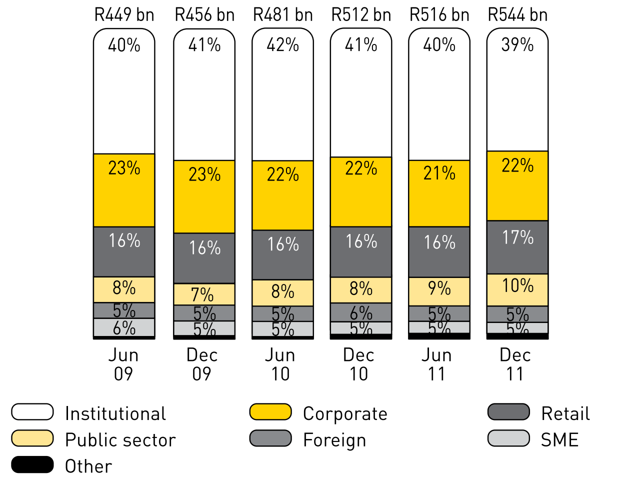

The maturity profile of all issued capital markets instruments is shown below – the Group does not have concentration risk in any one year.

FRB's capital markets instruments




The chart below provides a historic analysis of FRB's funding sources and reflects the stability of and reliance on institutional funding.

FRB funding analysis by source



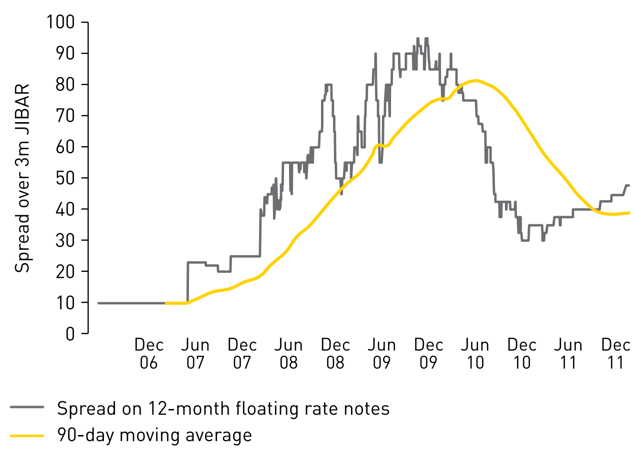

## EFFICIENCY

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

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

An explanation of how the market impacts the Group's funding strategy is illustrated below. Short-term liquidity costs have reduced marginally in the period under review.

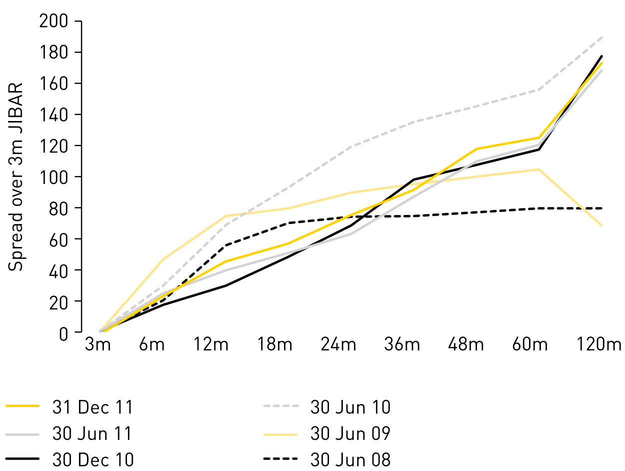
12-month liquidity spread (bps)




*Source: Bloomberg (RMBP screen) and Reuters.*

Long-term funding spreads remained elevated as can be seen from the graph below.

Long-term funding spreads




*Source: Bloomberg (RMBP screen) and Reuters.*

Although the average ZAR funding cost has been quite stable year-on-year, the Group has increased the term of the funding raised, thereby reducing liquidity mismatch. This was achieved through a focus on longer term issuance (two, three and four-year) as well as a preference for three to nine-month terms over 12 months due to favourable pricing in that area of the curve.

### FLEXIBILITY

Another key aspect of the Group's strategy is to achieve maximum flexibility as far as access to the widest range of funding markets, debt investors and products is concerned. As market preferences and investor demands change, the Group is required to operate in a number of jurisdictions, legal entities and operating platforms. The dynamic environment requires an appropriate and up to date funding platform infrastructure to leverage the Group's globally-integrated approach to debt pricing and risk management in a responsive and effective manner.

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

### STRONG COUNTERPARTY RELATIONSHIPS

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

## Liquidity risk management

The objective of liquidity risk management is to ensure that the Group has enough resources to meet its obligations as a going concern under stress and severe stress. The Group's liquidity risk is managed within a risk appetite framework and limits set by the Board.

The chart below illustrates the Group's liquidity risk management cycle.

### LIQUIDITY RISK MANAGEMENT CYCLE

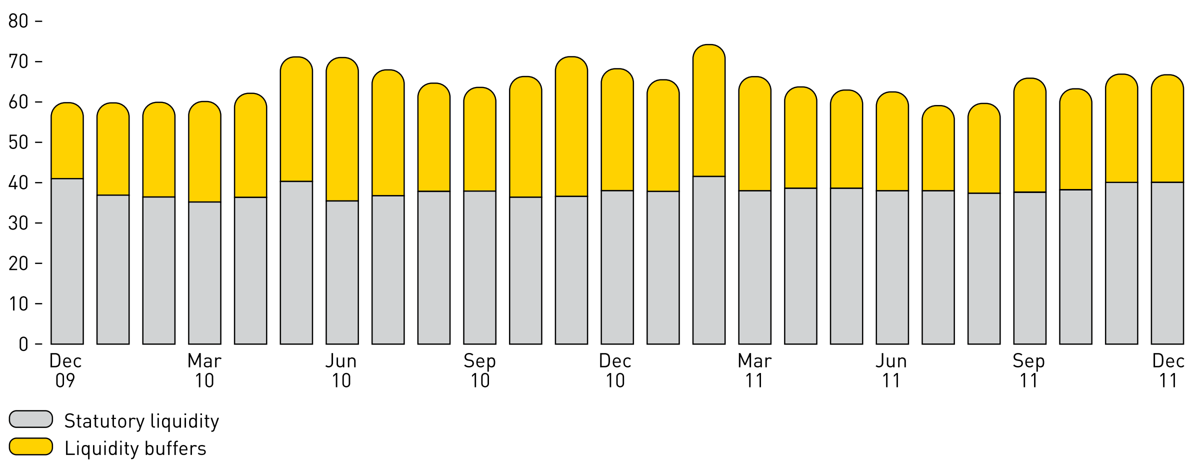

The target liquidity risk profile is determined by the risk appetite framework. It is continuously compared to the prevailing risk profile of the Group and evaluated under a range of scenarios and business conditions, including economic and event stresses.

On a dynamic basis the prevailing funding profile is adjusted through a range of short-, medium- and long-term actions to ensure that the Group remains within its chosen risk profile. The cost of these actions is then transferred to the business units through the internal matched maturity funds transfer pricing mechanism. It should be noted in this context that financial transactions using special purpose vehicles are treated as a part of the balance sheet and are considered in the liquidity risk management cycle and thus managed consistently and conservatively across the Group.

Liquidity buffers are actively managed, high-quality, highly-liquid assets that are available as protection against unexpected events or market disruptions.

The buffer methodology has been defined and linked to the liquidity–at–risk and stress testing. The methodology is adaptive and will be responsive to Basel III changes on the LCR. The chart below shows the liquidity buffer and statutory liquidity requirements.

FRB's liquid assets (R billion)




## FOREIGN CURRENCY BALANCE SHEET PHILOSOPHY

The Board has limited the size of the foreign currency balance sheet for FirstRand Bank Limited to 10% of the total balance sheet. This limit is informed by the framework for the management of external debt of SA Inc. (public and private sector), which takes into account sources of sovereign risks including an unsustainable debt path (solvency) crisis, liquidity crisis and exchange rate and macroeconomic crisis. The Board also considers the external debt of all South African entities (public, private and financial institutions) as these are all exposed to the same repayment capacity of SA Inc. confidence in the country, its credit quality, international standing, and export and investment income flows.

# Credit portfolio management

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

## Credit highlights at a glance

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

| | | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|---|
| R million/% | Notes | 2011 | 2010 | % change | 2011 |
| Total gross advances | 1 | **508 253** | 463 134 | 10 | 474 566 |
| NPLs | 2 | **18 366** | 21 117 | (13) | 19 790 |
| NPLs as a % of advances | | **3.61** | 4.56 | | 4.17 |
| Impairment charge | 3 | **1 961** | 2 277 | (14) | 4 292 |
| Impairment charge as a % of average advances | | **0.80** | 1.00 | | 0.93 |
| Total impairments* | 4 | **9 995** | 9 844 | 2 | 9 973 |
| – Portfolio impairments* | | **3 779** | 3 117 | 21 | 3 457 |
| – Specific impairments* | | **6 216** | 6 727 | (8) | 6 516 |
| Implied loss given default (coverage)** | 4 | **33.85** | 31.86 | | 32.93 |
| Total impairments coverage ratio# | | **54.42** | 46.62 | | 50.39 |

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

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

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

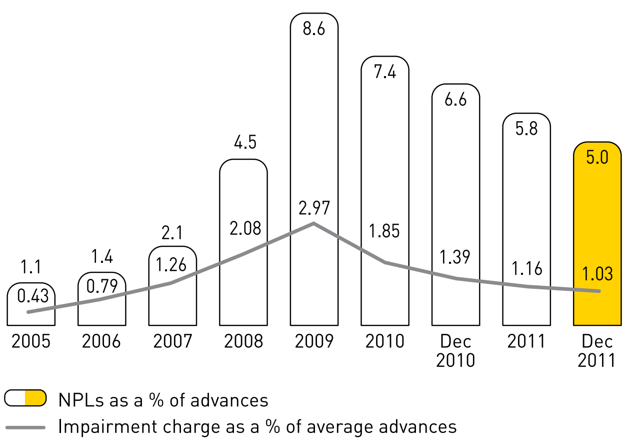
- Advances were adjusted (upwards) by the cumulative credit fair value adjustments of R2 088 million (December 2010: R1 631 million; June 2011: R1 951 million).
- The IFRS credit impairments in the income statement were adjusted to include the credit fair value adjustment impact of R137 million (December 2010: R193 million; June 2011: R514 million). On an IFRS basis, these would have been accounted for under non-interest revenue.

## Retail credit portfolios

The Group's strategies to reduce NPLs continued to yield favourable results. The retail NPL% is 5.02% and is down from the 6.58% reported at December 2010. NPLs in the retail portfolios have declined by 17% since December 2010. The reduction in NPLs is driven by the slower inflow into NPLs in the FNB HomeLoans and WesBank vehicle and asset finance (VAF) portfolios. Accounts under debt review still prolong recovery periods and keep NPLs at higher levels. However, as at December 2011 the proportion of debt review accounts present in the WesBank and FNB HomeLoans portfolios showed signs of improvement. Increases in NPLs in some unsecured portfolios have been recorded, however, this increase is in line with expectations and risk appetite.

The reducing impairment charges in the retail secured portfolios were supported by the sustained low interest rates, reductions in NPL inflows and by post write-off recoveries. The retail unsecured portfolio showed increased impairments compared to December 2010 with the exception of FNB Card where the charge was substantially reduced by post write-off recoveries.

Retail credit portfolios

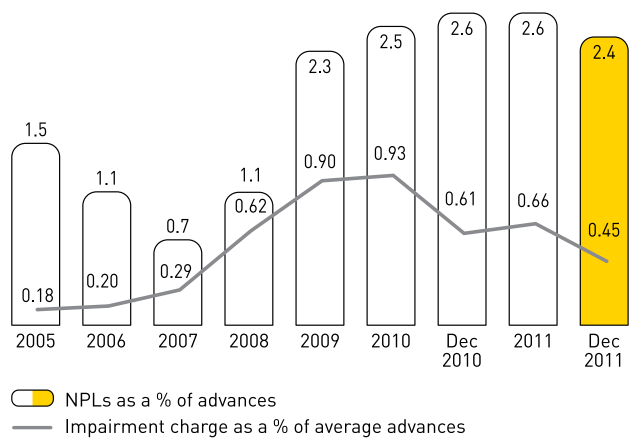



## Corporate credit portfolios

The RMB core advances book grew by 16% due to investment banking related lending. The FNB Commercial portfolio achieved growth of 11% year-on-year. This growth is attributed mainly to the property term loans portfolio. GTS saw increased utilisation of facilities by clients which resulted in growth of 26% upon the prior period's advances.

NPLs in the Corporate portfolio declined modestly over the past year. This change is impacted by a reduction in NPLs in the FNB Commercial portfolio and an increase in the RMB NPLs. The Corporate NPLs % at December 2011 was 2.36% (December 2010: 2.63% and June 2011: 2.62%). Impairment charges also showed signs of improvement. The charge at December 2011 is 0.45% (December 2010: 0.61% and June 2011: 0.66%). Significant reductions in impairment charges were experienced in FNB Commercial and RMB compared to the previous December and June.

Corporate credit portfolios



## Note 1: Analysis of advances

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

| R million | Advances | | | | |
|---|---|---|---|---|---|
| | As at 31 December | | | | As at 30 June |
| | 2011 | 2010 | % change | 2011 % composition | 2011 |
| **Retail** | **258 329** | 236 020 | 9 | **51** | 246 247 |
| **Retail secured** | **230 565** | 214 666 | 7 | **46** | 221 989 |
| Residential mortgages | **156 680** | 153 403 | 2 | **31** | 155 974 |
| Vehicle and asset finance | **73 885** | 61 263 | 21 | **15** | 66 015 |
| **Retail unsecured** | **27 764** | 21 354 | 30 | **5** | 24 258 |
| Credit card | **11 038** | 10 447 | 6 | **2** | 10 758 |
| Other retail | **16 726** | 10 907 | 53 | **3** | 13 500 |
| Personal banking | **6 296** | 3 387 | 86 | **1** | 4 593 |
| – overdrafts | **1 685** | 1 094 | 54 | **–** | 1 251 |
| – loans | **4 611** | 2 293 | >100 | **1** | 3 342 |
| Mass loans | **4 953** | 3 165 | 56 | **1** | 3 906 |
| WesBank loans | **5 477** | 4 355 | 26 | **1** | 5 001 |
| **Corporate** | **214 405** | 200 578 | 7 | **42** | 197 312 |
| FNB Commercial | **31 919** | 28 692 | 11 | **6** | 30 797 |
| WesBank Corporate | **31 351** | 29 741 | 5 | **6** | 31 109 |
| RMB | **147 535** | 139 296 | 6 | **29** | 132 813 |
| GTS | **3 600** | 2 849 | 26 | **1** | 2 593 |
| **FNB Africa** | **25 121** | 21 061 | 19 | **5** | 22 639 |
| **Corporate Centre and other** | **10 398** | 5 475 | 90 | **2** | 8 368 |
| **Total advances** | **508 253** | 463 134 | 10 | **100** | 474 566 |
| Of which: | | | | | |
| Accrual book | **376 182** | 336 496 | 12 | **74** | 350 548 |
| Fair value book* | **132 071** | 126 638 | 4 | **26** | 124 018 |

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

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

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| R million | 2011 | 2010 | % change | 2011 |
| RMB advances | 147 535 | 139 296 | 6 | 132 813 |
| Less: assets under agreements to resell | (32 505) | (40 316) | (19) | (30 257) |
| RMB advances net of assets under agreements to resell | 115 030 | 98 980 | 16 | 102 556 |

## Sector and geographic analysis of advances

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| R million | 2011 | 2010 | % change | 2011 |
| Gross advances | 510 389 | 465 254 | 10 | 476 628 |
| Less: interest in suspense | (2 136) | (2 120) | 1 | (2 062) |
| **Advances net of interest in suspense** | 508 253 | 463 134 | 10 | 474 566 |
| **Sector analysis** | | | | |
| Agriculture | 12 456 | 13 535 | (8) | 14 016 |
| Banks and financial services | 64 884 | 66 396 | (2) | 55 977 |
| Building and property development | 25 011 | 22 146 | 13 | 25 244 |
| Government, Land Bank and Public Authorities | 15 532 | 17 400 | (11) | 15 476 |
| Individuals | 285 903 | 261 003 | 10 | 273 600 |
| Manufacturing and commerce | 42 853 | 32 826 | 31 | 35 424 |
| Mining | 12 799 | 11 048 | 16 | 11 493 |
| Transport and communication | 15 029 | 14 349 | 5 | 13 067 |
| Other services | 33 786 | 24 431 | 38 | 30 269 |
| **Total advances** | 508 253 | 463 134 | 10 | 474 566 |
| **Geographic analysis** | | | | |
| South Africa | 454 726 | 425 132 | 7 | 432 167 |
| Other Africa | 30 696 | 24 115 | 27 | 25 817 |
| UK | 12 262 | 8 669 | 41 | 11 474 |
| Ireland | – | 15 | (100) | – |
| Europe | 3 719 | 2 076 | 79 | 2 032 |
| North America | 290 | 1 216 | (76) | 375 |
| South America | 306 | 408 | (25) | 332 |
| Australasia | 5 977 | 593 | >100 | 2 367 |
| Other | 277 | 910 | (70) | 2 |
| **Total advances** | 508 253 | 463 134 | 10 | 474 566 |

## NOTE 2: Analysis of NPLs

The NPLs reduced by 13% year-on-year. This reduction was supported by lower inflows into the material residential mortgages and VAF portfolios, as well as workouts in the FNB Commercial NPL book. NPLs in the unsecured portfolios increased but this remains in line with expectations and risk appetite. The proportion of accounts under debt review included in NPLs also decreased during the period under review. The NPLs in the RMB portfolio increased due to challenges in the real estate investment banking portfolio.

| | NPLs | | | | | NPLs as a % of advances | | |
|---|---|---|---|---|---|---|---|---|
| | As at 31 December | | | 2011 % compo-sition | As at 30 June | As at 31 December | | As at 30 June |
| R million/% | 2011 | 2010 | % change | | 2011 | 2011 | 2010 | 2011 |
| **Retail** | **12 957** | 15 531 | (17) | **70** | 14 286 | **5.02** | 6.58 | 5.80 |
| **Retail secured** | **11 764** | 14 303 | (18) | **64** | 13 050 | **5.10** | 6.66 | 5.88 |
| Residential mortgages | **9 392** | 11 341 | (17) | **51** | 10 515 | **5.99** | 7.39 | 6.74 |
| Vehicle and asset finance | **2 372** | 2 962 | (20) | **13** | 2 535 | **3.21** | 4.83 | 3.84 |
| **Retail unsecured** | **1 193** | 1 228 | (3) | **6** | 1 236 | **4.30** | 5.75 | 5.10 |
| Credit card | **299** | 466 | (36) | **1** | 446 | **2.71** | 4.46 | 4.15 |
| Other retail | **894** | 762 | 17 | **5** | 790 | **5.34** | 6.99 | 5.85 |
| Personal banking | **179** | 131 | 37 | **1** | 132 | **2.84** | 3.87 | 2.87 |
| – overdrafts | **48** | 41 | 17 | **–** | 44 | **2.85** | 3.75 | 3.52 |
| – loans | **131** | 90 | 46 | **1** | 88 | **2.84** | 3.92 | 2.63 |
| Mass loans | **430** | 359 | 20 | **2** | 316 | **8.68** | 11.34 | 8.09 |
| WesBank loans | **285** | 272 | 5 | **2** | 342 | **5.20** | 6.25 | 6.84 |
| **Corporate** | **5 068** | 5 275 | (4) | **28** | 5 171 | **2.36** | 2.63 | 2.62 |
| FNB Commercial | **1 643** | 1 927 | (15) | **9** | 1 865 | **5.15** | 6.72 | 6.06 |
| WesBank Corporate | **1 465** | 1 653 | (11) | **8** | 1 490 | **4.67** | 5.56 | 4.79 |
| RMB | **1 945** | 1 690 | 15 | **11** | 1 798 | **1.32** | 1.21 | 1.35 |
| GTS | **15** | 5 | >100 | **–** | 18 | **0.42** | 0.18 | 0.69 |
| **FNB Africa** | **382** | 366 | 4 | **2** | 370 | **1.52** | 1.74 | 1.63 |
| **Corporate Centre and other** | **(41)** | (55) | (25) | **–** | (37) | **n/a** | n/a | n/a |
| **Total NPLs** | **18 366** | 21 117 | (13) | **100** | 19 790 | **3.61** | 4.56 | 4.17 |
| Of which: | | | | | | | | |
| Accrual book | **16 455** | 19 536 | (16) | **90** | 18 053 | **4.37** | 5.81 | 5.15 |
| Fair value book | **1 911** | 1 581 | 21 | **10** | 1 737 | **1.45** | 1.25 | 1.40 |

## Sector and geographical analysis of NPLs

| R million/% | NPLs As at 31 December 2011 | NPLs As at 31 December 2010 | % change | NPLs As at 30 June 2011 | NPLs as a % of advances As at 31 December 2011 | NPLs as a % of advances As at 31 December 2010 | NPLs as a % of advances As at 30 June 2011 |
|---|---|---|---|---|---|---|---|
| **Sector analysis** | | | | | | | |
| Agriculture | **533** | 390 | 37 | 453 | **4.28** | 2.88 | 3.23 |
| Banks and financial services | **56** | 28 | 100 | 519 | **0.09** | 0.04 | 0.93 |
| Building and property development | **2 308** | 2 056 | 12 | 1 771 | **9.23** | 9.28 | 7.02 |
| Government, Land Bank and Public Authorities | **42** | 73 | (42) | 74 | **0.27** | 0.41 | 0.48 |
| Individuals | **12 747** | 15 333 | (17) | 14 161 | **4.46** | 5.87 | 5.18 |
| Manufacturing and commerce | **585** | 752 | (22) | 635 | **1.37** | 2.29 | 1.79 |
| Mining | **78** | 61 | 28 | 55 | **0.61** | 0.55 | 0.48 |
| Transport and communication | **240** | 305 | (21) | 276 | **1.60** | 2.13 | 2.11 |
| Other services | **1 777** | 2 119 | (16) | 1 846 | **5.26** | 8.67 | 6.10 |
| **Total NPLs** | **18 366** | 21 117 | (13) | 19 790 | **3.61** | 4.56 | 4.17 |
| **Geographic analysis** | | | | | | | |
| South Africa | **17 540** | 20 360 | (14) | 19 057 | **3.86** | 4.79 | 4.41 |
| Other Africa | **418** | 456 | (8) | 406 | **1.36** | 1.89 | 1.57 |
| UK | **13** | 15 | (13) | 16 | **0.11** | 0.17 | 0.14 |
| South America | **342** | 210 | 63 | 248 | **>100** | 51.47 | 74.70 |
| Australasia | **53** | 76 | (30) | 63 | **0.89** | 12.82 | 2.66 |
| **Total NPLs** | **18 366** | 21 117 | (13) | 19 790 | **3.61** | 4.56 | 4.17 |

## Note 3: Analysis of income statement credit impairments

The Group's impairment charge continued to decline. At December 2011 the charge of 0.80% is significantly improved from the 1.00% at December 2010 (June 2011: 0.93%). The charge benefited significantly from reducing new NPLs inflows and increasing post write-off recoveries.

### Income statement impairments

| | Total impairment charge | | | | As a % of average advances | | | |
|---|---|---|---|---|---|---|---|---|
| | Six months ended 31 December | | % change | Year ended 30 June | Six months ended 31 December | | Year ended 30 June* | Year ended 30 June** |
| R million/% | **2011** | 2010 | | 2011 | **2011** | 2010 | 2011 | 2011 |
| **Retail** | **1 297** | 1 622 | (20) | 2 773 | **1.03** | 1.39 | 1.16 | 0.95 |
| **Retail secured** | **719** | 1 156 | (38) | 1 905 | **0.64** | 1.09 | 0.88 | 0.69 |
| Residential mortgages | **438** | 640 | (32) | 1 216 | **0.56** | 0.84 | 0.79 | 0.74 |
| Vehicle and asset finance | **281** | 516 | (46) | 689 | **0.80** | 1.73 | 1.11 | 0.54 |
| **Retail unsecured** | **578** | 466 | 24 | 868 | **4.44** | 4.43 | 3.86 | 3.53 |
| Credit card | **28** | 132 | (79) | 149 | **0.51** | 2.50 | 1.39 | 0.32 |
| Other retail | **550** | 334 | 65 | 719 | **7.28** | 6.40 | 6.12 | 6.31 |
| Personal banking | **157** | 56 | >100 | 178 | **5.77** | 3.48 | 4.66 | 6.12 |
| – overdrafts | **36** | 18 | 100 | 62 | **4.90** | 3.34 | 5.36 | 7.51 |
| – loans | **121** | 38 | >100 | 116 | **6.09** | 3.56 | 4.36 | 5.54 |
| Mass loans | **278** | 201 | 38 | 391 | **12.55** | 13.10 | 11.37 | 10.75 |
| WesBank loans | **115** | 77 | 49 | 150 | **4.39** | 3.70 | 3.35 | 3.12 |
| **Corporate** | **467** | 603 | (23) | 1 284 | **0.45** | 0.61 | 0.66 | 0.68 |
| FNB Commercial | **134** | 206 | (35) | 334 | **0.85** | 1.45 | 1.13 | 0.86 |
| WesBank Corporate | **176** | 175 | 1 | 452 | **1.13** | 1.16 | 1.47 | 1.82 |
| RMB | **153** | 200 | (24) | 489 | **0.22** | 0.29 | 0.37 | 0.42 |
| GTS | **4** | 22 | (82) | 9 | **0.26** | 1.94 | 0.42 | (0.96) |
| **FNB Africa** | **36** | 18 | 100 | 64 | **0.30** | 0.18 | 0.30 | 0.42 |
| **Corporate Centre and other** | **161** | 34 | >100 | 171 | **n/a** | n/a | n/a | n/a |
| **Total** | **1 961** | 2 277 | (14) | 4 292 | **0.80** | 1.00 | 0.93 | 0.86 |
| Of which: | | | | | | | | |
| Portfolio impairment charge | **264** | (369) | >100 | (210) | **0.11** | (0.17) | (0.05) | 0.07 |
| Specific impairment charge | **1 697** | 2 646 | (36) | 4 502 | **0.69** | 1.17 | 0.98 | 0.79 |

** Impairment charge for the year ended 30 June 2011 calculated as a percentage of average advances.*
*** Impairment charge for the six months ended 30 June 2011 calculated as an annual charge, as a percentage of average advances for that period.*

## Note 4: Analysis of balance sheet impairments and coverage ratios

The Group constantly monitors market conditions as well as recent and expected recoveries on NPLs to determine its coverage ratios. The NPLs coverage ratio has increased to 33.85% (December 2010: 31.86%, June 2011: 32.93%).

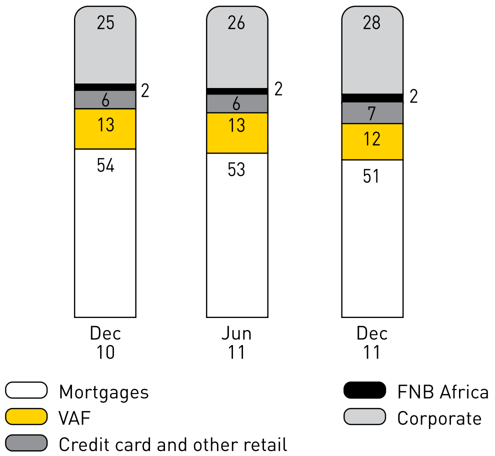
### Implied loss given default and total impairment coverage ratios

| | Balance sheet impairments | | | | As a % of NPLs | | |
|---|---|---|---|---|---|---|---|
| | As at 31 December | | % change | As at 30 June | As at 31 December | | As at 30 June |
| R million/% | 2011 | 2010 | | 2011 | 2011 | 2010 | 2011 |
| **Specific impairments*** | | | | | | | |
| **Retail** | **3 717** | 4 414 | (16) | 4 021 | **28.69** | 28.42 | 28.15 |
| **Retail secured** | **2 758** | 3 483 | (21) | 3 059 | **23.44** | 24.35 | 23.44 |
| Residential mortgages | **1 866** | 2 229 | (16) | 2 040 | **19.87** | 19.65 | 19.40 |
| Vehicle and asset finance | **892** | 1 254 | (29) | 1 019 | **37.61** | 42.34 | 40.20 |
| **Retail unsecured** | **959** | 931 | 3 | 962 | **80.39** | 75.81 | 77.83 |
| Credit card | **219** | 337 | (35) | 330 | **73.24** | 72.32 | 73.99 |
| Other retail | **740** | 594 | 25 | 632 | **82.77** | 77.95 | 80.00 |
| Personal banking | **157** | 107 | 47 | 115 | **87.71** | 81.68 | 87.12 |
| – overdrafts | **40** | 35 | 14 | 38 | **83.33** | 85.37 | 86.36 |
| – loans | **117** | 72 | 63 | 77 | **89.31** | 80.00 | 87.50 |
| Mass loans | **367** | 290 | 27 | 262 | **85.35** | 80.78 | 82.91 |
| WesBank loans | **216** | 197 | 10 | 255 | **75.79** | 72.43 | 74.56 |
| **Corporate** | **2 317** | 1 992 | 16 | 2 327 | **45.72** | 37.76 | 45.00 |
| FNB Commercial | **780** | 782 | (0) | 895 | **47.47** | 40.58 | 47.99 |
| WesBank Corporate | **712** | 647 | 10 | 701 | **48.60** | 39.14 | 47.05 |
| RMB | **809** | 558 | 45 | 712 | **41.59** | 33.02 | 39.60 |
| GTS | **16** | 5 | >100 | 19 | **>100** | 100.00 | >100 |
| **FNB Africa** | **186** | 180 | 3 | 165 | **48.69** | 49.18 | 44.59 |
| **Corporate Centre and other** | **(4)** | 141 | (>100) | 3 | **n/a** | n/a | n/a |
| **Total specific impairments/implied LGD**** | **6 216** | 6 727 | (8) | 6 516 | **33.85** | 31.86 | 32.93 |
| **Portfolio impairments#** | **3 779** | 3 117 | 21 | 3 457 | | | |
| **Total impairments/total impairment coverage ratio†** | **9 995** | 9 844 | 2 | 9 973 | **54.42** | 46.62 | 50.39 |

* *Specific impairments include credit fair value adjustments relating to the non-performing fair value advances.*
** *Amortised cost specific impairments and credit fair value adjustments as a percentage of NPLs.*
\# *Amortised cost portfolio impairments and credit fair value adjustments relating to the performing book.*
† *Total impairments and credit fair value adjustments as a percentage of the NPLs.*

The graph provides the NPLs distribution across the product categories, showing a decrease in the residential mortgages portfolio since December 2010 and an increase in Corporate.

NPLs distribution (%)



## RECONCILIATION OF IMPAIRMENTS

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

| | Balance sheet impairments and credit fair value adjustments | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Amortised cost book | | | Fair value book | | | Total book | | |
| | As at 31 December | | As at 30 June | As at 31 December | | As at 30 June | As at 31 December | | As at 30 June |
| R million | **2011** | 2010 | 2011 | **2011** | 2010 | 2011 | **2011** | 2010 | 2011 |
| Non-performing book | **5 412** | 6 216 | 5 812 | **804** | 511 | 704 | **6 216** | 6 727 | 6 516 |
| Performing book | **2 495** | 1 997 | 2 210 | **1 284** | 1 120 | 1 247 | **3 779** | 3 117 | 3 457 |
| **Total impairments** | **7 907** | 8 213 | 8 022 | **2 088** | 1 631 | 1 951 | **9 995** | 9 844 | 9 973 |

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

| | Balance sheet specific impairments – amortised cost | | | |
|---|---|---|---|---|
| | As at 31 December | | | As at 30 June |
| R million | **2011** | 2010 | % change | 2011 |
| Opening balance | **5 812** | 6 888 | (16) | 6 888 |
| Reclassifications and transfers | **(51)** | 70 | (>100) | (140) |
| Acquisitions | **17** | – | n/a | – |
| Exchange rate difference | **13** | (2) | >100 | 11 |
| Unwinding of discounted present value on NPLs | **(71)** | (124) | (43) | (213) |
| Bad debts written off | **(2 501)** | (3 167) | (21) | (5 518) |
| Net new impairments created | **2 193** | 2 551 | (14) | 4 784 |
| **Closing balance** | **5 412** | 6 216 | (13) | 5 812 |

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

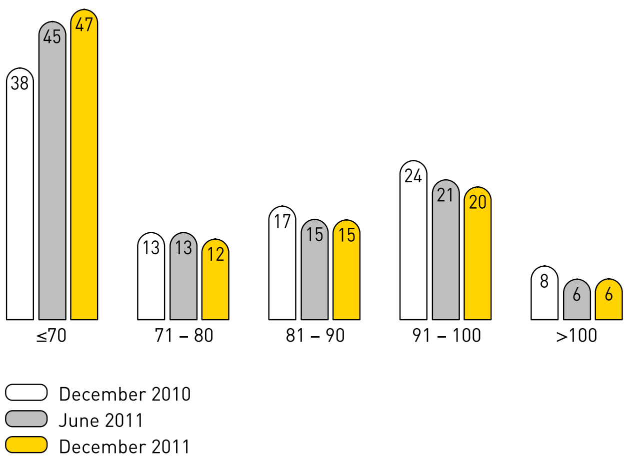
| | Income statement impairments | | | |
|---|---|---|---|---|
| | Six months ended 31 December | | | Year ended 30 June |
| R million | **2011** | 2010 | % change | 2011 |
| Specific impairment charge | **2 193** | 2 551 | (14) | 4 784 |
| Recoveries of bad debts written off | **(596)** | (461) | 29 | (1 031) |
| Net specific impairment charge (amortised cost) | **1 597** | 2 090 | (24) | 3 753 |
| Portfolio impairment charge (amortised cost) | **227** | (6) | (>100) | 25 |
| Credit fair value adjustments (income statement impact) | **137** | 193 | (29) | 514 |
| Performing book | **37** | (362) | (>100) | (235) |
| Non-performing book | **100** | 555 | (82) | 749 |
| **Total** | **1 961** | 2 277 | (14) | 4 292 |

## Risk analyses

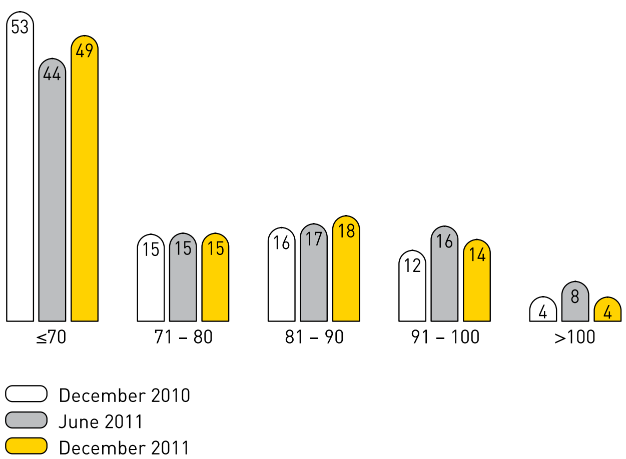
This section provides further information on selected risk analyses of the credit portfolios.

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

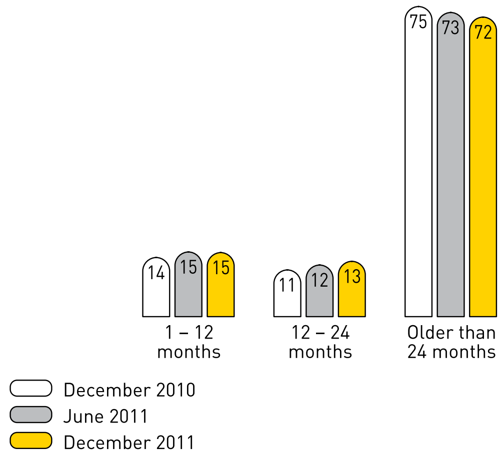
Residential mortgages balance-to-original value (%)




Residential mortgages balance-to-market value (%)

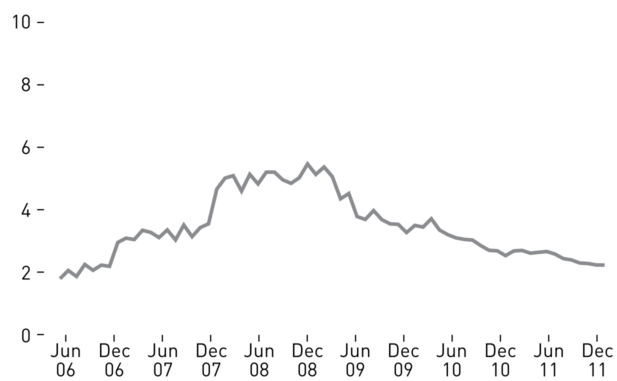



Residential mortgages age distribution (%)




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.

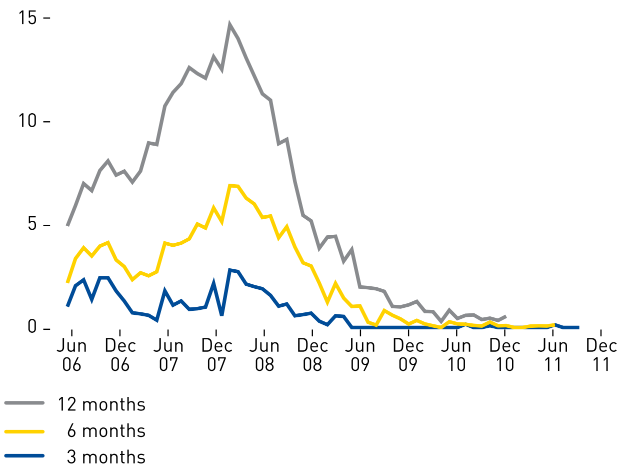
FNB HomeLoans arrears (%)




The following graphs provide the vintage analyses for key retail portfolios. Vintage graphs provide the default experience three, six and twelve months after each origination date. It indicates the impact of origination strategies and the macroeconomic environment.

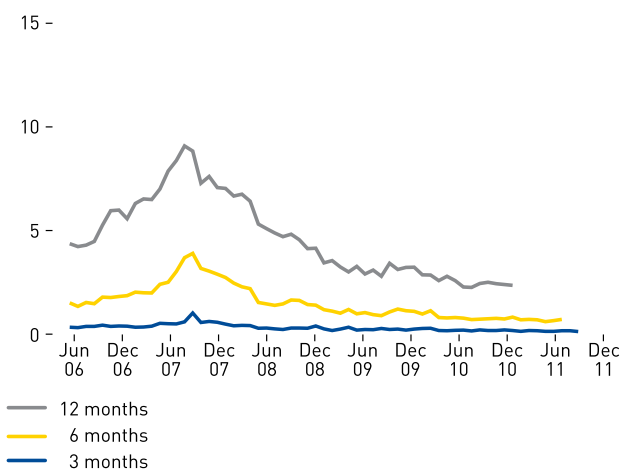
For FNB HomeLoans, the three, six and twelve month cumulative vintage analyses illustrate a marked improvement in the quality of business written since mid 2008 despite further deterioration in macro conditions in the succeeding period. The more recent decreases in the default experience reflect a combination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

FNB HomeLoans vintage analysis (%)




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

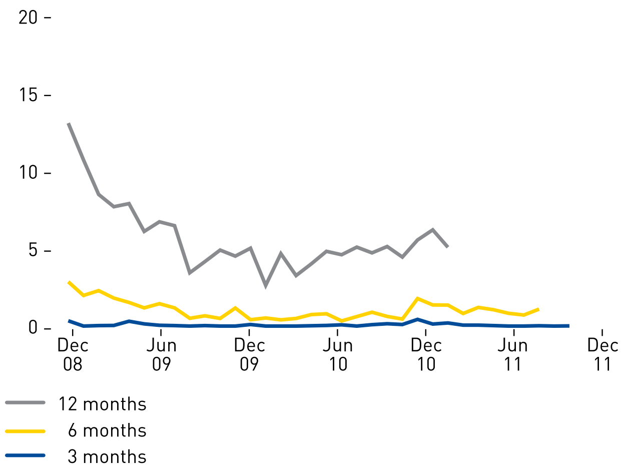
WesBank retail vintage analysis (%)



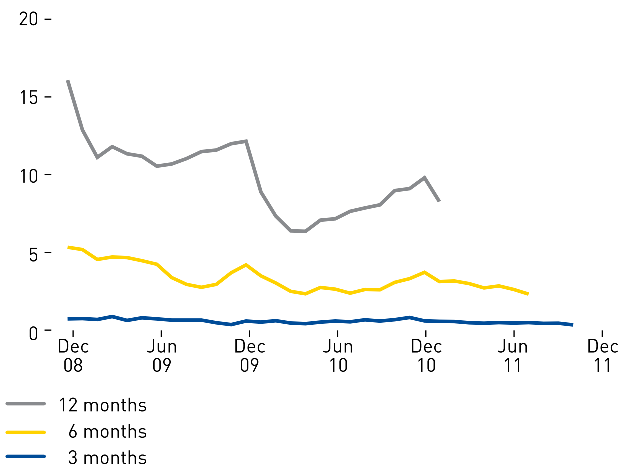

The default experience of the FNB and WesBank unsecured portfolios are within risk appetite.

Continued actions are undertaken to ensure these portfolios remain within risk appetite.

FNB Card vintage analysis (%)




Unsecured (excluding Card) vintage analysis (%)




The Group's South African repossessed properties are shown below.

| | Properties in possession | | | |
|---|---|---|---|---|
| | As at 31 December | | % change | As at 30 June |
| | 2011 | 2010 | | 2011 |
| Number of properties | 920 | 1 387 | (34) | 1 117 |
| Value (R million) | 189 | 450 | (58) | 282 |

# Supplementary information

## SEGMENTAL ADVANCES, NPLs AND IMPAIRMENT ANALYSIS

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

| | Six months ended 31 December 2011 | | | | |
|---|---|---|---|---|---|
| R million/% | Advances | NPLs | NPLs as a % of advances | Total impair-ment charge | Impair-ments as a % of average advances |
| FNB | 211 058 | 11 924 | 5.65 | 1 057 | 1.01 |
| FNB Retail | 178 967 | 10 300 | 5.76 | 901 | 1.02 |
| Residential mortgages | 156 680 | 9 392 | 5.99 | 438 | 0.56 |
| – FNB HomeLoans (Consumer segment) | 106 944 | 6 257 | 5.85 | 261 | 0.49 |
| – Wealth | 40 226 | 2 734 | 6.80 | 150 | 0.74 |
| – Affordable Housing (Mass segment) | 9 510 | 401 | 4.22 | 27 | 0.61 |
| Credit card | 11 038 | 299 | 2.71 | 28 | 0.51 |
| Personal banking | 6 296 | 179 | 2.84 | 157 | 5.77 |
| – overdrafts | 1 685 | 48 | 2.85 | 36 | 4.90 |
| – loans | 4 611 | 131 | 2.84 | 121 | 6.09 |
| Mass | 4 953 | 430 | 8.68 | 278 | 12.55 |
| FNB Commercial | 31 919 | 1 643 | 5.15 | 134 | 0.85 |
| FNB Other | 172 | (19) | n/a | 22 | n/a |
| WesBank | 110 713 | 4 122 | 3.72 | 572 | 1.07 |
| WesBank asset-backed finance | 105 236 | 3 837 | 3.65 | 457 | 0.90 |
| – WesBank Retail | 66 060 | 2 322 | 3.51 | 234 | 0.74 |
| – WesBank Corporate | 31 351 | 1 465 | 4.67 | 176 | 1.13 |
| – WesBank International | 7 825 | 50 | 0.64 | 47 | 1.35 |
| WesBank loans | 5 477 | 285 | 5.20 | 115 | 4.39 |
| RMB | 147 535 | 1 945 | 1.32 | 153 | 0.22 |
| GTS | 3 600 | 15 | 0.42 | 4 | 0.26 |
| FNB Africa | 25 121 | 382 | 1.52 | 36 | 0.30 |
| Corporate Centre | 10 226 | (22) | n/a | 139 | n/a |
| **Total** | 508 253 | 18 366 | 3.61 | 1 961 | 0.80 |

| Six months ended 31 December 2010 | | | | | Year ended June 2011 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Advances | NPLs | NPLs as a % of advances | Total impair-ment charge | Impair-ments as a % of average advances | Advances | NPLs | NPLs as a % of advances | Total impair-ment charge | Impair-ments as a % of average advances |
| 199 127 | 14 168 | 7.12 | 1 273 | 1.28 | 206 183 | 13 238 | 6.42 | 2 435 | 1.21 |
| 170 402 | 12 297 | 7.22 | 1 029 | 1.21 | 175 231 | 11 409 | 6.51 | 1 934 | 1.12 |
| 153 403 | 11 341 | 7.40 | 640 | 0.84 | 155 974 | 10 515 | 6.74 | 1 216 | 0.79 |
| 107 074 | 8 081 | 7.55 | 535 | 0.99 | 106 864 | 7 335 | 6.86 | 740 | 0.69 |
| 39 023 | 2 909 | 7.45 | 73 | 0.38 | 40 913 | 2 796 | 6.83 | 405 | 1.03 |
| 7 306 | 351 | 4.80 | 32 | 0.94 | 8 197 | 384 | 4.68 | 71 | 0.98 |
| 10 447 | 466 | 4.46 | 132 | 2.50 | 10 758 | 446 | 4.15 | 149 | 1.39 |
| 3 387 | 131 | 3.87 | 56 | 3.48 | 4 593 | 132 | 2.87 | 178 | 4.66 |
| 1 094 | 41 | 3.75 | 18 | 3.34 | 1 251 | 44 | 3.52 | 62 | 5.36 |
| 2 293 | 90 | 3.92 | 38 | 3.56 | 3 342 | 88 | 2.63 | 116 | 4.36 |
| 3 165 | 359 | 11.34 | 201 | 13.10 | 3 906 | 316 | 8.09 | 391 | 11.37 |
| 28 692 | 1 927 | 6.72 | 206 | 1.45 | 30 797 | 1 865 | 6.06 | 334 | 1.13 |
| 33 | (56) | n/a | 38 | n/a | 155 | (36) | n/a | 167 | n/a |
| 95 359 | 4 887 | 5.12 | 768 | 1.63 | 102 125 | 4 367 | 4.28 | 1 291 | 1.33 |
| 91 004 | 4 615 | 5.07 | 691 | 1.54 | 97 124 | 4 025 | 4.14 | 1 141 | 1.23 |
| 56 228 | 2 873 | 5.11 | 471 | 1.72 | 59 865 | 2 492 | 4.16 | 607 | 1.07 |
| 29 741 | 1 653 | 5.56 | 175 | 1.16 | 31 109 | 1 490 | 4.79 | 452 | 1.47 |
| 5 035 | 89 | 1.77 | 45 | 1.80 | 6 150 | 43 | 0.70 | 82 | 1.48 |
| 4 355 | 272 | 6.25 | 77 | 3.70 | 5 001 | 342 | 6.84 | 150 | 3.35 |
| 139 296 | 1 690 | 1.21 | 200 | 0.29 | 132 813 | 1 798 | 1.35 | 489 | 0.37 |
| 2 849 | 5 | 0.18 | 22 | 1.94 | 2 593 | 18 | 0.69 | 9 | 0.42 |
| 21 061 | 366 | 1.74 | 18 | 0.18 | 22 639 | 370 | 1.63 | 64 | 0.30 |
| 5 442 | 1 | n/a | (4) | n/a | 8 213 | (1) | n/a | 4 | n/a |
| 463 134 | 21 117 | 4.56 | 2 277 | 1.00 | 474 566 | 19 790 | 4.17 | 4 292 | 0.93 |

# Notes

# Supplementary information

# Key market indicators and share statistics

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| | 2011 | 2010 | % change | 2011 |
| **Market indicators** | | | | |
| USD/ZAR exchange rate | | | | |
| – closing | 8.11 | 6.64 | 22 | 6.76 |
| – average | 7.62 | 7.07 | 8 | 6.94 |
| SA prime overdraft (%) | 9.00 | 9.00 | | 9.00 |
| SA average prime overdraft (%) | 9.00 | 9.58 | | 9.25 |
| SA average CPI (%) | 5.75 | 3.48 | | 3.85 |
| JSE All Share Index | 31 986 | 32 119 | – | 31 865 |
| JSE Banks Index | 41 178 | 40 985 | – | 40 254 |
| **Share statistics** | | | | |
| **Share price** | | | | |
| High for the period (cents) | 2 110 | 2 265 | (7) | 2 253 |
| Low for the period (cents) | 1 770 | 1 800 | (2) | 1 817 |
| Closing (cents) | 2 074 | 1 951 | 6 | 1 985 |
| **Shares traded** | | | | |
| Number of shares (millions) | 1 581 | 1 733 | (9) | 10 320 |
| Value of shares (R million) | 31 186 | 34 836 | (10) | 204 908 |
| Turnover in shares traded (%) | 28.96 | 32.59 | | 191.0 |

# Share price performance

| | | | | |
|---|---|---|---|---|
| FirstRand average share price (cents) | 1 973 | 2 026 | (3) | 2 001 |
| JSE Bank Index (average) | 39 640 | 39 376 | 1 | 39 727 |
| JSE All Share Index (average) | 31 217 | 29 397 | 6 | 30 646 |

# Simplified group structure

FIRSTRAND

Listed holding company (FirstRand Limited, JSE: FSR)

100% — FirstRand Bank Limited

## Banking

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

100% — FirstRand EMA Holdings Limited

## Africa and Emerging markets

| | |
|---|---|
| 100% | FNB Lesotho |
| 58% | FNB Namibia |
| 100% | FNB Swaziland |
| 70% | FNB Botswana |
| 90% | FNB Mozambique |
| 100% | FNB Zambia |
| 100% | FNB Tanzania |
| 100% | FirstRand International – Mauritius |

100% — FirstRand Investment Holdings (Pty) Limited (FRIHL)

## Other activities[4,5]

| | |
|---|---|
| 96% | RMB Private Equity Holdings |
| 93% | RMB Private Equity |
| 100% | RMB Stockbroking Operations |
| 40% | Eris Property Group |
| 50% | RMB Morgan Stanley |
| 100% | FNB International Wealth Management |
| 100% | FNB Insurance Brokers |
| 100% | Barnard Jacobs Mellet Holdings Limited |
| 75% | Rentworks |
| 66% | Direct Axis |
| 100% | First Auto (Pty) Ltd |
| 75% | FirstRand International – Guernsey |

Structure shows effective consolidated shareholding.

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

# Credit ratings

## FirstRand Bank Limited (FRB)

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

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

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

Summary of rating actions:

- On 1 December 2011, S&P affirmed its 'BBB+' long-term and 'A-2' short-term counterparty credit ratings on FRB. Its South African national scale ratings were affirmed at 'zaAA/zaA-1'.

### Credit ratings assigned by Moody's Investors Service at 28 February 2012

| | FirstRand Bank Limited | Sovereign rating South Africa |
|---|---|---|
| **Foreign currency deposit ratings** | | |
| Long-term | **A3** | A3 |
| Outlook | **Negative** | Negative |
| Short-term | **P-2** | |
| **Local currency deposit ratings** | | |
| Long-term | **A2*** | A3 |
| Short-term | **P-1*** | |
| Outlook | **Ratings under review** | Negative |
| **National scale bank deposit ratings** | | |
| Long-term | **Aa2.za*** | |
| Outlook | **Ratings under review** | |
| Short-term | **P-1.za** | |
| **Bank financial strength rating** | **C-** | |
| Outlook | **Stable** | |

* *Placed on review for possible downgrade.*

Summary of rating actions:

- On 9 November 2011, Moody's Investors Service (Moody's) changed the outlook on South Africa's A3 local and foreign currency government debt ratings from stable to negative. Consequently, FRB's A3 foreign currency deposit rating was assigned a negative outlook in line with the negative outlook on the corresponding sovereign ceiling.

- On 10 November 2011, Moody's placed on review for downgrade the ratings of five South African banks to assess the uplift their debt and deposit ratings receive from high systemic support assumptions. The review formed part of Moody's global assessment of the systemic support levels incorporated in banks deposit and debt ratings, which addresses the growing difficulties governments face in extending systemic support to their banking systems. In the case of South African banks, the review was also triggered by the recently assigned negative outlook on South Africa's A3 government bond rating, reflecting constrained public finances and signals that government financial flexibility may be weakening, indicating that authorities would likely face more challenging policy choices if multiple institutions were to need its financial support at the same time. The rating action was not driven by a deterioration in the stand-alone financial strength of banks in question.

## Credit ratings assigned by Fitch Ratings at 28 February 2012

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

Summary of rating actions:

- On 17 January 2012, Fitch Ratings revised the outlook on South African banks to negative from stable, following the revision of the outlook on the South African sovereign 'BBB+' long-term foreign currency issuer default rating. The rating action therefore is not a reflection of any fundamental change in the local banks' credit quality.

## FirstRand Limited

FirstRand Limited's ratings reflect its status as a non-operational holding company of the FirstRand Group, and the entity's consequent structural subordination and reliance on dividends from operating companies to meet its obligations, which exposes it to potential regulatory impositions.

## Credit ratings assigned by Standard & Poor's at 28 February 2012

| | FirstRand Limited |
|---|---|
| **Foreign currency credit rating** | |
| Long-term | **BBB** |
| Outlook | **Stable** |
| Short-term | **A-2** |
| **Local currency credit rating** | |
| Long-term | **BBB** |
| Outlook | **Stable** |
| Short-term | **A-2** |
| **National scale** | |
| Long-term | **zaAA-** |
| Short-term | **zaA-1** |

Summary of rating actions:

- On 1 December 2011, S&P affirmed its 'BBB/A-2' counterparty credit ratings and 'zaAA-/zaA-1' national scale credit ratings on FirstRand Limited.

## Number of shares from continuing and discontinued operations

| | Six months ended 31 December 2011 | Six months ended 31 December 2010 | Year ended 30 June 2011 |
|---|---|---|---|
| **Shares in issue** | | | |
| Opening balance as at 1 July | **5 637 941 689** | 5 637 941 689 | 5 637 941 689 |
| Less: treasury shares | **(175 301 401)** | (192 141 961) | (189 017 706) |
| Staff schemes | **(2 590 187)** | (19 375 518) | (16 251 263) |
| BEE staff trusts | **(171 401 072)** | (171 401 072) | (171 401 072) |
| Shares held by policyholders* | **(1 310 142)** | (1 365 371) | (1 365 371) |
| **Number of shares in issue (after treasury shares)** | **5 462 640 288** | 5 445 799 728 | 5 448 923 983 |
| Weighted average number of shares | | | |
| Weighted average number of shares before treasury shares | **5 637 941 689** | 5 637 941 689 | 5 637 941 689 |
| Less: treasury shares | **(179 548 083)** | (320 480 222) | (253 883 214) |
| Staff schemes | **(7 143 879)** | (112 369 788) | (63 457 590) |
| BEE staff trusts | **(171 401 072)** | (171 401 072) | (171 401 072) |
| Policyholder and mutual funds "deemed treasury shares" | **(1 003 132)** | (36 709 362) | (19 024 552) |
| Weighted average number of shares in issue | **5 458 393 606** | 5 317 461 467 | 5 384 058 475 |
| Dilution impact: | | | |
| Staff schemes | **76 714 211** | 64 125 907 | 84 813 466 |
| BEE staff trusts | **21 461 470** | 26 301 376 | 23 976 201 |
| **Diluted weighted average number of shares in issue** | **5 556 569 287** | 5 407 888 750 | 5 492 848 142 |
| **Number 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 | **5 637 941 689** | 5 637 941 689 | 5 637 941 689 |

* *The policyholders going forward only include FirstRand shares held in the FNB ELI cell.*

## Number of shares from continuing operations

| | Six months ended 31 December 2011 | Six months ended 31 December 2010 | Year ended 30 June 2011 |
|---|---|---|---|
| **Weighted average number of shares in issue** | **5 458 393 606** | 5 317 461 467 | 5 384 058 475 |
| Add shares held by Momentum policyholders | **–** | 35 346 588 | 17 673 294 |
| **Weighted average number of shares in issue** | **5 458 393 606** | 5 352 808 055 | 5 401 731 769 |
| Dilution impact | **98 175 681** | 90 427 283 | 108 789 667 |
| **Diluted weighted average number of shares in issue** | **5 556 569 287** | 5 443 235 338 | 5 510 521 436 |
| **Number of shares in issue used for normalised per share calculation from continuing operations** | **5 637 941 689** | 5 637 941 689 | 5 637 941 689 |

# Fee and commission expenses reclassified

Categories of fee and commission expenses per franchise

| | Six months ended 31 December 2011 | | | | | |
|---|---|---|---|---|---|---|
| R million | FNB | FNB Africa | WesBank | RMB | GTS | Total |
| Commissions paid | 93 | 18 | 4 | 1 | – | 116 |
| Loyalty programmes | 208 | – | 1 | – | – | 209 |
| Other – card and cheque book related | 35 | 1 | – | – | – | 36 |
| ATM commissions | 11 | – | – | – | – | 11 |
| Transaction processing fees | 236 | 3 | 15 | – | 96 | 350 |
| Cash sorting, handling and transporting charges | 272 | 8 | – | – | 12 | 292 |
| Other | 133 | – | – | 115 | 3 | 251 |
| **Total fee and commission expenses*** | **988** | **30** | **20** | **116** | **111** | **1 265** |

| | Six months ended 31 December 2010 | | | | | |
|---|---|---|---|---|---|---|
| R million | FNB | FNB Africa | WesBank | RMB | GTS | Total |
| Commissions paid | 117 | – | 20 | – | – | 137 |
| Loyalty programmes | 137 | – | 3 | – | – | 140 |
| Other – card and cheque book related | 37 | 4 | – | – | – | 41 |
| ATM commissions | 13 | – | – | – | – | 13 |
| Transaction processing fees | 224 | 8 | 13 | – | 69 | 314 |
| Cash sorting, handling and transporting charges | 310 | 6 | – | – | 7 | 323 |
| Other | 64 | 5 | 3 | 106 | – | 178 |
| **Total fee and commission expenses*** | 902 | 23 | 39 | 106 | 76 | 1 146 |

| | Year ended 30 June 2011 | | | | | |
|---|---|---|---|---|---|---|
| R million | FNB | FNB Africa | WesBank | RMB | GTS | Total |
| Commissions paid | 197 | – | 54 | – | – | 251 |
| Loyalty programmes | 286 | – | 6 | – | – | 292 |
| Other – card and cheque book related | 96 | 10 | – | – | – | 106 |
| ATM commissions | 25 | – | – | – | – | 25 |
| Transaction processing fees | 442 | 16 | 25 | – | 145 | 628 |
| Cash sorting, handling and transporting charges | 591 | 14 | – | – | 13 | 618 |
| Other | 141 | 12 | 7 | 235 | 2 | 397 |
| **Total fee and commission expenses*** | 1 778 | 52 | 92 | 235 | 160 | 2 317 |

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

# Contingencies and commitments

| R million | Continuing and discontinued operations: As at 31 December 2011 | 2010 | % change | As at 30 June 2011 |
|---|---|---|---|---|
| Guarantees | **21 747** | 21 168 | 3 | 24 727 |
| Acceptances | **267** | 291 | (8) | 289 |
| Letters of credit | **7 020** | 5 352 | 31 | 6 331 |
| **Total contingencies** | **29 034** | 26 811 | 8 | 31 347 |
| **Capital commitments** | | | | |
| Contracted capital commitments | **1 914** | 2 013 | (5) | 614 |
| Capital expenditure authorised not yet contracted | **1 105** | 887 | 25 | 3 123 |
| **Total capital commitments** | **3 019** | 2 900 | 4 | 3 737 |
| **Other commitments** | | | | |
| Irrevocable commitments | **65 180** | 55 313 | 18 | 63 298 |
| Operating lease and other commitments | **14 277** | 10 512 | 36 | 13 685 |
| **Total capital commitments** | **79 457** | 65 825 | 21 | 76 983 |
| **Total contingencies and commitments** | **111 510** | 95 536 | 17 | 112 067 |

# Definitions

| | |
|---|---|
| Normalised earnings | The Group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies. Refer to page 12 and 13 for a detailed description of normalised earnings. |
| Normalised net asset value (R million) | Normalised equity attributable to ordinary equityholders. |
| Normalised net asset value per share | Normalised equity attributable to ordinary equityholders divided by number of issued ordinary shares. |
| Normalised earnings per share | Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares including treasury shares. |
| Capital adequacy ratio (CAR) | Capital divided by risk weighted assets. |
| Risk weighted assets (R million) | Prescribed risk weightings relative to the credit risk of counterparty, operational risk, market risk, equity investment risk and other risk multiplied by on and off balance sheet assets. |
| Return on equity (ROE) | Normalised earnings divided by average normalised ordinary shareholders' equity. |
| Price-to-book (times) | Closing share price on 31 December divided by normalised net asset value per share. |
| Price earnings ratio (times) | Closing price on 31 December divided by basic normalised earnings per share. |
| Dividend cover | Normalised earnings per share divided by dividend per share. |
| Loan-to-deposit ratio | Average advance divided by average deposits. |
| Non-interest revenue to total income (diversity ratio) | Non-interest revenue expressed as a percentage of total income including share of profit from associates and joint ventures. |
| NPLs as percentage of average advances | NPLs expressed as a percentage of average advances. |
| Impairment charge as % of average advances (credit loss ratio) | Total impairment charge per the income statement divided by the average advances (average between the opening and closing balance for the period). |
| Cost-to-income ratio (%) | Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profit from associates and joint ventures. |
| Effective tax rate | Tax per the income statement divided by the income before direct tax per the income statement. |
| Net income after capital charge (NIACC) | Normalised earnings less the cost of equity times the average ordinary shareholders' equity and reserves. |
| Shares in issue (number) | Number of ordinary shares listed on the JSE. |
| Weighted average number of ordinary shares (number) | The weighted average number of ordinary shares in issue during the year as listed on the JSE. |
| Exposure at default (EAD) | Exposure at default is defined as the gross exposure of a facility upon default of a counterparty. |
| Loss given default (LGD) | The loss given default is defined as the economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default. |
| Probability of default (PD) | The probability of default is the probability that a counterparty will default within the next year and considers the ability and willingness of the counterparty to repay. |

# Headline earnings additional disclosure

Set out below is additional information pertaining to Section 1 of Circular 03/2009 – 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

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | 2011 | 2010 | % change | 2011 |
| Aggregate cost of portfolio | **4 335** | 2 999 | 45 | 3 215 |
| Aggregate carrying value | **5 566** | 4 085 | 36 | 4 285 |
| Aggregate fair value* | **6 618** | 5 096 | 30 | 5 601 |
| Equity-accounted income** | **208** | 25 | >100 | 133 |
| Profit on realisation# | **3** | 24 | (88) | 27 |
| Aggregate other income earned† | **83** | 68 | 22 | 166 |

* *Aggregate fair value is disclosed including minorities.*
** *Income from associates is disclosed pre-tax.*
# *Profit on realisation is disclosed post-tax and minorities.*
† *Aggregate other income earned is disclosed pre-tax.*

## Issue 2 – Capital appreciation on investment products

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | 2011 | 2010 | % change | 2011 |
| Carrying value of investment properties | **203** | 161 | 26 | 203 |
| Fair value of investment properties | **203** | 161 | 26 | 203 |
| Capital appreciation after tax | **–** | – | n/a | 44 |

# Reclassifications of prior year numbers

During the financial year the following income statement reclassifications were made:

| 30 June 2011<br>Income statement<br>R million | Amount as previously reported | Amount as restated | Difference | Explanation |
|---|---|---|---|---|
| Non-interest income | 31 882 | 29 565 | 2 317 | Fee and commission expenses that are incremental or directly attributable to the generation of fee and commission income have been reclassified out of various operating expense lines into the fee and commission expense line. In addition, the presentation of fee and commission expenses has been updated by presenting it as part of non-interest income and not as part of operating expenses. |
| Operating expenses | (26 901) | (24 584) | (2 317) | As per above. |
| Profit for the year | 21 527 | 21 527 | – | No effect on profit for the year. |

| 31 December 2010<br>Income statement<br>R million | Amount as previously reported | Amount as restated | Difference | Explanation |
|---|---|---|---|---|
| Non-interest income | 14 396 | 13 250 | 1 146 | Fee and commission expenses that are incremental or directly attributable to the generation of fee and commission income have been reclassified out of various operating expense lines into the fee and commission expense line. In addition, the presentation of fee and commission expenses has been updated by presenting it as part of non-interest income and not as part of operating expenses. |
| Operating expenses | (13 424) | (12 278) | (1 146) | As per above. |
| Profit for the year | 12 591 | 12 591 | – | No effect on profit for the year. |

# Company information

## Directors

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

## Secretary and registered office

BW Unser
4 Merchant Place
Corner Fredman Drive and Rivonia Road, Sandton, 2196
PO Box 650149, Benmore, 2010 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
Corner Fredman Drive and Rivonia Road, Sandton, 2196
Telephone: +27 11 282 1079
Telefax: +27 11 282 8215

## Transfer secretaries – South Africa

Computershare Investor Services Pty Limited
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107
Telephone: +27 11 370 5000
Telefax: +27 11 688 5221

## Transfer secretaries – Namibia

Transfer Secretaries Pty Limited
Shop No 8, Kaiserkrone Centre
Post Street Mall, Windhoek
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 | ZAE000066304 |

| **Non-cumulative non-redeemable preference shares** | **Share code** | **ISIN code** |
|---|---|---|
| "B" | FSRP | ZAE000060141 |

### NAMIBIAN SECURITIES EXCHANGE (NSE)

| **Ordinary shares** | **Share code** | **ISIN code** |
|---|---|---|
| FirstRand Limited | FST | ZAE000066304 |
| FNB Namibia Holdings Limited | FNB | NA0003475176 |
| **Subordinated debt** | | |
| FNB of Namibia Limited | FNB17 | NA000ANQ603 |

### BOTSWANA SECURITIES EXCHANGE (BSE)

| **Ordinary Shares** | **Share code** | **ISIN code** |
|---|---|---|
| FNB Botswana Holdings Limited | FNBB | BW0000000066 |

### JSE

#### Subordinated debt

| **Issuer** | **Bond code** | **ISIN code** |
|---|---|---|
| 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 |

#### 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 | FRBN04 | ZAG000041005 |
| FirstRand Bank Limited | FRBN05 | ZAG000042169 |
| FirstRand Bank Limited | FRBN06 | ZAG000073214 |
| FirstRand Bank Limited | FRBN07 | ZAG000073206 |
| FirstRand Bank Limited | FRBZ01 | ZAG000049255 |
| FirstRand Bank Limited | FRBZ02 | ZAG000072711 |
| FirstRand Bank Limited | FRBZ03 | ZAG000080029 |
| FirstRand Bank Limited | FRJ13 | ZAG000079823 |
| FirstRand Bank Limited | FRJ14 | ZAG000069683 |
| FirstRand Bank Limited | FRJ16 | ZAG000073826 |
| FirstRand Bank Limited | FRJ18 | ZAG000084187 |
| FirstRand Bank Limited | FRS35 | ZAG000076852 |
| FirstRand Bank Limited | FRS36 | ZAG000077397 |
| FirstRand Bank Limited | FRS37 | ZAG000077793 |
| FirstRand Bank Limited | FRS43 | ZAG000078643 |
| FirstRand Bank Limited | FRS46 | ZAG000079807 |
| FirstRand Bank Limited | FRS49 | ZAG000081787 |

| Issuer | Bond code | ISIN code |
|---|---|---|
| FirstRand Bank Limited | FRS50 | ZAG000085663 |
| FirstRand Bank Limited | FRS51 | ZAG000086117 |
| FirstRand Bank Limited | FRS52 | ZAG000086497 |
| FirstRand Bank Limited | FRS53 | ZAG000086828 |
| FirstRand Bank Limited | FRS54 | ZAG000087032 |
| FirstRand Bank Limited | FRS55 | ZAG000087040 |
| FirstRand Bank Limited | FRS56 | ZAG000087271 |
| FirstRand Bank Limited | FRS57 | ZAG000087313 |
| FirstRand Bank Limited | FRS59 | ZAG000089855 |
| FirstRand Bank Limited | FRS60 | ZAG000090267 |
| FirstRand Bank Limited | FRS61 | ZAG000090523 |
| FirstRand Bank Limited | FRS62 | ZAG000090614 |
| FirstRand Bank Limited | FRS63 | ZAG000091513 |
| FirstRand Bank Limited | FRX14 | ZAG000079815 |
| FirstRand Bank Limited | FRX15 | ZAG000051103 |
| FirstRand Bank Limited | FRX18 | ZAG000076472 |
| FirstRand Bank Limited | FRX24 | ZAG000073693 |
| FirstRand Bank Limited | FRX31 | ZAG000084195 |
| FirstRand Bank Limited | FRX45 | ZAG000076480 |

## Inflation-linked bonds

| Issuer | Bond code | ISIN code |
|---|---|---|
| FirstRand Bank Limited | FRBI04 | ZAG000044306 |
| FirstRand Bank Limited | FRBI07 | ZAG000055849 |
| FirstRand Bank Limited | FRBI22 | ZAG000079666 |
| FirstRand Bank Limited | FRBI23 | ZAG000076498 |
| FirstRand Bank Limited | FRBI28 | ZAG000079237 |
| FirstRand Bank Limited | FRBI33 | ZAG000079245 |
| FirstRand Bank Limited | FRI15 | ZAG000051137 |

## Credit-linked notes

| Issuer | Bond code | ISIN code |
|---|---|---|
| FirstRand Bank Limited | FRC01 | ZAG000049800 |
| FirstRand Bank Limited | FRC04 | ZAG000057563 |
| FirstRand Bank Limited | FRC08 | ZAG000051749 |
| FirstRand Bank Limited | FRC11 | ZAG000054131 |
| FirstRand Bank Limited | FRC17 | ZAG000056011 |
| FirstRand Bank Limited | FRC29 | ZAG000069857 |
| FirstRand Bank Limited | FRC37 | ZAG000076712 |
| FirstRand Bank Limited | FRC40 | ZAG000081027 |
| FirstRand Bank Limited | FRC41 | ZAG000081670 |
| FirstRand Bank Limited | FRC45 | ZAG000082918 |
| FirstRand Bank Limited | FRC46 | ZAG000082959 |
| FirstRand Bank Limited | FRC47 | ZAG000084310 |
| FirstRand Bank Limited | FRC55 | ZAG000085507 |
| FirstRand Bank Limited | FRC57 | ZAG000086414 |
| FirstRand Bank Limited | FRC61 | ZAG000087347 |
| FirstRand Bank Limited | FRC66 | ZAG000088485 |
| FirstRand Bank Limited | FRC67 | ZAG000088741 |
| FirstRand Bank Limited | FRC68 | ZAG000088758 |
| FirstRand Bank Limited | FRC69 | ZAG000088766 |
| FirstRand Bank Limited | FRC70 | ZAG000088840 |
| FirstRand Bank Limited | FRC71 | ZAG000088923 |
| FirstRand Bank Limited | FRC72 | ZAG000088956 |
| FirstRand Bank Limited | FRC73 | ZAG000089046 |
| FirstRand Bank Limited | FRC74 | ZAG000089178 |
| FirstRand Bank Limited | FRC75 | ZAG000089566 |
| FirstRand Bank Limited | FRC76 | ZAG000089574 |
| FirstRand Bank Limited | FRC77 | ZAG000089608 |

| Issuer | Bond code | ISIN code |
|---|---|---|
| FirstRand Bank Limited | FRC78 | ZAG000089806 |
| FirstRand Bank Limited | FRC79 | ZAG000089947 |
| FirstRand Bank Limited | FRC80 | ZAG000090077 |
| FirstRand Bank Limited | FRC81 | ZAG000090325 |
| FirstRand Bank Limited | FRC82 | ZAG000090796 |
| FirstRand Bank Limited | FRC83 | ZAG000090952 |
| FirstRand Bank Limited | FRC84 | ZAG000090986 |
| FirstRand Bank Limited | FRC85 | ZAG000091109 |
| FirstRand Bank Limited | FRC86 | ZAG000091182 |
| FirstRand Bank Limited | FRC87 | ZAG000091570 |
| FirstRand Bank Limited | FRC88 | ZAG000091596 |
| FirstRand Bank Limited | FRC89 | ZAG000091604 |

## Senior unsecured callable bonds

| Issuer | Bond code | ISIN code |
|---|---|---|
| FirstRand Bank Limited | FR002U | ZAG000042748 |
| FirstRand Bank Limited | FR003U | ZAG000042755 |

## Investment security index contracts

| Issuer | Bond code | ISIN code |
|---|---|---|
| Rand Merchant Bank | RMBI01 | ZAG000050865 |
| Rand Merchant Bank | RMBI02 | ZAG000052986 |
| Rand Merchant Bank | RMBI03 | ZAG000054032 |
| Rand Merchant Bank | RMBI04 | ZAG000055013 |
| Rand Merchant Bank | RMBI05 | ZAG000055864 |
| Rand Merchant Bank | RMBI06 | ZAG000056722 |
| Rand Merchant Bank | RMBI07 | ZAG000057910 |
| Rand Merchant Bank | RMBI08 | ZAG000072265 |

## Structured note

| Issuer | Bond code | ISIN code |
|---|---|---|
| Rand Merchant Bank | OILRMB | ZAE000152732 |

LONDON STOCK EXCHANGE (LSE)

## European medium term note (EMTN) programme

| Issuer | ISIN code |
|---|---|
| FirstRand Bank Limited | XS0306783621 |
| FirstRand Bank Limited | XS0635404477 |

Notes

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